GREENHAVEN
ROAD CAPITAL

April 2024

Dear Fellow Investors,

The Fund[1] returned approximately 2% in the first quarter. Returns will vary by fund and investment class, so please check your statements for your actual returns.

Paid to Wait

The hardest part about investing is the waiting. As Charlie Munger of Berkshire Hathaway said, "The big money is not in the buying and selling, but in the waiting." In the short term, almost all share price gains and losses are related to changes in the multiples investors are willing to pay. Earlier this month, the March consumer price index came in at 3.48%, which was rounded up to 3.5%, which was higher than the expected 3.4%, and – BAM – multiples contract, and there is only red on my computer screen at 8:30 a.m.

Ironically, when the CPI update was posted and everything sold off, I was sitting in the audience for KKR's investor day. Management laid out a 302-page tour de force on how they can 4X their adjusted net income per share over the next 10 years (slide 23). Given the track record of their underlying funds, the firm's new distribution channels (high net worth and insurance), history of fundraising success, and high-net-worth individuals' under allocation to private equity, I had the overwhelming feeling of inevitability when considering KKR's long-term prospects. Of course, nothing is truly inevitable about the short-term direction of any share price, but KKR's business will almost undoubtedly grow significantly in the coming years. The firm's people, business model, products, market need, and track record all signal to me that this will be an even bigger, more profitable business in 5 years than it is today. They have compounded assets at 18% for almost a decade and a half and grown fee-related income 7X since 2010. The pieces are in place for the next phase of growth including successful existing funds, robust distribution channels, new products, and a large base of existing limited partners. The team has been building.

Reasonable people can disagree over the cadence, quantum, and the drivers of growth, but, given the base of long-duration capital that KKR is building from and the existing mountain of "dry powder" that they can call at their discretion, AUM is going up. How much? I don't know. Will it be because of Infrastructure, Asia, Credit, Americas, Real Estate, Growth Equity or something else? I don't know. If you are reading this letter, you are almost undoubtedly intelligent and creative. Because you are intelligent and creative, you can come up with a scenario where some combination of geopolitical events and regulatory changes impairs KKR's growth prospects, but I also suspect this exercise involves a mental Triple Lindy of problems for which a survival includes a nuclear bunker, by which time KKR's multiple would be the least of any of our problems. As the co-CEO said to me, "I don't worry about the next five years – those are already baked. I worry about years six through ten." In my book, that is public company CEO speak for *growth is inevitable*.

In this letter, I will walk through the portfolio through the lens of inevitability. In the short term, the multiple will determine our returns, but in the long term, it will be the business progress as reflected in revenue and earnings. Our holdings lie on a spectrum of inevitability. KKR strikes me as the most inevitable, in part because so much of the capital it manages is

[1] Greenhaven Road Capital Fund 1, LP, Greenhaven Road Capital Fund 1 Offshore, Ltd., and Greenhaven Road Capital Fund 2, LP are referred to herein as the "Fund" or the "Partnership."

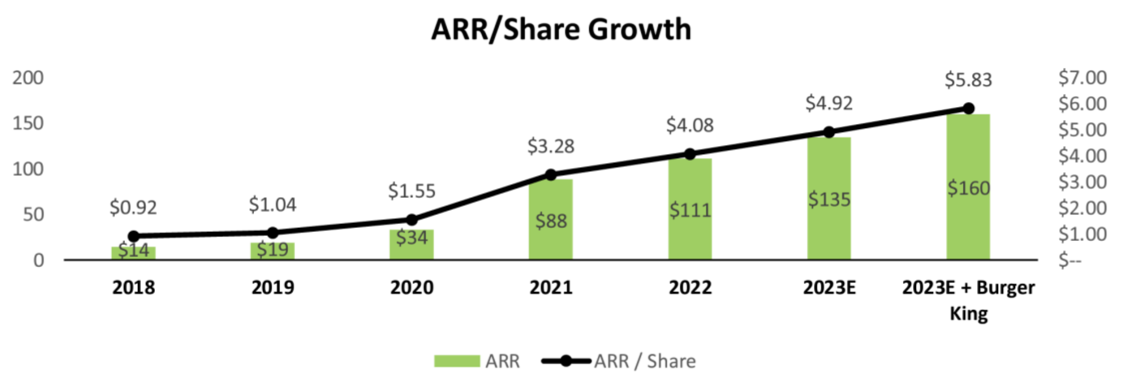
permanent. Not everything is KKR, but I believe that the combination of risks and rewards are compelling in aggregate. We may get lucky and get paid quickly, or we may have to suffer through some Federal Reserve noise, some election year noise, some geopolitical noise, or some economic headwinds. I think we will get paid for waiting. I think we will get paid because of the business building that is happening.

TOP 5 HOLDINGS

PAR Technology (PAR) – Let's start with the acknowledgement that anything with the word "technology" in the name is not 100% inevitable. With that said, PAR has several "ways to win" and I think the next five years will see a compelling transformation resulting in this caterpillar coming out of the cocoon and being valued like a butterfly. PAR's core business is POS (point of sale) for chain restaurants, which has the benefit of being a very low churn business. Losing less than 5% of locations per year, PAR's high retention rate means that new customers and new products can drive growth. They are not just spinning their wheels to refill a leaky bucket. Stable base + new customers + new products = Good Business.

