



GREENHAVEN
ROAD CAPITAL

FINDING VALUE OFF THE BEATEN PATH ValueX Vail 2017/Manual of Ideas

GREENHAVEN ROAD



Who We Are

- A long-biased hedge fund.
- Concentrated and patient.
- Pursue both quality companies (compounders) and special situations (spinoffs, rights offerings, SPAC, etc.)

Operating Background of Portfolio Manager

- Managed a manufacturing business after graduating college.
- Co-Founder of Acelero Learning. Several roles including CFO, CTO, Chief Strategy Officer, and currently board member. Acelero has grown from three co-founders in a tiny office to 1,300+ employees in 15 states.
- A touch of traditional - Worked in private equity, a long/short fund, Stanford MBA.

What I Believe

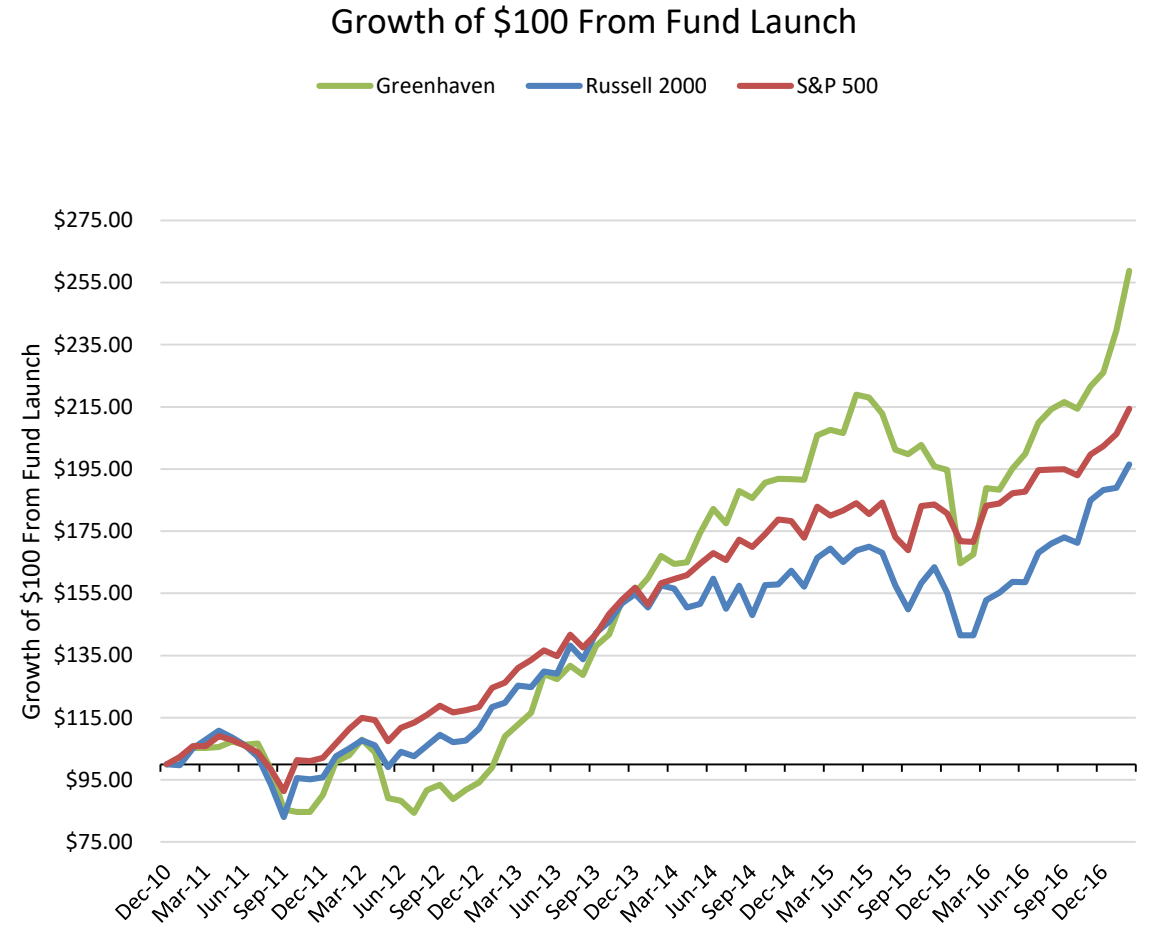
- Fundamentals matter, balance sheets matter, cash flow matters, management matters, and incentives matter.
- An investment committee of one is the perfect size – the aspiration is to be a small boutique manager.

