LAUGHING WATER CAPITAL

VALUE VAIL

September, 2021

Boutique Small & Micro Cap Investing

Laughing Water Capital, LP
Laughing Water Capital II, LP

Houghton Mifflin Harcourt ($HMHC)

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LAUGHING WATER CAPITAL

Founding Principles

It is possible for small pools of capital to outperform the masses. However, differentiated results require a differentiated approach.

Laughing Water Capital is dedicated to maintaining every possible competitive advantage an investment partnership can have:

- Boutique size
- Small and micro cap focused
- Go where others can’t or won’t
- Best ideas only
- High quality LP base
- Properly aligned investment manager

Tilting the Odds

Investors must make decisions with incomplete information, which introduces risk.

We are attracted to:

- Limited Wall Street research coverage
- Properly aligned incentives
- Structural, optical, or operational problems that we believe will prove temporary
- Misleading GAAP financials
- A patient, business ownership perspective

These elements reduce competition from quant & index based investors, as well as larger funds

LAUGHING WATER CAPITAL

Houghton Mifflin Harcourt

Context

"One advantage of buying these […] cyclical businesses is a lot of people don't like them. And what difference does it make to us if the earnings average say, 300 million a year, if it comes in in a […] lumpy fashion? In the big scheme of things, what do we care if it's lumpy, as long as it's a good business?"

~ Charlie Munger

2011 BRK Meeting

"As you look out, [there is] really no structural reason why pre-pandemic levels of billings aren't achievable, just remember that the timing is not entirely clear."

~Joseph Abbot, HMHC CFO

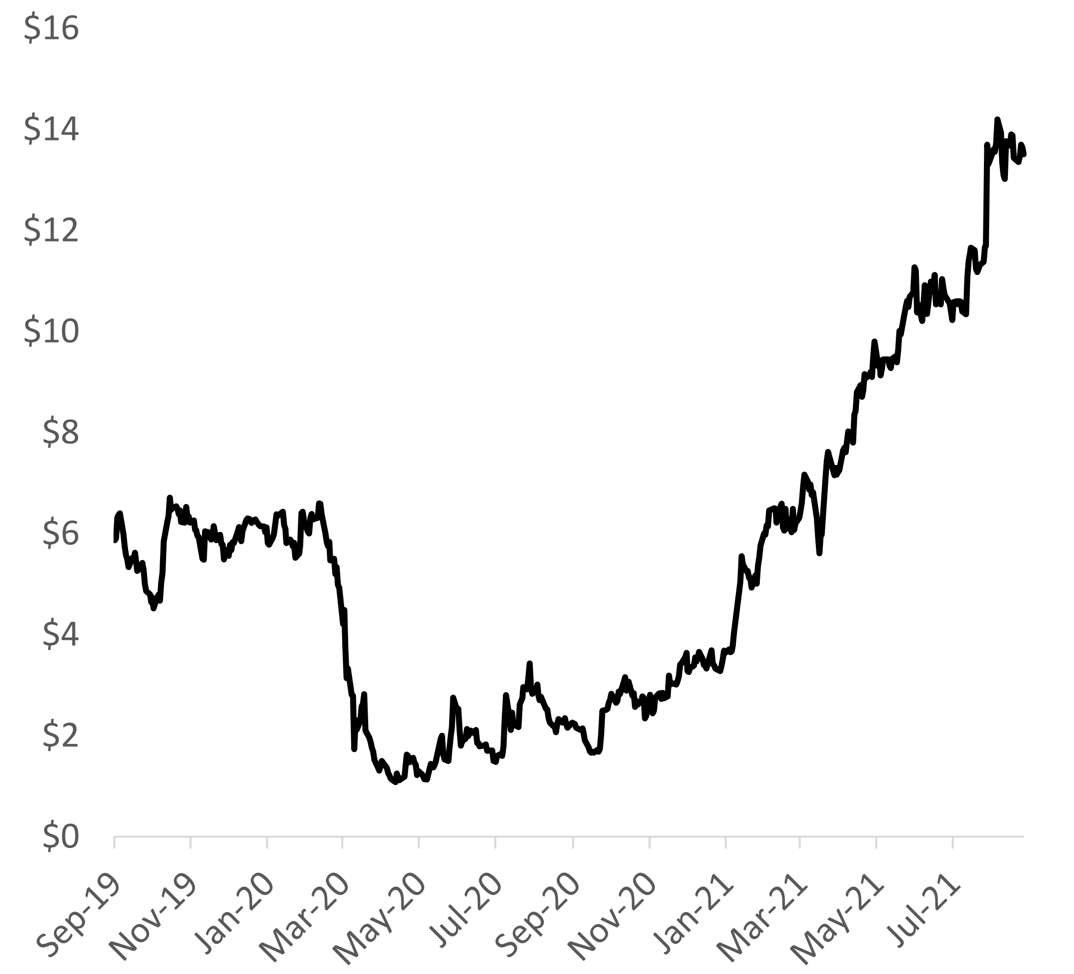
Q2'2021 conference call

Investment Basics

- ✓ Easy to Understand
- ✓ Misleading Trailing GAAP Financials
- ✓ Business in Transition
- ✓ Improving Competitive Position
- ✓ High Normalized FCF Yield
- ✓ Opportunity to Reinvest at High Rates of Return

Stock Basics

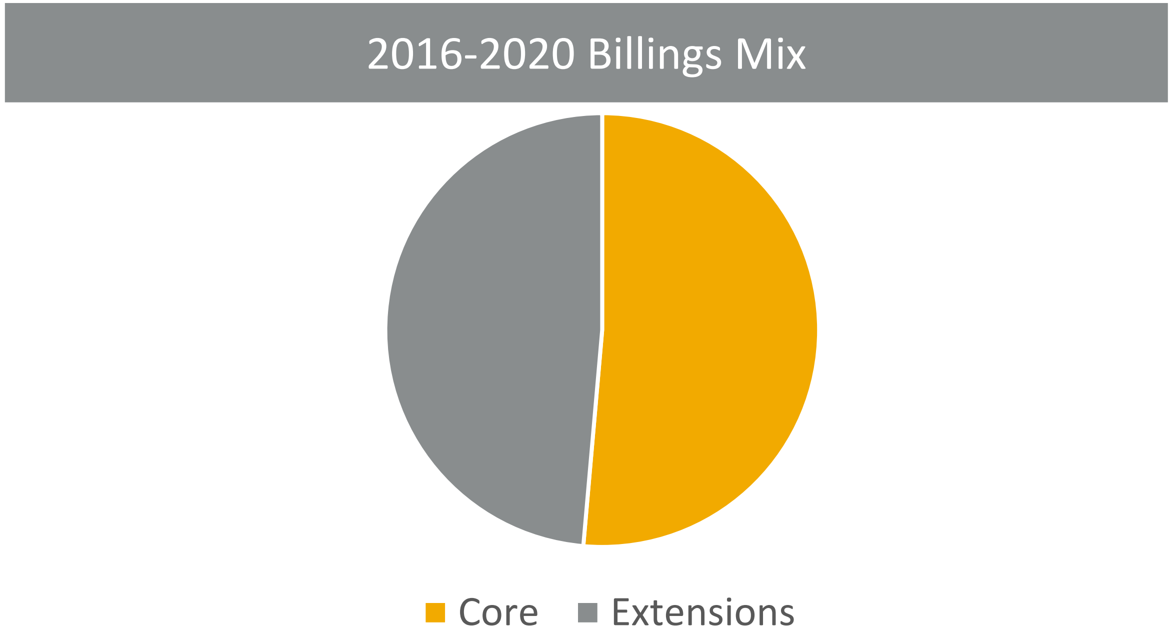
Stock Symbol	HMHC
Stock Price*	$13.51*
Shares Out (000)	130,350.6
Market Cap (000)	$1,761,037
Cash	$146,541
Debt & Pension	$347,174
Enterprise Value	$1,961,671
$ Owned By Insiders	~$40M
Current Yield	N/A
52 Week Range	$1.66 - $14.20