In the interest of space, I will not go through all of PAR's tailwinds. I suggest you check out a write-up by Voss Capital (a fund we are invested in through the Partners Fund, our fund of funds), called "PAR's Path to $80 Redux: Godot Finally Arrives" (link).

As discussed in our Q3 2023 letter (link), PAR has been growing their recurring revenue dramatically over the last five years through acquisitions and organic growth. The best way to measure their progress is on a per-share basis. Below is the chart from Q3.



As the last column alludes to, Burger King growth is coming. PAR's systems will start rolling out in U.S. BK stores this quarter (Q2) and, over the next year and a half (absent an unforeseen event), PAR will add 7,000 new locations generating more than $20M per year in high margin recurring revenue from a single customer. As shareholders, we wait. The team works. It is contractual, the revenue should be is coming.

There is reason to believe that the new customer wins do not end with Burger King. Our Q3 letter, linked above, outlined a path to the rest of the Restaurant Brands (Burger King owner) portfolio. On the topic, PAR's CEO has said,

> "What makes us even more positive, is that we believe we're just at the beginning of a **tidal wave of large deals coming to market**, which should provide for long-term sustainable growth…."

To buttress this statement, PAR this month announced Wendy's as a customer for their Punchh loyalty product, likely contributing another $6M per year in recurring revenue starting this year.

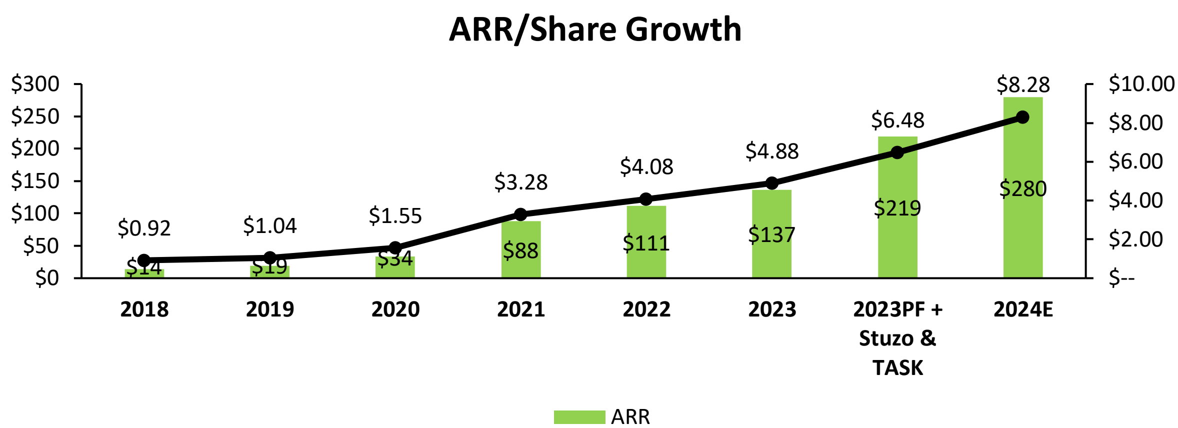
Over the next several years, new products will contribute to growth. In 2024, we will begin to see the contribution of Table Service, a POS for table service restaurants. PAR already announced that Hooters, a 300-unit chain, is a customer, and I believe that the company is deep in the running to win a 1,200+ unit table service chain that is named after a city in upstate New York. PAR will also get growth from their recently launched online ordering offering (MENU) that almost every new customer is taking. They also continue to sell their payments solution into their base of customers. Again, there are a lot of irons in the fire and a lot of ways to win.

PAR has been our largest position for a while now for all the reasons laid out above, but the beauty of good teams is that they can surprise to the upside. In March, PAR announced two acquisitions, Stuzo and TASK. Both accretive and both EBITDA positive, the acquisitions provide additional scale for PAR, accelerate profitability, add new markets, and add new customers. Each one of those factors – scale, profitability, new markets, and new customers – matters individually, but together they can create a lollapalooza. The market's reaction so far has been a big fat yawn. It is a lot to process. Let me just provide the elevator pitch for each acquisition.

Stuzo is the leading loyalty app for convenience stores. They have had zero customer churn historically, are profitable, and have been growing quickly. In the very near term, PAR can improve the Stuzo business by layering in payments functionality. PAR's Punchh loyalty offering formerly competed with Stuzo. By combining forces, the pricing environment can only get better. In the longer term, there is a real opportunity for PAR to build/adapt their POS for convenience stores. They are growing their opportunity while accelerating profitability by purchasing this Rule of 40 company.

