



Ivey School Of Business Value Investing

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penderfund.com





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Finding Emerging Compounders

Copperleaf Technologies Inc.

(TSX: CPLF)



Searching for Long Term Capital Appreciation

- Strong unit economics
- High ROIC
- Long runway
- Competitive advantage
- Management team



Why Small Cap Stocks?

- Less efficient part of the market
- Opportunity to gain an analytical edge
- Better chance of finding early in compounding journey
- Volatility is a feature, not a bug!



Private Equity Approach

1. “Scuttlebutt” research and due diligence



Private Equity Approach

2. Work with investee companies



Private Equity Approach

3. Drive a liquidity event or exit



Small Cap Approach to Valuation

- 3 to 5 scenarios depending on the company.
- Base case is either Private Market Value or DCF
- Assign probability based on research
- Then apply a qualitative overlay
 - Management team
 - Balance sheet risk
 - Research stage
 - ESG



Why is the Stock Cheap?

- What is the short interest / thesis?
- Market sentiment
- Misunderstood
- Underfollowed
- Time frame



Trinity of Risk

- Balance sheet
- Business risk
- Valuation



Portfolio Weighting Factors

- Fund constraints
- Business quality
- Valuation / IRR
- Qualitative factors
- Customer industry risk



Portfolio Example

Copperleaf Technologies Inc. (TSX: CPLF)



