March 2025

Dear Partners,

Lowell Capital Value Partners, L.P. (the "Partnership") was (2.8) % for February 2025 vs. (1.3) % for the S&P 500 with dividends reinvested (all returns shown are net to investors). For 2025 year-to-date, the Partnership was (3.1) % vs. +1.4 % for the S&P 500 with dividends reinvested. As of February 28, the Partnership had 26 long positions (representing about 62% of total capital) and 6 short positions (representing 3% of total capital). The Partnership had no leverage and a 38% cash position giving our portfolio a net long position of about 62%.

U.S. and global stock markets have recently experienced a sharp decline, particularly in high-growth tech stocks which are trading at historically high valuations. Historically, when equities have reached such levels, subsequent returns have tended to be lackluster. Investor sentiment has shifted rapidly, reinforcing the importance of maintaining a rational perspective. We remain defensive and continue to seek undervalued opportunities that are out of favor. In response to the volatility, we have reduced the risk profile of our investments and further built our net cash position towards 40% to 50% as we evaluate the current environment.

We continue to evaluate the potential impact of tariff policies by the new administration upon the U.S. and global economies. We have reduced or exited most of our more highly valued investment positions where the risk-reward profile of the investments became, in our view, less favorable. We have maintained and increased capital into those positions with better risk-reward profiles on a long-term basis. We have simply set a higher bar for current and potential investment positions pending the outcome of these policies.

Our focus is on increasing the capital accounts in the Partnership conservatively and prudently by taking what we think are intelligent risks. We seek to carefully allocate our capital to investment opportunities where we believe we have an advantage and where we think the risk-reward ratio is asymmetrically in favor of the Partnership.

Our investment results have been achieved with an average net cash position of close to 30%. The Partnership has avoided the use of leverage and, on the contrary, maintained a significant net cash position, and we believe this has reduced the risk to its capital.

Our area of focus, small-cap value, has been out of favor in recent years but could see increased interest as higher interest rates and highly valued large technology companies shift investors' focus to value companies with profits and free cash flows. We have an approach of investing in underfollowed and misunderstood companies that generate strong cash flow and are undervalued. We believe our holdings remain significantly undervalued and will eventually be recognized. We plan to continue our approach, which has worked well over many years and with which we are comfortable.

**Stock Market, Tariffs, and Opportunities in Europe**

Over the past few years, economies and stock markets globally have dealt with high inflation, supply chain issues, the war in Ukraine, and a volatile political environment. The economy has held up reasonably well. The aggressive tariff policies by the new U.S. administration have introduced significant uncertainty into the marketplace regarding the U.S. and global economies. We are closely evaluating the potential impact of these policies and the resultant impact on our investment positions. We do not rely heavily on macro-economic forecasts in our investments but rather seek to have a portfolio of resilient business models that can perform well in good economic times and bad.

Our approach has been to concentrate capital on our highest conviction investment ideas best positioned to deal with the current environment. We have conservatively shifted our capital towards businesses with low valuations which are generating strong cash flow and have attractive long-term growth potential. We believe these companies have much less risk than "story" stocks where favorable future events need to play out to generate investor returns. We do not rely on predicting future events or environments but prefer to pay modest prices for businesses that are already working well and have significant resiliency and an upside in long-term growth potential.

We believe the market shift towards companies with solid earnings and cash flows on a current basis continues as interest rates have moved up, money is no longer "free", and large technology companies have become highly valued. These companies, with solid earnings and cash flows, are our area of focus. Our primary focus is on the long-term preservation of capital and the conservative growth of capital. We believe our current investments remain significantly undervalued based on their cash generation and long-term growth prospects and will opportunistically adjust our exposure going forward.

We remain cautiously optimistic due to our focus on specific investment opportunities we have uncovered, as well as the performance to date of our portfolio companies. There are 8,000 publicly traded companies in North America; we only need a few that work for us.

Our strategy has not changed – we continue to focus on highly cash generative business models with strong balance sheets and large free cash flow yields that are sustainable. We continue to use our investment strategy that has worked over many years to purchase companies that we believe are undervalued based on their earnings, cash flow, and balance sheet characteristics. Furthermore, with high valuations of large technology companies, we believe better returns are likely to be found in undervalued businesses with low multiples and high ROIC business models in both the U.S. and international markets. It is possible that market volatility could ultimately drive investors back to our value-oriented approach to investing. We will continue to take a "bond like" approach to investing in equities with our strong focus on unleveraged free cash flow yields.

