

AVENTINE CAPITAL PARTNERS

October 13, 2025

RE: Letter to Limited Partners, Q3 2025

Dear Partners,

The fund returned 0.1% (net of all fees and expenses) for the third quarter of 2025.¹

	Net Performance			
	2025		Since Inception*	
	Q3	YTD	Total	Annualized
Aventine Capital Partners LP	0.1%	29.5%	21.7%	15.9%
MSCI ACWI ex-USA ²	6.9%	26.0%	25.7%	18.8%
S&P 500 ³	8.1%	14.8%	29.0%	21.1%

**June 2024*

Portfolio Composition				
Top 5	Top 10	Long	Short	Net
55.3%	83.5%	95.8%	0.0%	95.8%

Geographic Exposures			
North America	Europe	APAC	Emerging
14.2%	74.0%	0.0%	7.6%

The following top five holdings accounted for 55% of the portfolio (alphabetical):

Helios Towers: This UK-listed telecommunications infrastructure company is a leading operator of cellular towers across nine markets in Africa and the Middle East. The business acquires, builds and maintains the towers on which mobile network operators (MNOs) install and operate their antenna equipment. African mobile user penetration and data consumption rates are less than half those of developed markets. Helios stands to benefit as demographic trends and rising data usage drive higher tenancy ratios on its towers. Since listing in 2019, Helios has expanded from five to nine markets and doubled its tower count to 14,500 via a series of acquisitions while maintaining relatively low leverage. Contracts are 70% hard currency with blue-chip global MNO clients and include pass-through clauses for power and cost inflation. This high-margin business (50% EBITDA margins and 10% maintenance capex) offers a utility-like service with inflation protection. Helios trades at a material discount to global peers despite having lower leverage, higher growth rates and an inflecting free cash flow profile. The enterprise currently trades at 8.0x next year's EBITDA and 6.0x my estimate of mid-term EBITDA, far below recent industry M&A transactions.

Totvs SA: This Brazilian company is a dominant provider of Enterprise Resource Planning (ERP) software. It has 50% market share among smaller firms in Brazil and a 34% overall market share, competing at the

larger end with SAP, Oracle and Microsoft Dynamics. The CEO, Dennis Herszkowicz, has overseen the successful transition from license to subscription sales and is now expanding the offering to include ERP-enabled financial services, CRM and marketing platforms. In July 2025, Totvs agreed to acquire Linx, a large competitor where Dennis used to be CFO. As with all ERP businesses, the revenue is extremely sticky: Totvs has 98% revenue retention and is growing sales at double digit rates. The business is cash generative and has net cash, although this will swing to net debt following the Linx acquisition. The company has been repurchasing shares, which currently trade for 3x my estimate of mid-term recurring revenue and 11x EV/EBITDA, less than half the valuation metrics of slower-growing international peers.

TT Electronics: This UK-listed business is a global designer and manufacturer of electronic components serving Original Equipment Manufacturers (OEMs) across a wide range of end markets. Over 70% of its sales are low-volume, high-spec components and over 50% serve highly regulated industries including healthcare, aerospace and defense. TT has grown over the years via M&A and operates 16 design-manufacturing facilities on three continents, utilizing a highly federated operating model that has led to inefficient operations and below-peer margins. The company is executing an aggressive restructuring program designed to cut costs and streamline operations. Following a September 2024 profit warning, the market has lost confidence in management and in April 2025 the CEO resigned and the recently appointed CFO shifted into the executive role. The company has received at least three non-binding acquisition offers from two bidders, the highest of which was an all-cash offer of >140p/share. The board rejected each bid as “fundamentally undervaluing” the business and is committed to the ongoing restructuring program. Shares trade for 6.5x my estimate of 2027 earnings and 5.0x management’s target earnings potential.

Vicat: This French-listed materials business operates vertically integrated cement, aggregates and ready-mix concrete plants across twelve markets globally. France is 30% of sales and the U.S. is 20%. It is controlled by a multigenerational founding family who are active in management and own 63% of the equity. Free cash flow has been suppressed for several years due to large growth capex initiatives, most notably in Alabama and Senegal. Both projects completed in 2024 and capex has declined to historically normal levels. As with peers, Vicat suffers from a severe undervaluation of its North American operations, which represent 23% of group EBITDA but if valued in line with U.S. peers is worth 48% of Vicat’s enterprise value, leaving the rest of the business trading at 3.3x EV/EBITDA. It is unlikely the family will do anything to address this undervaluation, but options exist. Meanwhile the 6.3% dividend yield (on our cost basis) and double-digit levered FCF yield provide a valuation underpin. Shares trade at large discounts to peers, below replacement cost and for 4x my estimate of mid-term EV/EBITDA.

