VOSS CAPITAL

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Dear Partners,

In Q1 2024, the Voss Value Fund, LP and the Voss Value Offshore Fund, Ltd., returned +9.2% and +9.0% to investors net of fees and expenses, respectively, compared to +5.2% total return for the Russell 2000, +2.9% total return for the Russell 2000 Value, and +10.6% total return for the S&P 500.

As of March 31st, 2024, the Voss Value Master Fund's total gross exposure stood at 167.8% and the net long exposure was 92.9%. The top 10 longs had a weight of 81.1%, and our top 10 shorts had a weight of 24.2%.

Voss Value Master Fund assets under management stood at approximately $314.1 million and Firm assets stood at approximately $984.8 million as of March 31st, 2024.

Voss Value Master Fund Complex

NET MONTHLY PERFORMANCE | 2024

PERIOD	Voss Value Fund	Voss Value Offshore Fund	Russell 2000 TR	Russell 2000 Value Index	S&P 500 TR
JANUARY	-2.6%	-2.8%	-3.9%	-4.5%	1.7%
FEBRUARY	9.3%	9.4%	5.7%	3.3%	5.3%
MARCH	2.6%	2.5%	3.6%	4.4%	3.2%
1st QUARTER	**9.2%**	**9.0%**	**5.2%**	**2.9%**	**10.6%**
APRIL					
MAY					
JUNE					
2nd QUARTER					
JULY					
AUGUST					
SEPTEMBER					
3rd QUARTER					
OCTOBER					
NOVEMBER					
DECEMBER					
4th QUARTER					
YEAR TO DATE	**9.2%**	**9.0%**	**5.2%**	**2.9%**	**10.6%**

The table below shows the Voss Value feeder fund returns compared to some of the relevant indices:

Net Return Comparison as of March 31st, 2024

					Compound Annual Growth Rate			
	1 Month	3 Month	YTD	1-Year	3-Year	5-Year	10-Year	ITD(1)
Voss Value Fund, LP	**2.6%**	**9.2%**	**9.2%**	**28.2%**	**14.1%**	**19.5%**	**17.1%**	**18.6%**
Voss Value Offshore Fund, Ltd.	**2.5%**	**9.0%**	**9.0%**	**25.8%**	**12.8%**	**-**	**-**	**20.0%**
S&P 500	3.2%	10.6%	10.6%	29.9%	11.5%	15.1%	13.0%	15.3%
Russell 2000	3.6%	5.2%	5.2%	19.7%	-0.1%	8.1%	7.6%	11.5%
Russell 2000 Value	4.4%	2.9%	2.9%	18.8%	1.8%	5.6%	5.6%	9.8%
Russell 2000 Growth	2.8%	7.6%	7.6%	20.8%	-2.2%	4.5%	6.5%	10.7%
HFRX Equity Hedge Index	1.4%	3.4%	3.4%	9.7%	5.3%	5.8%	3.2%	3.8%

(1) Inception to Date measures the time period from Voss Value Fund, LP's inception date of October 1st, 2011, and from Voss Value Offshore Fund, Ltd's inception date of January 1st, 2020.

Our affinity for cheap small caps remains painfully one-sided like an unrequited love that has teased hope of reciprocation for the better part of a decade only to ghost us time and time again. Our investment philosophy is in part based on the idea that it is surprises relative to consensus expectations that moves markets, both at a macro and micro level. In that vein, mega cap Tech has deserved to outperform small based on relative earnings revisions recently, but even consistent beats and raises (while starting from near all-time low valuations) in many of our holdings have not been significant enough to garner sustained flows. S&P 500 EPS growth is running at +6% y/y for Q1, surprising consensus positively by 8%. Additionally, 78% of companies are beating earnings estimates, above the historical average, and mentions of inflation on conference calls is at the lowest level since Q1 2021.[1] Non-US annualized inflation numbers are in the 2% range in the EU, including as low as 0.6% in Italy and recently negative (deflation) in Asia (back up to +0.3% in China's latest reading).[2] Fed Funds futures have gone from pricing in seven rate cuts at the start of the year now down to one, yet large cap stocks are still nicely higher, showing earnings matter more than rates.[3] Small caps are more exposed to rates and have not yet found a clear and sustained source of propulsion, however with further rate stability (10-year Treasury yields have been pinned to 4.5%) we expect M&A to continue roaring back from a multi-decade low last year (measured as a percentage of GDP), particularly within software stocks, where new mega buyout funds seemed to be getting raised every few weeks.

