



QUINTESSENTIAL
CAPITAL MANAGEMENT

Intelligent Investing

--- Private & Confidential ---

DISCLAIMER

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Quintessential is LONG shares of Sun Corporation



Effectiveness as Activist

Reduction in Market Capitalization Following Release of Thesis

Bio-on (Italian AIM)



Market Capitalization
at Release: \$1.2b

Current Value: \$0

Folli Follie SA (ATHEX)



Market Capitalization
at Release: \$1.4b

January 2019 Value:
\$0

Globo Plc (LSE)



Market Capitalization
at Release: £100m

January 2019 Value:
£0

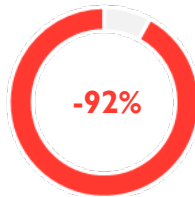
Akazoo (NASDAQ)



Market Capitalization
at Release: \$1.2b

Current Value: \$0

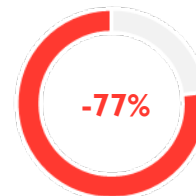
Ability Inc (NASDAQ)



Market Capitalization
at Release: \$135m

October 2018 Value:
\$11m

AAC Holdings Inc (NYSE)



Market Capitalization
at Release: \$730m

October 2018 Value:
\$169m

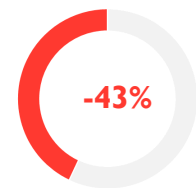
Undisclosed



Market Capitalization
at Release: ~\$500m

Low Value One Year
Post Release ~\$150m

Aphria Inc (NYSE)



Market Capitalization
at Release: \$2b

Low Value Post
Release: \$1.1b

87%
Average Impact



SUN CORPORATION OWNS A DEEPLY UNDERVALUED ISRAELI CYBERSECURITY BUSINESS

IN A NUTSHELL

- Overlooked Israeli top **cybersecurity** business in Japan
- Sales and earnings **compounding at 21% and 40%** respectively.
- **Activist investor base** replaced board and executives with **investor-friendly team**
- Likely seeking **Nasdaq IPO**
- Business trading at **1.4x EV/sales** vs **5x** (US peers)