Vistry Group: This British homebuilder utilizes a differentiated model of partnering with public and private sector property managers to develop or redevelop land into residential communities for sale, for rent, and for government-subsidized homes. Unlike traditional homebuilders, Vistry’s partnership model delivers a less cyclical earnings stream that requires less upfront spending on land and development, allowing for returns on capital employed that can exceed 40%. During the fourth quarter of 2024 the company issued three profit warnings for matters that I believe are isolated and resolvable. Shares traded down sharply and remain around 1.0x P/NAV, implying that little value is being assigned to future earnings. The UK remains structurally underbuilt, particularly in the types of affordable housing in which Vistry specializes. Shares trade for 5.0x my estimate of mid-term earnings and a low-teen free cash flow yield.

What's not going to change

"I very frequently get the question: 'What's going to change in the next 10 years?' And that is a very interesting question; it's a very common one. I almost never get the question: 'What's not going to change in the next 10 years?' And I submit to you that that second question is actually the more important of the two – because you can build a business strategy around the things that are stable in time."

-Jeff Bezos at an AWS conference in 2012

Amazon has been so successful and dynamic not because Jeff Bezos was a visionary making moonshot bets, but rather because he nurtured a corporate culture that relentlessly focused on one timeless certainty: that customers in the future will still value low prices, vast selection and efficient service. This premise underpins nearly everything Amazon has done over the last 30 years, including, ironically, AWS, which originated in the early 2000s as an internal effort to support Amazon's own e-commerce operations.

Instead of trying to predict how the world might change, and which companies might benefit from such changes, we focus on what will stay the same. I look for companies that are incumbent providers of sticky goods or services, with moats around their businesses and high likelihood of revenue and earnings growth. I then value these businesses based on the enduring logic of stable and growing cash flows.

Consider our top five holdings. Four of them produce "timeless" goods and services that are certain to be needed in 10 years: homes (Vistry), concrete (Vicat), specialized electronic components (TT Electronics), and cellular tower infrastructure (Helios Towers). The fifth, Totvs, is an incumbent provider of enterprise software in Latin America, with mission critical products that result in sticky customers, but also with exposure to the disruptive risks of AI on a 10-year view (as with every other software company).

To be clear, it's not enough to simply produce a "timeless" good or service. Competitive forces exist in all industries and lazy incumbents lose share over time. For example, I recently met with Andrew Livingston, the CEO of Howdens Joinery, a leading supplier of kitchens and joinery products in the UK and parts of Europe. Howdens serves trade buyers through a network of depots and has nearly perfected a decentralized organizational model, giving depot managers broad autonomy over their local pricing and marketing strategies. Andrew estimates that Howdens is gaining 100 basis points of market share annually thanks to their entrepreneurial culture, low-cost model and unrivaled in-stock distribution network. In 10 years, Howdens will almost certainly be selling more kitchens than it is today. We don't currently own Howdens in the partnership but easily could at the right valuation. And more to the point, I would never consider owning any of its competitors, despite the timeless demand for their products.

My focus on what's not going to change over the next decade extends beyond the products and services of the operating businesses we own to also consider how we underwrite intrinsic value itself. Nothing in life is certain (other than death and taxes), but some things are highly probable. I have no idea where stock prices will be in 10 years, let alone 10 days. But I'm highly confident that investors in 10 years will value stable and growing cash flows. In fact, I'm modestly confident that in 10 years investors will value cash flows *more* than they do today. This is what I focus on: owning the equity of prudently capitalized

businesses that can grow per share cash flow faster than inflation, with management teams that know how to reinvest excess capital or else return it to shareholders.

It's as simple as that. Of course I prefer high growth over low growth, and high margins over low, but the key considerations are no more complicated than assessing (1) a business's normalized earnings potential, (2) its ability to reinvest those earnings into accretive growth, and (3) whether the market is fairly valuing these earnings relative to the risk-free alternative. These are the things that matter most over time.

This letter includes an appendix overview of Alight Inc., a large holding that has performed poorly to date. I believe the market is overly concerned with "what's going to change in the next 10 years" and not focused enough on what's *not* going to change. As the appendix outlines, Alight is an incumbent provider of critical employee benefit services to 70% of the Fortune 100 and 50% of the Fortune 500. While AI will certainly change how these services are delivered, I do not believe AI will change the need for 3rd party benefits administration, and in fact I think AI has the potential to materially reduce Alight's cost to serve, potentially driving its margins up over time.

As an aside, Alight is the third portfolio holding I've provided a deeper dive into, the prior two being TT Electronics and Vistry Group. This hat-trick of companies represents our three worst performing positions at various points in time since inception. I hope that by shining a light on our "problem investments" you can gain some familiarity with and comfort in the strategy. I don't like being promotional but will note that our portfolio is +30% net year-to-date despite these underperformers, thanks in part to six other holdings that are each up over 50% since December. We continue to hold TT Electronics, Vistry Group and Alight.