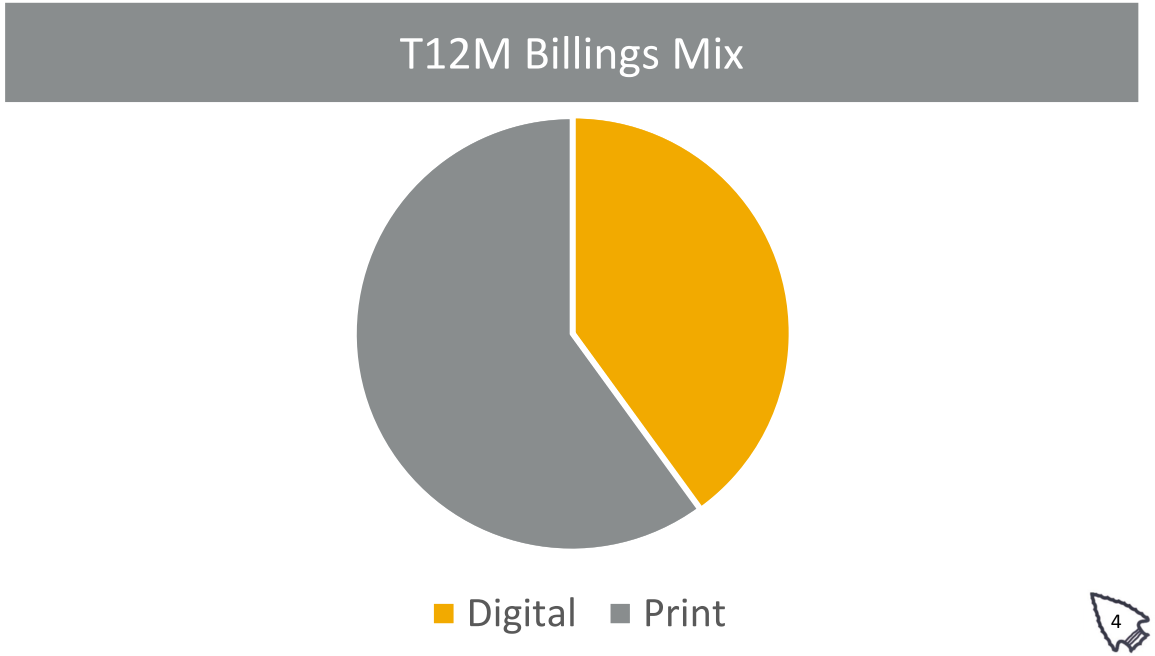


*Share price as of EOD 9/7/2021

Company Basics

- Largest provider of K-12 Core Curriculum in the U.S. (~30% market share)
  - Literacy
  - Math
  - Science
  - Social Studies
- Largest provider of Extensions Curriculum in the U.S. (~10% market share)
  - Supplemental
  - Intervention
  - Professional Development
- Only provider with a Connected platform that can link Core and Extensions
- Largest sales force in the industry
  - Presence in 90% of K-12 schools
- Recent shift to a digital first approach
  - Recurring revenue growing ~100+% YoY with ~150% net retention





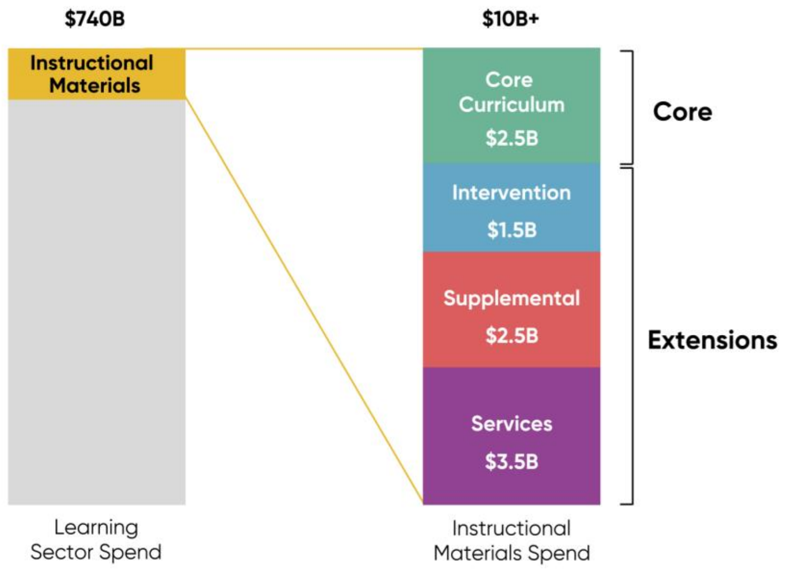
* Billings = Net Sales + Change in Deferred Revenue

Industry Basics

- ~$740B spent annually on K-12 education in the U.S.
- ~$10B spent on Instructional Materials
- Subject to state adoption cycles
- Shift to a digital future has been underway for a long time… and thus far has been a disappointment
  - Student : Device Ratio has been the gating agent

Key Takeaway: Covid accelerated the future of digital education by putting an iPad or laptop in ~every student’s hands

Industry Spend

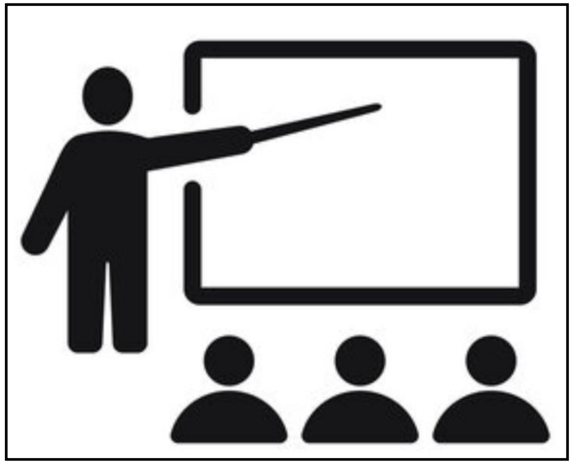


Student : Device Ratio

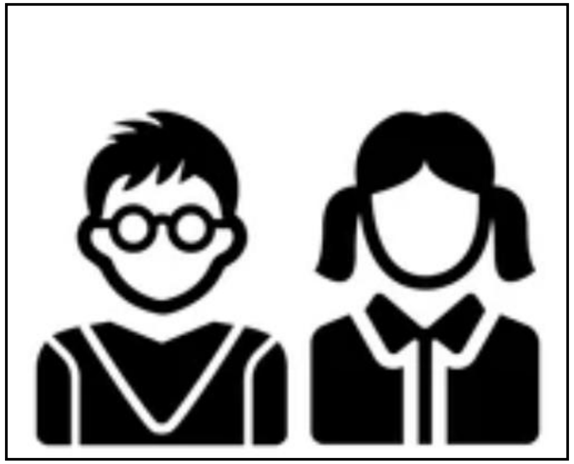
2012	2019	Post Covid
8:1	2:1	~1:1

The Shift to Digital

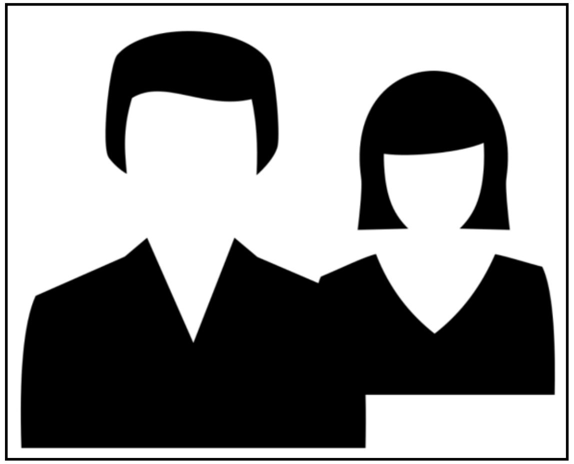
Benefits For The Entire Ecosystem



Teachers: Reduces time spent outside of the classroom grading homework etc.



Students: Real time feedback and AI driven adaptive solutions improve outcomes



Parents: Increased visibility into children's progress and responsibilities

In the education world, you are not selling product, you are selling outcomes

Why Does the Opportunity Exist?

