IRONVINE
CAPITAL PARTNERS, LLC

Investors & Friends of Ironvine-

It's been a busy three months since we wrote to you in April. Banking and economic concerns have seemingly abated, inflation is moderating, and markets have rebounded. Many of the faster growing businesses that experienced significant stock price declines last year are off to a strong start in 2023, headlined by some of the largest companies in the world. As we approach second quarter earnings season and digest a fresh batch of operating results, our businesses appear on track to collectively grow their earnings power at a high single-digit clip this year. While lower than what we deem normal, we are for the most part satisfied with how the businesses and teams we are partnered with are performing. Payments networks Visa and Mastercard are executing well in their efforts to grow consumer payments, add new flows, and bring value-added services to customers. Amazon, Google, and rating agencies Moody's and S&P Global are poised for significant growth rebounds following lackluster results a year ago. The dollar stores and life science purveyors Thermo Fisher and Danaher face near-term headwinds but have attractive five and ten-year prospects. Below, we discuss some of our more recent investment activity and examine noteworthy developments at a few of the companies we're invested in.

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Ironvine recently made a new investment in UnitedHealth Group.[1] As the largest, broadest, and best run managed care organization in the country, United represents an essential part of the plumbing within the American healthcare system. The company's ongoing evolution from commercially-focused health insurer to vertically integrated service provider has created a powerful self-reinforcing network that provided care to over 100 million Americans last year. Optum, the company's technology, services and care delivery arm, now drives over half of company-wide profit and has established a decade-plus lead as a comprehensive, low-cost provider of healthcare across much of the country. As the present fee-for-service health system transitions to a more integrated, value-based provider model, United's scale and technological advantages position the company to continue to outgrow peers.[2] Importantly, profits earned from the cost-efficient delivery of care are likely to be more durable than those earned from acting primarily as a scaled third-party purchasing agent (the old managed care model of, more or less, riding medical cost inflation to nominal profit growth).

United's operating performance—and our investment results—are likely to be driven by several factors over the ensuing years. First, stability in the commercial and Medicaid insurance businesses. Growth and profitability will vary year to year, but these areas should be lasting sources of excess cash. Second, continued growth in Medicare Advantage membership where United has built a respected brand and durable distribution advantages. Third, growth in direct care delivery through Optum Health's clinics and physicians to its four-plus million (and growing) fully-accountable value-based care patients, as well as

[1] UnitedHealth represented 4.7% and 3.6% of IVCP Concentrated and Core assets, respectively, as of June 30, 2023
[2] United is the largest Medicare Advantage provider & health IT company, #2 commercial MCO, and #3 managed Medicaid provider

millions of others outside the UnitedHealth umbrella. Finally, the intelligent reinvestment of United's free cash flow which has grown 15.5% annually on a per share basis over the past decade.

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Old Dominion Freight Line (ODFL) exhibits many of the qualities we value most in a business, such as an "invisible moat" made up of several small advantages that are difficult for competitors to replicate, high returns on invested capital with ample room for reinvestment, and managers that consistently demonstrate an ownership mentality. It operates in a niche within the freight industry known as the less-than-truckload (LTL) market. Nearly two thirds of freight in the U.S. is delivered via truck, with the overwhelming majority of those goods transported by full truckload (TL) carriers. However, one should not confuse industry share with business quality between these two very different modes of trucking. Whereas truckload is exactly as it sounds, a truck full of goods going from point A to point B, LTL carriers combine smaller shipments from different customers, with differing final destinations, on the same truck, with multiple stops in between. At the highest level, LTL companies are akin to FedEx or UPS, but with heavier shipments. This creates a more complex logistical challenge and requires an expansive network of service centers to operate efficiently, resulting in substantially higher barriers to entry compared to TL transportation.

