



Pledge Capital

**Investor Presentation
June 2021**



ABOUT US

Pledge Capital is a New York-based boutique investment firm founded in 2016.

Our firm employs a research-intensive strategy to identify under-valued growth stocks, which are transforming their business model to become dominated forces in their industry. We invest in companies on the right side of change and have delivered a strong five-year track record of ***outperformance***.

The businesses we invest in are often socially responsible. We are optimists at heart and believe ***positive change*** will bring around progress and create strong returns for investors.

INVESTMENT PHILOSOPHY

Pledge Capital believes the market misprices companies on the cusp of **inflection points** that will enhance their value. The firm seeks to identify these underpriced growth companies before they accelerate profit growth. These businesses often fall into two buckets:

- 1) Established businesses that invest to create a new revenue cycle. These companies are often led by a management team that think like an owner-operator.
- 2) New businesses with a superior product that reduces friction and is positioned to take market share from incumbent players.

When we invest in shares of a stock, we become **owners of the underlying business**. As a result, we undertake an intensive research approach to develop a deep understanding of each company in our portfolio. We study all stakeholders in their ecosystem and consult expert networks.

Rome was not built in a day, and our companies do not achieve their goals in a day either. Pledge Capital takes a **long-term perspective** that enhances our edge and enables us to take advantage of market volatility. We generally target small and mid-cap names and plan to hold them until they become the mid and large cap stocks of tomorrow.

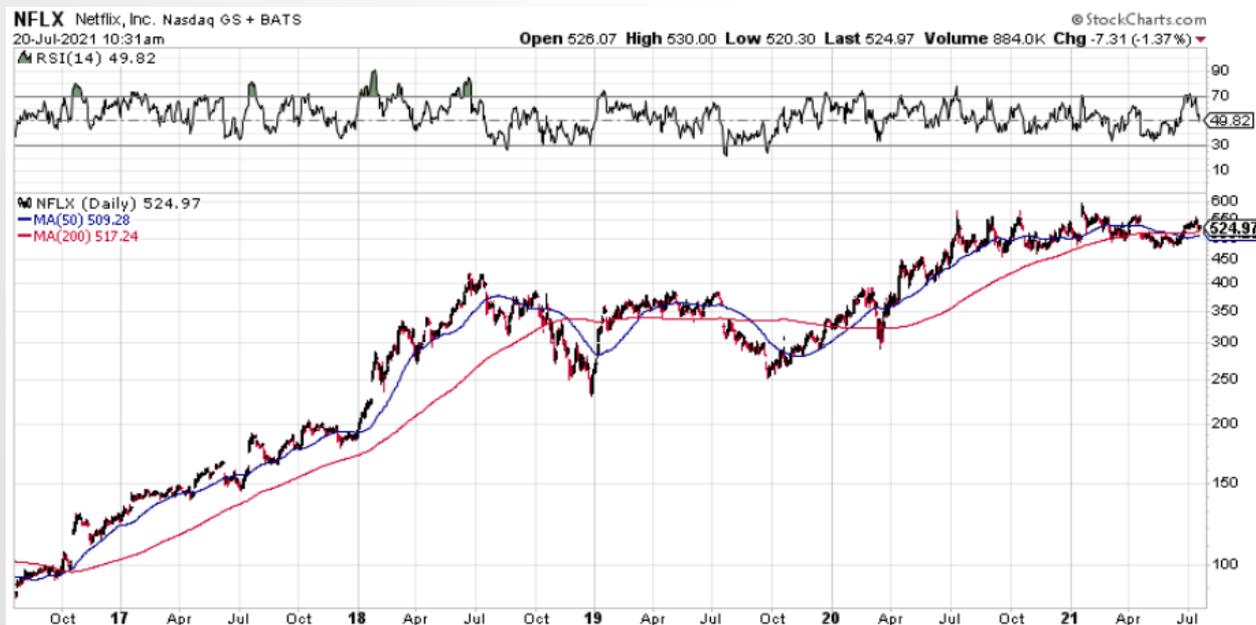
Select Current & Previous Investments



CASE STUDY #1: NETFLIX

- *Achieved ~1.5x gain on our initial investment*

- Netflix was an old position, we sold in ~'13 after buying the “Quickster” plunge. We re-bought shares 4-5x our selling price, ~\$90 a share. We believe the shares were a lower risk investment in ~'16, as the management team developed a track-record creating original content. House of Cards and Orange is the New Black, had a few seasons under their belt. The growing body of originals attracted and retained subscribers, who want to see additional seasons of their favorite show. In addition, original content converted variable content costs into fixed expenses that could generate operating leverage.