Big Picture

- Trailing financials do not tell the story
- Covid has obscured the fruits of a multi-year business transformation
- Continued near term uncertainty surrounding Covid and education
- The business has historically been lumpy
- Limited & disinterested sell side coverage
- Rotation of shareholder base
- Tough chart to buy

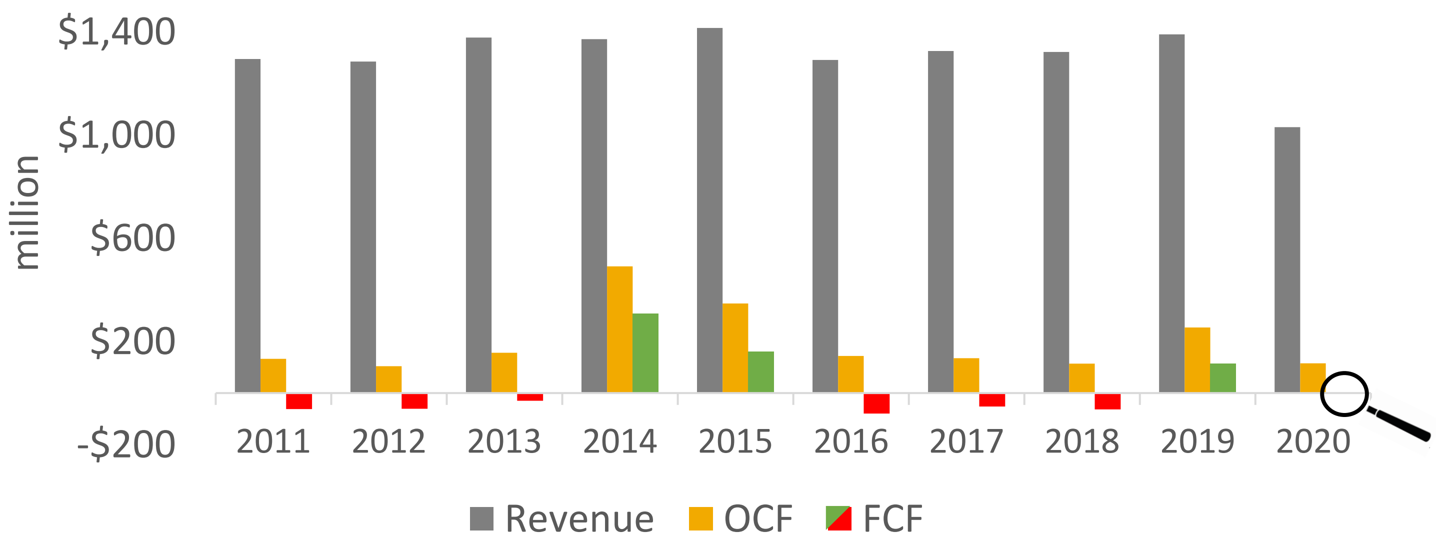
*Litigation and recovery pending

Is it a Good Business:

Through the Rearview Mirror

- Historically….NO
- High fixed costs and cyclical revenues have led to booms, busts, and not much cash

Ten Year Free Cash Flow



	Cum.	Mean
Trailing 10Y FCF	$243,810	$24,381
Trailing 5Y FCF	-$74,648	-$14,930

Note: Revenue includes the since divested Books & Media business

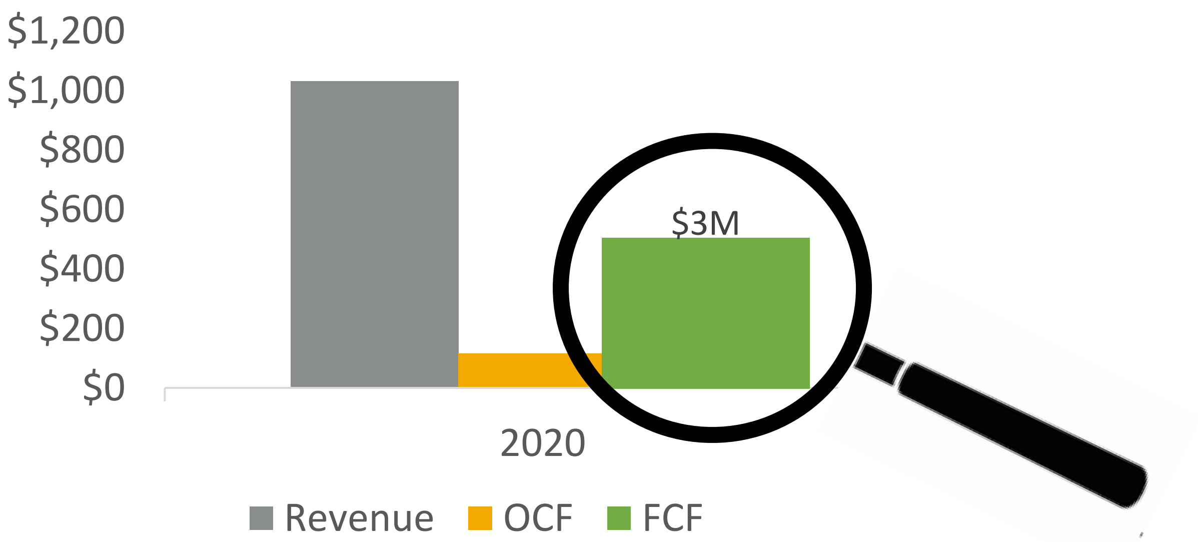
Is it a Good Business:

Where Are We Now?

- The fruits of a multi-year restructuring and business evolution have been obscured by Covid

Evidence That The Future Looks Different

- **Key Takeaway:** Despite a history of burning cash, in 2020 the company remained FCF+ in the worst environment imaginable



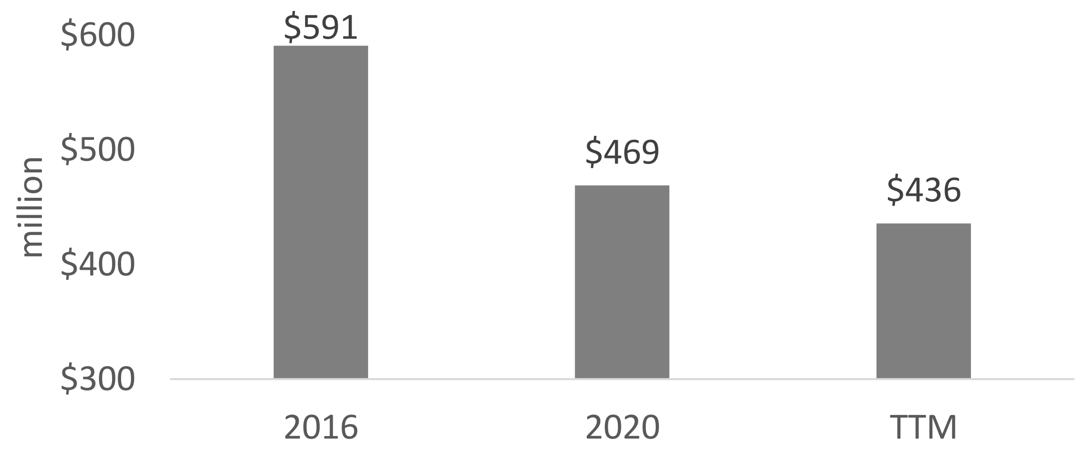
Note: Revenue includes the since divested Books & Media business

What Has Changed?:

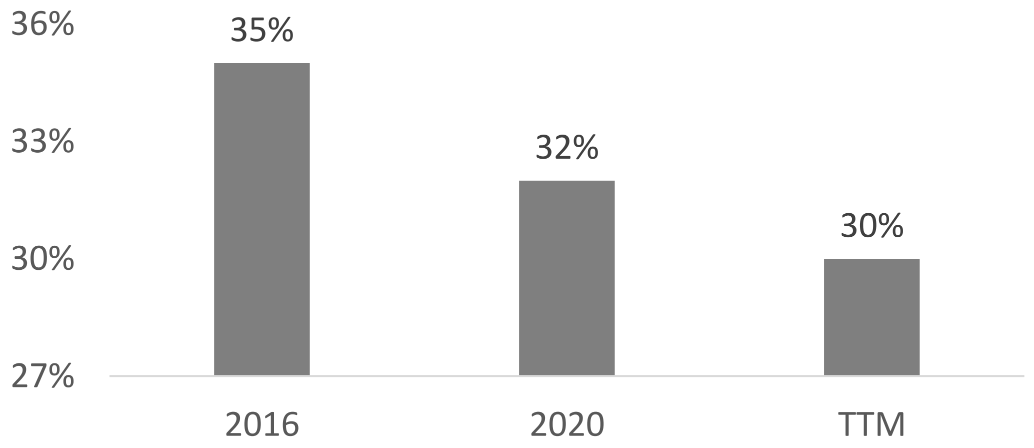
Vastly Improved Cost Structure

- New management in 2016/2017 set out to transform the business
- Old model: “Hit movie” development
  - Follow the adoption calendar
  - Long stretches where assets are underutilized
  - Short stretches where expensive consultants are used to staff up to meet demand
- New model: Digital First
  - Continuous development cycle allows for optimization of resources
  - Reduce headcount
  - Reduce expensive print runs, warehousing costs, & shipping costs