Their second announced acquisition, TASK, is an Australia-based company that similarly sells POS and loyalty. TASK will be PAR's foothold internationally. As you may remember, while PAR won all of Burger King domestic, they did not win international, which has more units, because PAR did not havean international product. This TASK acquisition is a major step in the direction of being able to compete in those markets and serve existing customers. TASK also comes with two very interesting customers, Starbucks and McDonald's. McDonald's, an international loyalty program customer, also invested in TASK, owning 16%. Task was largely bootstrapped by its current CEO, Daniel Houden, who is rolling his equity into PAR and staying on. TASK is a product-led company that did not have a dedicated salesperson until two years ago. They did not win McDonald's or Starbucks through an advanced go-to-market strategy, they won on product and support. It will be interesting to see what happens when you layer in PAR's hardware and sales resources. TASK is a fast-growing, EBITDA-positive company with a stellar customer list that massively advances PAR's international presence, which PAR's customers (Burger King and others) have been begging for. Does TASK show up in PAR's last quarter numbers? No. Unfortunately, because of Australian laws, the acquisition will not even close until the third quarter this year and it will not show up in sell side projections for months. PAR's share price is down since the deal was announced. On some level I get it, the deal has not closed yet. but I believe that this has the potential to be a monster when it is fully reflected in the share price.

We started discussing PAR with a pretty chart of ARR per share that ended in 2023. Looking forward and layering in the two acquisitions, the portion of Burger King that will come online in 2024, plus Wendy's loyalty purchase, and other expected growth, I expect year-end ARR per share to be approximately $8.30 or over 8X larger than when CEO Savneet Singh took over just over 5 years ago. PAR will be entering 2025 with a lot of momentum, including $10M+ of contracted but not yet installed Burger King recurring revenue, a growing online ordering business, table service business, international business, and that tidal wave of RFPs that could yield some new customers. I expect 2025 ARR/Share to be $10+.



All of this business progress is great and exactly what we want to see from the companies we are invested in, but if the multiple continues to contract, we may lose money. The market has treated cash-generating software companies very differently than cash-burning software companies. I believe PAR completes the transition this year to becoming cash-flow positive. Below is a chart comparing cash-flow-positive software companies to cash-burning companies (first red dotted column).

		NTM Revenue Multiple			Median Market Capitalization			% Δ in Multiple		% Δ in Market Capitalization	
		2017 Median	2021 Median	Today's Median	2017 Median	2021 Median	Today's Median	'17 to Today	'21 to Today	'17 to Today	'21 to Today
40%+ NTM Revenue Growth	Cash Flow Positive	6.1x	38.0x	-	$2,971	$46,980	-	-	-	-	-
	Burning Cash	10.1x	44.4x	-	$6,399	$19,283	-	-	-	-	-
20-40% NTM Revenue Growth	Cash Flow Positive	6.8x	18.3x	**10.9x**	$2,653	$17,909	**$11,244**	62 %	(40)%	324 %	(37)%
	Burning Cash	8.0x	20.9x	**1.4x**	$1,832	$6,783	**$2,181**	(83)%	(93)%	19 %	(68)%
<20% NTM Revenue Growth	Cash Flow Positive	5.9x	10.3x	**4.9x**	$1,669	$5,711	**$4,362**	(16)%	(52)%	161 %	(24)%
	Burning Cash	3.7x	8.9x	**5.5x**	$848	$3,691	**$2,533**	48 %	(38)%	199 %	(31)%

MERITECH

Will PAR really get the full 10.9X revenue multiple implied by the chart above? Probably not. PAR will also not screen well to computers until it divests of its legacy government business, but it is highly likely that PAR looks very different both operationally and financially entering 2025 than it did entering 2023 or 2024.

This is a business getting stronger with every passing day. Its momentum is showing up in the ARR/share, customer wins, and product launches. PAR will end the year with nearly $300M in recurring revenue, opportunities in new markets, new customers, new products, and a non-zero chance of "running the table." But to benefit, Mr. Market is saying that we have to wait. The future is bright and the PAR team is busting their ass for us.

Cellebrite (CLBT) – Cellebrite is another technology company, making its results also not inevitable, but I do like their prospects The company says their "end-to-end platform helps investigative teams in both public and private sectors close cases faster, smarter, and more defensively than ever before." As we have discussed in recent letters, Cellebrite benefits from two trends that seem unlikely to dissipate. The first is that digital evidence is continuing to grow in forms and complexity including text, photo, voicemail, video, geolocation, contacts, emails, Snapchats, Instagram, and crypto. The second trend is that law enforcement agencies are undermanned with technology-proficient employees such that third-party technology tools offer their most realistic path to collect, analyze, and handle the digital evidence. Investigators cannot just throw bodies at the growing mountain of digital evidence; they need tools.

Cellebrite sells tools to extract, analyze, and manage digital evidence, making their users more efficient and effective. Despite this mission-critical offering, Cellebrite typically represents less than 1/10 of 1% of their customers' budgets. Without pulling the pricing lever and not fully benefitting from the new product cycles, the company has grown ARR like a drum beat for the last four years as it transitioned their business model from perpetual licenses to SAAS. At the recent analyst day, Cellebrite demonstrated products that radically increase investigator efficiency with improved search tools and the application of artificial intelligence. That is the first time I have used the term artificial intelligence in a letter. It sounds so promotional it makes my skin crawl, but I promise you that the tools they demonstrated can dramatically improve efficiency of investigators and should be very high ROI for the customers. A competitor's price increase created even more room for Cellebrite to raise their own. Rational customers will pay more. Prices are going up which should fuel growth which will be further enhanced by new products.

