ALTA FOX CAPITAL

Q1 2020 Alta Fox Opportunities Fund, L.P. Quarterly Letter April 2020

Limited Partners,

In Q1 2020, the fund decreased 26.77% gross and 26.98% net. The average net exposure during the quarter was 67.60%. Since inception in April 2018, the fund has returned 30.77% gross and 16.61% net compared to 1.86% for the S&P 500, a decline of 22.43% for the Russell 2000, and a decline of 28.11% for the Russell Microcap Index. See the appendix for further details. While I do not generally comment on MTD trends, it seems appropriate now given the volatility in the market. At the time of writing, April was tracking at our best monthly performance since inception. While we are still down on the year, we are up significantly from the end of Q1.

As always, I strive to ignore short-term fluctuations and instead focus on the intrinsic value growth in our portfolio holdings, which over the long run should converge with portfolio performance. I encourage limited partners to do the same (both in times of outperformance and underperformance). I firmly believe that in the long-run, our strategy of buying high-quality and underfollowed businesses at cheap prices will deliver attractive absolute and relative returns. Most importantly, our process will remain disciplined with strict risk controls, minimal gross leverage, and a sound research process.

COVID-19 Strikes

COVID-19 has changed the world in the last couple of months in dramatic fashion. There are clearly far more important things than the relative valuation of small and micro-cap public equities during this health crisis. I will limit my discussion to this domain, but it goes without saying, I hope all limited partners and their families are safe at this time. If there are any extenuating circumstances that require a limited partner to withdraw money ahead of a lock-up period during this uncertain time, please contact me directly.

COVID-19 turned the world upside down. Certain stock theses that seemed to be tracking our bull case scenarios were invalidated almost overnight as many businesses were forced to close and contemplate a "zero revenue" scenario. I did not have a playbook for this market environment, and the speed and the severity of the decline both in fundamentals and in equity prices certainly caught me off-guard.

Amid the turmoil, I kept (as I often do) an almost daily journal of investing thoughts. This helps keep me focused in periods of extreme stress and uncertainty. The game-plan I developed for our portfolio during the extreme uncertainty of the March drawdown was threefold:

1) Maintain Disciplined Risk Control

We sharpened our numbers on all of our existing positions and essentially re-underwrote every business and fundamental thesis. This analysis placed a heavy emphasis on strong balance sheets and defensive businesses. It also necessitated selling some positions about which we were previously very excited, but the thesis had clearly changed. While that was a painful exercise, it was also the correct decision.

We realized losses in One Group Hospitality Inc. ("STKS"), which had recently posted impressive same store sales in Q4-19 and was largely tracking to our bull case. However, Q4-19 performance was made irrelevant by the spread of COVID-19. The pandemic has decimated travel and tourism, which is particularly important for STKS' Las Vegas and Orlando locations. Combine a worst-case macro environment with financial and operational leverage, and it was clear we needed to exit the position. We also realized losses on Full House Resorts (FLL), a small regional casino special situation. We originally invested on the premise that FLL was an inexpensive, underfollowed opportunity to capitalize on online sports betting growth given license arrangements they made with other operators. However, COVID-19 invalidated this thesis by not only causing FLL to close all of their casinos, but also temporarily shutting down all live sports. While this was a scenario we never contemplated when we underwrote the thesis, the reality of the situation required us to take the loss and reallocate to more attractive opportunities.

I am often asked why I have a strict limit on maximum position size at cost (15%) and why I am not more aggressive with my highest conviction ideas. The answer is that I fundamentally believe that, with a disciplined research process in our niche of the market, we are likely to materially outperform over time. If we introduce more concentration risk, our returns are likely to be magnified in any given period. However, it also introduces a material risk that one significant loss eliminates potentially years of a good research process. COVID-19 is a great example of an outlier event that could ruin a fund without proper risk discipline. No one was modeling zero revenue scenarios a few months ago for any business. By having strong risk discipline and sizing limits, we protect against unforeseeable risks so that no individual position can ruin what we hope will grow into a long track record of outperformance.

2) **Use the Market Drawdown as an Opportunity to Rebalance the Portfolio into Structural Winners**

Any time "Mr. Market" is selling off all equities in the quick and violent manner experienced in March, there will be opportunities to buy the proverbial "baby thrown out with the bathwater." In the case of COVID-19, the easiest "no-brainer" purchases amidst the selloff were businesses that were either not at all affected by COVID-19 or benefited from changed consumer behavior.

