2019-Q2 Update
July 15, 2019

Dear Fellow Investors,

I’m pleased to share this update for Upslope Capital Management. If Q1 was unusually quiet for us, Q2 was abnormally busy.

Performance-wise, a lot went right. Q2 was a near-ideal environment: defensive stocks mostly outperformed, volatility returned, and we had notable wins on both the long and short sides of the portfolio. This level of absolute and relative quarterly performance will not be the norm. I remain as focused and paranoid as ever about protecting and growing our hard-earned capital.

<table>
<thead>
<tr>
<th>Upslope Exposure &amp; Returns¹</th>
<th>Benchmark Returns</th>
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</thead>
<tbody>
<tr>
<td><strong>Average Net Long</strong></td>
<td><strong>Return, Net of Fees</strong></td>
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<tr>
<td>Q2 2019</td>
<td>40%</td>
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<tr>
<td>YTD 2019</td>
<td>42%</td>
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<tr>
<td>Last 12 Months</td>
<td>36%</td>
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<tr>
<td>Since Inception</td>
<td>42%</td>
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Note: clients should check individual statements for account returns, which may vary due to timing and other considerations.

**MARKET CONDITIONS - “MONEY FOR NOTHING”**

U.S. equity indexes returned between +2% (small-cap) and 4% (large-) in Q2. The end-result hides notable intra-quarter drama. For example, the S&P Midcap 400 index dropped 8% in May and bounced back in June by...8%. Volatility is our friend. Upslope is more nimble than the average active manager and volatility creates opportunities on both sides (long/short) of the portfolio. I firmly believe volatility is here to stay, given late-cycle worries that should persist from here through the next down-turn. Looking ahead, a few quick observations:

- **Valuations are elevated**, with the S&P 500 trading for ~17x forward earnings.² Excluding late-90’s “bubble years,” P/E multiples have tended to top-out ~18-19x. So, the lone path upward would be from a sustained re-acceleration in fundamentals. This seems unlikely.

- On balance, it seems a bad sign that the Fed is poised to cut rates. Yes, lower rates make stocks look relatively cheaper. But, how can one not interpret a move by the Fed as a response to macro weakness? A cheap stock with deteriorating fundamentals is called a “value trap.”

- Odds & ends: speculative markets (IPOs, bitcoin, SPACs) are once again bubbling up. This is a red flag. The yield curve remains sloppy (partially inverted) – another red flag. This matters more due to the potential impact on bank lending than to ‘signal value.’

I won’t claim to know what will happen in the months (or year!) ahead. But, the odd combination of speculative enthusiasm, combined with blinking yellow lights on the macro front, keeps me comfortable with our defensively-positioned portfolio.

¹ Unless otherwise noted, returns shown for composite of all accounts invested according to Upslope’s core long/short strategy (vast majority of AUM). “Since inception” data from 8/29/16, on which the portfolio manager began managing the strategy at prior firm. Composite returns verified by LICCAR. Please see important performance-related details and disclosures in Appendix A.

Exhibit 1: Equity Markets During Q2

Wall Street’s Wheel of Fortune
(illustration by David Foldvari)

Source: Capital Returns (Marathon Asset Management)
PORTFOLIO POSITIONING

At quarter-end, gross exposure was 124% and net was 43%. Exposures reflect a fair number of perceived opportunities on the long side of the portfolio and an elevated number of opportunities on the short side.

**Exhibit 2: Current Portfolio Exposure (% of Net Asset Value)**

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<thead>
<tr>
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<th>Dollar Weighted</th>
<th>Beta Weighted</th>
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<tbody>
<tr>
<td>Long</td>
<td>83%</td>
<td>83%</td>
</tr>
<tr>
<td>Short</td>
<td>(41%)</td>
<td>(46%)</td>
</tr>
<tr>
<td>Gross</td>
<td>124%</td>
<td>129%</td>
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<tr>
<td>Net</td>
<td>43%</td>
<td>37%</td>
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</tbody>
</table>

Source: Upslope, Interactive Brokers, Sentieo
Note: as of 6/30/19. “Beta Weighted” amounts include delta-adjusted impact of options, if any

**Exhibit 3: Gross Exposure by Market Cap & Geography**

- Small: 30%
- Mid: 38%
- Large: 31%
- N. America: 92%
- W. Europe: 7%
- Other: 0.2%

Source: Upslope, Interactive Brokers, Sentieo
Note: as of 6/30/19. Definitions: Small ($250mm - $3bn), Mid ($3bn - $11bn), Large (> $11bn). At the end of Q2 2019, approximately half of “large cap” exposure was from two stocks with market caps of ~$12bn.
PORTFOLIO UPDATES\(^3\)

The largest contributors to and detractors from quarterly performance are noted below. Gross contribution to overall portfolio return is noted in parentheses.

