Dear Partners,

For the first quarter of 2023, 1 Main Capital Partners, L.P. (the “Fund”) returned 12.2% net of fees and expenses\(^1\), compared to 7.5% for the S&P 500 (“SPX”) and 2.7% for the Russell 2000 (“RTY”). Since its February 2018 inception, the Fund has delivered an annualized net return of 20.3%, compared to 9.5% and 3.9% for the SPX and RTY, respectively. A $1 million investment in the Fund at inception would be worth $2.6 million today, after all fees and expenses, whereas the same amount invested in the SPX or RTY (with dividends reinvested) would be worth $1.6 million and $1.2 million, respectively.

Since the Fund’s inception, there have been frequent reasons to get out of the market. In 2018, the trade war with China threatened to crush the economy. In 2020, it was COVID. In 2021, a speculative retail mania seemed destined to end poorly. In 2022, runaway inflation, exacerbated by the Ukraine war, led to a rapid rise in interest rates, negatively impacting multiples. Thus far in 2023, we have witnessed a banking crisis resulting in a significant contraction in US bank lending, accompanied by a decline in job openings and consumer spending; this will likely have a negative impact on corporate earnings.

Of course, adopting a bearish stance often appears prudent when storm clouds are on the horizon. After all, it seems reasonable to sell stocks before a storm, in hopes of buying them back once they become cheaper. However, we must continuously remind ourselves that even if a bearish view is accurate, it can only yield rewards in the short term. In the long run, corporate profits and stock prices generally move in one direction: upward.

Despite the long-term benefits of being bullish, when I look in the mirror, I don’t see a bull or a bear. Instead, I see an avid collector of minority ownership interests in businesses. When there are plenty of them available at attractive valuations, I want to own them.

Over the last five years, I have managed to find good businesses with strong management teams at attractive prices. Consequently, despite all the reasons to sell, the Fund has stayed the course and remained largely invested. Thus far, the results have been satisfactory.

More importantly, when I objectively assess the Fund’s current portfolio and watchlist, I am more excited today than at any point since its inception. High quality businesses with low valuations and strong growth prospects outlooks are plentiful, providing the necessary ingredients for exceptional forward returns. While predicting exactly when we will be rewarded for capitalizing on these opportunities is difficult, I’m confident that we own a collection of high potential IRR investments and that the Fund’s future is bright.

**Passing the baton**

If investing for the short term is like a sprint and investing for the long-term a marathon, my investing style is best characterized as a relay. As you know, a relay race is a team sport in which one member completes their part of the course before passing a baton to the next member, who then continues the

---

\(^1\) Performance data is presented for the Fund’s Class A Interests, and is net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund’s Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year to date 2023 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.

1 Main Capital Management | yaron@1maincapital.com
race for the team, and so on. To win, all team members must do their part. This type of competition closely resembles how I view a good investment. Let me elaborate.

While I typically look three-to-five years ahead when setting price targets for core investments, I also qualitatively assess other time horizons. To initiate or hold an investment, I need to have a favorable view of the short term and long term, and believe that each of those periods can carry their weight.

1. **Short-term (1-3 years):** It is unlikely for an equity to perform well if the underlying business is deteriorating with no sign of stabilization, or if it is obviously going to miss near-term investor expectations; market participants often over-extrapolate both positive and negative trends. Consequently, I find it more practical to own businesses that are under-earning rather than over-earning. *To ensure this team member carries its weight, near-term business fundamentals should be stable or improving.*

2. **Medium-term (3-5 years):** When setting price targets for investments, I generally look three to five years ahead. This time frame allows for, in certain cases, a highly variant view compared to what the current price is implying. It also extends further out than many active managers. However, it is not so distant that I lose confidence in my ability to forecast a business. *For this team member to carry its weight, the business must by this point show that it can generate meaningful unlevered earnings or free cash flow relative to our entry valuation.*

3. **Long-term (6-10+ years):** If my forecasts for years three to five prove to be reasonably accurate, the hope is that we will be rewarded with a substantially higher stock price. However, if rapid EPS growth is counteracted by significant multiple contraction due to perceived business prospect deterioration, exciting returns become less likely. *Therefore, for this team member to carry its weight, the business must demonstrate that the three-to-five-year outlook, beginning three-to-five years from now, remains promising. In other words, investors should be eager to take the baton from us whenever we choose to pass it to them.* For this reason, I generally avoid investing in businesses with an obvious terminal risk on the horizon, even if that risk is very distant.

