



OSMIUM PARTNERS

STRATEGIC VALUE INVESTORS

August 2020
Monthly Newsletter

Osmium: Small Companies, Big Opportunities!

Performance Period	Osmium Capital, LP	Osmium Spartan, LP	Osmium Diamond, LP
Strategy	Long / Short	Long Only	Long / Short
Net August 2020	+33.2%	+25.9%	+18.2%
Net 2020 YTD	+58.3%	+58.2%	+53.0%
Net Annualized Since Inception	+11.5%	+13.2%	+8.2%
Net Since Inception	+595.9%	+519.4%	+72.2%
Fund Inception Date	214 months/17.8 years	177 months/14.8 years	83 months/6.9 years

Dear Friends,

"The **stock market is a device for transferring money** from the impatient to the patient."

"Price is what you pay, value is what you get."

"In the short term the market is a voting machine, and long term it's a weighing machine."

"Fear is the foe of the faddist and friend of the fundamentalist"

"the stock market exists to serve you, not please you"

-Warren Buffett

In August, Osmium Capital was up +33.2%, Osmium Spartan was up +25.9%, and Osmium Diamond was up +18.2%. As we have said for a long time, we are very bullish on our portfolio and largely the same portfolio that hurt us in 1Q20 is now in what we believe are early innings of material multiple expansion.

Osmium will start our 18th year in business on November 1st. We are looking to add to our team and scale our business modestly as we feel we have a great business and are NOT capital constrained. We are targeting growing our assets from slightly over our current \$110 million to \$300 million over the next 15 months. Osmium employees are the largest investors in our funds.

On October 1st, we are excited to welcome Adam Hoydysh to Osmium as President of Osmium. He will be working with the team in all facets of our business to ensure continued success. I believe Osmium is well-positioned in research and operations, and Adam is quite strong in operations, process, strategy, and working with clients. I have known Adam for 35 years and feel he will make an outstanding addition to the Osmium team.

If you know a qualified investor who would be interested in receiving our monthly letter please email main@osmiumpartners.com

On August 31st, we had a significant liquidity event as Rosetta Stone was acquired for \$792 million by Cambium Learning. Over seven years, we generated a compounded annual IRR of +14%. We are selling a fully valued business to buy deeply undervalued businesses.

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In reading the language from the Tender Offer filed with the SEC we note the following:

- The sale process started in November 2019
- RST bankers reached out to 19 parties for the whole company and 21 for Consumer Language business
- RST bankers had 13 parties sign NDA for the whole company and 12 for Consumer Language business
- By March 5th, RST had 4 whole company indications and 3 Consumer Language business
- COVID caused the process to pause from March 23rd to June 19th
- At the end of July, Cambium submitted a bid for \$400 million for the K-12 business
- Cambium decided to bid for the whole company on August 7th
- Final round bids were \$26.50 and \$26.75 from two parties
- Their highest and best offer went to \$28.05 and Cambium went to \$30.00 (Cambium acquired).

We are excited to recycle our capital into what we view as extremely compelling new ideas.

We had two Rosetta Stone Special Purpose Vehicles (SPV) in addition to a large holding across our funds.

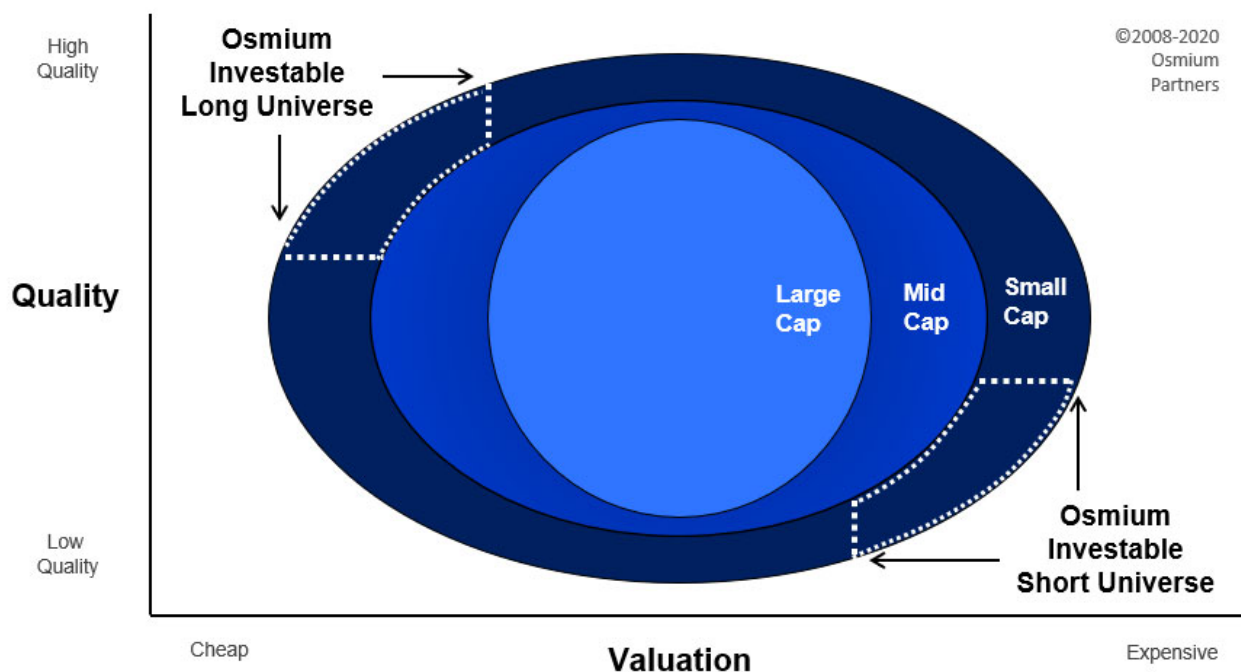
Our SPVs had the following return profile:

- First SPV +12.4% IRR per year over 6.8 years (\$11.94 to \$30)
- Second SPV +22.1% IRR per year over 5.9 years (\$7.92 to \$30.00)

Over the years, we have expanded our geographic focus to Canada (we have made 10x our investment in Tucows) and Australia (we have made 4x our investment on Redbubble). We have found the corporate governance to be in many cases better than US listed businesses, with strong corporate governance policies, and better alignment of pay for performance.

On a 1-10 scale (10 being the best), we are at 10 in terms of investment opportunities and we are looking to reinvest capital. As you will see in our letter, we continue to have a great pipeline of extremely low valuation multiples for what we consider to be above average companies.

Two quick facts we think are interesting. Spark Networks every year registers 15-16 million daters per year (spending over \$100 million); as a perspective, this equates to registering approximately the statewide populations of Idaho, Washington State, Oregon, and Nevada each year! Redbubble selection is wide enough now and they could cover 70% of Americans, each with a different design and article of clothing with now nearly 250 million SKU's. We believe Redbubble is only #2 in SKU's to Amazon which carries 353 million SKU's. The beauty of Redbubble is the carrying cost of these SKU's are zero (they only exist virtually until paid for by a consumer). Redbubble has the potential to become what Brad Stone called Amazon – "an everything store" in retail from a designs, artists, and global reach perspective.



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We believe this market will transition from a liquidity-driven passive market to an active fundamental stock pickers market. We believe in cycles and believe the easy money for the last decade that has been riding big tech to ever higher multiples may begin to roll over. As a hedge, we have made a bet on shorting what we view as low quality exceptionally valued businesses and are going long businesses at low multiples of cash flow.

We continue to buy large stakes in the under the radar businesses. **We remain very bullish on our portfolio and pipeline. Osmium team members will add a significant amount of capital to the funds on October 1st** (The source of funds will come from our Rosetta Stone Special Purpose Vehicle Investment that was open to all investors; our RST SPV had \$19 million in RST shares). Osmium is focused on risk-adjusted returns. We also believe volatility does not equate to risk. Risk is the permanent loss of principle from an investment being permanently impaired. Redbubble is the perfect example falling from \$1.80 in December (we were a seller last fall in the \$1.80-1.90) to a low of .55 in March (we were a buyer at .55-\$1.15), and now to \$4.55. The following examples below may help explain our strategy and thought process about how we think about safety nets with upside optionality. A key part of our strategy is spending a great deal of effort on businesses that are either not covered or poorly covered by Wall Street. Finally, we look for businesses that have ideally over \$200 million in revenue (this does not always happen).

Company A: we have become the largest shareholder in **a new company at a valuation of approximately 2x EV/EBITDA and 1.25x market cap/EBITDA**. We believe fair value is approximately 3-4x the current share price. Within 12-15 months we think the company could be fully debt-free. The company is guiding to growing '21 EBITDA off a growing '20 estimate. If this happens, the EV/EBTIDA multiple would be approximately 1.5x or less. Company A is by far the #1 player in its market with a well-established set of brands. The company also has a business segment that may generate significant value through a digital transformation. This business scores highly on CEO leadership, board accountability, and pay for performance. The company is achieving far above average results relative to its peer group. A Sell-side analyst has the company generating 15% ROE over the next several years. The business has between 40-50% market share in its two primary business segments. The business has

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over time previously paid dividends that would equate to a 25% dividend on the current share price. The company stopped the dividend to pay off a lot of debt. Net debt is now less than this year's EBITDA.