PERFORMANCE HISTORY

We have outperformed major indices over the life of the fund – after expenses



	Greenhaven Road Strategy (Net)	S&P 500	Russell 2000
2005	30.54%	4.89%	4.55%
2006	19.47%	15.79%	18.37%
2007	36.95%	5.49%	-1.57%
2008	-40.01%	-37.00%	-33.79%
2009	132.45%	26.46%	27.17%
2010	49.68%	15.05%	26.85%
	Fund	Launch	
2011	-9.85%	2.11%	-4.18%
2012	4.42%	15.98%	16.35%
2013	64.79%	32.41%	38.82%
2014	23.56%	13.69%	4.89%
2015	1.60%	1.39%	-4.41%
2016	16%	11.96%	21%
2017 (Q1)	15%	6.07%	2.47%



www.greenhavenroad.com

*All figures are net of incentive fees for day one investors. Returns will vary based on investor class and investment date. 2016 returns are not audited and are estimated. New investors as of 6/1/2017 will be charged a 0.75% management fee which is not reflected in historical returns.

Size Matters

Smaller Is Better

"Anyone who says that size does not hurt investment performance is selling. The highest rates of return I've ever achieved were in the 1950s. I killed the Dow. You ought to see the numbers. But I was investing peanuts then. It's a huge structural advantage not to have a lot of money."

Warren Buffett

TICKER:	YTRA/YTRAW	
PRICE (6/15):	\$10.66/ \$1.38	Insider Ownership: 10%
MARKET CAPITALIZATION	\$373.1M	52-Week High/Low: \$11.20 / \$7.71

Business Description

The Company's Words: Yatra Online is one of India's leading online travel companies and operates the website www.yatra.com. The company provides information, pricing, availability, and booking facility for domestic and international air travel, domestic and international hotel bookings, holiday packages, buses, trains, in city activities, inter-city and point-to-point cabs, homestays and cruises. As a leading platform of accommodation options, Yatra provides real-time bookings for more than 64,500+ hotels in India and over 500,000+ hotels around the world.

- **Glass Half-Empty View:** SPAC historical returns are terrible (but getting better) – this is a SPAC
- **My View:** Triple threat - secular tailwinds to fuel growth, margin expansion, multiple expansion

Source of Idea

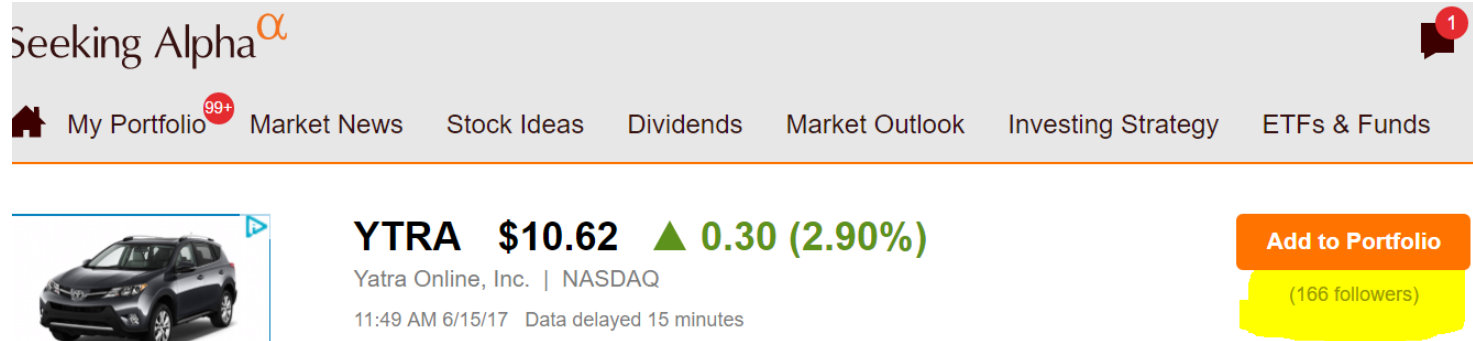
- **Dane Capital:** Eric Gomberg is the most knowledgeable SPAC investor I know of.

EVIDENCE NOBODY CARES

Seeking Alpha Followers for FANG

- **Facebook:** 542K
- **Apple:** 1.7M
- **Netflix:** 233K
- **Google:** 860K

Seeking Alpha Followers for Yatra



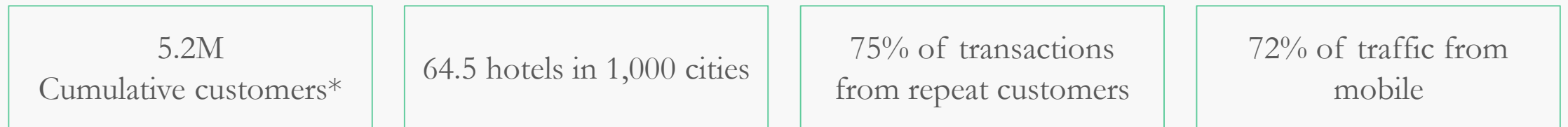
The screenshot shows the Seeking Alpha website interface. At the top, the text "Seeking Alpha" is displayed with an alpha symbol. Below this is a navigation bar with links for "My Portfolio" (with a red badge showing "99+"), "Market News", "Stock Ideas", "Dividends", "Market Outlook", "Investing Strategy", "ETFs & Funds", and "E". A notification icon with a red badge showing "1" is visible in the top right corner. The main content area features a stock listing for YTRA. On the left is a small image of a dark SUV. To the right of the image, the text reads "YTRA \$10.62 ▲ 0.30 (2.90%)". Below this, it says "Yatra Online, Inc. | NASDAQ" and "11:49 AM 6/15/17 Data delayed 15 minutes". To the right of the stock information is an orange button labeled "Add to Portfolio" and a yellow box below it containing the text "(166 followers)".