Cellebrite has an enterprise value of less than $2B. They will likely end the year with just under $400M of annual recurring revenue and last year generated almost $100M in free cash flow. Can the multiple compress? Sure. But if we wait, we own a growing, cash flowing, below market multiple, enduring secular tailwinds company entering a new product cycle which will last years, all while operating in a limited competitive landscape and selling products their customers desperately need. This is not selling water in the desert, but the customers are certainly thirsty.

KKR (KKR) – Previously discussed.

Burford (BUR) – As the ancient Greeks said, "The wheels of justice turn slowly, but grind exceedingly fine." As a litigation financer, Burford has funded a large portfolio of legal cases that are working their way through the legal process. Their largest "holding" is a judgement against Argentina related to the YPF case, for which Burford is in charge of pursuing the payout. If Burford were to collect the full $6.2B (not including post-judgement interest accruing at ~5% per year), this windfall would be worth $28 per share. To be clear, especially given Argentina's history in cases of this type, it is my expectation that Burford will take a haircut in a negotiated settlement. Interestingly, Burford's CIO Jonothan Molot appears on the visitor logs for senior Argentinian officials (link)… at least they are talking.

While the YPF judgment is a massive asset for Burford, it is far from the only case that should start gaining more traction in the near term. Despite receiving $242M of proceeds from $135M of pre-2020 vintage deployments in 2023, Burford still has ~$782M of deployments remaining in that vintage that we should start seeing flow through the P&L in the form of realizations as courts are now fully re-opened and cases delayed by the pandemic conclude.

Similar to the inevitable growth of KKR, excluding a change of law limiting litigation finance, I believe that Burford should continue to grow because of corporate manager incentives. They are solving two problems, particularly for public companies. First, legal cases are a drain on current year P&L. Thus, if a CEO or CFO wants to preserve this year's earnings, they can have Burford pay the legal expenses, resulting in "found money." It is easy to see a CEO hugging the General Counsel and CFO when they tell him/her that they found the money to "save" the year simply by partnering with Burford. The second problem is that the market does not generally attribute value to pending legal cases, and GAAP accounting does not help. However, if you sell a portion of the potential outcome to Burford for cash, the market does value that. Want to "strengthen" your balance sheet, at least optically, for the market or lenders? Sell a part of your case to Burford. One Fortune 50 company partnered with Burford last year for a $325M commitment to their case.

Right now, Burford is the only funder with that scale. CEOs, CFOs, and General Counsels like collecting bonuses. If that means giving up some future economics to Burford, which is playing the justice-turns-slowly game, so be it. With these dynamics, I think demand will grow. Ultimately, shareholder returns will come down to Burford's case-selection abilities, which historically have been outstanding. Since inception, only 8% of deployments have gone to adjudication and lost, resulting in a ~85% loss of capital to those line items. In contrast, 73% of deployments reached a settlement returning an average of 58% (23% IRR), and the remaining 19% reached a winning adjudication returning an average of 247% (49% IRR). Time will tell if these high returns continue, but there is a lot of upside potential that is not being priced into shares today. The CEO seems to agree with his recent $5M purchase.

INTERNATIONAL WORKPLACE GROUP (IWG) – I discussed IWG in detail in the last letter (link). As a reminder, they are the largest operator of flexible/shared office space. They are also going through a transition to an asset-light business where they partner with landlords, who put up the capital and assume occupancy risk. With this partnerships model, IWG is trying to be for office what Hilton is for hotels. Hilton does not buy or lease the buildings, but instead manages them on behalf of hotel owners and brings a suite of systems, tools, and experience to the endeavor such that the owner makes more money with less effort or risk than if they did it on their own.

IWG signed up over 800 partnerships last year and is on track to do over 1,000 this year. These signed deals generally take more than a year from signature to going live/operating and then take another 18 months to fill capacity and reach mature economics. This is all to say that the future of the business is just starting to show up in the financials. It is contractual, and thus inevitable, that these locations will open… and it is highly likely that they will contribute profits.

IWG's medium-term guidance is for $1B of EBITDA, which is approximately double the current business. As IWG becomes more asset-light and less risky, the multiple should expand. For those who wait, the reward should be earnings growth and multiple expansion. The company is likely to try accelerating their multiple expansion by moving their stock listing from the London Stock Exchange, which is completely bombed out, to a U.S. listing. Two recent successful examples of this are Ferguson (FERG) and CRH. Partnerships are being signed, locations are being opened to grow the business, and actions taken to improve the multiple – it is not hard to pencil out a double or triple for those who wait.

