"Turnaround Tom's" Top Picks and Outlook for 2025

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- 1.5 Decades in Hedge Funds – Long/Short Equity
- Great Hill Capital, LLC – Chairman & Managing Member
- Regular Media Appearances – Fox Business, CNBCi, Yahoo! Finance, BBC, etc.
- Cornwall Capital, LP – “The Big Short”
- COO – Chief Operating Officer – Public Company $1.6B AUM
- Columbia University

COLUMBIA UNIVERSITY

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Who are we?

- Great Hill Capital, LLC runs a long/short equity strategy in SMA format for Accredited Investors and Qualified Institutions.
- We've developed a reputation over time for benefitting from sector, stock and general market dislocations and periods of distress.
- HedgeFundTips.com is where we post our weekly market outlook and research notes.
- "Hedge Fund Tips with Tom Hayes "podcast is ranked #1 in the Hedge Fund Category via feedspot

Our Strategy (simplified)

We make our money buying on weakness and selling on strength.

↓

Our confidence to step in when others are bailing is rooted in deep research and the premise that the more price becomes dislocated the more risk that has COME OUT.

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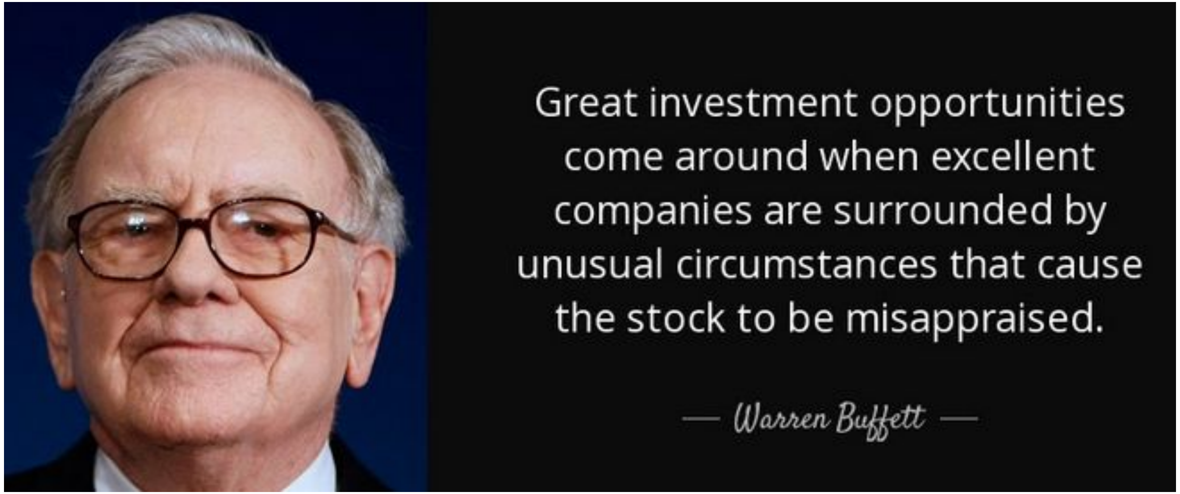
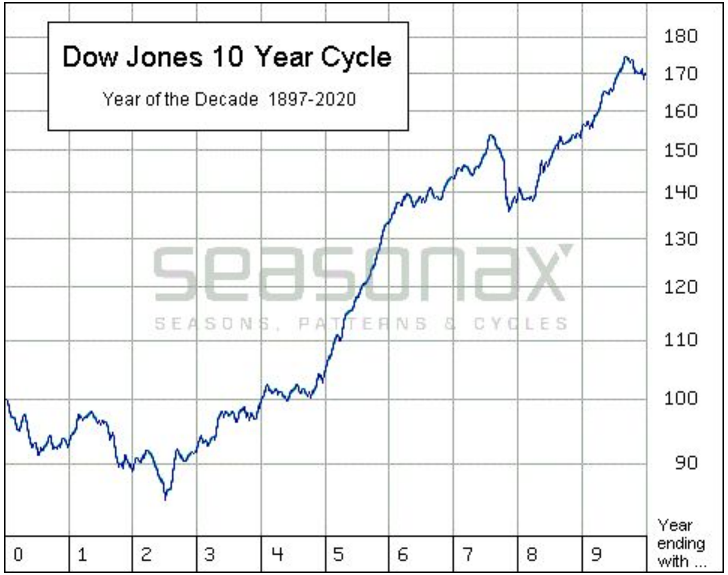
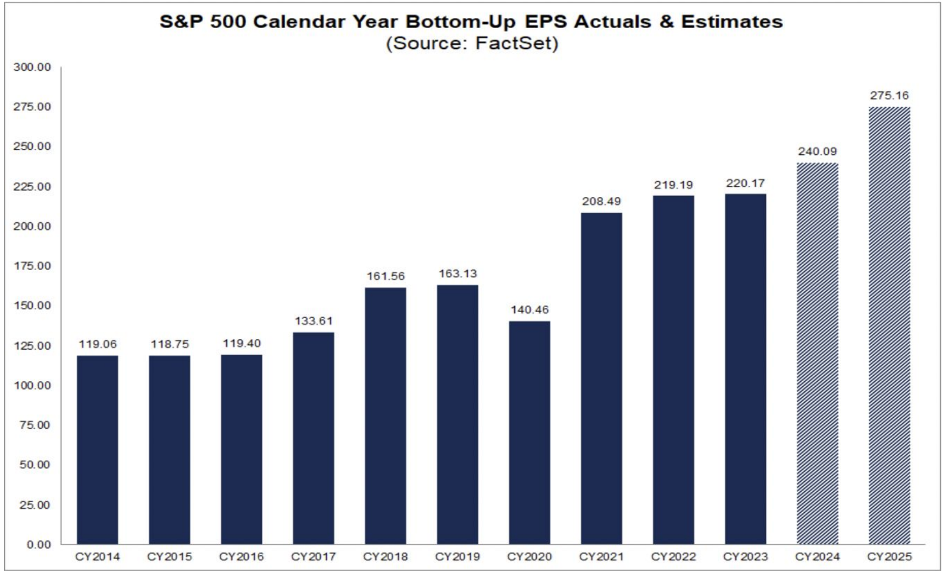
Most market participants see volatility as increased risk. We view it as increased OPPORTUNITY.

Our Investment Philosophy in a Nutshell:



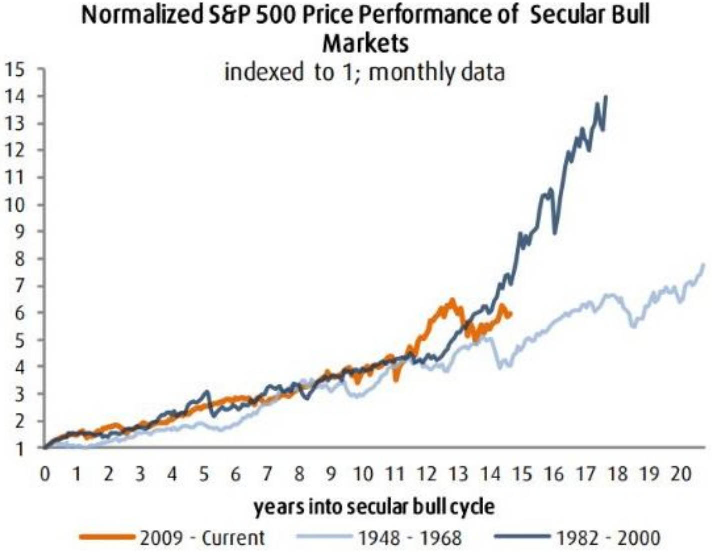
Seasonality and Earnings



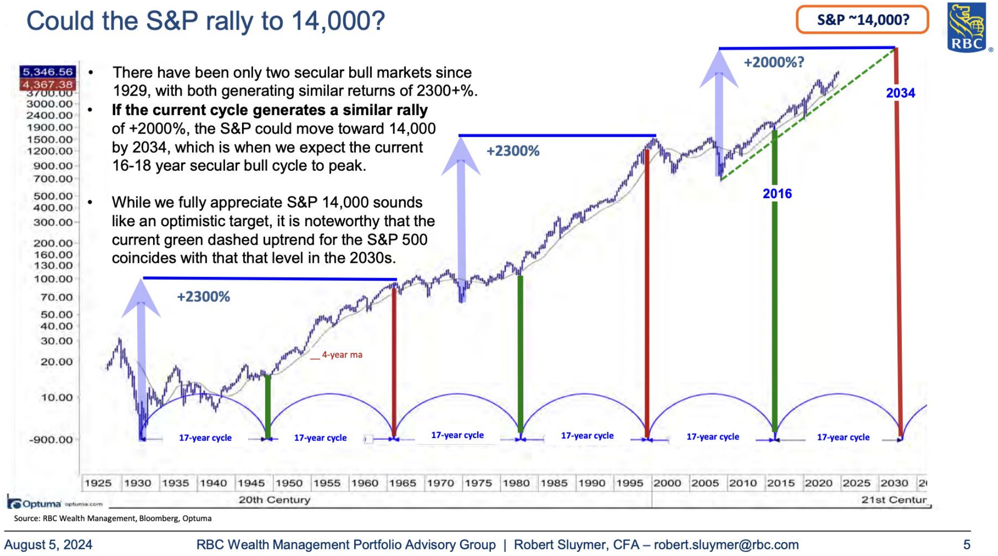


Take The Long View (Demographics) UPSIDE!

Exhibit 7: The Secular Bull Market Has Been Reignited



Source: BMO Capital Markets Investment Strategy Group, FactSet.



#1 Turnaround Tom Pick : Cooper Standard

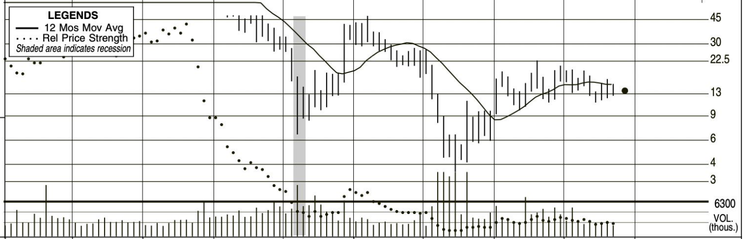
COOPER-STANDARD NYSE--CPS | RECENT PRICE 13.69 | TRAILING P/E RATIO NMF | RELATIVE P/E RATIO NMF | DIV'D YLD Nil | VALUE LINE

	2016	2017	2018	2019	2020	2021	2022	2023	2024		
High	107.94	128.52	146.77	77.77	41.85	47.85	27.35	22.74	19.52		High
Low	63.01	95.33	56.68	26.40	6.60	17.05	3.53	9.24	11.24		Low

RANKS

PERFORMANCE	5	*Lowest*
Technical	5	*Lowest*
SAFETY	5	*Lowest*
BETA 1.95		(1.00 = Market)

Financial Strength	C
Price Stability	5
Price Growth Persistence	15
Earnings Predictability	15



© VALUE LINE PUBLISHING LLC	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025/2026
SALES PER SH	196.31	201.97	206.74	184.55	140.58	137.13	147.61	163.74	--	
"CASH FLOW" PER SH	14.79	16.35	15.53	4.15	d6.71	d10.82	d5.43	d1.59	--	
EARNINGS PER SH	7.42	8.26	6.89	d4.78	d15.82	d18.94	d12.53	d7.91	***NA***	***NA/NA***
DIV'DS DECL'D PER SH	--	--	--	--	--	--	--	--	--	
CAP'L SPENDING PER SH	9.29	10.43	12.42	9.76	5.43	5.66	4.16	4.70	--	
BOOK VALUE PER SH	39.42	46.14	47.36	50.83	35.93	19.12	6.30	d4.73	--	
COMMON SHS OUTST'G (MILL)	17.69	17.91	17.55	16.84	16.90	16.99	17.11	17.20	--	
AVG ANN'L P/E RATIO	11.5	13.2	16.9	--	--	--	--	--	***NA***	***NA/NA***
RELATIVE P/E RATIO	.63	.66	.95	--	--	--	--	--	--	
AVG ANN'L DIV'D YIELD	--	--	--	--	--	--	--	--	--	
SALES ($MILL)	3472.9	3618.1	3629.3	3108.4	2375.4	2330.2	2525.4	2815.9	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	10.6%	10.9%	9.2%	3.7%	1.1%	NMF	1.8%	6.3%	--	
DEPRECIATION ($MILL)	122.7	138.1	146.7	152.0	154.2	139.0	122.5	109.9	--	
NET PROFIT ($MILL)	139.0	154.8	126.0	d82.0	d267.6	d322.8	d215.4	d137.3	--	
INCOME TAX RATE	27.9%	25.8%	17.1%	--	--	--	--	--	--	
NET PROFIT MARGIN	4.0%	4.3%	3.5%	NMF	NMF	NMF	NMF	NMF	--	
WORKING CAP'L ($MILL)	536.9	599.7	433.3	482.4	588.4	397.3	314.1	247.4	--	
LONG-TERM DEBT ($MILL)	729.5	723.3	729.8	746.2	982.8	980.6	982.1	1044.7	--	
SHR. EQUITY ($MILL)	697.4	826.6	831.5	856.2	607.1	324.9	107.7	d81.3	--	
RETURN ON TOTAL CAP'L	11.2%	11.3%	9.4%	NMF	NMF	NMF	NMF	NMF	--	
RETURN ON SHR. EQUITY	19.9%	18.7%	15.2%	NMF	NMF	NMF	NMF	--	--	
RETAINED TO COM EQ	19.9%	18.7%	15.2%	NMF	NMF	NMF	NMF	--	--	
ALL DIV'DS TO NET PROF	--	--	--	--	--	--	--	--	--	

Built a position in Cooper Standard at a blended basis of ~$5.50

A Little History… Charlie Munger’s Tenneco Investment

TENNECO

Tenneco was a major supplier of aftermarket auto parts. It’s well-known brands include Monroe shock absorbers, Walker mufflers, and DynoMax exhaust products

- During Charlie Munger’s "cigar butt" investment in Tenneco, the company had ~40 million shares outstanding, a market cap of about $80 million, an enterprise value of ~$1.6 billion, as well as total debt load of approximately ~1.52 billion

- Tenneco successfully restructured its operations through layoffs/plant closures and refinanced debt, taking solvency risk off the table

- With EBITDA rebounding to the $300–$400 million range, comparable to levels from the late 1990s, Tenneco’s stock price surged from Munger’s purchase price of roughly **$1.50–$2.00** to around **$15** per share by mid-to-late 2004

Why Cooper Standard?

<u>3 Key Reasons</u>

1) Confident that management would <u>refinance the debt due to asset coverage</u>, meaning the company's assets could fully cover the debt in a liquidation

2) Betting on the Jockey… Management has a consistent history of <u>respecting equity</u>, bringing the share count DOWN and linking compensation to ROIC

3) Unparalleled industry <u>operating leverage</u> emerging from a cyclical trough

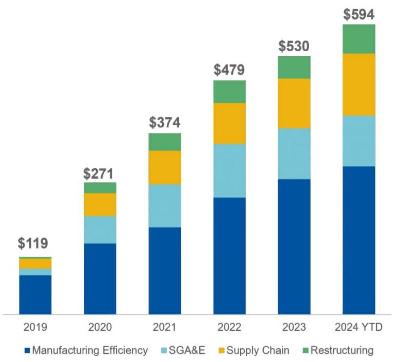
Cooper-Standard is the leading global supplier of sealing systems, fuel and brake delivery, and fluid transfer systems for new vehicles

CooperStandard	
Ticker / Share Price	"CPS" / $14.54
Market Cap	$248.46M
Enterprise Value	$1.24B
FY2023 Financials	
Revenue	$2.82B
Adj. EBITDA	$167.1M
Adj. EBITDA Margin	5.90%

Navigating a Tough Operating Environment

Continuing Aggressive Lean Initiatives to Further Optimize Costs

Cumulative Sustainable Cost-Saving Impact to Adjusted EBITDA (2019-2024 YTD)



