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CAPITAL

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	1Q2022 Return
Goudy Park Capital	-9.69%
Russell 2000 Growth	-12.63%
S&P 500	-4.60%

Dear Goudy Park Limited Partners,

Goudy Park Capital finished Q1 2022 down 9.69% compared to our closest benchmark, the Russell 2000 Growth Index, which finished the quarter down 12.63%. The S&P 500 Index ended the quarter down 4.60%. The first quarter of 2022 was challenging for the equity markets especially if one did not have exposure to the energy sector, which we do not. Russia's invasion of Ukraine put further pressure on rising commodity costs and caused additional supply chain bottlenecks. Additionally, China has continued to have challenges controlling the COVID-19 virus, which has led to ongoing lockdowns that have negatively impacted growth and further constrained an already stressed supply chain. Lastly, inflation has continued to surge in large part driven by too much stimulus provided by Congress and over accommodative support by the Fed throughout the pandemic. This has now led the Fed to get a lot more hawkish and outspoken regarding the need to raise interest rates. The result has been a sharp rise in the yield on the 10-year Treasury bond which has seen its yield increase from 1.75% in March to approximately 3% today. This has led to an increasingly challenging investing environment, especially for growth stocks.

Our view going into the first quarter of 2022 was that we expected the Fed to start raising interest rates, which would cause growth stocks to experience multiple compression and more defensive stocks with robust cash flow and strong balance sheets would outperform. As a result, we continued to allocate more of our capital towards more liquid and more defensive oriented businesses in addition to shorting expensive, unprofitable tech and biotech companies and other poorly capitalized companies.

During the first quarter, defensive companies with good balance sheets and strong cash flow outperformed. Unprofitable companies and businesses with difficult COVID comps and illiquid stocks significantly underperformed. Our positions in NZME Limited, StoneX Group, Clarivate Plc, KAR Auction Services and Galaxy Gaming were our strongest contributors.

NZME Limited, a New Zealand based media company and our largest holding in the portfolio, benefitted from signing content agreements with Meta and Google, while delivering better than expected growth

and earnings and initiating a better than expected 5.5% dividend yield. The company currently trades at a 2022 EBITDA multiple of 3.6x and a Free Cash Flow Yield of 20%. To put this in perspective, we consider a company with a 7% FCF yield to be attractively valued.

StoneX Group is an institutional financial services network that connects companies and investors to the global market's ecosystem through a unique blend of digital platforms, end-to-end clearing and execution services and high-touch expertise and service. StoneX had a strong first quarter benefitting from rising interest rates, increased volatility and widening spreads. After a 25% gain in the stock over the last 2 quarters, we exited our position on the stock's move higher. While we like the business and have high regard for management, we have concern that the second quarter could be weak if the market continues to move downward as investors move to the sidelines and take risk off.

Clarivate Plc is a UK based subscription provider of structured information and analytics. Their large international customer base of over 50k customers includes 47 out of the top 50 companies that make investments in R&D and spans many industries including academic institutions, the automotive industry, patent offices, law firms, pharmaceutical companies and many others. We built our position in Clarivate during Q1 after the company had a revenue shortfall and went through some executive changes in late 2021 and the stock had corrected by over 50%. What attracted us to Clarivate is the strong reputation of its products, its 90% plus annual customer retention and the company's 40% plus EBITDA margins. Additionally, the company generates significant free cash flow and currently has an 8.5% Free Cash Flow Yield. The company also recently announced a buyback plan that would reduce the company's shares by 8-10% over the next 18 months.

KAR Auction Services provides remarketing solutions to commercial used car owners globally. The company brings buyers and sellers of used vehicles together through their auction services. The attractiveness of KAR's online marketplace platform is that they collect fees from both buyers and sellers, and they operate an asset light model. Now that the company has transitioned into a much more cost effective online only digital model, we expect operating margins to reach 25-30% over time with very strong free cash flow. As a result of supply chain challenges, the company has been negatively impacted by the lack of new car supply, which has caused used car prices to stay uncharacteristically high. According to the US Bureau of Labor's CPI, used car prices are still nearly 50% above their pre-pandemic values. Historically, cars coming off lease are valued at more than the prevailing market value, which leads to a consistently high number of cars coming to auction every year. The opposite is occurring now as lease residual values are lower than the market prices of used cars. As a result, lease holders are buying out their leases and holding onto their cars for longer. ALG and Ford Credit have reported that the number of lessees who buy out their leases has more than doubled. This has caused auction volumes to fall 20%-30% from normal industry levels, and auction volumes from commercial sellers of off-lease vehicles have fallen by more than 60%. Once the supply chain bottlenecks improve and more new cars are being produced, used vehicle pricing should decline significantly leading to a sharp rise in auction volumes, which will accelerate KAR's business. KAR currently trades at 6x 2022 EBITDA and has provided the market with a 2025 estimate of $500m in EBITDA. At a 12x multiple, the stock would be valued at $49, up from today's price of $15. Historically peer marketplace companies such as Copart have traded at 17x-22x and KAR will have a higher growth rate than Copart as the industry fundamentals improve.