The combination of sophisticated physical networks, capital intensity, and cyclical demand patterns requires LTL carriers to exercise both fiscal discipline and operational excellence in order to generate consistent profits. When freight demand softens, high fixed costs make it tempting to offer price concessions to maintain volume. These short-sighted compromises often result in a downward spiral of loss-making freight taking over a carrier's network. This is where ODFL has separated itself from peers over the past two decades. By operating with a long-term view, the company has refused to dilute its premium service offering through price cuts (in fact, core pricing has been positive each of the last 20 years). Old Dominion has made consistent investments to expand network capacity through cyclical downturns, ensuring its ability to serve higher freight volumes when demand inevitably improves. The result? Steady share gains, operating margins that are ~10 percentage points higher than the closest peer, and discretionary cash flow per share compounding at a whopping 23% annually over two decades.[3]

As we sit today, freight demand has been deteriorating over the past several quarters, and some LTL carriers are enduring their worst volume declines in history—Great Financial Crisis and COVID included. In response, competitors are once again trading price for volume, driving temporary share gains. The combination of these factors gave us the brief opportunity to purchase a high-quality business at a fair price within our Core Equity strategy. However, with the possibility of a prolonged freight downturn, we will be monitoring ODFL shares for opportunities to exchange short-term pessimism for increased long-term exposure to what we see as a structurally advantaged business in an attractive end market.

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HEICO continues to demonstrate why we highlight the company as a case study for owner-oriented capital allocation. In a communication late last year we discussed the benefits of patience, as the company's conservatively financed balance sheet during a period of rising interest rates and declining asset values allowed it to deploy record levels of capital into value-enhancing acquisitions. When all was said and done, HEICO announced purchases totaling approximately $880 million in 2022, increasing its earnings power nearly 15% while only modestly increasing financial leverage. However, for the Mendelsons, who took

[3] Discretionary cash flow equals the cash flow available to a business after maintenance capital expenditures but before growth investments. We often prefer this metric for valuation as it avoids penalizing high-return reinvestment in a business

operating control of HEICO in 1990, it is never said and done. On May 15th the company announced the $2 billion acquisition of Wencor Group, eclipsing the prior year's record.

To be clear, setting new highs in M&A spending is not something we usually celebrate. As CEO Larry Mendelson will tell you, roughly 80% of acquisitions don't work, and one should avoid buying into the "greater fool theory" of acquiring companies for growth's sake. However, when used in a disciplined manner, M&A can be one of the most powerful tools with which management teams can build lasting value. There is no clearer evidence of HEICO's patience at work than the fact that six of the company's largest eight acquisition years came during periods in which industry M&A spending had fallen over 10%.

When it comes to Wencor specifically, we have high confidence that the acquisition will fall into the 20% of transactions that create value. The crown jewel of HEICO's business develops approved aftermarket aircraft parts (PMA in industry parlance, for Parts Manufacturer Approval), which it offers to airlines at significant discounts compared to the same part delivered by an original equipment manufacturer (OEM). With over 12,000 parts in its portfolio, HEICO is the largest PMA provider in the world. Wencor, with a portfolio of over 6,000 PMAs, is the second largest. Importantly, there is minimal overlap between the two portfolios as little economic incentive exists to compete directly with another PMA, leading each company to focus on different areas of the airplane. We expect the combination to present a plethora of new revenue opportunities, from cross-selling to an expanded customer base, increasing wallet share with existing customers, utilizing new distribution channels, and accelerating part development cycles. We are excited to watch how this management team executes against these opportunities, and many others that are likely to present themselves within a market that has one of the longest runways we study.

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We have written at length about the importance of partnering with operators who think and act like owners and the difference good leadership can make within an organization. On that note, we are enthusiastic about the human capital changes taking place at Dollar Tree.[4] Rick Dreiling, who joined the company as Executive Chairman in March of 2022 following an activist campaign by Mantle Ridge, assumed the role of Chief Executive Officer effective January 29th. Dreiling was instrumental in driving lasting improvement at Dollar General 15 years ago and has been involved at the board level in the dramatic reinvigoration of Lowe's home improvement business over the past five years. During his first year at Dollar Tree, Dreiling revamped the senior management team, replacing 14 of the top 16 officers at the company. Several among this group played key roles on his team at Dollar General and have experienced the consistency of investment, operational rigor, and attention to detail necessary to thrive as a discount retailer.