Ongoing Initiatives Driving Savings in 2024

- **Total of $64m in cost savings achieved in 2024 YTD**
  - $50m from manufacturing/purchasing lean initiatives
  - $14m from **restructuring actions**
    - Expected cost savings of $20 - $25 million in 2024
    - Full annualized cost savings of $40 - $45 million expected in 2025
    - Payback of restructuring costs in approximately 6 months
- Further footprint rationalization under consideration to align costs/capacity with industry demand

CooperStandard

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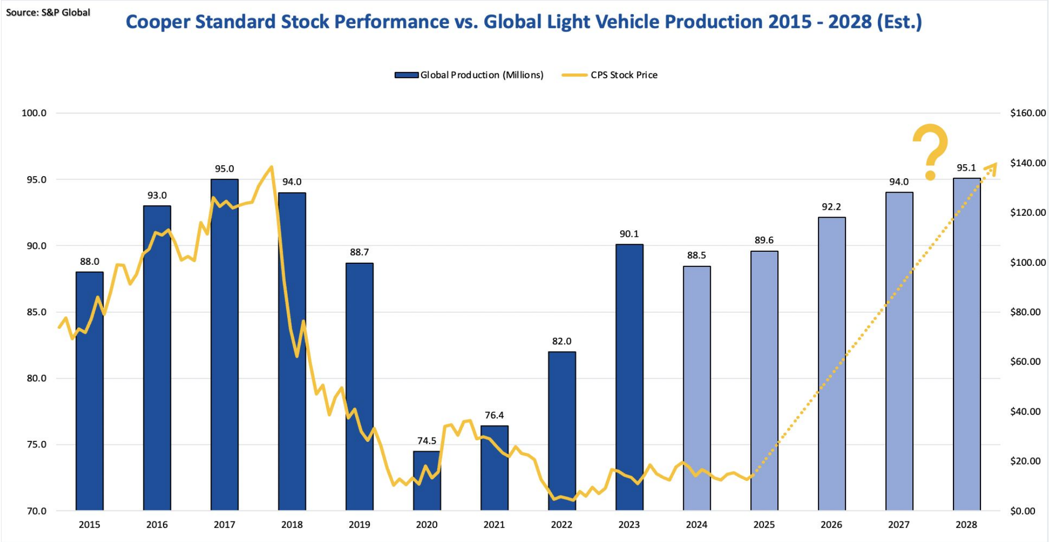
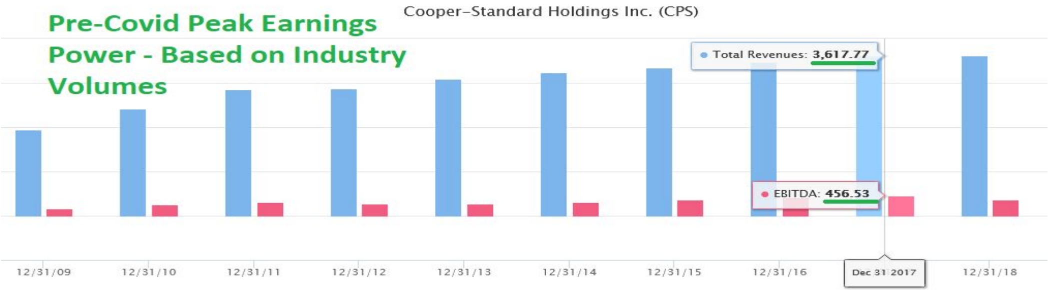
"The worst crisis ever to impact the automotive industry, a key sector of the world economy"
- OICA president Mr FU Bingfeng

- Auto Industry finally moving past the worst of a costly semiconductor shortage that reportedly cut 13 million vehicles from global production since the start of 2021 (AutoForecast Solutions (AFS))
- While waiting for volumes to recover, management aggressively cut $594 million in costs
- Management on track to achieve double-digit EBITDA margins and ROIC by the end of 2025
- Once volumes return, margins could **EXCEED** 2017-2018 levels given the significantly lower cost base

Volumes are the Name of the Game

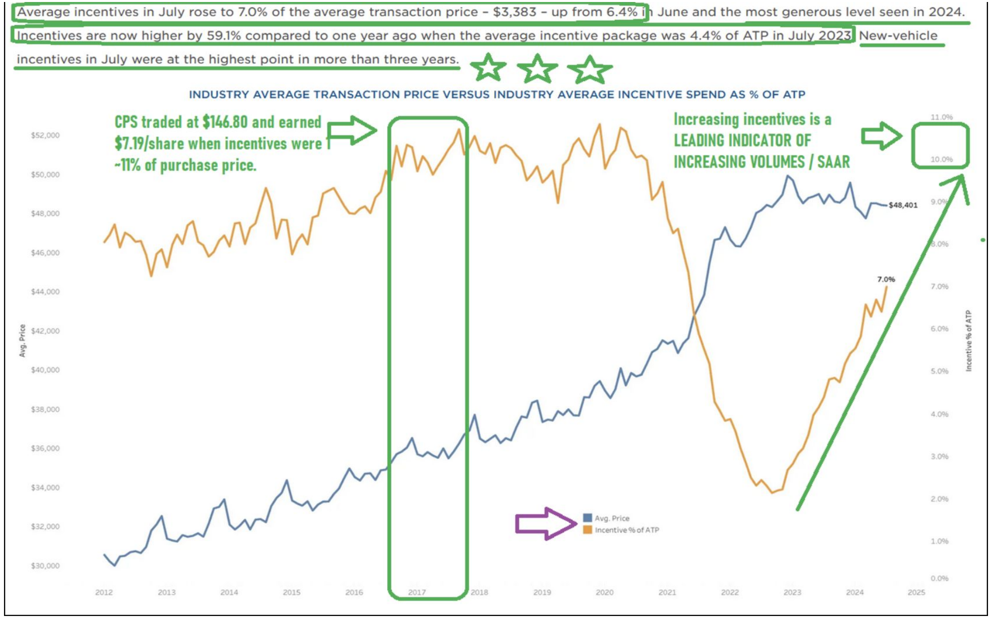
- CPS gets paid **~$175** for every new vehicle produced (Unweighted average content per vehicle across top 10 platforms)
- In 2017, the U.S. had ~17.1M SAAR. CPS did $3.62B in revenue, $456M EBITDA (12.5% margins), $7.21 EPS, and traded at $146/share
- Generally every cycle has peaked out at ~18M SAAR. Estimates for 2024 are ~15.8M. We estimate **<u>~$3/share in EPS</u>** for every 200,000 cars above 15.7M annual SAAR
- With a leaner cost base, we estimate CPS can **<u>SURPASS $7-$8 in EPS</u>** once production volumes return to pre-COVID levels.

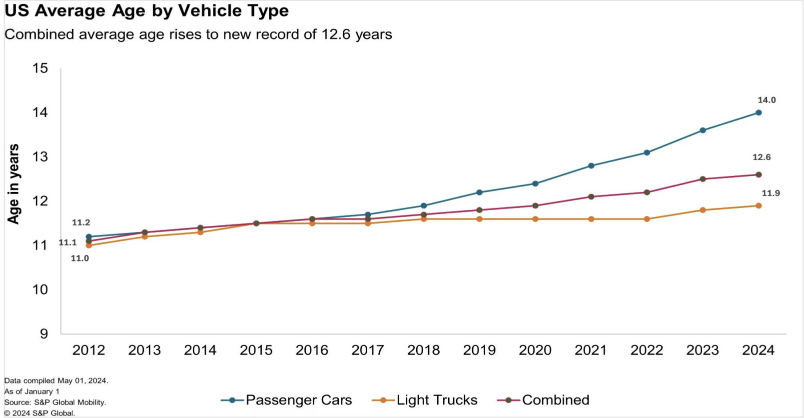


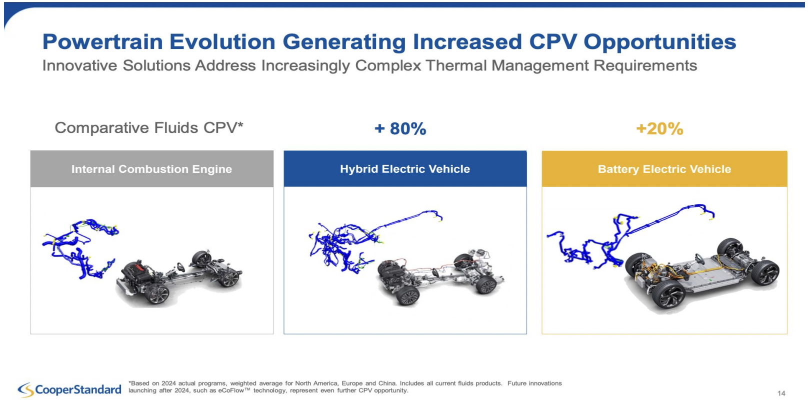


Strong Industry Tailwinds

- Record high age of average vehicle = **12.6 years**
- Rising new vehicle **Incentives**
- Hybrids and EVs have **~80**% and **~20%** higher content per vehicle for CPS = **ADDITIONAL UPSIDE**