Adjusted Fixed Costs



Variable Costs (% of billings)

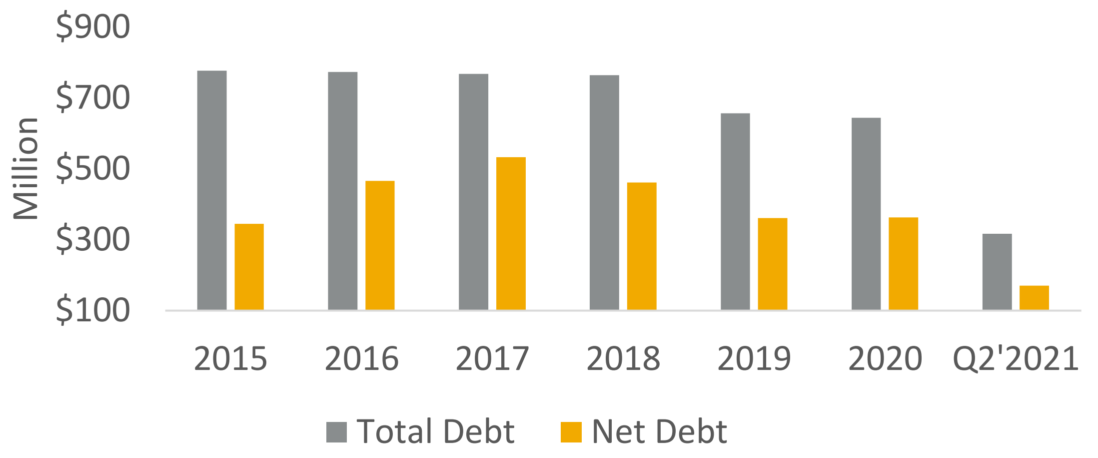


What Has Changed?:

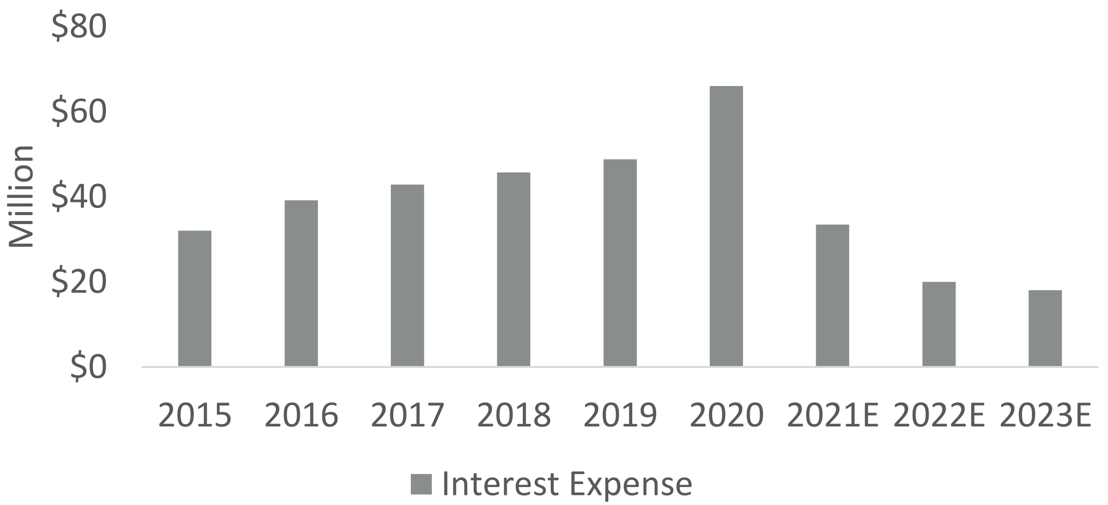
Vastly Improved Capital Structure

- Sold Books & Media Publishing business to News Corp for $349M in May, 2021 and used proceeds to pay down debt
- Now essentially net debt free subject to seasonal swings
- Additional opportunity: $306M of 9% Senior Secured Notes callable in Feb 2022
    - Potential to realize ~$10M in cash interest savings

Cleaned Up Balance Sheet



Reduced Interest Expense



Is it a Good Business:

Looking Forward: Base Case

- The Company has indicated that going forward, Billings above $850M should translate to FCF at 65%
  - Significant operating leverage
- If future Billings are *reasonably similar* to historical Billings, the company will generate significant cash
- Covid 2020 was such a negative outlier that below should be conservative

Defining "Normal" FCF

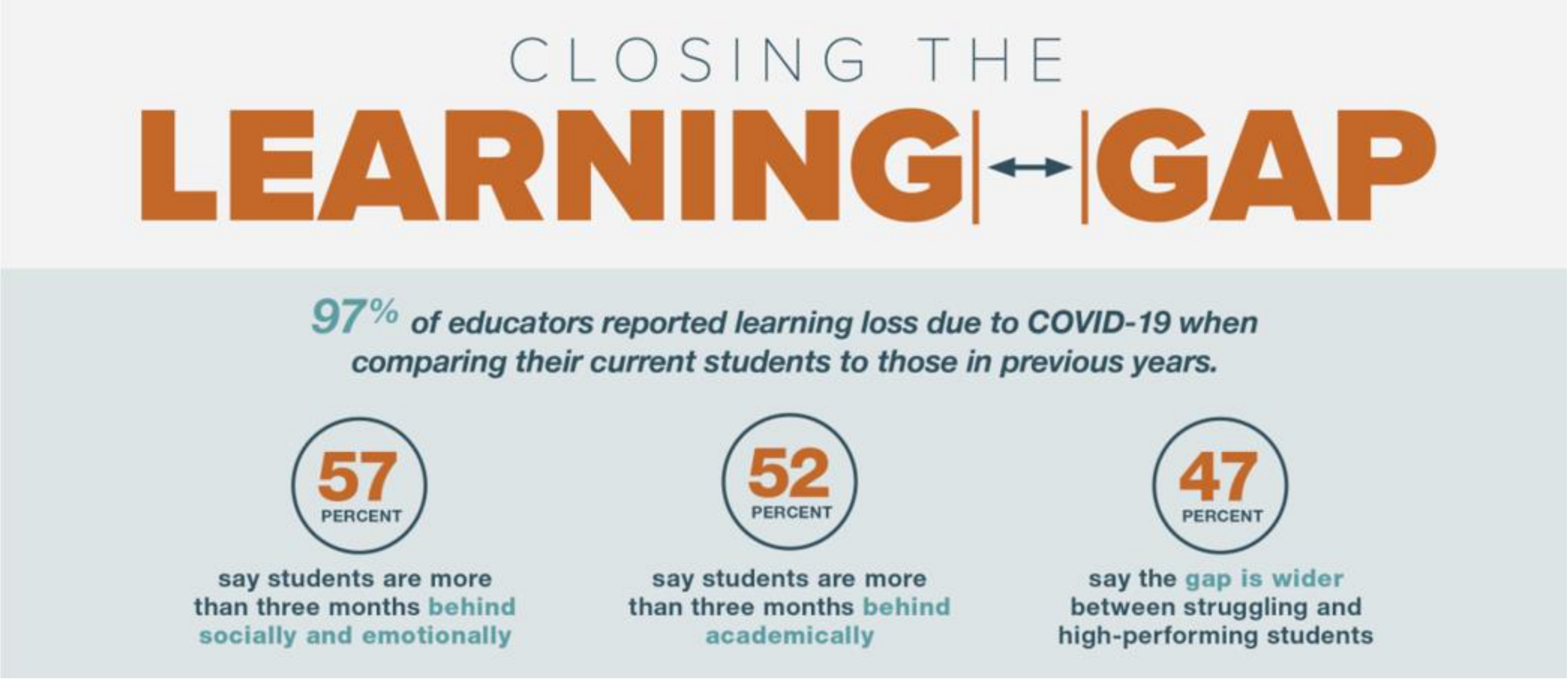
Last 5 Years - Actual Ed. Billings, Pro Forma Cost Structure, Implied FCF