On June 21st, the new team unveiled a multi-year plan to build upon the Dollar Tree banner's strengths and structurally improve Family Dollar across all facets of its business. Now 18 months past the pandemic-driven freight disruption and the strategic shift to the $1.25 price point, Dollar Tree is pushing ahead into a more fulsome multi-price model via Dollar Tree PLUS. This initiative, which aims to enhance the "treasure hunt" approach that has successfully differentiated Dollar Tree for over 30 years, is expected to lift same store sales growth into the mid-single digit range and open additional markets that may not have been economic without a broader product assortment. The banner's core customers are already responding by spending more at Dollar Tree.[5] At Family Dollar, Dreiling and new chief merchandising officer Larry Gatta quickly closed the pricing gap with its largest discount competitors. Now at parity, traffic and sales have

[4] As a refresher, Dollar Tree (DLTR) owns both the Dollar Tree and Family Dollar banners, not to be confused with Dollar General (DG), which we also own

[5] Average sales per transaction at Dollar Tree PLUS stores and those with $3, $4, and $5 frozen and refrigerated foods were $26-27 vs. a $12 average basket size in stores that have yet to roll out these offerings

responded, and the goal is to use this momentum and a significant improvement in merchandising to fund necessary investments in store upgrades and supply chain efficiencies. Family Dollar has struggled for eight years with the daily consistency necessary to attract and keep new customers. Clean, appropriately merchandised, fully stocked stores are table stakes in retail, and Mr. Gatta outlined a credible plan to reestablish proficiency in these areas over the next two to three years. If the new team can successfully execute its multi-year plan, we see a reasonable path to $3+ billion in annual free cash flow over the next five years. With a current market cap of approximately $33 billion, achieving results at or near those levels should result in attractive investment returns.

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We last reported on Adobe in October of 2022. At the time, we were somewhat shell-shocked by the announcement that the company was paying $22 billion to acquire Figma, an upstart with just $400 million in annual revenue. Our chief concern was that the proposed purchase was an admission that the company's innovation engine was essentially dead, and that the moat around its most important suite of assets—its Creative Cloud tools—was deteriorating. While competitors were moving ahead quickly with web-based design tools and "text-to-image" capabilities, we believed Adobe was at risk of missing the next wave.

Fast forward eight months, and it's clear the company had something else in mind. After a slew of impressive product releases designed to improve its creative tools, there's a real possibility that Adobe is *strengthening* its lead. While the company was slower to market with its "Generative AI" tools than a handful of others, it has taken care to train its foundational model on content (photos, vectors, illustrations, videos, audio, 3D assets, etc.) from its Adobe Stock service on which it has copyright access. This nuance means little to the casual user, but for a professional creative at Nike or Coca-Cola, this stamp of approval is absolutely critical when determining use in a commercial setting. Adobe's controlled intellectual property and large incumbent user base create an enviable position to efficiently build, scale, and distribute new capabilities.

Early demonstrations show how the enhanced tools provide meaningful efficiency gains—completing tasks in seconds that previously took a seasoned professional hours. For those who haven't seen the technology at work, we'd recommend taking in a demo or two firsthand. It remains to be seen how Adobe will choose to monetize this new technology, but the productivity unlock will likely result in a combination of higher monthly subscription fees, reduced churn, and incremental user growth. More broadly, the evolution in Adobe's core creative products over the past handful of quarters has been encouraging and suggests Chief Strategy Officer Scott Belsky and his team are capable of continuing to enrich Photoshop, Illustrator, and Premiere Pro in ways that move the needle for customers. While the stock has rebounded significantly this year, we are eager to learn what this newfound product cadence can do for the business over the next several years.