HISTORY

2 OTA in India

- **Founded in 2006:** The company has approximately 16% market share of on-line travel. It is a distant number 2 to MakeMyTrip.com.
- **Intel, Norwest Ventures, and Reliance:** Invested when Yatra was a private company, did not sell shares in SPAC process.
- **Went Public via SPAC in December 2016:** Terrapin 3 was a Special Purpose Acquisition Corp backed by Nathan Leight. The company needed growth capital, and had considered an IPO. At the time, the natural comp, MakeMyTrip was declining and they were unable to get any price certainty or an attractive valuation. The merger with Terrapin 3 allowed certain access to capital and a public listing.

METRICS



* Company presentation

HIGH INSIDER OWNERSHIP

Management Owns 10% - Long-time Investors Own Significantly More

Fig 30 Shareholders before & after 6.3m shares registered on 424B3 (14 Feb '17)

Shareholder	Before Offer Shares	%Total	Shares offered for Sale	After Offer Shares	%Total
5% Stockholders					
Entities affiliated with Nathan Leight	7,784,885	20.28%	2,000,000	5,784,885	15.07%
Entities affiliated with Norwest Venture Partners	6,865,676	19.87%		6,865,676	19.87%
Macquarie Group Limited	6,076,594	16.32%	2,000,000	4,076,594	10.95%
Entities affiliated with Valiant Capital Master Fund	4,372,582	12.66%		4,372,582	12.66%
Reliance Capital	3,023,771	8.75%		3,023,771	8.75%
Fuh Hwa Securities Investment Trust	2,939,000	8.51%	2,300,000	639,000	1.85%
E-18 Limited & Capital18 Fincap Private Limited	2,496,165	7.22%		2,496,165	7.22%
Intel Capital Corporation	2,177,327	6.30%		2,177,327	6.30%
Executive Offices and Directors					
Dhruv Shringi	664,729	1.90%		664,729	1.90%
Alok Vaish	125,281	0.36%		125,281	0.36%
Manish Amin	294,004	0.84%		294,004	0.84%
Sharat Dhall	58,917	0.17%		58,917	0.17%
Himanshu Verma					
Akash Poddar	15,411	0.04%		15,411	0.04%
Satvinder Singh Sodhi	14,346	0.04%		14,346	0.04%
Promod Haque	6,896,648	19.96%		6,896,648	19.96%
Amit Bapna	3,023,771	8.75%		3,023,771	8.75%
Sudhir Kumar Sethi					
Murlidhara Lakshmikantha Kadaba					
Sanjay Arora	194,526	0.56%		194,526	0.56%