Company B: is a small position, only because we could only buy 4.3% of the company as the company added an effective poison pill to 4.5% of the company to preserve net operating loss (NOL) carry forward to shelter future taxable income. **We think Company B could be a 10x bagger for us, which would require a 6.5x EV/EBITDA multiple, which we see as a realistic potential outcome.** We paid a valuation of only \$14 million as the company is in Chapter 11 Bankruptcy to mainly break unfavorable leases obligations. Why would we buy a company in Chapter 11 Bankruptcy for \$14 million? First, the debt claims and costs fully loaded totaled \$140 million, while company B has \$63 million in cash, court appraised their real estate holdings \$90 million, \$105 million in inventory, and a \$750 million business in revenue after exiting their worst leases that filed a plan with the court with EBITDA and cash flow of approximately \$40 million growing to \$50 million a year on 47 million shares. In other words, at our cost, we were buying decent earning assets at 10 cents on the dollar which includes all Chapter 11 liabilities. Finally, **the federal judge** allowed for the formation of an equity committee to represent shareholders at the table stating: **"greater confidence that there is a substantial likelihood that equity will receive a meaningful distribution."** We paid a valuation of \$14 million for a business that has an adjusted tangible book (including all liabilities) of \$180 million and current operating income is just under \$4 million per month. We only wish we could have bought more. We are up +200% on this position since our purchase in September.

Period Ending	Partial Year Jan - Jun 2021	CY21 12/31/2021	FY22 6/30/2022	FY23 6/30/2023
(\$ in thousands)				
Net Sales	\$ 335,471	\$ 769,544	\$ 772,836	\$ 796,021
Cost of Sales	180,906	416,478	419,925	433,586
Gross Profit ¹	154,566	353,066	352,911	362,435
SG&A Expense ²	166,134	328,901	317,564	321,332
Operating Profit	(11,569)	24,165	35,347	41,103
Other Income / (Expense)				
Interest Expense	(2,243)	(4,389)	(3,875)	(2,510)
Other Income / (Expense)	327	552	552	552
Earnings Before Taxes	(13,485)	20,329	32,024	39,145
Income Tax Expense ³	-	-	-	-
Net Income	(13,485)	20,329	32,024	39,145
<u>Memo:</u>				
Adjusted EBITDA ⁴	\$ (854)	\$ 41,513	\$ 48,549	\$ 53,302

Period Ending	Partial Year Jan - Jun 2021	CY2021 12/31/2021	FY22 6/30/2022	FY23 6/30/2023
(\$ in thousands)				
<u>Cash Flow from Operations</u>				
Net Income	\$ (13,485)	\$ 20,329	\$ 32,024	\$ 39,145
Add: Depreciation & Amortization	5,790	10,830	10,080	9,076
Add: Other Non-Cash Charges ¹	2,963	6,161	4,401	2,571
Changes in Working Capital	(1,412)	(138)	5,989	7,699
Net Cash Flow from Operating Activities	(6,144)	37,182	52,493	58,490

Above is Company B's court-filed projections. We estimate Company B will have 1x Debt/EBITDA.

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Company C was the investment arm of a publicly-traded parent company. Several years ago, Company C was spun out of the parent company and now trades as a separate public company. The team has been in place for 15+ years (nearly everyone on the team is a CFA, CPA, or JD). Company C only invests in debt (first-lien, senior secured term loans, and secured term loans). Many of the companies they lend to are small publicly traded companies. Over time, their track record and processes have been outstanding. From 2006-2013, only 4 investments out of 48 were impaired with a gross IRR of 12.4% annualized returns over this period. Company C has invested \$800 million in this strategy since the year 2000. Their fee structure is a 1.75% management fee on called capital, and 20% over their hurdle rate. The company has consistently generated 8-11% interest rate spreads against govt bonds. With COVID, the valuation got nutty, whereby the stock fell to just 30% tangible book value (much of this is GP investment in their funds). Company C only invests in debt instruments in an English-speaking country and is located outside of the US. Company C is in process of restructuring its capital base for higher and better returns on capital from having large GP ownership stakes into seeding new funds. They are looking to raise a \$500 million-plus fund for investments in telecom and power assets. Net net, we think with the new model, the business is valued around 3x or less normalized earnings power of the capital base. Our cost basis is around 30% of tangible book value. Insiders bought stock and the company canceled their dividend to repurchase stock. The shares are/were so cheap that a good deal of value can be created simply buying back tangible equity at 30-40 cents on the \$1. This is a fairly small position for us.

We have a lot of other highly compelling special situations that we think offer extremely attractive asymmetric return profiles.

Kirklands's (KIRK) \$8.06¹

Kirkland's, Inc. is a specialty retailer of home décor in the United States, currently operating 385 stores in 35 states as well as an e-commerce enabled website, www.kirklands.com. The Company's stores present a curated selection of distinctive merchandise, including holiday décor, furniture, wall décor, art, textiles, mirrors, fragrances, lamps and other home decorating items. The Company's stores offer an extensive assortment of holiday merchandise during seasonal periods. The Company provides its customers an engaging shopping experience characterized by casual, comfortable merchandise with a southern feel and a modern flair at a discernible value. This combination of quality and stylish merchandise, value pricing and a stimulating online and store experience has led the Company to develop a loyal customer base. (Kirk is a holding across all funds except Diamond).

Our cost basis on KIRK is \$2.20 for 9.9% of the company. **Currently, Kirk has \$2.00 a share in net cash (now) and guiding to having \$4.00 a share by January 2021.** Currently, our cost basis is close to the company's current net cash balance. If the company hits their guidance by January 2021, our cost basis will be just 50% of the company's year-end cash position. More importantly, we bought a strong earnings engine in Kirkland's, whereby from May through year-end will put around \$40-50 million in cash on the balance sheet or positive cash flow of around \$3.00 per share on \$9.00 stock. The company has guided to 8-9% EBITDA margins and on \$600 million in revenue, this implies \$50 million or \$3.50 a share a year. **If Kirk is valued at an 8x multiple, this would imply \$30.00 a share.** In late September, the Chairman of the Board made purchases on several separate days of \$50,000 between \$7.68-8.30

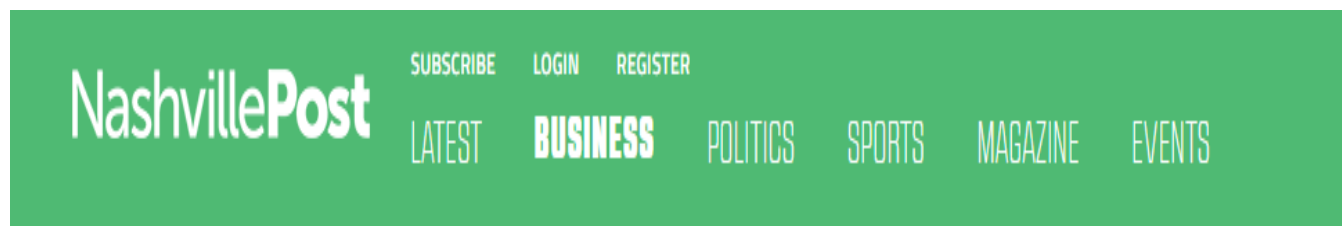
Kirkland's is performing far better than we hoped (quarter reported in early September 2Q):

- E-commerce sales +77%
- Same Store Sales +10.2%
- **For Q2, KIRK generated \$37 million in cash flow on 14.5 million shares**
- Currently holding \$27.3 million in cash guiding to ending 2020 with \$50-60 million in net cash or \$4.00 per share
- **KIRK 14.5 million shares at \$8 is \$112 million market cap**

¹ Market price as of the date of dissemination of the letter

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- Guiding to net cash of \$50-60 million by January 2021
- Kirk valuation net of cash in January will be about 1x cash flow
- With \$600 million in revenue, of which \$175 million is eCommerce sales, \$45 million in annual cash flow, and \$27 million in cash now with guidance of \$50-60 million, the business is wildly undervalued at \$112 million! (one reason is there is no wall street sell-side coverage on the company)
- **At an 8x multiple of EBITDA, we will make 3x our money off the current share price!**



application.

A California investment firm has filed papers showing it has been one of the big beneficiaries of the massive run in Kirkland's shares this summer. The team at Osmium Partners, which manages a small and concentrated portfolio, recently filed papers with the Securities and Exchange Commission declaring an 8.0 percent stake in Brentwood-based Kirkland's, the stock for which is up sevenfold in the past three months (Ticker: [KIRK](#)) despite several big down days this week.

Osmium built the majority of its stake in Kirkland's during the second quarter, going from zero to nearly 1.1 million of the home decor and furnishings retailer. Its managers have acquired a few more shares since the end of June.

Redbubble (RBL.AX) AUD \$4.54²

Founded in 2006, the Redbubble Group incorporates Redbubble Limited and its subsidiaries, including TP Apparel LLC (TeePublic). The Redbubble Group owns and operates the leading global online marketplaces hosted at Redbubble.com and TeePublic.com, powered by over one million independent artists. The Redbubble Group's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags, wall art and so on. Through the Redbubble and TeePublic marketplaces, independent artists are able to profit from their creativity and reach a new universe of adoring fans. For customers, it's the ultimate in self-expression. A simple but meaningful way to show the world who they are and what they care about. (RBL.AX is a holding across all funds).


² Market price as of the date of dissemination of the letter


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In late August and early September, there were two additional directors making insider purchases of Redbubble shares in the \$3.82-\$4.19 investing approximately \$300,000. Osmium's cost basis is approximately \$1.15 a share. Using our year-end cash estimates of \$140 million or \$0.55 a share with \$135 million in cash flow or \$0.50 a share. If this trajectory is hit by June of 2021, Osmium's cost basis will be approximately 2x EV/Cash Flow for a peer group that trades at 25x.


In August, Blackrock filed buying a 5.1% stake in Redbubble.

As shown below, Redbubble has just overtaken Etsy in terms of followers on Pinterest.



