

## OPPORTUNITY UPDATES

February 12, 2025

Thank you for your continued trust and confidence. We would like to inform you that we recently made changes to the Liberty One's Opportunity portfolio. We sold NV5 Global (NVEE) and purchased Skechers (SKX).

### Sell - NV5 Global (NVEE)

NVEE has seen its revenue growth stagnate since 2022 as higher interest rate environment, slowdown in government infrastructure spending in areas that NV5 Global serves, and lack of additional contract wins have led to weak results. Additionally, the company has been facing challenges with integrating their recent acquisitions and incurred high restructuring expenses that impacted on their bottom line. For a company whose growth playbook is highly reliant on acquisitions, their recent challenges indicate underlying operational weaknesses that have destroyed shareholder value. Return on invested capital and equity have both recently hit all-time lows at 3.54% and 4.62%, further reinforcing declining profitability and returns that are inadequate in covering their cost of capital. For a capital-intensive industry like construction and engineering, this poses significant long-term challenge which indicate a fundamental deterioration in their business model and inclined us to remove the position from our portfolio.

### Buy - Skechers (SKX)

Skechers represents a compelling investment opportunity with strong international expansion, favorable demographic tailwinds, a well-executed DTC strategy, and solid financial positioning. Skechers has successfully positioned itself as a provider of comfortable, casual street shoes that cater primarily to older consumers while also gaining traction with younger demographics through collaborations with celebrities and athletes. Additionally, the company is beginning to expand into performance footwear, broadening its market reach and potential for margin expansion from premium pricing in performance footwear.

The aging global population is a key long-term growth driver for SKX. By 2030, 1 in 6 people will be over 60, creating a growing demand for Skechers' comfort-oriented footwear. The company is also aggressively and successfully expanding in India, a high-growth and underpenetrated market. Revenues in India have more than tripled, outpacing the growth of the average footwear market in India. The company is expanding capacity in the market and further boosting brand recognition with sponsorships for India's national sports teams. (cricket, pickleball, and NBA India). Financially, the company has a healthy balance sheet with strong cash flow generation and is expected to be net cash by 2026. Existing debt to asset is 4%, providing the company with ample flexibility in deploying their capital in attractive opportunities. SKX also has the potential for further margin expansion, with existing operating margins at 10% vs premium peers 30%. As a result, valuation multiples do not trade as richly as its peers which provides upside potential should the company exceed growth expectations and continue to expand its margins. Finally, the company implements friendly shareholder policies, with an approved \$1billion share repurchase program, approximately 9% of its total market cap.

If you have any questions, please don't hesitate to reach out to us. Thank you for your continued trust and confidence.

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