Source: Company data, Macquarie Capital (USA), June 2017

SPAC Sponsor: Controls 15% of the company

Norwest Ventures: Controls almost 20%

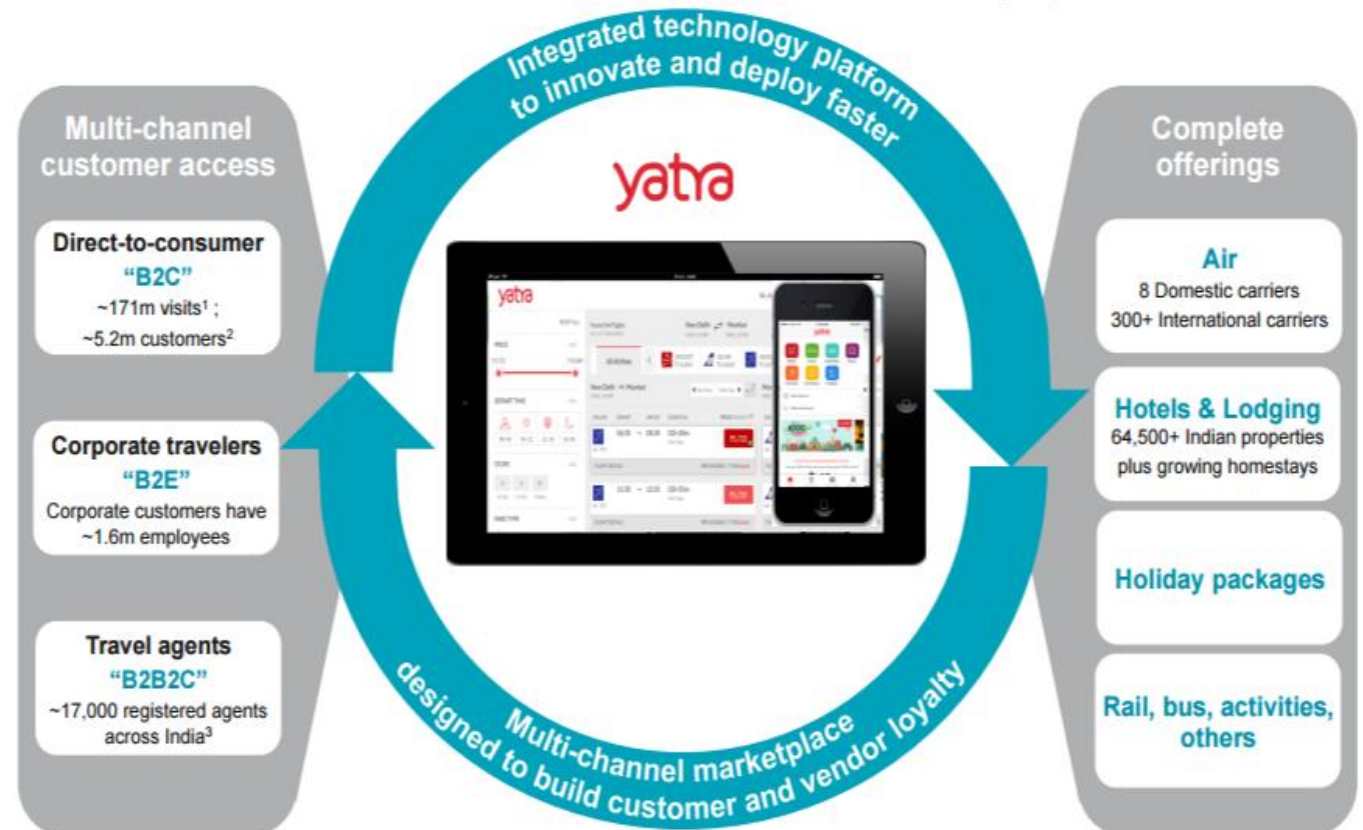
BUSINESS OVERVIEW

Air is Important for Revenues / Hotels are Important for Profits

- **83% of gross revenue is air:** If you back out service costs the net revenue number is closer to 70%.
- **Hotels and packages have higher margins:** Revenue less service costs were approximately 6.4% in FY 2017 for air vs. over 11% for hotels.

Multiple Channels

- **B2E (Corporate):** This channel is 20% of revenues.
- **Travel Agents:** This channel is 10% of revenues.



*Source – Company presentation

Stronger than you Might Think

- **B2E Relationships:** Deep technology integration, long term contracts, customers with money to spend. Companies collectively have 1.6M employees.
- **64k Hotel Network:** This is larger than competitors and important to consumers. With feet on the ground it took 3-4 years to build out the network and now there are feet on the ground to maintain hotel content.
- **eCash Loyalty Program:** If users have eCash in their accounts there is a greater incentive to return to the platform.
- **Brand:** This is an 11 year old company with a brand that is well entrenched in the mind space of the consumer. To replicate that will take time and resources. Brand building has become much more expensive in India now vs. 8-10 years ago.

New Entrants Buy vs. Build?

- **Logical Acquisition:** Competitor has attracted investments from Ctrip, Tencent, and Naspers. This is the #2 player in a growing travel market serving 1.3B people with assets such as brand, hotel networks, and B2B relationships that take time to replicate.



REAL SECULAR GROWTH OPPORTUNITY

“Toto, I’ve a feeling we’re not in Kansas anymore.”

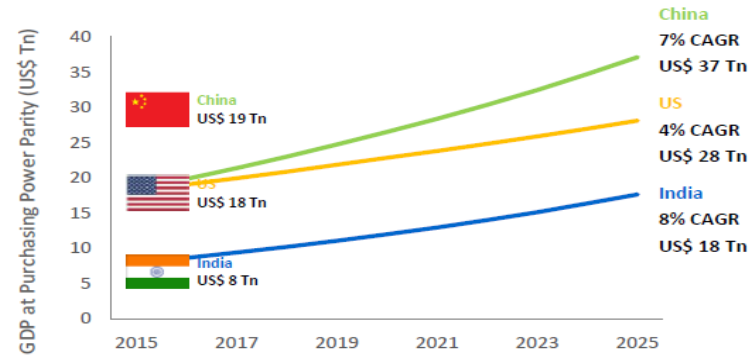
Toto, I’ve a feeling we’re not in Kansas anymore. - *Dorothy*
The Wizard of Oz