One of the main market drivers has been the cloud infrastructure and data center related capex boom as everyone chases AI dreams and scrambles to figure out how to use it to either save money or make money. If they cannot figure out how to make or save tens of billions of dollars from their AI related CapEx soon, it seems unlikely to be sustained at current levels.

Consensus estimates are for US real growth to clock in at just 1.5% exiting 2024—this is far from a tough hurdle to surpass for positive economic surprise later this year and would be a material slowdown from current quarter estimates of 3.5%+.[4] And although there are signs of a general slowing as inflation finally fatigues the low-end consumer, the economy has continued to be underestimated for two main reasons, namely a 7% federal spending deficit in the face of full employment (unprecedented historically and without which the US economy likely wouldn't look so good), and >3 million immigrants last year and a similar run-rate this year.[5] These immigrants generally get tax IDs and have a higher labor force participation rate than native born Americans, thus may ultimately be disinflationary by helping put pressure on wages.[6]

While it is hard for most to fathom, consumer balance sheets remain better off than 10, 20, 30, and 40 years ago. People are still searching for and doing a decent job of finding problems, including where there are none, which indicates that sentiment is far from overheated overall, despite select pockets of "obvious" bubbles (E.g., TSLA) and general headline frothiness. Something to keep an eye on is that retail flows and trading activity are breaking records (retail trading activity hit a record high last week, comprising 55% of total volume, surpassing 2021's record)[7], which is amplifying natural market inefficiencies. The most expensive/abstract/speculative cohorts of the market are bubbling ever higher once again in recent weeks in signs of building euphoria and this bears watching.

Portfolio Updates

Alta Equipment Group (ALTG)

Alta has been a large detractor for the Funds. ALTG reported Q1 results recently and tightened the top end of the range of its full year EBITDA guidance by less than 2%. The mid-point of guidance was still above Wall Street's consensus, but the stock has fallen ~30% after reporting with shares now close to 4x EBITDA. Results were weak in Alta's higher margin distribution segment as the space got saturated with inventory. Another area that spooked investors was comments about gross margin reversion in new construction equipment sales, which accounts for only ~15% of total gross profit and something we mistakenly thought was more widely anticipated (e.g., obvious) and thus priced in. We believe that ALTG will continue to show resilient parts & service revenue growth due to the extreme pace of new equipment sales over the last several years (a ~43% CAGR since 2019). The stock screen poorly as ~$400M of their debt is "good debt" – floor plan / inventory financing that is tied to specific pieces of equipment and subsidized by OEM partners. We think the company needs to demonstrate better operating leverage against the cost base, but the P&S ballast and forthcoming revenue mix-shift will drag margins higher, and along with generating meaningful free cash flow and paying down debt (>30% levered FCF yield on consensus 2025 numbers) as growth slows, will help the shares re-rate from a distress level valuation. The stock has **>100% upside** to a base case fair value of 6x EBITDA.

