Investors & Friends of Ironvine-

We recently gathered with many of you at our 2024 Investor Day. The event was a good opportunity for us to reiterate our investment philosophy, provide an update on our business, and discuss a number of key investments. We were pleased with the wide-ranging conversation and have included a transcript of our remarks, along with the accompanying presentation slides as an attachment to this letter, beginning on page five.

In addition to resting well with the competitive positioning of the businesses we own, we're excited about the depth and breadth of research being done at Ironvine. The list of companies we're prepared to act quickly on with the right set of circumstances (i.e. lower prices) continues to grow. From airplane engines, junk yards, and HVAC distribution, to interconnect systems and semiconductor capital equipment, the work we're doing spans the physical and digital worlds across companies of all sizes. The common thread is that each is dominant and, in many cases, led by incredible capital allocators.

We can't always predict the events that shake loose good opportunities. HEICO, now our second largest investment, is a great example. We'd long followed the business, waiting patiently for the chance to commit significant capital, and were presented with a window of opportunity at the onset of the pandemic in March of 2020. With our diligence done, we moved quickly to establish a large position following a 45% two-week decline in the stock price. The combination of elevated expectations and negative surprises often creates unique opportunities for those prepared to act, and we're happy to say our axes remain sharp.

2024 has been a torrid year for U.S. equity markets, particularly for the handful of businesses the market has deemed to be early AI-winners. Most indicators suggest the economy is strong. Employment is high and GDP is growing, with consensus Wall Street estimates suggesting S&P 500 constituents will grow earnings at double digit rates during 2025 *and* 2026. As we survey the landscape, there are areas warranting a degree of caution. Deficit spending in our country is growing the Federal debt at a breakneck pace, with the annualized interest expense to service it having reached $950 billion. The ten-year US Treasury hit a 15-month low of 3.65% after the Fed's first rate cut in September but has sold off roughly 60 bps in the six weeks since as the bond markets reflect concerns that a return to higher inflation may be inevitable. And we're heading into the final days of a contentious election season that has the potential to bring widespread change to the United States' posture in several key areas including foreign policy, taxation, and regulation. The last 75 years of market history indicates making wholesale changes to an investment strategy based on the outcome of an election is a fool's errand. As owners of individual businesses, we have our antennas heightened in the current environment. Our aim is to operate with equanimity and decisiveness when opportunity inevitably comes.

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Thank you for your continued trust and confidence.

The Ironvine Team
November 1, 2024

IRONVINE CAPITAL PARTNERS, LLC

CONCENTRATED EQUITY

	YTD 09/30/24	1 Year	Annualized Returns as of 09/30/24 3 Year	5 Year	10 Year	Inception 04/01/12	Cumulative Inception 04/01/12
Ironvine Concentrated (net)	10.72%	23.71%	3.44%	12.13%	9.83%	11.40%	285.42%
S&P 500	22.08%	36.35%	11.91%	15.98%	13.38%	14.08%	418.71%
Equities	10.34%	24.75%	5.32%	12.01%	9.50%	10.53%	250.02%
Bonds	4.06%	10.98%	(2.72%)	(0.69%)	1.52%	1.62%	22.28%
Cash	4.08%	5.52%	3.57%	2.33%	1.63%	1.32%	17.74%

Performance reflects the results of the Ironvine Concentrated Equity Composite. Index returns are shown on a total return basis which assumes the reinvestment of dividends and interest income. Equities represent the total return of the S&P 1500 equal-weighted index. Bonds represent the returns of the Bloomberg US Treasury index with 7-10 years to maturity. Cash represents the returns of the Bloomberg 1-3 month Treasury Bill index. Indices are unmanaged, do not incur fees or other expenses, and are generally not available for investment. See the Important Disclaimers at the end of this document for additional pertinent information.

	YTD 09/30/24	1 Year	Annualized Returns as of 09/30/24 3 Year	5 Year	Inception 01/01/16	Cumulative Inception 01/01/16
Ironvine Core (net)	12.21%	25.11%	4.28%	12.99%	13.59%	204.94%
S&P 500	22.08%	36.35%	11.91%	15.98%	14.62%	229.92%
Equities	10.34%	24.75%	5.32%	12.01%	10.80%	145.47%
Bonds	4.06%	10.98%	(2.72%)	(0.69%)	1.19%	10.95%
Cash	4.08%	5.52%	3.57%	2.33%	1.86%	17.55%

Performance reflects the results of the Ironvine Core Equity Composite. Index returns are shown on a total return basis which assumes the reinvestment of dividends and interest income. Equities represent the total return of the S&P 1500 equal-weighted index. Bonds represent the returns of the Bloomberg US Treasury index with 7-10 years to maturity. Cash represents the returns of the Bloomberg 1-3 month Treasury Bill index. Indices are unmanaged, do not incur fees or other expenses, and are generally not available for investment. See the Important Disclaimers at the end of this document for additional pertinent information.

Important Disclaimers

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.

Past performance is not a guarantee or a reliable indicator of future results. All investments contain risk and may lose value. This material contains the current opinions of the authors such opinions are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Holdings mentioned, including the Ironvine Core Equity Top Ten Holdings, are subject to change and are not recommendations to buy or sell any security.

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– 12/31/22. 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– 12/31/22. The Ironvine Core Equity Composite has had a performance examination for the periods 1/1/17– 12/31/22. 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.

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Investor Day 2024
Happy Hollow Club, Omaha, NE
10/15/2024

Remarks have been slightly edited for clarity. Slides referenced during prepared remarks can be found at the end of the written commentary.

Matt Barnes:

Welcome. We're going to get started here. First, some quick housekeeping items. We're going to go for about an hour, hour and a half. We've got 10 to 15 minutes of prepared remarks and then we'll open it up to Q&A. We want this to be vibrant, conversational, so don't be bashful. There are bathrooms out through the back doors. Make yourself at home, come and go as you please. I think there's some servers going around with beverages so don't be bashful about getting a beverage. Just make yourself at home. With that, let's get started.

We thought it would be useful in this setting to remind everyone what it is we're trying to accomplish here. We're trying to protect and grow your capital, our capital. And when we drew it up on a whiteboard in 2011, we defined that as compounding at double digit rates for an extended period of time.

I think we'd still define growing your capital, growing our capital at double digit rates as our bogey going forward. So how are we going to do that? We're going to do that by stringing together a collection of businesses that grow their earnings over time and ideally they're going to reduce their share count. It's pretty simple to explain, not exactly the easiest thing to pull off all the time, but that's what we're trying to do. For the 12 years we've been at it, our batting average has been pretty good. We've made some mistakes, obviously. We think we'll make fewer of those in the next 12 years than we have in the past 12. But in aggregate, if you were to look at our operation as a holding company, I'd say that the free cash flow per share of that conglomerate, if you will, has compounded at a pretty satisfactory rate over the time that we've been at this.

So, this notion of a collection of businesses—the world is full of businesses but many of them are mediocre. So, what exactly are we looking for with respect to the kind of businesses we want to own? And this concept of dominant businesses that have economic moats is near and dear to our heart. And we would measure that by the cashflow a business generates in relation to the amount of capital that's required to stand up and maintain that business. So, this metric of return on invested capital, that's something we've been writing about for 12 years now. That would be our desert island metric, if you will. The four of us spend more time trying to figure out why businesses have the advantages they have and how durable those advantages might be over time, than anything else. We spend time on other things, but without question, we spend the bulk of our time studying competitive advantages and how durable they are.