TAILWINDS ABOUND

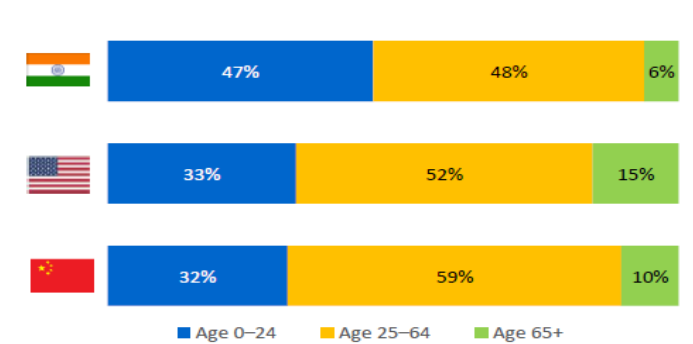
- **Growing Economy:** This is not US +1.5% GDP growth. Historically travel is a disproportionate beneficiary as families rise out of poverty.
- **Favourable Demographics:** Large young population.
- **Improving Internet Access (Smartphones):** Penetration is sub 30% but growing quickly.

Attractive Macro Growth Drivers

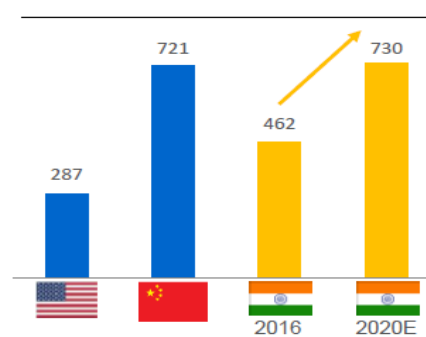
Among Top 3 Global Economies with Robust Growth¹



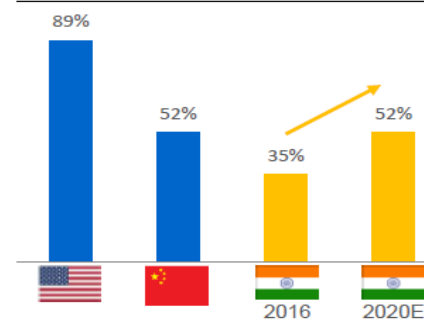
Largest Young Population Globally (2015)²



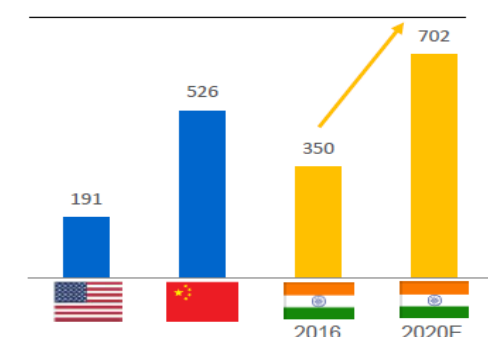
2nd Highest Internet Users



Room to Grow with Low Internet Penetration*



3rd Highest Smartphone Users



Source: ¹Euromonitor; ²United Nations; *Internet Live Stats, The Future of Internet in India* NASSCOM August 2016



*MakeMyTrip investor presentation

MASSIVE INCREASE IN AIRPLANES

- **Massive increase in domestic air fleet:** Over 800 planes are on order by domestic carriers.
- **Significant increase in number of airports (not shown):** 40+ airports will be opened in tier 2 and tier 3 cities.
- **Regulations intended to increase domestic travel:** There are rules that stipulate the amount of domestic travel that must be offered relative to international travel by Indian carriers. Yatra is a beneficiary of increased domestic travel.