A postscript to last quarter's letter

Last quarter's letter (*Thinking Fast & Slow*) mentioned portfolio holding Treatt PLC as an example of an investment made utilizing "fast" analytical insight. I built Treatt to a 3% position, despite a relative lack of familiarity, given what I considered to be overwhelming evidence of mis-valuation and extreme downside protection. Since then, two strategic buyers have emerged. One has built a 10% equity stake and the other has made an outright offer for the business at 290p/share, which the board has endorsed. This sort of quick win (+30% in less than 6 months) is not the type of investment I seek for our partnership, and if the pending acquisition closes I will consider Treatt to have been stolen from us. But it is a good postscript to the point I was trying to make last quarter, that sometimes opportunities are only available for a moment.

In Closing

Thank you for your confidence and support. As one of the largest investors in the fund, my experience is the same as yours. I remain excited about the valuation prospects of the companies that we own.

I'm appreciative of introductions to investors you think might be a good fit for the partnership. Referrals from existing partners are the best as I try to attract people aligned with our strategy.

Please don't hesitate to reach out with any questions or ideas.

Sincerely,



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¹ All performance figures represent unaudited net performance estimates for partners that made initial contributions at the inception date in the Founders' Series of partnership interests. Individual partner returns may vary depending on the timing and series of their investment. The partnership is audited on an annual basis.

² The MSCI ACWI ex USA index captures large and mid-cap representation across 22 of 23 Developed Markets countries (excluding the United States) and 24 Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the US. It is a total return index inclusive of net dividends received.

³ The S&P 500 includes 500 leading companies in the U.S. and covers approximately 80% of the available market capitalization. It is a total return index inclusive of gross dividends received.

Appendix: Alight Inc**FY25e Summary Figures:**

Share Price (10/10/25)	\$3.04	Revenue (\$mn):	2,282
Diluted S/O (mn):	534	Adj. EBITDA (\$mn):	583
Market Cap (\$mn):	1,623	4-yr revenue CAGR	1.0%
Enterprise Value (\$mn):	3,328	4-yr avg. EBIT margin:	22.7%
Net Debt / EBITDA:	2.9x	4-yr avg. ROIC:	62.3%

Introduction

Alight has been in the portfolio since our inception last June. Its shares have fallen 56% year-to-date, including 47% in the past ten weeks, after management lowered revenue guidance and pushed out expectations for a return to growth from 2025 to mid-2026. This year's revenue will likely decline about 2% versus 2024, while EBITDA and net income will in fact rise roughly 10% thanks to ongoing margin improvement initiatives. The market has extrapolated these short-term topline setbacks into a permanently lower earnings trajectory and is worried about the disruptive risks from AI. I think this concern is misplaced.

Alight trades at a distressed valuation despite the business being far from distressed. More than 90% of revenue is recurring, margins continue to expand, and the balance sheet is sound—net leverage will fall below 3x EBITDA by year-end with no maturities until August 2028. Short interest of less than 6% suggests the problem is a lack of natural buyers rather than an abundance of sellers.

The company generates strong free cash flow. It pays a 5.3% dividend yield and has a \$240 million repurchase program that could retire 15% of shares at current prices. Alight trades at 6.5x EV/EBITDA on 2026 estimates, less than 6x earnings and a 7.7% FCF yield. The market is discounting a permanent impairment to revenue growth and earnings power that I do not believe exists. On my revised base case, the equity offers a 2.2x return and 28% three-year IRR to \$6.70/share.

Company Overview

Alight is a U.S.-listed provider of outsourced benefits administration. It manages healthcare and retirement programs for large employers, serving 70% of the Fortune 100 and half of the Fortune 500. About 92% of revenue is recurring and client retention has historically been 95%. Elevated churn has reduced the retention figure for the last two years and prompted investor concern that the causes may be structural rather than temporary. Unlike most of our holdings, Alight's revenue is almost entirely U.S.-based.

The company generates roughly \$2.3 billion in annual sales, with roughly 75% from Health Solutions and the balance from Wealth Solutions and adjacent HR services. Corporate clients pay Alight an average of ~\$6 per employee per month (PEPM) to handle administrative services such as annual health-plan enrollment, claims management, 401(k) elections, and other benefits tasks. Alight ensures regulatory compliance and provides a centralized platform from which employers can oversee their HR offerings and

employees can access their non-payroll benefits. If you work for Starbucks, Target, Home Depot, Raytheon, Johnson & Johnson, or hundreds of other major corporations, the benefits portal you log into is powered by Alight.

