



TRADING OPPORTUNITY - Urthecast (Update)

31 July 2018

A combination of the delayed debt financing together with the fact that the company was still heavily investing in constellation projects but without getting major contracts signed, caused a financial bottleneck and strong discordance at the management level. Unfortunately, we could not foresee that the main danger would be the second layer of management, due to being in contact only with the executive team. We do not want to think of any conspiracy theory, but we are glad that the key person of the financial masterpiece of \$140 Mln collateral debt, the CFO, is still with the company, in addition to the founding brothers which are the minds behind Urthecast technology. A new board of directors has been recommended from the credit facility provider and reading their experience in the industry, we are confident that they are a tremendous value added for the company. Also we had the opportunity to talk to some major institutional investors heavily invested in Urthecast, which helped us to have a realistic analysis on the future of the company. Based on our analysis we decided to participate in the last financing round to reduce dilution and with a very attractive clause, which would allow the additional financing to stay in an escrow account until the constellation project starts, and in the event the project should not start, the entire amount would be redeemed at par, without any losses and any additional risk. Because we subscribed the last financing round, we were restricted in communication with external subjects, therefore we had to wait to provide an update of the company.

After the turmoil the company went through during the worst moment and the only reason why the credit facility provider and few key institutional investors decided to continue investing in the company, is that during the due diligence process they were talking directly to the company's clients and had strong feedback on the technology and the future development of the sectors which needs a technology breakthrough which Urthecast has: the multispectral imagery. The latest financial restructuring is going to help the company in the short term, but it is clear that, in the long term, the UrtheDaily project has to start. The last important conditions that Urthecast has to fulfill to start, are: to reach a 5 year commitment in revenues, which they have already reached, and to also reach an annual minimum commitment, which they have not reached yet, however it looks like they should be near reaching this target. According to proper due diligence done by the last round of financing investors, the yearly revenue potential from clients, should be up to \$150 Mln, this is mainly due to breakthrough technology especially when applied to the agricultural industry, which allows screening vast areas instead of just taking a single area picture, drastically reducing costs and improving the quality of the information. For this reason the stock price is not reacting to the last positive development of the company, and we understand the reaction of the market because the credibility of the company has seriously been damaged. We feel comfortable that the new management can reach the minimum revenue target required for the financing, especially after analysing the

strong feedback from the company's clients, therefore we will stay invested in the company and wait for the key positive development. Clearly, we learned a lesson and we are going to change some of the parameters in our investment process, in fact, although we do believe that special situations can create tremendous additional value to a portfolio at a limited risk, in the near future, we are going to rebalance on the way up. In fact, we could have reduced our position getting 70% positive return (multiple times!), limiting the damage in the portfolio caused by the extraordinary events which happened. At the same time we will not invest in similar special situations unless we feel comfortable with the community of investors engaged in the project. Today this is the case of Urthecast, where we believe the actual investor community is going to be a strong support for the company.

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