

SPECTRUM UPDATES

April 2026

Thank you for your continued trust and confidence. We would like to inform you that we recently made changes to the Liberty One Spectrum strategy.

Sell

Name/ Ticker: Lamb Weston (LW)

Lamb Weston has been an underwhelming investment since inclusion in our portfolios and we overestimated the competitive moats of the business. While management has made genuine operational progress in their North American market over the past year, we believe the market is overweighting a narrow set of positive execution signals while under accounting for a set of deteriorating economics and structural headwinds that are likely to suppress future earnings.

The most consequential risk in LW's story is the structural nature of its price/mix deterioration, essentially cutting prices to maintain volume. Global price/mix came in at negative 7% for Q3, and management acknowledged on the Q3 call that these headwinds are likely to persist. The underlying driver is a shift in customer purchasing behaviors. They have moved towards more value-oriented retail and private label offerings. The company is effectively buying volume at uneconomic prices. North American segment EBITDA declined despite the volume increase. Management further acknowledged that recent customer wins were "inherently mix dilutive" given their chain restaurant composition, a concession that the volume recovery is not margin accretive. With approximately 8.6 million pounds of incremental global industry capacity expected to come online between 2024 and 2028, the competitive promotional environment will intensify before it normalizes. This dynamic highlights the lack of pricing power and differentiation that LW has in its business.

The International segment presents an even more alarming picture. Segment Adjusted EBITDA dropped from 94 million to 19 million YoY. This reflects a drop in competitive positioning across Europe, the Middle East, and Latin America. The \$32.5 million pre tax write off of excess potatoes in the quarter shows a bad demand outlook and sub-optimal supply chain. Unlike their North American operations where the company enjoys some form of cost advantages, the fragmented and highly competitive local/regional competitors in Europe has caused significant challenges for the company. While LW has modified its European procurement approach and deployed improved planning tools, it has not yet demonstrated that the model is fully repaired. European production facilities remain underutilized and a drag on operational profits.

Overall, execution may be improving, but the financial output of that execution is still declining. What remains is the harder work of demonstrating that price/mix can stabilize and that the international business can be repaired without any proof of pricing power. Lamb Weston is a well managed company navigating a genuinely difficult operating environment, but we believe that the headwinds it faces are structural and not cyclical. The risk/reward here is not at levels we feel confident in moving forward and therefore are initiating a SELL.

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Buy

Name/ Ticker: Darden Restaurants Inc (DRI)

Darden Restaurants is the largest full-service restaurant operator in the United States, with roughly 2,200 owned locations, about twice the footprint of its nearest US competitor. The company is a traditional full-service dining business with a portfolio that spans a wide range of consumer income levels and dining occasions. On the casual dining end, its core brands include Olive Garden, LongHorn Steakhouse, and Cheddar's. At the higher end, Darden's Fine Dining segment includes brands such as Ruth's Chris Steak House and The Capital Grille, catering to a more affluent customer base. While the business is primarily domestic, Darden also supports a small international presence through franchised operations.

There are several factors that make Darden Restaurants a strong competitor within the restaurant industry, but chief among them is its operational execution. The firm generates the highest comparable restaurant-level margins in the industry, at approximately 21.3%, versus roughly 18% for its closest competitor. Darden also benefits from strong value perception among consumers, with Olive Garden and LongHorn Steakhouse consistently ranking near the top in full-service dining on a cost-benefit basis. This strong value positioning has likely been an important driver of the company's post-pandemic rebound, with revenue growing at a 9% CAGR over the last five years, supported not only by higher check pricing but by traffic growth as well. These operational and brand advantages are key reasons the company continues to generate strong returns on invested capital of around 15%. Beyond its margins and strong consumer ratings, the company also has a long history of growth excellence. Over the past 30 years, Darden has delivered average annual EPS growth of approximately 18%.

While the restaurant industry as a whole has struggled with profitability, with 46% of operators reportedly unprofitable according to the National Restaurant Association in 2025, Darden has remained resilient. There are legitimate concerns around commodity inflation and labor inflation, and the company has also had to navigate the significant social and economic disruptions caused by the pandemic. Even so, Darden has managed these pressures well and continues to adapt to the current operating environment. Whether it be competing with quick service and limited-service providers by improving service speeds in its restaurants or integrating pickup and delivery options to drive incremental sales growth, Darden reflects conscious management execution and sound decision-making. As the restaurant industry remains highly competitive, we believe Darden is well positioned to maintain or even expand its share within both the broader restaurant industry.

Finally, the current opportunity in Darden appears attractive from a valuation standpoint. The stock is trading at around a 10% historical Forward PE discount and intrinsically has beaten our initial growth estimates. Taken together, Darden represents a compelling buy opportunity at today's prices.

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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