Next up, ideally, we'd love these businesses to be able to grow, to take the advantages they have and extend them by investing incremental capital back into that moat so that they can grow at strong returns. That creates a lot of value. And then, we spend a lot of time thinking about and investigating the track records of management teams. We are looking for teams that think and act like owners. There's a long history of management teams that do not treat their shareholders very friendly. So, we spend a lot of time making sure that these people are wired the right way in how they operate the business and in how they allocate capital. Because we are minority owners, capital allocation matters dearly to us because we do not have controlling stakes in these companies. We're not on the boards and we can't control or directly influence management behavior.

And then of course we need to be sensible about the prices we pay for these businesses, and we're going to talk about this a little bit more later on. It's a very nuanced discussion. I think the price we're willing to pay to own and the price at which we're willing to hold a business after we've bought it depends heavily on the quality of the business. We try to be very sensitive and sensible about the valuations that we're willing to pay for these businesses. So, I'd say in summary, this notion of economically advantaged businesses, skilled management teams that think and act like owners, and reasonable prices. We think these are timeless attributes that should help us build wealth over time by sticking to them.

That was heavy on theory. So, transitioning to the real world, here's a slide (slide 3) of how that's looked for the 12 years or so we've been at this for our original Concentrated strategy. And then Dave, is that seven or nine years now? Nine years for our Core strategy. And we're going to get into why we expect those trends will continue as the afternoon goes on. But first, I'm going to hand it over to my partner, Ryan. He's going to give us a business update and talk to you about some of the things we're doing behind the scenes to make this a more robust operation and ultimately serve you all better. Ryan?

Ryan Mendlik:

Thanks, Matt. Great to see everybody. We appreciate you taking time out of your week and your day to be here with us and appreciate all the trust that you place in us on an ongoing basis. Starting with personnel, the four of us up here comprise the investment team. We spend the vast majority of our time analyzing businesses. Matt and I have been at this now for 12, 13 years. It'll be six years for Dave at the end of this year, and Eric will hit three here in just a few months. And from the last time we did this, Eric's a new face upfront and he's been growing into an increasingly important part of our team. We wanted to give you all the chance to hear from him today.

Paul Penke's the lone person in the front row. I think most people in this room have heard from Paul and interacted with him. He really keeps operations running smoothly so that we can focus our time on investment work. And then Finn joined us this summer and has been a great addition alongside Paul. When it comes to the portfolio management decisions and what makes its way into the individual portfolios, the three of us make those decisions. Eric is increasingly involved in those conversations. As most of you know, we have two strategies, one of which is our Concentrated Equity strategy which currently has 17 holdings. And then our Core Equity strategy owns all 17 of those companies along with another 10 businesses. And so very much the same strategy amongst the two, just a more diversified version of it.

Thinking about the high-level progress of the firm, this chart shows our assets under management. So, we've got roughly 160 clients right now, maybe half of which are in the room today. And the green bars here on this chart show the contributed assets. As you can see over the last five years, going back to 2019, our net contributed assets are actually down slightly. And that's largely a function of the endowment and foundation section on the left side there, which is roughly 40% of our capital. We are blessed to have the opportunity to work on behalf of several institutions and individuals who are very philanthropically oriented. And so naturally their mandate is to be distributing capital over time. And then the other side of that is we have had some steady progress, bringing in new clients as well as existing clients trusting us with more of their capital.

So, the contributed assets have been roughly flat over the past several years. Then the gray bar stacked on top of that is the growth of the investment holdings that we've had. And that has been the vast majority of the growth that we've experienced over the last handful of years, which is what we like to see. On the left side of the slide, you can see that roughly 55% of the assets we manage are taxable. While we don't let taxes drive individual investment decisions, it is something that we care a lot about. We're cognizant of tax consequences as we're making investment decisions. And then roughly 6% or $60-70 million of the assets we manage would fit into the retirement & planning category. Paul heads that up for us and that's something we hope to grow over time. And I think it's interesting and important to point out that as we've added to our team, we are able to do more for people than we could have when it was Matt and me 12 years ago with annual reports stacked up in our offices. And that's been something, particularly as the interest rate environment has changed here over the last couple of years, that's been a natural chance for us in certain instances to do more for folks. And there's also been an opportunity for us to increasingly be seen as a place where families can trust a growing portion of their capital for a long period of time.

The last point is just to reiterate that as we've stepped into more roles, Paul's leadership in a lot of different categories has been important for us because it allows the four of us to stay focused on investment analysis and portfolio management decisions.

The final point I'm going to make before I hand it over to Dave is just regarding a question that we get from time to time, what's the five-year goal of the firm? Are you going to sell the business? What are you after here? And the response we always have to that is that we view growth of client relationships and assets as an outcome versus something that we're out seeking. So, we think if we can treat each of you and serve each of you well and we do the right things on a daily basis, the firm's naturally going to grow in response to that.

The more we've tried to think through the business and the processes, we really have concluded, and it's an obvious one, that high functioning teams don't happen by accident. They require thought and effort. And so that's something we've put a fair bit of time into. We try to focus as a team specifically on how and where we want to spend our time. And as we've done that, we've codified some core values-- the way we want to treat each other, the way we want to treat each of you, and the way we want to approach our work over many decades. The world is arguably changing at an increasing pace, but these are the things that we want to stay constant at Ironvine. So, decades down the road when none of us are here, these are the cultural things we want to embed in the people that we're working alongside.

Dave, do you want to talk a little bit about where we have our assets invested and then we can get into Q&A?

Dave Perkins:

You bet. Thanks, Ryan. So, we wanted to take this a layer deeper and talk about what the output of the day-to-day work is that we do and where it is that we've chosen to invest our capital. And we use the word ‘our’ intentionally because it's both yours and ours invested in the same things. So, this pursuit has our full-time focus. For those of you that were here two years ago, these categories (slide 7) will be familiar to you and probably a lot of these company logos will be as well. But this slide represents the bulk of our invested capital at Ironvine across both strategies categorized into seven different categories.

You'll recognize several of the company logos, but this collection of businesses and groupings make up about three quarters of our invested capital across the firm. The companies that aren't listed on the slide are attractive in their own right but didn't fit neatly into one of these seven categorizations. Matt talked a little bit earlier about some of the non-negotiables that we have when we're looking to invest in a business. And I wanted to go one layer deeper to weave a couple of threads through a lot of different companies and seven unique categorizations.

So, one important and common characteristic of each of the businesses that's listed on the screen is that they each offer an essential product or service to their customers in a non-predatory way. We want to own companies where customers are incented and want to do more business with them over time.

That's true I think for each company that's listed on the screen. And we believe that's a natural tailwind aside from any growth that's naturally occurring in their industry. There are a couple companies where customers don't have an alternative. I'm thinking specifically of Union Pacific--if there's one rail line going past your factory or your plant. Or if you operate in commercial real estate, there's some information you can only get from CoStar Group. And in those cases, we believe that our businesses are treating their customers fairly and not exploiting the fact that there isn't another show in town. So essential service provided in a non-predatory way is point one. And then point two, for each of these companies, not only do we have a good sense of how they're going to make money in five to 10 years, but we have confidence that the economics of their business will either be the same or better than today without them having to reinvent themselves, find a new business line, or totally change what it is that they do.

Just by way of example, we think it's likely that in 10 years S&P and Moody's will rate 90% of the bonds on planet earth, like they do today. Costco will probably continue to offer a highly curated selection of goods at the lowest price per unit that you can find as a consumer. Hopefully the hot dog is still $1.50 and the rotisserie chicken $5. We'll see how they do with that. And then Thermo Fisher, to choose a more esoteric example, will still be supplying and, in some cases, operating the laboratories of some of the most cutting-edge companies on the planet more cheaply and more efficiently than customers could themselves. So, we're looking for things that will change, but very gradually. And these companies will more than likely have a hand in directing the ways in which their industries change over time.