(000)	2016	2017	2018	2019	2020	Average	Cumulative
Education Billings: Actual*	$ 1,163,540	$ 1,133,823	$ 1,114,709	$ 1,412,267	$ 897,834	$ 1,144,435	
- Breakeven Billings: Pro Forma	850,000	850,000	850,000	850,000	850,000	850,000	
Profitable Billings	$ 313,540	$ 283,823	$ 264,709	$ 562,267	$ 47,834	$ 294,435	
FCF flow through: Pro Forma	65%	65%	65%	65%	65%	65%	
Implied FCF	$ 203,801	$ 184,485	$ 172,061	$ 365,474	$ 31,092	$ 191,382	$ 1,148,295
+ Feb. 2022 Est. Debt Refi Savings						10,000	
LWC Estimate of "Normal" FCF						$ 201,382	

* Adjusted for the 2018 sale of Riverside

Supranormal Times Ahead?

- Covid related school closures have led to enormous learning loss



Margin of Safety: Federal Stimulus

Boom Times Ahead?

- Historically, school budgets are 90% State and Local
- To fill the Covid learning gap, the Federal Government has pledged ~$200B
  - American Rescue Plan
  - CARES Act
  - CRRSA
- No doubt much of this money will go to administrators and unions, but some of it is *mandated* for learning loss
- HMHC should capture *some* of these dollars
- **Key Takeaway:** at the very least, the risk of massive operating leverage cutting the wrong way seems to be off the table

Potential Windfall? (000)

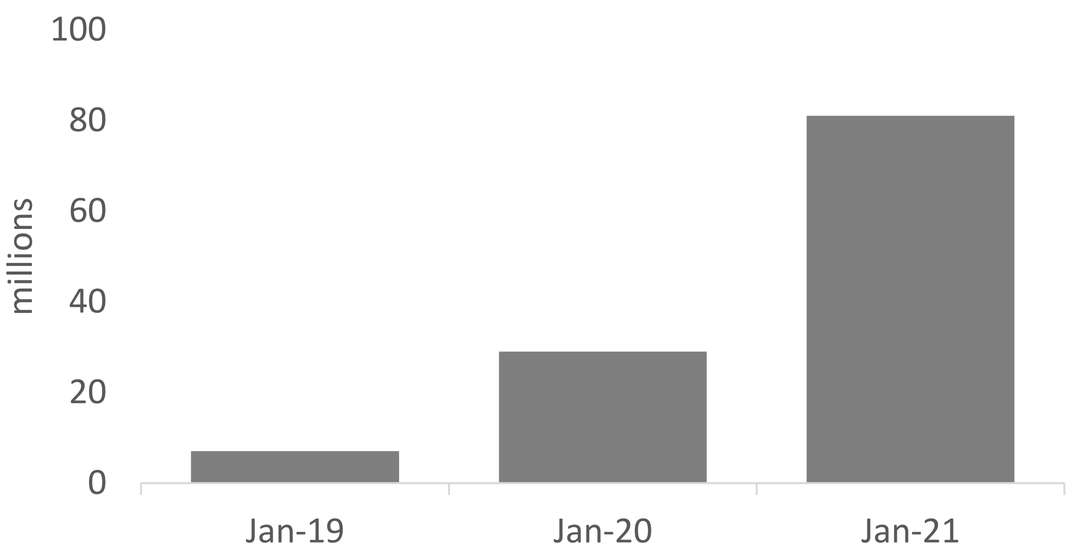
American Rescue Plan (000)	$ 127,000,000
Mandated for Learning Loss %	25%
Mandated for Learning Loss $	$ 31,750,000
Curriculum Spend %	15%
Curriculum Spend $	$ 4,762,500
HMHC Extensions Mkt Share	10%
Implied HMHC Revenue	$ 476,250
Years	3
Potential Annual Billings Bump	$ 158,750
FCF Conversion Rate	65%
Potential Annual FCF Bump	$ 103,188
+ LWC Est. "normal" FCF	$ 201,382
Supra-normal FCF	$ 304,570

Margin of Safety: The Business Should Improve

Digital First Platform Approach: Enhanced Competitive Position

- HMHC is the only company with a leading position in both Core and Extensions, and a platform (“Ed”) that connects Core, Extensions, and Assessment
  - Connected approach should improve student outcomes
  - Connected platform drives opportunity to cross sell
- 75% of surveyed educators believe that connecting instruction and assessment on one platform will transform learning and teaching in the future*

Student Assignments on *Ed* Platform



*HMHC 2021 Educator Confidence Report

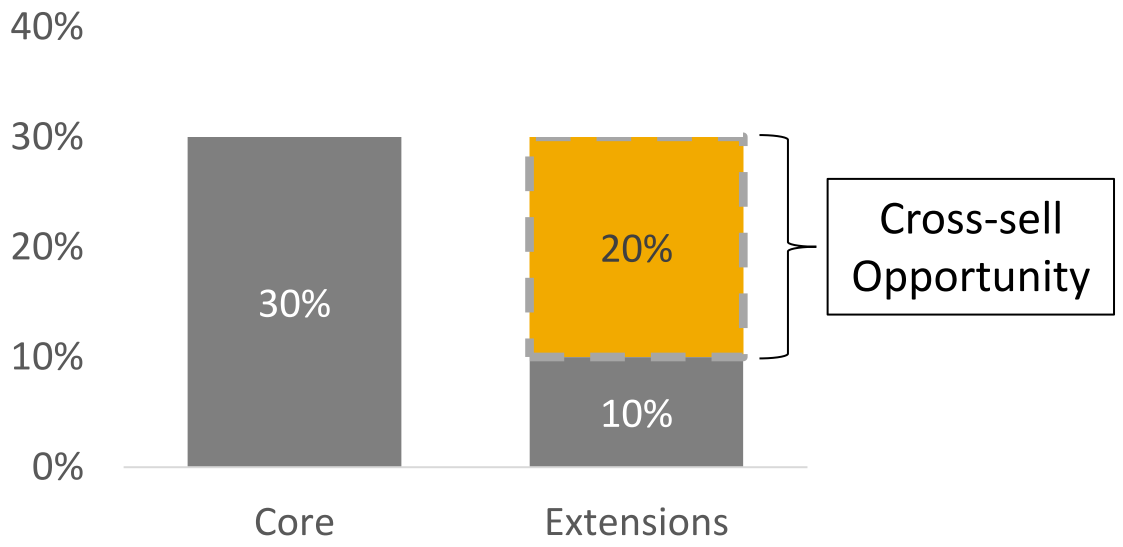
Margin of Safety: The Business Should Improve

Shifting Mix: Reduced Cyclicality

- Over time, billings mix should tilt toward Extensions
  - Faster organic growth
  - Cross sell opportunity
  - M&A opportunity
- Extensions is an evergreen market, not tied to state adoption cycles
- Extensions has a better margin profile than Core

Key Takeaway: A shift toward digital will reduce cyclicality and improve margins, which should lead to multiple expansion

Market Share Core vs. Extension



Margin of Safety: The Business Should Improve

Shifting Mix: Increased FCF

- **Key Takeaway:** Delivering digital content is a much better business than printing, storing, and delivering physical books

- Given massive NOLs, assuming no growth in “normal” billings, if 50% of billings become digital, the company could generate an additional ~$23M in FCF annually, w/o further reducing fixed costs

- In reality, the mix shift will not depend on cannibalization of Print, and top line and margins should grow concurrently

