

Performance Snapshot and Summary

The Future Fortune Capital results for the Q1 2026 as well as since inception are shown below.

Period	Returns
Q1 2026	- 9.3%
2025	20.1%
2024	47%
2023	27%

Annualized Return of our fund (since inception -including Q1 2026) - 24.4%

Annualized Return of S&P500 (over the same period) - ~16%

2026 Q1 numbers are as of 26 March, 2026. These returns are gross and do not reflect the performance-based fee.

Since inception, we have turned **\$1,000 into \$2,034** before performance fees, compared to **\$1,633** for the S&P 500 (including dividends reinvested) over the same period. While this is encouraging, there is still a long way to go. As always, we urge you not to extrapolate historical performance, as that is simply a recipe for everyone to get upset.

Volatility: Our Most Productive Friend

While the headline number for the quarter isn't encouraging, this has been one of the quarters with **maximum scope for capital deployment**. In my previous letters, I have stated that volatility is our friend. Starting this quarter, we will report on the performance of our major holdings. As a long-term partner, you should understand exactly what you own and why you own it.

In quarters where performance lags, our approach is simple: **if the thesis holds, we deploy more capital**. Currently, 50% of our portfolio is concentrated in the businesses below; while their recent price action explains this quarter's drawdown, their 'upside' drives our excitement. We cannot predict *when* the gap between price and intrinsic value will close - only that it will. As a wiser investor once noted, 'it is easier to say what will happen but almost impossible to say when.' Staying patient, relying on original research, and maintaining an even temperament is the only way to capture the long-term results we are after. We still hold ~10% in cash and short term instruments which we are actively putting to work.

Ticker	Company	Q1, 2026 price action	Upside to our estimated intrinsic value
EPA:EDEN	Edenred	-16.8%	+43%
STO:EVO	Evolution Ab	-12.3%	+50%
DLO	Dlocal	-12.3%	+50%
TSX:CMG	Computer Modeling Group	-22%	+70%
One other business - Confidential/Accumulating			

Estimated intrinsic value is not an exact number. It is our conservative estimate based on what these businesses can return to us as owners over time. The wide divergence between current prices and our estimates of intrinsic value explains why this has been a heavy capital deployment quarter for us.

Over the course of these letters, I have provided case studies and our thoughts on some of these holdings. We do this for a couple of reasons

1. As a long term partner, we want to be transparent with you on what you own and why we own them
2. We want to share our thought process on why these are great businesses to hold for the long term and how they create real wealth

Along those lines, I would like to focus on Edenred (EPA:EDEN) for this letter.

Edenred (EPA:EDEN): Business: A Digital Toll Bridge

Edenred operates a highly lucrative, dual-sided digital toll bridge focused on employee benefits, mobility and payment solutions. They connect 1 million corporate clients to 60 million employees and 2 million partner merchants.

They monetize this network in three distinct ways:

1. **Double-Sided Fees:** They charge the companies issuing the funds *and* the merchants accepting them.
2. **The "Float":** Because clients prepay for benefits, Edenred holds billions in cash before it is spent. This creates a massive "float" that generates pure-profit interest revenue.
3. **Mobility:** This isn't just about lunch. Edenred connects commercial fleets to fuel stations, toll operators, and EV chargers, using the exact same "toll bridge" mechanics to dominate the logistics space.

Stock Chart & Our Entry Point

We have been tracking this business for over two years now and have been waiting for the “right” time to start owning the business. We initiated our position with a high-conviction entry at **€17.00**. While the market is currently panicking over headlines, we are using this volatility to own a world-class network at a significant discount.



The Market Context: Noise vs. Reality

While in most cases, we do not have a different opinion than the market, but in cases where we have a different opinion is when we spend countless hours evaluating an investment.