Current Airline fleet and orders²

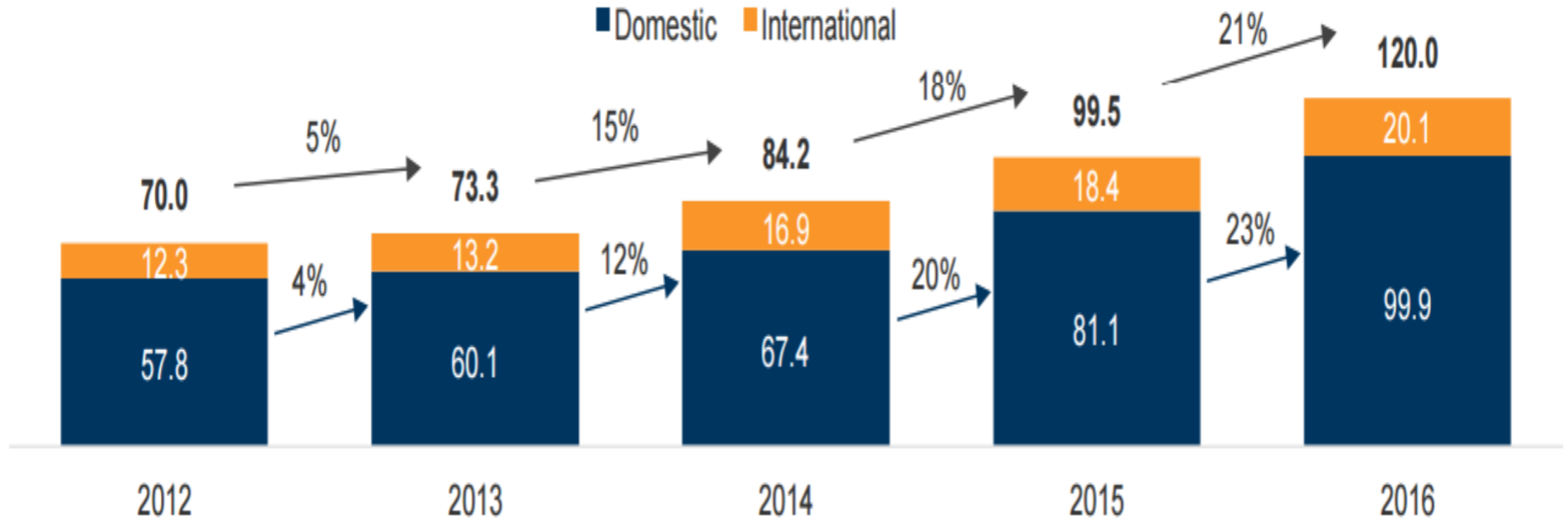


* Source - YTRA Company presentation

SUBSTANTIAL INCREASE IN PASSENGERS

Indian air travel passengers on domestic airlines¹

(million)



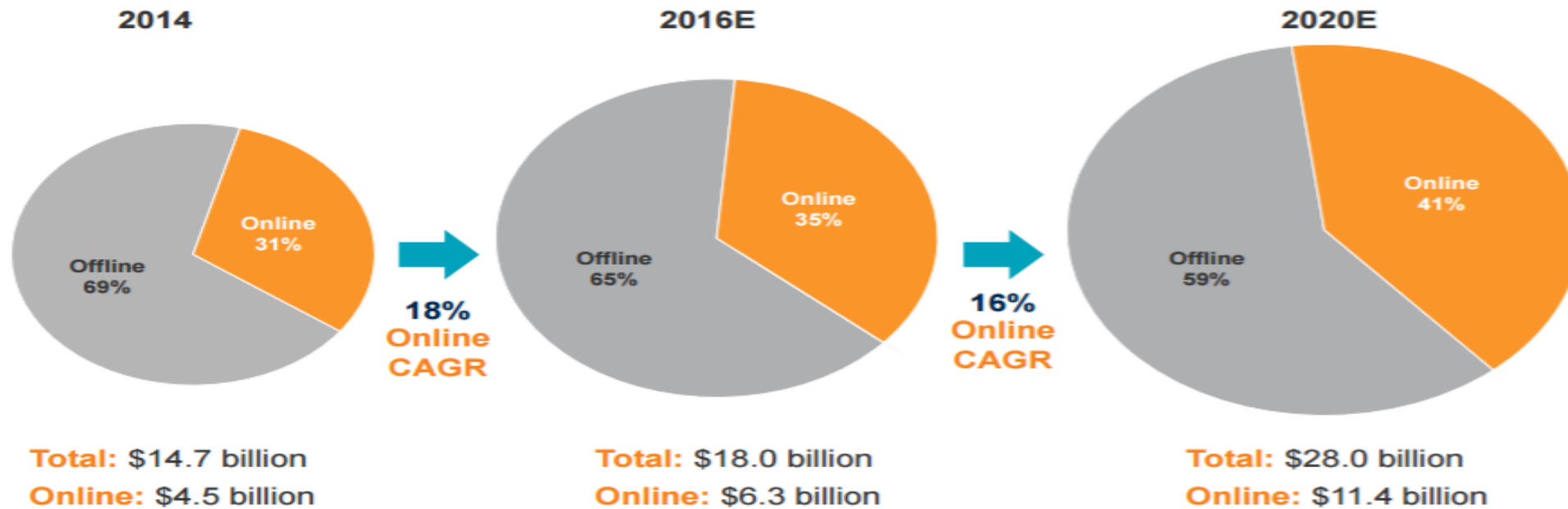
* Source - YTRA Company presentation

ONLINE IS A GROWING SLICE OF A GROWING PIE



Indian online hotel and air gross bookings expected to grow nearly 2x to \$11 billion by 2020E

Indian hotel and air travel gross bookings



* Source - YTRA Company presentation

A wide-angle landscape photograph featuring a two-lane asphalt road that curves from the foreground towards the horizon. To the left of the road is a lush, vibrant green field, while to the right is a gravel shoulder with sparse, dry vegetation. In the background, rolling hills of golden-brown earth rise under a vast, dynamic sky filled with long, horizontal, streaked clouds in shades of deep blue and bright yellow. The overall mood is one of expansive potential and growth.

MARGIN EXPANSION

SOURCES OF OPERATING LEVERAGE

Personnel and Operating Expenses

- **Personnel and Operating Expenses 70% of 2016 Net Revenue:** These expenses should grow more slowly than revenue as the business scales.
- **Note:** When looking at 2016 results, factor in the impact of demonetisation and constrained marketing spend on revenue growth.