#2 Turnaround Tom Pick : Advance Auto Parts

Advance Auto Parts

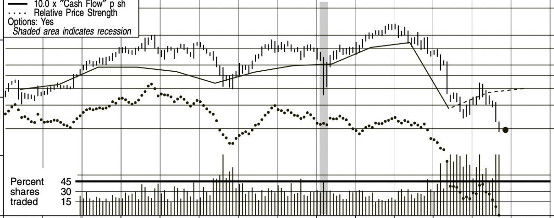
ADV. AUTO PARTS NYSE-AAP | RECENT PRICE **39.09** | P/E RATIO **17.1** (Trailing: NMF Median: 19.0) | RELATIVE P/E RATIO **0.94** | DIV'D YLD **2.6%** | VALUE LINE

TIMELINESS – Suspended 9/6/24
SAFETY 3 Raised 4/19/24
TECHNICAL – Suspended 9/6/24
BETA 1.20 (1.00 = Market)

High:	111.9	163.4	201.2	177.8	177.5	186.1	182.6	170.5	243.0	244.5	158.2	88.6
Low:	71.5	109.3	142.6	131.6	78.8	99.7	130.1	71.3	143.2	138.5	47.7	36.4

Target Price Range
2027 2028 2029

LEGENDS
— 10.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$25-$75	$50 (30%)

2027-29 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+130%)	*26%*
Low	60	(+55%)	*15%*

Institutional Decisions

	4Q2023	1Q2024	2Q2024
to Buy	185	218	190
to Sell	227	184	201
Hld's(000)	60344	61521	65034

% TOT. RETURN 8/24

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-33.1	14.1
3 yr.	-75.9	11.1
5 yr.	-64.1	80.9

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VALUE LINE PUB. LLC	27-29
54.21	57.81	72.30	84.76	84.56	89.15	134.71	132.81	129.73	126.78	132.22	140.24	152.29	177.36	188.22	189.67	*187.90*	*189.30*	Sales per sh A	*201.65*
4.30	4.68	6.23	7.84	7.87	8.58	11.54	11.56	10.69	8.76	10.57	11.87	12.20	16.26	17.68	5.65	*7.45*	*8.05*	"Cash Flow" per sh	*11.50*
2.75	3.00	3.95	5.11	5.22	5.67	7.59	7.82	7.15	5.37	7.13	8.19	8.51	12.02	13.04	.50	*2.25*	*2.80*	Earnings per sh B	*6.10*
.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	1.00	2.50	5.50	3.50	*1.00*	*1.00*	Div'ds Decl'd per sh D	*3.00*
1.95	2.06	2.44	3.68	3.70	2.69	3.13	3.20	3.52	2.57	2.67	3.90	4.03	4.67	7.16	4.07	*3.75*	*3.85*	Cap'l Spending per sh	*4.05*
11.34	13.70	12.68	11.65	16.50	20.82	27.41	33.56	39.54	46.19	49.00	51.26	53.64	50.45	45.19	42.34	*43.55*	*45.25*	Book Value per sh	*58.65*
94.85	93.62	81.96	72.80	73.38	72.84	73.07	73.31	73.75	73.94	72.46	69.23	66.36	62.01	59.26	59.51	*59.60*	*59.70*	Common Shs Outst'g C	*60.00*
12.9	13.3	13.2	12.3	14.5	15.1	17.3	20.9	21.8	22.9	19.5	19.4	16.5	16.6	14.6	NMF	*Bold figures are*		Avg Ann'l P/E Ratio	*12.0*
.78	.89	.84	.77	.92	.85	.91	1.05	1.14	1.15	1.05	1.03	.85	.90	.84	NMF	*Value Line*		Relative P/E Ratio	*.65*
.7%	.6%	.5%	.4%	.3%	.3%	.2%	.1%	.2%	.2%	.2%	.2%	.7%	1.3%	2.9%	3.8%	*estimates*		Avg Ann'l Div'd Yield	*2.1%*
						9843.9	9737.0	9567.7	9373.8	9580.6	9709.0	10106	10998	11155	11288	*11200*	*11300*	Sales ($mill) A	*12100*
						12.8%	13.0%	12.1%	10.0%	10.3%	10.6%	10.4%	11.7%	12.1%	3.7%	*4.5%*	*5.0%*	Operating Margin	*6.5%*
						284.7	269.5	258.4	249.3	238.2	238.4	222.7	232.3	256.4	306.5	*310*	*315*	Depreciation ($mill)	*325*
						558.9	578.4	530.2	398.2	527.8	583.3	587.0	775.6	791.5	29.7	*135*	*165*	Net Profit ($mill)	*365*
						36.9%	37.3%	37.8%	36.5%	24.7%	23.9%	24.3%	23.9%	23.5%	6.6%	*23.0%*	*23.0%*	Income Tax Rate	*23.0%*
						5.7%	5.9%	5.5%	4.2%	5.5%	6.0%	5.8%	7.1%	7.1%	.3%	*1.2%*	*1.5%*	Net Profit Margin	*3.0%*
						997.9	1143.3	1496.7	1946.8	2196.5	1217.8	1526.1	1095.2	676.5	1069.6	*1075*	*1100*	Working Cap'l ($mill)	*1160*
						1636.3	1213.2	1042.9	1044.3	1045.7	747.3	1033.0	1034.3	1188.3	1786.4	*1785*	*1785*	Long-Term Debt ($mill)	*1485*
						2002.9	2460.6	2916.2	3415.2	3550.8	3549.1	3559.5	3128.3	2678.3	2519.7	*2595*	*2700*	Shr. Equity ($mill)	*3520*
						16.3%	16.6%	14.1%	9.6%	12.1%	14.0%	13.3%	19.1%	21.1%	1.7%	*4.0%*	*4.5%*	Return on Total Cap'l	*8.0%*
						27.9%	23.5%	18.2%	11.7%	14.9%	16.4%	16.5%	24.8%	29.6%	1.2%	*5.0%*	*6.0%*	Return on Shr. Equity	*10.5%*
						27.0%	22.8%	17.6%	11.1%	14.4%	16.0%	14.9%	19.7%	17.0%	NMF	*3.0%*	*3.5%*	Retained to Com Eq	*5.5%*
						3%	3%	3%	4%	3%	3%	10%	21%	42%	NMF	*44%*	*36%*	All Div'ds to Net Prof	*49%*

CAPITAL STRUCTURE as of 7/13/24
Total Debt $1787.9 mill. **Due in 5 Yrs** $950.0 mill.
LT Debt $1787.9 mill. **LT Interest** $88.0 mill.
(Total interest coverage: 1.4x) (41% of Cap'l)

Leases, Uncapitalized Annual rentals $539.8 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 59,674,284 shs.
as of 8/16/24
MARKET CAP: $2.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2022	2023	7/13/24
Cash Assets	269.3	503.5	479.4