Company Snapshot



Leading global provider of AI powered enterprise decision analytics software

Copperleaf Helps Manage over \$2.8 Trillion of Assets Worldwide



Sample Customers

nationalgrid

anglianwater

POWERco

Endeavour Energy

DUKE ENERGY

ENBRIDGE

Source: Copperleaf



Company History

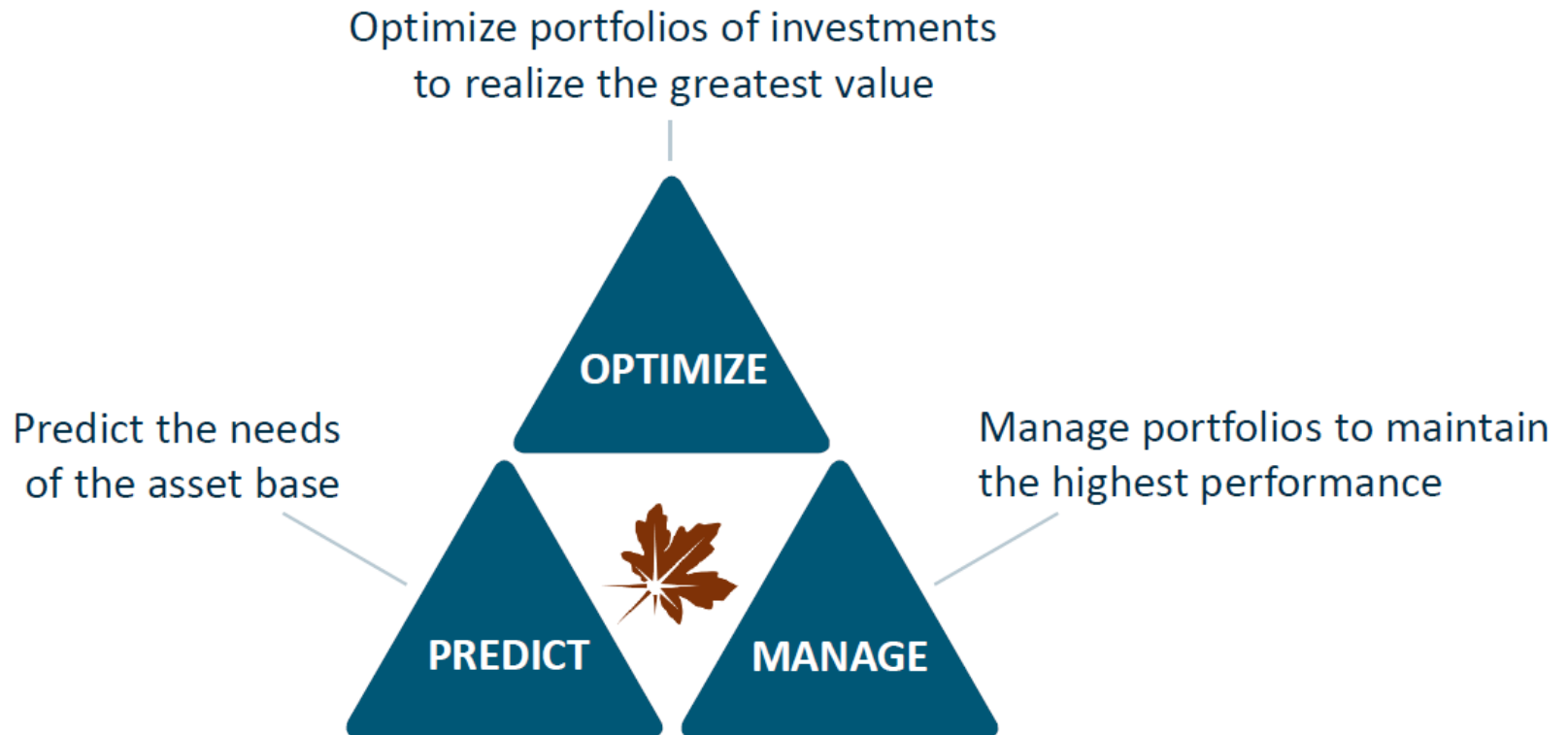


- Founded in 2000 as a consulting company
- New management team joined in 2009
- First software product launched in 2010
- First client was in nuclear electricity generation industry
- B round financing in 2010 (WOF, EDC)
- Strategic investment by National Grid
- IPO at \$15 in Oct 2021
- CEO transition (completed in Jan 2023)