SHORT SIDE

We remain short the flying taxi company that has the trifecta of regulatory risk, technology risk, and business model risk – and you could arguably throw in a healthy dose of execution risk. We are short an EV manufacturer that delivered 6,001 vehicles last year. This is a subscale manufacturer that loses money with each car sold. We are short two companies facing significant litigation with the potential for treble damages (i.e., 3x the actual amount) for their actions and potential liabilities far in excess of their market capitalizations. The litigation will take time to play out, but given the low margins, commodity nature of their product, and capital intensity, it is an unlikely candidate for a GameStop-type short squeeze and I believe has the potential to decline by 50% or more. We are short a company that trades at a large premium to its underlying crypto currency holding. We are also short three major indices and bought some "insurance" in the form of out-of-the-money options in late December when option prices made the risk/reward more palatable. The puts will soften the blow of any major decline in equity prices and are both an insurance policy and allow us to remain invested.

RECENT SALE

In the first quarter, we exited our investment in Sphere, the entertainment venue in Las Vegas. We made the investment last year, before the facility opened, when Sphere was still a poster child for cost overruns and delays, allowing us to purchase shares at far below replacement cost. Fast forward to the new year and the building is open to rave reviews. U2 sold out every show, Phish sold out every show, and The Grateful Dead is coming. Sphere's economic model is better understood by the market and thus the "bet" has changed from "this is a viable venue" to "the company will be able to economically replicate this type of venue in other locations such as Macau or Dubai via direct investment or partnerships." Now, you have to believe that management can build partnerships and develop quality content in an economically rational way. It will take years before additional locations contribute economically. The CEO will lead them through this period of uncertainty. However, I just did not feel comfortable with James Dolan in our Fight Club. We may revisit this company over time, as its facility and the experience are jaw-dropping.

OUTLOOK

The average holding period for U.S. stocks has declined from over five years to under eight months. Traditional money management firms are bleeding assets to "pod shops" such as Point 72 and Balyasny, with dozens of teams that compete for capital and work under tight risk controls. These firms are the incremental buyer and seller. Since the largest average move for a security will happen on earnings day, these shops are very focused on quarterly earnings. What is the consensus number? Why is it wrong? There is an excellent book about Steven Cohen's SAC Capital titled "Black Edge: Inside Information, Dirty Money, and the Quest" that gives a pinhole view into the thought process and operations of these firms. It is my understanding that at least one of the "pod shops" is now charging teams a "tax" or a higher cost of capital if they hold a security for more than one month.

Morgan Housel, the author of "The Psychology of Money: Timeless Lessons on Wealth, Greed and Happiness," has pointed out that there are different types of investors playing different "games." Some are looking at quarterly earnings, some are looking at charts/technical, some like momentum, some use algorithms, and some just buy the index. Housel wrote, "Define the game you're playing, and make sure your actions are not being influenced by people playing a different game."

I am asking you to look at all the ingredients for success that are being amalgamated at the companies we own, even if today's share price says that we are wrong. We are betting that people matter, products matter, customer wins matter, the competitive landscape matters, and, ultimately, there will be a connection between business progress, fundamentals, and the share price.

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This is not easy or fun right now. This is the slog as we wait for the share price to budge, but we are backing some very talented teams attacking large markets with secular tailwinds. In this case, I think Munger is right again—the big money is in the waiting.

Sincerely,

Scott

GREENHAVEN
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NEW POSITION APPENDIX – Louisiana-Pacific Corp (LPX)

Most people go to Las Vegas for the food, gambling, and entertainment. I went this fall to spend time with LPX's management team at the International Builders Show. Their behavior in operating the business thus far is not what I would have predicted. Louisiana-Pacific Corp's business has generated prodigious amounts of cash and, instead of empire building or taking excessive bonuses, the management team has purchased roughly half of the outstanding shares in the last five years. I would expect such an approach from an owner operator, but LPX's management does not own a ton of stock. I left Las Vegas awestruck at how big the building supply trade show is (all three convention centers) and thinking that we should invest in more CEOs who were forestry majors and fewer CEOs who went to Wharton.

LPX was spun out of the wood products company Georgia Pacific in 1972 at the behest of the Federal Trade Commission. Their business was primarily Oriented Strand Board (OSB), which is used as an alternative to plywood primarily in housing construction for sub-flooring, sheathing, and sub-roofing. Basic OSB is a commodity – you take a bunch of wood chips, some adhesive, and some resins, and mash them together with massive press machines. Commodity OSB manufacturers compete on price. It is a feast-or-famine business with high fixed costs. When demand is high, prices are high (feast) and when demand is low, prices are low (famine). The core OSB business is not particularly interesting over the cycle.

It turns out that LPX management does not love the commodity OSB market either and began a multi-decade, two-part transition away from it in 2014. The first strategy is that they are methodically converting legacy OSB mills into mills that produce siding for houses. The second strategy is developing and building a non-commodity OSB business, which they refer to as value-added or Structural Solutions.

In the home-siding business, LPX is the only manufacturer of strand-based engineered wood siding. From a cost standpoint, this is a step above vinyl and below brick, and primarily competes with an Australian company, James Hardie (JHX), which makes fiber cement siding that is harder to install and harder to transport.

Comparing LP® SmartSide® to other siding technologies on the factors that matter most to installers and homeowners...