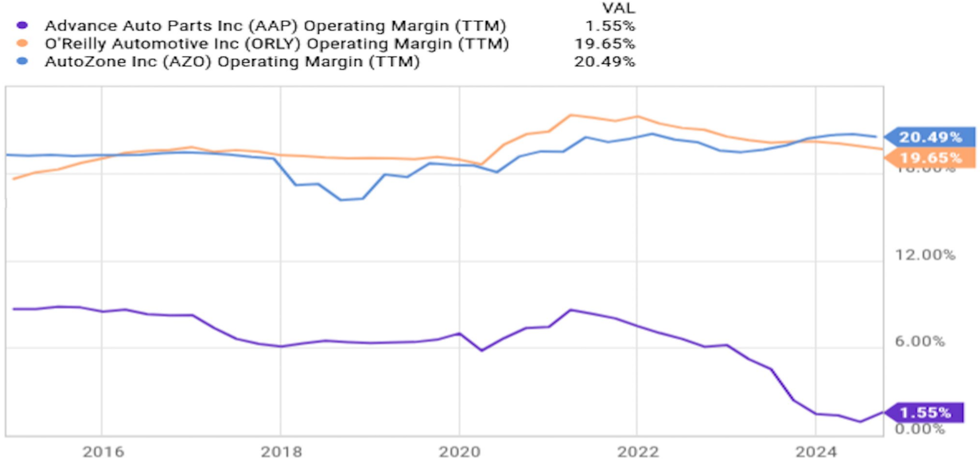
Built a position in Advance Auto Parts at a blended basis of ~$45.37.

What's the Problem?

- AAP has **fallen over 80%** peak to trough, from around $244 to about $43
- Weakest operating margins in over 20 years due to previous leadership's **aggressive expansion and investment strategy to the detriment of profitability**
- A highly leveraged balance sheet, with a leverage ratio over **4x**, raised **solvency concerns**. By the end of FY2023, the company had approximately <u>$500 million in cash</u> and nearly <u>$1.8 billion in debt</u>, resulting in a "junk" credit rating

Ticker / Share Price	"AAP" / $43.80
Market Cap	$2.6B
Enterprise Value	$3.94B
FY2023 Financials	
Revenue	$11.29B
Operating Income	$114.4M
EBIT Margin %	1.00%

AAP is a leading automotive aftermarket parts provider in North America, that serves both professional installer and do-it-yourself customers



Key Catalysts for the Turnaround

- Solvency risk now off the table with the $1.5 billion sale of the WorldPac business ($1.2B net proceeds), a massive cash cushion worth nearly **half its market cap**. Proceeds to be used to bring debt ratio down to **2.5x**

- Management's consolidation of Distribution Centers **(13 from 38)** with nodes that will create supply chain efficiency. $50M in procurement savings expected in 2025 with positive benefits already realized (i.e., 15% increase in volume per truckload)

- Plan to close >700 unprofitable locations in 2025. The revised store footprint means 75% of AAP's stores will be in a **#1 or #2** position in terms of store density and have ~ **4% increased sales per square foot**

Betting on the Jockey…CEO Shane O'Kelly

- Newly appointed CEO **Shane O'Kelly** is a proven winner. He previously served as CEO of HD Supply, a $7 billion division of Home Depot, and led PetroChoice, the world's largest distributor of lubricants. He also spent seven years as an Army officer
- Dan Loeb's Third Point also strengthened AAP's board by adding **three new directors**, including former O'Reilly executives and industry CEOs with supply chain and merchandising expertise
- Management has skin in the game, with **67 open market stock purchases** in the past 12 months

Shane O'Kelly
Senior Vice President, Home Depot
CEO, HD Supply

Shane O'Kelly is SVP of the Home Depot and also serves as CEO of HD Supply, a critical part of the company's strategy to serve Pro customers in the maintenance, repair and operations (MRO) industry. Prior to his current role, he served as the CEO of Interline Brands, Inc. which was subsequently rebranded as Home Depot Pro.

Before joining The Home Depot, Shane served as CEO of PetroChoice, the nation's largest distributor of lubricants and lubrication solutions. Prior to that role, he was CEO of AH Harris, a specialty construction supply distributor. Shane also worked as an engagement manager at McKinsey and Company.

Shane's early career included rich experience at The Home Depot. He originally joined the company in 2003 as director of strategic business development before being promoted to regional vice president.

Shane served seven years as an infantry officer in the U.S. Army. During his service, he graduated from both Airborne and Ranger schools and served as a rifle platoon leader and company commander. He completed numerous deployments with the 1st Cavalry Division and the 325th Airborne.

Shane holds an MBA from Harvard Business School and a bachelor's degree from West Point.

###

HD Supply (www.hdsupply.com) is one of the largest industrial distributors in North America. The company provides a broad range of products and value-add services to approximately 500,000 customers with leadership positions in the maintenance, repair and operations, and specialty construction sectors. Through approximately 270 branches and 44 distribution centers in the U.S. and Canada, the company's approximately 11,500 associates provide localized, customer-tailored products, services and expertise.

The Path to ~$100+

- **<u>>500 bps margin expansion</u>** driven by <u>cost factors alone</u>. Even with 7% operating margins, AAP would still be well below its historical averages (8% - 10%) and ~65% behind its industry peers

- Management's targets suggest <u>$630M operating income in FY2027</u>. The last 4 times they had operating income in the $600Ms were 2018 ($617M), 2019 ($679M), 2022 ($670M), the business earned **$5.75, $6.87 and $7.70** in EPS

- In those respective years, when the share count was as much as <u>10.5% higher</u> than today, the stock reached highs of **$186.1**, **$182.6** and **$244.50** in each of those years

- A <u>~10% reduction</u> in shares outstanding, combined with <u>+$600M</u> in operating income, points to EPS **EXCEEDING** prior levels.The key is whether a peak or trough multiple is applied? Either way, this suggests **<u>at least a doubling</u>** from current prices

#3 Turnaround Tom Pick : Etsy

Etsy

ETSY, INC. NDQ-ETSY | RECENT PRICE **51.77** | P/E RATIO **20.5** (Trailing: 24.1 Median: NMF) | RELATIVE P/E RATIO **1.10** | DIV'D YLD **Nil** | **VALUE LINE**

TIMELINESS **3** Lowered 2/16/24
SAFETY **4** Lowered 2/2/24
TECHNICAL **3** Raised 7/19/24
BETA 1.30 (1.00 = Market)

18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$41-$105	$73 (40%)

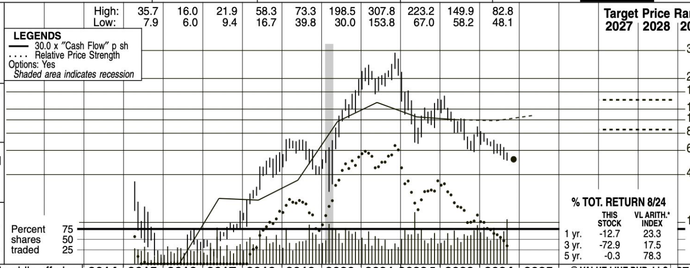
2027-29 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	140	(+170%)	*28%*
Low	85	(+65%)	*13%*

Institutional Decisions

	4Q2023	1Q2024	2Q2024
to Buy	327	299	239
to Sell	302	312	334
Hld's(000)	118087	118485	118203

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
High:	35.7	16.0	21.9	58.3	73.3	198.5	307.8	223.2	149.9	82.8
Low:	7.9	6.0	9.4	16.7	39.8	30.0	153.8	67.0	58.2	48.1



% TOT. RETURN 8/24

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-12.7	23.3
3 yr.	-72.9	17.5
5 yr.	-0.3	78.3

Etsy, Inc. completed its initial public offering on April 16, 2015. At that time, roughly 16.7 million shares were sold to the public at a price of $16.00 per share. The underwriting syndicate included Goldman, Sachs & Co. and Morgan Stanley & Co. LLC as joint book-running managers for the offering. Alen & Company LLC, Loop Capital Markets LLC and The Williams Capital Group LP. were acting as co-managers.