Par Technology (PAR)

We have reentered PAR in a major way, making it an ~8% position at cost, buying in at a discount to the market price in a recent PIPE that was done to fund two key TAM expanding acquisitions. The new management team spent the last few years building a comprehensive restaurant technology platform just in time for an explosion of enterprise level RFPs. The bull case laid out by us and other vocal investors over the last few years is finally coming into focus. We believe PAR is poised to emerge as one of a few winners in the global restaurant POS and software market and will be the primary winner in the very sticky, counter-cyclical enterprise market. The market especially loves tech stocks that go from unprofitable to profitable, which we believe PAR will demonstrate on a sustainable basis within the next two quarters. In addition to the inflection in profitability, we believe there are several tangible catalysts on the horizon, including a sale of their unrelated Government business (simplifying the company to a restaurant tech pureplay), announcements of new Tier 1 wins that will accelerate organic ARR growth, and an investor day this Fall. Our base case price target is $80 (**~90% upside**), using 5x our 2026 sales estimate, a conservative ~40% discount to the most directly relevant trading comp AGYS (which is valued at 8.5x 2026 consensus sales despite growing significantly more slowly than PAR).

R1 RCM Inc. (RCM)

Just as we hit send on the Q4 letter, R1 received a non-binding buyout offer from its largest shareholder, private equity firm New Mountain Capital (32.3% ownership). At first the Board encouraged New Mountain to collaborate with the second largest holder, TowerBrook Capital (29.5% ownership), as they knew TowerBrook would likely not be a seller at such a low-ball valuation (minority shareholder "squeeze outs" by existing PE owners are a recurring theme this year). R1's board then backtracked eight days later and put New Mountain in timeout and hired both Barclays and Qatalyst Partners (a boutique M&A firm with stellar reputation of getting tech companies sold) to run a full auction process. We did not sell any RCM on the initial pop (thinking it to be a more stable merger-arb type situation) and unfortunately rode the stock all the way back down to its pre-deal announcement price. We think the market is underestimating the probability of a higher buyout offer, even if it is from New Mountain and TowerBrook and the gains will quickly be recouped. If there is no deal, we believe the upside will be much greater over the next few years as R1 continues to execute and on-board large customers and reduce costs using AI. Our base case price target moves down to $16 if a deal is commenced and remains $28 (**133% upside**) over the next 2-3 years if there is no buyout. This is based on 14x 2026 adjusted EBIT (EBITDA-Capex), or 12x Q4 2026 EBIT run-rate, a large discount to comps.

SolarWinds (SWI)

SolarWinds provides software solutions in network, application, and database management, with modern parlance labeling its solutions as "observability." In simple terms, SolarWinds helps businesses keep their computer networks running smoothly and securely.

The company is engaged in a transformation from a pure license/maintenance provider selling on premise software to a subscription model with both a hybrid cloud and private cloud solution. Even as it battles the headwind of lost upfront (100% margin) license sales to ratable subscription revenue, revenue growth has begun to accelerate with margins rising concurrently, as they have hit "scale" with their subscription initiative.

SWI is an extremely high margin business (approaching 50% EBITDA margins, with 90% gross margins) with accelerating ARR growth (now above 7%) that gets over a 50 in software "Rule of 40" parlance, yet it trades for only ~9x FCF, **easily the cheapest software stock over $1 billion in market cap** that we are aware of. With that designation, one would think they have routinely disappointed, however SWI has consistently beaten expectations and had massively positive revisions (2024 EBITDA estimates have gone from $317 million to $375 million over the past year). To reiterate, it is very unusual for a company to have accelerating revenue growth, margin expansion (e.g., Voss Sauce), and significantly positive earnings revisions scraping the bottom of the valuation barrel. We attribute the apparent dislocation to unconditional sell side apathy as well as the company's [very public cyber-attack](), which was over three years ago and no longer an issue for customers (evidenced by their maintenance retention rate improvement from 90% to 95%).

The company recently paid a ~10% special dividend, which moderately (and temporarily) increased its leverage. In our base case, we assume 75% of cash flow goes to debt paydown over the next year and the stock is worth ~$23/share (**92% upside**), or 14x FCF. This would be a >50% discount to direct comp NABL that has half the margins and a similar growth rate, or a similar multiple to TDC, another "legacy" software company going through a subscription conversion. With two large private equity holders still in the name, we think the odds are elevated that the company will receive a buyout offer from a different PE fund within the next year or so.