Etsy

1,739,267 Followers • 518 Following • www.etsy.com
The market to find whatever you're into, whoever you are. Make, buy, and sell on Etsy.com.



Redbubble
 **Verified merchant**
1,765,269 Followers • 184 Following • www.redbubble.com
Unique designs by over 600K independent artists; printed just for you on a variety of awesome products.

Below is from Redbubble's Remuneration report to shareholders³

- Redbubble content continues to grow rapidly to 35 million
- Redbubble board met a staggering 21 times in FY 2020 (that is nearly 2x month)
- The board owns approximately \$260 million worth of Redbubble common stock.
- The report details how the board thinks about risk management and specific risks.

³ (Source: <https://shareholders.redbubble.com/site/PDF/e1dc254e-1ce7-4f21-9ae7940335776d57/FY2020DirectorsReportRemunerationReportandFinancialReport>)

Strategy

The RB Group sells merchandise decorated from a unique collection of 35 million works by independent artists. By leveraging printing technology allowing economic single prints on many types of products, supported by worldwide fulfillment, the RB Group is able to offer amongst the largest catalogue of any ecommerce business while holding no inventory. As the leading business of this kind, the Group's objective is to expand its market while extending its leadership position, and through this, to bring more creativity into the world.

A confluence of factors including a change of leadership and review, sharing of best practice between TeePublic and Redbubble, the environmental shocks of COVID-19 and an increasing profit orientation has led the company to refine strategy by focusing on a narrower set of core growth activities:

- Artist acquisition, activation and retention;
- User acquisition and transaction optimisation;
- Customer understanding, loyalty and brand building; and
- Further physical product and fulfilment network expansion.

In so doing, the RB Group has been able to restructure to align resources around fewer priorities while supporting the cost discipline required to drive profitability. At the same time, the clarity of a narrower focus on the basic drivers of the RB Group flywheel has been designed to sharpen execution within the business.

Board and Committee Meetings - attendance during FY2020:

	Board		Audit and Risk Committee		People and Nomination Committee	
	Held whilst in office	Attended whilst in office	Held whilst a Committee member	Attended whilst in office	Held whilst a Committee member	Attended whilst in office
Anne Ward	21	20	-	-	6	6
Martin Hosking	21	21	-	-	3	3
Greg Lockwood	21	21	5	5	-	-
Jenny Macdonald	21	21	7	7	6	6
Ben Heap	6	6	2	2	2	2
Richard Cawsey	13	13	5	5	1	1
Barry Newstead	9	8	-	-	-	-
Grant Murdoch	4	2	2	2	-	-

Directors' Report

Directors' interests in shares and options

Name	Shareholdings	Options outstanding
Anne Ward	200,000	50,714
Martin Hosking	50,500,090	50,714
Ben Heap	-	-
Greg Lockwood	6,465,131	-
Jenny Macdonald	88,539	47,509
Total interests	57,253,760	148,937

Above Redbubble directors own \$260 million worth of RBL stock.

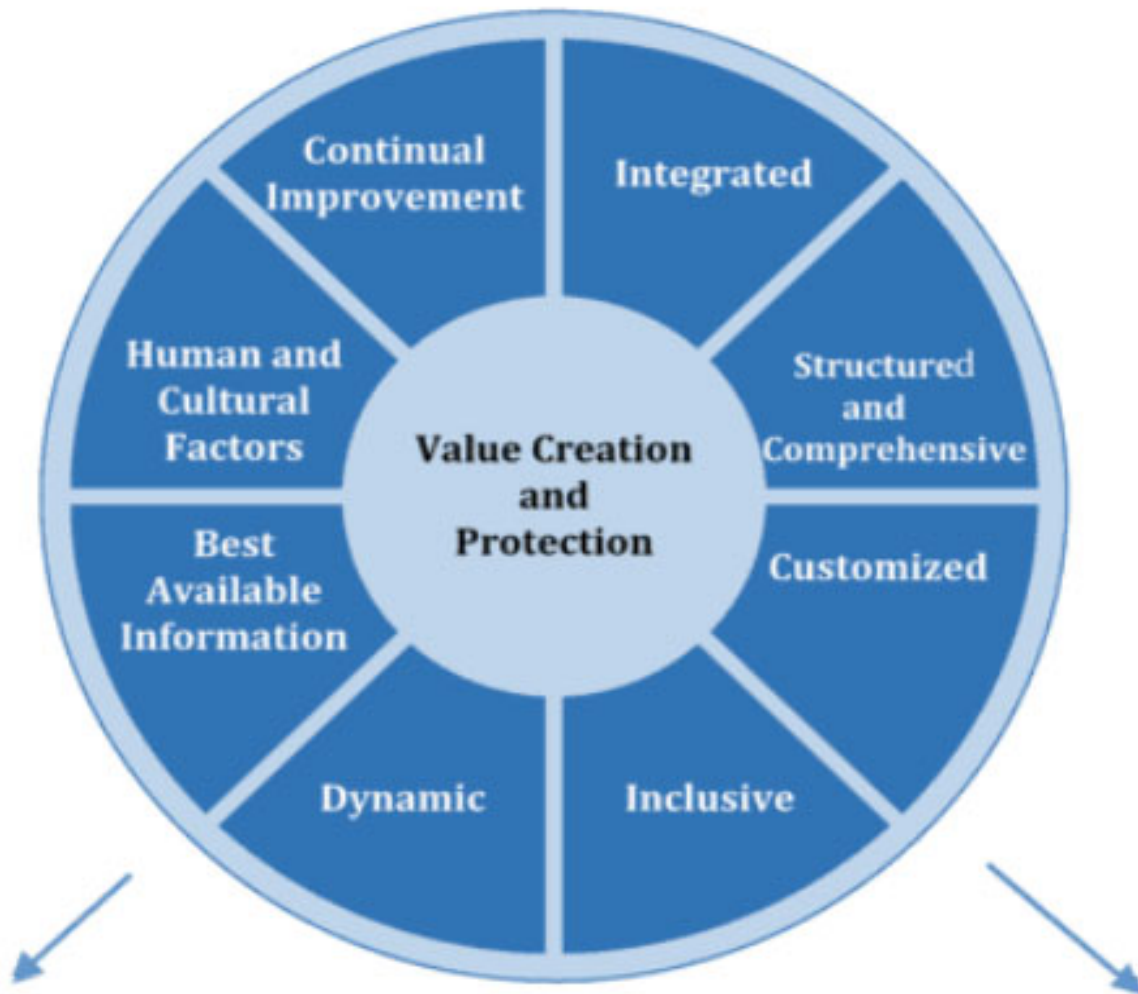
Below: CEO and largest shareholder is very fair with shareholders taking 23,000 options per year (smallest grant).

Details of share options and performance rights for Directors and Executives

Below are details of options, share appreciation rights and performance rights in respect of ordinary shares in the Company granted to Directors or any of the 5 most highly remunerated officers of the Company (other than the Directors) during the 2020 financial year.

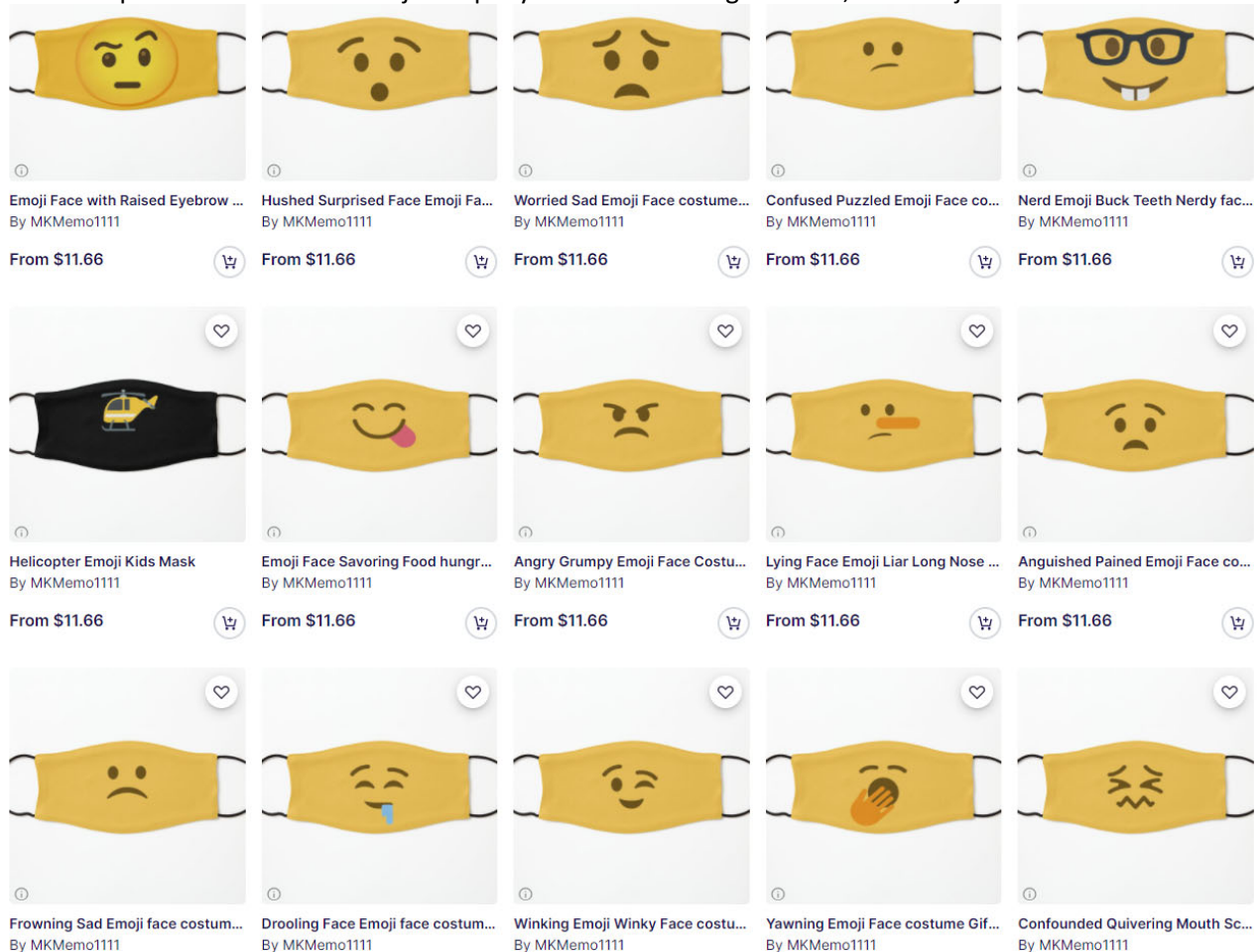
Name	Number of options / restricted stock units granted	Number of ordinary shares granted under options / restricted stock units	Number of share appreciation rights granted
Anne Ward	27,798	27,798	-
Martin Hosking	23,910	23,910	-
Richard Cawsey	47,820	47,820	-
Ben Heap	-	-	-
Greg Lockwood	-	-	-
Jenny Macdonald	27,798	27,798	-
Grant Murdoch	-	-	-
Barry Newstead	232,937 ⁽¹⁾	232,937 ⁽¹⁾	1,424,755 ⁽¹⁾
Joseph Burns	-	-	-
Emma Clark	233,097	233,097	1,069,298
Corina Davis	140,546	140,546	338,405
Arnaud Deshais	131,129	131,129	271,464
Adam Schwartz	625,561	625,561	-
Total granted	1,490,596	1,490,596	3,103,922