**Exhibit 4: Top Contributors to Quarterly Performance (Gross)**

<table>
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<tr>
<th>Top Contributors</th>
<th>Top Detractors</th>
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<tbody>
<tr>
<td>Long: MarketAxess (+250 bps)</td>
<td>Long: Just Eat (-80 bps)</td>
</tr>
<tr>
<td>Long: TopBuild (+210 bps)</td>
<td>Short: Undisc. Exchange (-40 bps)</td>
</tr>
<tr>
<td>Long: AptarGroup (+165 bps)</td>
<td>Long: Evercore (-35 bps)</td>
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</tbody>
</table>

**Longs – Total Contribution**
+705 bps

**Shorts – Total Contribution**
+225 bps

Source: Upslope, Interactive Brokers

Note: Amounts may not tie with aggregate performance figures due to rounding (nearest 5 bps)

**New Positions**

*Brief summaries of key new positions are provided below. Additional details are provided in Appendix C. Readers are encouraged to review the commentary about key risks for each position.*

- **New Long – FLIR Systems (FLIR):** FLIR is a leading developer and producer of sensors, cameras (infrared), and systems “that detect people, objects and substances that may not be perceived by human senses.” Its end-markets are diverse, but skew defensive: 40% of earnings comes from “government and defense.” Elsewhere, FLIR products are used for anything from gas/leak detection, marine navigation, to infrastructure and traffic/highway solutions.

  Why do we like FLIR today? First, it has a solid and defensive base business, which has a history of non-cyclical growth and profitability. Second, there is a possible growth inflection in the coming years on both the defense side (starting to bid for larger contracts) and non-defense side (FLIR is the only “automotive-qualified” provider of infrared cameras – the prospect of a major shift/acceleration in the use of “autonomous” driving technology could eventually be significant for FLIR). And, third, it’s still early, but there are signs that financial performance is improving under new management (joined mid-2017). 2018 closed with the best free cash conversion and ROIC for FLIR in many years.

- **New Long – Hilton Grand Vacations (HGV):** spun out of Hilton 2.5 years ago, HGV is a leading timeshare operator. HGV is a surprisingly attractive business (strong history of through-the-cycle growth and ROIC), whose stock has already, in our view, priced in decent odds of a recession (read: it looks cheap). Further, in late 2017 HGV embarked on a massive inventory build program that not surprisingly (given cycle worries) spooked investors. As HGV emerges from the trough of this investment cycle over the coming year, we think two things will happen: (1) cash flows and capital returns will accelerate, and (2) the inventory build will prove sensible regardless of the macro backdrop.

- **New Short – Coca-Cola Consolidated (COKE):** Coca-Cola Consolidated is not that Coke, but a much smaller bottler of Coke products (primarily in the Southeast and Mid-Atlantic). Our detailed thesis, released publicly on May 14, is available [here](#). To summarize: COKE changed its name at the beginning of 2019 – notably removing the word “bottling.” We think the name change confused retail investors.

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\(^{3}\) Upslope’s general policy regarding disclosure of new positions is to discuss significant longs considered to have been fully established. For shorts, Upslope aims to discuss an illustrative sample of positions (generally desiring added confidentiality).
and, combined with a low-float, enabled COKE to more than double through mid-May. Our analysis of COKE’s fundamentals showed it to be a lackluster consumer staple business, with low returns, low growth and sub-par corporate governance.

The stock fell ~20% from mid-May to the end of Q2. We remain short and believe significant downside still exists, as the stock was trading for >40x a very-low quality EPS (2019E) at quarter-end.

- **New Short – Ranpak Holdings (PACK):** Ranpak is a packaging business recently brought public via SPAC (special purpose acquisition co) after being owned by four private equity firms over the preceding 16 years. There are lots of red flags: PACK is an over-levered (6x) crumpled paper company being pitched by management as a growthy, “green,” asset-light play on e-commerce (among other investment buzzwords du jour – “internet of things” is even mentioned in the investor deck). Management pushes the most aggressive adjustments to free cash flow we have ever seen in covering the packaging sector. The stock appears generously-valued, considering the issues noted. Upside should be further limited by a significant dilution overhang.