Source: Copperleaf



What does the Company Do? copperleaf



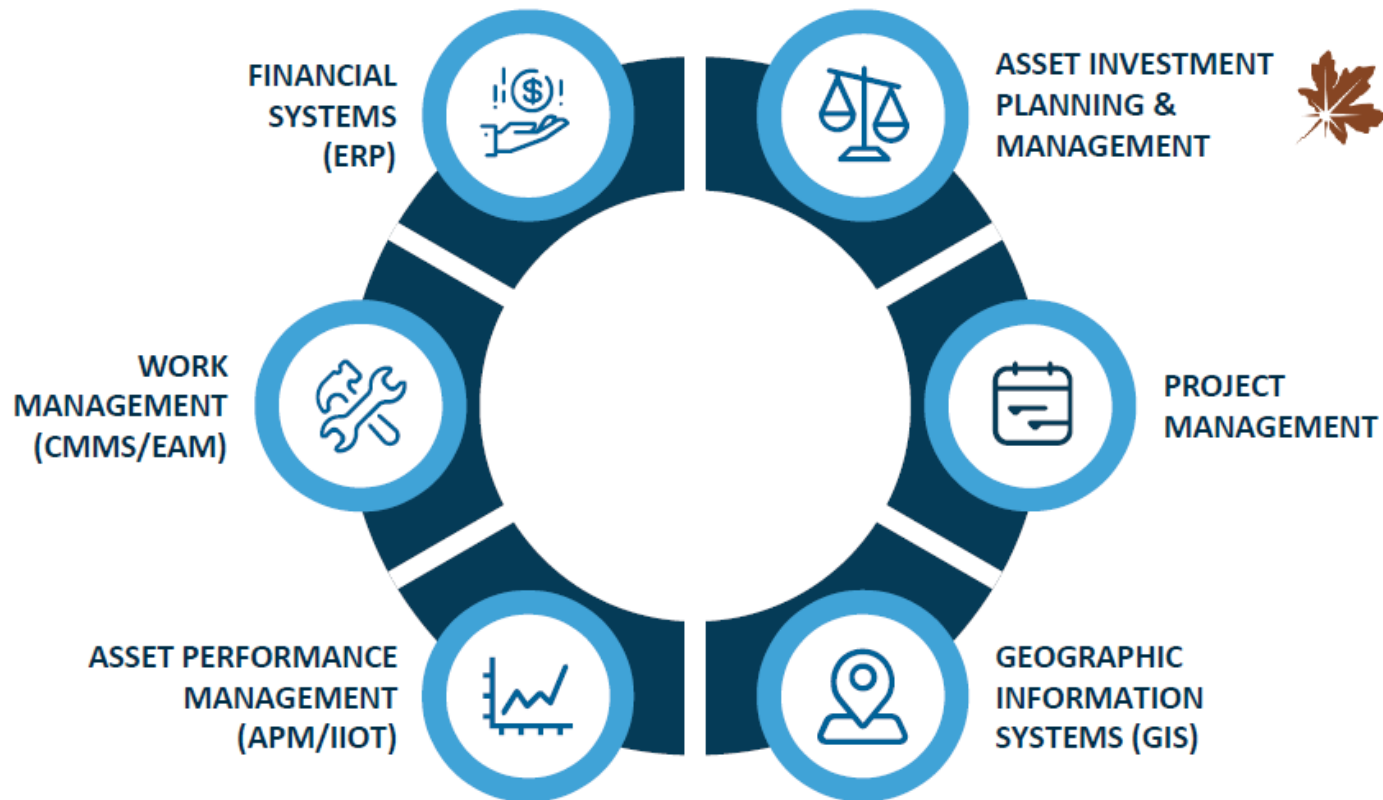
Source: Copperleaf



Where does CPLF Fit in the Asset Management Ecosystem



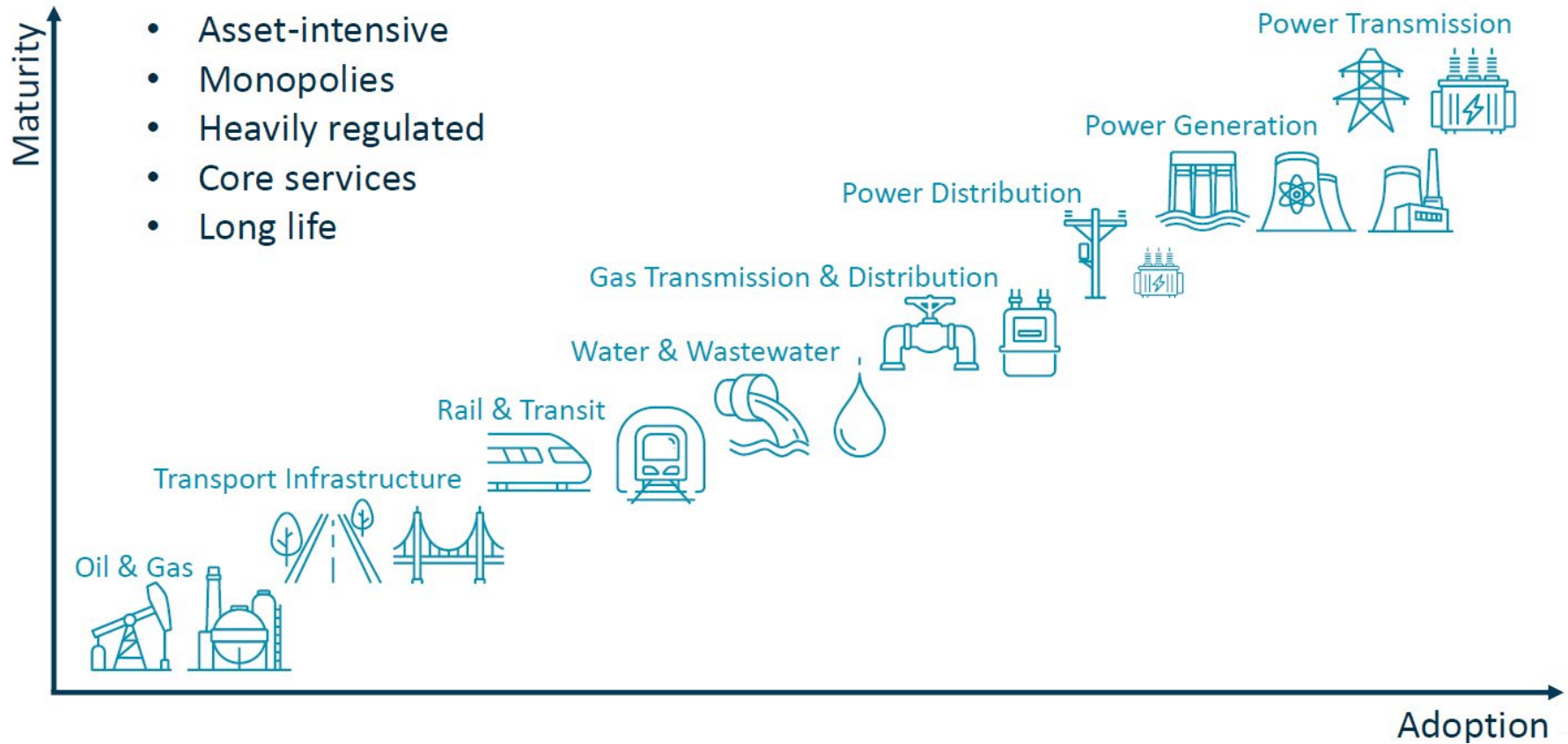
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Source: Copperleaf



Who are their Customers?



Source: Copperleaf



What Problems does the Company Solve?