Formerly a division of Aon, Alight was acquired by Blackstone in 2017 and IPO'd in 2021. Operational missteps in 2023 led to elevated client churn that has weighed on growth in 2024 and 2025. Activist involvement prompted a board refresh in early 2024, and Dave Guilmette—a veteran of Aon and Cigna—became CEO last August. Since then he has upgraded the management team, stabilized churn, and sold the lower-margin Payroll and Professional Services businesses for \$1.2 billion (10x EBITDA and 24x FCF), divesting ~\$1 billion of revenue while leaving a focused, higher-quality benefits-administration franchise.

In 2024 the company completed a multiyear migration of its platforms to the cloud, enabling AI-driven automation and client-specific customization at lower cost. While the migration was a technical success, service quality slipped during the transition, leading to customer dissatisfaction and higher churn as contracts came up for renewal. Because contracts turn over gradually, issues that surfaced in 2023 have continued to affect renewal rates in 2024 and 2025, resulting in modest revenue contraction. Management initially guided to a return to growth by late 2025 but now expect that inflection in 2026. As described below (see “Recent Events”), this is the primary reason for the stock’s de-rating this year.

Industry Dynamics

Employee-benefit administration is a low-growth, high-retention industry characterized by long contracts and high switching costs. Nearly all enterprise-scale employers outsource the administration of their benefits programs. These include health insurance and retirement plans but also extend to functions such as paid-leave management. Maintaining regulatory compliance and offering high-quality benefits are key criteria for the CFOs and CHROs who hire Alight.

Alight is the largest diversified benefits-administration company but faces capable, scaled competitors in each vertical. In health administration it competes with WTW, Voya, Bswift, Businessolver, and others. In retirement benefits, it competes with Fidelity and Empower across both defined-benefit and defined-contribution plan administration. Growth stems mainly from deepening existing client relationships and layering adjacent services such as healthcare navigation, leave management, and financial advisory. Decision cycles are slow and tied to client budget calendars, leading to lumpy bookings but stable revenue.

Demand for benefits administration tends to track employment levels and wage growth, not GDP cycles, making the industry unusually stable. Employers rarely insource once they’ve outsourced, and employee benefits remain a non-discretionary expense across economic environments.

Complexity itself serves as a moat: new entrants face steep regulatory, data-security, and integration hurdles, while incumbents benefit from scale in processing millions of employee interactions. A senior HR executive at Citi, for example, described Alight as the only viable partner capable of managing Citi’s nationwide health and wealth benefits. With 70,000 employees across all 50 states and frequent foreign executive relocations, Citi relies on Alight’s domain expertise to handle the long tail of edge cases. Citi spends roughly \$8 million annually on Alight’s services and has a clear preference for adding functionality

through Alight’s platform rather than adopting standalone point solutions—underscoring the company’s cross-sell opportunity.

Business Quality

Alight is not a particularly high-quality business. It is labor-intensive, with 34% gross margins and historically low operating leverage. The shift to digital platforms—self-serve portals replacing call centers and paper workflows—has improved margins and holds the potential for further efficiency gains, but this remains a service-heavy business catering to demanding enterprise clients.

Even so, Alight’s economics are improving. Automation and digital adoption continue to lower operating costs and raise incremental margins. With stable recurring revenue, a largely fixed-cost technology base, and limited capital requirements (maintenance capex is ~2% of revenue), free cash flow should expand meaningfully even without topline growth. Most of that cash can be directed to shareholder returns, debt reduction, and selective M&A.

Revenue is extremely sticky and normalized churn is low. Contracts are multi-year and include inflation escalators. At the end of 2024, more than 90% of 2025 revenue was already under contract. Alight’s top 25 clients have been with it for over 15 years, and recent multi-year renewals include Target, Hyatt, and Thermo Fisher Scientific. The migration to AWS and internal automation programs have reduced annual operating costs by over \$100 million, supporting margin expansion despite muted topline growth. Cash conversion is around 50% and guided to improve toward 75% (EBITDA to operating cash flow).

Management Quality

I have interacted with Alight’s prior and current leadership teams since the company went public in 2021. Dave Guilmette, the current CEO, is a high-caliber industry veteran with deeply relevant operational experience at Aon and Cigna. He was brought out of brief retirement by Alight’s board to stabilize the company and has already made notable progress. Churn has declined, customer satisfaction has improved, and the senior leadership team has been materially upgraded.

CFO Jeremy Heaton, although still working to rebuild investor confidence after a series of guidance resets, has executed well on cost reduction and deleveraging initiatives. Credibility will take time to restore, but management’s tone has appropriately shifted from “transformation” to “execution.”

The board has undergone substantial refreshment over the last two years, resulting in a more independent and qualified supervisory body. Six of the eleven directors have joined since 2024. Bill Foley, who brought the company public with Blackstone in 2021, stepped down as Chairman in March and was succeeded by Russell Fradin, a highly respected executive who previously led the merger of Hewitt Associates with Aon and served as Chairman and CEO of the combined entity (remember that Alight was later carved out of Aon Hewitt by Blackstone).