Just as all team members must carry their weight to do well in a relay race, a business’s short, medium, and long-term fundamentals must work together to generate strong returns in investing.

As I outlined in *The Perfect Investment* section of the Q3’22 letter, there is no such thing as a perfect investment. Just like it’s a coach’s responsibility to build the best team possible with the players that are available, it is my job to evaluate the tradeoffs we make by owning one security over another.

**New Position: dentalcorp Holdings (DNTL)**

In the first quarter, the Fund initiated a position in dentalcorp Holdings (DNTL), Canada’s largest operator of dental practices, with over 1,800 dentists serving 2 million active patients across 500 locations. The company was established in 2011 by its CEO, Graham Rosenberg, who went on to partner with several institutions to accelerate growth through acquisition, before going public in 2021. Currently, Rosenberg holds a 5% stake in the company (35% voting power), while private equity firm L Catterton owns 40% (28% voting power).

Dental service organizations (DSOs), are solid businesses that own dental practices, employ medical staff, and manage operations. They benefit from a highly diversified, predominantly cash-paying customer base and are resistant to technological disruption or economic fluctuations. In fact, Canadian per capita dental expenditures have grown at 1.5x the rate of GDP over the last 45 years, increasing in 43 of those years.
DSO’s underlying business stability enables them to support high leverage, making them ideal private equity rollups. Additionally, the pool of potential acquisition targets is extensive, with roughly 95% of Canada’s 15k practices independently operated by dentists either approaching retirement or increasingly preferring to focus on patient care rather than practice management.

A typical practice generates $2.5 million in revenue and $400k in EBITDA, and is acquired for 6-8x EBITDA, with 75% paid in cash and 25% in DNTL equity. Larger, multi-location acquisitions are acquired for 8-10x EBITDA. Following acquisition, DNTL typically experiences a 10-15% increase in EBITDA due to purchasing scale, technology implementation, and operational efficiency.

Dentists who sell their practices usually sign 5-year employment agreements, with 95% renewal rates. In addition to receiving DNTL equity, dentists’ compensation is based on performance of their individual practice, where they participate in 20% of the EBITDA upside/downside from target levels.

DNTL’s resilient business model and attractive growth profile contributed to its well-received 2021 IPO, priced at $14, with investors pushing the stock price to $18+ within the year. However, the company’s stock was hit hard in 2022 due to its low float during the duration unwind, causing shares to plummet to $6. On the way down, insiders purchased $700k worth of stock on the open market at $11 per share.

In November 2022, the company announced a strategic review in response to unsolicited expressions of interest, presumably from several PE buyers familiar with and fond of the DSO model. Notably, the L Catterton directors were not part of the strategic alternatives committee, suggesting potential interest in reacquiring the company. KKR and Blackstone, both active in the DSO space, could also be logical acquirors of DNTL.

Last month, DNTL reported strong Q4 results and provided an optimistic outlook for 2023. In its earnings release, the company disclosed that certain loans given to management by the company, used to buy shares in the IPO, were modified such that they would be forgiven if the company is sold.

Based on these factors, I believe it is likely that the company will be sold for a significant premium relative to the prices at which the Fund acquired its position. However, if the business chooses to remain public, I anticipate that it will be able to acquire practices at lower multiples than those paid in the recent past, allowing it to grow its FCF per share at attractive rates. In either scenario, I believe that we will generate attractive returns.

**Round Two: Limbach Holdings (LMB)**

Limbach Holdings (LMB) was the Fund’s largest winner in 2020 and remains one of our most lucrative investments to date. In my Q2’21 letter, I detailed numerous concerns regarding the company’s CEO, that eroded my trust, ultimately leading me to exit the position entirely by Q3’21.

In January of this year, LMB announced that its former CEO would be replaced by then-COO, Michael McCann, at the end of Q1. I believed that Mike was the right leader for this business (along with other executives of the company) and acted quickly to make LMB a large holding for the Fund once again.