Rentokil Initial (RTO)

Rentokil Initial is the global leader in pest control, with more than double the revenue of its next largest competitor. Although it is primary listing is in the UK, over 60% of earnings are generated in North America. Pest control is a remarkably high-quality business with largely recurring revenue, high returns on capital employed, and low cyclicality. The largest players in the industry also have attractive inorganic growth opportunities by consolidating a still fragmented market. The pest control market in the US has grown at a 4.9% CAGR over the last ten years, well above the rate of GDP growth, and RTO has its sights on growing organic revenue at 1.5x the market rate over the medium term. It is not hard to see why these businesses historically trade at a significant premium to the S&P 500.

In October 2022, RTO completed the acquisition of Terminix, a US focused pest control company. By September of 2023, it was apparent that the substantial integration effort had led to a slowdown in North American organic revenue growth. As all eyes became firmly affixed to the bumps in the road, the stock was ruthlessly punished, and our opportunity was born. RTO now trades at a substantial discount to relevant transaction comps, publicly traded comps, and its own historical trading history, as recency bias conveniently provides skeptics a rallying cry. From the transaction comps that we have data on over the last 10 years where the target had EBITDA >$10M, deals ranged from 15.3x-25.6x EBITDA yet RTO trades at 10.1x 2025 consensus EBITDA (at which point a majority of the Terminix cost synergies will be realized), making it a potential candidate for a PE buyout. Its closest public comp is ROL, which trades at 27.1x 2025 consensus EBITDA. RTO itself has averaged 15.2x forward EBITDA over the last five years, including its recent selloff.

We believe once RTO can move past the initially tough integration period and show improved organic growth, the shares have **~100% upside** over the next 18 months simply by re-rating to its own historical multiple, which would be on the low end of transaction comps and still imply a ~40% discount to the well-run ROL. The Company is currently exploring US Dollar reporting and we believe a subsequent re-listing to the US would help re-rate the stock meaningfully, a la CRH.

Genius Sports (GENI)

Genius Sports is a sports data rights aggregator that provides live sports data to sports books covering over 200,000 events globally. GENI has locked up the official data rights to leagues like the EPL, FIBA, MLB, and most importantly the NFL through at least 2028. GENI's technology is primarily focused on collecting, managing, and distributing real-time sports data and analysis during games to various stakeholders such as sportsbooks, media companies, and sports leagues, a duopolistic industry overall that they share with Sports Radar, however each company typically has exclusivity in the sports or leagues that they contract with. The company is well positioned to continue to benefit from increased sports betting legalization and the growth of in-game betting in the US, regardless of which sportsbook(s) ultimately command the most market share. We expect the company to maintain >20% organic revenue growth with >50% incremental EBITDA margins over the next few years. If correct, we believe we are paying < 10x 2027 FCF at today's market prices.

GENI's new BetVision was only recently launched in September 2023, and it enables in-game bets for the NFL with low latency as well as calculating and displaying real-time analytics and odds. In-game betting makes up 25% - 30% of bets in U.S. football vs 80%+ in the more mature UK soccer betting market. We believe NFL games, which comprised 96 out of the top 100 viewed television programs last year, lend themselves even more to in-game betting with more potential variables/events than soccer. Key to the thesis is that GENI's take rate for in-game bets (5% - 6%) is 3x higher than the take rate on facilitating pre-game bets (1.5% - 2.0%) and comes at zero incremental cost to GENI, thus is highly margin accretive with a long runway for increased penetration to catch up to more mature regions like the UK:

> "As we continue to increase the in-play betting, we directly benefit from this higher revenue share at no incremental cost, therefore, contributing to our profitability **at near 100% margin."** - GENI November 13th, 2023 earnings call

It is notable that GENI has beaten and raised guidance for the last nine quarters in a row, establishing near bulletproof credibility in our minds that management does what they say will do, and yet the market remains highly skeptical of their visibility on rights costs and the scalability of the NFL and UK soccer rights that GENI pays for and recently extended, thus creating the attractive buying opportunity recently.