⁽¹⁾ The options and share appreciation rights granted to Mr Newstead during the year lapsed at the conclusion of his employment on 14 August 2020.



Above: the board explains in their report to shareholders how they think about the following factors involved in sustainable value creation

Redbubble partnered with the Emoji company that owns the rights to 20,000 emojis.



Currently, there are over 30,000 kids' emoji masks on Redbubble.

We think it is possible that Redbubble will have EBITDA significantly above sell-side estimates. We believe Redbubble is at roughly \$8 million EBITDA a month, which implies \$24 million in EBITDA for the quarter. Sell-side analysts have \$50 million in EBITDA for the full year, which implies the remainder of the year RBL would only generate \$26 million divided by 9 months, or less than \$3 million a month, which would imply a -70% drop in EBITDA from \$8 million. This makes little sense as we think RBL could see EBITDA north of \$96 million with cash flow being much better given no working capital required.

"Our engineering team is undertaking our largest scaling of site performance ever as a result of the growing demand on eCommerce sites. Before Covid-19, eCommerce only accounted for 13% of all retail traffic. Now, as states continue to maintain social distancing orders and users move their shopping behavior from in person to online, **our site is experiencing unprecedented traffic levels that started in March and continue to grow.** This sustained level of high traffic is slowing down our site over time and we have to make significant structural changes to handle this newfound traffic capacity the market is requiring of us. When we complete this ongoing performance work, many parts of our backend (the "behind the scenes" of our website) will look unrecognizable. On top of this, we're fundamentally changing the invisible structure of our site that previously took years to build in less than two months.

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“We’re excited to be experiencing ***such an insane growth period right now*** and are looking forward to scaling the site along with that growth. We appreciate your patience and want to thank you for being an invaluable member of the independent artist community.”⁴

The backend work at Teepublic should be completed before peak selling season starts next month.

Motley Fool suggests \$10.75 price target for Redbubble⁵

Below, it is nice to see Redbubble featured as a leader in Kornit (KRNT) \$2.5 bn market investor deck.

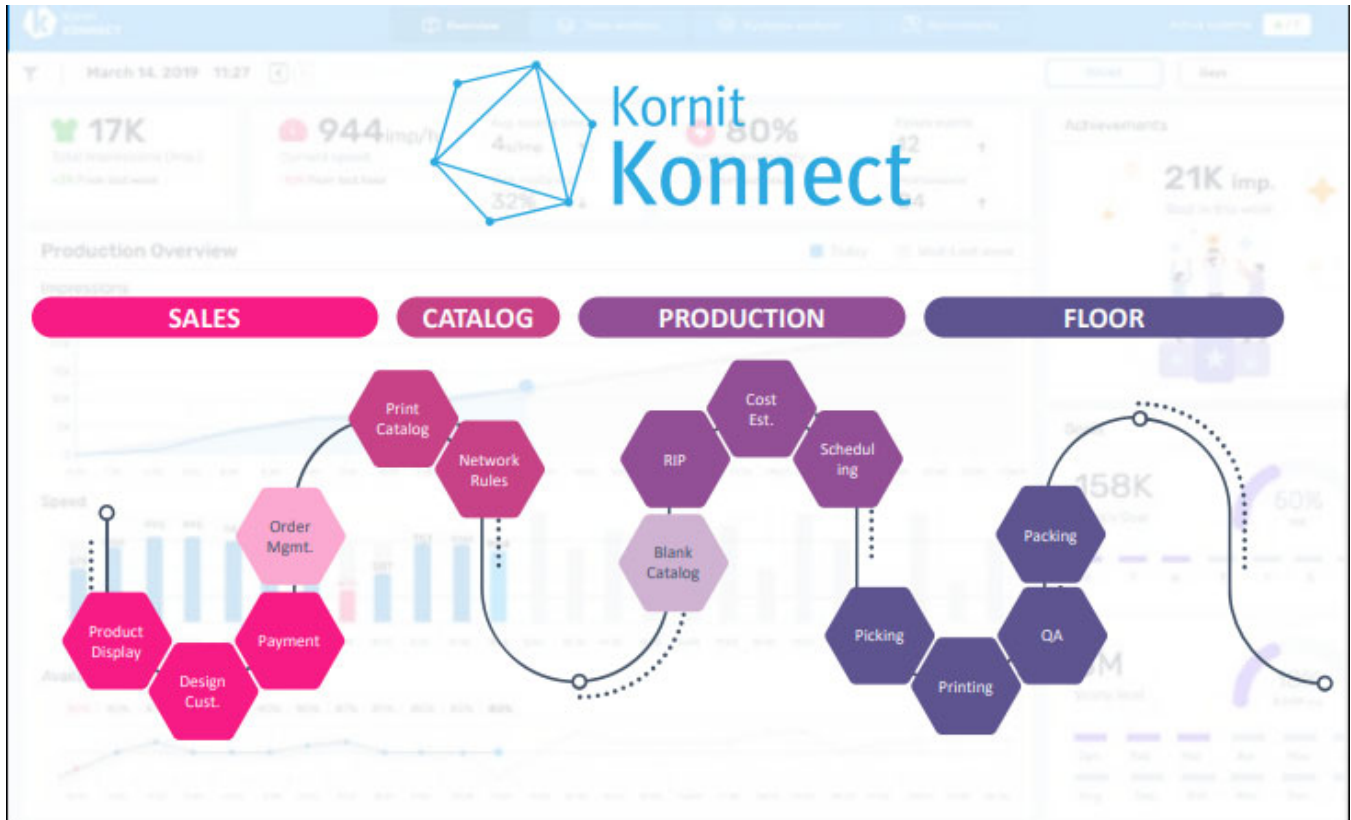


⁴ (source: <https://www.teepublic.com/blog/a-note-about-site-performance>)

⁵ (source: <https://www.msn.com/en-au/money/markets/is-the-redbubble-asxrb1-share-price-on-a-path-to-241075/ar-BB199Ubr>)

We believe the future of retail apparel Industry will become print on demand. It is simply a better mousetrap for all. No product exists until a customer pays for the clothing. Kornit (KRNT) machines print an extremely wide range of products. Retailers love the model because it eliminates the need for working capital risks: No inventory, Design Risk, Square footage, hourly employees, discounting to move old inventory, uploading a design to delivery to the customers' doorstep in 6 days (traditional retail 180 days now). Its not just Redbubble, it is going to be all of retail. Customers like it because they can create customized products and nearly instantly (RBL has 250 million SKUs now). The term "print catalog" in the flow chart below is not a traditional paper catalog but the instruction set for the computer to print the customers' order.

What's possible now to print on demand (sofas to shoes): <https://www.kornit.com/applications/>



Below are all categories Redbubble will be able to bring their 35 million designs to and can be produced today using Kornit printers....Redbubble is in inning 1 of new product categories they will eventually compete.



Customized Boots

Designed by Tin Tan Ton printed on the Breeze



Personalized Pumps

Designed by Tin Tan Ton printed on the Breeze



Colorful Sports Bra

Cotton/Elastane sports bra printed on the Avalanche Hexa



Mandala Stool

A Cotton/Linen/Elastane stool Printed on the Allegro



Sofa and cushion covers

Cotton/Linen/Elastane sofa and cushion printed on the Allegro

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Spark Networks (LOV) \$4.83⁶

Spark Networks, Inc. provides online personal services in the United States and internationally. The company creates communities that help individuals to form life-long relationships with others who share their interests and values. Its primary properties include JDate.com and ChristianMingle.com, which are communities for the singles of Jewish and Christian faiths. The company was incorporated in 2007 and is headquartered in Berlin and New York. (LOV is a holding across all funds).