Stock is profoundly undervalued with definitive catalyst on the way



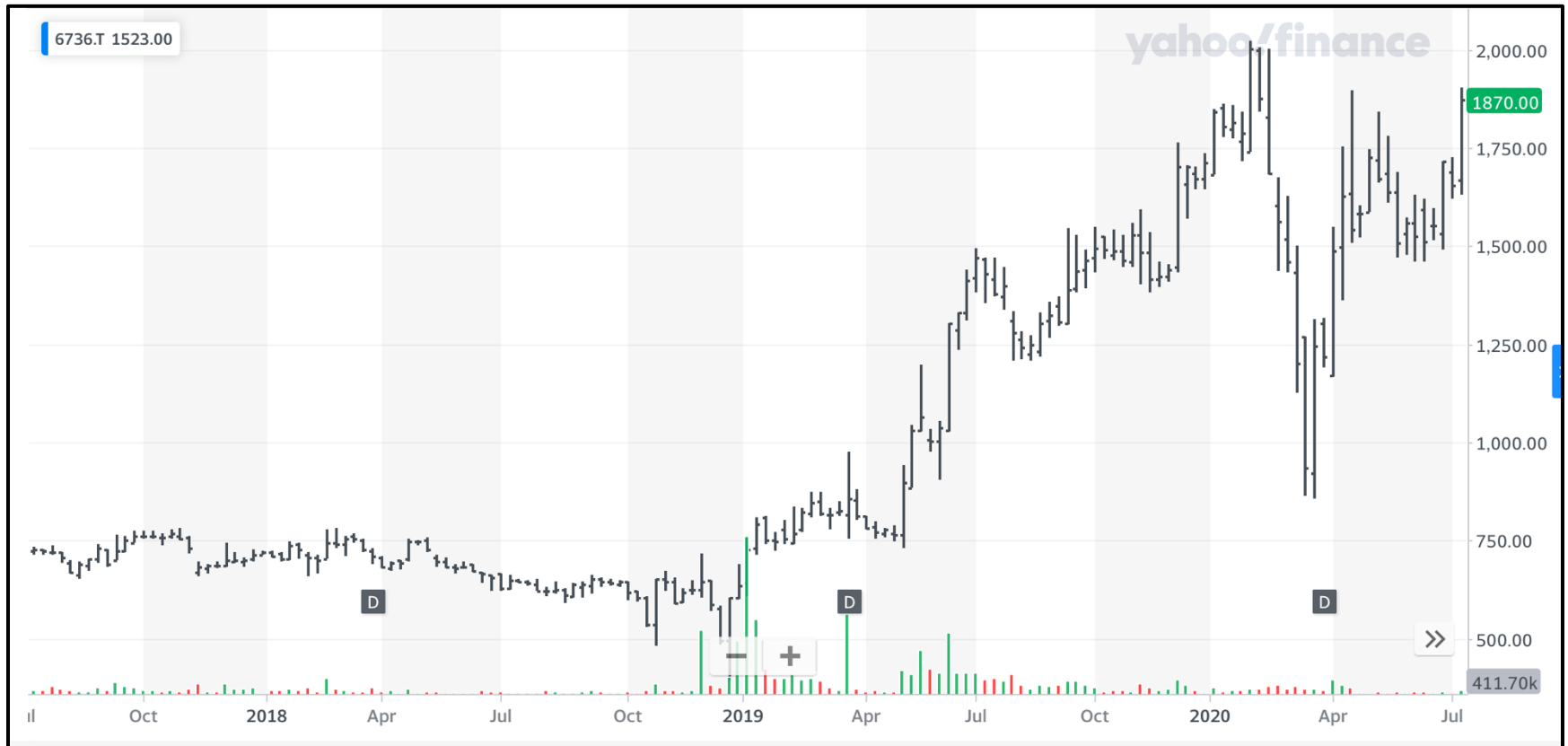
SUN CORPORATION IN A NUTSHELL



- Market Cap: \$469m
- Ticker: JASDAQ 6736
- Industry: Cybersecurity
- Sales: \$248m
- **EV/Sales: 1.4x**



STOCK PRICE RECOVERED POST-COVID



HISTORY

- Founded in 1971 focusing on electronics.
- Expanded into personal computers in the '80s.
- Expanded into gaming in the '90s, 2000s.
- Acquired a few hi-tech companies including **Cellebrite**.
- Entertainment businesses deterioration, growth stalls, margins drop.
- Sells Cellebrite's minority stake to Israeli VC fund.
- Early 2020: CEO and legacy board replaced by shareholder-friendly members.



MAIN BUSINESSES

Cellebrite
(Cybersecurity)

Pachinko
(Japan gambling)

