WELLSPRING
CAPITAL MANAGEMENT LTD

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15.01.22

Dear Investor,

Due to the relatively concentrated nature of the portfolio and length of participation with WCM, some managed accounts will not include investments that occurred before the account was opened. Consequently, account performance will vary.

WCM takes all precautions necessary to ensure that all accounts are treated fairly, and no single account is prioritised over another, fully in line with the FCA Principles (PRIN 2.1.1).

Below are some constituents in your portfolio. Some are recent purchases (AIMIA)

Performance per individual accounts may differ.

I begin with a brief overview of some of our existing holdings holding. You will find additional detail in the previous Q3 letter.

Rimini Street "RMNI"

Last quarter the share price rose dramatically whilst this quarter share price reverted to the initial purchase price. The most recent earnings release for quarter ending September 21' showed revenue growth of 15.9% year-over-year and clients increase 18.1%. The market reacted extremely negatively to the release due to slowed growth within the US region of 4.8% and revised full year revenue outlook lower from $370-$380M to $371-$372M. International revenue increased 31.4%, and the region now makes up close to 50% of the companies' total revenue. Gross margins increased from 61.2% to 65.1%. The CEO did not help matters by blaming new sales reps on the earnings call. Rimini's goal is to achieve $1Bn in revenue by end of 2026. I mentioned previously that I expect Rimini to be valued at no less than $3billion by year 2026, this would equate to a minimum of 5X from current prices ($5.3), even if they do no achieve 20% growth rate into 2026, I still expect the share price to rerate significantly from current prices.

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Franklin Covey "FC"

FC recent report on November 9th continues to show solid sales growth, an increase in profit margins, and has a clean balance sheet. The company raised full year guidance for 2021 and now raised guidance for 2022. It wouldn't come as a surprise for another revenue/profit raised guidance. FC was purchased at appx 16x Ebitda 2021 figures, and I believe it to be worth 20x of 2023 figures. Management also mentioned they intend to create this into a $1Billion dollar company, translating close to $70 per share, though I believe this will be worth more than $70 per share. The initial purchase price in early 2021 was circa $30 (current price ~$50)

KASPI "KSPI"

Kaspi continues to fire on all cylinders:

- DAU (Daily average users) of the app increased 50% to 6.5million whilst MAU (Monthly average users) increased by 27% to 10.8M
- Merchants increased 417% year-over-year to 182k
- 215K active Kapsi pay POS devices up 10x year-over-year
- By number of transactions Kaspi pay acquiring accounted for 75% of in store purchases, compared to 25% of 3rd party acquiring

- Kaspi also started to roll out Kaspi Postomat locker network, which will further enhance Kaspi Smart Logistics value proposition for consumers, merchants and delivery partners
- Kaspi Travel hit another milestone with over 1mn tickets sold in the 3rd quarter, up 112% quarter-over-quarter, fuelled by growth in both airline and railway ticket sales.
- Marketplace total GMV increased 134% year-over-year
    - m-Commerce GMV up 294% year-over-year
    - e-Commerce GMV up 69% year-over-year

Acquisition of 100% of Portmone Group completed. Portmone gives a solid starting platform in Ukraine with a 1) National Bank of Ukraine payments license, 2) Visa & Mastercard accreditation and 3) relationships with thousands of merchants and a wide pool of banks.

SPA to acquire 100% of BTA Bank Ukraine signed. This bank has very limited operating activity, no branches, no loan portfolio and is solely acquired for full banking license purposes only, enabling Kaspi to launch mobile wallets, accounts and provide consumers with payments and fintech products. The proposed acquisition will have no material financial impact on Kaspi.kz and is expected to close in the first half of 2022. With a banking license and Portmone's payments licenses Kaspi is well positioned to replicate the Super App strategy in Ukraine.

Berkshire Hathaway "BRK"

Berkshires stock has been a slow but steady mover. The initial investment thesis was based on cash management, and I do not view this as a permanent investment, but to hold some capital here until I am able to invest in other undervalued companies. This is a company that consistently increases shareholder value year over year albeit at a slower pace than other companies that we are invested in.