Starboard Value, which owns 8.7% of the equity, has been a constructive influence on governance and strategic focus. Under a 2024 standstill agreement, Starboard appointed two directors and was instrumental

in the CEO transition. Their presence has helped sharpen accountability and reinforced a culture of operational discipline. The effects of these changes are recent and still working their way through the organization.

Capital Allocation & Balance Sheet

Capital allocation since the IPO has been disciplined. The company has reduced leverage, divested non-core assets, and increased capital returns to shareholders.

Alight is one of the most financially levered businesses in our portfolio. It is expected to end 2025 just under 3.0x net debt to EBITDA, with management guiding to remain below that level but clearly comfortable in the 2.5x–3.0x range. This is higher than most of our holdings but reasonable given Alight's sticky revenues and strong cash conversion. The debt is covenant-lite with no maturities until August 2028.

Under Blackstone ownership, Alight carried roughly 6x leverage and came public at 4x in 2021. Deleveraging to current levels was a stated priority and has been achieved on schedule despite muted topline growth and concurrent shareholder distributions.

The dividend was initiated in early 2025, while the repurchase program—originally established in 2022—remains active. The company has repurchased \$259 million of stock over the last three years and retains \$241 million of authorized capacity, equivalent to about 15% of the current market capitalization. Management have said they will be opportunistic in deploying this authorization.

Recent Events

On August 5, Alight reported its 2Q25 results. While the quarter itself was in line with expectations, full-year 2025 revenue guidance was reduced. Management now expect FY25 revenue to decline (3)% to (1)%, versus prior guidance of (1.5)% to +1.5%. At the midpoint, this reflects a ~\$47 million reduction, attributed to ~\$25 million from delayed contract closings, ~\$10 million from lower project revenue, and ~\$12 million from flat participant counts.

All other guidance was reaffirmed, including EBITDA, EPS, operating cash flow, and leverage targets. Management maintained FY25 EBITDA guidance of \$620–645 million and operating cash flow of \$250–285 million, with roughly 95% of revenues already under contract.

This modest revenue revision erased \$718 million of equity value. Shares declined 19% on the day and 26% for the week, as investors extrapolated the update into a structural decline narrative.

The same release also announced a partnership with Goldman Sachs Asset Management to expand Alight's retirement-plan offering. This creates incremental revenue potential—possibly adding 100 basis points of growth beginning in 2026—and further strengthens Alight's underappreciated Wealth Solutions franchise, which I believe holds latent monetization value.

My interpretation of these events

The key variable for Alight is sequential progress toward organic revenue growth. Prior guidance implied a definitive return to organic growth by the end of 2025, however the updated outlook implies that annualized recurring revenue growth will be (1.5)% to +1.9% at year-end. Combined with investor fatigue and lingering credibility issues, this explains the disproportionate share-price reaction to an otherwise modest guidance revision.

There are both positives and negatives to the quarter's developments.

The good:

- Cost savings totaling \$250 million are working, as reflected in the unchanged EBITDA outlook.
 - \$100m annually from the 2023 transformation program (at a \$140m cost).
 - \$75m annually from migration to AWS cloud capacity (completed 2024–25).
 - \$75m annually from post-divestiture efficiency plans (at a \$65m cost).
- 95% of FY25 revenue is already contracted, demonstrating the resilience of the business model.
- Management attributed roughly 60% of the revenue shortfall to delayed deal closures—mainly cross-sells to existing clients—rather than elevated churn or lost business.
- Renewals included Target, Johnson & Johnson, Hyatt, the State of Georgia, Best Buy, Highmark Health, and John Hancock—several of which represent expanded relationships.

The bad:

- Management credibility is impaired, particularly for CFO Jeremy Heaton, a holdover from the prior leadership team. His departure would not be surprising.
- Investor confidence is at a post-IPO low. Shareholders are fatigued by repeated quarterly surprises and are skeptical that the growth algorithm remains intact.
- The likelihood of a near-term strategic transaction or takeout at a fair valuation has diminished.
- Most importantly, the results make it difficult to assess whether the topline issue is primarily a forecasting problem or a business problem.

The market's message is clear: guidance no longer matters—delivery does. Until Alight proves it can grow again, its valuation will remain anchored to doubt rather than cash flow. Yet even if near-term visibility remains limited, today's valuation already discounts a permanently impaired business — a view I believe is far too pessimistic.

Valuation

I underwrite an equity value of \$6.70 per share. This is 8x estimated 2028 EBITDA.