Stocks get cheap from a drop in free cash flow or multiple compression. Spark has seen a -77% multiple contraction going from 22x to under 5x adjusted EBITDA over the last several years. Multiple compression is obviously the better choice and usually a great opportunity if the growth in cash flow can resume. We think that this is the case for Spark. We continue to be quite impressed with how the relatively new CEO is managing the company. Spark has relaunched Zoosk, increased revenue and profitability guidance in August, and we continue to like his transformation plan. Spark should register approximately 15+ million daters in 2020, with just under 1 million paid members. Bumble is planning an IPO in early 2021 in the \$6-8 billion range.⁷ LOV has a valuation of \$110 million. Bumble's revenue is about 2x Spark's revenue. As a perspective, the number of Spark members that register and try a site is the size of the entire population of Idaho, Oregon, Nevada, and Washington state each year or approximately 14 million daters.

Spark is similar to the Rosetta Stone story in that there was value building that was not well-realized until the company was acquired. Buffett is famously quoted as saying "Price is what you pay, value is what you get." We continue to believe Spark is both on the right track and could see enormous multiple expansion with growth given a valuation of 5x EBITDA. Most comps are 17-33x EV/EBITDA (Parship & Match) and now Bumble is at 10-15x sales. Even discounting LOV by a wide margin gets us \$10-12+ per share vs. \$4.40.

Spark Networks	2017	2018	2019	2020
Revenue	\$94	\$105	\$149	\$226
Adj. EBITDA	\$7	\$11	\$23	\$35
Outstanding Shares	13	13	26	27
Net debt			(\$80)	(\$60)
Revenue per share	\$7.23	\$8.08	\$5.73	\$8.37
Adj. EBITDA Margin	7.4%	10.5%	15.4%	15.5%
Share price	\$12	\$12	\$4	\$4.40
EV	\$156.00	\$156.00	\$184.00	\$178.80
EV/EBITDA	22	14	8	5
EV/SALES	1.7	1.5	1.2	0.8

⁶ Market price as of the date of dissemination of the letter

⁷ (Source: <https://www.forbes.com/sites/sergeiklebnikov/2020/09/02/yet-another-ipo-bumble-eyes-going-public-in-2021-with-a-valuation-of-more-than-6-billion/#36171968d087>)

Why M&A is so attractive: industry has 50-70% of incremental revenue converting to free cash flow. This key element highlights the intrinsic value inside of Spark. In addition, there would be tremendous cross-marketing synergies by leveraging Spark's \$100 million customer acquisition budget. Buying Spark at \$4.00 includes \$4.00 a share in customer acquisition budget, \$1.50+ per share in Adjusted EBITDA, and \$3.00 per share in Debt, with \$9.00 a share in revenue. We think Spark could generate \$1.75+ in 2021 with net debt down \$2.00 or less. This should lead to a far higher share price than \$4.00. We think Spark could see \$12.00 in 2021.

Match Group (MTCH)					
	Year	21	22	23	24
Change in revenue	\$	424	\$ 390	\$ 339	\$ 507
Change in free cash flow	\$	219	\$ 219	\$ 357	\$ 338
Incremental free cash flow margin		52%	56%	105%	67%

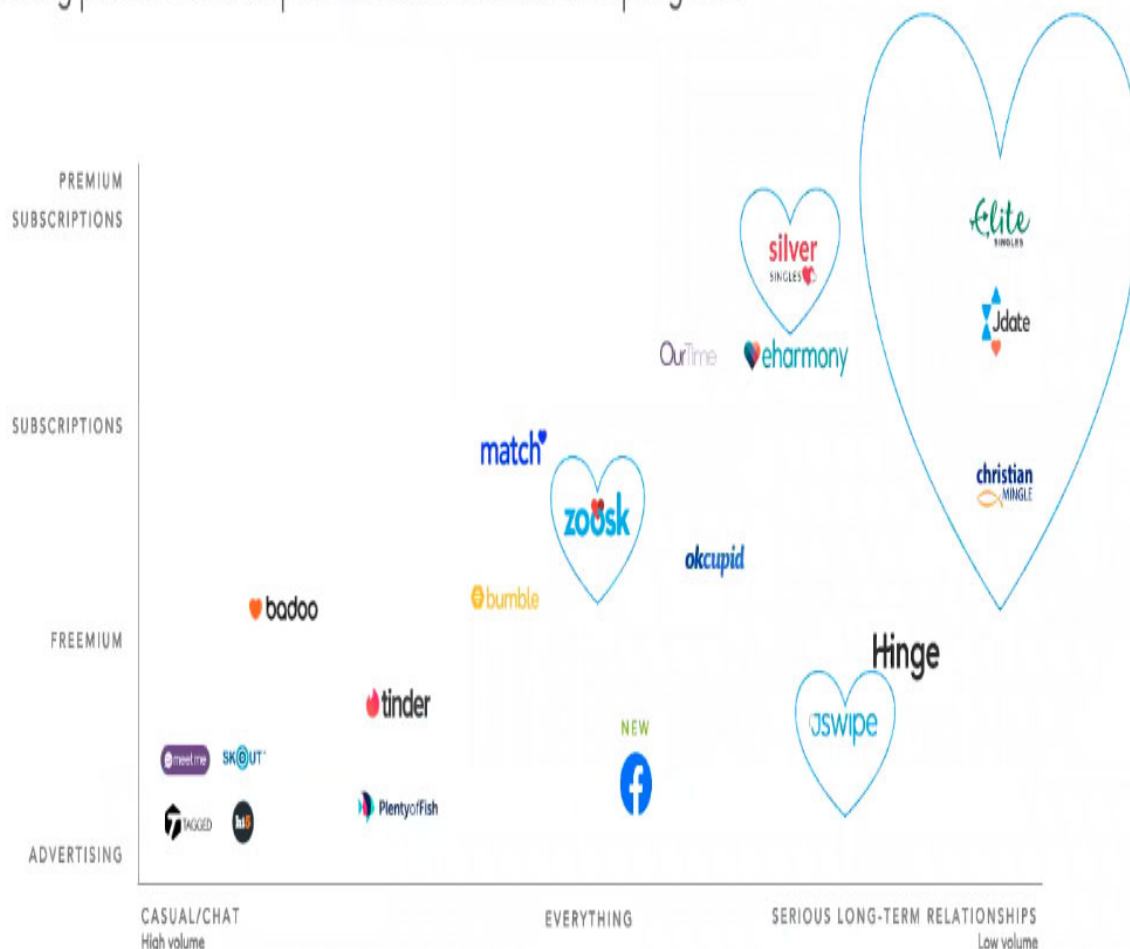
The opportunity to buy spark at 4x multiple of EBITDA and 2.5x of market cap exists for 5 reasons: 1) foreign issuer (will become US-domiciled 1-1-21) 2) semi-annual reporting (will report quarterly 1-1-21) 3) interest rate 10% and 4) debt \$75 million 5) 1H20 shrinking, 2H20 growth resuming. We think all 5 of these issues will be put to bed over the next 4-8 months and that the market will substantially re-rate LOV shares in the 8-9x EBITDA range. This has been a long road, but revenue is at a record level, we really like the CEO, the company just re-raised revenue guidance for 2020, margins are at a record level, high yield interest rates are dropping significantly, Spark is within 12 months we think of being at 1x Debt/EBITDA, and the market multiple is 13x EBITDA. Spark has far above-average margins, far below both peer and public comp multiples. Below, Spark has carved out a strong niche in over 40-year-old daters, serious, premium membership fees, and scale registering 15 million daters a year (picture registering every resident in Idaho, Oregon, Washington (state), and Nevada. That is how many daters register annually on a Spark property and Spark spends \$100 million a year in customer acquisition alone).

	Six Months Ended			Growth Rates %	
	6/30/2020	12/31/2019	6/30/2019	1st Half 2020 vs.	
	1st Half 2020	2nd Half 2019	1st Half 2019	2nd Half 2019	1st Half 2019
# of Registrations					
North America	5,177,620	5,283,710	2,224,249	(2.0)%	132.8%
International	2,490,960	2,946,266	2,263,855	(15.5)%	10.0%
Total # of Registrations	7,668,580	8,229,976	4,488,104	(6.8)%	70.9%

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Clear Competitive Differentiation

Strong position in subscription based serious relationship segment



spark

Fall 2020 | 12

Net net: Using our discounted cash flow model assumptions: 10% discount rate and 1% top-line growth over the next decade and margins under guidance gets us \$11.84 a share vs. \$4.45. Finally, as shown above, LOV has seen its multiple of EBITDA compress from 22 to 5x since 2017 as revenue through M&A has given LOV critical mass. The multiple has compressed from new CEO, 50% of shares were owned by PE firms less about 1 year ago, transformative acquisition, trades on NYSE but US ADR only reports semi-annually vs. quarterly. Starting January 1st, LOV will be 100% US-listed and report quarterly. With COVID, we think this will only strengthen the online dating market as bars and restaurants are much less likely places to meet people.

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Osmium Namesake:

"For years, miners of coal came across a substance encapsulated in a nasty tarry exterior. In the late 1700s, a chemist examined the overlooked substance more carefully and discovered veins of a highly unique metal called osmium that is today renowned for extreme durability due in large measure to a melting point of 5,500 degrees Fahrenheit. Today, osmium is an exceedingly valuable metal that has a price per ounce that is comparable to gold. The traits of durability, ability to with stand adversity, and high intrinsic value best describe the metal osmium. These traits also symbolize our investment strategy of identifying valuable investment opportunities, with the patience to hold long periods of time, that have been overlooked by the investing public."

