

What's Old is New... Again.

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As long-term growth investors, Riverbridge has the privilege of investing in the builders; those with the vision and fortitude to create something of enduring value. Building such value requires the right people, plenty of patience, and persistence to stay the course, because the choice to build earnings power for tomorrow may reduce profits today and is often unpopular in the moment.

Indeed, many growing technology companies with high levels of reinvestment are in this place today as short-term oriented market participants trade into more economically sensitive businesses expected to benefit more immediately from the strong economic growth and inflation we are experiencing. Yet from a fundamental and business opportunity perspective, technology spend continues to rise in every industry as companies seek to capture the opportunity presented by tech enablement.

A substantial amount of ink has been spilled in the last two years about the changes spurred by COVID-19 and the world's response to it. From Riverbridge's perspective, however, change is constant—and a critical input to successful long-term outcomes. As growth investors, we know progress is required for value creation.

Much of the change that has drawn attention recently is not as new as some would lead us to believe. Well before the pandemic, Riverbridge's portfolio companies were participating both directly and indirectly in strong, secular progress in automation, digital transformation, cloud computing, eCommerce, mobile, and healthcare. Each of these trends accelerated during the pandemic and continue to advance today, but forward-thinking companies have been in front of these opportunities for years.

Such growth opportunities require companies to consistently invest in their capabilities to remain relevant and create new value for customers. These opportunities do not pause for a weak business environment and certainly not for a weak share price. It is the job of high-performing management teams to position businesses to make prudent investments during all types of business environments and throughout an economic cycle.

Blackline (BL), for example, is a cloud-based software platform focusing on modernizing processes within a company's finance and accounting department. Accounting and finance processes remain cumbersome, leveraging unwieldy spreadsheets, confusing email chains, and frantic batch processing to close the books and reconcile accounts. Today's tight labor market makes it challenging to hire and retain finance and accounting professionals. Blackline has been on a mission to automate the most tedious work within these departments, reducing labor needs as well as making the jobs more attractive. In addition, Blackline's cloud solutions have become increasingly attractive as many companies have embraced working from home and need a solution that can facilitate closing the books remotely. The company consistently invests in the long-term opportunity in front of them as they continue to develop more advanced solutions and build out the necessary sales and support to expand relationships.

Five9 (FIVN) is a provider of cloud contact center software used to intelligently route inbound and outbound calls to call center agents across a broad range of industries. It is estimated that, today, greater than eighty percent of call centers use legacy, locally installed software. Like so many applications within software, the move to cloud-based software was well underway prior to the pandemic given the business agility that cloud software enables. Today, business agility is more important than ever. Five9 is investing to rapidly grow their professional services organization to ensure successful onboarding of a significant number of large customers. In addition, Five9's investments in artificial intelligence are advancing the effectiveness of virtual agents, thus reducing customer labor needs in a challenging hiring environment.

At Riverbridge, we remain squarely focused on sustainable value creation, knowing that share prices over long periods of time reflect value creation. By aligning ourselves with timeless business disciplines, we raise the probability of identifying businesses that create sustainable value. We know that a company's share price will often become disconnected from the performance of the business itself in the short-term as financial markets wrestle with the latest headlines and macroeconomic picture. Companies with strong customer value propositions who prudently reinvest their capital toward long-term opportunities continue to build earnings power.

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