Our base case price target of $11.00 (**>110% upside**) by late 2026 uses 12x 2026 EBITDA. 12x seems conservative in the context of what we anticipate being a 40%+ EBITDA CAGR over the next few years and ultimately a 30%+ EBITDA margin business at maturity in a duopolistic industry structure. Longer term, we believe the upside is much greater.

US Silica (SLCA)

US Silica is a two-segment business — Oil & Gas Proppants (O&G - fracking sand) and Industrial & Specialty Products (ISP - commercial grade minerals) — that we felt had been wrongly correlating to oil and gas/energy service stocks. In our estimation their more stable ISP segment, which has diverse end markets and over 800 different applications, deserved a much higher valuation multiple and thus comprised the majority of the company's enterprise value. The company was about to reclassify some more revenue into its ISP segment, which had a chance of improving the screening and investor perception. Just a few short weeks after we had begun scaling into the stock, the company received a buyout offer from value-oriented private equity firm Apollo for a measly 18.7% premium at $15.50/share, which compares to our base case price target of $21.40, which is based on a blended 6.4x EBITDA multiple using just 3.7x EBITDA for O&G segment and 10.5x for the stable and high margin ISP segment. There is a short "go-shop" period whereby the company can seek a higher offer.

Intermex (IMXI)

IMXI is an international money remittance company focused specifically on sending money from the United States to Latin America (Mexico and Guatemala most notably). While our thesis remains that the company can grow near double digits for the next few years, driven by ongoing immigration trends, growth initiatives including their recently launched digital app, and notably weak competition, growth has temporarily slowed to 3-5% on the back of a strong Mexican Peso and higher inflation. The company trades at under 5x EBITDA (8x FCF), has net cash on their balance sheet, and has recently found buyback religion, buying back over $80 million in the last twelve months and signaling an ongoing $20-$25 million *per quarter* (with diluted shares outstanding already dropping from 39 million to 33 million). We believe the company can compound EPS at 20%+ for the next few years driven by this sustainable buyback policy, and like that the company has the ability that many other small cap stocks do not, which is to force the issue. Even with some share price appreciation from buybacks, we believe EPS can move from $2.50 to $4.00 by 2026 (~30% CAGR). With a 10x multiple on that $4.00 in EPS, **100% upside** seems achievable over that time. As a technical factor, we believe the company will look significantly cheaper in the next six quarters as their cash peaks between Mondays and Wednesdays, with each of the next six quarters ending on a Monday-Wednesday. For quants and others screening the company, the EV may optically drop nearly 20% overnight on this cash infusion. Lastly, aside from the technical support from the aggressive buyback, we believe there is a valuation floor under $20 and at those levels the company is drawing private equity interest. For context, a slower growing, lower margin peer was recently acquired at 8x EBITDA compared to the 4x that IMXI will soon screen at.

Long basket of US homebuilders:

Single family housing starts remain below mid-cycle levels and the country desperately needs more supply. Homebuilder leverage is at its lowest in history and pretty much all the large public builders are shifting back to their 1990s playbook of a more asset light balance sheet (controlling land through options as opposed to on balance sheet), which should help the stocks eventually re-rate higher from as low as 6-7x earnings and ~1x tangible book value today, despite >20% ROEs. We think this basket has at least **50% upside** over the next 18 months, which would still put the stocks below long-term average valuations despite better than average fundamentals and their cleanest balance sheets in history.

Conclusion

Like a Beethoven sonata from the tumultuous middle of his career, stocks continue to exhibit radical discontinuities—captivating juxtapositions of imperturbable floating punctuated with episodic eruptions of chaotic emotion, reinforcing a sense of dynamic instability that is always underlying the market, even if just beyond perception. As we do for any of the late, deaf lefty's sublime works, we observe TGH with focused awe−and more importantly, participate TGH's contradictory shenanigans with the utmost humility, wondering if/when he will kindly indulge portfolio idleness, or punish it.