One final point I would draw out while we're on this slide is pricing power--the ability to pass along cost inflation. I think there's only one company on this slide that's struggled to do that and that's Dollar Tree. We can talk a little bit more about that, but the remainder of these businesses when they're experiencing growing costs are able to pass those along to their customers in a fair way to preserve their economics. And the importance of that has been on full display here over the last two to three years with a highly inflationary environment. So that's another characteristic that we pay a lot of attention to. Finally, the rightmost column on the slide says, ‘on deck,’ and those are the number of companies we have done full due diligence on that fit within each one of these broad categorizations.

The idea is to have these ‘on deck’ companies keep healthy pressure on every business we own, knowing each is something we could own in its place. That bench has grown over time. We'll hopefully talk about that a little bit during Q&A and maybe we can tee Eric up to talk a little bit about O'Reilly Automotive. That's a newer investment for us and a great example of us “high grading” the portfolios by identifying a business that was better than one of the ones that we owned. O'Reilly was part of kicking Dollar General out of the portfolio and we can talk about that in more detail, but we're constantly wanting to keep healthy pressure on our investments. If there's a better business at a better price offering better returns, we want to own that instead.

So, one more slide here (slide 8) and then we're going to jump into Q&A. This is also a repeat for those that were here two years ago. The Durability Ranking system is something we won't get into the guts of today, but it's the foundational layer of our research process where we're ranking every company that we do work on, along one of six dimensions. We now have an additional two years of data and a lot more companies under formal coverage. How have our portfolios evolved over time? You can see based upon where the castle is, and where the arrow is pointing, our portfolios have shifted over the past two years. The direction of the castle has been intentional along each one of those metrics. So, I wanted to talk about some of our learnings at a high level because we are applying these not only at the individual company level, but also with what we’re willing to own across the portfolios and in what size.

The top variable, which is competitive positioning, and the bottom variable, which is stewardship, both require judgment and a lot of work. Matt and Ryan talked about where we spend the bulk of our time. Those two factors have had the most direct correlation with the outperformance of businesses over three-year periods and longer, and that's probably intuitive. Competitively advantaged businesses are going to do better than those without them. And companies run by good people are going to do better over time as well. But the degree of outperformance and the consistency of outperformance has surprised us. And so that has been an area where we have tilted not only all of our research, but increasingly our portfolios. If we went back to our investor day two years ago, we had a low 80’s percent of our capital invested in businesses that were ranked one or two on Competitive Positioning and one or two in Stewardship.

And today that's over 90% of our capital. And with any luck, it's going to be a lot closer to a hundred percent of our capital over the next six to twelve months. We believe continuing to move the portfolios in that direction increases our probability of continuing to achieve the double digit return goals that we've placed for ourselves over time.

So that ends our prepared remarks. We want to hear from you and answer any questions that might be out there. Paul Penke has a microphone and he's going to be walking around the room. If you have a question, as Matt said, please don't be shy. We'd love to answer it. Over the course of a regular year, we talk with a lot of you and hear from a lot of you. I’m going to ask the first question based upon questions we get a lot from a lot of you to prime the pump, but again don't be shy.

The first question that I wanted to pose to Matt and Ryan is about why we have been lightening up our position in Microsoft, which has been an investment we've held for almost the entirety of the firm's history and has been one of our largest investments. Why have we been making that smaller, as well as Alphabet, and where have we been reinvesting that money? So, I'll let one of you two start.

Ryan Mendlik:

We've been adding to our position in Amazon, which is now the largest investment across the firm. Amazon is a good example of a business that was on our 'On Deck' list for many years and we didn't own it. We wanted to, respected what they did, but didn't have the chance to buy at what we thought was a compelling price until 2022. They had gone through COVID, saw a big increase in demand on the retail side of the business and decided to double their fulfillment footprint and in so doing got a little bit over their skis. So, there was a period of digestion that gave us a chance to purchase the business. Our thesis at the time--that has largely played out so far--was both that they would grow into that capacity and find a way to right size it to reduce the cost overhang that they had created. And what's interesting is as they've moved from a national to a more regional fulfillment network, they now have the inventory that consumers are purchasing on the retail side of the business closer to each of our homes.

What that means is there's fewer miles for a package to travel. And so, it's cheaper and faster to deliver. That's obviously a big advantage that almost everybody in this room probably takes advantage of on a regular basis. I know I do, or at least my wife does. And the other thing that they've been able to build alongside that is a very large advertising business. Because Amazon has this very scaled distribution footprint, they can do things others can't. But they also, with their Prime memberships, have been able to build what's now a $50 billion in annual revenue, advertising business. And they're building each of these same advantages in different countries. Amazon operates in 20 countries / regions right now in the retail business and only four of them are profitable: North America, which is the US and Canada, Germany, Japan and the UK are the only places they're currently profitable. With the rest of them, they're using the playbook they've successfully developed to grow. So, we think there's significant opportunity to continue to improve margins on the retail side of the business.

Obviously, they also have Amazon Web Services, which is north of a hundred billion in run rate revenue at this point. Setting artificial intelligence aside for now, legacy cloud workloads moving from on-premise to the cloud is something that's still in the very early days. There's a lot of growth left, but there's also been very big capital investments made to pursue that opportunity, which is probably a segue into the Microsoft portion of the conversation.

Matt Barnes:

Yeah, we have spent a lot of time talking about how underappreciated Amazon retail is from a profitability perspective. The inflection of profits we expect to see over the next three to five years remains substantial. So more to come there. Microsoft is obviously a phenomenal business. It's among the best businesses in the world. The relationship that Microsoft has as the trusted partner to IT departments across the business world and across governments is incredible. A little operation like ours would be brought to its knees if Microsoft turned off the Office suite. We spend our lives in Outlook and PowerPoint and Excel. Microsoft could charge us thousands of dollars a month for Excel, and we would pay for it.

But over our ownership period, which Dave alluded to has been over 10 years now, we bought Microsoft net of cash at a 15% free cash flow yield in the good old days when a lot of big tech was trading in that valuation range. Microsoft is now trading at a 2.5% free cash flow yield. And so obviously sentiment has improved drastically over this period of time. In fiscal 2020, Microsoft used to be a pretty capital light business. They spent $15 billion in capex. They're going to spend something closer to $70 billion in fiscal 2025. And we have some question marks about what the returns on those dollars are going to be. When you put these things together with the fact that it had grown into a significant portion of our capital, we decided to trim it. Obviously, we still own a substantial amount of Microsoft. It's very, very hard to part ways with excellent businesses. We try our damnedest not to, but in this case, we needed to.

Google is similar but different. Google spent I think $32 billion last year in capex. They're now going to grow that amount by close to 50% this year. And last year's capex was a high watermark for the company, and it was mind boggling then. To increase that by another 46%, you can imagine that we have the same return on capital questions that we have with Microsoft. I'd add to that that although Google has an incredible search advertising business with $200 billion of revenue growing 15% per year. There are probably more question marks around Search today than there have been in the last 10 years—what people are going to be doing with digital assistants and how search is going to look like in the future. There's a lot of question marks around a potential paradigm shift there and how people will access information several years from now. So, in addition to similar valuation concerns, Google has some fundamental question marks that resulted in us lightening up that investment as well.

Ryan Mendlik:

I'll keep going with questions. Here's one that I imagine there's at least a few people in the room have been asking themselves. On an absolute basis, so just pure returns, our returns have been good, and we are generally happy, but when you compare those to the S&P 500, we've lagged. So how would you guys react to that comment? Is the goal to outperform the indices? Why would someone invest in Ironvine as opposed to just buying an index fund?

