

October 29, 2019

Dear Shareholder:

Evercel’s performance in Fiscal Year 2019 (March) continues to give us much to be excited about.  With cash distributions from Printronix and the sale in June of our successful investment in SharpSpring (subsequent to the end of FY19), Evercel now has a very strong balance sheet to pursue new opportunities, which is our primary focus this upcoming year.

We have been particularly active in pursuing potential acquisitions and our strategy remains identifying opportunities in which we can invest $20 to $50 million of equity to acquire (at least) a majority ownership. While we are industry agnostic, we are focused on finding unique situations overlooked by the broader private equity industry, possibly due to some undesired complexity. We have evaluated numerous opportunities in the last year and continue to pursue many potential deals. Although we are disappointed that we have not closed on any large new investments, we have been disciplined about walking away from opportunities we deemed to be too expensive or that subsequent due diligence proved not worthy of acquiring. We are optimistic that our efforts will bear fruit in the next 12 to 24 months, if not sooner.

To summarize the holding company assets, Evercel owns 80% of Printronix, 65% of Current Tech (a high potential, but early-stage software business) and has approximately $51 million of cash (including the excess cash on Printronix’s balance sheet attributable to Evercel’s ownership) or $1.52 per share. EVRC remains debt free.

Printronix is the global leader in line matrix printers and our primary operating business. In FY19, Printroni generated $57.6 mm in revenue and $14.4 million in adjusted EBITDA. Although revenue declined slightly, profitability remained at near record levels (~25% EBITDA margins) due to the success of our multi-year effort to optimize Printronix’s business and cost structure. As a reminder, Evercel acquired its 80% ownership of Printronix in January 2013. We subsequently paid off high cost debt through free cash flow generation and a timely debt refinancing. We then sold the thermal business unit in 2016 and paid off the remainder of the debt. We have since consolidated the manufacturing operations from four disparate geographic facilities into a single new factory in Malaysia and optimized our go to market strategy. Though the overall market for printing has its obvious challenges, Printronix’s business is particularly attractive because of its dominant niche market position and associated stream of high margin (recurring revenue) consumables. As a reminder, Printronix is not a growth business and sales can be quite lumpy when large customers refresh.   Yet Printronix maintained flat hardware sales over the past three fiscal years and has grown EBITDA significantly following the sale of the thermal business. Given the global nature of the business, some geographies can be particularly strong and compensate for others which are weak.  In the first half of FY20, we have seen increasing headwinds driven by global macro uncertainty impacting industrial IT budgets, along with tensions in US-China relations and challenges in the auto industry. Regardless, we will continue to manage the business carefully with an eye towards cash generation and customer service.

Our investment thesis in SharpSpring played out faster than anticipated and we successfully conducted a public offering in June to sell our position.  We generated a nearly 2x net return on the $10 million we invested during our roughly 18-month holding period.

In April 2019 (subsequent to FY19 year-end), we acquired the assets of Current Tech, an influencer marketing software firm, from a larger digital marketing company that had purchased it several years earlier. While we expect its revenue to be non-material for the next two years, we are very excited about the longer-term potential of this business. We own 65% of the company.

Attached are the audited financial statements of Evercel’s 2019 (March) fiscal year, as well as a Management Discussion and Analysis section that we have included to provide greater insight into the business. Notifications for shareholders, including an upcoming shareholder meeting, will be posted at [www.evercel.com](http://www.evercel.com/), issued through a press release and disseminated through email to those who have signed up for Evercel announcements.

We would like to express our gratitude for the commitment and efforts of our employees and to our long-term shareholders for their continued support.  We will continue to focus on building long-term shareholder value by maximizing the value of our underlying assets and pursuing new deals to enhance that value. As always, we welcome suggestions from our shareholders.



Daniel Allen CEO

Please note: The information provided in this letter and any other information provided by Evercel as to its operations, financial statements, conditions, prospects or any other matter does not purport to be complete. In addition, although it is not intended to be, a portion of the information may be considered to be incomplete because it is presented without definitions, risk factors, qualifications or further explanation. You should not rely on the information provided as being otherwise. Evercel voluntarily chooses to report information to shareholders from time to time at the discretion of management, however, management may change the reporting policy at its discretion without notice.