### Updates on Existing Positions

- **Exited Short – Eros International (EROS):** Eros is a Bollywood film company listed on NYSE. Our thesis (that the company appears to have an extremely flawed financial model – at best) finally played out. In June, it was reported that Eros’ key subsidiary missed two monthly debt payments. EROS shares went into free-fall, dropping more than 80% through the end of Q2. We have exited the position.

- **Exited Long – Burford Capital (BUR.LN):** Burford is a leading provider of litigation financing. Fundamentally, there seems to be a lot going right for Burford. However, after one too many sleepless nights, I concluded the corporate governance risks (well-known, but too-easily-dismissed, in my view) warranted we exit the position. The problem? A *combination* of the following: (1) the CEO and CFO are married, (2) the Company’s lack of interest in up-listing (Burford is the largest company listed on London’s secondary AIM market) makes no sense to me, and (3) generally complex accounting that leaves me feeling ill-equipped to spot potential funny business. If just *one* of the three issues existed, we could probably own the stock – but, not all three.

- **Exited Long – Molson Coors (TAP):** Performance at Molson Coors continues to be lackluster and the stock remains (very) cheap. This *might* be an okay scenario to sit on for the long-run – but, there seem to be better uses of capital.

- **Biggest Detractor: Long – Just Eat (JE.LN):** Just Eat is an online platform for food delivery in Europe, Canada, Australia, and parts of Latin America. Frankly, it is our lowest conviction position. While JE benefits from clear secular tailwinds (shift to ordering takeout food online), there is not much going right for the company at the moment (lack of permanent CEO, barrage of capital flooding the space – yes, we’re long – it says so right up there). Nonetheless, the company has unique, and likely strategically valuable assets (paired with a prodding activist). The stock is undoubtedly cheap *if* JE can get its act together and/or rationality begins to emerge in the broader industry.

- **Biggest Contributor: Long – MarketAxess (MKTX):** MarketAxess is the leading venue for trading corporate bonds electronically. The company had a strong quarter – and released even stronger monthly data after Q1 results, showing an acceleration in share gains. I have been surprised by the magnitude of the move in the stock and trimmed the position.

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4 They literally provide equipment that crumples paper (among other things) for “void-fill” and cushioning, as you might find in a box that’s too large for the item you ordered. Yes, box-makers and companies like Amazon are working to reduce this “void.”

5 Upslope’s general policy is to discuss developments – positive or negative – for already-disclosed positions that had a material impact (in Upslope’s judgement) on performance during the quarter.
OPERATIONS UPDATE

I’m happy to report than in recent months we partnered with a firm called Canalyst. Based in Vancouver, Canalyst provides access to thousands of working, updated financial models for public companies (and pending IPOs). While it may sound like a small change, the product has provided me with significant leverage – similar to suddenly having an Analyst on-staff that produces and updates models for current and prospective positions in real-time. Needless to say, I am grateful for the partnership!

CLOSING THOUGHTS

I don’t know what lies ahead for markets. But, I remain excited about the prospects for our unique portfolio. As always, thank you for your trust and the opportunity to manage a portion of your hard-earned money. Please contact me with any questions regarding the portfolio, your account, or anything else.

Finally, I will be in New York in early August. As we approach the strategy’s three-year mark later that month, if you or someone you know might be a good fit for Upslope’s unique and uncorrelated strategy, please email or pass along my contact information.