75%

25%

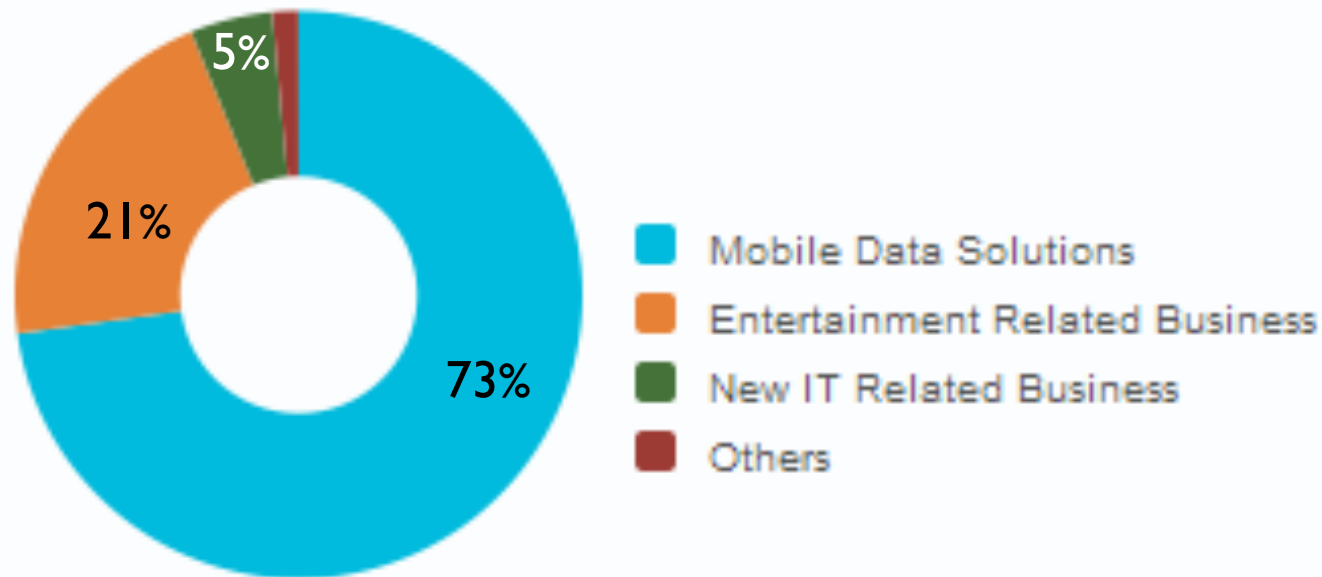


Fast growth

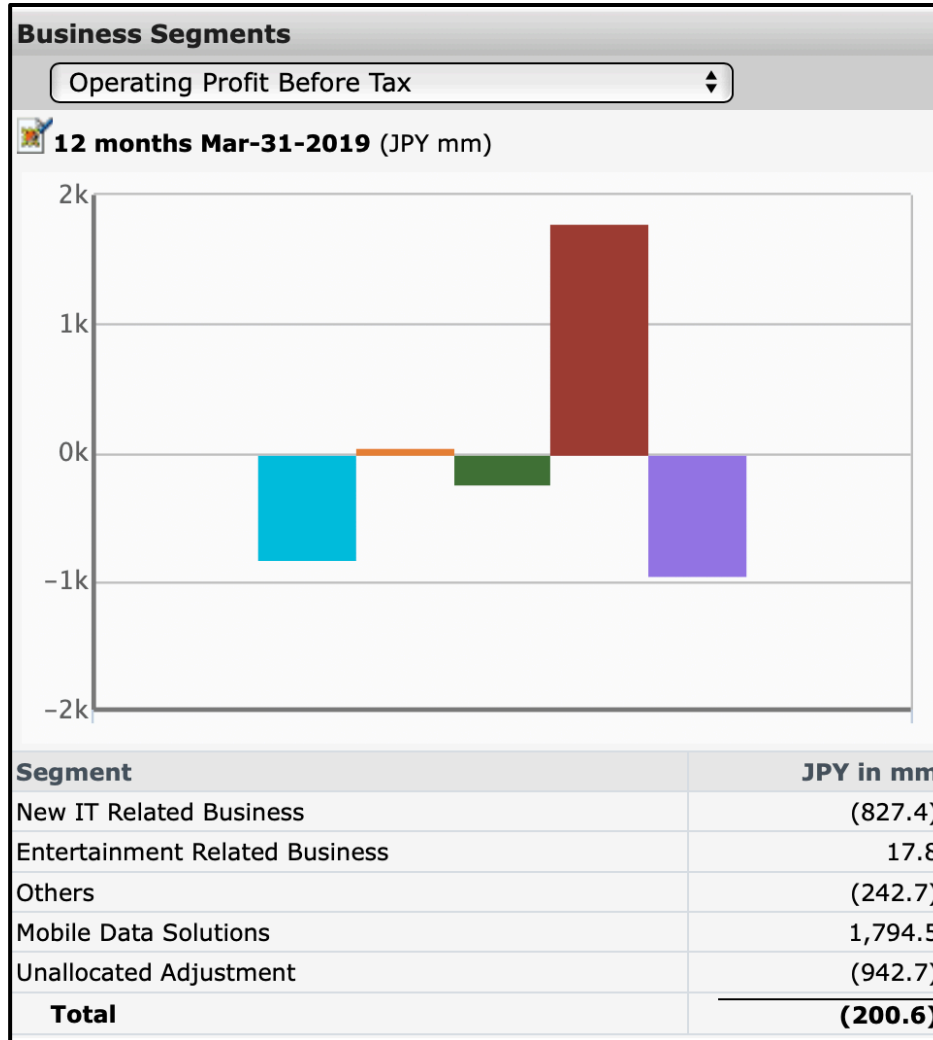
Decline



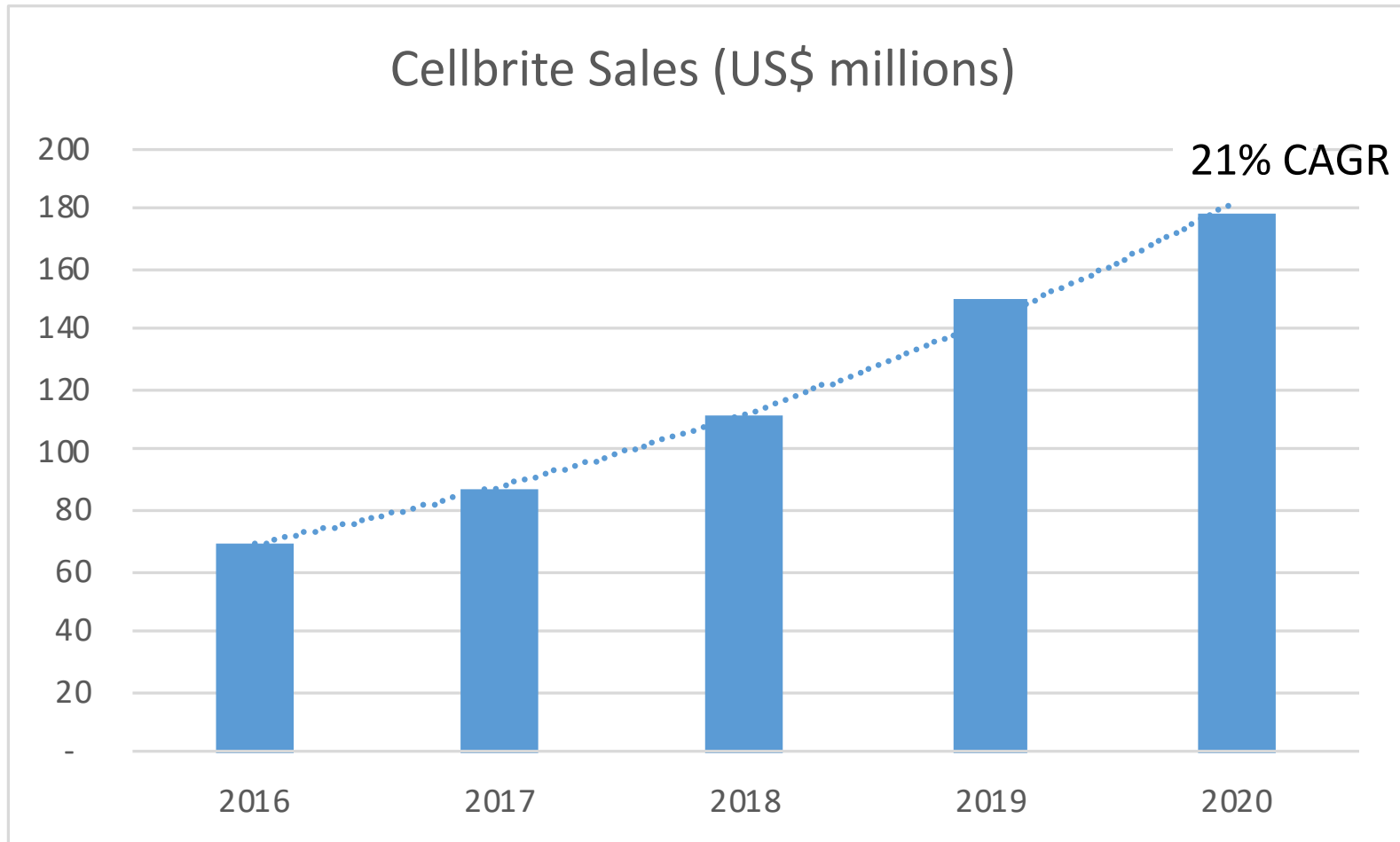
MOBILE DATA IS DOMINANT. LEGACY ENTERTAINMENT IS MINOR AND RAPIDLY SHRINKING



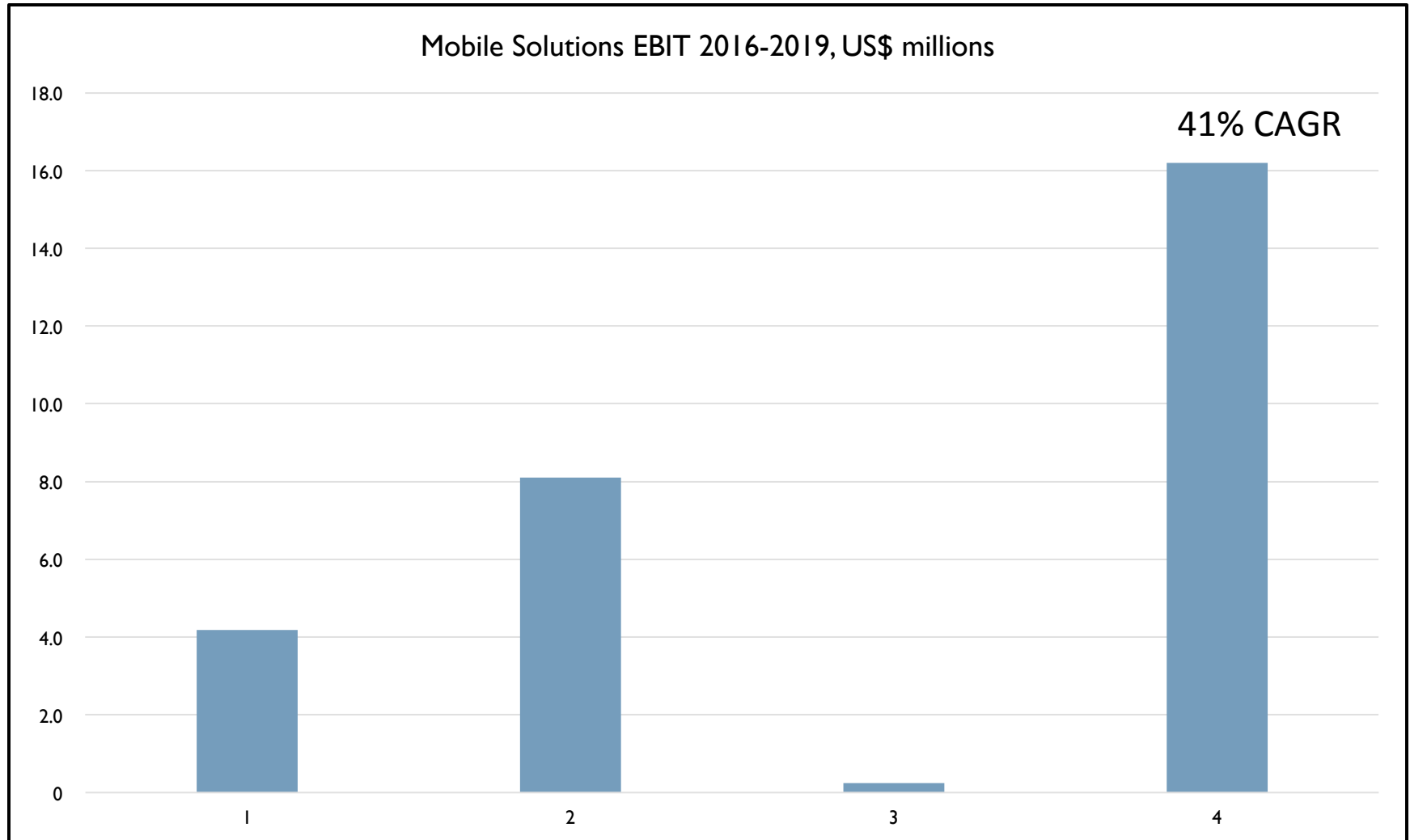
MOBILE IS THE ONLY PROFITABLE SEGMENT



CELLEBRITE SALES GROWING RAPIDLY AT 21% CAGR

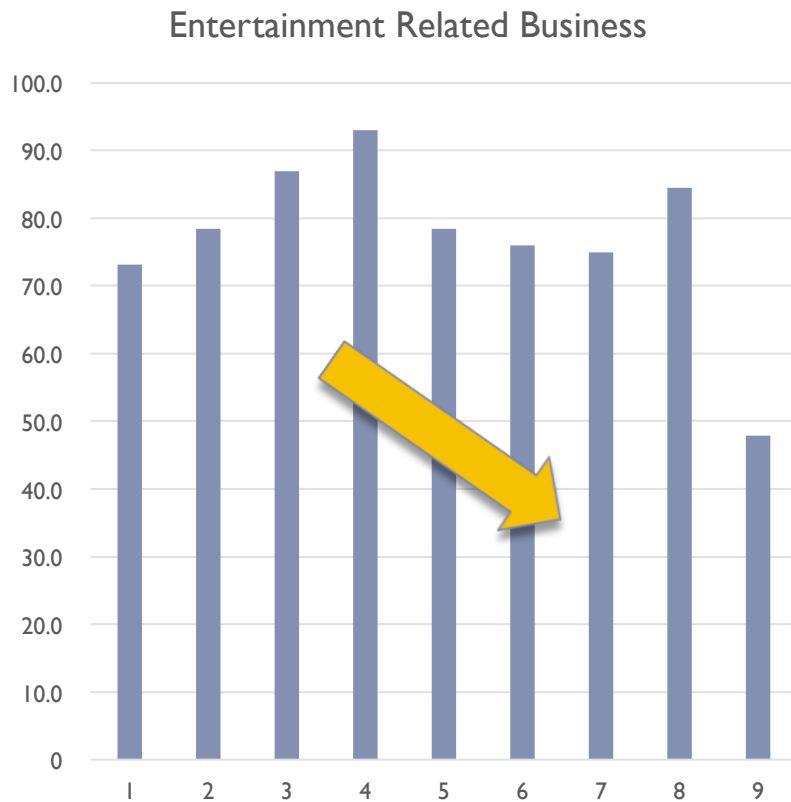


CELLEBRITE PROFITABILITY STILL JUMPY BUT TRENDING UP AT 41% CAGR