As a reminder, LMB is a leading specialty contractor that offers design, engineering, construction, installation, and maintenance services to commercial and industrial clients across the US. The company specializes in HVAC, mechanical, electrical, plumbing and control systems for institutions with mission-critical infrastructures such as hospitals and data centers.
Since going public in 2016, the company has strategically transitioned from general contractor relationships (GCR) to owner-direct relationships (ODR). In GCR, LMB manages new construction projects or major renovations awarded by GCs. Conversely, ODR involves providing maintenance services or managing smaller renovations assigned by building owners or property managers.

GCR projects are typically measured in years, working capital intensive and characterized by low margins with high margin volatility. In contrast, ODR projects are shorter in nature, requiring less inventory / receivable build, and offering margins not only more predictable, but also 2-3x higher than GCR. The margin discrepancy stems from building owners with mission critical infrastructure exhibiting greater loyalty and reduced price sensitivity compared to GCs, since they view LMB as a trusted strategic partner – especially when it comes to ensuring uninterrupted operations at their facilities.

While ODR accounted for only 20% of revenues and 30% of gross profits in 2017, it now represents approximately 50% of revenues and 65% of gross profits. This shift can be attributed to several factors. Firstly, LMB has become increasingly selective in pricing and accepting new GCR projects, resulting in a 40% decline in GCR revenues and 20% decrease in gross profits over the past three years. Secondly, LMB has invested in SG&A to drive mid-teens organic revenue growth in ODR revenues during the same period. Lastly, the company made a 2021 acquisition that was largely ODR focused.

The transition resulted in a doubling of EBITDA margins from 3% in 2017 to 6% presently, and led to improved free cash flow conversion. Going forward, management anticipates that ODR revenues should grow in the teens, while GCR revenues should shrink in the single digits.

The ongoing business mix shift alone should lead to significant EBITDA margin expansion from current levels. Furthermore, LMB ended 2022 in a net cash position and continues to pursue acquisitions at multiples that promise significant EBITDA and FCF per share growth as they occur.

The Fund’s average cost upon reinitiating its position is approximately $12 per share, equating to roughly 3x and 5x 2023 projected EBITDA and FCF. For comparison, LMB’s peers are valued at 10-12x EBITDA and 15-20x earnings by the public markets.

Exceptional investments often benefit from both EPS growth and multiple expansion. I believe LMB can deliver on both fronts and eagerly await to see the company’s performance in the coming years.

**Outlook**

Over the past year, rates have risen significantly, and the economy is finally starting to slow – which is an intended consequence of the Fed’s policy. A notable decline in job openings from previous record levels has occurred this year, along with year-on-year credit card spending entering negative territory in March. Furthermore, the ramifications of the regional banking crisis in the first quarter are yet to be fully felt or understood.

While private sector balance sheets remain strong, they will inevitably be weakened if the economy rolls into a recession. However, it is important to note that a recession, let alone a deep one, is not a certainty, and many of the equities we own already reflect a lot of pessimism in their stock prices.

We won’t know for sure until we look back at this period with hindsight, but there is a decent chance that investors are acting in an overly cautious manner due to lingering scars from the GFC. In my opinion, it is impractical to wait for a once-in-a-generation buying opportunity that may never materialize, particularly
when numerous investment opportunities are available that offer attractive IRRs even in a recession scenario.

Furthermore, many of our investments would, during a severe recession, create even greater value than I am currently underwriting, as their strong balance sheets would enable them to invest for market share growth organically or through the acquisition of distressed competitors. As such, the Fund remains largely invested, and I am confident that our portfolio is well positioned to deliver strong results in the years ahead.

As always, I am excited to see what the future has in store for the Fund. Thank you for your continued support and confidence. Please reach out with any questions.

Sincerely,
Yaron Naymark

**Monthly Performance Summary**

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Main Capital Partners - Gross</td>
<td>14.1%</td>
<td>-0.6%</td>
<td>-0.7%</td>
<td>12.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Main Capital Partners - Net</td>
<td>13.9%</td>
<td>-0.7%</td>
<td>-0.8%</td>
<td>12.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500 index - incl dividends</td>
<td>6.3%</td>
<td>-2.4%</td>
<td>3.7%</td>
<td>7.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 2000 - incl dividends</td>
<td>9.7%</td>
<td>-1.7%</td>
<td>-4.8%</td>
<td>2.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>One Year</th>
<th>Three Year</th>
<th>Five Year</th>
<th>Since Inception</th>
<th>Inception Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Main Capital Partners - Gross</td>
<td>5.4%</td>
<td>44.6%</td>
<td>27.1%</td>
<td>234.4%</td>
<td>26.3%</td>
</tr>
<tr>
<td>1 Main Capital Partners - Net</td>
<td>3.9%</td>
<td>35.0%</td>
<td>20.9%</td>
<td>159.3%</td>
<td>20.3%</td>
</tr>
<tr>
<td>S&amp;P 500 index - incl dividends</td>
<td>-7.8%</td>
<td>18.6%</td>
<td>11.2%</td>
<td>59.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Russell 2000 - incl dividends</td>
<td>-11.6%</td>
<td>17.5%</td>
<td>4.7%</td>
<td>22.0%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