North Media "NORTHM"

The most recent earnings release was stable as to be expected. The distribution business, essentially a monopoly, is in low single digit decline and the digital businesses had a bumper year due to covid. Management wrote down the value of Bekey as roll-out was slower than anticipated and having difficulty how to monetise the service. Guidance for growth was lowered for year 22 for the other digital businesses though they expect growth to continue in 2023. The good news is that 40% of the market capitalization of NorthM consists of cash and liquid assets.

JDC Group AG "JDC"

The business is firing on all cylinders. Management recently upgraded growth outlook. Revenue growth for the first 9 months 21' grew 19.2%. Newly won contract to onboard 110 savings banks in Bavaria, Berlin, Brandenburg & Saar region. The 4 biggest public insurers agreed to use JDC's front end app with more contacts to follow.

Based in Germany, JDC operates in two sectors. Advisory & Advisortech

Advisory - is essentially a group of financial advisors serving, retail clients offering services tailored to each individual's specific situation, covering insurance, investment, and financial products.

Advisortech – is the segment that is of interest to us. JDC has invested over 50million Euros to date in platform technology.

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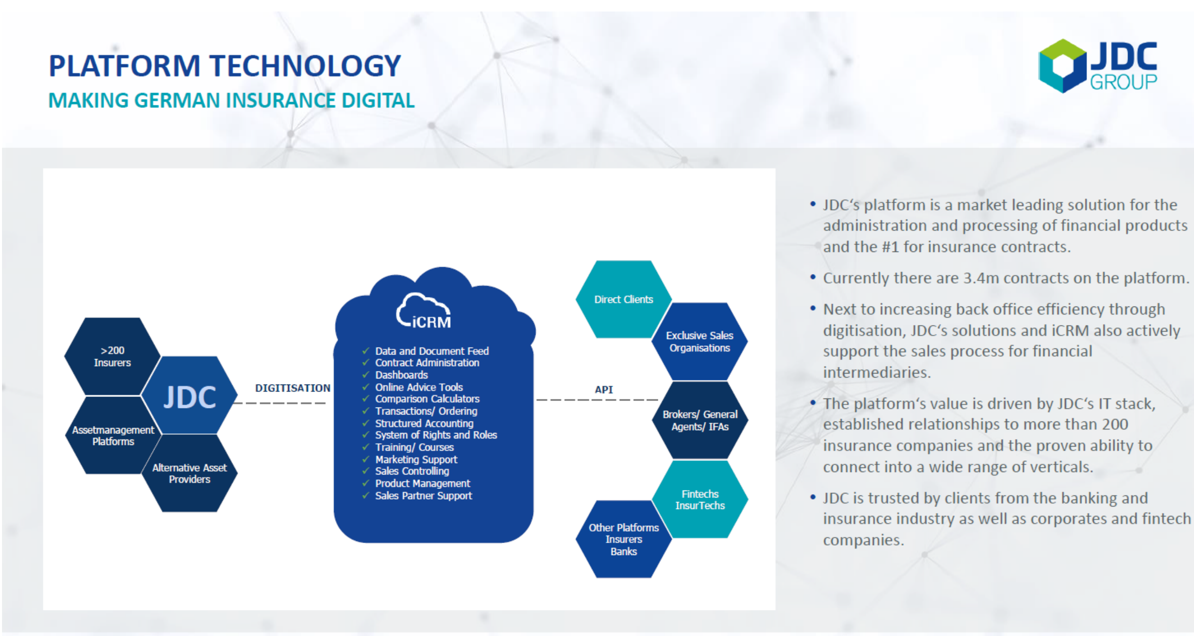
A little background:

Insurance in Germany is big business. 41.5 million German households hold more than 10 contracts on average, and they pay intermediaries more than 350 Eur in annual commissions. The total commission paid to intermediaries in 2019 was 17Bn Eur just in the P&C (Property & Casualty) segment.

Despite insurance being a large industry, the process for insurers/brokers/intermediaries remains a very manual process.

