



**To:** Steven Hudson, Chief Executive Officer, ECN Capital Corporation  
**Cc:** Board of Directors

March 10<sup>th</sup>, 2023

Dear Mr. Hudson,

Silver Beech Capital Management (“Silver Beech”) is a value-oriented investment firm based in New York. We are shareholders of ECN Capital Corporation (“ECN”) and invested prior to ECN’s press release, dated March 7<sup>th</sup>, 2023, which announced “a review of strategic alternatives to maximize shareholder value” and the retention of “external financial advisors to assist in the process.”

ECN is led by a first-class management team with an impressive track record of capital allocation. We commend Management’s ability to operate the business and write only to share our view on the substantial discrepancy between ECN’s intrinsic value and the current price of ECN’s shares in the public markets as it relates to the recently announced review process.

ECN is a high-quality, asset-light, high-margin business with substantial long-term growth potential. Moreover, ECN provides its funding partners with superior access to market-leading consumer credit products in manufactured housing, marine, and recreational vehicles. Although consumer demand for manufactured housing and recreational vehicles has recently softened, in 2023, we expect ECN will continue to build market share in all of its products and post strong double-digit top- and bottom-line growth. In addition, in this interest rate environment, we believe ECN’s products provide strong risk-adjusted returns for funding partners driven by the wide spread between ECN’s originated loan yields and funding partners’ cost of capital.

ECN’s shares are significantly undervalued. ECN’s unaffected closing share price on March 7<sup>th</sup>, 2023 of \$3.08 CAD and post-announcement closing share price on March 8<sup>th</sup>, 2023 of \$3.59 CAD imply a valuation of ~7-8x adjusted EBITDA<sup>1</sup>.

In August 2021, **ECN sold Service Finance, its leading home improvement platform, to Truist Financial Corporation for \$2.0 billion which implied a valuation of ~20x adjusted EBITDA<sup>2</sup>.** Per ECN’s latest reported results in Q3 2022, Triad, ECN’s leading manufactured housing platform, grew revenues 51% year over year, and grew adjusted EBITDA 57% year over year. Over the same period, Triad’s adjusted EBITDA margin grew from 56% to 59%.

Although ECN’s sale of Service Finance for ~20x adjusted EBITDA is just one comparable transaction, and Triad’s extremely impressive growth and margin profile is contained in just one of ECN’s existing platforms, we believe that ECN’s current valuation of ~7-8x adjusted EBITDA represents a significant mispricing. Consequently, we urge Management and the Board of Directors to remain mindful of ECN’s intrinsic value, despite short-term conditions in public markets, while undertaking this review process.

**We believe ECN's shares are worth in excess of \$7.50 CAD** and provide our broad analysis below. We welcome the opportunity to discuss paths to maximize the value of ECN at your convenience.

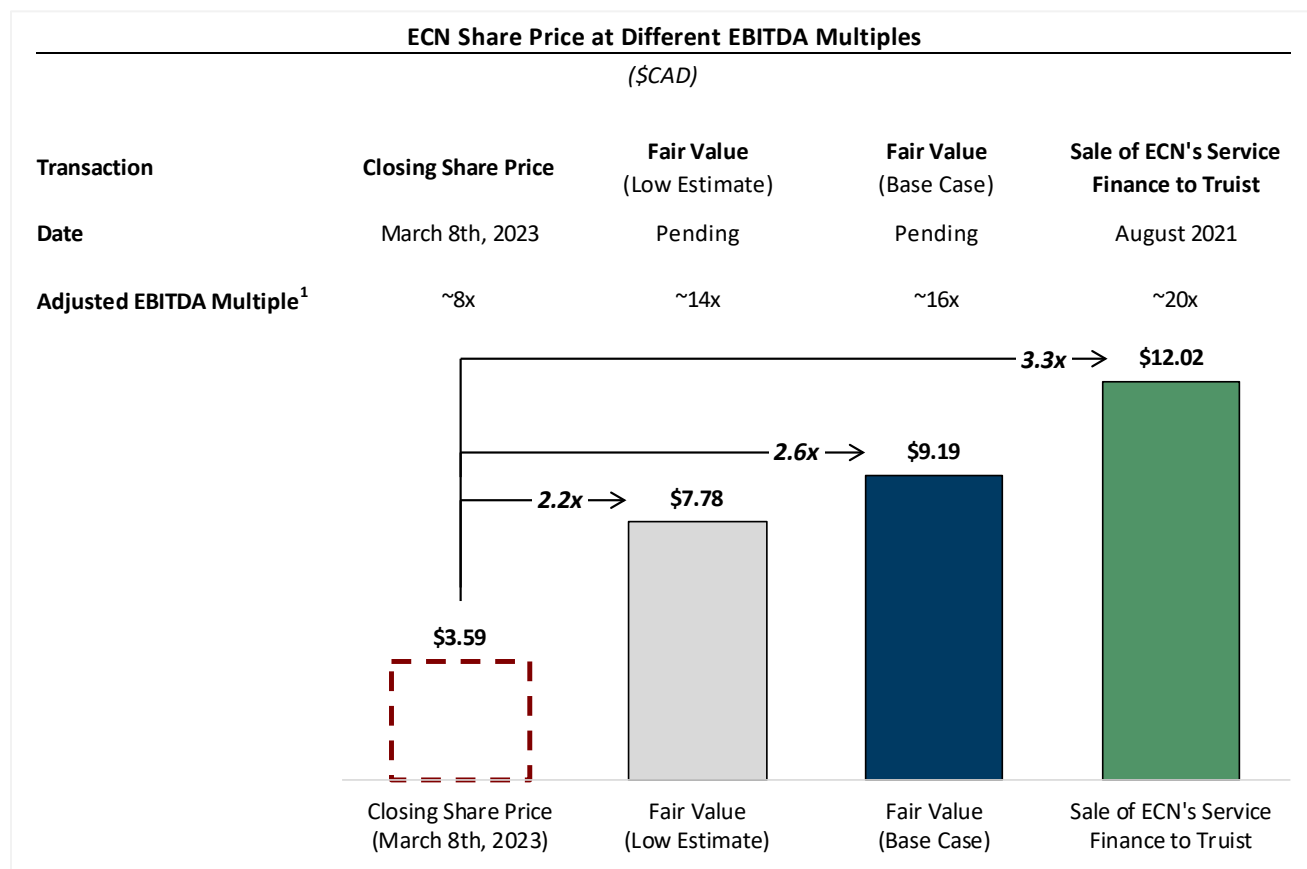
Sincerely,




**James Hollier**  
Partner & Portfolio Manager

**James Kovacs**  
Partner

Silver Beech Capital, LP



<sup>1</sup> ECN adjusted EBITDA multiple calculated using annualized Q3 2022 adjusted EBITDA of \$126M, net debt of \$310M, preferred equity of \$67M, and 245,382,585 outstanding shares. All figures used come from ECN's Q3 2022 results and associated investor presentation. USD/CAD exchange rate of 1.38 used throughout.

<sup>2</sup> Service Finance adjusted EBITDA multiple calculated using Service Finance's \$2.0 billion purchase price and annualized Q2 2021 adjusted EBITDA of \$100M from ECN's Q2 2021 results and associated investor presentation.