

January 16, 2024

Dear Friends,

In building Vesper Company, our mission is simple: partner with founders and management teams to scale content, technology, and services companies by providing strategically-aligned, long-term capital and active support. We are pleased with our progress on this journey and would like to share with you several updates.

Investing Environment

Four years since the onset of the COVID pandemic, when the world began changing more dramatically than at any point since the financial crisis of 2008, we find ourselves in an uncertain world. Following a decade of expansionary monetary policy, the combination of supply-side disruptions and aggressive economic demand stimulus triggered decades-high inflation. We now face an environment of interest rate uncertainty, increasing global conflict, and growing awareness of the disruptive potential of artificial intelligence. However, we do not think we need to make a “macro call” on where the world is headed to achieve strong investment returns. At Vesper, while we continue to monitor the evolving landscape, we remain focused on identifying resilient businesses in stable, growing industries that are led by exceptional management teams. We believe our disciplined, long-term orientation; decades of investing experience paired with real-world operating know-how; transaction structuring expertise; and ability to add value to our partner companies will generate consistent superior risk-adjusted returns with downside protection irrespective of the macro winds.

At the same time, we are being patient as we build the Vesper business by focusing on finding excellent people, remaining nimble, and adhering to our principles of transparency, fairness, and partnership. We actively seek out partner companies and capital partnerships which align with this long-term orientation.

Vesper Strategy

We started Vesper Company making smaller investments in earlier-stage companies under Vesper Ventures, primarily using our own capital. This approach allowed us to hit the ground running, refine our investment processes, and build experience working together as a team. We have since shifted our efforts entirely to Vesper Strategic Partners, making mid-market investments in companies that have an established operating history and meaningful profitability. Our skillsets and expertise have the highest value-add in helping companies pursue scale and build strategic value.

Today, we are targeting \$25-100mm+ investments, either as minority or majority/control investors, in founder or management-owned businesses seeking capital with a flexible investment time horizon from a value-added investment partner. Our \$25mm check size and \$5mm EBITDA thresholds ensure we are deploying capital into businesses with sufficient foundation and growth potential to generate strong risk-adjusted returns.

Our flexibility and capability to make either minority or majority long-dated investments, while most mid-market private equity firms make only majority-control investments on a 3-5 year time horizon, is highly differentiating to the founders and managers we want to partner with. Simply said, capital flexibility and structuring expertise allow us to back the owners and teams that are betting on themselves. We believe in backing management teams, letting them drive day-to-day operations, and supporting them where we can add value, particularly in areas such as strategic planning, budgeting and capital allocation, infrastructure and team building, using data and technology to drive efficiency and better decision-making, capital raising, and M&A. We have found that through alignment with our investment partners and thoughtful, collaborative structuring, we can achieve a high degree of influence and engagement with businesses without requiring majority control.

Vesper Core Tenets

Our core tenets remain as follows:

- 1. Compounding capital at attractive rates of return indefinitely:** Having spent the majority of their careers at MSD Capital, the private investment firm for the Dell family, Shamit and David naturally embrace the value of a long-term perspective. At Vesper, we look to make long-term investments in defensible businesses that are led by managers who are single-mindedly focused on the growth and strategic value of their companies.

In 2023, we had the opportunity to partner with Tyler Bacon, Founder and CEO of Position Music. Tyler had been building Position as its sole owner since 1999. Over twenty-five years, Position has established a unique reputation and value proposition among independent music companies, creating a destination for writers and artists. Tyler sought out an investment partner to support Position's growth and chose Vesper due to our long-term and flexible investment approach, value-add capabilities, and deep knowledge of the music industry from our experience at Kobalt Music. We were excited to partner with Tyler due to his unceasing efforts to elevate Position's brand and deliver excellent results to creators. As a leading independent music company, Position is well-aligned with the secular trends driving market share growth in the middle segment of creators. With its strong creator-first culture and differentiated capabilities, we believe the company is well-positioned for sustainable, long-term growth.

- 2. Being value-added partners:** To us, adding value does not mean supplanting the judgment of the management team. We partner with founders and managers with whom we are aligned in vision and strategy and help them to achieve their goals. We look to walk the middle line between being too intrusive or too passive – we contribute our knowledge, skills, relationships, and resources to amplify the capabilities of the management team. We act as a sounding board, provide guidance on strategic matters, connect dots within our ecosystem, and offer our team's operating expertise as needed. For example, Thomas recently built a capital budgeting and allocation model for a potential partner company in the sports ecosystem – according to the CEO, the company had wanted to build this model for months but did not have the capacity. Partnership means working together for our mutual success, and we bring this spirit of partnership to every one of our relationships – within our team, with our investment partners, and with our capital partners.

3. A thematic “deep dive” approach to identifying investment opportunities: We invest in technology and services businesses in three key industry verticals: sports, media & entertainment; financial services; and specialized services (e.g., pharma services, education technology, engineering & consulting, outsourced software development). We build areas of expertise within these verticals by formulating investment themes and conducting annual deep dive exercises in promising sectors. Past deep dives of the team have included outsourced software development and infrastructure engineering. Many of you saw our recent deep dive report on the podcasting landscape, which led to an introduction to a company in which we closed an investment. As we enter 2024, we have identified four new “deep dive” areas; we will be sharing more information in the coming months.

Vesper Team

To deliver on our value-added partnership goals, we have assembled a team that has both investing and operating expertise. David and Shamit spent more than a decade investing together at MSD; David and Raj worked together at Kobalt Music, where Raj led strategy and business development efforts; Thomas led strategy and operations at the XFL prior to joining Vesper. We have consistently found that the operating experience of our team allows us to build a stronger rapport with management teams and add both strategic and day-to-day value to their companies. Our partner companies find us ready and willing to roll up our sleeves and help them achieve their goals, whether on M&A, capital raising, new market entry, and technology strategy, or more tactical matters such as recruiting, forecasting, budgeting, workflow optimization, software implementation, and business intelligence.

We recently were fortunate to expand our team with the addition of Ian Vick. Ian has deep and varied experience across both investing and operations. He began his career at Goldman Sachs and then spent nearly a decade investing in private businesses at Apax Partners and York Capital Management. Most recently, Ian was a partner and led the investment team at Fractal Software, where he focused on launching new vertical software platforms. Like our other partners at Vesper, Ian found us through a personal relationship, having worked closely at Apax Partners with one of David and Shamit’s former MSD colleagues. Ian strengthens our ability to identify attractive opportunities across the technology and services landscapes and to achieve strong outcomes for our partners.

We are also welcoming Lars Perkins as a technology advisor to Vesper. Lars was at the forefront of the internet revolution when he led Idealab Boston, one of the first startup incubators; afterwards, he was CEO of Picasa and held leadership roles at Google. We have come to know Lars over the last several years during his time leading the Techstars effort in Portland, Maine, and we have looked at several investment opportunities together. He is a wonderful person, a true entrepreneur, and a fantastic mentor to the companies he’s invested in.

We are excited by the growth and development of the Vesper team and the opportunities that it creates for building new investment partnerships. We look forward to being in touch with further updates and to working with you in 2024.

Best,

The Vesper Company Team