Factor	Fiber Cement	Vinyl	Wood	Brick
Material Cost	Similar	Lower	Varies	Higher
Installation	Slower & Harder	Faster	Similar	Slower & Harder
Durability	Less Durable	Much Less Durable	Less Durable	More Durable
Sustainability	Much Worse	Much Worse	Varies	Much Worse

A reasonable question is, does getting out of commodity and into specialty OSB and siding make sense? Are these good businesses, or is this just lighting money on fire in a different way? I think the answer is simple: Yes, both are significantly better than commodity OSB and are indeed attractive businesses.

In the siding industry, LPX has been steadily gaining market share with their competitively advantaged product, of which they are the only producer in the U.S. They are likely to remain the only producer. A mill conversion can take years to complete, also requiring shutting down a cash-flowing OSB plant while building up the end market by putting together a competent sales force, securing distribution, and providing warranties.

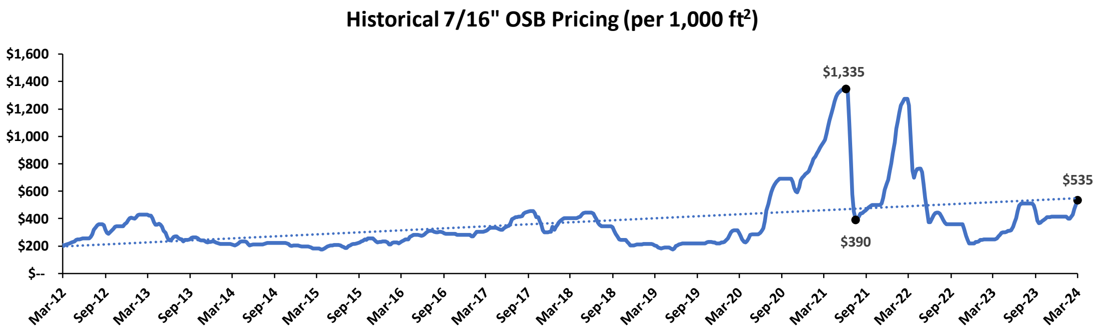
From a standing start, it takes time to build. However, at scale, EBITDA margins for a standalone siding mill are ~50%, with little incremental overhead needed to support the additional volumes produced. These margins take an initial hit when new capacity comes online and is not yet fully utilized, but segment margins drift higher than previous peaks as new mills ramp up production to full capacity. There is also opportunity for additional investments once a mill is shipping siding into the marketplace. For example, painted siding adds additional value to the tune of a 60%+ premium for LPX's ExpertFinish product line. ExpertFinish is 9% of volume today but will increase over time as it is rolled out to additional geographies. In aggregate, siding prices are likely to continue increasing at 4% per year, with volumes increasing at 6% per year as they enter new geographies. LPX's product is differentiated with high barriers to entry, good unit economics, and a long runway for growth as they expand their geographic footprint and product portfolio – way better than commodity OSB.

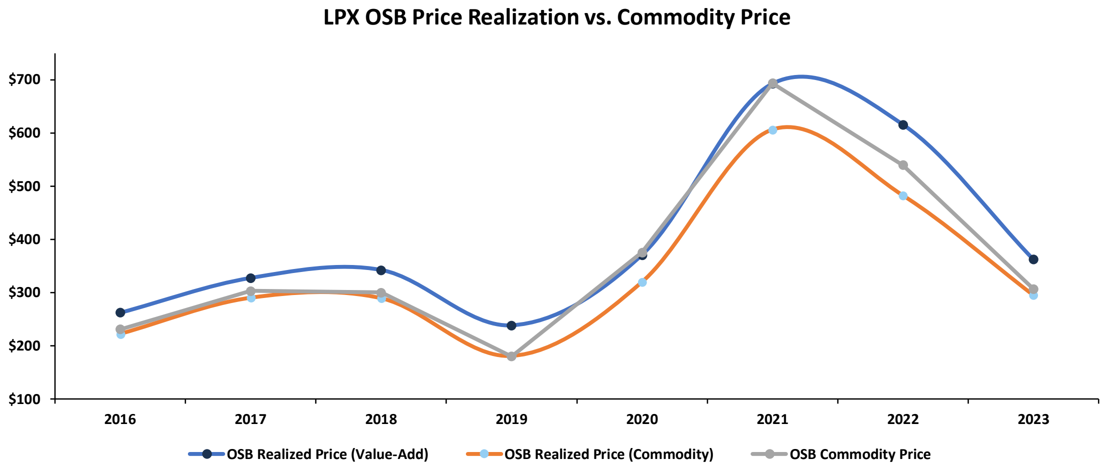
LPX's specialty (non-commodity) OSB business is high value-add, branded, and has superior economics from the company's proprietary overlays and manufacturing processes, which allow them to modify commodity OSB. For example, they put a proprietary film layer on a commodity OSB panel, enabling it to reflect heat, which is great for improving energy efficiency when used on roofs. Their specialty fireproofing film is ideal for projects requiring specified fire-rating properties. They also have an OSB solution for sub-flooring. Pricing is far more stable for specialty products and the margins are higher. Transitioning from commodity to specialty is something you would do all day long, but it takes time to build market awareness and demand for specialty products. Today, roughly half of LPX's OSB production is value-add with the goal of growing that to 60% in the next 4 years.