Dave Perkins:

I'll take that one. Maybe just to start plainly, we have underperformed the S&P 500 the last two years, and that's not a fact that we love, but it is a fact. Since Matt and Ryan started this, we've been focused on the long-term. There have been periods of time when we've been well ahead of the broad indices and there's been periods of time where we've been behind and that will probably always be true. And we have a phrase that we use internally about snapping the line, and we talk about that because where you begin measuring something and where you end measuring something often plays a significant role in what the results look like. And in our business, people often find creative ways to make those measurements look good. The reality is this is our money too and we want it to grow at an attractive pace over time.

So, I'd say we've been pleased, frankly, with the absolute growth of the capital over the last couple of years, even though it's been behind what has been a torrid market. The S&P 500 was up 26% last year. It's up over 20% this year. And those are tough numbers to match or exceed. It feels to us like this is a unique period of time. And I had Finn pull a slide (slide 9). I thought it was kind of interesting just to frame where we were at. This is a picture, just so you can orient yourself with the S&P 500 over almost 60 years, and the percentage of companies within the index that have outperformed the index. So, if you think about on average, maybe you'd expect half the companies to be outperforming and half the companies to be underperforming. Or something in that range.

But what you'll see is as we moved into this year, the smallest percentage of businesses ever outperformed the S&P 500 index in total. So that's a unique thing. And the natural result of that is this next slide (slide 10), Finn, if you'd flip to that. And that shows that we have a record high percentage of concentration within the S&P 500 index as a whole. That doesn't invalidate recent market performance, what's taken place has taken place, but it's a very unique period of time more broadly. So, this has been powered in part by real growth in several large businesses, but probably more so by the sentiment around the future of what artificial intelligence has the potential to do for business and the economy. And the companies that are involved in propagating AI have participated disproportionately in the last leg up that you see on this slide.

And so that leads us to ask some questions. How did we get here? There's a number of drivers, and I already outlined the first one, which we think is AI in general, people have become really excited about the companies that can compete and win in that world, which are probably going to be some of the larger technology companies. Although again, we don't know exactly how things are going to play out. The second thing has been the widespread move to indexing. And folks that used to own a small group of stocks or had active managers, many of them have just said 'I'm just going to own an index.' When they sell a small group of companies and buy something like an S&P 500 index fund, it often fuels the selling of smaller businesses and buying more of the things that are already big.

And it's created, at least for the time being, a little bit of a self-perpetuating cycle. And then the third, which is kind of interesting—and a good thing on one hand and a cautionary thing on the other—is that the percentage of American households that own stocks is back at a 70-year high. And that tends to happen after periods of strong performance. Unfortunately, people kind of crowd in after things have been good. And it's positive that it's gotten easier to own stocks in our country, but that doesn't mean that the motivations for doing so or even the sources of that funding are necessarily sustainable. All of that has fueled what has been record concentration. So, what does that mean? Why does that matter and what are we doing about it? We think it'd be pretty unique in the history of not only western markets but global markets over time for this to be a truly sustainable phenomenon. Capitalism is a powerful thing. The profit pools at play here are constantly under assault by businesses from around the globe that'd like to have a piece of them. And we aren't ones to bet heavily on mean reversion, but it would be very surprising over the next five to 10 years if the same group of companies that presently dominate the S&P 500 are the ones who dominate over the next five to 10 years.

We just got done talking about three businesses we own that are a part of that group of large tech companies. So, we have benefited to a degree from these businesses performing well, but as prices have continued to get higher and higher on several of them, we think future returns will probably be lower over time. And unlike the index which has become more and more technology heavy, we've effectively—one decision at a time–capped our overall exposure to that world. So just to give you a sense, right now in our Concentrated strategy, we own about two thirds as much of the so-called Magnificent Seven as the S&P 500. And in our Core Strategy we own about half as much. And so that's been a headwind to our performance over the last two years. But as we've set out to do from the very beginning, we're not going to let other people's investment decisions necessarily dictate ours. And when we feel like we see risks rising, then we're going to proceed accordingly and act in what we believe is a prudent manner. So, we're keeping our eyes focused on our goal of double-digit compounding without taking unnecessary risks. Would either of you add anything?

Ryan Mendlik:

Yeah, I agree with all that. I would say the nature of owning 25 or 30 businesses means the four of us can cover them very closely and we can understand the risks we are taking and not taking. By being able to be choosy around owning businesses that are run by management teams who are invested heavily alongside us, in businesses that have higher returns on capital because they're more competitively entrenched, and have lower debt, that gives us the ability through a tough period of time to have staying power. When we go back to what Matt was talking about early on, we want to compound capital at attractive rates over a long period of time. If we know what we own well, that's easier to do because these businesses are going to get better during downturns because they're industry leaders. We think it's a lower risk to own a smaller pool of selected businesses than just to own a broad smattering of what the index has.

Matt Barnes:

I will just say one or two things. We're not going to make a prediction here, but I don't think the next five or seven years is going to look like the past five or seven years. I think embedded in all this is that we must understand what the economics of these businesses are going to look like over time. We're not going to risk our own capital. We're not going to risk your capital by taking a flyer on things because our next-door neighbor is making a bunch of money on something. We're just not going to do that. And so we spend an excruciating amount of time not looking at the rear view mirror, the last 12 months, but what is the competitive positioning in this business that is sucking all of the oxygen out of a profit pool going to look like in five years when the biggest companies in the world, some very smart people in the world are trying to attack it and circumvent it. And not naming any companies here in particular, I'm just talking generally. And so that's very important.

Audience question:

Okay, so a little bit of a loaded question, half friendly, maybe half, not friendly, but two companies to kind of looking at your style and your approach. Deere’s a cyclical company, you guys tend to buy high quality growth companies that perform over time. Deere's more cyclical, definitely a different industry. So maybe talk a little bit about how that fits your matrix. The other one, Boston Omaha, you have stewardship of capital up there as a big play in what you're looking at. And there's been some things happening in that company that I would frankly rate pretty low on stewardship of capital.

Ryan Mendlik:

Yeah, great question. Taking them in order. So, yes, Deere is a cyclical business, no question about it. Dave showed the chart highlighting that the cyclicality of the portfolios has moved up a bit. Deere’s a portion of that increase. We've been buying more Deere in the last six months than anything else, and we would refer to it as a ‘cyclical grower.’ We think the tailwinds behind that business are real, and even to take a step back, Dave alluded to the fact that we like to be invested behind businesses, that we have confidence in what they're going to be doing in five and 10 and 20 years down the road. We think because of the growth in the global population, the growing affluence of the global population, people will eat more protein. And to eat protein, you need grains to feed the protein. So, there's a natural tailwind behind it.

Deere is the leader in the ag sector. From an equipment perspective, the business is very high quality, generating returns on invested capital north of 20%. And we think there are scenarios where technology becomes an increasingly valuable portion of what they're doing. And we don't have to necessarily dive way deep, but they've got some emerging technology around See and Spray, which allows them to reduce the amount of chemicals and fertilizer applied, as well as autonomous, which is likely to save on labor and diesel costs. We think Deere's going to get a subset of the savings there. So cyclical, but growing, and we think over time the earnings of that business will be higher through each cycle. We just have to be patient and allow that to play out. I don’t know if you guys would add anything?

