



JZ CAPITAL PARTNERS LIMITED

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(a closed-end investment company incorporated with limited liability under the laws of Guernsey with registered number 48761)

Q1 2018 Interim Management Statement

27 June 2018

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(Classified Regulated Information, under DTR 6 Annex 1 section 1.1)

JZ Capital Partners Limited (LSE: JZCP.L, the “Company” or “JZCP”), the London listed fund that selectively invests in US and European micro-cap companies and US real estate, today releases its Interim Management Statement for the period 1 March 2018 to 31 May 2018.

Results Highlights

- Net Asset Value (“NAV”) of \$819.2 million (28/02/18: \$837.6 million)
- NAV per share of \$9.78, a decrease of 2.0% for the quarter (28/02/18: \$9.98)
- \$84.1 million invested during the period, including:
 - \$10.0 million in a new Flexible Packaging vertical, through the acquisitions of Phoenix Converting and Valley Packaging Supply
 - \$9.1 million invested in the Testing Services vertical, \$15.1 million invested in the ISS vertical and \$4.3 million invested in K2 Towers II
 - \$20.4 million in follow-on real estate investments in our Williamsburg, Greenpoint, Fulton, Design District and Wynwood assemblages
- \$124.1 million realised, including:
 - \$105.7 million from the sale of Bolder Healthcare Solutions (a further c.\$4.2 million in proceeds is expected)
 - \$15.7 million from Paragon Water Systems (a further c.\$0.5 million in proceeds is expected)
- \$1.3 million used to buy back a total of 188,685 shares. A further \$4.1 million used to buy back an additional 636,489 shares, post-period end (June 2018)
- At the end of the period, the portfolio consisted of 38 micro-cap investments across nine industries and five major real estate “assemblages” (59 total properties) located in New York and South Florida

David Zalaznick, Founder and Investment Advisor of JZCP said: “We made good progress with our realization program at or above NAV during the period. The uplifts were again offset by pre-development and carrying costs in our real estate portfolio but we expect these will decline going forward when we take in outside investors into the development projects. The acceleration of our buyback program further underlines the Board’s confidence in the future prospects of the Company.”

Net Asset Value

NAV per share for the quarter decreased from \$9.98 to \$9.78, or 2.0%.

NAV Returns

Net Asset Value per Ordinary Share as of 1 March 2018	\$9.98
<i>Change in NAV per share due to capital gains and income received / accrued on investments</i>	
US Micro-cap	0.02
European Micro-cap.....	0.03
Real Estate.....	(0.17)
<i>Other changes in NAV per share</i>	
Change in CULS Fair Value.....	0.01
Finance Costs	(0.07)
Foreign Exchange Effect.....	(0.01)
Expenses and Taxation	(0.02)
Appreciation from Share Buyback	0.01
Net Asset Value per Ordinary Share as of 31 May 2018	<u>\$9.78</u>

The US micro-cap portfolio had a net increase of 2 cents, primarily due to write-ups at our Felix Storch investment (6 cents), our Water vertical (3 cents) and net accrued income of 5 cents. These increases were offset by write-downs at our ISS vertical (6 cents) and Nationwide investment (5 cents).

The European micro-cap portfolio had a net increase of 3 cents, primarily due to accrued income.

The real estate portfolio had a net decrease of 17 cents, primarily due to pre-development operating expenses and debt service.

The chart below summarizes the cumulative total NAV returns and total shareholder returns for the most recent three-month, twelve-month, three-year and five-year period.

	31/05/18	28/02/18	31/05/17	31/05/15	31/05/13
Share price (in GBP)	£4.64	£4.51	£5.66	£4.55	£4.89
NAV per share (in USD)	\$9.78	\$9.98	\$9.93	\$10.69	\$9.90
NAV to market price discount	37%	38%	26%	35%	25%
		3 month return	12 month return	3 year return	5 year return
Dividends paid (in USD)	—	—	—	\$0.47	\$1.25
Total Shareholders' return (GBP) ¹	—	2.9%	(18.0)%	10.2%	14.1%
Total NAV return per share (USD) ¹	—	(2.0)%	(1.5)%	(4.3)%	11.9%

(1) Total returns are cumulative and assume that dividends were reinvested

RECENT ACTIVITIES

Share Buybacks

In JZCP's first fiscal quarter of 2018, we began to buy back our stock at a significant discount and plan to continue doing so as it represents an excellent investment opportunity for the Company.

In the three-month period ended 31 May 2018, JZCP invested approximately \$1.3 million to repurchase a total of 188,685 of its ordinary shares.

Post-period (June 2018), JZCP has repurchased a further 636,489 of its ordinary shares.

Significant Investments and Realizations

US Micro-cap Investments – Verticals

In May 2018, JZCP invested approximately \$10 million in a new Flexible Packaging vertical, which was used to make the first two acquisitions into the vertical: Phoenix Converting and Valley Packaging Supply. The initial focus of our strategic build-up is niche film and pouch packaging conversion businesses. We have targeted companies specializing in shorter-run, complex pouch packaging conversion, a growing segment of the market that is currently underserved and remains highly fragmented. In time, we hope to incorporate additional product and service adjacencies, which could include co-packing, shrink sleeve, label and lidding and other flexible packaging formats serving the same customer base and benefitting from the same demand drivers.

In April 2018, JZCP invested approximately \$15.1 million in its Industrial Services Solutions ("ISS") vertical, primarily to pay down a line of credit with a third-party lender which had been used to make four acquisitions into the vertical in 2016 (PTI, Buna, CPL, IPEC).

In March 2018, JZCP invested approximately \$9.1 million in Tech Safety, the first acquisition into the newly established Contamination Control and Certification (“CCC”) sub vertical of our Testing Services build-up. Via the CCC sub vertical, we intend to acquire companies that provide comprehensive testing, certification and validation services for cleanroom, critical environments and containment systems.