The market is currently punishing the stock for two specific regulatory headlines:

1. **Brazil:** New rules (PAT reform) have capped certain fees. This makes 2026 a "rebasement year" where EBITDA will be down 8%-12% before establishing a new baseline to grow from
2. **Italy:** Just yesterday, authorities opened an investigation into industry pricing.

The market treats these as "broken business" signals. We see them as one-time speed bumps on a long road. And, worst case outcomes of these changes are baked into the current valuations.

The Fundamentals (2025 Actuals)

We ignore the noise and follow the numbers. Edenred remains a high-quality "cash machine."

Metric	2025 Actual	Why it Matters
Total Revenue	€2.96 Billion	Growth remains steady despite regulatory noise.
Free Cash Flow (FCF)	€1.11 Billion	This represents a 22.5% FCF Yield on Enterprise Value
Market Cap (Approx.)	€3.7 Billion	What the market says the company is worth on 26 March, 2026
Enterprise Value (EV)	€4.94 Billion	The total price including debt.
ROIC (Return on Capital)	~20%	An elite level of efficiency in using your money.

The Valuation Gap: In summary, the market is offering this entire business for **€4.94 Billion**, even though it generated **€1.11 Billion** in pure cash just last year. We are buying a dominant, growing monopoly for **less than 5x its annual cash flow**

Our view:

We believe Edenred is worth far more than its current price because the market is ignoring its cash-generating engine. Even when we mathematically stress-test the company against "worst-case" disasters—like zero interest rates or severe European fee caps—the core business is still worth **well over €20 per share**.

At today's price, we are essentially getting the company's fast-growing "Beyond" services and their 2030 growth roadmap for free. It is a highly profitable digital toll bridge trading at a disaster-level discount.

Primary Research Insights

We don't just read spreadsheets and do AI analyses; we do the legwork. Our research this quarter confirms the "Toll Bridge" is as strong as ever:

- **Merchant Checks:** We spoke with 5 restaurant owners in Italy and Brazil. **5/5 said they will never drop Edenred** because it drives 15–20% of their weekday lunch traffic. I want to be clear; they do not love Edenred as the company takes a portion of the restaurant revenue. However, they also cannot survive without Edenred. That's a sign of a formidable moat
- **HR Surveys:** Corporate HR managers told us these vouchers are a "must-have" for employee retention and are deeply embedded in culture in EU and LATAM. Voucher system is the easiest way to increase the "salary" without incurring payroll and social security taxes. Once Edenred is integrated with the client's backend systems, it is a nightmare to rip them out.
- **App Engagement:** monthly active users across Edenred's applications surged by 50% to 60% year-over-year, driving the structural transition toward a high-margin digital wallet

Research Spotlight: The "Inversion" Test

For the technically minded who want to dive into the numbers, I have included a probabilistic assessment below. We used Charlie Munger's **"Invert, always invert"** framework to model the four most likely ways the business could be "destroyed."

Risk Scenario	Probability	Intrinsic Value Estimate
The Float is Banned Globally	5%	€20.30
5% Fee Caps Spread across Europe	25%	€21.35
Antitrust Fines & Open Networks	35%	€24.73
Zero Interest Rates Return	20%	€24.39

In the appendix, I have included the detailed article I wrote on the topic for a public forum of like minded investors.

As I said in the article, owning this business means owning volatility. Regulatory headlines will trigger wild swings. When they do, our response remains the same: collect the facts,

stress-test the thesis, and reevaluate the math. We don't trade on headlines; we act on evidence.

What we did this quarter and what do we intend to do

We added heavily to this business this quarter. At the current price, we are buying this business at a significant discount to what we think it is worth. Unless the fundamental thesis breaks, we are happy to let the "bots" sell to us while we focus on the long-term value.

On a tangential topic, I want to address the "why" behind recent market swings. Why does a high-quality business like Edenred drop 15% in a single day? The answer lies in the workings of the modern stock market. As of early 2026, the market has become an automated ecosystem.