In my opinion, this is a business that will get better over time. Specialty is better than commodity. All things equal, prices should rise, margins should rise, and profits should rise. Still, it is housing-related and interest rates are high, and half of the company is still a boom/bust commodity OSB business. Most investors are saying, "let's come back in five years." Rates high, macro sucks, adios.

As it turns out, the U.S. has a housing deficit. For nearly a decade post-GFC, the U.S. underbuilt an estimated 2-4M homes while demand remained steady. Estimates vary, but for the U.S., steady-state demand can be thought of as 1.2-1.4M new homes per year, generally following the trend of household formations. If the underbuilding gap is filled over the next 10 years, we need to see ~1.4-1.8M new homes built each year. Higher interest rates might slow buying/selling activity today, but these purchases are not permanently lost and are instead delayed demand fulfillment. In essence, the longer underbuilding continues, the more of a coiled spring we will have. Despite today's mortgage rates being lower than those in almost every year from 1960-2001, the average number of new homes projected to be built this year is the same as the average built per year (~1.5M) during that period.

The OSB industry has been a consolidation story for almost 20 years and has an oligopoly-type structure today with four seemingly rational players controlling 70% of the market (compared to 50% in 2005). OSB industry capacity is only built to serve 1.4-1.5M new housing starts, and bringing new capacity online takes 3-5 years and $600M+. Despite high interest rates, OSB prices are elevated TODAY given the tight supply.





LPX's current management team has a history of outstanding capital allocation. Their stated policy is to use excess cash generated from the OSB business to repurchase shares and excess cash generated from the siding business to increase dividend payouts. Over the last five years, they have repurchased 50% of the outstanding shares and more than doubled their dividend. These moves were enabled by OSB prices shooting over $1,300 – they took advantage of the feast. Elevated product prices and a depressed share price are ideal dynamics for buying shares, and this is arguably where we sit today with LPX.

LPX's uniquely situated assets would be extremely difficult to reproduce. However, despite having an attractive business franchise, the company is currently valued at roughly the reproduction cost of its mills. LPX's siding segment is a very good business poised to generate significant cash over the next few years, but substantial recent investments in capacity expansion are depressing current margins on a consolidated basis. Over the coming 12-18 months, utilization of that new capacity will increase and highlight the operating leverage inherent in this business. Reasonable revenue growth, even faster margin expansion, and share buybacks are a sneakily good formula to generate investor returns. I believe that this boring business can easily double in 2-3 years and appreciate by 5X or more in the coming decade.

For Greenhaven LPs, we are happy to forward our LPX Excel model to those interested. Please email any requests to InvestorRelations@greenhavenroad.com.

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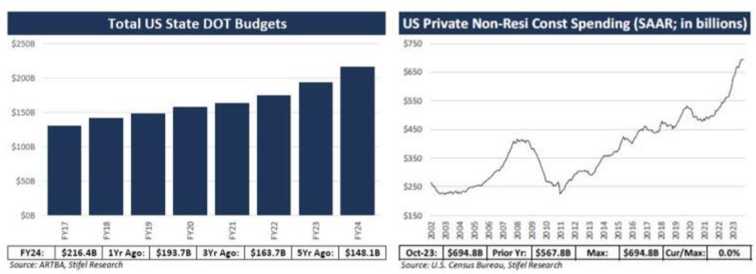
NEW POSITION – ALTA GROUP (ALTG)

An investment thesis should fit into a paragraph, or in this case a sentence. For Alta Group, there is this nice sentence: This business is (1) less cyclical than it appears, (2) generates more cash than it appears, with (3) less debt than it appears, with (4) a significant hidden growing annuity type asset, and (5) run by an owner operator who can grow organically and through acquisition for the next decade-plus, at an (6) attractive valuation. Here is the not-so-nice sentence: When your $700,000 earthmover breaks down and your project is stalled, you are going to pay Alta Equipment Group a lot for the parts and labor to fix it because they have you by the…..

Alta Equipment Group is in the business of selling, renting, and, most importantly, maintaining heavy equipment. They own dealerships that have geographic monopolies for earthmoving equipment, environmental processing equipment, cranes, paving, and asphalt equipment. A couple of the brands you may have heard of are Hyster-Yale (forklifts) and Volvo (heavy construction equipment – not cars).

This is a razor/razorblade model, where the margins are low on the initial sale of equipment, but there is a long annuity-like service profit stream that typically accompanies the sale.

1) Less cyclical than it appears: Alta's end markets are not the residential construction market, but rather infrastructure and warehouses, which are currently being supported by government spending and e-commerce trends.



While the new equipment sales certainly have a cyclical element, Alta's end markets do appear healthy. The larger driver of earnings though, stems from their parts, maintenance, and repair segments which are far less cyclical. Yes, usage tends to go down in a softer economy, but these are non-discretionary purchases.