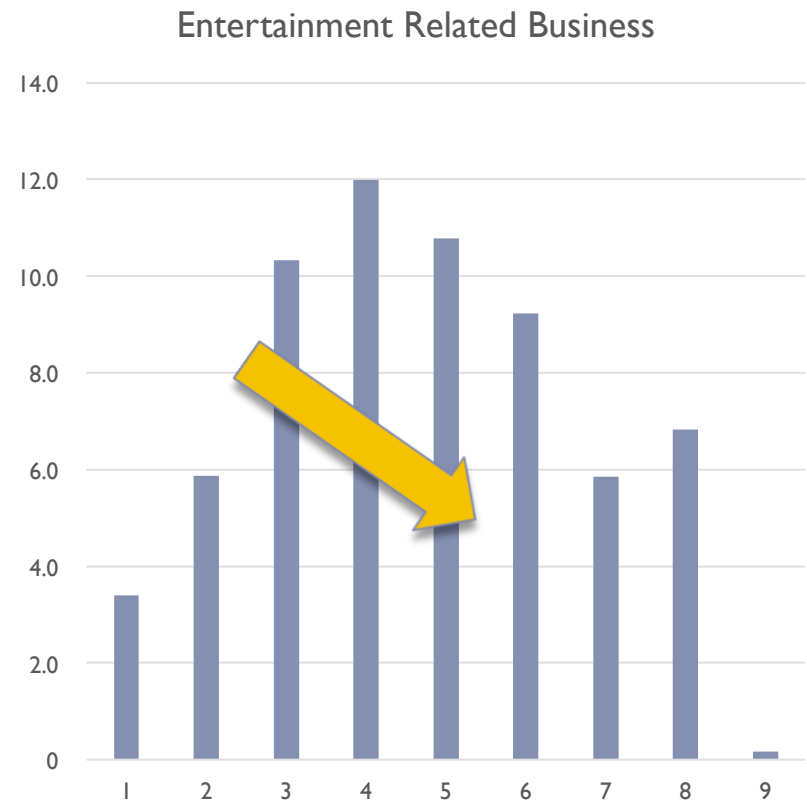


ENTERTAINMENT BUSINESS DISAPPEARING

Revenue



EBT



WHY DO WE LIKE CELLEBRITE?

A SEXY, HI-GROWTH, HIGH BARRIERS-TO-ENTRY SEGMENT

Mobile devices and software for:

- Data extraction
- Transfer
- Analysis devices

Forensic:

- Law enforcement, intelligence and military applications.



Other civilian applications



NOTABLE FEATURES

- **Extraction** of data from mobile devices.
- Recovering hidden and **deleted data**.
- Deciphering **encrypted** information.
- Accessing **password-protected** data.
- Forensic **data integrity**



NEWSWORTHY...

NEWS ANALYSIS

FBI reportedly to use Cellebrite to crack encrypted San Bernardino iPhone

Cellebrite, a company which could suck the data off cellphones in under two minutes several years back, is reportedly the firm helping the FBI crack the San Bernardino shooter's iPhone.



NEWSWORTHY...



The Intercept

Photo: Issei Kato/Reuters/Newscom

WHEN THE FBI HAS A PHONE IT CAN'T CRACK, IT CALLS THESE ISRAELI HACKERS

Kim Zetter



NEWSWORTHY...

Israeli tech company says it can unlock all iPhones ever made, some Androids

Cellebrite, believed to be the company hired by the FBI to hack into San Bernardino killer's phone in 2016, has faced criticism for hiding phones' vulnerabilities from Apple

By TOI STAFF

17 June 2019, 2:17 pm | 3

[f](#) [t](#) [in](#) [✉](#) [📄](#) 1,022 shares



NEWSWORTHY...