Algorithmic and high-frequency trading (HFT) now account for **60% to 70%** of all trading volume, spiking toward **80%** on volatile days. Further, passive index funds officially own more of the market than active managers, holding **\$19.8 trillion** in assets compared to **\$17.8 trillion** in active funds.

Even within that "active" pool, many funds are simply "Closet Indexers" who mirror the index to "play safe" while charging fees.

Why This Is Our Edge

These two forces - **Passive Investing** and **Algorithmic bots** - create a massive opportunity for us. Index funds buy and sell based on "weighting," not value. When a stock like Edenred dips, they don't see a "sale"; they just see a shrinking market cap and sell more to stay in line with their rules.

We don't and honestly, cannot compete with the bots on speed; we compete with them on fundamental research and temperament. As long as the majority of the market continues to "trade the stock" rather than "own the business," our edge only grows stronger.

This quarter, two of our current partners increased their commitment to the fund. We believe the next 12–18 months represent a fantastic window to buy high-quality businesses at reasonable prices. If you are interested in adding to your position during this current window, or if you know someone who shares our long-term mindset, please reach out.

That's a wrap!

Email: investorcontact@futurefortunecapital.net

Direct Line: +1 (609) 775-1686

Until next time,

Sincerely
Praveen KumarGovindarajan

A classic case of Algorithmic trading and short term fingers handing a fat pitch to business owner minded investors

[Future Fortune Capital LLC](#)

Mar 26, 2026

Since I invoked Warren Buffett with the “fat pitch”, let’s use Charlie Munger’s classic “Invert, always invert” framework to analyze Edenred SE (EPA:EDEN). I am not going to focus on the standard Edenred business model or management biography, as there are plenty of excellent write-ups on those already.

Getting directly to the inversion framework: instead of asking how Edenred succeeds from here, let’s ask what specific mechanisms would permanently destroy this business and cause a total loss of capital over our holding period (at least 4-5 years, ideally ,forever). And how does the intrinsic valuation hold in each case.

Quickly establishing 2025 actuals baseline - 236.97 million shares, €1,241 million net debt, €1,360 million starting EBITDA. I have tried to be directionally correct than precisely wrong

Also, I should note that, I haven't accounted for the upside from Amplify plan or the growing mobility and beyond segments.

Here's the probabilistic assessment:

Scenario 1: The Float is Banned Globally

My Probability: 5%

- The Justification: While Brazil's 15-day reimbursement mandate is a localized reality, a pan-European eradication of the float is highly improbable. Governments rely on Edenred's float economics to subsidize tax-advantaged voucher systems without taking the burden on their balance sheets. Brazil's 10-13% interest rate can afford a 15 day timeline without breaking the voucher system, whereas, in my opinion, EU cannot. So, a coordinated global unwinding is a tail-risk, not a baseline path.
- If it happens, The Cash Flow Impact: Europe enforces 15-day payouts, forcing Edenred to drain half of its European cash pool. This triggers a massive €1.87 billion cash outflow spread across 2027 and 2028. Terminal Free Cash Flow (FCF) conversion is permanently crippled to 45%.
- Intrinsic Value: €20.30 per share.

Scenario 2: The 5% Fee Cap Spreads Across Europe

My Probability: 25%

- The Justification: Regulatory contagion from the Italian 5% private sector fee cap proposal is a logical threat. However, governments in core

markets like France mathematically rely on the proprietary network to subsidize local economies. Capping fees too aggressively destroys the networks that direct funds specifically to local restaurants, making total European contagion a severe but capped risk.