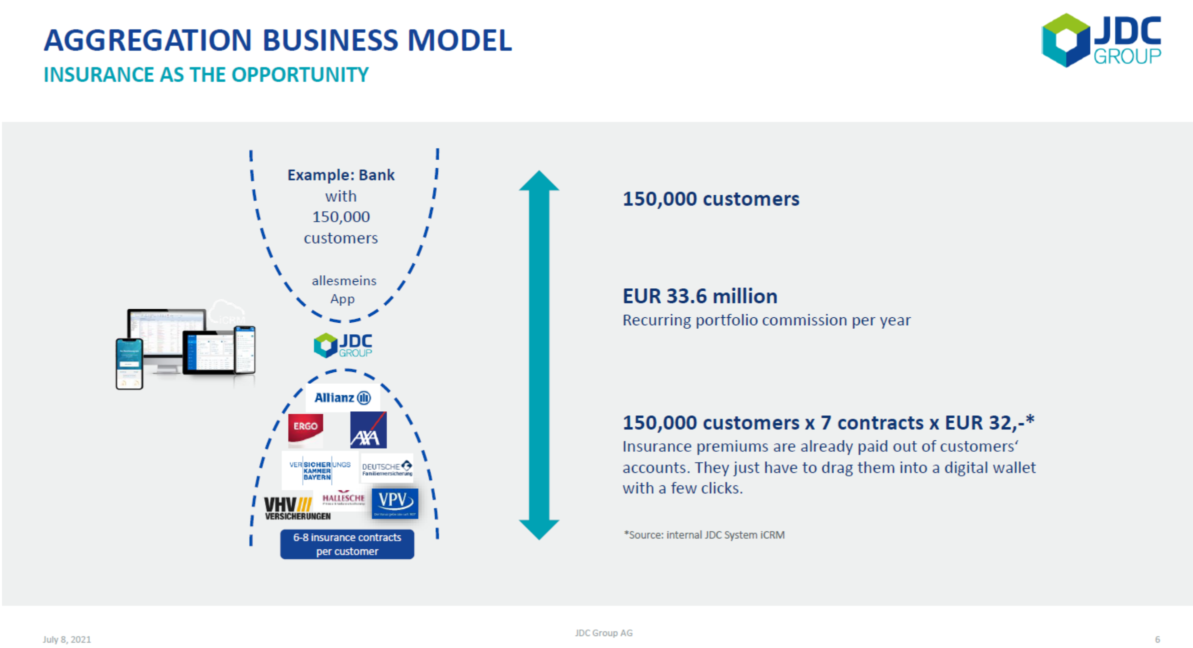
JDC have solved this by creating an insurtech platform (see below) which benefits the insurer, brokers & consumer. JDC as an InsurTech company is bridging the gap between what policyholders would expect from their insurance companies and what the brokers can currently deliver (personal service). JDC win most/all tenders because they have a turnkey solution from the digital front end, wallets, price comparison, apps and more. They also have the back-office solutions required for data processing, legal, regulatory, compliance commission distribution etc.

The iCRM has collated all the necessary documents, contracts etc from over 200 insurers on the platform thus eliminating the manual processes of the intermediaries.



As an example: (see visual below)

Prior to the platform a Bank, who acts as agent for selling insurance, would go through the manual process, but they would receive their full commission from the insurers. Now with the insurtech platform, they sell the same policies, but eliminate all the previous manual processes. This saves time and cost, and for this process the Banks/intermediaries are willing to split their commissions with JDP, where JDP received 25-30%. Its simply more cost effective for them to give out 20-30 % of their commission in exchange for taking care of all the administrative burdens. This is a phenomenal sticky business: The broker/intermediary uses the platform to its advantage.



JDC also offers all intermediaries a white label offering of the platform.

Most consumers purchase insurance via their personal financial advisor and do not like to purchase policies via direct online channels. They enjoy/trust the human interaction and previously this was an arduous manual process, but now the insurtech platform allows for a more personal yet effective process for the consumer.

Below you will see the cycle from initial stage of onboarding a large insurer to optimisation stage could be at least 24 months until most or all of their customers insurance policies is processed and settled via JDC platform. Multiyear contracts are signed, giving management and investors a clear outlook of future expected revenue.