ICEBREAKER

ICE Has a New \$30M Contract With Israeli Phone Cracking Company Cellebrite

The agency's previous contract with Cellebrite was worth \$2.2 million.



Blake Montgomery | Published 09.11.19 6:23PM ET



NEWSWORTHY...

The NYPD is using Israeli software to crack iPhones



by Fabrizio Bulleri October 8, 2019 - 6:24 pm EST



Cellebrite could give NY cops the ability to partly hack phones to check for text-driving

Ben Lovejoy - Apr. 12th 2016 5:53 am PT [@benlovejoy](#)

94 Comments [Facebook](#) [Twitter](#) [Pinterest](#) [LinkedIn](#) [Reddit](#)



WHY WE FEEL CONFIDENT FOR THE FUTURE

- Mobile security market:
 - 48% CAGR
 - \$42bn by 2024
 - One device per Officer
 - Very low penetration
- Barriers to entry:
 - Proprietary technology.
 - Access to Israel technology.
 - Sticky contracts with gov..
 - Economies of scale.
 - Brand power.



JUNE 2019: ISRAELI VC ACQUIRES 25% STAKE

- IGP: 25% stake in Cellebrite.
- Implied valuation: \$440m
- Capital “to accelerate growth organically and through acquisitions.”
- Sun Corp keeps 72%

Israeli digital forensics firm Cellebrite gets \$110 mln IGP investment

1 MIN READ



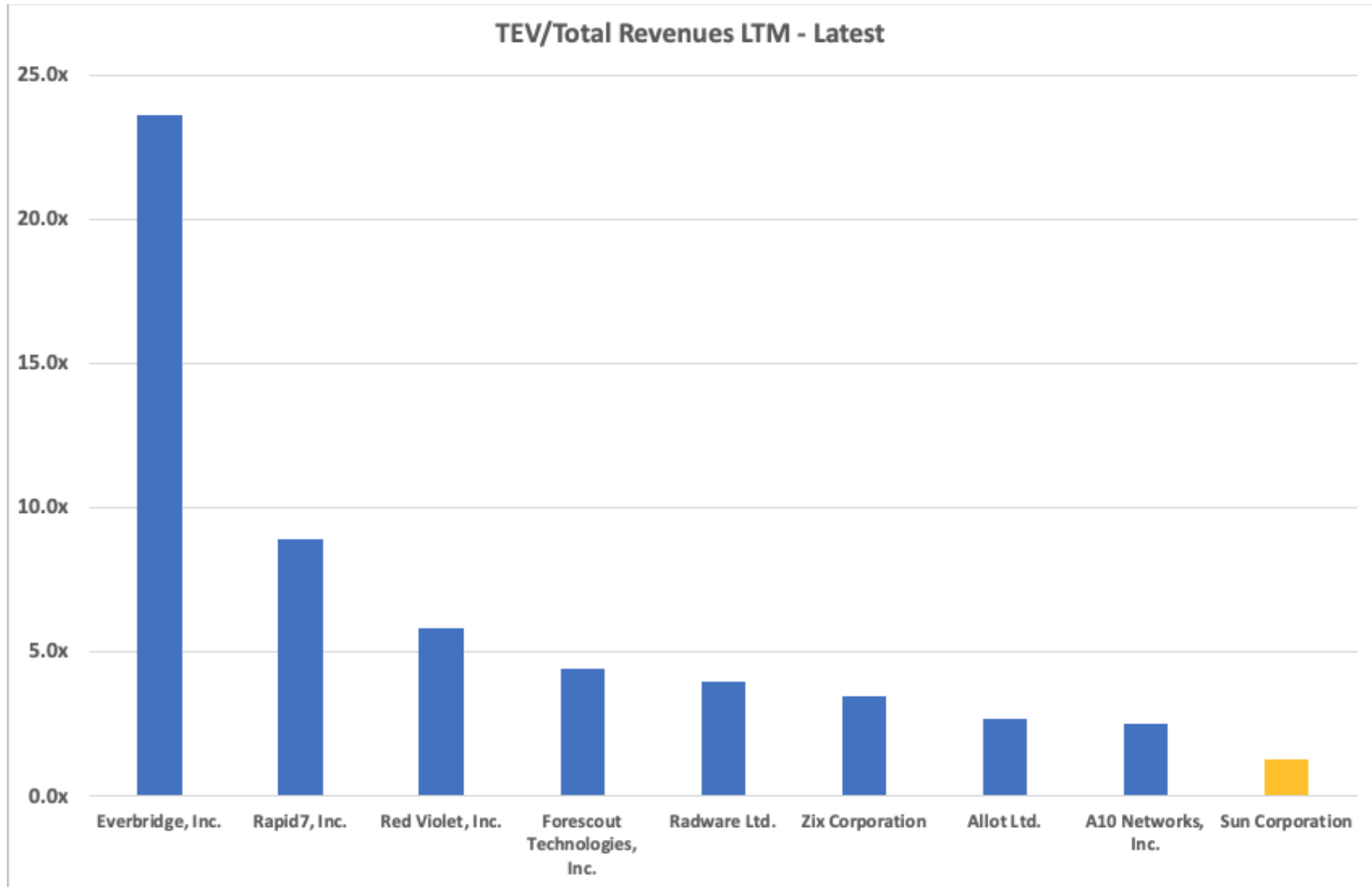
JERUSALEM, June 17 (Reuters) - Israel's Cellebrite, whose software can unlock and extract data from mobile devices and is used by law enforcement and government agencies as well as businesses, said on Monday it had received a \$110 million investment from IGP Capital.