Illustrative Contribution Margin Potential

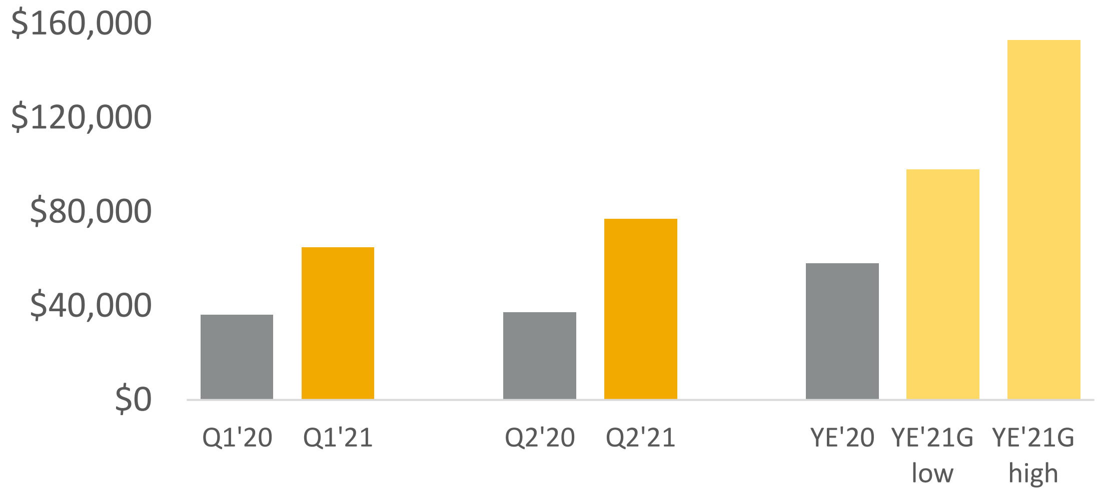
	% of Billings (TTM actual)	Contribution Margin (LWC estimate)	"Normal" FCF Increase
Digital	40%	80.0%	
Print	60%	60.0%	
Blended		68.0%	
	Reasonable Mid Term Goal?		
Digital	50%	80.0%	
Print	50%	60.0%	
Blended		70.0%	$ 22,889
	Long Term Ambition?		
Digital	75%	80.0%	
Print	25%	60.0%	
Blended		75.0%	$ 80,110

Margin of Safety: The Business Should Improve

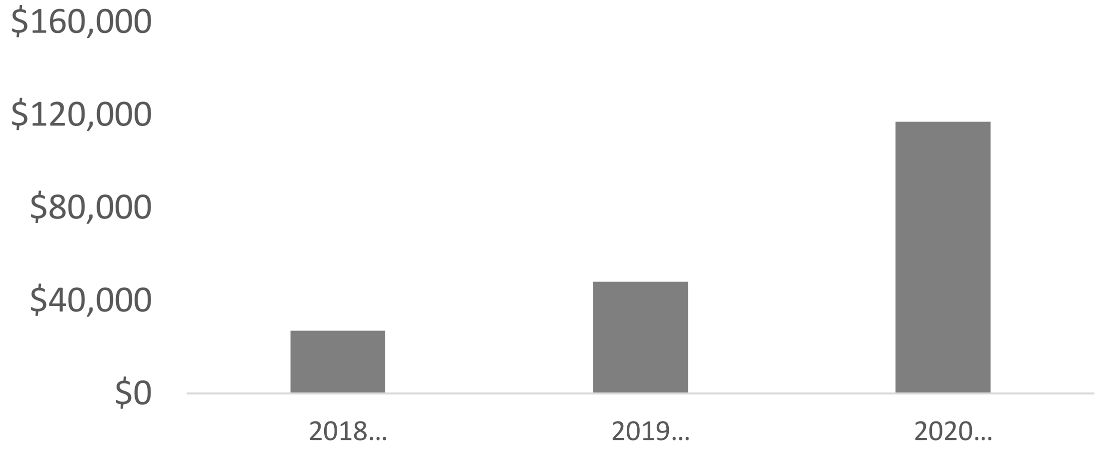
Shifting Mix: Increased Recurring Revenue

- Inside HMHC there is a SaaS business that grew ~100% with ~150% net retention YoY
- 2021 guidance: 10-15% of billings to be recurring in nature, up from 6% in 2020
- Fast growing SaaS will likely attract a new kind of investor to the Company
- **Key Takeaway:** Recurring revenue deserves a higher multiple than cyclical revenue

SAAS / ARR*



SAAS / YE T12M Billings



*ARR reflects end of period annualized contract value

What To Do With all That Cash?

Capital Allocation

- If 2021 meets guidance, and the next 4 years are collectively “normal,” the company could have ~60% of its current market cap in cash assuming no organic growth, and no M&A growth

- If 2021 meets guidance, and the company realizes a 3 year windfall from Federal stimulus spending before reverting to “normal” the company could have 75% of its current market cap in cash in 4 years assuming no organic growth, and no M&A growth

What To Do With all That Cash?

Capital Allocation

- HMHC's footprint provides an excellent platform for M&A
  - Revenue synergies: leverage the industry's largest sales force to drastically improve target co. distribution
  - Cost synergies: with the exception of development costs, virtually all target co. expenses can by eliminated
- Case study: Waggle
  - AI-based adaptive learning program
  - Bought for $5M in January, 2019
  - Now growing "triple digits"

Illustrative M&A Example

Target Co. Bookings	$ 10,000	
multiple	3.0x	5.0x
Cost to Acquirer (EV)	$ 30,000	$ 50,000
Acquirer's ULFCF Margin	70%	70%
No Growth FCF	$ 7,000	$ 7,000
Bookings Growth	50%	100%
Growth FCF	$ 10,500	$ 14,000

EV / No Growth ULFCF	4.3x	7.1x
No Growth ULFCF Yield	23%	14%
EV / Growth Implied ULFCF	2.9x	3.6x
Growth ULFCF Yield	35%	28%

"opportunities abound for consolidation in our sector, particularly in the extensions category"

~CFO Joe Abbot, 2020 Citi Global Tech Conference

What To Do With all That Cash?

Capital Allocation

- While bolt on M&A is a clear priority, given the normalized FCF yield, repurchasing shares provides an attractive outlet for cash

- HMHC has not been in a position to repurchase shares in some time, but under a prior management team the company had a $1B repurchase authorization in place

- Given the under-levered balance sheet, the company is in position to meaningfully shrink float, even after M&A

Illustrative Buyback Example

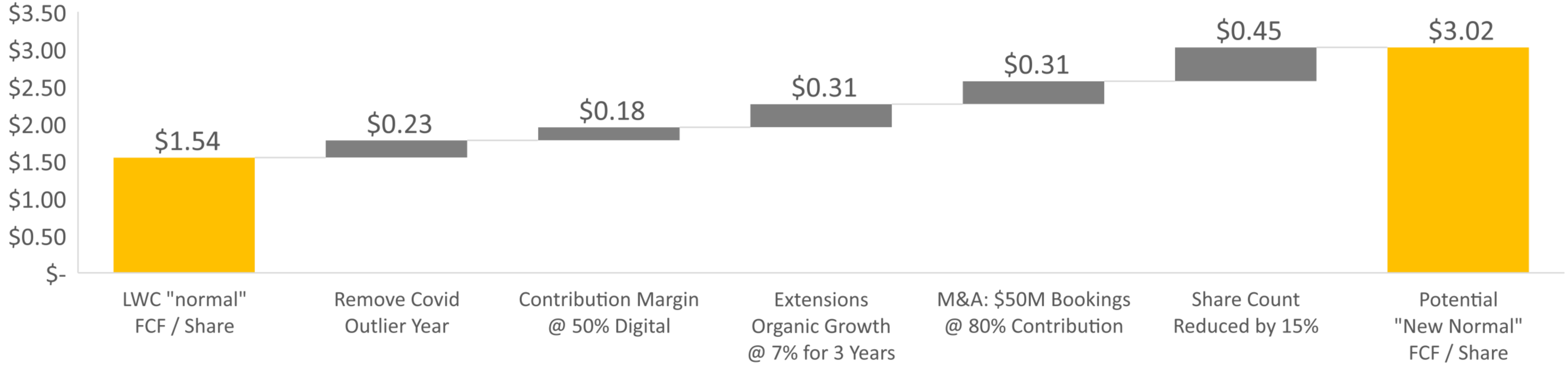
Shares (000)		130,351
Current Price	$	13.51
Market Cap	$	1,761,037
% Buy Back		15%
Shares Buy Back		19,553
Buy Back Premium		25%
Buy Back Total Cost	$	330,194
Years of "Normal" FCF		1.6

The New “Normal?”