With the U.S. large technology companies trading at premium valuations, European markets have been largely overlooked by investors who have favored the high-growth American tech sector. As we navigate an uncertain economic climate in the U.S., we believe that Europe is becoming increasingly attractive. European stocks are at historically low levels relative to U.S. equities, creating an appealing opportunity to reduce risk and mitigate volatility. European equities trade at a considerable discount compared to U.S. stocks, with price-to-earnings ratios often 30% lower. While European markets have lagged their U.S. counterparts since 2008, recent shifts suggest a potential turning point. The AI-driven rally has primarily benefited American technology firms, while Europe has faced higher energy costs due to the war in Ukraine.

Europe has demonstrated resilience in times of crisis, as seen during the Eurozone debt crisis and the post-pandemic recovery. However, pessimism surrounding the region has persisted, fueled by events such as Brexit, the war in Ukraine, the energy crisis, and ongoing regulatory hurdles. This has led to a widespread perception that Europe lacks innovation and that excessive government intervention will stifle business growth. However, we have found several European and U.K. businesses that are generally well-managed, delivering high returns on assets and trading at substantial discounts compared to their U.S. peers. For investors seeking high-quality companies at reasonable valuations, the European landscape is attractive. This is supported by favorable valuations, strong business fundamentals, and competent, strategically aligned management teams. As we continue to search for long-term investment opportunities, we see European value stocks as an appealing choice. Their attractive valuations suggest the potential for solid returns.

We believe most of the Partnerships' investments have nearly 10% or greater unleveraged free cash flow yields. While we have little confidence in our ability to forecast the stock market, we are more confident of the free cash flow yields that support our investments. We do a lot of work to maximize our confidence that these free cash flows are sustainable and reliable. This is what keeps us invested in carefully selected equities. We believe our large free cash flow yields provide a significant margin of safety for our investments. Our focus with the Partnership is to find companies that can sustainably generate free cash flow over several years. We have found this to be the most reliable and conservative method to drive investment returns for the Partnership.

We believe we are invested in high-quality businesses that can compound capital over several years. As a result of their high ROIC, our investments generate large and sustainable amounts of free cash flow as they are not capital-intensive.  These business models give the Partnership the best opportunity to grow its capital in a disciplined manner over long periods.

We stay focused on what we can control, which is our deep, research-intensive process of business analysis and our due diligence process. This includes making sure we know the company's fundamentals and its "competitive moat." We're looking for a handful of investments that have a good growth path. Our objective is to **buy growth companies at value prices**.

**Good Businesses with Low Expectations**

We are focused on investing in good businesses with low expectations (i.e., low valuations). For us, a "good" business earns high returns on invested capital or where you don't spend a lot of money to make a lot of money. We look at businesses where the total investment in tangible assets to run the business (i.e., net working capital plus the book value of property, plant, and equipment) are modest relative to the sustainable operating earnings or free cash flows. These businesses are not capital-intensive. Businesses with high returns on invested capital tend to be strong generators of free cash flow. These are businesses that we like very much.

In terms of low expectations, our investments generally have low valuations, and this helps reduce risk. The market does not expect much from the business in the future or is worried about current earnings or free cash flow sharply declining. These may also be situations where a business is simply misunderstood or undiscovered. Our general experience is that if the business can exceed these low expectations or generate results that are less bad than expected, the stock price is likely to increase. Also, if expectations are low, when results are disappointing, the stock is likely to decline less than otherwise. We spend a lot of time studying these types of companies to try to get comfortable that their prospects are better than the market believes. Often specific businesses or industries get painted with a broad brush and their valuations are driven down to what we find to be attractive levels. We think our focus on these out-of-favor companies and industries create an opportunity to earn better risk-adjusted returns than the general market.

**Focus on Smaller Companies**

We focus on smaller companies, searching for "low-risk, high-return" opportunities. We believe a few good ideas can drive the Partnership's results. We believe the Partnership can generally achieve better risk-adjusted returns by uncovering a few small "gems" versus focusing on larger companies or macro issues which are much more widely covered. Our focus on smaller, less followed companies represents a sustainable competitive advantage for the Partnership relative to larger investment funds that must focus on much larger companies. Our empirical investment experience validates this belief, as our most successful investment positions have consistently been smaller companies.

We are specifically looking for small companies that may appear risky on the surface but are less risky due to characteristics such as: (a) cash-rich, "Ft. Knox" type balance sheets, (b) consistent free cash flows; (c) unique niches or business models; (d) very low valuations with minimal expectations embedded in the stock price; (e) excellent long-term growth prospects; and (f) honest and intelligent management teams that are highly focused on driving shareholder value. Most small companies do not possess **any** of these characteristics. We focus most of our attention on a handful of companies that we believe possess almost **all** these characteristics.