For example, we published our research on MamaMancini's Holdings Inc. (MMMB) on March 30th at $1.01. We increased our position in the company amid the drawdown to over 5% of the company. They provide meatballs and other pasta/Italian products to grocery stores. It is a boring and non-sexy business. It is also an "essential service" and sells items that can be stored in freezers around the country as people hunker down in their homes. We bought it at 6x our estimate of forward earnings despite revenue growing 30%+ organically. The stock is already up 60% from our publish date, but we believe there remains potential for 100%+ upside over the next three years in an eventual sale of the company.

One investment theme in which we had conviction amid this slowdown was online casino gambling. While the gradual transition from land-based casinos to online has been occurring for several years, COVID-19 has accelerated this trend. This makes us both bearish on traditional casinos (to which we had some short exposure during the downturn) and bullish on particular online operators and suppliers to the industry. As an example of online gambling's resiliency, following Italy's quarantine restrictions on February 23rd, 2020 (essentially ground zero in Europe), online casino gambling was up 14% y/y for certain operators. In our view, a meaningful percentage of the share shift from land-based gambling to online will prove to be permanent—even well after land-based casinos have reopened. In the same way that America had too many retailers on a per capita basis with expensive stores and lease liabilities, we believe the U.S. has too many casinos for a post-COVID-19 world and that many operators are likely structural shorts over the next several years.

GAN LN ("GAN")

One of our investments in our online gambling theme was GAN, which provides an end to end iGaming solution for brick & mortar and online gambling operators (i.e. designing the interface, player-account management, regulatory reporting, payment processing, integrating casino games and betting lines) and earns a high single digit take rate on every dollar won by their operators. GAN grew revenue 114% in 2019 yet traded at a high single digit FY20E EBITDA multiple when we entered our position. We then increased our position significantly when the stock sold off sharply amidst the cancellation of sports and broader COVID-19 induced panic selling. While sports betting is roughly 10% of GAN's revenues and its cancellation would be a headwind, the market was reacting as if all of GAN's revenues were at risk. In reality, the cancellation of sports accelerated a channel shift to online casino gambling, which GAN earns a higher take rate on and is the majority of its SaaS revenue.

GAN is moving from the London AIM exchange to the Nasdaq on May 5th and picking up analyst coverage from three new banks (B. Riley, Craig-Hallum, Macquarie). Following May 5th, GAN will become one of the only US listed pureplay stocks that allows investors to capitalize on the growth of online gambling in the US. As of today, only four US states have legalized online sports betting (NJ, PA, IN, WV) for private competition, and only two US states have legalized online casino gambling (NJ, PA) for private competition. Both sports betting and online casino offerings have been very successful in each state launched to date, and over time, GAN's total addressable market will dramatically expand as more states approve online gambling to reap the benefits of increased tax revenue. COVID-19 may serve as a catalyst for more states to accelerate both the legalization and launch of online gambling offerings.

GAN recently issued market guidance of $100M in sales in three years with EBITDA margins of 30%+. Their sales in 2019 were ~$30M and EBITDA was ~$8.4M. Today investors can buy GAN prior to listing on the Nasdaq at <10x our estimate of FY22E EBITDA. This seems very cheap given their strong growth, scalable model, and the valuation of other US internet gambling focused peers. While bears have focused on heavy FanDuel concentration, our analysis of the industry suggests that investors are inappropriately lumping sports and internet casino concentration into one risk factor. The reality is more nuanced. The experience of sports betting operators in Europe over the last decade suggests that the outsourced internet casino business will be much stickier and is harder to replicate than the outsourced player-account management function. While FanDuel may migrate portions of their outsourced business in-house over time, GAN is likely to remain an important partner for FanDuel in many states, particularly on the internet casino portion of their business. Moreover, a meaningful percentage of the market consists of subscale brick & mortar gambling operators that do not have the resources to build in-house back-end technology and will need to rely on a reputable turn-key provider like GAN.

