IRONVINE
CAPITAL PARTNERS, LLC

March 20, 2020

To our Partners-

In light of the extraordinary nature of the times and the abruptness with which the COVID-19 virus has impacted both financial markets and day-to-day life across much of the globe, we wanted to offer some interim thoughts on the environment and the risks and opportunities as we see them today.

First and foremost we hope and pray for the well-being of each of you and your families. While it feels almost callous to write it's "business as usual" at Ironvine, each of us remains fully engaged and our work rhythms have not seen any form of interruption. While we are energized by the opportunities that have presented themselves amidst this otherwise unfortunate situation, we are also sobered by the personal loss many have already experienced.

Many of you have kept close tabs on the coronavirus via the press and are aware of its virality and the danger it poses to society. Clearly this pandemic deserves our collective attention and respect. We are encouraged that countries like South Korea and Singapore have seemingly contained the virus' spread. In the United States, public/private partnerships are mobilizing physical and human capital to make testing and treatment resources readily available across the country. Importantly, governments have signaled they will spare no cost to win this war. More needs to be done, and we think more will be, until we prevail.

The economic cost of this outbreak, which is unknowable with precision today, matters to us as investors and citizens. Societal activity in America has been significantly impacted across a large swath of the public and private sectors. Consider local boutiques and restaurants. A collapse in foot traffic – either by customer choice or government mandate – has led to widespread business closures. These businesses employ as few as one or as many as 50 hourly employees. Many of these people have been laid off or otherwise furloughed and face painful financial uncertainties. Unfortunately, this cohort of the working class is less likely to have a war chest of savings for times such as these, and the result is likely to be a retrenchment in discretionary spending, followed by difficulties with rent, utility and car payments. For these boutiques and restaurants, fixed costs (leases, utilities, etc.) continue to accrue by the day while revenue slows to a trickle (or, in some instances, stops entirely). Without relief, the business owner's behavior will soon follow that of its now former employees, and so on. This cycle is by no means limited to physical retail. Activities associated with leisure – air travel, hotel stays, car rentals, cruises, gambling, live entertainment – have all but ground to a halt. Even manufacturing facilities, professional services firms and non-essential portions of the healthcare industry are curtailing activity to limit human interaction.

The question before us today is how much of this trauma is "priced in" to the public equities we spend time getting to know intimately (i.e. the IVCP Investment Universe)? We often comment that Ironvine has been purpose-built to enable us to direct the majority of our working hours to the study of businesses, whether we find current prices actionable or not. From the outside this type of preparation can be difficult to observe, but it's in environments like today where these past efforts allow us to act quickly and decisively. In a matter of a few weeks, asking prices for the majority of what we own and "wish to but don't" have gone from reasonable to attractive (and in some cases, very attractive).

We entered March with ownership stakes in a carefully curated collection of advantaged, well-capitalized, and well-managed businesses. Since then, industry- and company-specific swings in price have created opportunities for us to increase the aggregate growth prospects and free cash flow yields of our portfolios while maintaining (even enhancing) the durability, balance sheet strength and exemplary stewardship we prize. These shifts will likely be inconsequential in the short run, but we're optimistic about the five and ten year prospects.

Finally, a number of you have asked about the right time to deploy excess cash. We can't predict where stock prices will be next week or next quarter, but markets are often quick to price in a brighter future when crises begin abating. On a personal level, we have each been deploying cash into our Ironvine portfolios over the past couple of weeks and plan to continue to do so. Monetary and fiscal policy will play an essential role in determining the depth and duration of the current malaise. COVID-19 will undoubtedly take time, courage and shared sacrifice to overcome, but in the due course of time economic activity should recover to prior levels, and then eventually begin growing again. Valuations for high quality, prudently financed businesses have in many cases moved into a range that we think is attractive on an absolute basis (as measured by normalized earnings power). We are constructive on the resolve and entrepreneurial spirit of this country's people, the systems and institutions in place to combat difficulties, industry as a whole, and the prospects of our two strategies.

Please don't hesitate to reach out with thoughts or questions. Thank you for your continued trust.

Rich, Matt, Dave and Ryan