Galaxy Gaming is a position we have owned since 2019 that has been a significant winner for our portfolio. The company is the second largest provider of table games and the leading provider of progressives for the gaming industry. Other than during 2020 when Covid-19 negatively impacted the business, Galaxy Gaming has organically grown revenue double digits with consistent EBITDA growth in the high teens to low 20% range. Galaxy's products are used in 500+ casinos worldwide and over time they can grow that number to more than 3,500 casinos. They recently released a new Baccarat product which has contributed to the growth in new customers as well as increased revenue by Galaxy's current customers. Their new progressive platform has also increased the number of billing units per casino. The online casino space is a strong and growing opportunity as well. Online casinos are currently legal in six states in the US, and we expect this number to continue to increase given the growth we've seen in online sports betting and the potential tax revenues states can reap from the games. Galaxy's portfolio already includes 5 out of the top 7 blackjack games used by online casinos in the US. Galaxy should continue to dominate the online casino market and every state that legalizes online gambling adds another lever to Galaxy's growth. The company has been able to augment its organic growth with the purchase of Progressive Game Partners in 2020 and High Variance Game's game portfolio in 2021. Before acquiring PGP, Galaxy paid a fee to the company to distribute Galaxy's games online. Now, Galaxy not only has accelerated revenue growth and become the leading licensor and distributor of proprietary table games to the global iGaming industry, but also no longer has to pay a distribution fee, which has increased profitability. We were also pleased to see Galaxy nearly double the size of their sales team coming out of the pandemic.

The stocks that performed the weakest in Q1 were Temple & Webster, Tucows, Think Smart, Vitec, Konatel, Myomo and Endor. While the majority of these companies generated strong revenue and profit growth, they underperformed as investors rotated out of less liquid small caps and into larger, liquid stocks.

Despite exceeding guidance, being cash flow profitable and having a very strong balance sheet, Temple & Webster's stock continued to decline. We believe this is temporary as the company will lap its difficult comps from the pandemic period soon, which has resulted in the company's growth slowing in the near term. While the correction in the shares is disappointing, we are confident that Temple & Webster's growth rate will re-accelerate later this year. What gives us confidence is that the company has doubled the size of its addressable market through expanding its private label product categories and commercial segments. We recently spoke with the company and management remains very confident in market share growth and the ability to source product from its broad group of suppliers across the globe. We continue to believe that Temple & Webster is 8 years behind Wayfair and can capture 25%-30% of the home décor market in Australia as more of the market moves online over time. Over the next 5 to 6 years, Temple & Webster should be able to reach $3B in sales with 13%-16% EBITDA margins without the need to raise any additional capital. As the company gains more scale and increases the mix of higher margin private label and freight and transportation costs return to more normalized levels, operating leverage will expand meaningfully. Given the large runway ahead for Temple & Webster, we believe the company can achieve an 8x-10x return from current levels over the next 6-7 years.

Tucows is a name we have owned since the inception of our fund and we have a great history with management. Elliot Noss is the rare CEO who is a phenomenal operator as well as capital allocator. The company's core business is domain names and they are the second largest provider behind Go Daddy.

The business is a low growth steady cash cow. While the core business isn't very sexy, the cash it generates has allowed the company to continue to invest and scale its fiber business at close to 100% per year. The market is currently penalizing Tucow's strategy of investing for growth and generating negative cash flow in its fiber business given the environment of rising rates. However, the economics are so compelling that we fully support management's decision and expect the stock to be worth multiples more over time. Tucows focuses its fiber efforts on small cities across the US that are often overlooked by larger providers. This allows Tucows to become the number one provider with upwards of 50% market share in some markets, while developing network market effects that lower advertising costs and reduce competition. At maturity, the fiber business generates 80% gross margins and 60% EBITDA margins, which compare favorably to tower companies, but with higher growth. Low growth tower companies are valued between 20-26x EBITDA. The addressable market is large enough to allow the fiber business to grow at 35%-50% for what we think could be another 7-10 years. Today the growth rate is closer to 100%. The other attractive component of the fiber business is that it is very sticky. More and more homes want high speed connections, and they also want better service. As people work from home and more and more homes have multiple people streaming movies and video games on multiple devices simultaneously, it becomes critical to have a highspeed fiber network connection. At the current price of $45 per share, the company trades at 50% of our base intrinsic value. Over a 7-10 period, we believe Tucows is capable of returning 5-7x once the fiber business is generating strong cash flow and fiber is over 50% of the overall business mix.