Evolution Gaming (EVO SS)

The market sell-off also gave us an opportunity to purchase shares in Evolution Gaming ("EVO"). This is a phenomenal business with 50%+ EBITDA margins and 35%+ organic revenue growth in each of the last three years. It is also very under the radar for a ~$7B EUR market cap, likely due to the lack of any U.S. research coverage. EVO is a B2B provider of live casino games. They work with land-based and online casino operators to enable casino games played with a live dealer that are streamed from one of EVO's many global studios. EVO has developed their own variants of traditional games such as "Lightning Roulette" and "Monopoly Live" to make the digital experience of their live games more exciting than a traditional casino game. Most of EVO's tables are highly scalable and have no limits as to how many players can bet on one game at the same time. The scalability of this platform makes the unit economics on a digital table with a live dealer far more attractive than a land-based casino with a live dealer. Operators outsource live casino games to EVO, allowing EVO to gain exposure to operators' entire customer bases without having to spend a dime to acquire those customers. This has also allowed EVO to become one of the most geographically diversified online gambling stocks, significantly de-risking the investment. EVO has a material competitive advantages benefitting from scale, reputational, and IP advantages, and we estimate that they hold over 70%+ market share in the online live casino market outside of Asia.

EVO has grown topline organically at 54.5%, 37.6%, and 46.0% in 2017, 2018, and 2019 respectively, as they continue to sign new clients, existing clients further penetrate new geographies, and the quality of EVO's games improve. EBITDA margins were 50% in FY19, and as of Q1 20, EBITDA margins were 56%. We were able to purchase EVO at 9x FY22E EBITDA. With increased investor awareness and given EVO's competitive advantages, attractive unit economics, and high growth, the business could easily trade at double the valuation today (12x FY22E EBITDA), even after the recent rally.

3) Remain Calm, Rational, and Fundamentals-Focused

Everything seems like a bigger deal when you "zoom in" and highlight the most frightening statistics (which the media tends to do) of COVID-19. When you "zoom out" and put the risk in its proper context, you realize that for many high-quality businesses, this slowdown will be largely irrelevant three to five years from now.

The particularly difficult aspect of this crisis is that for many companies, it is hard to look out three to five years. Zero revenue scenarios can make what seemed like strong balance sheets pre-COVID-19 crumble quickly into insolvency. This is why having a flexible mandate and being able to move quickly is a big advantage. We were able to hedge out risks in some of our more illiquid longs to avoid panic selling. We were able to move quickly without an "investment committee review" when facts rapidly changed. Most importantly, we were able to focus on the subset of companies in which we could afford to look out three years because they had the balance sheet and business resiliency to afford that medium-term view. When everyone is hyper-focused on the next day, month, or quarter, the ability to look out three years with a patient capital base becomes even more valuable.

This past point should not be understated. The limited partners in the fund have been incredibly supportive throughout this period of market turmoil. Even during the depths of March when things looked most bleak, I did not have limited partners panicking or overly concerned about Mr.

Market's particular daily mood. In fact, we had strong inflows in April from limited partners looking to buy our portfolio of companies at an even cheaper price. I cannot thank the limited partners enough for their confidence in me and my strategy.

Current Market View

Just as I was surprised by the magnitude and speed of the market's decline, I have been equally surprised by the pace of the recent resurgence. Fortunately, our portfolio has significantly benefitted from the recent rally. I believe our current portfolio is well positioned to outperform in either an up or down market from current levels. We are long dominant businesses with strong free cash flow at generally reasonable multiples. We are short expensive and questionable business models with weak cash flow conversion and dubious corporate governance. As usual, it is difficult to predict the next month or quarter, but I feel very confident about our ability to produce attractive risk-adjusted returns over the next several years.

The bulk of our strategy (long-biased small and micro-cap equities) has been extremely out of favor since our inception. Thus far, we have been able to outperform all major indices despite this style headwind. It is difficult to say when or if this headwind will shift to a tailwind, but at the end of the day, we are buying individual businesses and not an index. Our businesses have strong competitive advantages, are conservatively financed, and are run by operators with skin in the game and a focus on growth in shareholder value. In the long-run, this strategy should never go out of style.

Conclusion

Q1-20 was a difficult one both for the markets and for our portfolio. In particular, we were caught owning a restaurant and a regional casino that were particularly poorly positioned for this pandemic scenario. We took our losses and redeployed into more resilient businesses at cheap valuations. We made many mistakes along the way, but overall, I am satisfied with how we handled an unprecedented period of stress. Our portfolio has emerged from the depths of this crisis with a higher quality portfolio of businesses, and a watchlist of actionable shorts in case COVID-19's impacts last longer than current market expectations. By sticking to our process, we avoided panic decisions in March and have had our strongest month since inception in April, 2020.

