

May 1, 2012

**Ewing Morris & Co.**  
**Investment Case Study**

***DDS Wireless (TSX-DD) - A “Cheap Asset”***

Dear friends and investors,

We generally apply a private equity mindset to public companies. This means we focus our investments on a limited number of carefully chosen, well-researched companies that we expect to hold for several years. There are of course differences. Private equity investors usually own a controlling interest. This provides the authority to make key changes to the management and capital structure and allocation. But stock market investors, like us, have one unique advantage – we get opportunities to buy *fractions* of businesses at prices which no rational owner would sell the *whole* company. For this reason we tend to focus on smaller companies where there is less competition from large investment firms and more frequent mispricing.

An example is our investment in a company called DDS Wireless. DDS is the global leader in dispatch and in-car software for taxi companies. DDS also sells para-transit dispatch software to transit authorities like New York City Transit (MTA).

The product is what we call “mission critical” because taxi companies cannot operate without dispatch software or payment processing. Furthermore, a good dispatch system can significantly improve fleet efficiency. The product also has high “switching costs” because switching to another software provider means significant downtime while taking cabs off the road to replace hardware and taking dispatchers off the phone to retrain them. For taxi companies, those business risks aren’t worth switching software.

Consequently, software companies selling mission critical products with high switching costs usually have high customer retention rates and pricing power that produces recurring, high margin revenue. When combined with modest capital requirements this leads to sustainably high returns on capital. DDS also has a good CEO in founder Vari Ghai. Mr. Ghai created the technology in the 1980s, has a history of making smart acquisitions and still owns 56% of the company.

We were first introduced to the company in 2006 during an investor presentation when the stock traded above \$3 per share. In late 2011, the company appeared on the 52-week low list. This was the catalyst to review the company and we realized that while revenue and profits had doubled since 2006, the stock price was down almost 50%. After re-evaluating the business, meeting with management, speaking with customers and competitors we decided to make an investment.

In our opinion, DDS’s shares are worth at least \$5.00 per share which is considerably more than their recent trading price of \$2.10. Their shares are available today at an attractive price because the company is small and relatively unknown and the founder has no interest in selling his majority stake at the current price.

### Investment Update

As of April 30, 2012 the Ewing Morris Opportunities Fund LP has returned approximately 11%, net of fees, since inception on September 9, 2011. Our goal continues to be preserving and growing our limited partners' capital over the long-term. Unless we achieve superior investment results there is no reason for the partnership to exist.

We have decided that our Founders Circle, which offers a waived management fee for 12 months to early stage investors who commit at least \$500,000, will expire on June 30, 2012. Please contact us to learn more about the Founders Circle.

While many investors continue to be nervous about the markets, it is important to remember that we are not invested in "the markets." Rather, we are invested in a concentrated portfolio of carefully chosen businesses purchased at attractive prices. If you believe in our investment approach then a period of market uncertainty may well be the best time to join us and our existing partners.

John made his television debut yesterday in an interview with Frances Horodelski on BNN to discuss our approach to investing. A link to the interview can be found [here](#).

As always, please do not hesitate to contact us if you have any questions regarding this letter.

Cordially,



John Ewing  
Co-Founder



Darcy Morris  
Co-Founder

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