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Just six months ago, we increased our investment in contract drug manufacturer Catalent after a sharp decline in its share price. On April 14th, we awoke to a press release announcing the abrupt firing of its chief financial officer and that productivity issues and higher-than-expected costs at three of its most important facilities would materially impact the company's performance. The development and production of medicines is operationally intensive, requiring precision and a high degree of trust from both customers and regulators. Catalent had spent 15 years building both one contract at a time. As a vaccine fill-finisher, the pandemic brought Catalent tremendous opportunity and very real operational risk. When it became clear that COVID vaccine demand was transitory and $1.3 billion in revenue would eventually need to be replaced, we were comfortable allowing the company to navigate the inevitably uneven process of replacing those revenues given early success transferring products into its existing capacity and strong multi-year demand from a growing number of biologics programs.

As Catalent transitioned CEOs and pandemic-related production slowed, operational and managerial cracks in its business began to appear. We believed these were primarily—though not exclusively—the result of rapid scaling to meet a moment of need for the country (and world). April 14th made it clear Catalent's issues were deeper than we had appreciated and that internal controls were lost in a way that was likely to cause long-term reputational damage with customers. While there are multiple secular growth drivers that will continue to benefit outsourced biopharmaceutical manufacturing, and while Catalent owns a valuable collection of difficult to replace assets, the combination of mismanagement and financial leverage led us to sell our investment during the second quarter. This is a disappointing outcome, but we were unwilling to violate key tenets of our investment process. At its core, Catalent morphed from an advantaged, well operated, essential-service manufacturer with a strong reinvestment runway to an operational turnaround burdened with debt and significant question marks around the operating abilities of management.

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We remain hard at work analyzing each of the businesses we own while incrementally adding to our understanding of those we don't. Selectively investing in high quality businesses led by skilled and shareholder-oriented managers is a timeless way to compound capital at a highly satisfactory rate of return over a long period of time. We look forward to reporting to you on our progress of doing just that over the coming quarters and years.

Thank you for your continued trust and confidence.

The Ironvine Team

July 25, 2023

IRONVINE CAPITAL PARTNERS, LLC

Concentrated Equity

	YTD 06/30/23	1 Year	Annualized Returns as of 06/30/23: 3 Year	5 Year	10 Year	Inception 04/01/12	Cumulative: Inception 04/01/12
Ironvine Concentrated (net)	14.14%	15.68%	12.02%	11.74%	10.38%	11.23%	230.97%
S&P 500	16.89%	19.59%	14.60%	12.31%	12.86%	12.94%	293.29%

Performance reflects the results of the Ironvine Concentrated Equity Composite. See the Important Disclaimers at the end of this document for additional pertinent information.

CORE EQUITY

	YTD 06/30/23	1 Year	Annualized Returns as of 06/30/23 3 Year	5 Year	Inception 01/01/16	Cumulative Inception 01/01/16
Ironvine Core (net)	12.98%	11.69%	11.03%	12.90%	13.24%	154.11%
S&P 500	16.89%	19.59%	14.60%	12.31%	13.00%	150.15%

Performance reflects the results of the Ironvine Core Equity Composite. See the Important Disclaimers at the end of this document for additional pertinent information.

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Reported performance figures represent an average, or composite, of our progress. Individual returns will vary based on the timing of your investment with us, fee differentials, or other account-specific circumstances. Client reporting, including positioning and performance, is sent under separate cover.

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Ironvine Capital Partners, LLC (Ironvine) is an independent registered investment adviser registered with the United States Securities and Exchange Commission. The firm definition includes all assets that are managed by Ironvine.