2014	2015	2016	2017	2018	2019	2020	2021	2022 E	2023	2024	2025	© VALUE LINE PUB. LLC	27-29
--	2.43	3.15	3.62	5.04	6.92	13.71	18.34	20.52	23.08	***25.00***	***26.80***	Revenues per sh	***36.00***
--	d.32	.09	.90	.87	1.22	3.24	4.47	3.51	3.35	***3.30***	***3.65***	"Cash Flow" per sh	***4.[illegible]0***
--	d.59	d.26	.68	.61	.76	2.69	3.40	2.46	2.24	***2.40***	***2.75***	Earnings per sh B	***3.25***
--	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	Div'ds Decl'd per sh	***Nil***
--	.10	.31	.03	.01	.06	.01	.09	.08	.11	***.25***	***.30***	Cap'l Spending per sh	***.35***
--	2.94	2.97	3.26	3.35	3.44	5.90	4.95	d4.38	d4.57	***d6.70***	***d5.45***	Book Value per sh C	***2.50***
--	112.56	115.97	121.77	119.77	118.34	125.84	127.02	125.05	119.07	***112.00***	***110.00***	Common Shs Outst'g D	***100.00***
--	--	--	21.2	NMF	NMF	36.3	NMF	46.6	41.3	*Bold figures are*		Avg Ann'l P/E Ratio	***34.0***
--	--	--	1.07	NMF	NMF	1.86	NMF	2.69	2.31	*Value Line*		Relative P/E Ratio	***1.90***
--	--	--	--	--	--	--	--	--	--	*estimates*		Avg Ann'l Div'd Yield	***Nil***
195.6	273.5	365.0	441.2	603.7	818.4	1725.6	2329.1	2566.1	2748.4	***2800***	***2950***	Revenues ($mill)	***3600***
5.6%	6.1%	15.7%	9.6%	16.8%	16.7%	27.9%	23.2%	18.8%	16.0%	***15.0%***	***17.0%***	Operating Margin	***15.0%***
17.2	18.6	39.8	27.2	26.7	48.0	58.2	74.3	96.7	91.3	***100***	***95.0***	Depreciation ($mill)	***95.0***
d15.2	d54.1	d29.9	81.8	77.5	95.9	349.2	493.5	342.0	307.6	***270***	***305***	Net Profit ($mill)	***325***
--	--	--	--	--	--	4.5%	--	10.7%	NMF	***15.0%***	***15.0%***	Income Tax Rate	***15.0%***
NMF	NMF	NMF	18.5%	12.8%	11.7%	20.2%	21.2%	13.3%	11.2%	***9.6%***	***10.3%***	Net Profit Margin	***9.0%***
88.5	279.0	287.0	336.8	568.2	732.5	1440.1	725.9	881.9	859.6	***800***	***900***	Working Cap'l ($mill)	***1000***
3.1	59.4	62.7	64.2	338.6	838.7	1107.3	2385.7	2385.3	2383.4	***2100***	***2000***	Long-Term Debt ($mill)	***2500***
149.2	330.5	344.8	396.9	400.9	406.6	742.4	628.6	d547.3	d543.7	***d750***	***d600***	Shr. Equity ($mill)	***250***
NMF	NMF	NMF	18.9%	12.0%	8.7%	20.0%	16.5%	19.0%	17.1%	***20.5%***	***22.0%***	Return on Total Cap'l	***12.0%***
NMF	NMF	NMF	20.6%	19.3%	23.6%	47.0%	NMF	NMF	NMF	***NMF***	***NMF***	Return on Shr. Equity	***NMF***
NMF	NMF	NMF	20.6%	19.3%	23.6%	47.0%	NMF	NMF	NMF	***NMF***	***NMF***	Retained to Com Eq	***NMF***
--	--	--	--	--	--	--	--	--	--	***Nil***	***Nil***	All Div'ds to Net Prof	***Nil***

CAPITAL STRUCTURE as of 6/30/24
Total Debt $2292.0 mill. **Due in 5 Yrs.** $13.2 mill.
LT Debt $2286.0 mill. **LT Interest** $14.0 mill.
(Over 100% of Capital)

Leases, Uncapitalized Annual rentals $6.5 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 114,752,260 shares out.
as of 7/26/24
MARKET CAP: $5.9 billion (Mid-Cap)

CURRENT POSITION ($MILL.)	2022	2023	6/30/24
Cash Assets	1171.7	1150.4	999.9

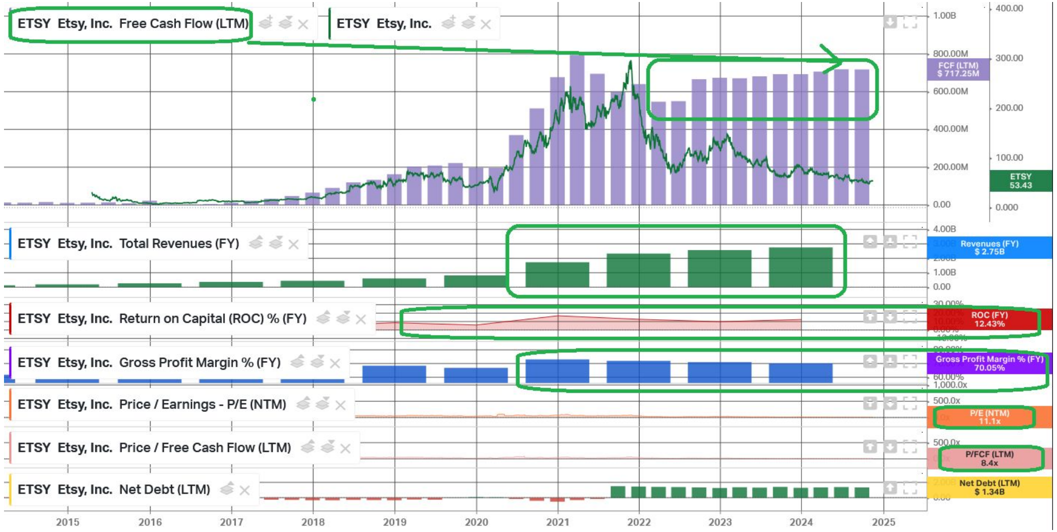
Built a position in Etsy at a blended basis of ~$49.

GREAT HILL CAPITAL

Why We Like Etsy

Etsy

- Fourth most visited e-commerce site in the U.S. by monthly traffic
- Carved out a **competitive niche** by not competing on price or fulfillment speed with other "race to the bottom" competitors and instead focused on handmade and custom goods
- Largely retained its pandemic-related gains, with GMS at $13.16 billion in FY2023, compared to $13.49 billion in FY2021. This includes recovering from lost pandemic-driven sales, such as the **$875 million in face mask sales** from 2020-2021
- CEO Josh Silverman is a **proven winner,** with prior experience at eBay and as CEO of Skype, where he added 300 million new users, doubled revenues, and tripled profits.



Etsy	
Ticker / Share Price	"ETSY" / $55.17
Market Cap	$6.16B
Enterprise Value	$7.41B
FY2023 Financials	
Revenue	$2.75B
Adj. EBITDA	$753.1M
Adj. EBITDA Margin %	27.40%

Etsy operates two-sided online marketplaces that connect millions of passionate and creative buyers and sellers around the world.