ThinkSmart is a holding company whose largest asset today is its 618k share position in Block, Inc, which changed its name from Square in 2021. ThinkSmart launched Clearpay, a buy-now pay-later service in the UK in 2017 and sold a 90% stake in the technology brand to Afterpay in 2018, with ThinkSmart retaining the remaining 10% for themselves. ThinkSmart's return was greater than 600% on its investment in ClearPay. Block acquired Afterpay in late 2021 and ThinkSmart negotiated the sale of the remaining 10% stake in exchange for 618k shares in Block. We sold 25% of our position at a significant premium to our cost and chose to hold onto the remaining shares given that ThinkSmart's stock trades at over a 30% discount to the implied value of Block's shares due to ThinkSmart's illiquidity and holding company structure. This means if the company sold its Block shares today and returned the cash to shareholders, the cash dividend per share would be more than 30% greater than the market value of ThinkSmart's shares today. Block is now integrating AfterPay's service both into its point-of-sales {"POS") software, allowing merchants using Square's POS to offer buy now, pay later ("BNPL") to their customers, and into Block's consumer Cash App, enabling consumers through the app to more easily find and pay online merchants who offer BNPL. These product enhancements and integrations should lead to an acceleration in growth for Block and increase the value of our ThinkSmart position. Over time, we believe management of ThinkSmart will sell its remaining stake in Block, Inc. and return the cash to shareholders reducing the current valuation arbitrage in ThinkSmart's shares. In the interim we expect Block to grow 35-40% a year.

Vitec is another long term holding we purchased in 2019 that has been very accretive to the portfolio. Vitec is based in Sweden and is the largest operator and acquirer of vertical SaaS businesses in Scandinavia. The company delivered strong Q1 results with 25% growth in revenue and EBITDA. However, the stock declined due to the Russia and Ukraine war as European investors looked to raise cash. Since then, the stock was upgraded by SAB bank in Sweden and the shares have recovered and now trade close to its 52-week high. Vitec's business model is attractive as it has the ability to acquire

smaller software companies at lower multiples and bring them into the Vitec ecosystem and help these businesses adopt best practices and reduce operating costs. Vitec has such a strong reputation among companies looking to be acquired in Europe that Vitec's two largest acquisitions in 2021 both agreed to be acquired by Vitec at a lower price than was offered by a competitor. Many of Vitec's companies sell mission critical services that are a small percentage of a company's operating costs so the retention of their software products is very high even during a recession. For example, when travel shut down during the pandemic in 2020, Vitec's business unit that provides software to travel agencies had almost zero churn and generated consistent recurring revenue. This demonstrates the durability of Vitec's revenues. The company also generates a lot of cash, which is primarily used for making acquisitions.

Konatel is a telecom company we purchased in Q3 of 2021 that provides retail and wholesale telecommunication services to individual and business customers. The stock underperformed in Q1 due to investors reducing exposure in less liquid stocks. However, the company has been ramping its business and just reported a very strong Q1 of 77% growth in revenue year over year and over 135% growth in their mobile services business. We expect this growth to continue, with total revenue growth over 105% in 2022 and over 150% growth in 2023 as the company's capacity to add more lines a month increases. As a result, the stock has recently rallied 25% and recovered much of its decline in Q1. We expect Konatel's stock to continue to significantly outperform the market going forward given its high growth and low valuation of 3.4x management's 2023 EBITDA expectations.

Myomo is a medical device company that we acquired in early 2021 that sells a proprietary product that provides mobility and functionality to patients that don't have the ability to use their arms. We were attracted to Myomo for its 50% plus growth and its low cash burn. Myomo utilizes a direct-to-consumer business model, but unfortunately Myomo's online cost to acquire patients went up significantly in Q1. This was unexpected and changed the attractiveness of the company's business model. As a result, we have been in the process of selling our position.

Endor is a German online provider of high-end steering wheels and pedals for racing simulations on game consoles and PCs as well as driving school simulators. Its products are sold under the Fanatec brand. The company has benefitted from the growing interest in Formula 1 racing. The stock is down over 30% YTD, and the company currently trades at 7.5x EBITDA despite consistently growing 30%-50% with near 30% EBITDA margins, while having no debt and generating cash flow. We think the stock should trade at 15x EBITDA in a normalized environment given its growth and profitability profile providing 100% upside from today's price.