- Optimize returns
- Risk management /avoidance
- Investment justification
- Project priorities
- Regulatory approval
- Industry best practice
- Outage reduction
- Carbon reduction
- Seamless integration



What Products does the Company Offer?



- Copperleaf Asset
- Copperleaf Portfolio
- Copperleaf Value

- Predictive analytics
- Risk modeling
- Financial modeling
- Portfolio optimization
- Budgeting
- Plan approvals
- Performance management
- Scenario analysis



Customer Case Studies



Organizations managing critical infrastructure trust Copperleaf to help them allocate their financial capital and resources towards the most valuable areas of their businesses:

<p>National Grid Gas Transmission UK Integrated Asset Investment Planning & Management</p> <hr/> <p>Estimated Value £11M CAPEX savings per year</p> 	<p>Duke Energy Enhanced Risk Management</p> <hr/> <p>Estimated Value 30% Reduction in asset risk</p> 	<p>Anglian Water Portfolio Optimization</p> <hr/> <p>Estimated Value £10M Productivity benefit per year</p> 
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Source: Copperleaf



How does the Company Make Money?



- *Subscription*

Recurring revenue stream - customers sign multi-year contracts for access to products, plus maintenance and support

- *Perpetual License*

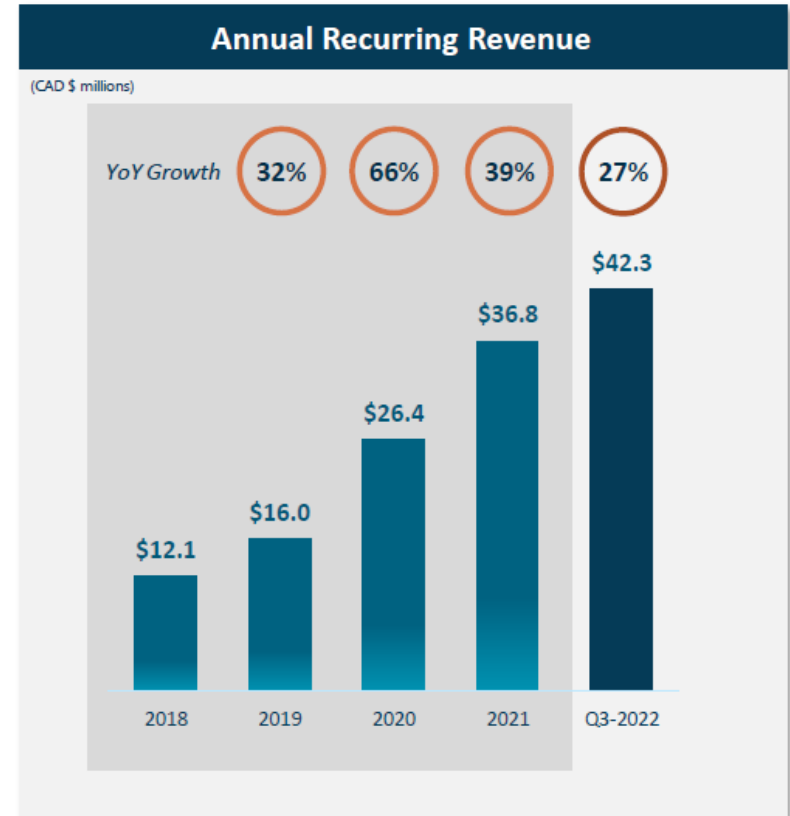
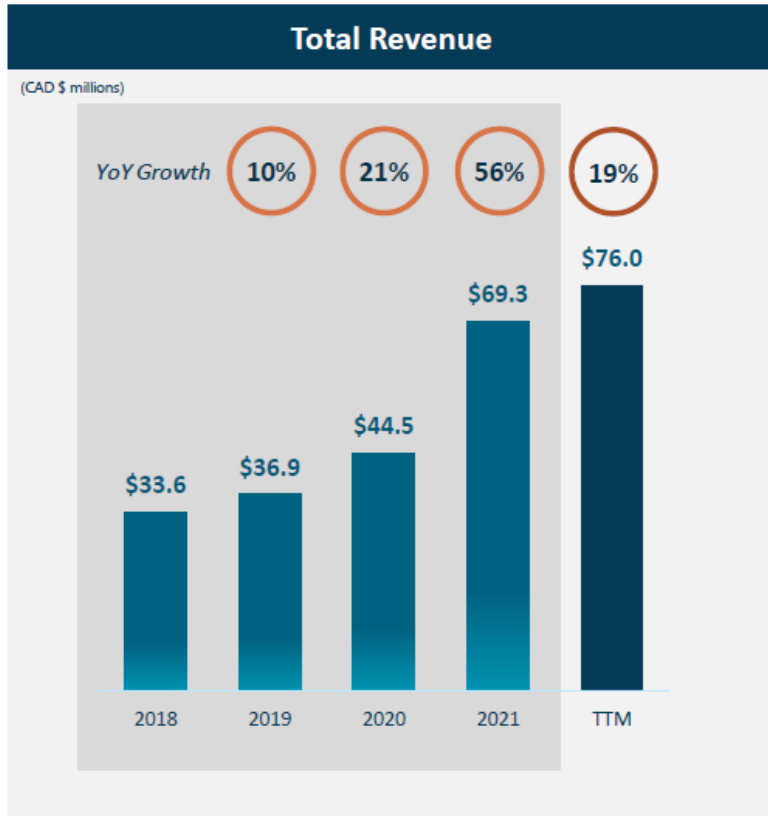
One time license sale, customer has ownership of the products