- If it happens, The Cash Flow Impact: Contagion hits France and Belgium. EBITDA permanently crashes from €1,360 million down to a flat €1,000 million. Long-term growth is assumed to be 0%, and FCF stabilizes at €650 million per year, never growing again.
- Intrinsic Value: €21.35 per share

Scenario 3: Antitrust Nightmare (Monopoly Fines & Open Networks)

My Probability: 35%

- The Justification: This is the most acute and probable risk. The Italian Competition Authority (AGCM) probe actively targets the technological architecture protecting Edenred's margins. Furthermore, the historical €158 million fine levied by the French Antitrust Authority (ADLC) proves regulators are perfectly willing to penalize market lock-up practices and force systemic changes.
- If it happens, The Cash Flow Impact: An immediate €158 million cash fine is paid in 2026. Regulators force open-network interoperability, triggering a price war that causes EBITDA to bleed down to €1,050 million by 2028. Long-term FCF settles at €682 million per year.
- Intrinsic Value: €24.73 per share

Scenario 4: Zero Interest Rates Return

My Probability: 20%

- The Justification: Interest rates are cyclical, and a severe macroeconomic recession could force central banks to cut rates back to zero. However, because Edenred's underlying business volumes continue to grow, the absolute size of the cash float expands. This sheer volume of cash acts as a structural buffer, preventing a total interest revenue wipeout even in a declining rate environment.
- The Cash Flow Impact: The €229 million in pure-profit "Other Revenue" generated in 2025 vanishes. Base EBITDA drops to €1,024 million, and annual FCF settles at a structurally lower €665 million.
- Intrinsic Value: €24.39 per share

Scenario 5: "Everything happens all at once" (Extinction floor)

My Probability: < 1%

- The Justification: For the equity to break down to single digits, all four catastrophic events must happen simultaneously within a 36-month window. This presents a macroeconomic paradox: governments do not force €1.8 billion corporate working capital drains and massive antitrust restructurings during the exact same severe deflationary recessions that force central banks to ZIRP.
- If it happens, The Cash Flow Impact: Interest rates go to zero, Europe bans the 30-day float, fees are capped at 5% everywhere, and the €158 million antitrust fine is paid. EBITDA collapses to €800 million. The €1.87 billion float drain causes negative cash flows in 2027 and 2028. Long-term FCF is crippled at €360 million with 0% perpetual growth, discounted at a panicked 10.5% WACC.

Intrinsic Value: €2.62 per share

One thing is certain: owning this business means owning volatility. The relentless algorithmic selling and headline regulatory shocks can keep people awake. But for the business-owner minded investor, volatility is not risk - it is opportunity.

Time will tell if investors who can stomach these wild swings will come out on the other side with handsome returns. However, the math and the structural setup heavily favor the patient. This is what a fat pitch looks like to me.

Core Principles of our fund

We do not—and cannot—guarantee returns. Markets are inherently uncertain. What we can pledge is unwavering adherence to these principles:

Value Over Hype

We invest in businesses priced below intrinsic worth, not fleeting trends or Wall Street darlings.

Capital Preservation as Priority #1

We obsess over minimizing permanent loss risk. Volatility is noise; capital erosion is the enemy.

Skin in the Game

My family's entire net worth is invested alongside yours. Our incentives are indivisible.

No Market Oracles Here

We focus on individual opportunities, not macroeconomic divination. We are not in the business of predicting the direction of the general stock market. If you think I can do this, or think it is essential to an investment program, you should not be invested in this fund

Transparency in Reporting

Performance figures reflect gross unrealized gains/losses (market value at period-end compared to the start of the period). Taxable outcomes may differ materially.

Forward-looking information:

Some information set forth in this letter constitutes forward-looking information which involves uncertainties and other known and unknown factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. When used in this letter, words such as “expects”, “anticipates”, “intends”, “may”, “believes” and similar expressions generally identify forward-looking information. In developing the forward-looking information contained in this letter, the manager has made assumptions (for ex.: with respect to the outlook for the global economy and publicly traded companies). These assumptions are based on the manager's perception of factors believed to be relevant (for ex.: historical trends, current conditions, expected future developments). Although the manager believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. Actual results or events may differ materially from those expressed or implied in the forward-looking information. Future Fortune Capital LLC undertakes no obligation to publicly update or revise these forward-looking statements