Sincerely,

George K. Livadas
george@upslopecapital.com
## Appendix A: Historical Long/Short Composite Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
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<th>Dec</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
<td>Upslope – Net</td>
<td>3.8%</td>
<td>1.0%</td>
<td>2.4%</td>
<td>2.6%</td>
<td>3.0%</td>
<td>2.1%</td>
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<td>15.8%</td>
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<tr>
<td></td>
<td>Upslope – Gross</td>
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<td>3.0%</td>
<td>3.5%</td>
<td>2.5%</td>
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<td>--</td>
<td>18.4%</td>
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<tr>
<td></td>
<td>S&amp;P Midcap 400</td>
<td>10.3%</td>
<td>4.3%</td>
<td>(0.6%)</td>
<td>4.0%</td>
<td>(8.1%)</td>
<td>7.8%</td>
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<td>17.9%</td>
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<tr>
<td>2018</td>
<td>Upslope – Net</td>
<td>(1.3%)</td>
<td>1.6%</td>
<td>5.5%</td>
<td>0.4%</td>
<td>2.0%</td>
<td>(1.1%)</td>
<td>(0.0%)</td>
<td>1.2%</td>
<td>(0.4%)</td>
<td>1.0%</td>
<td>(1.1%)</td>
<td>(2.9%)</td>
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<tr>
<td></td>
<td>Upslope – Gross</td>
<td>(1.3%)</td>
<td>1.7%</td>
<td>5.9%</td>
<td>0.5%</td>
<td>2.4%</td>
<td>(1.1%)</td>
<td>0.0%</td>
<td>1.4%</td>
<td>(0.4%)</td>
<td>1.2%</td>
<td>(1.2%)</td>
<td>(2.9%)</td>
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<td></td>
<td>S&amp;P Midcap 400</td>
<td>2.8%</td>
<td>(4.4%)</td>
<td>1.0%</td>
<td>(0.4%)</td>
<td>4.1%</td>
<td>0.4%</td>
<td>1.7%</td>
<td>3.2%</td>
<td>(1.1%)</td>
<td>(9.6%)</td>
<td>3.2%</td>
<td>(11.3%)</td>
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<tr>
<td>2017</td>
<td>Upslope – Net</td>
<td>7.5%</td>
<td>(1.9%)</td>
<td>0.7%</td>
<td>4.0%</td>
<td>2.6%</td>
<td>(0.4%)</td>
<td>2.3%</td>
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<td>1.7%</td>
<td>(0.8%)</td>
<td>(0.7%)</td>
<td>0.5%</td>
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<td></td>
<td>Upslope – Gross</td>
<td>7.6%</td>
<td>(1.9%)</td>
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<td>(0.7%)</td>
<td>(0.6%)</td>
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<td></td>
<td>S&amp;P Midcap 400</td>
<td>1.6%</td>
<td>2.6%</td>
<td>(0.5%)</td>
<td>0.8%</td>
<td>(0.5%)</td>
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<td>(1.5%)</td>
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<td>3.7%</td>
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<td>2016</td>
<td>Upslope – Net</td>
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<td>Upslope – Gross</td>
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<td></td>
<td>S&amp;P Midcap 400</td>
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<td>(0.4%)</td>
<td>(0.6%)</td>
<td>(2.7%)</td>
<td>7.9%</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Total Return</th>
<th>Annualized Return</th>
<th>Downside Dev.</th>
<th>Sortino Ratio</th>
<th>Corr. vs Upslope</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
<td>Upslope – Net</td>
<td>38.4%</td>
<td>12.1%</td>
<td>3.2%</td>
<td>3.2</td>
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<tr>
<td></td>
<td>S&amp;P Midcap 400</td>
<td>28.8%</td>
<td>9.3%</td>
<td>10.7%</td>
<td>0.7</td>
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<tr>
<td></td>
<td>HFRX Equity Hedge Index</td>
<td>7.8%</td>
<td>2.7%</td>
<td>4.2%</td>
<td>0.2</td>
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Source: Upslope, Interactive Brokers, LICCAR, Sentieo, Morningstar

Note: Returns are shown for a composite of all accounts invested according to Upslope’s core long/short strategy (the vast majority of AUM). Performance for S&P Midcap 400 index represented by the total return for a related exchange-traded fund (ticker: MDY). Individual account performance may vary (minimum returns, net of fees, for an account invested since inception and YTD 2019 were 36.2% and 14.9%, respectively) and clients should review statements for actual results. Data from inception (August 29, 2016) to June 24, 2017 is based on portfolio manager’s (“PM”) performance managing the strategy under a prior firm (as sole PM). Thereafter, PM managed the strategy/accounts on a no-fee basis through August 11, 2017, after which Upslope became operational. Past performance is no guarantee of future results.
Appendix B: Monthly Average Net Long & Gross Positioning

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<td>Jun-19</td>
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Source: Upslope, Interactive Brokers
Note: Based on composite of all accounts invested according to Upslope’s core long/short strategy
Appendix C: New Position Details

LONG – FLIR SYSTEMS (FLIR)

FLIR develops and produces sensors, cameras, and systems “that detect people, objects and substances that may not be perceived by human senses.” Key products include: infrared cameras, measurement and diagnostic systems, drones, and threat-detection systems. FLIR’s end-markets are very diverse. About 40% of earnings comes from “government and defense” – military, law enforcement, first responders, etc. On the industrial/commercial side, products are used for anything from gas detection, marine navigation, and autonomous driving, to infrastructure and traffic/highway solutions. Why do we like FLIR today?