Co-investments

In March 2018, JZCP invested a further approximately \$4.2 million in K2 Towers II, a portfolio of cell tower assets across the United States.

Other US Micro-cap Investments

In March 2018, JZCP invested a further approximately \$3.5 million in Avante (formerly known as Jordan Health Products), to acquire EMS, a business which sells, services, and installs refurbished medical imaging equipment, specializing in MRI and CT equipment.

Real Estate Investments

In the three-month period ended 31 May 2018, JZCP invested a total of \$20.4 million in follow-on investments in our Williamsburg, Greenpoint, Fulton, Design District and Wynwood assemblages.

Realizations

Paragon Water Systems

In March 2018, Paragon was acquired by Culligan Water, the world leader in residential, office, commercial and industrial water treatment.

Founded in 1988 and headquartered in Tampa, Florida, Paragon develops and produces “point-of-use” water filtration products for leading global Original Equipment Manufacturer (“OEM”) clients, big brand suppliers to specialty and big box retailers, direct sales organisations and companies with national or international water filtration dealership networks.

JZCP expects to realise approximately \$16.2 million in gross proceeds (including escrows) from the sale, representing an increase of approximately \$3.7 million, or 29.6% on the carrying value of Paragon of approximately \$12.5 million as of 31 January 2018. This transaction represents a gross multiple of invested capital (“MOIC”) of approximately 1.8x and a gross internal rate of return (“IRR”) of approximately 18.4%.

Bolder Healthcare Solutions

In March 2018, BHS was acquired by a subsidiary of Cognizant, one of the world's leading professional services companies.

Headquartered in Louisville, Kentucky, BHS offers a full suite of healthcare revenue cycle management services to the hospital and physician marketplace in the United States. BHS was formed through a co-investment partnership between JZCP and the Edgewater Funds.

JZCP will realise approximately \$110.0 million in gross proceeds from this sale (including escrows), which represents an increase in NAV of approximately \$37.1 million, or 4.5% of NAV, as of January 31, 2018.

PORTFOLIO SUMMARY

At 31 May 2018, the Company's portfolio consisted of 38 micro-cap investments across nine major industries and five major real estate "assemblages" (59 total properties) located in New York and South Florida.

(\$'000)	At 31/05/18	At 28/02/18	% Gross Assets 31/05/18
US Micro-cap Portfolio.....	409,911	488,258	36.3%
European Micro-cap Portfolio.....	116,310	103,457	10.3%
Real Estate Portfolio.....	469,096	463,391	41.6%
Other Portfolio	16,302	16,897	1.4%
Total Private Investments.....	1,010,619	1,072,003	89.6%
Cash and Liquid Investments	112,269	83,962	10.0%
Total Investments (and Cash).....	1,123,888	1,155,965	99.6%
Other Current Assets.....	5,011	507	0.4%
Total Investments (and Cash)	1,128,899	1,156,472	100.0%

At 31 May 2018, 10.0% of gross assets were invested in liquid assets (cash). The remaining portion of the portfolio was invested in private investments in US or European micro-cap companies or real estate. Our micro-cap investments are valued at fair value by JZCP's directors each quarter whereas our real estate portfolio is valued at least annually and based upon third party appraisals, generally done prior to JZCP's fiscal year end.

We value our privately held businesses cautiously. Our average multiple used for our US micro-cap businesses is 8.3x trailing EBITDA. In addition, we do not have substantial debt in these businesses. The multiple of debt senior to JZCP's position is approximately 3.6x EBITDA.

Top Ten Investments

Our ten largest investments as of 31 May 2018 are summarized below:

(\$000's)	Asset Category	Valuation 31/05/18	% Gross Assets 31/05/18
Design District Assemblage.....	Real Estate	93,660	8.3%
Industrial Services Solutions Vertical	US	89,454	7.9%
Fulton Assemblage	Real Estate	69,323	6.1%
Williamsburg Retail Assemblage	Real Estate	66,817	5.9%
Greenpoint	Real Estate	64,573	5.7%
TierPoint.....	US	46,813	4.2%
Avante.....	US	37,098	3.3%
Roebing.....	Real Estate	31,588	2.8%
Redbridge	Real Estate	30,462	2.7%
Esperante.....	Real Estate	29,688	2.6%
Top Ten Investments		559,476	49.5%
Remaining Assets		569,423	50.5%
Gross Assets.....		1,128,899	100.0%

Balance Sheet

Below is a summary of JZCP's balance sheet as of the relevant dates:

(\$000's)	31/05/18	28/02/18
Cash and cash equivalents	112,269	83,962
Investments & other assets.....	1,016,630	1,072,510
(-) Other net liabilities	(248,253)	(256,056)
(-) ZDPs due 2022.....	(61,467)	(62,843)
Net Asset Value	819,179	837,573

At 31 May 2018, "other net liabilities" includes \$56.9 million from the issuance of Convertible Unsecured Loan Stock ("CULS") in July 2014, which carries an interest rate of 6%, and \$149.4 million from a six-year term loan with Guggenheim Partners, which carries an interest rate of LIBOR plus 5.75%.

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About JZCP

JZ Capital Partners (“JZCP”) is one of the oldest closed-end investment companies listed on the London Stock Exchange. It seeks to provide shareholders with a return by investing selectively in US and European microcap companies and US real estate. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. (“JZAI”) which is led by David Zalaznick and Jay Jordan. They have worked together for more than 35 years and are supported by teams of investment professionals in New York, Chicago, London and Madrid. JZAI’s experts work with the existing management of micro-cap companies to help build better businesses, create value and deliver strong returns for investors. For more information please visit www.jzcp.com.