**Top Long and Short Positions**

Our top long positions, as of February 28, 2025, were as follows:

LSI Industries (LYTS)
Brady Corporation (BRC)
International Workplace Group Plc (IWG.L)
Academy Sports and Outdoors (ASO)
Macfarlane Group Plc (MACF.L)
Leon’s Furniture (LNF.TO)
QEP Co (QEPC)
Hollywood Bowl Group plc (BOWL.L)
Duratec Limited (DUR.AX)
Insight Enterprises (NSIT)

We believe our long positions have strong competitive niches, large and sustainable free cash flow yields, low-risk balance sheets, recession earnings capability, shareholder-oriented management teams, and attractive risk-reward characteristics. You will find that most of these companies are not household names and that is exactly as we intended. We are seeking to maximize our competitive advantage by investing in under-followed companies where we may have a greater opportunity to understand the company and the investment better than other investors.

**Position Sizes**

The Partnership’s investments are diversified across a wide range of businesses. Our goal is generally to have core position sizes in the 3% to 6% of total capital range and limit our exposure to any one specific investment to approximately 10% of capital or less. We think this helps limit our downside exposure to any one investment position while retaining substantial upside for those investment positions that work out as expected. Our investment positions are also diversified across several different industries.

**Northern Exposure**

We continue to seek out what we believe are attractive values for good businesses in Canada, our neighbor to the north. Canada has a population of about 35m or about 10% of the U.S. and we believe its economy remains in reasonable shape. Canada’s debt to GDP is currently well below U.S. levels. Canadian banks avoided much of the real estate problems of 2008-9 in the U.S. by maintaining more disciplined underwriting standards in making real estate loans. Canada is a natural resource-oriented economy with substantial oil and gas reserves. We will continue to carefully monitor the impact of oil price changes upon the Canadian economy.

## Recent Investments

Our optimism regarding the future of the Partnership relates directly to our specific investment positions, which we believe are significantly mispriced relative to their intrinsic values. Certain of these are detailed below:

### Leon’s Furniture Limited (LNF.TO)

Leon’s Furniture Limited (LNF.TO) operates as a retailer of home furnishings, mattresses, appliances, and electronics in Canada. It operates in two segments, Leon’s and The Brick. The Company provides repair services for household furniture, electronics, appliances, home office products, and more. It also operates as a commercial retailer of appliances to builders, developers, renovators, property management companies, hotels, extended care industries, and more. The Company sells its products through a network of retail stores under the Leon’s, The Brick, The Brick Outlet, and The Brick Mattress Store banners. Leon’s Furniture Limited was founded in 1909 and is headquartered in Toronto, Canada.

LNF has several characteristics we like including (1) a highly resilient business model with a strong market share and customer relationships, (2) a highly cash-generative business with modest capital expenditure needs, (3) a strong focus on value-added services with “stickier” customer relationships, (4) durable demand expected to grow alongside the Canadian economy, (5) a strong competitive advantage primarily due to scale, (6) an attractive valuation trading at less than 5x adjusted EBITDA, a double-digit free cash flow yield, and 10x earnings, (7) a track record of strong growth in revenues, adjusted EBITDA, and adjusted EPS since FY 2013, (8) disciplined management team with a track record of strong performance, (9) a “Ft. Knox” balance sheet with net cash position of about C$110m, (10) a long-term strategy to grow sales, (11) a high-ROIC business model with limited capital requirements, and (12) an additional catalyst from a potential REIT spin-off that could unlock C$0.5b or significantly more in real estate value.

LNF has 68m shares outstanding, with a share price of C$23, giving it a market cap of approximately C$1.6b. With net cash of about C$110m, LNF has an enterprise value of about C$1.5b. Over the last 10 years, LNF has generated over C$1.5b of free cash flow and repaid all its debt from acquiring The Brick in 2013. LNF has bought back stock and paid dividends to shareholders. LNF has a ROIC of ~20% illustrating their strong return expectations and generates a double-digit free cash flow yield with strong long-term growth potential at current price levels.