Multiple Axes For Improving FCF Per Share

- Given the company’s new-found ability to generate cash and ample opportunities to reinvest at high returns, the company should be able to ~double “normal” earnings power over the next few years

Illustrative FCF Walk

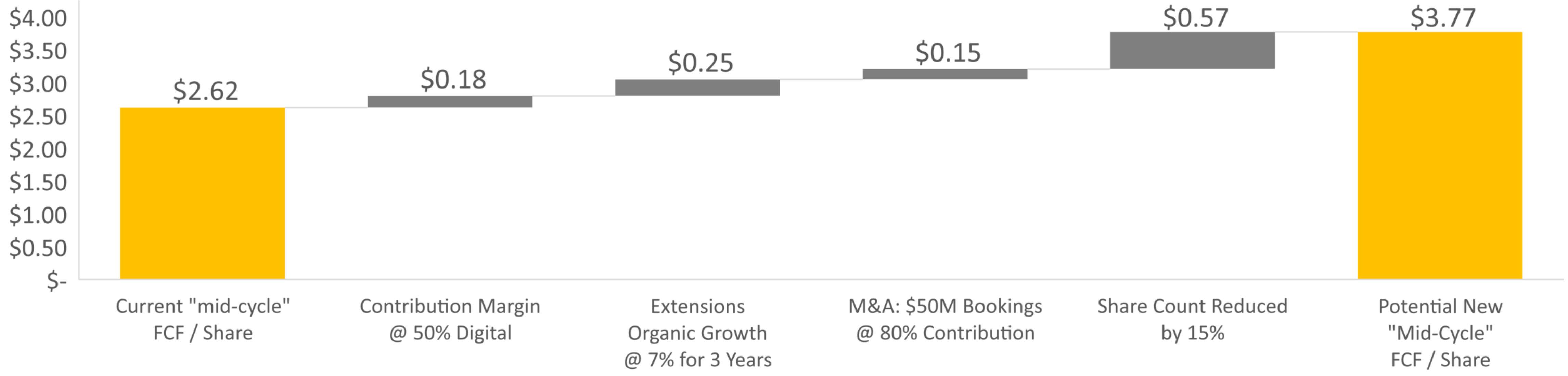


The New Mid-Cycle?

Multiple Axes For Improving Cash Flow

- The company considers mid-cycle billings to be $1.3B - $1.45B*
- At the mid-point, on today's cost structure this should generate $340M in FCF
- Assuming that over the next few years the mix shifts toward digital, and the company generates "normal" FCF which is allocated into M&A and repurchases, the company should be able to generate $3.50-$4.00 per share in FCF in a future mid-cycle year

Illustrative FCF Walk



*mid-cycle refers to a year with major adoptions from CA, TX or FL

Management

- **Jack Lynch – CEO**
  - Joined HMHC in 2017 and spearheaded the push toward digital while rationalizing costs
  - Former CEO of PE owned Renaissance Learning
    - Oversaw strategic investment from Google Capital
    - Oversaw sale of the business to PE buyer for ~100% return in 3 years
  - Entrepreneurial: Founding CEO of bigchalk.com

- **Joe Abbot – CFO**
  - Joined in 2016 - formerly an investment banker
  - Extensive experience with transactions in the Education space
  - Tight grasp of the numbers, and knows how to communicate with the street

- **Skin in the game -** Insiders own ~$40M worth of stock

* See appendix

Valuation

What Is The Right Multiple?

- Historical multiples are of little use: the company used to burn cash through a cycle… now it should remain FCF positive in the bottom, and gush FCF at the top

- A significant re-rating is not necessary for success, but in our view a significant re-rating is entirely justified by the already improved – and still improving – economics of the business

- Case study: Auto suppliers with cyclical end markets that break even (or worse) at the bottom of the cycle often trade north of 15x multi-year FCF*

- Case study: Video game developers moved from a hit driven model akin to the adoption calendar to more of a subscription model, and have re-rated much higher*

- HMHC's FCF will remain lumpy, but is increasingly recurring software centric, suggesting a 15x multi-year FCF multiple or higher would be appropriate

* See appendix

Valuation

Base Case: “Normal” Today

HMHC is now a lumpy business that can remain FCF positive in a down-cycle, and gush cash in an up-cycle

Many cyclical businesses with less favorable macro-tailwinds trade at 15x multi-year average FCF

Excluding Covid affected 2020 from the calculation of “Normal” would result in a 20% increase to “Normal” FCF, or a price of $21.50 at 12.5x

Illustrative Valuation

Total Shares		130,351	June 30 '21 FDSO
Price		13.51	
Market Cap	$	1,761,037	
- Cash		146,541	June 30 '21
- Cash Accumulation		0	
+ Debt		316,611	June 30'21
+ Pension & Retirement		30,564	June 30’21
EV	$	1,961,671	
EV / “Normal” FCF*		9.7x	
Price @ 12.5x “Normal” FCF	$	17.00	
upside		*26%*	
Price @ 15x “Normal” FCF	$	21.60	
upside		*60%*	
Price @ 17.5x “Normal” FCF	$	25.50	
upside		*89%*	

*Normal FCF defined on page 12

Valuation

Future Case: Today's "Normal" W/ Cash Accumulation

HMHC has ample opportunity to reinvest in the business in order to increase future FCF / share.

However, simply allowing cash to accumulate on the balance sheet should drive significant upside.

Depending on Federal stimulus and the adoption calendar, the company could generate $1B in the next 3-5 years

Illustrative Valuation			
Shares		130,351	June 30 '21 FDSO
+ Dilutive Shares		10,745	@ 2% Annual: 4yrs
Total Shares		141,096	
Price		13.51	
Market Cap	$	1,761,037	
- Cash		146,541	June 30 '21
- Cash Accumulation		1,000,000	
+ Debt		316,611	June 30'21
+ Pension & Retirment		30,564	June 30'21
EV	$	961,671	
EV / Normal FCF		4.0x	
Price @ 12.5x Normal FCF	$	29.40	
upside		*118%*	
Price @ 15x Normal FCF	$	34.00	
upside		*152%*	
Price @ 17.5x Normal FCF	$	38.50	
upside		*185%*	

*Normal FCF defined on page 12

Valuation

Upside Future Case: The "New Normal"?

If instead of allowing FCF to accumulate on the balance sheet HMHC pursues tuck in acquisitions and repurchases stock, assuming moderate growth the company could increase "normal" FCF to ~$350M per year

In this scenario the company would likely receive a higher multiple from the market as well

Illustrative Valuation

"New Normal" FCF	$	345,023	LWC Estimate
Multiple		17.5x	
EV	$	6,037,908	
+ Cash		146,541	6.30.21 B/S
+ Cash accumulation		400,000	Net of M&A & repurch.
- Debt		316,611	6.30.21 B/S
- Pension & Retirement		30,564	6.30.21 B/S
Market Cap	$	6,237,274	
Total Shares		110,798	Repurch. 15% of float
Per Share	$	56.29	
CAGR		*33.3%*	5 years

*New Normal FCF walk on page 23

Valuation: Downside Protection?

Sum of the Parts: Extensions Stand Alone?

- Frequent M&A in Extensions focused ed-tech businesses has taken place at multiples ranging from 3-6x billings
- HMHC's Extensions business is the largest in the industry, and would presumably be a valued target
- Splitting the business would not make sense, but for reference, at 3x billings, the Extensions business would cover ~75% of the current EV
    - 3x billings for SaaS growing 100% with 150% net revenue retention is extremely conservative

Private Equity Has A Long History With Education Stocks

- HMHC's under-levered balance sheet likely makes it an attractive target
- In 2013 Apollo bought McGraw Hill, and then completed a dividend recap

Near Term Catalysts

Earnings Beat vs Guidance?