We have a significant variant view in one position in the portfolio and it is now close to being at max 15% size. It is among the highest quality assets I have found in the small-cap space and has a realistic chance of tripling from today's price with low downside risk. I look forward to sharing when appropriate.

Our next capital opening will be June 1st. If you are not a current LP, but are interested in more information about the fund, please email: info@altafoxcapital.com. We welcome referrals for long-term oriented investors interested in our strategy. Investors can sign up for our email distribution list for all future updates and publicly posted ideas here: https://www.altafoxcapital.com/contact/.

Sincerely,

Connor Haley

Connor Haley

Appendix

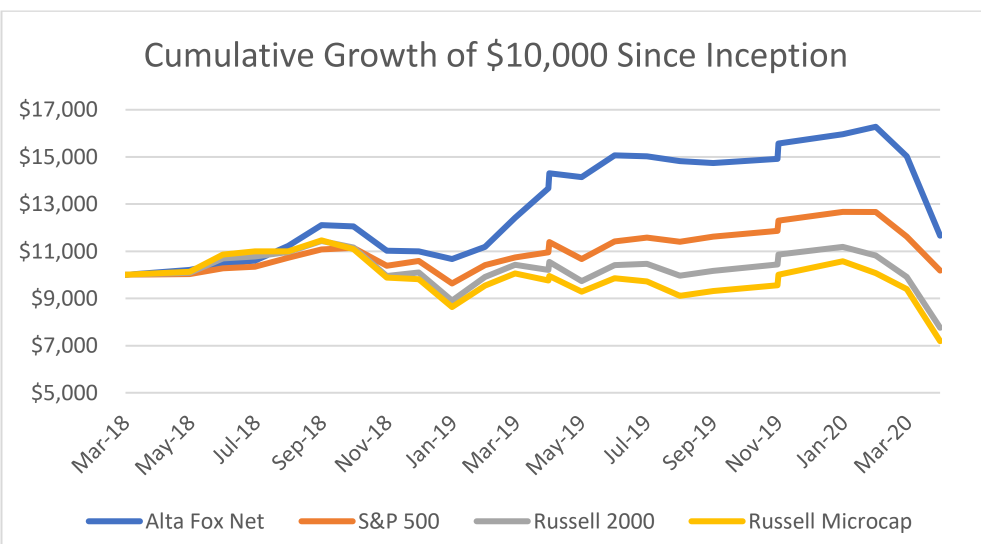
Monthly and Quarterly Fund Returns

	Alta Fox Gross	Alta Fox Net	Alta Fox Net Exposure	S&P 500	Russell 2000	Russell Microcap
Apr-18	2.63%	2.03%	50.24%	0.38%	0.86%	1.25%
May-18	3.56%	2.80%	96.39%	2.41%	6.07%	7.22%
Jun-18	1.45%	1.11%	91.32%	0.62%	0.72%	1.30%
Q2-2018	**7.82%**	**6.05%**	**79.31%**	**3.43%**	**7.75%**	**9.97%**
Jul-18	7.36%	5.91%	80.92%	3.72%	1.74%	-0.07%
Aug-18	9.53%	7.77%	81.12%	3.26%	4.31%	4.30%
Sep-18	-0.41%	-0.40%	94.28%	0.57%	-2.41%	-3.26%
Q3-2018	**17.12%**	**13.68%**	**85.44%**	**7.71%**	**3.58%**	**0.83%**
Oct-18	-10.16%	-8.55%	83.03%	-6.84%	-10.86%	-10.90%
Nov-18	-0.22%	-0.25%	71.48%	2.04%	1.59%	-0.64%
Dec-18	-3.59%	-3.01%	77.19%	-9.03%	-11.88%	-12.05%
Q4-2018	**-13.57%**	**-11.52%**	**77.23%**	**-13.52%**	**-20.20%**	**-22.14%**
2018	**9.13%**	**6.67%**	**80.66%**	**-3.65%**	**-10.94%**	**-13.67%**
Jan-19	6.16%	4.86%	76.97%	8.01%	11.25%	10.49%
Feb-19	13.77%	11.08%	82.10%	3.21%	5.20%	5.48%
Mar-19	12.11%	9.97%	89.95%	1.94%	-2.09%	-2.95%
Q1-2019	**35.41%**	**28.10%**	**83.00%**	**13.65%**	**14.58%**	**13.10%**
Apr-19	5.62%	4.67%	87.00%	4.05%	3.40%	1.91%
May-19	-1.27%	-1.14%	82.29%	-6.35%	-7.78%	-6.74%
Jun-19	7.77%	6.53%	81.06%	7.05%	7.07%	6.19%
Q2-2019	**12.39%**	**10.23%**	**83.45%**	**4.30%**	**2.10%**	**0.92%**
Jul-19	-0.20%	-0.24%	78.51%	1.44%	0.51%	-1.36%