Conclusion

To be a public company you need to be a winner. Winners do more with less: 1) faster than industry revenue growth 2) better than industry profit margins and 3) a simple to explain story. We have a study that shows approximately 4% of public companies over time generate meaningful shareholder value while the rest net to 30 day T-bills over time. We are going to continue to press board and management teams aggressively to close the massive gaps between what businesses trade for and what believe they could be sold for. Public Boards, in theory, should be constantly pursuing the best risk adjusted path forward for their shareholders, but frankly, the incentive structure is to tread water and enjoy the ride versus doing the right thing and follow the harder path of potentially ending the ride and selling the company.

We will do what it takes to make sure investors know there are two options and that management and boards work on behalf of shareholders, which in many cases gets forgotten. We live by the motto: "All it takes, is all you have."

In our opinion, the small cap market remains, in certain pockets, deeply inefficient. This does not come as a surprise, but it is frustrating that what we consider obvious value drivers are getting ignored for the time being. This backdrop continues to offer us attractive long-term investment opportunities, as most of our businesses are transforming to digital models, with attractive growth rates and valuations that are significantly below both public and private peers. We do feel we are well positioned going forward.

Our goal is not to minimize volatility on a day to day or month to month basis, but to capture the significant inefficiencies in underfollowed public companies on both the long and short side. On the long side, we are looking for companies that are aggressively growing per share value through business results and recapitalization when the share price is significantly undervalued. We are far less concentrated on our short portfolio and much more long term focused on the long side. Osmium Capital has a 30% correlation to the overall market. It is very hard/impossible to call when fundamentals get recognized and revalued in the marketplace. Our goal is to be right on the underlying intrinsic value of the businesses on both the long and short side, as opposed to calling an earnings number to the penny on a quarterly earnings report. We believe this is a higher probability and a far more tax efficient strategy that we have successfully executed over the last 18 years. It is important to emphasize that we may take very large equity positions when businesses we know very well become priced at a significant discount to our estimated business value.

If you are interested in adding to your position or becoming a limited partner, please contact us by phone or email. Thank you again for your support.

Best,

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The analyses provided may include certain statements, assumptions, estimates and projections prepared with respect to, among other things, the historical and anticipated operating performance of the companies. Such statements, assumptions, estimates, and projections reflect various assumptions by Osmium Partners concerning anticipated results that are inherently subject to significant economic, competitive, and other uncertainties and contingencies and have included solely for illustrative purposes. No representations, express or implied, are made as to the accuracy or completeness of such statements, assumptions, estimates or projections or with respect to any materials herein. Actual results may vary materially from the estimates and projected results contained herein. Past Osmium performance is not indicative of future results. Osmium takes at time highly concentrated positions. Osmium Partners disclaims any obligation to update this letter.

A portion of the Partnership's assets may from time to time be invested in securities that have limited liquidity. The Partnership's investment strategy is to make highly concentrated investments in what it views as its best ideas. The Offering Memorandum and Limited Partnership Agreement offers a comprehensive overview of the risk factors involved in investing with Osmium Partners.



OSMIUM PARTNERS

STRATEGIC VALUE INVESTORS

OSMIUM CAPITAL, LP ⁽¹⁾												
2020												
MICRO & SMALL CAP Long/Short	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Return information, net												
Monthly return	(5.6%)	(12.4%)	(37.8%)	14.4%	12.9%	29.3%	38.3%	33.2%				
Quarter to date	(5.6%)	(17.2%)	(48.5%)	14.4%	29.1%	67.0%	38.3%	84.2%				
Year to date	(5.6%)	(17.2%)	(48.5%)	(41.1%)	(33.5%)	(14.0%)	18.9%	58.3%				
Since inception, November 2002	315.0%	263.7%	126.2%	158.7%	192.1%	277.7%	422.5%	595.9%				
Month End Position summary⁽²⁾												
Long equity	162.7%	163.4%	109.1%	112.8%	114.5%	112.2%	117.0%	119.7%				
Short equity	(79.9%)	(103.3%)	(46.3%)	(38.9%)	(36.1%)	(23.8%)	(18.3%)	(24.1%)				
Gross exposure	242.6%	266.7%	155.4%	151.6%	150.6%	136.0%	135.3%	143.7%				
Net exposure	82.9%	60.1%	62.9%	73.9%	78.5%	88.4%	98.7%	95.6%				
Position information⁽²⁾												
Total number of positions, longs / shorts	16 / 6	16 / 5	13 / 4	12 / 4	13 / 4	16 / 3	19 / 2	22 / 3				
Performance attribution												
Longs - Gross % return attribution	(5.3%)	(19.1%)	(60.1%)	22.9%	16.9%	31.8%	40.0%	36.1%				
Shorts - Gross % return attribution	(0.1%)	6.9%	22.7%	(8.1%)	(3.7%)	(2.0%)	(1.3%)	(2.5%)				
Total Gross Return	(5.4%)	(12.2%)	(37.4%)	14.8%	13.2%	29.8%	38.7%	33.6%				
OSMIUM SPARTAN, LP ⁽¹⁾												
2020												
MICRO & SMALL CAP - LONG ONLY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Return information, net												
Monthly return	(3.7%)	(12.0%)	(37.3%)	21.8%	14.0%	27.6%	33.5%	25.9%				
Quarter to date	(3.7%)	(15.3%)	(46.9%)	21.8%	38.9%	77.3%	33.5%	68.0%				
Year to date	(3.7%)	(15.3%)	(46.9%)	(35.3%)	(26.2%)	(5.9%)	25.6%	58.2%				
Since inception, December 2005	276.9%	231.8%	107.9%	153.3%	188.8%	268.6%	392.0%	519.3%				
Month End Position summary⁽²⁾												
Long equity	96.6%	98.4%	96.4%	98.5%	98.5%	99.2%	98.7%	93.2%				
Total number of positions	15	15	13	12	13	16	17	18				
OSMIUM DIAMOND, LP ⁽³⁾												
2020												
MICRO & SMALL CAP Long/Short	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Return information, net												
Monthly return	(3.9%)	(13.6%)	(36.6%)	16.3%	23.1%	26.7%	35.3%	18.2%				
Quarter to date	(3.9%)	(16.9%)	(47.3%)	16.3%	43.1%	81.4%	35.3%	60.0%				
Year to date	(3.9%)	(16.9%)	(47.3%)	(38.7%)	(24.6%)	(4.4%)	29.4%	53.0%				
Since inception, October 2013	8.2%	(6.4%)	(40.7%)	(31.0%)	(15.1%)	7.6%	45.6%	72.2%				
Month End Position summary⁽²⁾												
Long equity	134.1%	141.2%	102.8%	109.9%	112.1%	109.7%	117.5%	116.5%				
Short equity	(40.9%)	(69.4%)	(36.9%)	(37.0%)	(32.2%)	(21.6%)	(16.3%)	(24.2%)				
Total number of positions, longs / shorts	9 / 5	9 / 4	8 / 4	7 / 4	7 / 4	7 / 3	11 / 2	12 / 3				

(1) Performance represents a Class A Investor with a 2% management fee and 20% performance fee

(2) Number of Positions and Position Exposures are not inclusive of Options, Warrants and Certificates

(3) Performance represents a Class A Investor with a 1.75% management fee and 20% performance fee