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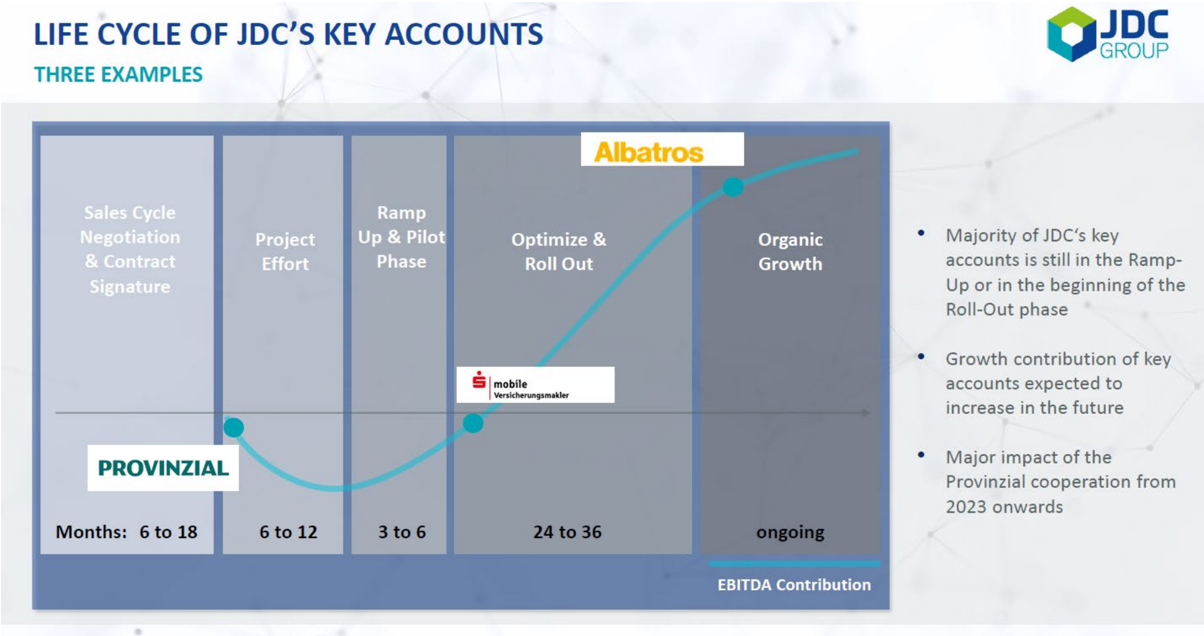

Initial guidance for year 2021 was revenue between €135- €142M Euro. Recently management revised their guidance to €140- €145M Euro. Management's goal by year 2025 is to double revenue (€300M) and Ebitda to multiply numerous times from the current €8M Euro run rate.

I feel this easily achieving due to the economies of scale and sticky business model. Most of the capital expenditure is behind us. Competition is at least 12/18 months behind.

Importantly Management is best in class. They own appx 11.5% of the company and recently repurchased 3.5% of the company during Covid at share prices of appx €6 Euro each. Currently the share price is north of €25Euro. Most healthy cash rich companies temporarily halted their share backs in this period.

AIMIA

A Canadian company that has transformed itself from a loyalty management business into a holding company.

Legacy Aimia was a leader in loyalty management and operated 2/3 business segments.

Aimia owned the nectar loyalty program, which was sold to Sainsbury's plc in early 2018 for $105Million though Aimia also transferred to Sainsbury's approximately $183 million

(£105 million) of cash providing coverage against the Nectar redemption liability. Essentially paying Sainsburys £60M to take it off there hands.

An additional asset sold was the Aeroplan frequent-flyer loyalty program operated in concert with Air Canada. The company was spun off from the airline in 2005 and added part-ownership stakes in similar programs anchored by Aeromexico and Air Asia, and in two U.S. marketing firms, Cardlytics [CDLX] and Fractal Analytics. In 2018 Aimia agreed to sell the Aeroplan program for C$450 million net of any liabilities to an Air Canada-led consortium. Activist shareholder 'Mittleman Brothers' vehemently opposed the original $250m offer from Air Canada. They saw an opportunity to cash in on Aimia's incompetent C-Suite. Post sale of Aeroplan the company debt was paid down. Aimia had a clean balance sheet.

On February 14, 2019, Aimia completed the sale of its investment in Fractal Analytics for cash consideration of $9.8 million (US $7.4 million).