Aug-19	-1.47%	-1.33%	80.76%	-1.58%	-4.88%	-6.29%
Sep-19	-0.55%	-0.54%	77.94%	1.87%	2.08%	2.28%
Q3-2019	**-2.21%**	**-2.10%**	**79.07%**	**1.70%**	**-2.40%**	**-5.45%**
Oct-19	1.41%	1.13%	77.72%	2.17%	2.63%	2.57%
Nov-19	5.20%	4.38%	82.55%	3.63%	4.12%	4.64%
Dec-19	3.07%	2.59%	73.32%	3.02%	2.88%	5.70%
Q4-2019	**9.96%**	**8.29%**	**77.86%**	**9.07%**	**9.94%**	**13.45%**
2019	**63.63%**	**49.70%**	**80.84%**	**31.49%**	**25.52%**	**22.43%**
Jan-20	2.50%	1.93%	79.92%	-0.04%	-3.21%	-4.66%
Feb-20	-8.04%	-7.68%	74.66%	-8.23%	-8.42%	-6.84%
Mar-20	-22.31%	-22.40%	48.23%	-12.35%	-21.73%	-23.43%
Q1-2020	**-26.77%**	**-26.98%**	**67.60%**	**-19.60%**	**-30.61%**	**-31.99%**
2020 YTD	**-26.77%**	**-26.98%**	**67.60%**	**-19.60%**	**-30.61%**	**-31.99%**
Since Inception	**30.77%**	**16.61%**	**79.12%**	**1.86%**	**-22.43%**	**-28.11%**
Annualized	**14.35%**	**7.98%**		**0.93%**	**-11.93%**	**-15.21%**

Growth of $10,000 Since Inception

	Alta Fox Net	S&P 500	Russell 2000	Russell Microcap
Mar-18	$10,000	$10,000	$10,000	$10,000
Apr-18	$10,203	$10,038	$10,086	$10,125
May-18	$10,489	$10,280	$10,699	$10,856
Jun-18	$10,605	$10,344	$10,775	$10,997
Jul-18	$11,232	$10,728	$10,963	$10,990
Aug-18	$12,105	$11,078	$11,436	$11,462
Sep-18	$12,056	$11,141	$11,161	$11,089
Oct-18	$11,025	$10,379	$9,948	$9,879
Nov-18	$10,998	$10,591	$10,107	$9,816
Dec-18	$10,667	$9,635	$8,906	$8,633
Jan-19	$11,185	$10,407	$9,908	$9,539
Feb-19	$12,424	$10,741	$10,423	$10,061
Mar-19	$13,663	$10,950	$10,205	$9,764
Apr-19	$14,301	$11,393	$10,552	$9,951
May-19	$14,138	$10,670	$9,731	$9,280
Jun-19	$15,061	$11,422	$10,419	$9,855
Jul-19	$15,025	$11,586	$10,472	$9,720
Aug-19	$14,825	$11,402	$9,961	$9,109
Sep-19	$14,745	$11,615	$10,169	$9,317
Oct-19	$14,912	$11,867	$10,436	$9,556
Nov-19	$15,565	$12,298	$10,866	$10,000
Dec-19	$15,968	$12,669	$11,179	$10,570
Jan-20	$16,277	$12,664	$10,821	$10,077
Feb-20	$15,026	$11,622	$9,910	$9,389
Mar-20	$11,661	$10,186	$7,757	$7,189

Cumulative Return	**16.61%**	**1.86%**	**-22.43%**	**-28.11%**
Annualized	**7.98%**	**0.93%**	**-11.93%**	**-15.21%**



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