We believe LNF can continue to grow sales and maintain their net income margins at current levels while maintaining their strong cash position. As they execute their high ROIC, cash-generative business model, we expect adjusted EBITDA could grow from current levels of around

C$300m to C$350m to C$400m over the next several years. We believe LNF could trade for a modest 7x EBITDA multiple which, based on 68m shares outstanding, would result in a share price of C$36 to C$41 or higher. In addition, LNF has very significant owned real estate assets which it may spin off into a REIT, which could generate potentially another C$0.5b or more in value.

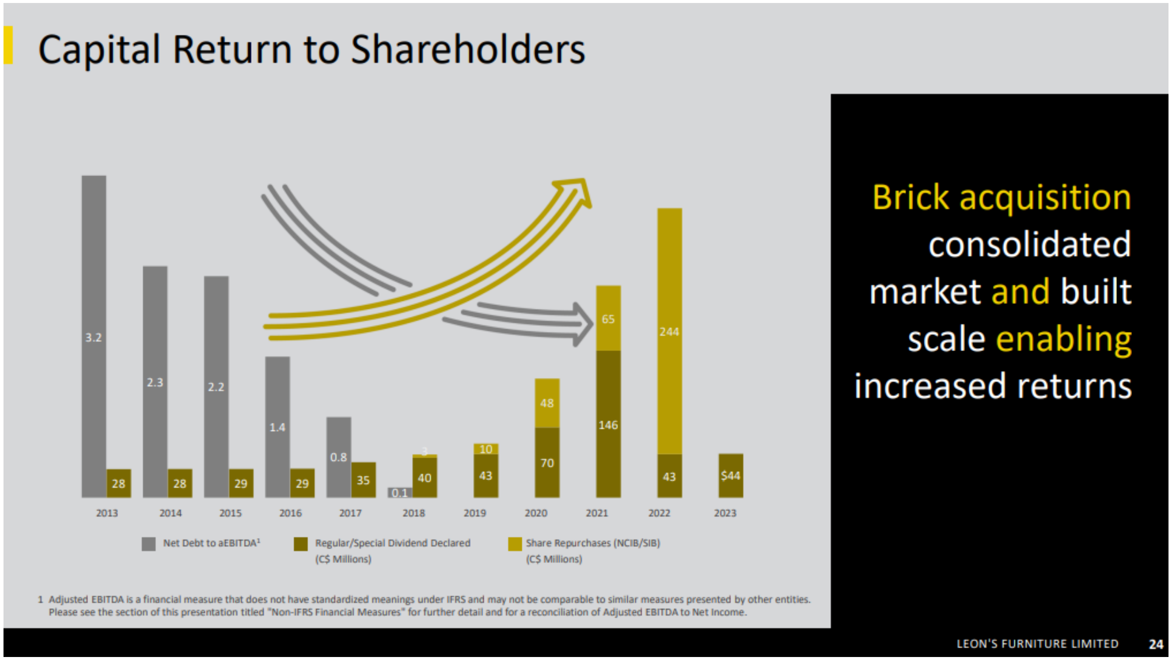
Founded in 1909 and approximately 70% family-owned, the company has a long track record of growth, leading to its position as the largest furniture retailer in Canada, with about a 15% market share in the segments they operate in. LNF operates 202 corporate-owned stores and 101 franchised stores. Their revenue breakdown is as follows: furniture accounts for 50%, appliances for about 30%, mattresses for 15-20%, and electronics for around 5%. The Company experienced significant inorganic growth through its acquisition of the Brick in 2012.

In recent years, management has actively sought to unlock value for shareholders, believing that LNF shares are undervalued. They have increased investor materials and engagement, repurchased a significant number of shares, and have discussed spinning off their real estate into a REIT.

LNF has a resilient business model that has performed well over its 100+ year history of operations even in difficult economic environments. Over the past 14 years, the store has demonstrated steady financial performance, maintaining gross margins in the low to mid-40% range and net income margins of 4% to 9%, without any recorded losses. This impressive consistency reflects their dedication to a conservative and efficient long-term approach.

During Covid-19, LNF benefited from the investments made in its ecommerce presence that smaller competitors could not replicate. LNF’s omnichannel capability allowed the company to continue to operate through the lockdown and post very high year-over-year growth rates. LNF has an ability to manage through challenges as they arise.

LNF has a highly cash-generative business model with low capital expenditure needs. LNF has generated approximately C$1b or more of cash from operations over the past 5 years, which is over 80% of its current enterprise value. The free cash flow generated by LNF puts the company in a very strong financial position. In 2013, LNF took on about C$500m of debt to buy The Brick. Since then, LNF has generated over C$1.5b of free cash flow which it used to pay down its debt, repurchase shares, and pay dividends.