CASE STUDY #2: SODASTREAM

- *Achieved ~1.4x gain on our initial investment*

- SodaStream dominates the market for homemade sparkling water. They rolled out delivery and a direct-to-consumer model that improved profitability and **accelerated** adoption of the company's pro-environment and pro-health product. A year after our initial investment, we were taken out of our position when PepsiCo acquired the company for \$144 per share (~140% premium on our initial investment).

Our Purchases



CASE STUDY #3: CAMBIUM LEARNING

- *Achieved 1.5x+ gain on our initial investment*

- The company pivoted from paper-based K-12 learning material and created a popular line of digital solutions that earned higher margins. They also invested in personalized adaptive learning, which improved learning outcomes for students. The company was taken private approximately two years after our initial investment, at a 150%+ premium.



CASE STUDY #4: VILLAGE FARMS

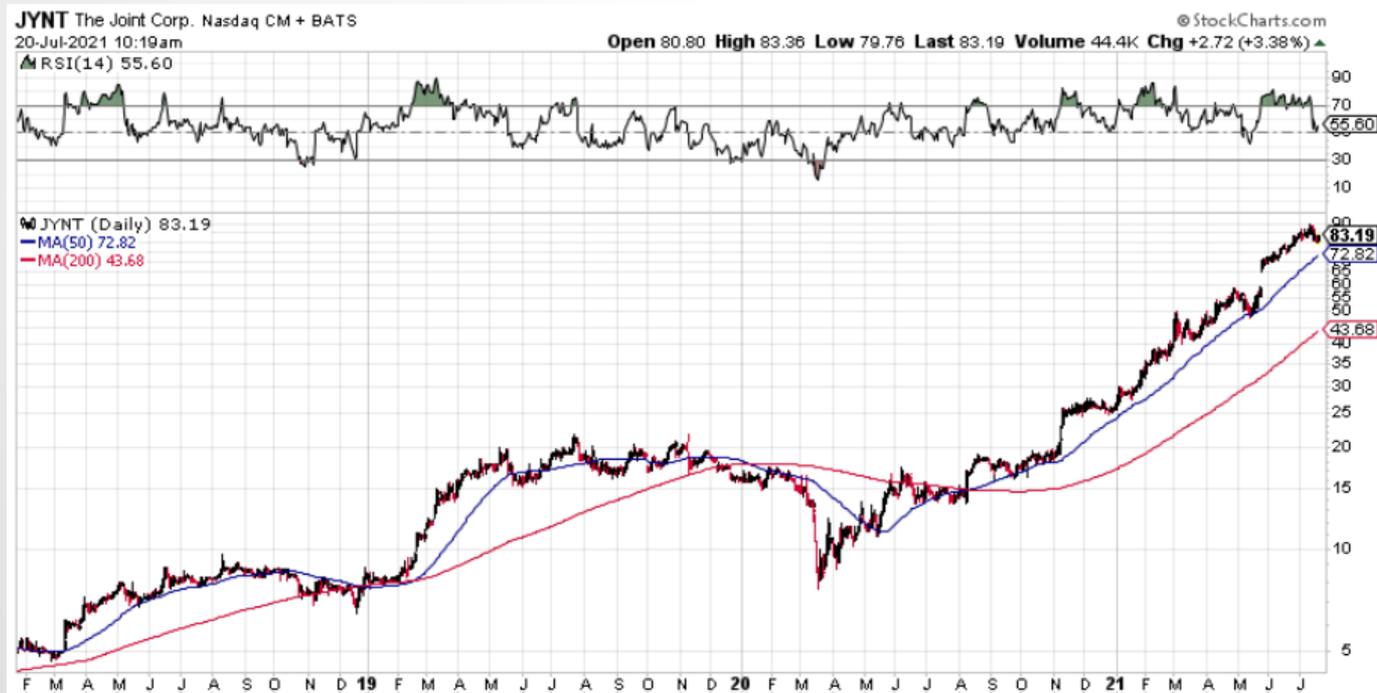
- *Achieved 3x+ return on our original investment*

- The company was the largest greenhouse producer of tomatoes in North America. They began to pivot away from its low margin agricultural business into the more lucrative cannabis business. The company quickly became the #1 producer in Ontario. We closed our position after the shares increased 3x from our original purchase price.