Matt Barnes:

I would just add to it this notion of a cyclical grower is something that we were a little bit more dogmatic about not doing seven or eight years ago. We just wouldn't touch them unless the price was very, very low. But going back to our competitive rankings, there are a lot of highly cyclical businesses that are incredible economic fortresses. I mean, Moody's and S&P Global are very cyclical and I don't think I could name two better businesses than the rating agencies. We have, I would say it's a far cry from loosening our standards, but as we have gotten more curmudgeonly about purchasing “1’s”, if you will--the highest ranked competitively positioned business—we have grown to acknowledge that there's some just terrific companies out there that are a bit more cyclical. That requires us to put on our trading hats and be a little bit more tactical about when we buy them and how big we're willing to allow those positions to get collectively, knowing full well that they could enter a fresh down cycle and so forth.

On Boston Omaha, generally speaking, we like the assets, and we like the people. We think it's probably among the cheapest things we own, if not the cheapest. Billboards, broadband and home-base solutions for business jets are all long-lived assets. They require a lot of capital upfront but they require very little in the form of maintenance capital going forward. They're difficult to replicate, whether it be the legal non-conforming nature of billboards, trenching broadband into your backyard, or just the finiteness of real estate at these airports. Those are all businesses that I think are going to be in higher demand ten and 20 years from now. We will gladly take the lumps you're going to give us and admit that it's taken longer for some of Boston Omaha's businesses to scale than we anticipated. With their second quarter earnings report a few months ago, it's more visible to us now that the businesses are scaling nicely, with record revenue and record operating cash flow. There are some one-time things that I'll get into and some near-term things that you have to see through in the financials to make it all make sense. And they're investing heavily in their broadband opportunity.

In May we learned that one of their CEOs was stepping down and then we read in an 8-K a couple of days later that that gentleman was extracting about $10 million from the company in the form of a premium to his super voting shares, severance, and so on and so forth. And that was, naturally, extremely irritating for us to see. And frankly, we felt as shareholders, we had been robbed. I mean, I was just downright angry. Now, we cooled our jets after giving some thought to what it would cost in dollars and focus to go through a prolonged battle about a 3rd party valuation in the courts. I would just say over the last 18 months we have shared your frustrations.

I don't think we ever doubted, well, I know we never doubted the assets, but we've shared your frustrations. We've had our own, I mean, we've been vocal with the company, we've been very vocal with the company and pressed them on a lot of these things. And communication, we felt, was lacking, disclosures were lacking, and we made our case clear to them. Subsequent to that, the co-CEO left. We think that extracted some venom. We like the CEO who's running it now. We think we've got the right guy. In the last six months, communication and disclosures have been very forthcoming. We think he cares about the owners. I think he goes to great lengths to discuss the economics of the company’s individual businesses. I can see how from the outside looking in where it looks like there may have been some foul play and I think we've eradicated, if you will, the bad egg.

We're looking forward to what this company can accomplish over the next 12 months and over the next five years. The business is trading at $14 or thereabouts. We think it's worth somewhere between $18 to $20 per share in kind of a base case scenario. And we can go through other scenarios where it could be worth a lot more than that. They are investing an incredible amount of capital into this broadband opportunity they have. And yeah, I just think if any of those things deteriorate, I think just like with everything else we own, whether it be a Dollar Tree or an Adobe or Google, any other business or management teams that we have question marks about, we're going to find a more productive use of that capital. Do you have anything to add on Boston Omaha?

Ryan Mendlik:

The only thing I'll add is this $10 million premium extraction was 25 cents a share for a business we think is worth $18 to $20. It’s frustrating, but low single digit percentage of the market value.

Should we hit on the topic of the day, which is AI and how we think, think about that. Are we thinking about that? How is it represented in the portfolios?

Dave Perkins:

I’ll start and I'm going to bring Eric into this too because he's done more work than maybe any of us, at least around AI, if not directly on it. But I'll just offer a couple of high-level comments. I think we absolutely believe artificial intelligence’s impact is going to be real and significant on business, on information flow, on government, on politics, on all these things. I think what's, and I will also say we were listening to an interview with the CEO of Nvidia last week, and he's on the front lines of all this, and he was talking about how rapidly things are changing even for them. So, I think there remains a lot of unknowns as we move further into the future about who's going to command the economics in this industry and how all that is going to flow through all the companies that are touching and enabling its expansion right now.

Early on, there's a couple of very clear winners, and we don't think this is the same as the internet when the internet was first coming out, but there will probably be some similarities here. And the businesses that won in the first three to five years of that evolution were pretty clear. And then the ultimate winners of that ended up being companies that were different than what people initially thought. And we don't know if that will be true with AI, but we have more questions about who will be the ultimate long-term beneficiary. What I would say is our most direct exposure is obviously through the hyperscale data centers providers—Amazon, Microsoft and Alphabet. But many of our companies are going to benefit very, very significantly in the form of cost efficiency. There's going to be a lot of pushes and pulls.

There is going to be human capital coming out of businesses, which is going to create a whole host of debates. So, there's likely going to be a lot of friction that slows what otherwise technology would do by itself uninterrupted. It's hard to predict what all that is going to look like. But there is no question that the rating agencies, Aon, UnitedHealth Group, and Berkshire, a lot of these companies are going to be able to become a lot more efficient in time. This is going to accrue to their benefit without them ever having to invest a meaningful amount of their own capital. And so that's a good thing for a lot of our companies. Nvidia is a business that we respect tremendously. How could you not? I mean, it's amazing from the last time we met two years ago in this room, ChatGPT became a thing a month later and NVIDIA's market cap went from whatever it was at the time, $300 billion to now $3.3 trillion because of the frenzy that platform unlocked.

And a lot of what they've created is real, powerful, and the demand will be there. But as we talked about at the outset, the difficult thing for us from an intellectual honesty perspective is to say, does anyone know what NVIDIA's economics are going to look like five to seven years from now? Will they continue to control 90% of the profit pool on general processing units and the software that goes around it? And they may, we're not saying that they won't, but we're also not certain that that's going to be the case. So, we haven't been willing to invest significant capital because of that. We’re continuing to do a lot of work in this area, so we very well may change our minds.

I'm going to hand it over to Eric because he's been the tip of the spear for us in this world. You heard us talk about the semiconductor value chain the last time we met, and we're going to hopefully not take you too far down into the weeds, but that industry is what is ultimately enabling what's happening in artificial intelligence. And we feel like there are places we can invest without having to have an opinion about who's going to ultimately win the race on the IP or design side. We want to participate in a layer beneath that where we can benefit almost no matter who wins that race. So that's my segue. Eric, do you want to talk just a little bit about some of the work we've done in semis and maybe how that's adjacent to AI?

Eric Ruden:

Yeah, sure. Hello everybody, I'm Eric. I've spent a good chunk of the last three years studying semiconductors for us. I've been told I've got about three minutes to distill all that information for you. So, I'm going to try to make this brief, hopefully a little interactive. Hopefully nobody will fall asleep. Semiconductors, why do we like this industry? Why have we been spending time here? I think this graph here (slide 12) kind of pixelates why we've been looking at it. Essentially, we like to invest in areas where we have the wind at our back. And the most important thing to really understand about semiconductors generally is they're really the cornerstone from which all other technology is built. So, if you believe like we believe that technology is going to continue to infiltrate many parts of our lives, whether it is AI or other, then this trend is going to continue for many years to come.