Our financial underwriting is summarized on the final page of this appendix. Only modest adjustments were required to the forecasts, as I was already using assumptions well below management guidance. There is a large margin of safety in this underwriting. The main change lies in the valuation multiples applied.

Previously I valued Alight at a 6% free cash flow yield (equivalent to 12x EV/EBITDA). I now use a 10% free cash flow yield, equivalent to 8x EBITDA and 10x adjusted earnings. This reflects investor skepticism toward companies with limited near-term growth visibility, rather than any structural deterioration in the business. Even if Alight returns to modest growth in 2026, sentiment may take time to recover.

Our mid-term (FY28) projections remain materially below management guidance on nearly every metric:

Metric	Company Guidance	Aventine
Revenue CAGR	4%-6%	2.1%
EBITDA margin	28% (adj.)	25.5% adj.; 23.5% GAAP
Share count	536m (2Q25)	Adding 15m PSUs despite >\$12.50 hurdle
FCF yield	\$250-\$280m (ex-TRA payment)	Including TRA payments, still high-teen yield
Other	<i>We are above guidance on various items: interest payments, capex, NWC intensity</i>	

On these assumptions, Alight currently trades at 6.5x 2026 EBITDA, less than 6x earnings, and a 7–8% forward free cash flow yield. Looking out a few years, shares imply a 19% levered free cash flow yield against 2028 projections that assume no real growth—an excessive discount for a business with over 90% recurring revenue and mid-20s EBITDA margins.

Wealth Solutions Valuation Backstop

Alight’s Wealth Solutions business receives little investor attention but represents a meaningful source of optionality. It is among the top three retirement wealth administrators in the U.S., behind Fidelity and Empower and ahead of Vanguard and TIAA.

In 2018, Alight disclosed that roughly 25% of group revenue came from Wealth Solutions, managing \$480 billion in assets under administration (AUA) across 185 plan sponsors and 4.8 million participants. Following Alight’s 2020 Federal Thrift contract win—which added 6.1 million participants and \$845 billion in assets—AUA expanded to roughly \$1.5 trillion and 12 million participants. In 2023, Pensions & Investments ranked Alight the second-largest defined contribution recordkeeper nationally.

While Alight does not disclose fee rates, management has said Wealth charges below group average pricing. Assuming a \$2 PEPM fee (versus \$6 group average) implies roughly \$288 million in annual revenue—equivalent to 2 basis points of AUA. Incremental margins in this business are substantial, and a strategic buyer such as Fidelity or Empower could realize significant synergies. On my estimates, the division could generate about \$200 million in EBIT to an acquirer and might command a 15x acquisition multiple for a \$3 billion valuation.

Valued another way: comparable transactions within the retirement recordkeeping space have priced between \$350-\$900 per participant. Alight’s business would certainly be at the low end given the size of the Federal Thrift contract. Still, if a buyer paid \$250 per participant that’s a \$3 billion enterprise value.

Even haircutting this to \$2 billion for conservatism, the proceeds would retire all outstanding debt and leave an industry-leading health administration business generating ~\$2 billion in sales and ~\$500 million of adjusted EBITDA. Valued at 8x EBITDA, that implies ~\$7.50 per share, versus ~\$3.00 currently.

There is no pure comparable business to Alight. Its closest comp, Benefitfocus, was acquired by Voya Financial in 2022 for a 50% premium to its undisturbed price, equating to 13.5x adj. EBITDA. Larger and more diversified HR services businesses like WTW, ADP and Paychex trade for 12x-15x EBITDA. Alight currently trades below 6x EBITDA, less than half the valuations of these peers.

Why this opportunity exists

Markets are generally efficient, so it is essential to understand why others are selling when we are buying. In Alight's case, I believe the market has largely given up after several years of disappointment and confusion. The stock's history—a SPAC listing, a large private-equity sell-down, complicated financial reporting, business divestitures, and repeated leadership turnover—has left investors fatigued and disillusioned. Add to that a growing anxiety about AI disruption, and few investors are willing to revisit the story until growth turns positive.

SPAC legacy and reputational damage

Alight came public in 2021 through a SPAC transaction backed by Blackstone and Bill Foley. Investors tend to view SPAC listings with skepticism, associating them with promotional forecasts and poor governance. Those biases were reinforced by Alight's early stumbles—ambitious SaaS targets, messy pro forma accounting, and a multi-year share overhang from Blackstone's staged exit. The result is that many institutions classify Alight as a “failed SPAC” rather than a decades-old services company now run by credible operators. Rebuilding trust will take time, but perception often lags reality.