GREAT HILL CAPITAL

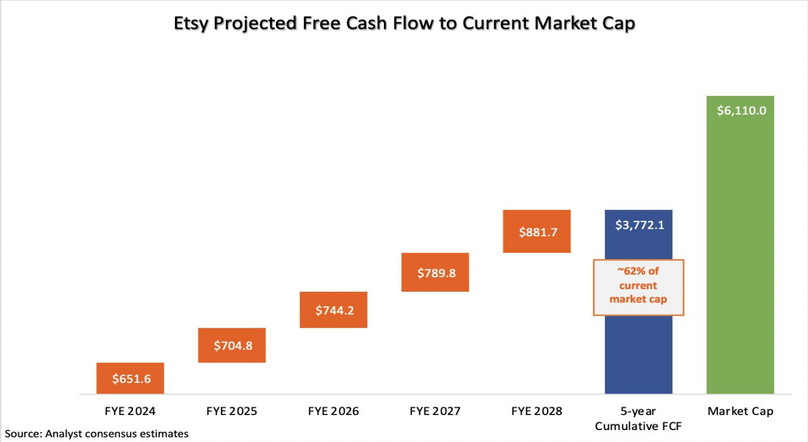
Re-accelerating Growth

Etsy

- **"Gift Mode"** showing promising signs, with 27% of marketplace sales tied to gifting, growing 4.1% during Q2 FY2024
- Currently holds **~1% of $200B** gifting TAM. Every 1% increase in share = $2B GMS opportunity
- Launched its **first loyalty program** to boost purchase frequency, recognizing that ~50% of customers make only one purchase a year
- **Long-term opportunities** = International expansion (yields higher payment fees) and building awareness among men who currently represent only 10% of customers
- Undercover play on **housing market recovery**, with >35% of Etsy's sales coming from the "Home and Living" category

Capital Light Model = Free Cash Flow Machine

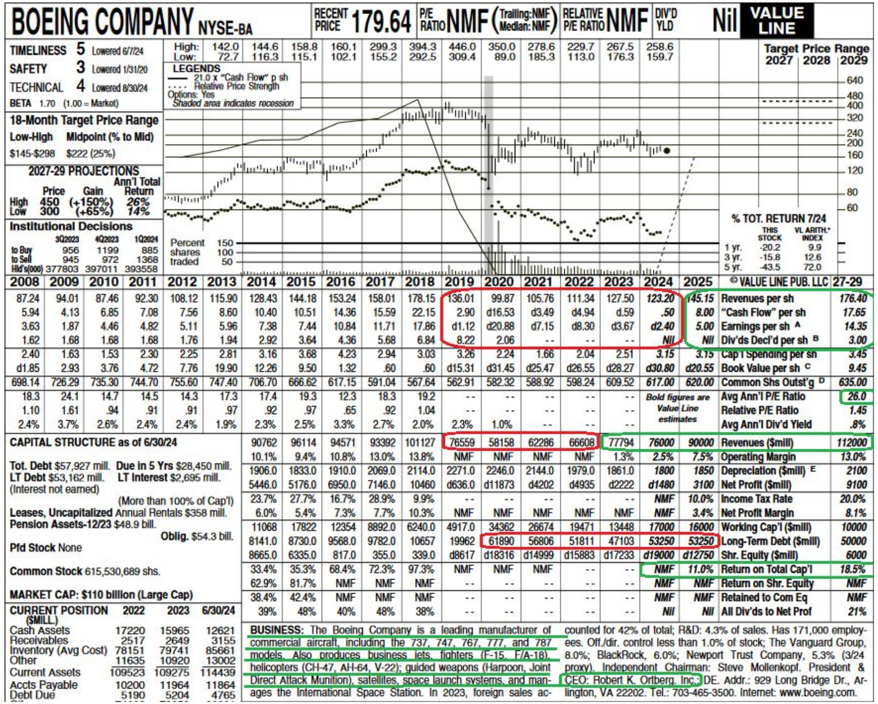
Etsy



- **Asset-light model** needs little capital investment, with no warehouses or inventories. This drives **>90%** conversion of adjusted EBITDA to free cash flow and more than **~24%** FCF as a percentage of net sales
- Projected cumulative free cash flow over the next 5 years is **more than 60%** of Etsy's total market cap
- From 2017 to 2023, management used **>60%** of FCF for share repurchases and recently announced a new **$1B repurchase program**. YTD repurchases total **~$465M**, Assuming the same pace in Q4, repurchases for FY2024 could reach **~$650M**, reducing shares outstanding by as much as **~8%**
- **Fortress balance sheet** with ~1.2B of cash, ~$2.3B long-term debt, and no maturities until 2026

GREAT HILL CAPITAL

BONUS Turnaround Tom Pick : Boeing



BOEING COMPANY NYSE-BA | RECENT PRICE 179.64 | P/E RATIO NMF (Trailing: NMF; Median: NMF) | RELATIVE P/E RATIO NMF | DIV'D YLD Nil | VALUE LINE

TIMELINESS 5 Lowered 6/7/24
SAFETY 3 Lowered 1/31/20
TECHNICAL 4 Lowered 8/30/24
BETA 1.70 (1.00 = Market)

18-Month Target Price Range
Low-High: $145-$298 — Midpoint (% to Mid): $222 (25%)

2027-29 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	450	(+150%)	26%
Low	300	(+65%)	14%

Institutional Decisions

	3Q2023	4Q2023	1Q2024
to Buy	956	1199	885
to Sell	945	972	1368
Hld's(000)	377803	397011	393558

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
High:	142.0	144.6	158.8	160.1	299.3	394.3	446.0	350.0	278.6	229.7	267.5	258.6
Low:	72.7	116.3	115.1	102.1	155.2	292.5	309.4	89.0	185.3	113.0	176.3	159.7

LEGENDS
— 21.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range 2027 | 2028 | 2029
640 480 400 320 240 200 160 120 80 60
Percent shares traded 150 100 50

% TOT. RETURN 7/24

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-20.2	9.9
3 yr.	-15.8	12.6
5 yr.	-43.5	72.0

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VALUE LINE PUB. LLC	27-29
87.24	94.01	87.46	92.30	108.12	115.90	128.43	144.18	153.24	158.01	178.15	136.01	99.87	105.76	111.34	127.50	123.20	145.15	Revenues per sh	176.40
5.94	4.13	6.85	7.08	7.56	8.60	10.40	10.51	14.36	15.59	22.15	2.90	d16.53	d3.49	d4.94	d.59	.50	8.00	"Cash Flow" per sh	17.65
3.63	1.87	4.46	4.82	5.11	5.96	7.38	7.44	10.84	11.71	17.86	d1.12	d20.88	d7.15	d8.30	d3.67	d2.40	5.00	Earnings per sh A	14.35
1.62	1.68	1.68	1.68	1.76	1.94	2.92	3.64	4.36	5.68	6.84	8.22	2.06	--	--	--	Nil	Nil	Div'ds Decl'd per sh B	3.00
2.40	1.63	1.53	2.30	2.25	2.81	3.16	3.68	4.23	2.94	3.03	3.26	2.24	1.66	2.04	2.51	3.15	3.15	Cap'l Spending per sh	3.45
d1.85	2.93	3.76	4.72	7.76	19.90	12.26	9.50	1.32	.60	.60	d15.31	d31.45	d25.47	d26.55	d28.27	d30.80	d20.55	Book Value per sh C	9.45
698.14	726.29	735.30	744.70	755.60	747.40	706.70	666.62	617.15	591.04	567.64	562.91	582.32	588.92	598.24	609.52	617.00	620.00	Common Shs Outst'g D	635.00
18.3	24.1	14.7	14.5	14.3	17.3	17.4	19.3	12.3	18.3	19.2	--	--	--	--	--	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	26.0
1.10	1.61	.94	.91	.91	.97	.92	.97	.65	.92	1.04	--	--	--	--	--			Relative P/E Ratio	1.45
2.4%	3.7%	2.6%	2.4%	2.4%	1.9%	2.3%	2.5%	3.3%	2.7%	2.0%	2.3%	1.0%	--	--	--			Avg Ann'l Div'd Yield	.8%
						90762	96114	94571	93392	101127	76559	58158	62286	66608	77794	76000	90000	Revenues ($mill)	112000
						10.1%	9.4%	10.8%	13.0%	13.8%	NMF	NMF	NMF	NMF	1.3%	2.5%	7.5%	Operating Margin	13.0%
						1906.0	1833.0	1910.0	2069.0	2114.0	2271.0	2246.0	2144.0	1979.0	1861.0	1800	1850	Depreciation ($mill) E	2100
						5446.0	5176.0	6950.0	7146.0	10460	d636.0	d11873	d4202	d4935	d2222	d1480	3100	Net Profit ($mill)	9100
						23.7%	27.7%	16.7%	28.9%	9.9%	--	--	--	--	--	NMF	10.0%	Income Tax Rate	20.0%
						6.0%	5.4%	7.3%	7.7%	10.3%	NMF	NMF	NMF	NMF	NMF	NMF	3.4%	Net Profit Margin	8.1%
						11068	17822	12354	8892.0	6240.0	4917.0	34362	26674	19471	13448	17000	16000	Working Cap'l ($mill)	10000
						8141.0	8730.0	9568.0	9782.0	10657	19962	61890	56806	51811	47103	53250	53250	Long-Term Debt ($mill)	50000
						8665.0	6335.0	817.0	355.0	339.0	d8617	d18316	d14999	d15883	d17233	d19000	d12750	Shr. Equity ($mill)	6000
						33.4%	35.3%	68.4%	72.3%	97.3%	NMF	NMF	NMF	--	--	NMF	11.0%	Return on Total Cap'l	18.5%
						62.9%	81.7%	NMF	NMF	NMF	--	--	--	--	--	NMF	NMF	Return on Shr. Equity	NMF
						38.4%	42.4%	NMF	NMF	NMF	--	--	--	--	--	NMF	NMF	Retained to Com Eq	NMF
						39%	48%	40%	48%	38%	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	21%