LNF has a well-established track record as a retail operator. We like to invest in companies with a demonstrated track record of disciplined, successful growth over many years. Between 2013 and 2023, LNF grew system-wide sales at a cumulative annual growth rate, or CAGR, of 3.7%, adjusted EBITDA by 7.4%, net income by 7.3%, and EPS by 8.8%. In that same time frame, the Company repurchased C$410m of common shares, paid out over C$500m in dividends, and repaid C$445m of debt.

We believe that LNF will continue to grow as the company benefits from macro tailwinds. High levels of immigration in Canada are likely to drive an increased number of households translating into increased home furnishings sales as people need furniture, appliances, and mattresses in their homes. These macro tailwinds along with its strong distribution network and a core focus on omnichannel capabilities should put LNF on a strong growth path over many years.

LNF has a “Ft. Knox” balance sheet with a net cash position of C$110m. We believe that LNF’s strong balance sheet substantially reduces the long-term risk of investment. We also believe it gives LNF significant optionality to return capital to shareholders. Its strong balance sheet enables LNF to conservatively fund investments in existing businesses as well as additional opportunities.

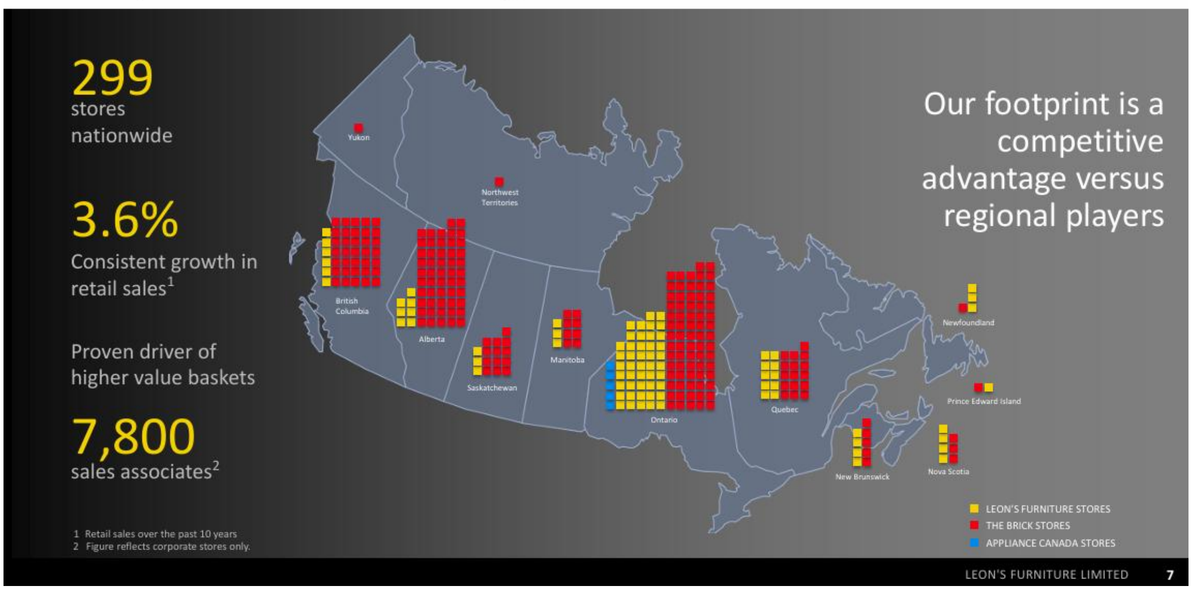
With 70% insider ownership, the original Leon family remains deeply involved in operations. Leon’s adopts a customer service-centric approach, led by CEO Michael Walsh, who places a strong emphasis on enhancing customer experiences.

With over 300 stores, LNF is the largest furniture retailer in Canada. This extensive network provides them with a valuable distribution system, convenient locations for customers, low prices through economies of scale, greater marketing resources, and preferential inventory purchasing. These advantages are particularly beneficial in Canada's fragmented furniture retail industry.

LNF creates a differentiated customer experience by offering name-brand products with a broad selection that includes value-priced items. Their approach is different from Ikea, which operates under a different model and targets a different type of customer. Ikea focuses more on one-off pieces, while LNF offers sets and preassembled furniture. Additionally, Ikea has only 16 large stores in Canada, each averaging 300,000 to 500,000 square feet, compared to LNF's approximately 300 stores, which average 100,000 square feet per store (excluding the BC locations). This allows LNF to cater to a wider range of customer needs and preferences.