Note: Past Performance is not indicative of future results

Osmium Capital, LP

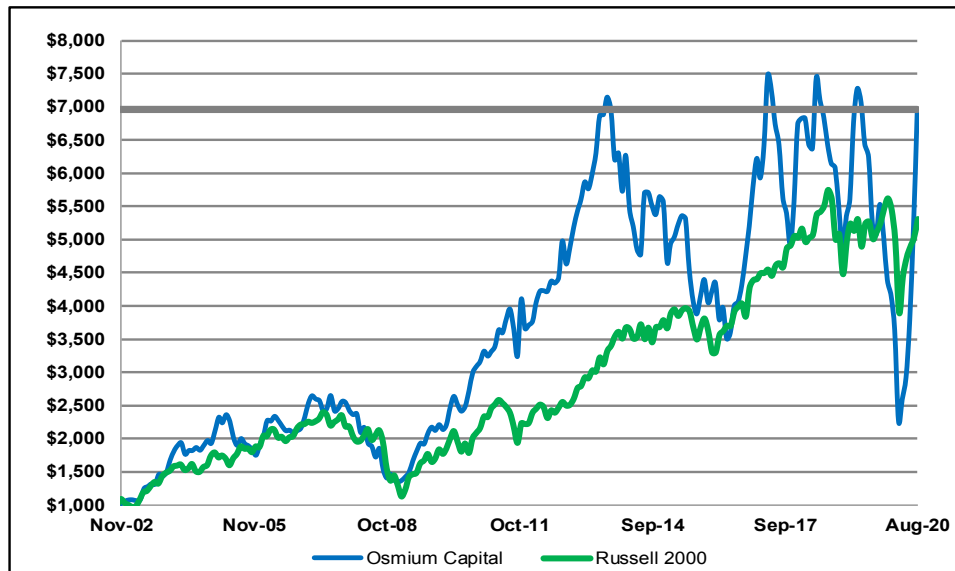
Year to Date: 58.3%

Since Inception: 595.9% | Annualized: 11.5%

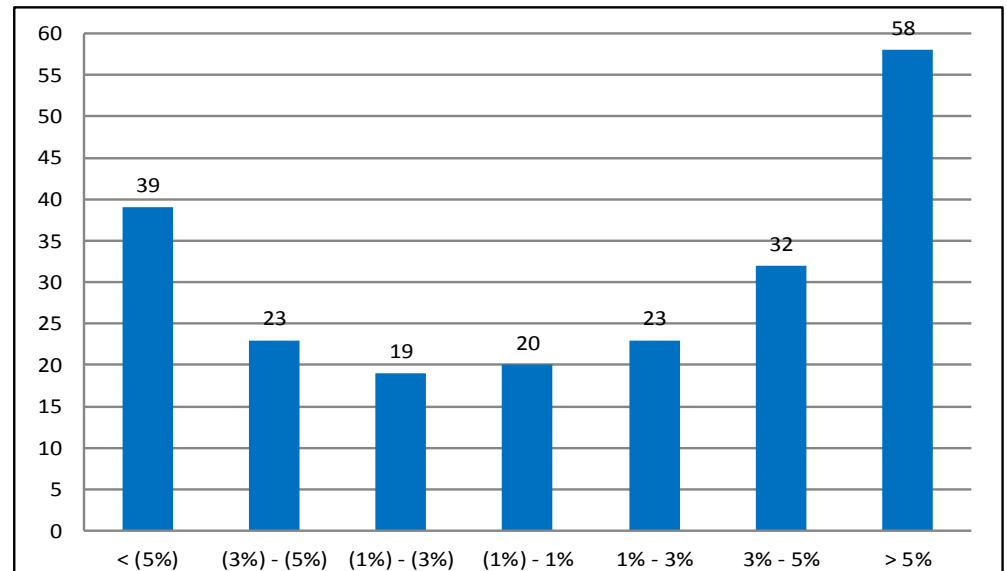
Monthly Net Performance ¹ (% change)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since inception
2020	(5.6%)	(12.4%)	(37.8%)	14.4%	12.9%	29.3%	38.3%	33.2%					58.3%	595.9%
2019	10.0%	4.8%	20.8%	7.5%	(2.9%)	(8.8%)	(3.1%)	(16.0%)	(3.2%)	9.1%	(8.7%)	(13.0%)	(9.8%)	339.4%
2018	1.3%	0.0%	(5.8%)	(0.9%)	16.7%	(4.5%)	(3.6%)	(6.1%)	(4.5%)	(1.0%)	(9.7%)	(11.4%)	(27.8%)	387.0%
2017	7.6%	(4.8%)	8.2%	16.5%	(3.1%)	(6.9%)	(4.6%)	(12.3%)	(4.2%)	(8.8%)	13.2%	21.1%	16.5%	574.9%
2016	4.2%	3.0%	(12.7%)	4.7%	(11.8%)	2.5%	11.3%	1.4%	6.2%	10.1%	9.7%	11.4%	43.1%	479.2%
2015	(16.4%)	5.9%	2.1%	3.7%	2.6%	(0.8%)	(14.4%)	(10.4%)	(5.0%)	7.1%	6.0%	(8.0%)	(27.4%)	304.9%
2014	(9.2%)	9.5%	(13.0%)	(4.8%)	(6.7%)	(1.4%)	19.4%	0.1%	(3.5%)	(2.5%)	5.0%	(1.4%)	(11.6%)	457.4%
2013	4.7%	3.1%	4.8%	(1.8%)	4.0%	5.1%	9.0%	0.3%	3.8%	(2.8%)	(10.7%)	1.6%	21.5%	530.8%
2012	1.6%	7.5%	4.2%	0.2%	(0.2%)	3.6%	(0.6%)	1.9%	12.5%	(7.0%)	5.4%	6.3%	39.8%	419.0%
2011	(2.3%)	2.1%	2.5%	7.2%	(1.1%)	5.6%	4.0%	(7.9%)	(10.8%)	26.4%	(10.8%)	1.4%	11.9%	271.1%
2010	(3.3%)	3.3%	12.0%	6.7%	(5.0%)	(3.7%)	3.0%	9.8%	9.8%	3.3%	2.4%	4.9%	50.3%	231.7%
2009	(1.6%)	1.4%	4.2%	4.9%	11.7%	8.3%	6.8%	(0.4%)	8.3%	4.4%	(2.3%)	4.1%	61.4%	120.7%
2008	(2.5%)	0.7%	(11.9%)	3.6%	(11.1%)	(2.4%)	(8.7%)	7.6%	(17.0%)	(8.7%)	4.5%	(6.5%)	(43.5%)	36.8%
2007	9.2%	4.3%	(1.9%)	(0.9%)	(6.0%)	1.5%	8.0%	(8.7%)	1.5%	4.3%	(0.8%)	(4.7%)	4.2%	141.9%
2006	7.5%	10.6%	(0.3%)	3.2%	(2.8%)	(3.6%)	(3.1%)	0.3%	(2.0%)	1.6%	1.9%	7.7%	21.6%	132.1%
2005	9.3%	(3.6%)	5.5%	(4.4%)	(11.1%)	(5.6%)	5.5%	(4.0%)	(1.7%)	(3.2%)	(4.4%)	9.3%	(10.0%)	90.9%
2004	8.2%	4.5%	2.2%	(8.9%)	3.2%	0.0%	2.5%	(2.2%)	4.0%	3.9%	(2.1%)	10.1%	26.8%	112.0%
2003	1.5%	0.0%	(1.0%)	0.9%	16.0%	2.6%	3.2%	(0.4%)	11.2%	(1.7%)	4.0%	12.5%	58.5%	67.2%
2002											1.7%	3.8%	5.5%	5.5%

Growth of \$1,000 Invested at Inception



Monthly Return Histogram



1) Represents net returns for an investor with a 2% management fee and a 20% performance fee.

Note: Past performance is not indicative of future results.