CASE STUDY #5: THE JOINT CORP.

- *Achieved 10x+ return on our original purchase price*
 - The Joint is democratizing access to affordable chiropractic care, by charging less than the average co-pay and locating clinics in high traffic retail locations. Strong unit economics that are improving as brand awareness grows, are driving double digit unit growth. We saw a path for the firm to more than 4x the number of locations and continue to grow its average unit volume.



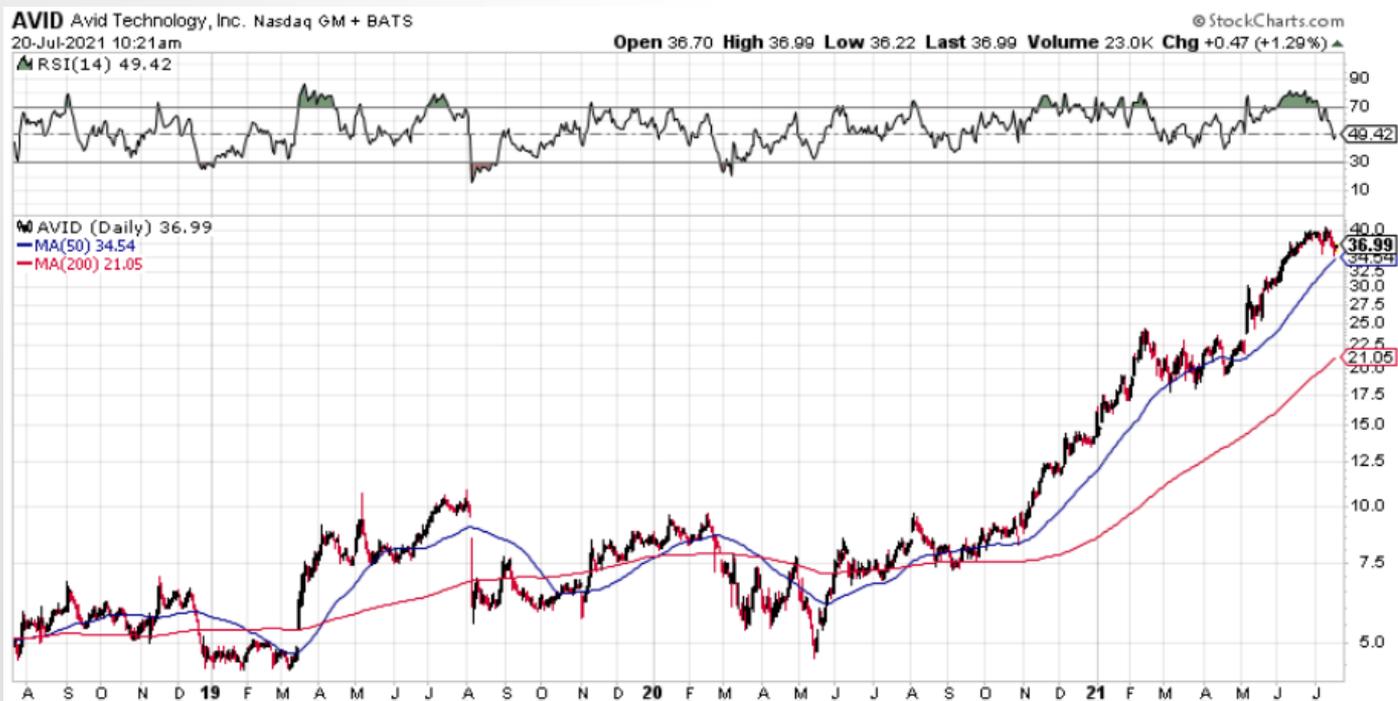
CASE STUDY #6: POWER REIT

- *Achieved ~5x return on our original purchase price*
 - Power REIT is a classic outsider type investment, with a **significant opportunity** to consolidate real estate properties in the cannabis market under one umbrella. Tapping into the public markets, the company is providing capital to operators who use greenhouses to produce cannabis in a low-cost and in an environmentally friendly way. While we initially invested at \$8 per share, there is still a long runway to invest in additional properties.