Marketing is Discretionary

- **Marketing Drives Revenue:** The ratio of marketing and sales promotion expenses to revenue less service cost for the year ended March 31, 2017 was 47.2% compared to 40.1% in the prior year. Last quarter it was over 60%, MakeMyTrip was over 80%.
- **Discounting is Common:** The OTAs are more promotional in India than the US, it is common to give e-cash rewards, discounts on other products, or even discounts on the primary purchase.

Company Projects Profitability in 2019

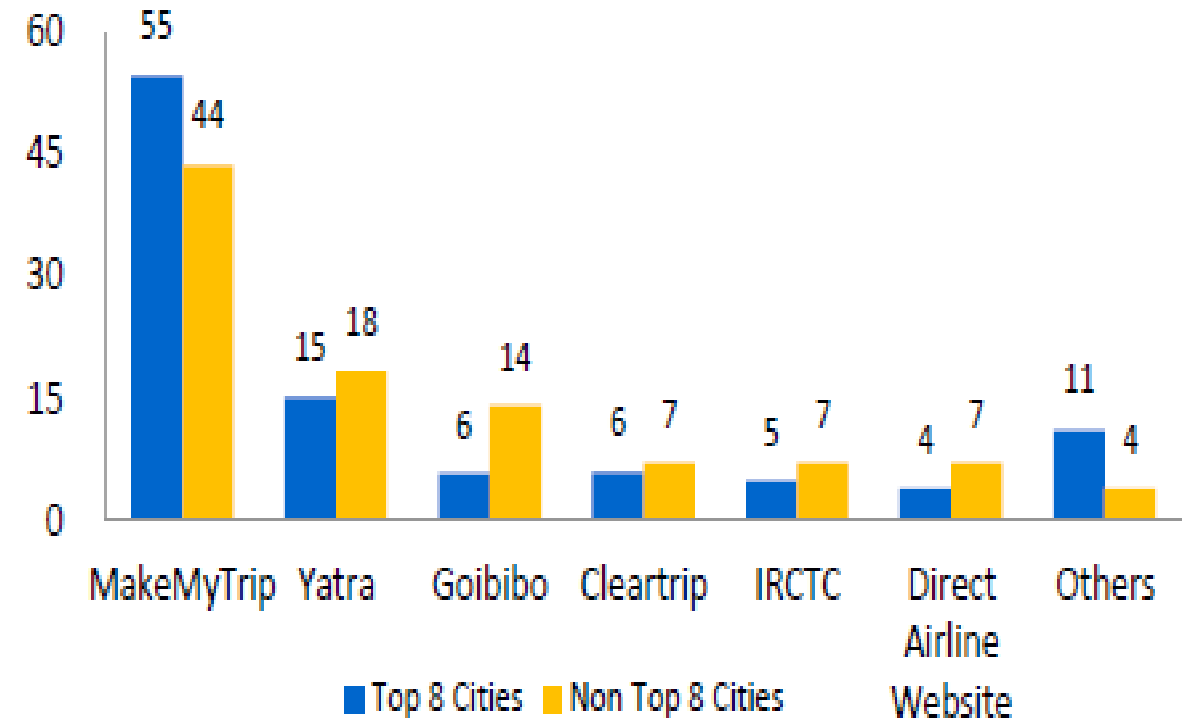
- **EBITDA Positive:** As personnel and operating expenses grow more slowly, the company can achieve profitability in 2019. The business plan is fully funded.

COMPETITIVE LANDSCAPE

Market Lends Itself to Multiple Players

- **MakeMyTrip Clear #1:** MMYT has a better mix of revenue (more hotel) and a higher growth rate.
- **Benefits of Price Comparison:** Unlike books (Amazon), in travel the natural behaviour is to check multiple sites. It is NOT a winner take all market.
- **Reliance Partnership:** Reliance Industries, a current investor has agreed to preinstall the Yatra app on up to 35M smartphones on the Reliance Jio network. This should provide a large source of customers with a reduced acquisition cost.

% Respondents usage of OTA players ⁽²⁾



More Rational Market?

- **MakeMyTrip Acquired Ibido:** This was viewed as a major step towards rationalizing competition/discounting. This occurred in Jan 2017 – too early to know if it is sustainable.

*Source – Company presentation



IF MULTIPLE HOLDS WE WIN WITH GROWTH

RISKS



Emerging Markets Technology – What Could Go Wrong?

- **Lack of Local Knowledge:** Applying a US set of experiences to a foreign market can lead to costly mistakes.
- **Travel Slowdown:** The company is subject to a healthy environment for travel. 9/11 or SAARS type events are clear negatives, as are strikes or other issues impacting Indian airlines.
- **Increased Discounting:** MakeMyTrip has a significantly stronger balance sheet and higher valuation. They may aggressively discount in the name of growth at the sacrifice of short term economics.
- **Commission Rates Fall:** If airlines or hotels significantly decrease their commissions this will negatively impact Yatra.
- **Currency:** Earnings and revenues could be negatively impacted by a weakened Rupee.