Osmium Spartan, LP

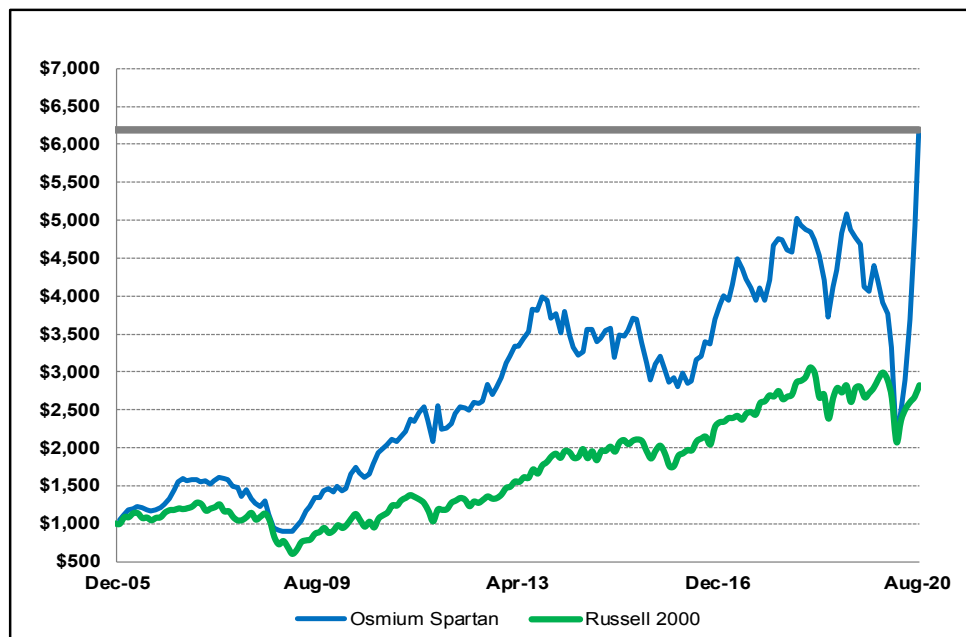
Year to Date: 58.2%

Since Inception: 519.4% | Annualized: 13.2%

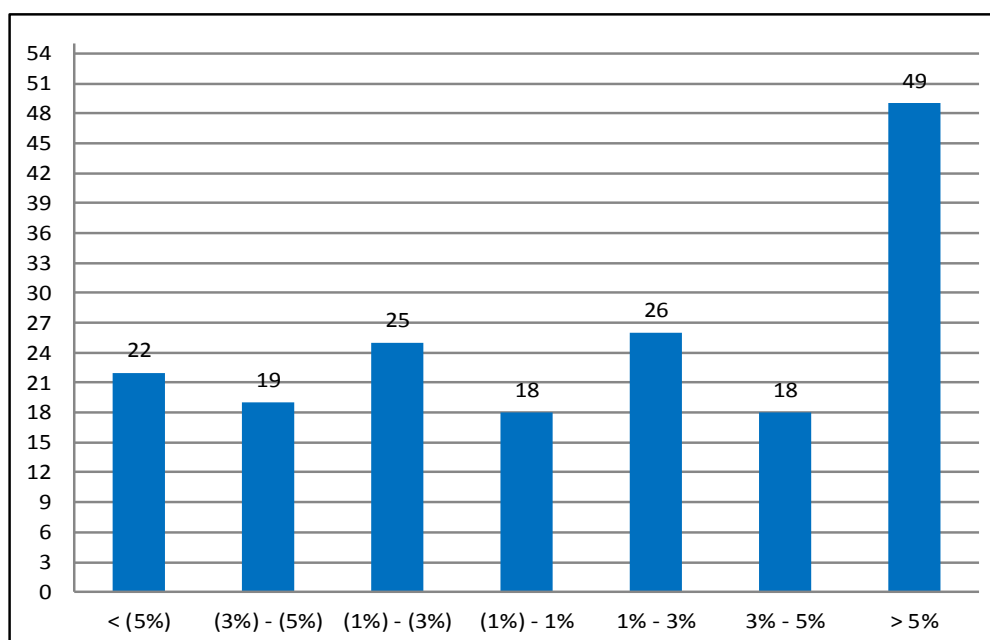
Monthly Net Performance ¹ (% change)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since inception
2020	(3.7%)	(12.0%)	(37.3%)	21.8%	14.0%	27.6%	33.5%	25.9%					58.2%	519.4%
2019	10.5%	5.5%	11.0%	5.3%	(4.0%)	(2.2%)	(1.8%)	(12.3%)	(1.2%)	8.5%	(4.5%)	(7.0%)	5.0%	291.6%
2018	1.6%	(0.2%)	(2.9%)	(0.5%)	9.6%	(1.7%)	(1.1%)	(0.6%)	(2.1%)	(4.5%)	(7.3%)	(11.3%)	(20.2%)	272.9%
2017	3.0%	(1.6%)	5.2%	8.2%	(3.1%)	(3.0%)	(2.7%)	(3.9%)	4.0%	(3.9%)	6.8%	10.9%	20.1%	367.5%
2016	(4.9%)	2.3%	(4.1%)	6.5%	(4.4%)	0.7%	10.1%	1.2%	6.0%	(1.0%)	9.8%	5.2%	29.4%	289.2%
2015	(10.8%)	9.3%	(0.2%)	2.1%	4.5%	(0.3%)	(8.6%)	(7.7%)	(7.0%)	6.7%	3.4%	(6.1%)	(15.8%)	200.7%
2014	(6.7%)	8.3%	(8.4%)	(4.4%)	(3.4%)	1.5%	9.2%	0.1%	(4.5%)	1.1%	3.2%	0.5%	(5.1%)	257.1%
2013	6.5%	2.7%	4.2%	(0.2%)	3.4%	2.6%	8.1%	(0.4%)	5.0%	(1.5%)	(6.0%)	1.6%	28.3%	276.3%
2012	2.6%	6.3%	3.4%	(0.4%)	(1.3%)	3.9%	(0.4%)	1.3%	8.3%	(4.6%)	3.3%	4.9%	30.0%	193.2%
2011	(1.4%)	3.0%	3.7%	6.9%	(1.3%)	5.0%	3.6%	(7.3%)	(11.8%)	22.8%	(12.4%)	0.6%	7.0%	125.5%
2010	(3.9%)	1.9%	12.6%	6.2%	(4.5%)	(3.4%)	2.7%	7.8%	8.4%	2.7%	2.3%	3.7%	41.1%	110.7%
2009	(1.5%)	1.2%	5.4%	8.2%	12.7%	5.3%	9.6%	0.2%	6.9%	1.3%	(2.3%)	5.1%	64.5%	49.4%
2008	(6.0%)	(0.7%)	(7.8%)	6.3%	(8.5%)	(4.7%)	(3.4%)	6.7%	(13.9%)	(15.8%)	(2.3%)	(1.5%)	(42.7%)	(9.2%)
2007	6.8%	3.0%	(2.0%)	1.8%	(0.0%)	(2.5%)	1.4%	(2.5%)	2.2%	3.3%	(1.5%)	(0.2%)	9.6%	58.5%
2006	5.1%	7.2%	2.0%	2.1%	(1.2%)	(2.8%)	(1.5%)	1.2%	2.6%	4.5%	5.5%	8.8%	38.0%	44.6%
2005												4.8%	4.8%	4.8%

Growth of \$1,000 Invested at Inception



Monthly Return Histogram



1) Represents net returns for an investor with a 2% management fee and a 20% performance fee.

Note: Past performance is not indicative of future results.

Osmium Diamond, LP

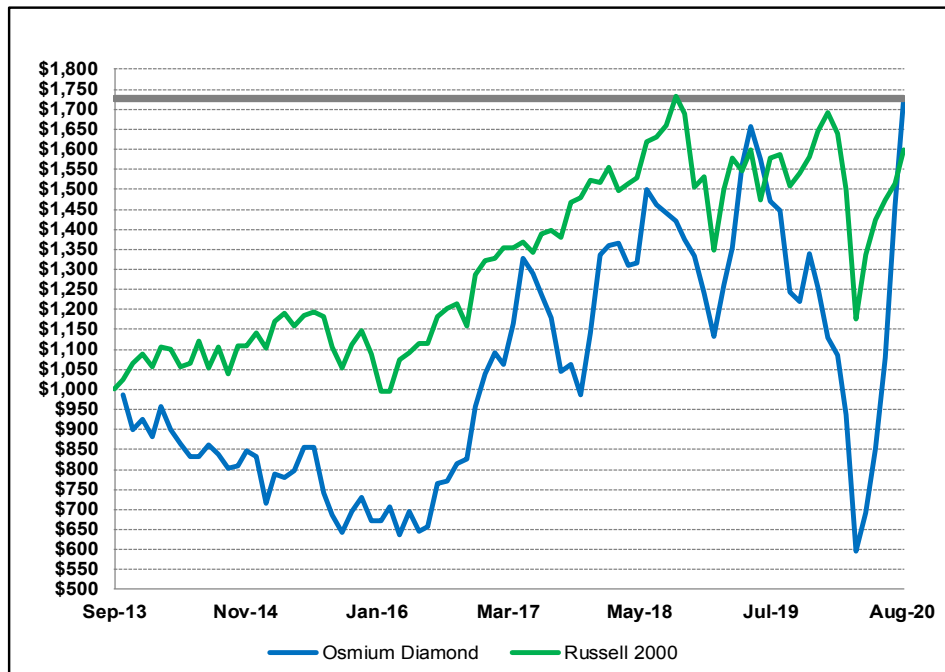
Year to Date: 53.0%

Since Inception: 72.2% | Annualized: 8.2%

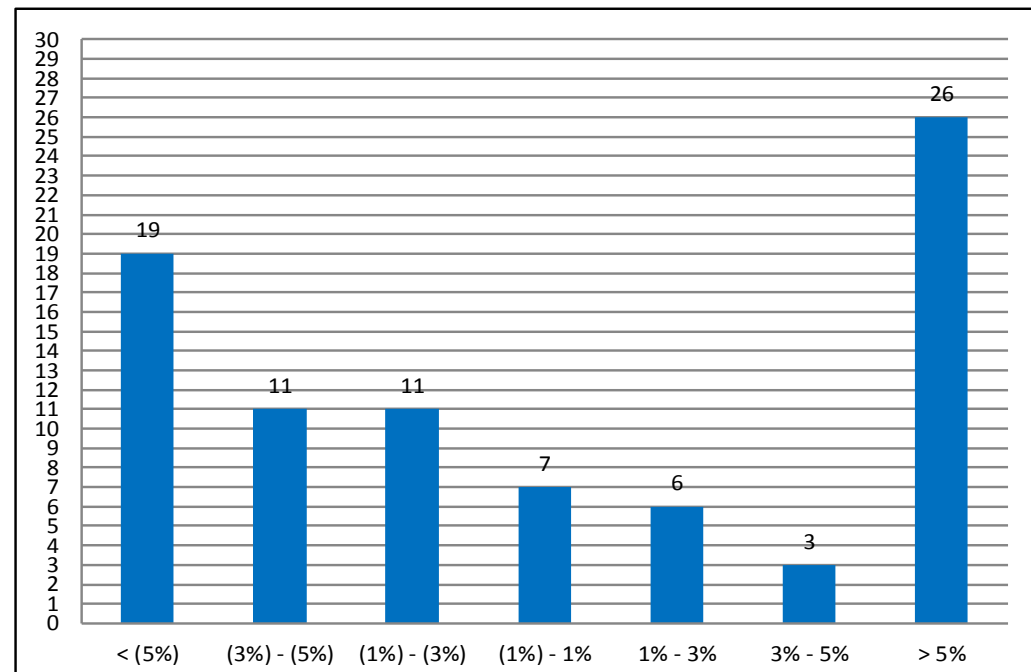
Monthly Net Performance ¹ (% change)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Since inception
2020	(3.9%)	(13.6%)	(36.6%)	16.3%	23.1%	26.7%	35.3%	18.2%					53.0%	72.2%
2019	11.6%	7.3%	15.3%	6.1%	(4.8%)	(6.6%)	(1.7%)	(14.0%)	(1.8%)	9.8%	(6.3%)	(10.1%)	(0.2%)	12.6%
2018	1.8%	0.3%	(4.1%)	0.6%	13.9%	(2.5%)	(1.5%)	(1.3%)	(3.3%)	(3.1%)	(6.9%)	(8.8%)	(15.4%)	12.9%
2017	4.8%	(2.6%)	9.6%	14.0%	(2.7%)	(4.1%)	(4.7%)	(11.4%)	1.8%	(7.1%)	15.5%	17.3%	28.5%	33.4%
2016	0.2%	5.0%	(9.9%)	9.5%	(7.1%)	1.6%	16.6%	0.5%	5.7%	1.7%	15.8%	8.6%	55.1%	3.8%
2015	(14.1%)	10.3%	(1.2%)	2.5%	7.0%	0.0%	(13.2%)	(7.6%)	(6.3%)	8.1%	5.2%	(8.2%)	(19.5%)	(33.1%)
2014	(4.7%)	8.6%	(6.0%)	(4.2%)	(3.7%)	0.1%	3.3%	(2.6%)	(4.1%)	0.7%	4.6%	(1.7%)	(10.2%)	(16.9%)
2013										(1.3%)	(8.9%)	2.9%	(7.4%)	(7.4%)

Growth of \$1,000 Invested at Inception



Monthly Return Histogram



1) Represents net returns for an investor with a 1.75% management fee and a 20% performance fee.

Note: Past performance is not indicative of future results.