- *Professional Services*

System implementation, integration and consulting



Financial Snapshot



TTM (Trailing Twelve Months) and Q3-2022 measured at Sept 30, 2022.

Source: Copperleaf



Pretty Impressive, Right?



19%
TTM
Revenue
Growth

27%
TTM
ARR
Growth

109%
Net
Revenue
Retention

\$93M
Total
Revenue
Backlog

Source: Copperleaf as of Q3 2022



But Stock Chart - Not so Impressive...



Key Stats*:

Share Price:	\$5.83
Mkt Cap:	\$412M
Cash:	\$147M
EV:	\$275M
Rev:	\$76M
EV/Rev:	3.6x

*Source: Capital IQ as of Jan 19, 2023



Mislocated Valuation = Opportunity



Why is market value disconnected from intrinsic value?



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- Short history as pubco
- Unprofitable
- Misunderstood sales cycle
- Lumpy nature of revenue
- Tax loss selling



Current Income Statement Snapshot



Copperleaf Technologies Inc. Condensed Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)
(unaudited)

	Notes	For the three months ended		For the nine months ended	
		September 30, 2022	2021	September 30, 2022	2021
		\$	\$	\$	\$
Revenue	3	18,061,389	16,802,972	54,214,516	47,485,285
Cost of revenue	5	4,786,536	3,934,755	14,024,717	9,861,210
Gross profit		13,274,853	12,868,217	40,189,799	37,624,075
Operating expenses	5				
Sales and marketing		9,640,173	6,384,224	27,666,396	16,125,910
Research and development		6,797,429	5,268,994	20,822,027	14,534,271
General and administrative		6,589,548	4,752,680	19,343,204	12,428,160
		23,027,150	16,405,898	67,831,627	43,088,341
Loss from operations		(9,752,297)	(3,537,681)	(27,641,828)	(5,464,266)
Other expense (income)					
Finance costs		238,666	186,874	774,132	600,042
Finance and other income		(860,341)	(738)	(1,562,560)	(8,748)
Gain on lease modification	11	-	-	-	(181,372)
Foreign exchange (gain) loss		(1,434,152)	(349,639)	(959,858)	701,814
		(2,055,827)	(163,503)	(1,748,286)	1,111,736
Loss before income taxes		(7,696,470)	(3,374,178)	(25,893,542)	(6,576,002)
Income taxes					
Current income tax (recovery) expense		(194,947)	(92,762)	(60,639)	98,782
Net loss and comprehensive loss for the period		(7,501,523)	(3,281,416)	(25,832,903)	(6,674,784)