At the inception of the fund in late 2011, ETFs comprised <20% of total equity assets, which pales in comparison to >50% today. This is no doubt a secular and "permanent" shift in market dynamics that we must adapt to. Furthermore, retail noise traders now comprise the largest percentage of total trading volume in modern history (>50%), and the vast majority of institutional fund flows are aggregating to short-term oriented “pod shops.” Needless to say, to be rated properly in the market, proactive and value enhancing capital allocation from corporate Boards is as important as ever and if inefficiencies aren't corrected publicly, there will no doubt be an ongoing and accelerating shift to private equity markets as ever larger LBO funds take advantage of TGH's obvious duality.

It is frustrating to once again have given back large gains from earlier in the year despite mostly positive fundamental developments at our individual holdings. The good news is time is on our side as our portfolio's forward levered FCF yield remains ~11% based on our estimates. We feel we have a good balance of value oriented special situations, small cap growth companies, and high quality GARP-y mid-caps that will handily outperform richly valued passive indices over the next 12-36 months, and we anticipate there could be multiple portfolio holdings acquired soon if their stocks continue to languish. The risk/reward of our portfolio has rarely been better than it is now, based on our own price targets.

Sincerely,

The Voss Team

Appendix:

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[1] Morgan Stanley Research
[2] Bloomberg
[3] Bloomberg
[4] Fisher Investments, Atlanta Fed GDP Now
[5] Morgan Stanley research, DHS.gov, Office of Homeland Security Statistics
[6] FWD.us, George Mason University study
[7] Mizuho

Common Terms:

CAGR – Compound Annual Growth Rate	*IRR – Internal Rate of Return*
CAPEX – Capital Expenditures	*LTM – Last Twelve Months*
COGS – Cost of Goods Sold	*M&A – Mergers and Acquisitions*
DCF – Discounted Cash Flow	*NTM – Next Twelve Months*
EBIT – Earnings Before Interest and Taxes	*OPEX – Operating Expenses*
EBITDA – Earnings Before Interest, Taxes, Depreciation & Amortization	*P/E – Price to Earnings*
EPS – Earnings per Share	*P&L – Profit and Loss Statement*
EV – Enterprise Value	*P&S – Parts and Service*
FCF – Free Cash Flow	*SG&A – Selling, General and Administrative Expenses*
GDP – Gross Domestic Product	*YTD – Year to Date*

Disclosures and Notices:

Beginning January 1, 2020, all investment activity is conducted by the Voss Value Master Fund, LP (the "Master Fund"), which has two feeder funds, and therefore performance figures from January 1, 2020 onward are calculated based on the Master Fund. All limited partners invest in the Fund through one or more of the following feeder funds: Voss Value Offshore Fund, Ltd. (the "Offshore Fund") and Voss Value Fund, LP (the "Predecessor Fund"), each a "Feeder Fund". Performance figures for the Predecessor Fund are contributable to Travis Cocke as sole portfolio manager. Mr. Cocke maintains the same position with the Fund and the Fund will employ a similar strategy as the Predecessor Fund. Actual returns are specific to each investor investing through a Feeder Fund. Each Feeder Fund was established at different times and has varying subsets of investors who may have had different fee structures than those currently being offered. As a result of differing fee structures, differing tax impact on onshore and offshore investors, the timing of subscriptions and redemptions, and other factors, the actual performance experienced by an investor may differ materially from the performance reported above. Portfolio statistics shown are inclusive of the Predecessor Fund and the Offshore Fund. Net results are presented after deduction of all operational expenses (including brokerage commissions), 1% per annum management fee, and 20% performance allocation. Prior to Q1 2023, 2022, and 2023 net results were presented at the Fund/feeder level but were subsequently updated to match the method of presentation used for the Fund's 2022 Audited Financial Statements. A full chart is available upon request.

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