

# Evercel

October 18, 2018

Dear Shareholder:

Evercel's performance in Fiscal Year 2018 gives us much to be excited about. Printronix's strong results reflect the success of a multi-year effort to retool the Printronix business, and separately we successfully closed two investments in SharpSpring totaling \$10.1 million with performance in the public market to date already far exceeding expectations. With the proceeds of distributions from Printronix, Evercel has a strong balance sheet to pursue new opportunities.

Our primary operating business, Printronix, more than tripled its cash flow over the previous year (achieving the highest free cash flow since we acquired the business), generating \$10.8 million of free cash flow compared to \$3.4 million the year before). The success was largely the result of the significant efforts over the past two years to focus on optimizing the core business after the sale of the thermal product line, and rethinking many aspects of the strategy and operations to reduce our cost structure and help optimize our pricing and go-to-market approach. In addition, we benefitted from strong sales from a few large customers in the United States—which we expect will also lead to future consumables revenue.

For the past year, we have been particularly active in pursuing acquisition opportunities in the printing sector to build on our existing platform and leverage our knowledge and relationships in the industry. We have identified segments of the industry we believe to be some of the most attractive to us, and have pursued companies in those segments. We continue to work towards closing a deal in that sector.

In addition to acquiring businesses in the printer industry, we are looking for operating businesses in stand-alone new platforms, ideally in the \$20 to \$150 million enterprise value range, where we can invest \$20 to \$50 million of equity to acquire at least a majority ownership. We are focused on finding unique situations that are not sought after by the broader private equity industry, possibly due to some undesired complexity. We are targeting under-managed companies to replicate our Printronix playbook and are currently particularly focused on companies in the sectors of online travel or distribution/logistics, but open to a wider range of opportunities.

Though outside our core mission to acquire operating businesses to grow our printer industry platform and find new unrelated platforms, we also work on opportunistic investment opportunities where we believe we can achieve attractive returns from our balance sheet cash, one of which resulted in us investing an aggregate of \$10.1 million in SharpSpring, comprised of \$2.1 million in public shares and \$8 million in a convertible note. The price of SharpSpring's stock in the public markets has increased from less than \$4 when we first started investing and bought the public shares, to over \$13 (average over past month).

In summary of the holding company, Evercel has its 80.1% ownership of Printronix, its investments in SharpSpring, plus approximately \$18.7 million of cash (excluding cash at Printronix).

Attached are the audited financial statements of Evercel's fiscal year, which ended in March of 2018, as well as a Management Discussion and Analysis section that we have included to provide greater insight into the business. We plan to hold a Shareholder's Meeting in January. Details will be posted at [www.evercel.com](http://www.evercel.com), issued through a press release, and go out through email to those who have signed up for Evercel announcements. Formal notice and supporting documents will be distributed to shareholders as well.

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 from maximizing the value of our underlying assets. We welcome suggestions from our shareholders.

**Daniel Allen**  
CEO

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