Transparency discount

Alight's financial profile is difficult to parse. The company reports materially adjusted metrics, some of which are reasonable and others less so. It adjusts for amortization of acquired intangibles (reasonable), stock-based compensation (less so), one-off transformation costs (sometimes reasonable), and a complex tax receivable agreement with pre-IPO investors (selectively reasonable). Sell-side analysts struggle to reconcile adjusted EBITDA to cash flow or to forecast normalized churn. The result is an unusually wide dispersion of estimates and limited conviction around any valuation anchor. Companies that are hard to model tend to trade at large discounts to those that are easy to narrate. The good news is that most of Alight's reporting complexity reflects legacy issues that are now cycling away. As the company reports increasingly straightforward results, this transparency gap should narrow materially.

Narrative Distortion and AI Anxiety

Finally, Alight has been caught in a broader de-rating of human-capital and technology-enabled service companies. Investors worry that AI will compress margins or disintermediate workflows that rely on manual processes. The market has grouped Alight with consulting firms like Accenture—whose offerings are indeed more exposed to automation.

Yet unlike Accenture, whose billable-hour model is inherently at risk of substitution, Alight's revenues are contracted, recurring, and compliance-driven. Its role is to ensure that millions of employees receive the right healthcare and retirement benefits under constantly evolving regulations—a task that demands data integrity, security certification, and regulatory precision, not generative content creation.

AI in this context is an efficiency enhancer, not a substitute. It can reduce call-center volume, automate form processing, and personalize employee interactions—directly improving margins and satisfaction rather than undermining demand. Alight is already embedding AI into its platform through predictive analytics and automated case handling. Over time, this should deepen client stickiness and expand margins, turning what the market views as a threat into a source of durable advantage.

In short, Alight's valuation reflects a combination of investor fatigue, opacity, and elevated disruption fear. I believe each of these factors is temporary. As operational progress becomes visible and the narrative resets from “broken SPAC” to “cash-flowing utility” I expect the market to re-rate the shares meaningfully.

Risks

The main risks, roughly in order of importance, are as follows:

Technological disruption (AI)

AI poses two distinct risks. First, a competitor could develop a better AI-enabled offering and steal share. Second, a gradual decline in labor participation rates could occur among Alight's customer base should AI-driven productivity gains reduce headcount needs. The first risk is real but manageable—Alight is already embedding AI into its platform to lower service costs and improve client experience. It benefits from the irreplaceable proprietary data lake that comes from decades of serving the largest enterprises in the country.

The second AI risk is more likely to be a headwind to growth rather than a source of declining participants. Alight already expects participation rates to contribute 0% to revenue growth going forward. While we can debate the plausibility of a dystopian future in which nobody works, it is very likely that AI enhances per capita productivity, perhaps resulting in fewer working hours but stable employment rates. Alight is agnostic to hours worked but is long-term correlated to labor participation.

Client concentration and share loss

Losing a large client, or even the perception that Alight has become a share donor, would be damaging. While no single customer exceeds 5% of revenue, large logos carry signaling weight more than actual P&L risk. The new management team's focus on service quality and contract renewals is designed to mitigate this, and early signs are that renewal rates are stabilizing and new-logo wins are in fact improving.

Margin compression

Cost inflation or customer price-downs could erode margins. Management insist pricing pressure has not increased despite automation gains, noting that benefits administration is a tiny portion of total employment costs and that enterprise clients are willing to pay for reliability. Commentary from clients and leading benefits advisory firms echo this sentiment. Alight's margins have been expanding since IPO.

Financial leverage

Net leverage is currently around 3.0x EBITDA, with a \$2.0 billion covenant-lite term loan maturing in August 2028. On my forecasts, leverage declines toward 2.0x by FY28. The business continues to return excess capital to shareholders but would need to prioritize de-levering if revenue declines accelerate.

Shareholder dynamics

Large holders such as Starboard Value or Cannae may choose to exit at inopportune moments, temporarily depressing sentiment and liquidity.

Takeover risk

An opportunistic acquirer could bid for the company well below the intrinsic value we underwrite. While not a fundamental risk, this is a possible outcome in which our expected IRRs would not be achieved.

In closing

Alight is not a distressed business. It is a cash-generative incumbent with modest revenue declines that new management credibly defend as cyclical, not structural. The board is competent, governance has improved, and Starboard's 9% ownership provides a strong alignment of interest. Even if this proves to be a no-growth company, at roughly \$3 per share the equity is underpinned by the value of its Wealth business alone. Meanwhile, AI is unlikely to disrupt the Health segment, which is complex, heavily regulated, and requires high-touch expertise for a long tail of edge cases.

At current levels, the share price makes little sense relative to intrinsic value. Yet the market will not reward Alight with a reasonable multiple until it can demonstrate organic growth. This is the central tension: the stock is too cheap to sell but too credibility-constrained to re-rate without execution. The high-teen free cash flow yield and plausible break-up value provide downside support, while operational progress under Dave Guilmette offers a clear path to recovery.