In the interim Mittleman Brother fought and won control of the board and replaced the CEO and other board members.

1) OPPORTUNISTIC INVESTMENTS:

- Highly disciplined selection process, targeting businesses with durable economic advantages, high barriers to entry, owner-operator situations with proven ability to generate high cash-on-cash returns.
- Seeking annual IRR greater than 15%.

2) BUYBACKS:

- Aimia has repurchased over 40%* of its common shares since 2019 at an average price of $4.16 after fees.
- Insiders have purchased ~1.7 million common shares in the open market since April 2018.

*Excluding 3.1 million common shares issued in connections to the MIM acquisition.

ASSET MIX AS OF SEPTEMBER 30, 2021

Private Assets	Coalition Loyalty	CLUB PREMIER
	Outdoor Advertising	CLEAR MEDIA LIMITED 白馬戶外媒體
	Technology and Loyalty Services	Kognitiv
	B2B Automotive Trading Platform	TRADE X
	Asset Management	Mittleman Investment Management
Public Assets	Public Securities Portfolio and Special Purpose Vehicle	

Fast forward to 2021 and Aimia now holds the following:

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- PLM – a 48.9% equity stake partnered with Aeromexico a loyalty programme.
- Clear Media (China) – A 10.85% equity stake. Clear Media own more than 57,000 panels across 25 cities in China and have market share of more than 70% in key Cities. Other shareholders are JCDecaux, & Jack Ma's (Alibaba) affiliates. Valued at $68.4M
- Kognitiv – Owns 48.9% Valued at $54.7M
- TradeX – A global B2B crossborder automotive trading platform, at a US$250 million pre-money valuation. Aimia owns a 12.3% stake.
- Cash on balance sheet Totaling $70.2M
- Aimia also has net operating losses of $100'sM that can offset any further capital gains tax.

The main reason for this investment is the highly likely sale of Aimia's equity stake in PLM to Aeromexico. Negotiations have been ongoing for most part of 2021. Back in 2020 Aero/Aimia agreed that should a sale take place, PLM will be valued at no less than US$400M (CAD$500M) for Aimia's equity stake. Currently the public market-cap of AIMIA is CAD$500M. Essentially you are paying zero for all of Aimia's other businesses. One thing is certain the other businesses are worth more than zero.

Last few words

I am hopeful an announcement will be made by end of January 2022

I am mindful as we enter 2022 more than other years. One must pay extra attention to valuations paid for companies. The market is at/close to all-time highs. There is an abundance of Capital desperate to achieve higher returns rather than deposit money into Bank accounts.

QE from the US, low interest rates added to the frenzy. Inflation is hitting high single digits which will cause interest rates to rise and in turn cause a domino effect to the highly levered companies, causing bankruptcies to rise.

Energy prices are soaring, partly, because of the stigma that fossil fuel is bad for the environment. A barrel of oil is currently above $80 and seemingly only going up in price. Gas prices in Europe increased multiple times this past year, due to shortage of green energy – lack of wind for electricity turbines. The world has not got the capacity to rely only on "green fuel" and switch off from fossil fuel. Due to the drop in oil prices caused by Covid & the constant negative view from Governments to switch to green fuels, the Oil & Gas sector shut many oil rigs and have not been exploring for new oil/gas reserves, causing a supply/demand imbalance.

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Many Covid hot stocks are slowly (or rather quickly) hitting all time lows.

- Peleton – high of $168 in Jan 21' now $32
- Zoom – high of $580 in Oct 20' now $162
- Upstart – high of $400 in Oct 21' now $110

These are just 3 names of many dozens/hundreds more. People were purchasing these stocks with no knowledge of the underlying true economic value. Rational was nonexistent. Who knows how the markets will react in 2022. It will surely be interesting. I am mindful that we will be patient and purchase opportunistically and achieve satisfactory results over the longer term.

Finally, a warm welcome to the new investors that joined WCM this past quarter, and I thank you all for trusting me to invest your capital alongside my own. For those that would like to join or know someone who is interested to learn more about WCM can contact me directly at an@wellspringcapital.co.uk

Please contact me if you have any questions.

All the best.

Avrohom Neumann