Overall, the feedback we are getting from our portfolio companies remains very positive. Our companies with very few exceptions are meeting or exceeding their quarterly expectations. During follow up conference calls and our meetings with management teams, we are hearing the outlook for our portfolio companies remains strong.

At the macroeconomic level, the demand side remains quite robust with the exception of the lower end consumer, while labor cost pressure is being consistently felt across industries. Walmart and Target missed their Q1 earnings numbers and lowered expectations, while companies serving more affluent customers such as William Sonoma and Nordstrom have delivered better than expected results. We remain concerned that reducing inflation is going to take longer than the market is pricing in. We are also concerned that the economy and employment data are still too strong. We believe the Fed is going to have to raise rates 50 bps in July, August and September and possibly another 50 bps before year end

in order to lower employment rates and inflation, which is higher than consensus estimates. While there have been some positive indicators that the hot economy is slowing such as NAHB housing data showing demand had dropped 10% month over month, fuel prices remain at all-time highs despite a recent increase in OPEC production. In addition, used car prices remain significantly elevated and the supply of new cars remains tight signaling that supply chain issues remain far from being fixed.

We are monitoring the macro environment carefully and have temporarily taken down our net exposure out of caution to approximately 65%. We have also reduced our exposure to less liquid small cap stocks and unprofitable growth stocks (which was the best area of the market to make money over the last several years) by over 50% over the last 2 quarters. These stocks now represent less than 25% of our portfolio today.

Despite our more defensive stance with the portfolio, we are extremely encouraged about the opportunities we are finding in the market and on which we are currently doing due diligence. Our current focus list is far from sexy as we are currently doing work on a funeral company, a garbage company, and a companion animal drug company. These companies' defensive, durable characteristics fit the current environment. We are also researching high quality, beaten down, dominant market share growth companies. We look forward to sharing our thoughts after we conclude our analysis. We have an outstanding list of high-quality companies we are planning to deploy capital into as well as add more capital to our highest conviction portfolio names. We will do so once we feel more confident that we have reached a period of more stability in the macroenvironment as it relates to Russia/Ukraine, China, inflation and interest rates. We would rather miss the first 10-15% of a sustained recovery than try and catch a falling knife.

I know it is disappointing to read P&L statements that show a decline, and it is easy to focus on disappointing near-term results. I have more of my net worth in Goudy Park than anyone, so I feel the pain too and it hurts a lot to be down. What I can assure you is that your capital is getting my full attention and with some patience this portfolio will once again see strong positive gains. We delivered a 402% net return from 2017 to 2021, compared to the S&P and the Russell 2000 Growth which returned 133% and 97% respectively over the same period, because we bought high quality companies at attractive multiples. We continue to own very good businesses with substantial opportunity to grow and increase market share and as the market environment improves, we have a lot of cash to deploy into exceptional companies at increasingly better values. We are getting closer to a bottom, and I am confident that once again, the market will reward investors who are committed for the long run. I think it is important to remember that the periods in history that delivered outsized gains were all the direct result of market recoveries off the bottom of a sharp economic correction. In the last 20 years, the outperformance of 2001, 2009, 2020 all occurred after periods of poor economic growth or shocks to the U.S. economy. In 2000 we had the Internet bubble crash, in 2009 we had the banking and housing collapse, and in 2020 we had the Covid-19 pandemic. Following these disruptive market corrections that required significant intervention by the U.S. Government and the Federal Reserve, the market had some of its best years. Many investors prefer to invest when the market is at all time highs, which is often correlated with peak valuations, and they become paralyzed when the market is at its low when valuations are most attractive. Warren Buffett is often quoted for saying "Be greedy when others are fearful." I haven't recommended to any one of you to add to your positions in Goudy Park L.P for the last 12 months, but with the S&P recently down 20% and the Nasdaq down 25%, the risk reward to put more capital to work now is far more favorable than at any time since the beginning of the pandemic. Cash is

not a good long term vehicle to invest one's money in a high inflationary environment. I have committed an additional $250K of my own personal capital to the fund for the July 1st deadline.

Thank you again for your continued support and as always please reach out to Brian, Ebin or me with any questions.