Inverting the question—what would need to happen for the shares to fall further? The most obvious scenario is a combination of accelerating revenue declines and margin compression. If management's explanation for the \$47 million guidance reduction proves correct—that \$28 million simply reflects delayed contract conversions and \$10 million weaker project work that should rebound—then Alight could return to low-single-digit growth in early 2026. Should that occur, the shares will likely be worth materially more than today. It is difficult to verify management's timeline, but it aligns with broader evidence that large enterprises have delayed decision-making amid economic and political uncertainty.

The market is fixated on what might change, but Alight's value lies in what will not—the enduring need for trusted, compliant third-party benefits administration. When sentiment eventually reconnects with that reality, I believe today's valuation will look misplaced. Meanwhile, I remain focused on trying to break this thesis and am watching renewal rates, PEPM expansion, project revenue normalization and cash conversion rates as early indicators of stabilization. I will update you as my thinking evolves.

Summary Financials

Alight

Share Price (10-Oct-2025)	\$	3.04			Target Price 2028	\$	6.71			
Diluted Shares Outstanding		543 million			3.22 Year IRR		27.9%			
Diluted Current Market Cap	\$	1,651 million			Target Metric: EV/EBITDA		8.0 x			
Net Debt / Other (2024)	\$	1,682 million			Implied adj. P/E		10.3 x			
Current Enterprise Value	\$	3,333 million			Implied EV / EBIT		13.3 x			
					Implied FCF Yield		9.7%			
<i>in mn USD, Dec year-end</i>										
		2021	2022	2023	2024	2025E	2026E	2027E	2028E	CAGR
Total Revenue		2,915	3,132	3,410	2,332	2,282	2,269	2,318	2,374	0.5%
Adj. EBITDA		636	644	742	534	583	609	628	648	5.0%
% of revenues		22%	21%	22%	23%	26%	27%	27%	27%	
D&A		(333)	(395)	(421)	(395)	(390)	(389)	(391)	(394)	
EBITA		420	302	366	190	368	409	435	463	
% of revenues		14%	10%	11%	8%	16%	18%	19%	19%	
Net Interest		(180)	(122)	(131)	(103)	(103)	(103)	(105)	(100)	
Tax rate		-38%	-76%	4%	5%	25%	25%	25%	25%	
Net Profit, adj.		262	473	206	136	187	217	236	260	17.6%
NOPAT, adj.		578	530	350	180	276	307	326	347	
Change in Working Capital		(285)	(158)	(118)	(46)	2	(3)	(2)	(2)	
Net Capex		(114)	(148)	(160)	(132)	(114)	(113)	(116)	(119)	
Free Cash Flow		(31)	103	196	126	162	123	292	318	
ROIC (NOPAT / Net PPE + NWC)		235%	93%	56%	40%	61%	66%	70%	73%	
Net Debt / adj. EBITDA		3.9x	4.0x	3.3x	3.1x	2.9x	2.9x	2.5x	2.1x	
EPS adj. for amort. & SBC		0.62	1.17	0.65	0.39	0.44	0.52	0.55	0.59	10.9%
DPS		-	-	-	0.04	0.16	0.16	0.16	0.16	
YE share price	\$	10.81	\$ 8.36	\$ 8.53	\$ 6.92	\$ 3.04	\$ 3.04	\$ 3.04	\$ 3.04	
Diluted shares outstanding		538.8	557.2	563.0	543.1	533.9	527.4	534.2	540.6	-0.1%
Market Cap		5,824	4,658	4,802	3,758	1,623	1,603	1,624	1,643	
Net Cash (Debt)		(2,496)	(2,573)	(2,436)	(1,682)	(1,705)	(1,767)	(1,560)	(1,329)	
EV		8,320	7,231	7,238	5,440	3,328	3,370	3,184	2,972	
EV / Revenues		2.9 x	2.3 x	2.1 x	2.3 x	1.5 x	1.5 x	1.4 x	1.3 x	
EV / EBITDA		13.1 x	11.2 x	9.8 x	10.2 x	5.7 x	5.5 x	5.1 x	4.6 x	
EV / EBIT		19.8 x	23.9 x	19.8 x	28.6 x	9.0 x	8.2 x	7.3 x	6.4 x	
EV / NOPAT		14.4 x	13.6 x	20.7 x	30.3 x	12.0 x	11.0 x	9.8 x	8.6 x	
Price / Earnings		22.2 x	9.8 x	23.3 x	27.6 x	8.7 x	7.4 x	6.9 x	6.3 x	
Dividend Yield		0.0%	0.0%	0.0%	0.6%	5.3%	5.3%	5.3%	5.3%	
FCF Yield		-0.5%	2.2%	4.1%	3.4%	10.0%	7.7%	18.0%	19.3%	

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