CAPITAL STRUCTURE as of 6/30/24

Tot. Debt $57,927 mill. **Due in 5 Yrs** $28,450 mill.
LT Debt $53,162 mill. **LT Interest** $2,695 mill.
(Interest not earned)
(More than 100% of Cap'l)

Leases, Uncapitalized Annual Rentals $358 mill.
Pension Assets-12/23 $48.9 bill. **Oblig.** $54.3 bill.

Pfd Stock None

Common Stock 615,530,689 shs.

MARKET CAP: $110 billion (Large Cap)

CURRENT POSITION ($MILL.)	2022	2023	6/30/24
Cash Assets	17220	15965	12621
Receivables	2517	2649	3155
Inventory (Avg Cost)	78151	79741	85661
Other	11635	10920	13002
Current Assets	109523	109275	114439
Accts Payable	10200	11964	11864
Debt Due	5190	5204	4765

BUSINESS: The Boeing Company is a leading manufacturer of commercial aircraft, including the 737, 747, 767, 777, and 787 models. Also produces business jets, fighters (F-15, F/A-18), helicopters (CH-47, AH-64, V-22); guided weapons (Harpoon, Joint Direct Attack Munition), satellites, space launch systems, and manages the International Space Station. In 2023, foreign sales accounted for 42% of total; R&D: 4.3% of sales. Has 171,000 employees. Off./dir. control less than 1.0% of stock; The Vanguard Group, 8.0%; BlackRock, 6.0%; Newport Trust Company, 5.3% (3/24 proxy). Independent Chairman: Steve Mollenkopf. President & CEO: Robert K. Ortberg. Inc.: DE. Addr.: 929 Long Bridge Dr., Arlington, VA 22202. Tel.: 703-465-3500. Internet: www.boeing.com.

Built a position in Boeing at a blended basis of ~$160.30.

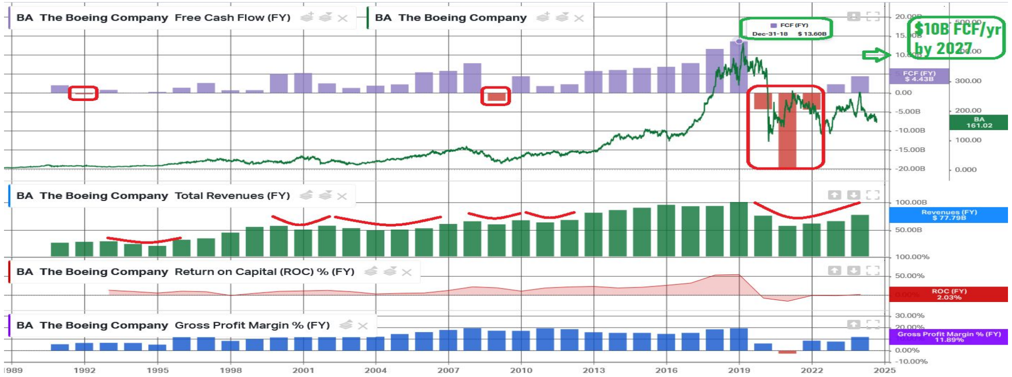
Boeing Isn’t Going Anywhere

- As a **leading global aerospace company**, Boeing develops, manufactures and services commercial airplanes, defense products and space systems for customers in more than 150 countries.

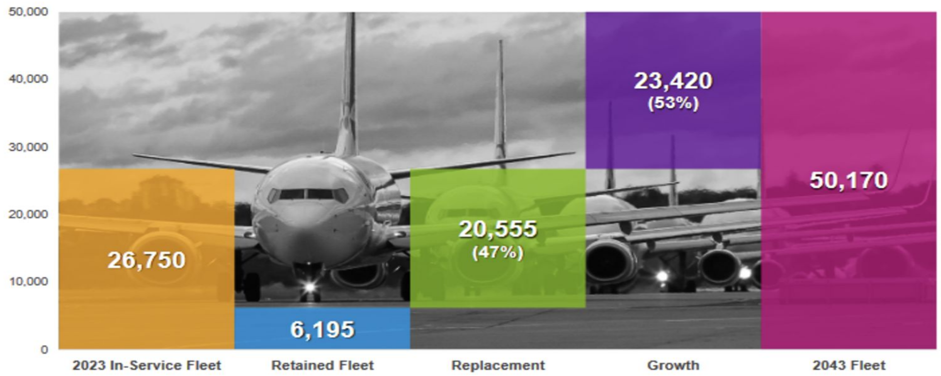
- Commercial airframe manufacturing is a **<u>growing global duopoly</u>** with Boeing or Airbus delivering **>99%** of commercial aircraft deliveries 2000 - 2022.

- Despite negative headlines, Boeing's **<u>$0.5 trillion backlog continues to GROW</u>** significantly with 335 net orders valued at ~$27.3B YTD.

- **Emerging market growth** (China expected to <u>double</u> its fleet by 2043) and **developed market replacement cycle** (rising average fleet age) will provide multi-year tailwind for orders and deliveries, driving growth over the next 20 years



Global fleet will double, nearly half of deliveries for replacement



New CEO Kelly Ortberg is a Key Catalyst

BOEING

- **CEO Kelly Ortberg is an engineer** who possesses a deep understanding of aerospace manufacturing. This is helpful when you want to keep doors on planes.

- **Proven track record** as former CEO of Rockwell Collins where he doubled sales in 6 years and quadrupled the value of the company for shareholders before selling it at a nice premium to United Technologies in 2019.

- Unlike his predecessor, **Ortberg relocated to Seattle** to be on the factory floors where commercial airplanes are actually built.

Ortberg scored a landmark success for Rockwell Collins in the mid-aughts, punching his ticket to the top. Honeywell had long been the largest supplier to Boeing for avionics (the control, display, and other systems that go into the cockpit and that pilots rely on to fly the planes). But in the mid-aughts, Ortberg helped develop avionics that incorporated sophisticated software that made the new systems much more advanced than the previous versions that were far more hardware based. Whereas the old avionics had to be purpose-built for individual aircraft models, and unique to each series, the fresh Rockwell product was much more adaptable to different airplane types. The innovative offering won Rockwell a huge share of the avionics for the 787 Dreamliner, which turned into a big hit for Boeing. Says Spingarn, “That 787 win using advanced software really put Kelly on the map.” He rose to COO of commercial systems in 2010, and upon Jones’s retirement, became CEO of Rockwell Collins in 2013.

Ortberg goes to RTX, but his sojourn is short

Over the next six years, Ortberg roughly doubled Rockwell Collins sales to around $9 billion, in part by making a series of acquisitions, including aerospace communications provider Arinc. Around Thanksgiving of 2019, United Technologies bought Rockwell Collins for $23 billion in equity, four times its valuation when Ortberg took charge. The new owner folded Rockwell’s businesses into its own giant aerospace segment that included franchises acquired from Sundstrand and Goodrich. Ortberg headed the new unit called Collins Aerospace, that comprised 70,000 employees. Its $23 billion in sales made the newly-formed giant the third largest aerospace company in the world after Boeing and Airbus.

Contact Information

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Thank You!

***Opinion, Not Investment Advice**