The Ironvine Concentrated Equity Composite *includes all accounts over which Ironvine deems to have discretion and that follow the composite strategy. Ironvine Concentrated Equity seeks to earn above average returns by investing primarily in a concentrated portfolio of global issuers in all facets of capital structures, including and not limited to common and preferred stocks, debt instruments, convertibles etc.*

The Ironvine Concentrated Equity Composite was created on December 1, 2013, with an inception date of April 1, 2012. The strategy does not seek to directly track or compare itself to any particular equity benchmark, but the composite is compared against the total return of the S&P 500. The benchmark includes 500 stocks representing all major industries of the economy. Ironvine Concentrated Equity employs a total return strategy and the S&P 500 is provided as it is the most widely recognized alternative to any actively managed mandate amongst global investors. Past performance is not indicative of future results. All results are calculated in US Dollars and include reinvestment of dividends and other earnings.

Performance presented prior December 1, 2013 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the only individual(s) responsible for selecting the securities to buy and sell. A review of the performance record for compliance with the portability requirements of the GIPS standards was completed by an independent accounting firm. The verification and performance examination report are available upon request.

Prior to October 2017 the composite was named "The Ironvine Composite."

The Ironvine Core Equity Composite *includes all accounts over which Ironvine deems to have discretion and that follow the composite strategy. Ironvine Core Equity seeks to earn above average long-term returns by investing primarily in a portfolio of common equity securities with a particular focus on companies that have the ability to generate high and sustainable returns on invested capital.*

The Ironvine Core Equity Composite was created on 12/29/2017, with an inception date of January 1, 2016. The strategy does not seek to directly track or compare itself to any particular equity benchmark, but the composite is compared against the total return of the S&P 500. The benchmark includes 500 stocks representing all major industries of the economy. Ironvine Core Equity employs a total return strategy and the S&P 500 is provided as it is the most widely recognized alternative to any actively managed mandate amongst global investors. Past performance is not indicative of future results. All results are calculated in US Dollars and include reinvestment of dividends and other earnings.

Performance presented prior January 1, 2017 occurred while the Portfolio Manager, Richard L. Jarvis, was affiliated with a prior firm. Mr. Jarvis was the only individual responsible for selecting the securities to buy and sell at the predecessor firm and was a primary decision maker in that capacity at Ironvine until his retirement on 12/31/20. This performance record was incorporated into the Ironvine Core Equity Composite in compliance with the portability requirements of the GIPS standards. A copy of the Portability report is available upon request.

Ironvine Capital Partners ("Ironvine") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Ironvine has been independently verified for the periods 12/1/13– 12/31/21. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Ironvine Concentrated Equity Composite has had a performance examination for the periods 12/1/13– 12/31/21. The Ironvine Core Equity Composite has had a performance examination for the periods 1/1/17– 12/31/21. The verification and performance examination reports are available upon request.

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Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. To be included in the composite an account must have a minimum value of $25,000 at the beginning of a month. The U.S. Dollar is the currency used to express performance. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Returns are presented net of management fees and commissions and include the reinvestment of all income. Net of fee and commission performance was calculated using actual management fees and commissions. The investment management fee schedule for the composite is tiered, at 1.0% for relationships less than $10 million, 0.90% for relationships between $10 million - $25 million, 0.80% for relationships between $25 million - $50 million, 0.70% for relationships between $50 million - $100 million, and 0.60% for relationships above $100 million (each tier indicated as an annual percentage charged quarterly). Actual investment advisory fees incurred by clients may vary. The collection of fees produces a compounding effect on the total return net of fees. For example, a portfolio that earned 8% annually for ten years would result in a cumulative return of 115.9% before investment management fees and 96.7% net of such fees, assuming a 1.00% fee per year.

The firm's list of composite descriptions is available upon request. Effective 1/1/2017 Ironvine merged with Saddle Road Partners, LLC (Saddle Road). The surviving entity is Ironvine Capital Partners, LLC. For more information about any of the above contact Paul Penke at 402.916.1702 or ppenke@ironvinecapital.com. No part of this article may be reproduced in any form, or referred to in any other publication, without express written permission.