REASONABLE VALUATION GIVEN GROWTH PROFILE

NOTE: Net sales matter, not used by many data sources, also MMYT share count 78M pre equity raise. Implied EV/Sales > 8X

- **Trades at sub 4X EV/Net Rev Trailing:** Yatra shares trade at less than 3X EV/Net Rev (current year), given the 25%+ growth rate, significant appreciation can occur if the multiple is just held.

- **Factors to Drive Higher:**

- **Discovery:** Two sell side firms have started coverage in the past month. The head of IR who started in May was a former sell side analyst.
- **Execution / Easy Comps:** Last Q net revenue grew 30%+ and last two quarters of FY17 are relatively easy comps as there was demonetization and capital constrained.

USE SELLSIDE DATA AND DATA FEEDS AT YOUR OWN RISK

Figure 5: Comparative valuation

Company Names	Reuters Ticker	Reco	Target Price	Current Price	Mcap (\$ mn)	-----P/E(x)-----			-----EV/Sales-----			-----EV/EBITDA-----			Revenue CAGR	Earnings CAGR	PEG
						CY16/FY17	CY17E/FY18E	CY18E/FY19E	CY16/FY17	CY17E/FY18E	CY18E/FY19E	CY16/FY17	CY17E/FY18E	CY18E/FY19E	CY16-CY18	CY16-CY18	
Expedia	EXPE.OQ	Buy	158	144	21,560	32.0	25.1	20.1	2.4	2.1	1.9	15.7	13.3	11.0	13.3%	25.8%	0.8
Trip Advisor Inc	TRIP.OQ	Hold	40	38	5,501	27.4	33.7	30.2	3.3	2.9	2.5	18.2	22.0	23.3	14.1%	-6.7%	-4.5
Sabre Corporation	SABR.OQ	Buy	25	23	6,310	17.1	16.2	14.6	2.8	2.6	2.4	8.9	8.5	8.0	7.3%	8.1%	1.8
MakeMyTrip Ltd.	MMYT.OQ	Hold	29	30	1,659	NM	NM	NM	6.5	3.9	3.1	NM	NM	NM	44.4%	NM	NM
Ctrip.com International Ltd.	CTRP.OQ	Buy	62	390	27,417	90.6	51.1	29.2	10.7	7.6	5.6	(243.2)	56.4	33.0	38.3%	85.6%	0.3
The Priceline Group Inc.	PCLN.OQ	Hold	1,950	1,813	89,731	27.6	26.0	22.6	7.5	6.7	6.0	19.3	18.0	16.0	12.0%	-4.4%	-5.1
Travelzoo Inc	TZOO US EQUITY	N/R	N/A	142.4		21.9	46.8	33.2	0.8	1.0	0.9	7.8	12.5	10.3	-3.4%	-11.9%	-2.8
Average						36.1	33.1	25.0	4.9	3.8	3.2	(28.9)	21.8	16.9	18.0%	16.1%	(1.6)

Source: Deutsche Bank, Bloomberg Finance L.P, prices as of 9 June 2017

WARRANTS

Terms of Warrants

- **Right to buy ½ share for \$5.75:** Combine 2 warrants to purchase a full share at \$11.50. At current prices of approximately \$1.40 the break even share price is \$14.30 by December 2021
- **Expires 4+ years:** Time is our friend if revenue continues to CAGR 25%+
- **Can be Called at \$24:** The company can force warrants to be exercised if shares trade above \$24

Asymmetry

- **Can 4X from here:** It will take continued growth and multiple expansion but there is a path to a 4X return with the help of strong secular tailwinds.
- **Allow the Position be Smaller and Still Profit:** Given the unknowns about India for a US based investor, the warrants allow for significant upside while maintaining a smaller position. If we are right we make enough to matter and if we are wrong, we are still standing.

Invert

- **Would the Company Sell these Warrants Today?** Given the growth rate and multiple afforded to the closest comp of MMYT it is highly unlikely. These are a left over from the SPAC process.

UPDATES

Easy to be added to the distribution list

- **Sign up on the Website for Quarterly Letters** – visit the URL: <http://www.greenhavenroad.com/connect/>
- **Indicate in the Message Section:** Tell me you are from the Wide Moat Conference and indicate if you want to be added going forward.
- **Wait**

Lets Connect

Name *

Scott Miller
First Last

Email *

Scott@greenhavenroad.com

Please Select All that Apply

- Accredited Investor
- Would Like More Information
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Message –

Please let me know that you are
1) From Manual of Ideas / Wide Moat
2) If you would like only 1 letter OR to be added to the distribution|

Submit

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