2 Performance Data is presented for the Fund’s Class A Interests, and are net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund’s Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year to date 2023 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.
IMPORTANT DISCLOSURES

In general. This disclaimer applies to this document and the verbal or written comments of any person presenting it (collectively, the “Report”). The information contained in this Report is provided for informational purposes only and does not contain certain material information about 1 Main Capital Partners, L.P. (the “Fund”), including important disclosures and risk factors associated with an investment in the Fund, and no representation or warranty is made concerning the completeness or accuracy of this information. To the extent that you rely on the Report in connection with an investment decision, you do so at your own risk. Certain information contained herein was obtained from or provided by third-party sources; although such information is believed to be accurate, it has not been independently verified. The information in the Report is provided to you as of the dates indicated and 1 Main Capital Management, LLC and its affiliates (collectively, the “Manager”) do not intend to update the information after its distribution, even in the event the information becomes materially inaccurate.

No offer to purchase or sell securities. This Report does not constitute an offer to sell, or the solicitation of an offer to buy, and may not be relied upon in connection with the purchase of any security, including an interest in the Fund or any other fund managed by the Manager. Any such offer would only be made by means of such fund’s formal private placement documents, the terms of which shall govern in all respects.

Performance Information. Unless otherwise noted, any performance numbers used in the Report are for the Fund’s Class A Interests, and are net of any accrued incentive allocation, management fees and other applicable expenses, include the reinvestment of dividends, interest and capital gains, and assume an investment from inception of such Class. As such, the performance numbers do not reflect the performance of any particular investor’s interest and you should not rely on it as a statement of your actual return.

Past performance. In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision.

Risk of loss. An investment in the Fund will be highly speculative, and there can be no assurance that the Fund’s investment objective will be achieved. Investors must be prepared to bear the risk of a total loss of their invested capital.

Portfolio Guidelines/Construction. Information contained in this Report, especially as it pertains to portfolio characteristics, construction, profiles or investment strategies or objectives, reflects the Manager’s current thinking based on normal market conditions, and may be modified in response to the Manager’s perception of changing market conditions, opportunities or otherwise, in the Manager’s sole discretion, without further notice to you. Any target strategies, objectives or parameters are not projections or predictions and are presented solely for your information. No assurance is given that the Fund will achieve its investment strategies, objectives or parameters.

Index Performance. The index comparisons are provided for informational purposes only. The S&P 500 Total Return Index (SPXT) is a capitalization weighted index that is designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries. There are significant differences between the Fund and the index referenced, including,
but not limited to, risk profile, liquidity, volatility and asset composition. The index reflects the reinvestment of dividends and other income, are unmanaged, and do not reflect a deduction for advisory fees. An investor may not invest directly into an index. For the foregoing and other reasons, the performance of the index may not be comparable to the Fund’s and should not be relied upon in making an investment decision with respect to the Fund.

**No tax, legal, accounting or investment advice.** The Report is not intended to provide, and should not be relied upon for, tax, legal, accounting or investment advice.

**Logos, trade names, trademarks and copyrights.** Certain logos, trade names, trademarks and/or copyrights (collectively, “Marks”) contained herein are included for identification and informational purposes only. Such Marks may be owned by companies or persons that are not affiliated with the Manager or any the Manager managed fund and no claim is made that any such company or person has sponsored or endorsed the use of such Marks in the Report.

**Confidentiality/Distribution of the Report.** The information in this Report is confidential. By accepting any portion of the Report, you agree that you will treat the Report confidentially. It is intended only for the use of the person to whom it is given and the Manager expressly prohibits its redistribution without the Manager’s prior written consent. The Report is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is contrary to law, regulation or rule.