As the largest furniture retailer in Canada, LNF is tied to how the Canadian economy performs over the long term. While there will be economic downturns in Canada’s future, over the long term the Canadian economy should continue to prosper as it has for the past decades.

## Comprehensive coverage across Canada




Canada's economic strength is further enhanced by its close ties to the U.S. economy, the largest and most influential in the world. The country's richness in raw materials, coupled with its favorable rule of law and strong regulatory framework, creates an environment conducive to business. Additionally, Canada's population growth, driven significantly by immigration, has been a key driver of economic expansion. Canada leads the G7 with its assertive immigration policy, welcoming 1.8 million people in the past five years. Over the next couple of years, another 1.5 million arrivals are expected, which will further boost the population and household numbers.

With a population now at approximately 40 million and a steady growth rate of around ~1.1% per year, the country continues to offer a growing market for businesses. Furthermore, Canada's GDP per capita, currently the 18th highest globally at approximately $56,000, has seen robust growth at an average rate of about ~3% annually over the past two decades. This economic stability and growth make Canada an attractive place for investment and business, ensuring a favorable environment for LNF's continued success.

LNF operates a portfolio of brands including Leon’s, The Brick, Appliance Canada, and specialized outlets like The Brick Outlet and Mid-Northern Appliance. This brand diversity allows them to serve different market segments, from high-end to budget-conscious consumers, effectively covering a wide range of customer needs across the country.

We believe LNF can continue to grow sales and maintain their net income margins at current levels while maintaining their strong cash position. As they execute their high ROIC, cash-generative business model, we expect adjusted EBITDA could grow from current levels of around C$300m to C$350m to C$400m over the next several years. We believe LNF could trade for a modest 7x EBITDA multiple which, based on 68m shares outstanding, would result in a share price of C$36 to C$41 or higher. In addition, LNF has substantial owned real estate assets, which it may spin off into a REIT, which could generate potentially another C$0.5b or more in value.

**Short Positions**

We have sought to protect the Partnership’s capital with short positions of 1% or less on several companies with extremely high valuations and unsustainable business models. As of February 28, 2025, the Partnership had 6 short positions. We continue to research several short position candidates.

**Concluding Thoughts**

We think we own an excellent group of businesses with asymmetrical risk-reward characteristics biased in the Partnership’s favor. We have long-term confidence in the North American and Western European economies and believe carefully selected equities remain one of the best ways to participate in their economic growth and protect purchasing power from inflation. We have tried to position the portfolio to achieve these objectives.

We focus on detailed research on individual investment opportunities with asymmetrical risk-reward characteristics in the Partnership's favor. We are keeping the Partnership's capital well-diversified in companies with "Ft. Knox" balance sheets. We are doing our best to balance well-publicized macro risks against our micro work on specific companies. A "Ft. Knox" balance sheet, both at the Partnership level and at our individual investments, helps us sleep better at night. Our first goal is always capital preservation, followed closely by prudent, intelligent growth of capital.

We believe that small-cap stocks offer us excellent opportunities for attractive risk-adjusted returns. Most investors on Wall Street simply cannot focus on these smaller companies due to their small size. This should give the Partnership an advantage over time. There are greater opportunities to find a specific business or security which is meaningfully mispriced before it becomes clear to other investors. We do a large amount of research on these individual positions to achieve a high conviction level which allows us to establish and remain committed to a larger position. We often have detailed discussions with the senior management of our investments to better understand these companies and their industries and thereby strive to increase our competitive advantage.

We are one of the largest investors in the Partnership and continue to have a significant investment. We will always maintain a large amount of capital in the Partnership and make sure our interests are closely aligned with our limited partners.

Our goal is to significantly outperform the major indices over a three- to five-year period while taking a conservative approach to risk and we continue to believe we can achieve this goal.

We remain cautiously optimistic about our investments due to our continued ability to find what we believe to be good businesses that are undervalued. We are doing our best to position the Partnership to earn attractive risk-adjusted returns in this environment. We appreciate your patience.

Please do not hesitate to call (310-426-2045) or email (jez@lowellcap.com) us with any questions. We appreciate your confidence in the Partnership, and we will do our best to protect and conservatively grow the Partnership's capital over time.

Sincerely,

Jim Zimmerman,
Portfolio Manager

Abby Zimmerman,
Research Analyst

The information contained in this investor letter, which is a quarterly publication circulated by Lowell Capital Value Management, LLC ("**Lowell**"), is for informational purposes only designed to highlight various market and portfolio information.

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