- FLIR’s base business is defensive, growing, and profitable: the core of FLIR’s earnings is comprised of government and defense sales, as well as other infrastructure, safety, and maintenance-related sales (i.e. even outside of the formal “Government & Defense” segment, products are often not so discretionary/cyclical). FLIR’s business has become even more defense-focused, following two recent acquisitions (unmanned ground vehicles and aerial drones).

- Potential growth inflection in coming years: there are two developing sources of potential growth acceleration at FLIR. First, on the government/defense side, FLIR is now competing for larger, multi-year “franchise” programs (e.g. targeted modernization efforts within the military). FLIR has expanded its capabilities (in part through M&A) to better compete for more substantial contracts. While tough to quantify, FLIR’s defense business seems well-positioned to improve in the near-term.

  Second, and much longer-term, we see potential from FLIR’s still-modest exposure to autonomous driving. Thermal cameras are a highly useful technology, as they cut through adverse weather/lighting conditions and identify objects more precisely and at a greater distance than other technologies. At the very least, thermal is a valuable complement to existing systems. Today, FLIR is the “only automotive qualified thermal [camera] provider on the market” and is in production with several OEMs. Given rapidly rising interest and technological advancements in autonomous driving, FLIR appears well-positioned to benefit from long-term adoption.

- Reasonable valuation: FLIR trades at a premium on an EV/EBITDA basis (~15x vs. 13x historically). However, we note that free cash conversion in 2018 was the best in at least 10 years and ROIC the best since 2011. Nonetheless, investors are certainly paying a premium to FLIR’s long-term valuation. In our view, this is reasonable, given the defensive nature of FLIR’s core business and the prospect of a growth inflection in the coming years.

- Key risks: FX (almost half of sales are non-U.S.), government budget exposure, cyclical exposure in non-government segments, execution/integration of recent acquisitions (which were fully-valued), noise around CFO’s prior company, and, general regulatory risk.

LONG – HILTON GRAND VACATIONS (HGV)

Hilton Grand Vacations, which spun out of Hilton 2.5 years ago, is a leading timeshare operator. While HGV is a cyclical business, our view is that its cyclicity is overstated, the stock has priced in decent odds of a recession, and that the business is well-positioned today due to significant recent investments. You might cringe at the “timeshare” word; however, industry leaders seem to have improved practices over the years (after significant scrutiny – and driven in part by affiliations with major brands, such as HGV’s with Hilton). Further details on the thesis:

- Attractive financial profile: HGV has a strong history of top-line growth, with revenue growth every year since the 2008 financial crisis (when revenues declined a mere 3%). ROIC is also attractive –
generally in the high-teens. Free cash flow is lumpy, but strong over time. The balance sheet is solid and reasonably levered at 1.4x.

- **Not as cyclical as you’d think:** in our view, about 40% of HGV’s EBITDA comes from contractual and/or highly predictable sources (mostly existing financing income and resort fees). Remaining EBITDA is a mix of sales to new customers, upgrades from existing customers (which HGV argues are fairly predictable), and rental/ancillary fees (non-recurring hotel-like fees). So, there is a good base of non-cyclical earnings, as well as a cyclical element.

However, we think the “cyclical” piece of HGV might not be as volatile as one might assume. The logic has to do with how a timeshare is sold: generally, via a marketing effort tied to a heavily-discounted one-time vacation. As a case-study: during 2008-9, HGV was able to continue growing tour visits (aka marketing), more than off-setting lower conversion rates, because (a) discounted vacations sounded like a relatively great deal, and (b) they already had inventory on-hand to tour and sell (competitors did not have inventory on-hand, nor could they get financing to acquire new inventory).

- **Emerging from investment and free cash flow trough:** in late 2017, HGV began a significant, multi-year investment program to build inventory. The ramp scared investors, given questions around such an investment program this “late in the cycle” and its impact on free cash flow. In our view, the plan makes sense (see 2008-9 comments above). Today, HGV appears close to a trough with free cash (out)flows. Despite depressed cash flow from a peak investment year (2018), HGV still generated enough to buyback 5% of its shares. Needless to say, buybacks should accelerate as HGV emerges from its cash flow trough.