CASE STUDY #7: AVID TECHNOLOGY

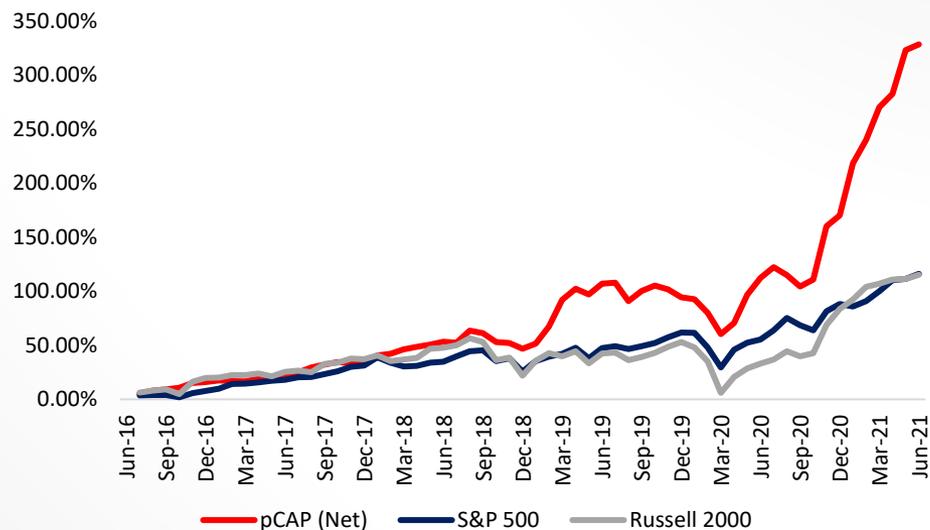
- *Achieved ~5x+ return on our original purchase price*
 - Avid Technology invented the market for non-linear editors back in the late 1980's. Its product are still used to “cut” most of the movies & TV shows on Netflix; and many of the songs on Spotify. They are investing to roll out cloud-based editing tools like Avid on Demand, which will enable editors to work remotely. Management also pivoted the model to a subscription business, which reduces the cost of adoption and positions them to go after old customers, pirate users, and the prosumer market.



PERFORMANCE SINCE INCEPTION

Investors underestimate companies that help change the world. These businesses are often socially responsible investments. By investing in these businesses, we delivered +328.7% (~34% CAGR) returns net of fees since inception. This compares to +116.1% (~17.0% CAGR) for the S&P 500 and +115.3% (~17% CAGR) for the Russell 2000

Cumulative Net Performance vs. Benchmarks



Pledge Capital has consistently outperformed the market since 2018

PERFORMANCE

Pledge Capital LLC Net Returns ⁽¹⁾

Benchmark Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016							5.30%	2.56%	1.15%	1.21%	4.13%	0.75%	15.98%
2017	1.25%	-0.43%	-0.43%	2.43%	-1.09%	2.41%	3.32%	3.69%	2.01%	1.89%	-0.99%	-0.51%	14.23%
2018	6.04%	1.05%	2.91%	1.58%	1.53%	1.79%	-0.66%	7.36%	-1.50%	-5.09%	-0.57%	-3.40%	10.84%
2019	3.15%	10.55%	14.62%	5.40%	-2.59%	5.04%	0.48%	-8.28%	5.00%	2.41%	-1.72%	-3.56%	32.39%
2020	-0.93%	-6.59%	-10.85%	6.33%	15.34%	7.89%	4.74%	-3.28%	-4.92%	3.18%	23.32%	3.90%	39.04%
2021	17.77%	6.81%	8.97%	3.31%	10.63%	1.24%							58.60%

S&P	HFI	Russell
7.79%	5.41%	19.64%
21.83%	10.32%	14.58%
-4.40%	-5.24%	-11.11%
28.85%	10.64%	25.40%
16.26%	11.06%	20.03%
14.93%	8.05%	17.38%



1)

As of June 31st, 2021

MANAGEMENT TEAM



Edward W. Chang is Pledge Capital's Managing Partner and Portfolio Manager.

Edward's **passion for investing** began when he purchased his first stock after the tech bubble. He became fascinated by the stock market and set out on a path to become a disciplined investor. Edward graduated from NYU's Stern School of Business with a masters in Accounting and bachelors in Finance & Accounting. Prior to founding Pledge Capital, Edward worked at UBS Securities, LLC, conducting securities research, analyzing and publishing investment advice for restaurant companies. He began his career as a Consultant at Deloitte & Touché.

In his spare time, Edward volunteers with the Tzu Chi Buddhist Foundation. He has been a member of the organization for over **twenty years** and has volunteered all over the world. Edward founded and was the President of the Tzu Chi Collegiate Youth Association during his time at New York University.