The company, which was acquired by Japan's Sun Corp in 2007, did not provide further financial details.

Israeli news website Calcalist said that after the deal, which values Cellebrite at \$440 million, investment fund Israel Growth Partners (IGP) will hold about a 25% stake in Cellebrite.



CELLEBRITE'S COMPS: MEDIAN EV/SALES 4.0X



HOW MUCH IS CELLEBRITE WORTH? \$ 0.6-2.1 BILLION

Ratio	Bull Case	Base Case	Bear case (VC round)
Sales multiple	10x	5x	3.1x
Implied Cellebrite value (\$m)	1780	890	527



CELLEBRITE IS PART OF SUN CORPORATION...

- Market Cap: \$469m
- Net cash: \$166m
- Ccelebrite stake: 72%
- Value assigned to rest of the business: \$0



SUNCORP: TOTAL VALUE IMPLIES 123% UPSIDE

Item (\$m)	Bull Case	Base Case	Bear Case
Cash (net net)	166	166	166
Cellebrite (72%)	1281	640	397
Rest of the business	0	0	0
Total Value	1447	778	545
Market Cap now	469	469	469
Upside	200%	65%	16%



The Activist angle

INITIAL

PUBLIC

OPERATIONS

AND

HOW TO UNLOCK VALUE? SHAREHOLDER ACTIVISM TO THE RESCUE MANY TOOLS:

- Large buyback/dividend (**stock is cash-flow positive**)
- Divesting non-core businesses.
- Looking for a strategic buyer.
- **Listing on NASDAQ.**



A REMARKABLE CHANGE FOR JAPAN

The screenshot shows the ValueWalk website interface. At the top left is the ValueWalk logo. To its right is an orange 'PREMIUM' badge. Further right are navigation links: 'FRONTPAGE', 'TOP STORIES', 'BUSINESS', and 'TEC'. Below the navigation is a pink banner with the Vimeo logo and the text 'Customizable Player. A Vimeo Feature'. Underneath the banner is a breadcrumb trail: 'Home > Business > Oasis Management enjoys a "landmark" win at Sun Corp'. A dark grey box contains the word 'Business'. The main headline is 'OASIS MANAGEMENT ENJOYS A "LANDMARK" WIN AT SUN CORP'. Below the headline is the date and time: 'Apr 14, 2020, 1:01 pm'.



THE ACTIVIST ANGLE

- Late 2019, **Oasis** and other investors (including **Quintessential** and the founding family of Suncorp) voted-out most of the current board and replaced the CEO.
- Current CEO and board are decisively shareholder friendly
- **IGP** (the Israeli VC holding a 25% stake in CB) has a policy of seeking exits through IPOs or strategic sales

We expect a strategic, value generating change in Sun Corp within the next 12 months



TO CONCLUDE: AN EPIC OPPORTUNITY

- Core business with very **fast revenue and profit growth**.
- **Very attractive market**.
- **Strong barriers to entry**.
- **Very strong financial position**.
- **Deep undervaluation**.
- **Friendly management** and board pushing for change
- Likely **clear catalyst on the way**