And on the AI point specifically, if you've been reading the newspapers and see all the headlines on AI and NVIDIA and advanced chips, you probably think that the semiconductor industry is torrid right now. But when you look at this chart, we're actually at a trough that is below the last trough in terms of total semiconductor units shipped. And what that demonstrates is that AI is still a small percentage of the volume in the industry right now. So, there are many other ways that we think there's going to be semiconductor growth besides just AI. And Finn, if you could go to the next slide (slide 13), we'll talk about a few of the businesses that we've been looking at that could benefit from these trends. I'm going to ask everybody to play a little bit of a game with me to get you involved here. If you've heard of one of these companies, can you raise your hand? Maybe for those who can't read them, we've got Synopsys, Cadence, Analog Devices, Entegris, Applied Materials, and TSMC. If you've heard of one, put your hand in the air. If you've heard of two? Three? Okay, four? Okay, we've got two people left. And I know one of them only knows them because he’s my dad. And he talks to me about these things.

The point I'm trying to make here is these are not companies that your average person that isn't a semiconductor nerd like me spends a lot of time reading about, but I would wager that every single person in this room has on their person right now, a product that either was made by one of these companies or was made with the tools that they provide. And it's not just an obvious example of an iPhone or a smartphone. If you've tried to buy a car in the last three to four years, you've probably figured out how hard it is to get without semiconductors. They're increasingly in industrial equipment, medical devices, military weapons, and your laundry machines. The list goes on and on. But the second thing I would point out that's important to understand about this industry, is that making semiconductors is really, really hard to do.

So, every company that you see on the screen here is either one of one, one of two, and in very few cases, one of three businesses in the world that can do what they do. And I thought the best way to bring to life how that works in practice is to take the iPhone example. So, when you think of the chip that powers your iPhone, Apple designs that chip, so they sit in that design or “fabless” bucket where we have Analog Devices listed. To make that design, Apple must use the software tools that Cadence and Synopsys create who have about 80% market share of software for semiconductor design. Then Apple would take that design and ship it off to TSMC who is responsible for manufacturing it. And this is really where the black magic happens.

I cannot overemphasize how difficult it is to do what TSMC does. I think most people that study semiconductors agree that it's the hardest thing that humans have come up with to do. And the easiest way to describe it is what they manufacture is one 50,000th the width of a human hair. They have a 90% share of the most advanced chip manufacturing. So, the iPhone couldn't work without TSMC. Every data center that Google, Facebook, Amazon are building cannot be done without TSMC. But and this is very important, why we also like Applied Materials and Entegris, is TSMC cannot do what TSMC does without very precise equipment that only Applied Materials can make and without very specific filtration systems and chemicals that only Entegris can provide. So, zooming back out, our opinion is computing demand will continue to grow across a wide range of industries, AI included. The competitive advantages of these businesses are large. The value that they provide for their customers is much greater than they keep for themselves. And when you sum those things up, we think it results in an industry that is going to continue to grow and continue to get better over time. So, we're interested in finding more ways to invest in it.

Dave Perkins:

I'll add just one thing. Phil, to your question on cyclical growth, this is the kind of cyclical growth that we're willing to underwrite, and a number of the stocks in that industry can be volatile, but the earning streams have been very consistent. So, we're choosy about where we're willing to invest and endure some cyclicality. But semiconductors would be an example of an industry in addition to agriculture, that we consider attractive for long-term investment.

Audience question:

Thank you, Paul. You guys have talked a lot about your businesses, and you’ve got great companies like in the technology area, Microsoft, et cetera, but some of these industries are approaching monopolistic stages and it does go with your core value about having products that nobody else has. But what do you think the Justice Department is going to do with these companies that are just taking over and how does that play into your analysis, or what do you think the impact might be, if the Justice Department tries to break some of these companies up?

Matt Barnes:

Well, it’s a sign of a good business. We like monopolies. It's curious to us where, so there's a national defense side of this that comes into play, and we want to have some national champions. I find the posture of the DOJ and particularly Lina Khan at the FTC, curious. I mean, they're suing Amazon over buying a vacuum company. And to me that just seems off base. But right now, Google is in the crosshairs, and they lost in a recent court battle. And now we await what the remedies may be. Google's products are free, the consumer surplus of a free product is very, very good.

So, it makes us just interested and curious as to what the DOJs agenda is. Are you going after profit pools? Are you after competitive dominance, or is your charter still to pursue the good of the consumer? And I think the world has benefited tremendously from search and Google. We won't, we're not going to speculate on what the remedies could be. I think it's something that, even in 2016, 2017 when we bought it, we knew that it was in the crosshairs. And I think from probably 2018 or 2019, in every quarterly update that we’ve written, we’ve articulated why and how the government could try to break them up and yet it continues to march on and so forth. So, I don't have the best answer other than in the sense of Google, we've recognized that it's a risk from day one. I've heard in many, many cases that the sum of the parts is worth more than the current price. Call it a conglomerate discount. Right now, frankly, I wouldn't want to see Google broken up from an economic perspective. As an owner, I think you can make the argument they need to fire 30,000 people and get a lot more fit because the business could be a lot more profitable. But I don't know. I don't know if it's economically a more sound company broken up. I don’t know if that was the answer you were looking for, but I'm going to pass it on to Ryan or somebody else that might have something more thoughtful to add.

Ryan Mendlik:

Well, regulatory involvement is a real risk, as Matt said, to a number of our businesses. We've got it on the top of our risk sheet and the bottom of our quarterly reviews. Owning good dominant businesses, that's part of what's going to come along with it. Google may end up being more valuable if it's broken up because they lose $4 to $5 billion a year in other bets. But a bigger picture, regulatory risk is going to ebb and flow with different administrations and it's a risk we must wear.

Dave Perkins:

I would add one final comment. I mean, the standard for monopolistic behavior and antitrust involvement has been consumer harm in this country for a really, really long time. And Europe has gone in a totally different direction. And it seems like we're starting to adopt a little bit of that European mindset, which is to protect competition at all costs. And Europe has, in some ways, been hamstrung by the decision to move in that direction. And this harkens back to what Matt was talking about at the beginning. A lot of these big tech companies are dominant here, but there's a large portion of the world where they're not and they're not even allowed to compete. And there is some importance to our country in having some of the benefits of their scale here. So obviously we're talking our book a little bit here, not even just from where our capital's invested, but what we hope for our country to some degree.

We'll see where things go. But I would mention there's an election coming up here in a couple of weeks that could change things dramatically too. And I don't think I'm saying anything that hasn't been said by most major news outlets, but the ideology of the current Department of Justice and Federal Trade Commission has been very different than what we've seen in this country in several years. And that could very well change in a handful of weeks. So, we'll see. But there's no question we've got a number of businesses that deploy a lot of capital via M&A, and it's been harder to do that. There have been a number of transactions that have been precluded from happening that we think would be both pro-competition and pro-consumer at the same time. A mindset of ‘we don't want anybody that's already big in an industry to get bigger’, if it's truly that lens that's being applied, we think that's a pretty blunt instrument sitting in that seat. We'll see where things go, but we're hopeful that the regulatory reins will be pulled back a little bit from where they are right now.

Audience question:

First time here, but just kind of a fun question. Maybe more curiosity about what your thoughts are on Elon Musk's businesses, especially in light of where he wants to build on Mars and his neurology business and the fact that he is considering his own search engine to compete against Google and possibly bring out his own cell phone. Just curious what your thoughts are and why you stay away or may go that direction? Just curious.

Ryan Mendlik:

So, we have a lot of respect for Elon Musk. He's, in my opinion, the top innovator alive. We actually have a friendly debate amongst my friend group on this topic. Elon is also a polarizing individual, but if you just look at what he's created, there's no question that he's a genius. I mean, he shot a rocket to the moon and landed it on chopsticks and figured that out in 18 years. There's four people who've been able to leave space—Russia, the United States, China, and Elon Musk. And that's not to mention everything else that you asked about. We talk about his low earth orbit satellite effort with Starlink as competition to what Boston Omaha is doing on the broadband side of things.