Source: Copperleaf



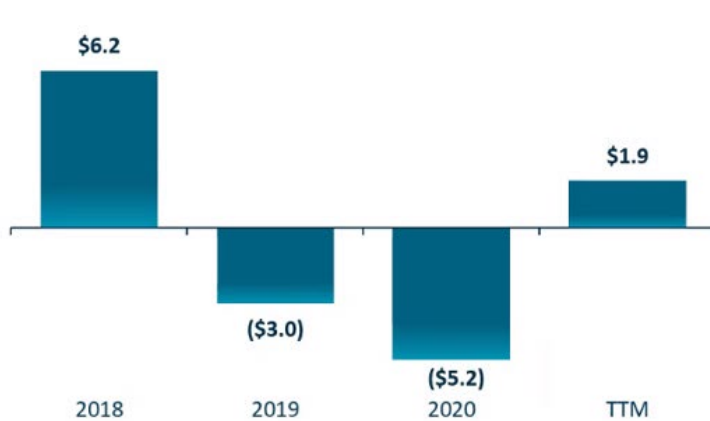
Pre-IPO



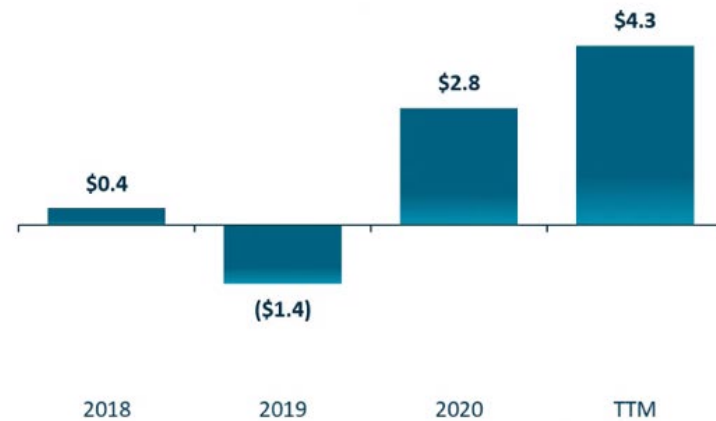
Profitability Metrics

We Have a History of Profitability But Now Is Time to Invest for Growth at Scale

Adj. EBITDA (CAD \$ millions)



Operating Cash Flow (CAD \$ millions)



Focused on growth in short-term, but underpinned by a history of capital efficiency and a strong, data-driven management team

TTM (Trailing Twelve Months) is measured at Jun 30, 2021.

Source: Copperleaf



Understanding the Investment in Sales



- Ramping up sales capacity post IPO
- 12 months to get up to speed
- 19-month sales cycle
- 24-48 months before new sales person contributes



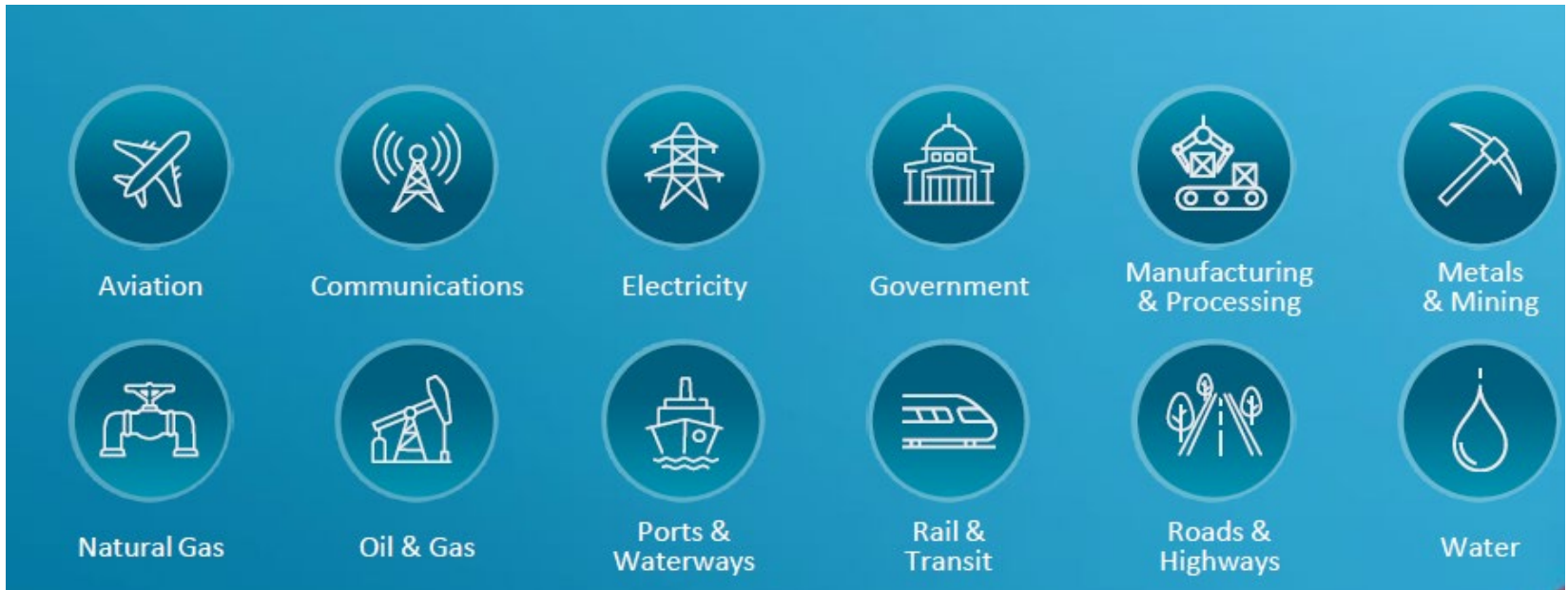
Why Do We Like It?