- Barring a renewed complete Covid-fueled school lockdown scenario, the company appears to be sandbagging guidance
  - Coincidence that guidance was raised by almost the same amount as the recent “beat”?

Consolidated Billings

	Low	High
2021 Initial Billings Guidance	$905,000	$ 955,000
2021 Q2 Revised Billings Guidance	$980,000	$1,020,000
Q2 Guidance Delta	$ 75,000	$ 65,000
Q2 Revenue "beat"	$ 66,000	$ 66,000

Near Term Visibility

“We have really good pipeline analytics. So we have early indicators of performance earlier in the year. So we have a good sense of where we’re going to end up within a range. And that’s why we can guide pretty well to know what our top line performance is going to be year after year.”

~CEO Jack Lynch
2021 BMO Virtual Technology Summit

Near Term Catalysts

Raising Awareness

- Investor Relations Uptick / Sell side coverage?
  - Recently hired a new head of IR
  - The company has not had an investor day since 2019, despite a vastly improved business
  - At present, the company has coverage from 3 banks that seem to be somewhere between disinterested and underwhelming in their coverage
  - The upcoming debt refi & future M&A provide avenues to pay investment banks, which ~~could~~ should be leveraged into additional research coverage

Improved Balance Sheet & FCF

- Debt Refi
  - In February, 2022, $306M of 9% Senior Secured Notes become callable
  - Current YTM suggests that ~$10M in cash interest savings is possible

What Could Go Wrong?

Risk	Mitigant
The preceding analysis assumes a regular cadence of average cashflows – in the real world results will be lumpy	The market rewards patience overtime, & LWC is specifically designed to be patient
Open source curriculum has gained ground in recent years	True, but a connected approach should favor the incumbent, and "you never get fired for going with IBM"
In the education world there can be a preference for utopian idealism over capitalism	This management team wants to win, and wants to make money in the process

Key Takeaways

- Thanks to a multi-year restructuring and a drastic shift toward digital caused by Covid, HMHC is a much better business than it has been in the past
- The company can now remain FCF positive in down-cycles, and gush cash in up-cycles
- Federal stimulus dollars remove the risk of massive operating leverage cutting the wrong way in the years to come
- As the mix continues to shift toward SaaS and Extensions, the variability of billings will go down, which should contribute to a re-rating
- The company has the ability to reinvest in the future at very high rates through a platform approach to Extensions curriculum
- The potential to double FCF/share and realize significant multiple expansion due to improved fundamentals sets the stage for potential multi-bagger returns

Appendix

Valuation Case Study: Video Game Re-rating

Video Games As A Comp

- While there are clear differences between HMHC and video game makers, the hit driven nature of video games provides a useful parallel to the impact of the adoption calendar on HMHC.
- As video game makers have moved to more of a subscription model, the market has rewarded them with significant multiple expansion
- As HMHC's mix moves more toward SaaS / Extensions which are not dependent on the adoption calendar, the market should similarly reward HMHC with a much higher multiple

TTWO NTM EV/EBITDA

ATVI NTM EV/EBITDA

Source: Sentieo

Valuation Case Study: Auto Supplier Multiples

Borg Warner (BWA) Valuation History

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	Average
FCF / share	1.17	1.45	2.04	1.32	1.05	1.32	2.52	2.94	2.79	2.55	3.03	3.54	
3 Yr. T. Avg FCF / Share	0.69	1.13	1.55	1.60	1.47	1.23	1.63	2.26	2.75	2.76	2.79	3.04	
Stock Price High	36.57	40.83	43.53	55.96	67.38	63.01	42.25	55.68	57.91	46.31	43.95	54.45	
Stock Price Low	16.89	28.07	30.27	35.42	50.24	38.89	27.69	37.99	33.2	30.88	19.73	38.06	
High P/FCF	31.3x	28.2x	21.3x	42.4x	64.2x	47.7x	16.8x	18.9x	20.8x	18.2x	14.5x	15.4x	28.3x
Low P/FCF	14.4x	19.4x	14.8x	26.8x	47.8x	29.5x	11.0x	12.9x	11.9x	12.1x	6.5x	10.8x	18.2x
High P/3 Yr. T. FCF	53.0x	36.1x	28.0x	34.9x	45.8x	51.2x	25.9x	24.6x	21.1x	16.8x	15.8x	17.9x	30.9x
Low P/3 Yr. T. FCF	24.5x	24.8x	19.5x	22.1x	34.2x	31.6x	17.0x	16.8x	12.1x	11.2x	7.1x	12.5x	19.4x
Fwd. High P/FCF	25.2x	20.0x	33.0x	53.3x	51.0x	25.0x	14.4x	20.0x	22.7x	15.3x	12.4x	13.4x	26.6x
Fwd. Low P/FCF	11.6x	13.8x	22.9x	33.7x	38.1x	15.4x	9.4x	13.6x	13.0x	10.2x	5.6x	9.4x	17.0x
T. High P/FCF	47.5x	34.9x	30.0x	27.4x	51.0x	60.0x	32.0x	22.1x	19.7x	16.6x	17.2x	18.0x	31.4x
T. Low P/FCF	21.9x	24.0x	20.9x	17.4x	38.1x	37.0x	21.0x	15.1x	11.3x	11.1x	7.7x	12.6x	19.8x

- Borg Warner is a manufacturer of auto parts that is capable of remaining FCF positive during cyclical swings. Multiples have been trending downward due to the uncertain future of electric vehicles.
- HMHC is now capable of remaining FCF during cyclical swings, and there is reason to believe the quality of the business is improving, yet HMHC trades at a significant discount to BWA.

Source: Sentieo

Valuation Case Study: Auto Supplier Multiples

Tenneco (TEN) Valuation History

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	Average
FCF / share	1.34	0.28	1.47	3.67	-0.05	3.58	0.53	1.91	-0.84	-3.71	2.89	1.99	
3 Yr. T. Avg FCF / Share	0.48	1.18	1.03	1.81	1.70	2.40	1.35	2.01	0.53	-0.88	-0.55	0.39	
Stock Price High	43.03	46.58	39.76	57.53	68.6	61.53	66.52	68.71	64.69	36.37	13.86	22.27	
Stock Price Low	17.68	23.9	24.72	34.57	47.93	42.24	35.59	51.74	26.29	7.89	2.32	9.76	
High P/FCF	32.1x	166.4x	27.0x	15.7x	N/A	17.2x	125.5x	36.0x	N/A	N/A	4.8x	11.2x	48.4x
Low P/FCF	13.2x	85.4x	16.8x	9.4x	N/A	11.8x	67.2x	27.1x	N/A	N/A	0.8x	4.9x	26.3x
High P/3 Yr. T. FCF	89.6x	39.4x	38.6x	31.8x	40.4x	25.6x	49.2x	34.2x	121.3x	N/A	N/A	57.1x	52.7x
Low P/3 Yr. T. FCF	36.8x	20.2x	24.0x	19.1x	28.2x	17.6x	26.3x	25.8x	49.3x	N/A	N/A	25.0x	27.2x
Fwd High P/FCF	153.7x	31.7x	10.8x	N/A	19.2x	116.1x	34.8x	-81.8x	-17.4x	12.6x	7.0x	5.8x	28.7x
Fwd Low P/FCF	63.1x	16.3x	6.7x	N/A	13.4x	79.7x	18.6x	-61.6x	-7.1x	2.7x	1.2x	2.5x	13.3x
T. High P/FCF	22.3x	34.8x	142.0x	39.1x	18.7x	N/A	18.6x	129.6x	33.9x	N/A	N/A	7.7x	49.6x
T. Low P/FCF	9.2x	17.8x	88.3x	23.5x	13.1x	N/A	9.9x	97.6x	13.8x	N/A	N/A	3.4x	30.7x

- Tenneco is a manufacturer of auto parts that loses money during cyclical swings. Multiples have been trending downward due to the uncertain future of electric vehicles.
- HMHC is now capable of remaining FCF during cyclical swings, and there is reason to believe the quality of the business is improving, yet HMHC trades at a significant discount to TEN's smoothed FCF multiple.

Source: Sentieo

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