Regards,

Jamie

Appendix:

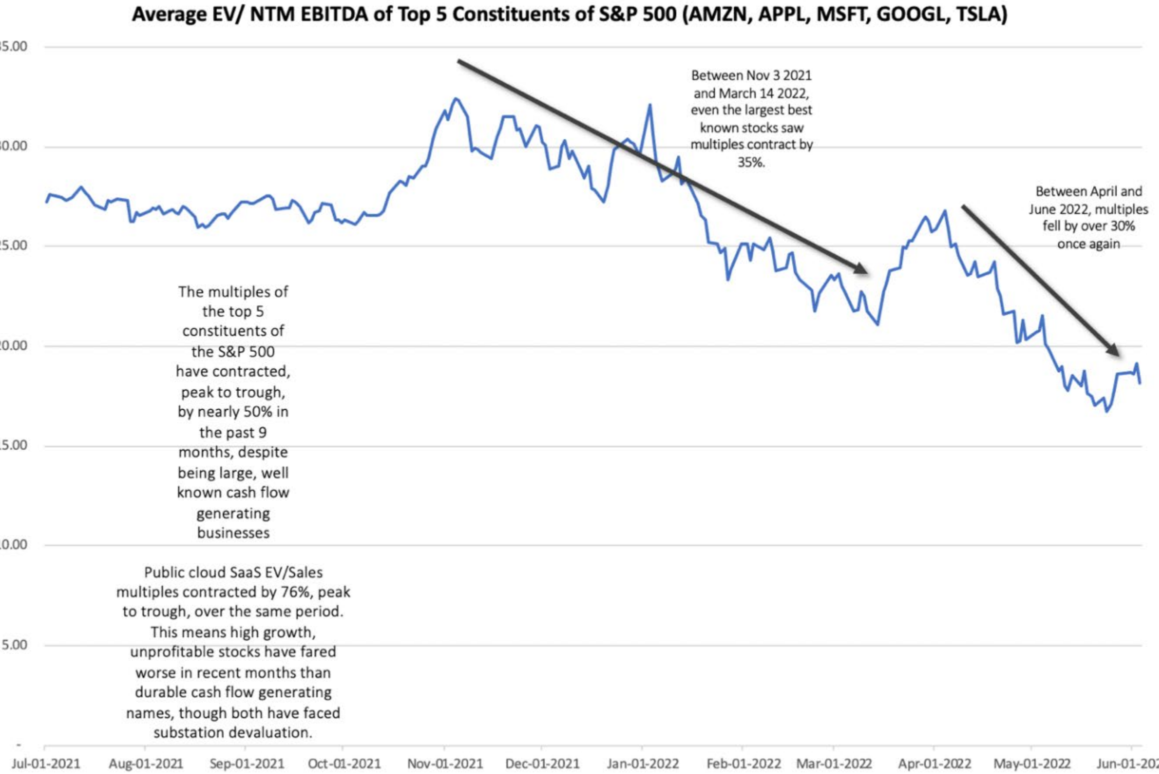
Sales Multiples of Public Cloud SaaS Companies

Have Contracted by over 75% Peak-to-Trough in the Last Nine Months[1]

As the Fed has increased interest rates to combat rising inflation, fast growing cloud SaaS companies have seen their multiples contract by over 75% peak-to-trough. As seen in the chart above, 2020 was a strong year for high-growth, often unprofitable cloud SaaS companies. Between March 2020 and February 2021, their sales multiples nearly tripled. Low interest rate environments benefit high growth companies, as it allows them to access cheap capital to grow their companies quickly. With low churn, high customer retention and cheap capital, SaaS companies traded at record highs. However, as inflation worries led to expectations that the Fed would have to raise rates, cloud SaaS multiples began to fall in mid 2021. Nevertheless, valuations remained high in Q3 2021, with many trading between 25-30x Sales. Between December 31 and May 31, 1Y treasury yields rose from 0.39% to 2.08%, and the average cloud SaaS multiple fell from 23.6x Sales to 9.7x Sales.

[1] Source: Meritech Capital (https://www.meritechcapital.com/public-comparables/enterprise#/public-comparables/enterprise/historical-trading-data). Commentary our own.

The Average EV/EBITDA multiple of the Top 5 Constituents of the S&P 500 also Substantially Declined, Though Not as Much as High-Growth cloud SaaS Companies[2]



Even the best known and most closely followed companies in the world have seen substantial multiple contraction. Peak-to-trough, the average EBITDA multiple of the top 5 constituents of the S&P 500 has declined by over 50% in the past nine months. The fact that they are cash flow positive, very well-known names with relatively consistent growth has protected them from the same devaluation that many SaaS companies have endured. However, the above chart also demonstrates that even the highest quality names have faced severe multiple contraction.

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[2] Data from CapIQ; chart and commentary our own