- Proven leader with strong defensible moat
- Large market opportunity = long runway
- Global tailwinds: ESG in particular
- Sticky customer base (high ROI driving exceptional retention) – never lost a customer!
- Multiple growth drivers ahead: land and expand, new verticals
- Led by experienced management team



Large TAM \$12B Market Opportunities



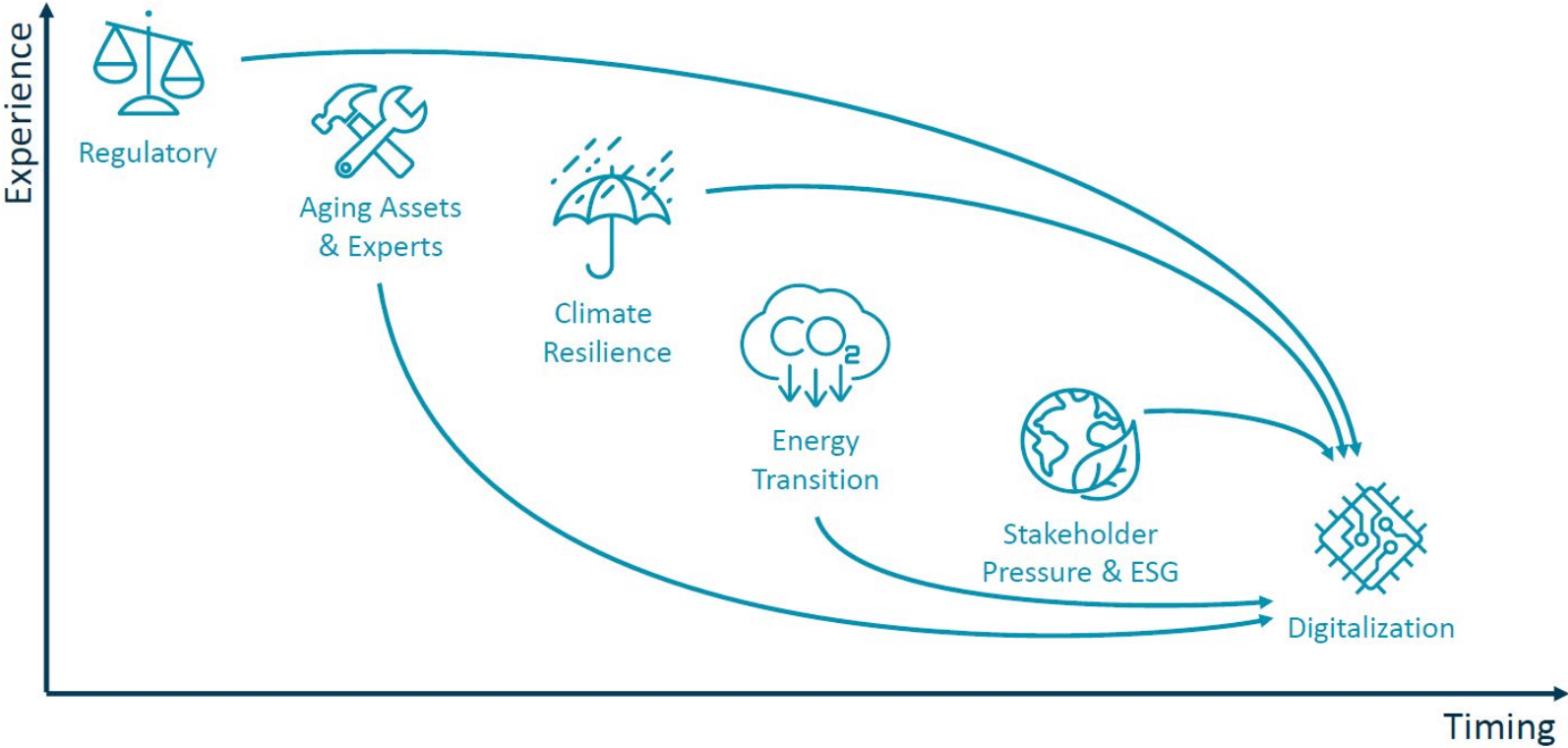
Source: Copperleaf



Strong Global Tailwinds, ESG in Particular



Key Drivers



Source: Copperleaf



Never Lost a Customer! High ROI Drives 100% Retention



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Clients Have Recovered Their Investment within the First Planning Cycle