We have talked about what it would take to displace Google's search tool. He's obviously investing heavily in artificial intelligence via X, formerly Twitter. Yeah, I mean he's in all sorts of things. We've not invested largely because of the price one must pay to invest alongside him. And then the certainty or lack thereof of what's going to come from that. And again, not something we'd want to bet against, but just not necessarily in our DNA to get behind based on the price you have to pay to do it. What would you guys add?

Matt Barnes:

He's got a little bit of a Henry Ford to him in the sense that he's really willing to push the envelope legally to make his vision of what the country needs to do from a technological advancement perspective. I love the guy. I love what he's doing. I'd probably never trust the financials of any company he runs. But we talk a lot about the economic trickle downs from what he's doing. As one example, this notion of level five autonomy and what he's doing with driverless cars at Tesla, he's in a head-to-head battle with Waymo, and this is obviously 10 or 15 or 20 years out. Who knows? The technology is advancing rapidly. What does that mean for a salvage yard operator like Copart who makes its economics from creating a two-sided marketplace between salvaged cars that are a byproduct of cars being a total loss?

22% of collisions right now in the country end up in total loss. What happens if you have collisions drop by 50%? That could have a material impact on the economics of Copart which has been a terrific company for 30, 40 years now. We also talk a lot about the electrification of the vehicle fleet and what that means for the auto parts businesses, O'Reilly and AutoZone in particular. So, there is a whole host of things that we watch closely, and are fascinated by, and in awe of that we would probably never touch from an investment perspective, but we try to learn from it and try to figure out ways to weasel our way into an economic position where it makes sense to us. And Elon's created a lot of those.

Paul Penke:

How are we doing from a timing perspective?

Dave Perkins:

We probably have about another 10 minutes if there's more questions or topics people would like to cover. While you're walking over there, I'll mention that my 14-year-old son bought a share of Tesla in his ESA account, and he reminds me frequently how dumb I am for not having bought it. So, I hear about it directly.

Audience question:

Thanks. I'd just be curious, any high-level thoughts you'd have on international opportunities just given the relative performance? We've seen the S&P 500, a lot of that's driven by Mag Seven, but over the last five or 10 years, kind of an unprecedented, I guess maybe TSMC is one opportunity or one idea you have up there, but any thoughts, and I guess interest rates, relative growth is embedded in that too, geopolitics as well. But how you think about international markets?

Dave Perkins:

I might let Eric and Ryan talk about this as the last two companies we added to our on-deck list are both domiciled outside the United States. So, we look, I would just say in most instances the rule of law and the economic environment in most mature markets is going to be probably more down the fairway for us than going too far afield in emerging countries. A lot of the companies that we own generate a significant, if not more than half of their revenues outside North America anyway. So even though they're domiciled here, we're participating in the growth in a lot of places outside the United State. Do you guys want to highlight or talk about Ashtead or Constellation at all?

Ryan Mendlik:

Sure. Ashtead is a business that is domiciled in the UK, but 90% of its revenue and more than that of operating profits come from the US via a business called Sunbelt Rentals, which you've probably seen some of their locations. That's one we're kicking the tires on and have thought a lot about. And then Eric's been spending some time on a business called Constellation Software.

Eric Ruden:

Yeah, so I'll keep it brief, but Constellation Software is domiciled in Canada and their business model is a rollup of vertical market software businesses. They own over a thousand different software businesses. The majority of those are in the U.S., but it started in Canada. So, they have a healthy position in Canada as well. They have since heavily expanded within Europe, they've actually spun out an individual business that Constellation retains a controlling stake in that's going to take the same strategy and do it in Europe. Constellation is really one of the best capital allocation stories that I've ever studied. And these guys try to make me study only the best of them, so that's saying something. Mark Leonard is the founder. Many people call him the Warren Buffett of software. He has proven time and time again to make decisions on behalf of shareholders rather than himself or employees. Vertical market software is a great business. If anybody wants to grab me after the meeting, I'm happy to chat for the rest of the night about it.

Matt Barnes:

One thing we're trying to figure out, so when we started this operation, the international front is such that you can be right on the business and then get your butt handed to you because the currency goes the wrong way. And that has always bothered me tremendously and we haven't figured that out yet.

With that, let’s adjourn.

Dave Perkins:

If any of you have follow-up questions or companies you want to talk about or things you were too shy to ask in front of the group, please grab one of us and we're happy to talk in more detail. Thank you all for sharing this beautiful fall afternoon with us. It's gorgeous outside and we're keeping you inside, but we hope you hang around to enjoy some food. We'd love to chat more with each of you. Thanks again.

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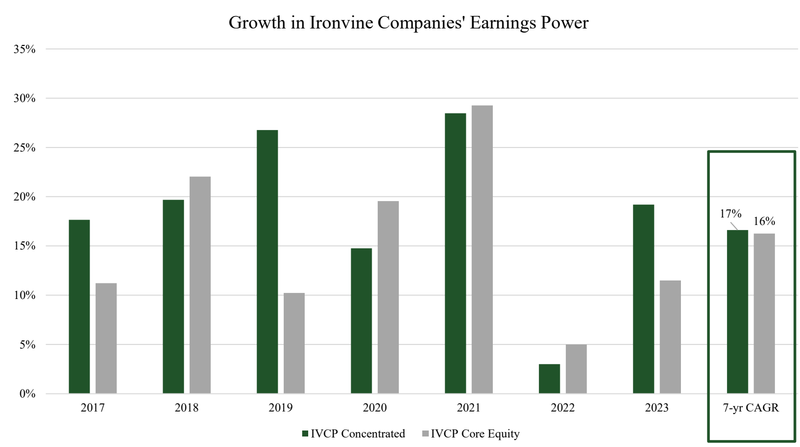
Investor Day

1

1

The Power of Compounding



Source: Ironvine Capital research; Company filings

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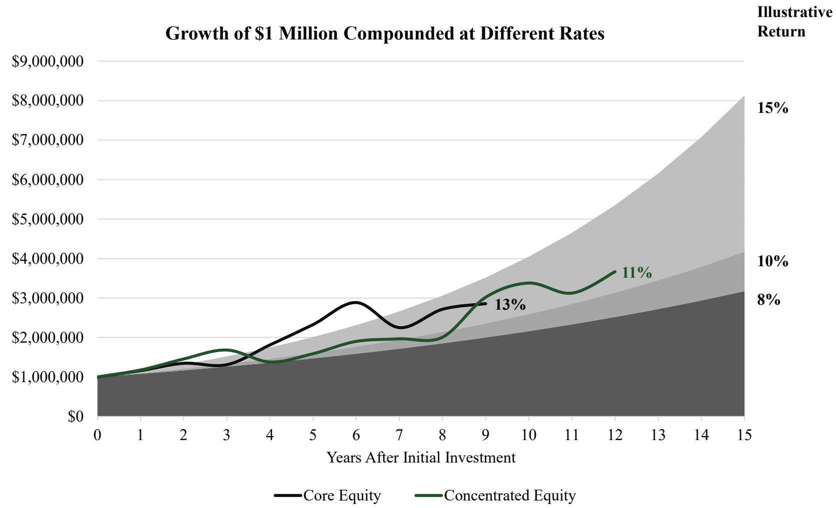
2

2

The Power of Compounding



The above is meant to be an illustration of the power of long-term compounding and is in no way an estimate of expected future returns. Core Equity and Concentrated Equity lines represent the cumulative returns of each respective composite from inception. For more information refer to the Important Disclaimers at the back of this presentation