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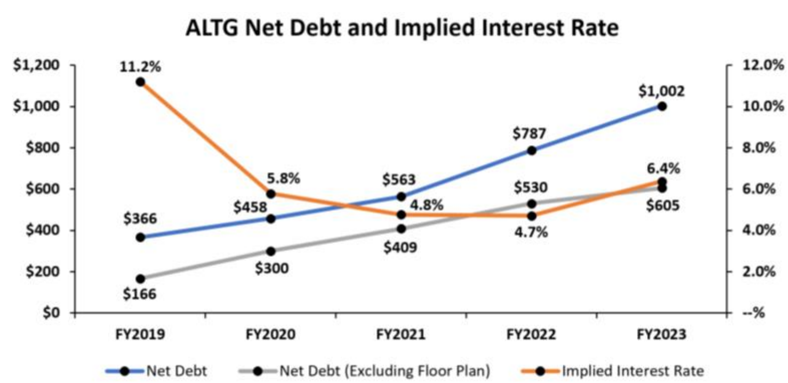
2) Generates more cash than it appears: The combination of continued acquisitions and GAAP accounting for rental fleets obscures the company's cash-generation potential, which, in turn, makes the company screen poorly to computers. Acquisitions have totaled $440M over the last five years, opening new geographies and equipment brand types for the company to pursue further organic growth. However, as ALTG shifts the acquired businesses more towards a parts/services model post-acquisition, the real benefits of these acquisitions are only just starting to appear. Further obfuscating the cash-generation potential is the current rental rate environment for their rental equipment business. Generally, Alta would be in a constant motion of selling portions of its rental fleet throughout the year while renting out the rest of the fleet out to maximize utilization. Historically, the used rental equipment has been sold for ~80-90% of the original cost paid. However, the rental rates the company can achieve today provide a more attractive opportunity than selling off portions of the fleet, which has the near-term impact of reducing cash flow from operations. If rental rates weaken, the company can revert to managing the fleet composition by selling more of the fleet and thus increasing cash flow. If rental rates continue to be strong, they are doing exactly what any long-term owners of the business would want—maximizing the opportunity.

3) Less debt than it appears: The large data providers like FactSet show Alta Equipment Group with more than $1B in debt ($1,074). Of that amount, $397M is floor plan financing that is generally tied to the machines they have in inventory, is non-recourse to the parent, and can be cancelled with the return of the unsold equipment. We can argue about how to treat floor plan financing, but if you insist on calling it debt, it is a very, very favorable form of it.



4) Significant hidden growing annuity type asset: ALTG also has "sneaky" organic growth imbedded in its business model that the market does not seem to understand. The parts and services segment generates the most revenue and profits from previously sold equipment after the two- to three-year OEM warranty expires. Based on our analysis of SEC filings and pieced-together news articles, we estimate that cumulative equipment sales through 2020 were ~$2B. From 2021–2023, the period in which equipment sold would still be under warranty, ALTG sold an estimated $2.4B of equipment. If we then build a waterfall of parts/services revenue coming online vs. the amount dropping off, we can clearly see the "sneaky" organic growth coming in at 11-12% per year going ahead, based solely on the equipment that was sold over the last three years. While any business operating in a cyclical industry can hardly be called inevitable, the organic growth tailwind inherent in Alta's business probably comes pretty close.

5) Run by an Owner Operator with a long runway – Alta Equipment Group's current CEO, Ryan Greenawalt, bought out his father and other family members in 2017. He currently owns ~18% of the shares outstanding, and a trust for his children owns another 5%. What started as a single heavy equipment distributor in Michigan 35 years ago has grown primarily through acquisition to 85 locations in the mid-west, east coast, and Canada. Fortunately for Alta Equipment

Group, the pool of competing acquirers has been limited. The OEMs (Volvo, Hyster Yale etc.) limit the number of authorized distributors in specific geographies. The OEM's also have to approve an acquirer and have historically shunned private equity backed entities. Thus the buyer pool can be small, and Alta Equipment Group is well positioned. Acquisition multiples are in the single digits of EBITDA and Alta Equipment Group can generally improve those economics with their focus on parts and services.

6) Attractive valuation – After dissecting the different components of the business and better understanding the capital structure, we get to a valuation that is compelling. After backing out of the floor plan financing, we are paying ~$980M for a business that is poised to earn $300-$400M per year of EBITDA over the next few years. While the gyrations of interest rates and the economy at large will impact those estimates to an extent, the variations should be increasingly muted as the more annuity-type parts and services revenue become a substantially larger portion of the overall business.

In 2023, the Free Cash Flow to Equity (FCFE) was $2.84 per share, up from $.74 per share at the time of IPO (de-Spac) 4 years ago, while the price has barely budged hovering in the $11-$12 range. If the free cash flow continues to grow and the share price does not, I would expect the company to be more aggressive with their buyback. As the largest owner, Ryan Greenawalt cares about share price and per share value and while cheap acquisitions are plentiful, we reach a point where ALTG shares are the cheapest.

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