- **Attractive valuation:** Given the above characteristics, HGV shares appear to have discounted plenty of bad news (if not a recession) – trading for just 12x 2019 EPS and ~8x EBITDA, despite a reasonable likelihood of accelerated growth and capital return stemming from its investment program. Since its spin from Hilton, HGV shares have traded between ~6-11x EBITDA.

- **Strong management team:** HGV has been led by its CEO, Mark Wang since 2008, when he became President under Hilton ownership. Having founded three timeshare businesses prior to his time at Hilton/HGV, Wang is also credited with introducing the timeshare concept to Japan. Generally, we appreciate his long-term orientation and straight-forward communications style, when discussing the business and its strategy. Wang currently owns 330k HGV shares (~$10mm).

- **Key risks:** regulation, unexpected decline in tour flow/conversions, natural disasters, general exposure to credit markets (active in securitization markets plus has exposure to consumer credit through its own loan book).

**SHORT – RANPAK HOLDINGS (PACK)**

Ranpak is a paper-based packaging business recently brought public via sale to a SPAC (special purpose acquisition co) managed by One Madison. We think the PACK short will work for the following reasons:

- **Red-flag: Ranpak went public via SPAC** and the base rate of success for SPACs is awfully low. This is a well-known fact; but, Ranpak’s history appears to be a good case study. Before going public, Ranpak was owned by four consecutive private equity firms (since 2002). As a result, it seems highly unlikely that management today will suddenly find low-hanging fruit to accelerate profitability. Based on filings, Ranpak appears not to have been the first (or second) choice acquisition target of One Madison.⁶

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⁶ Based on S-4 dated April 23, 2019, management for One Madison (the SPAC that acquired Ranpak) submitted indications of interest for two potential targets in May 2018. Both processes eventually ceased due to disagreements over valuation.
○ **Red-flag: Aggressively pitched as something it’s not**: if you read PACK’s investor relations presentations, you see every buzzword and investment theme du jour imaginable: “environmentally friendly...pure-play,” “ecommerce” exposure, razor/razor-blade, asset-light, internet of things, click and collect, and even “millennial...household formation.” But, what does Ranpak actually do? **They sell crumpled paper (and machines that crumple paper)**, seen here:

![Exhibit 5: Key End-Solutions: “Void Fill” and “Cushioning”](image)

Source: Ranpak website

○ **Red-flag: Aggressive adjustments hide weak fundamentals**: management touts Ranpak’s relatively strong sales growth in recent periods. However, profitability has lagged materially. While top-line grew at a 7% CAGR from 2015-2018, adj. EBITDA expanded at a less than 3% rate. Actual free cash flow is also weak, but masked. Management’s suggested formula for free cash flow excludes “growth capex” – something we’ve never seen in the packaging space. Moving to a traditional calculation of free cash flow’ cuts PACK’s free cash conversion from adj. EBITDA down from ~83% to ~20% (last three years).

○ **Red-flag: Over-levered balance sheet.** PACK is levered at almost 6x management-adjusted EBITDA. This is at the very upper end of the packaging universe and, in our view, a dangerous level for a packager with decent potential cyclicality. PACK also appears to have at least some commodity exposure (paper prices), as well as FX risk (~50% non-US).

○ **Fully-valued on an absolute and relative basis.** Based on Upslope’s 2019 estimates, PACK trades for more than 10x EBITDA and at an ~8% free cash flow yield (before taking into account significant dilution overhang from warrants and other/founder shares). Given the relatively low quality of the business (small, commoditized product, poor free cash conversion, very high leverage, est. low single-digit ROIC), this seems far too rich. Berry Plastics (BERY), for example, trades closer to 8x EBITDA and at a 10% free cash flow yield. We’d argue PACK should trade at a material *discount*.

○ **Risks to short**: small market cap and somewhat illiquid, margins could unexpectedly improve, growth may turn out to be more sustainable than anticipated, sale to a strategic or financial buyer.

### SHORT – COCA-COLA CONSOLIDATED (COKE)

A detailed memo covering Upslope’s COKE thesis is available [here](#).

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7 Using the “traditional” calculation of free cash flow: Cash Flow from Operations less Total Capital Expenditures.
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