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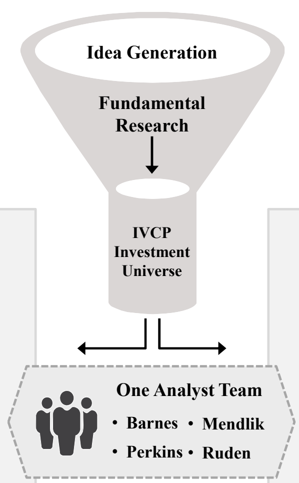
One Philosophy, One Team, Two Strategies

Ironvine Core Equity

- Inception: January 2016
- Portfolio Managers: Perkins, Barnes, Mendlik
- 25-30 businesses, equal weighted at purchase
- Top ten in investments generally 40-50% of assets
- Objective is to own a portfolio of dominant businesses indefinitely



Ironvine Concentrated Equity

- Inception April 2012
- Portfolio Managers: Barnes, Perkins, Mendlik
- 15-20 businesses, conviction weighted
- Top ten investments generally 60-70% of assets
- Objective is to own a concentrated portfolio of dominant businesses indefinitely

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Ironvine Capital Partners | Core Values

GROWTH MINDSET
We seek to be continually learning, cultivating areas of curiosity with vigor. We embrace the challenge of deepening and expanding our competencies

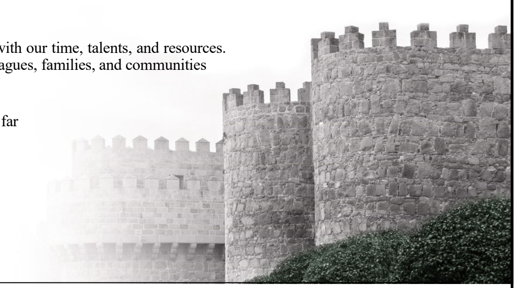
PROCESS LED
We focus on process over outcomes, knowing diligence and consistency stand the test of time. We will be neither distracted by success nor devastated by setbacks

JOY IN CRAFTSMANSHIP
We strive to produce outstanding, distinctive, and lasting work. Our aim is to be skillful, savvy, and disciplined

POSTURE OF HUMILITY
Humility is a source of strength. We strive to have an appropriate view of ourselves and a dynamic world. We communicate genuinely and with candor

HEART OF A SERVANT
We seek to serve rather than be served and to be generous with our time, talents, and resources. We actively look for opportunities to better our clients, colleagues, families, and communities

WHAT ISN'T SEEN MATTERS
Integrity of heart is our enduring foundation. Actions matter far more than words. Success is more than numbers



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Preferred Neighborhoods

Preferred "Neighborhoods"	Core	Concentrated	Holdings	On Deck
Dominant Physical Networks	17%	15%	amazon, John Deere, O'Reilly Auto Parts, Union Pacific, Old Dominion	4
Standards, Benchmarks, Data	13%	20%	CoStar, S&P Global, Moody's, AON	1
Niche Industrial Components	11%	14%	HEICO, Analog Devices	2
Precision Instruments & Mfg	10%	7%	ThermoFisher Scientific, Danaher, Applied Materials	2
Commerce Tollbooths	8%	8%	VISA, mastercard	-
Low Price Consumer Conduits	8%	1%	Lowe's, Costco Wholesale, Dollar Tree	2
Mission Critical Software	7%	9%	Microsoft, Adobe	6
Strategy Weighting	**73%**	**75%**		

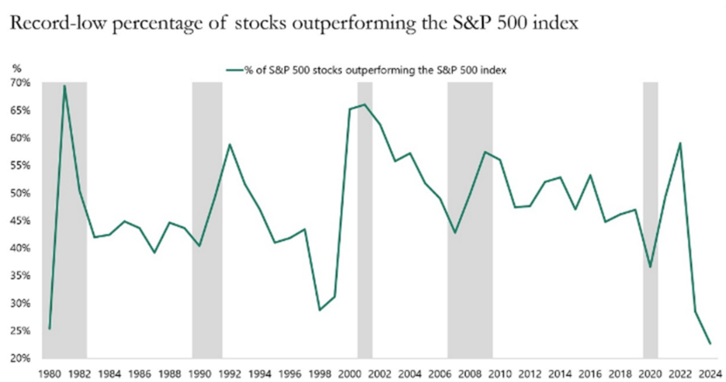
Strategy weightings as of September 30, 2024

IVCP Durability Ranking System

Best ⟷ Worst

	1	2	3	4	5	6	Ironvine Average
Competitive Positioning							1.4
Capital Efficiency							1.9
Cyclicality							2.5
Financial Strength							1.8
Growth Opportunity							2.6
Stewardship							1.9

Unique Period of Time in Equity Markets



Source: Bloomberg, Apollo Chief Economist

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Unique Period of Time in Equity Markets

Source: JPMorgan Asset Management

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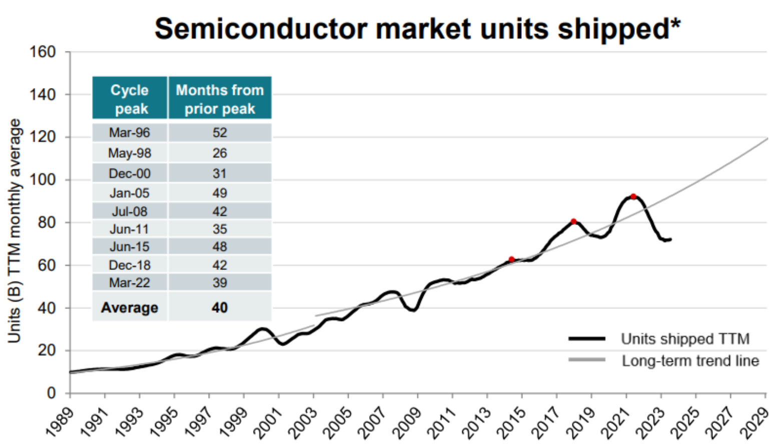
Semiconductors: Long-term Tailwinds



Cycle peak	Months from prior peak
Mar-96	52
May-98	26
Dec-00	31
Jan-05	49
Jul-08	42
Jun-11	35
Jun-15	48
Dec-18	42
Mar-22	39
Average	**40**

Source: Company Documents, WSTS

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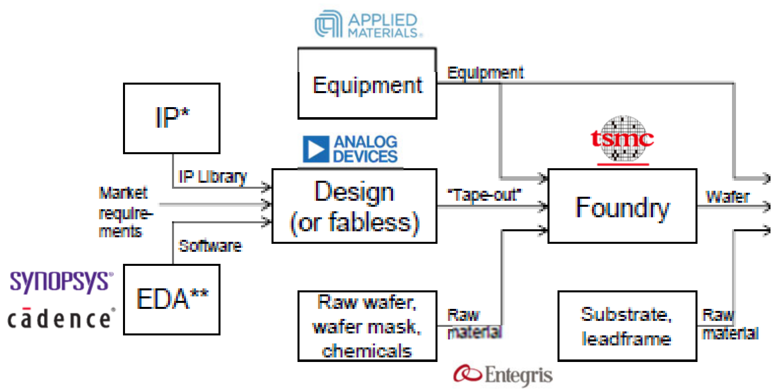
12

Semiconductors: Value Chain



Source: Bernstein Research

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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 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.

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– 12/31/23. 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 Core Equity Composite has had a performance examination for the periods 1/1/17– 12/31/23. The verification and performance examination reports are available upon request.

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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.

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. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. 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 1.0% fee per year.

A list of composite descriptions, and the firm's policies for valuing investments, calculating performance, and preparing GIPS reports are 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.

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

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 annual dispersion calculation shown above reflects the asset weighted standard deviation of returns around the asset weighted mean return.

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