IMPROVED PLANNING EFFICIENCY

50% reduced
planning time



HIGHER- VALUE PLANS

20% more value
from portfolios



IMPROVED PLAN EXECUTION

10% improved
execution accuracy



ENHANCED RISK MANAGEMENT

30% reduced
risk exposure

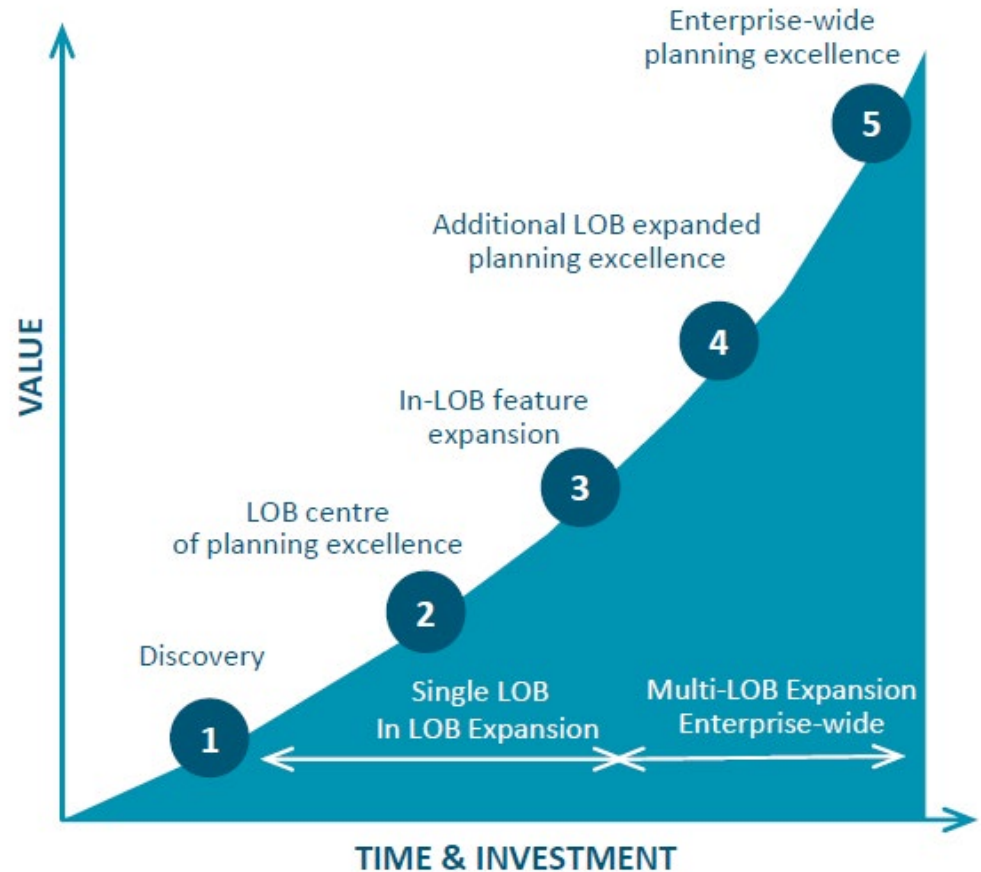
Source: Copperleaf, as of November 30, 2022



Multiple Growth Drivers



- Acquire new clients
- **Land and Expand**
(from a single line of business to multiple, upselling more products)
- Deeper penetration in existing verticals
- Expand to new verticals



Experienced Management Team



- “Been there done that” – former CREO management team
- History of disciplined growth – led the Company to IPO with minimal external funding
- Track record of execution



All Boxes Checked



- **TAM** – Huge market opportunity, mostly green field, competing with Excel spreadsheets, internal solutions, and no clear competitors (existing competitors tend to focus on transactional data or financial data, lacking a value based comprehensive approach)
- **TEAM** – Experienced, disciplined, and aligned
- **Unit economics** – since customer retention is 100%, LTV/CAC is very attractive in spite of long sales cycle.



Trinity of Risk



- *Business Risk* – *Low*. Customer base is almost recession proof, deep moat around technology (hard for competitors to catch up), favourable ESG macro trends
- *Balance Sheet Risk*– *Low*. Plenty of dry powder after IPO. Visible path to profitability under the leadership of disciplined management team
- *Valuation Risk* – *Low*. Undervalued, misunderstood by capital market



Questions?

