



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 2019 Interim Management Statement 28 June 2019

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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 2019 to 31 May 2019.

Results Highlights

- Net Asset Value (“NAV”) of \$800.2 million (28/02/19: \$810.3 million)
- NAV per share of \$9.92, a decrease of 1.2% for the quarter (28/02/19: \$10.04)
- \$53.1 million realized, including:
 - \$23.3 million from the sale of Waterline Renewal
 - \$14.0 million from the refinancing of Felix Storch
 - \$14.1 million from JZI Fund III, L.P., related to the sale of portfolio company Petrocorner and refinancing of Collingwood and Fincontinuo
- \$25.6 million invested, including:
 - \$2.4 million in Exer Urgent Care
 - \$21.4 million in follow-on real estate investments in our assemblages in Brooklyn, New York, and South Florida
- At the end of the period, the portfolio consisted of 41 micro-cap investments across nine industries and five major real estate “assemblages” located in New York and South Florida

David Zalaznick, Founder and Investment Advisor of JZCP said: “The period was characterized by a series of successful realizations as part of our continued commitment to using proceeds to make distributions to shareholders and pay down debt. As part of that, we are delighted to have received shareholder support for a series of tender offers, the first \$30 million of which we intend to launch in July. We believe these strategic initiatives will greatly benefit all shareholders and provide the Company with more flexibility as the balance sheet strengthens.”

Net Asset Value

NAV per share for the quarter decreased from \$10.04 to \$9.92, or 1.2%.

NAV Returns

Net Asset Value per Ordinary Share as of 1 March 2019	\$10.04
<i>Change in NAV per share due to capital gains and income received / accrued on investments</i>	
US Micro-cap	0.13
European Micro-cap.....	(0.12)
Real Estate.....	(0.04)
<i>Other changes in NAV per share</i>	
Finance Costs	(0.07)
Foreign Exchange Effect.....	0.06
Expenses and Taxation	<u>(0.08)</u>
Net Asset Value per Ordinary Share as of 31 May 2019	<u>\$9.92</u>

The US micro-cap portfolio had a net increase of 13 cents, primarily due to write-ups at our co-investment Orizon (6 cents), net accrued income of 6 cents and escrows of 2 cents. These increases were offset by a write-down at our Water vertical (1 cent).

The European micro-cap portfolio had a net decrease of 12 cents, primarily due to write-ups at multiple JZI Fund III, L.P. portfolio companies (3 cents) and 1 cent of accrued income, offset by a 16 cent write-down of the accrued interest on JZCP's loan to Ombuds.

The real estate portfolio had a decrease of 4 cents for the quarter, due to carrying costs and pre-development expenses at the property level.

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.

	31/05/19	28/02/19	31/05/18	31/05/16	31/05/14
Share price (in GBP)	£4.79	£4.35	£4.64	£3.90	£4.41
NAV per share (in USD)	\$9.92	\$10.04	\$9.78	\$10.32	\$10.08
NAV to market price discount	39.1%	42.4%	36.9%	45.0%	26.6%
		3 month return	12 month return	3 year return	5 year return
Dividends paid (in USD)	—	—	—	\$0.16	\$0.79
Total Shareholders' return (GBP) ¹	—	10.1%	3.2%	25.9%	23.0%
Total NAV return per share (USD) ¹	—	(1.2)%	1.4%	(2.4)%	6.4%
Total Adjusted NAV return per share (USD) ^{1/2}	—	(1.2)%	(0.1)%	(4.0)%	15.4%

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

(2) Adjusted NAV returns reflect the return per share before (i) the dilution resulting from the issue of 18,888,909 ordinary shares at a discount to NAV on 30 September 2015 and (ii) subsequent appreciation of the buyback of ordinary shares at a discount

RECENT ACTIVITIES

Upcoming Tender Offer

JZCP's board has received shareholder approval to return approximately \$100 million in capital to shareholders via a series of tender offers at a price no more than a 5% discount to NAV.

We expect to send out documents regarding the first tender offer of approximately \$30 million in July 2019.

Significant Investments and Realizations

Co-investments

In March 2019, JZCP invested approximately \$2.4 million in Exer Urgent Care, one of the largest urgent care operators in Greater-Los Angeles and Orange County, California.

Real Estate Investments

In the three-month period ended 31 May 2019, JZCP invested a total of \$21.4 million in follow-on investments in our assemblages in Brooklyn, New York, and South Florida.

Realizations

Waterline Renewal

In April 2019, Waterline Renewal was acquired by Behrman Capital, a private equity investment firm based in New York and San Francisco.

Waterline Renewal is a leading provider of engineered products used in the trenchless rehabilitation of wastewater infrastructure for municipal, commercial, industrial, and residential applications. The company's patented line of products and technologies allows its customers to deliver long-lasting solutions that repair sewer systems and wastewater lines without the need for excavation or property damage, and prevent overflow created by excess inflow and infiltration of ground water into the wastewater system.

JZCP expects to realize approximately \$24.6 million in gross proceeds (including escrows) from the sale.

Felix Storch

In March 2019, JZCP refinanced Felix Storch, its manufacturer of small and custom refrigeration appliances. This refinancing resulted in gross proceeds to JZCP of approximately \$14.0 million, which returned JZCP's entire March 2017 investment in Felix Storch of \$12.0 million. Felix Storch has continued to exhibit strong growth and we expect it to return more capital in the future.

PORTFOLIO SUMMARY

At 31 May 2019, the Company's portfolio consisted of 41 micro-cap investments across nine major industries and five major real estate "assemblages" located in New York and South Florida.

(\$'000)	At 31/05/19	At 28/02/19	% Gross Assets 31/05/19
US Micro-cap Portfolio.....	453,706	478,970	40.9%
European Micro-cap Portfolio.....	102,176	128,698	9.2%
Real Estate Portfolio.....	461,495	443,044	41.6%
Other Portfolio	19,520	19,082	1.8%
Total Private Investments.....	1,036,897	1,069,794	93.5%
Cash and Liquid Investments	73,174	54,308	6.5%
Total Investments (and Cash).....	1,110,071	1,124,102	100.0%
Other Current Assets.....	563	506	0.0%
Total Investments (and Cash)	1,110,634	1,124,608	100.0%

At 31 May 2019, 6.5% 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 8.1x trailing EBITDA. In addition, we do not have substantial debt in these businesses. The multiple of debt senior to JZCP's position is approximately 3.8x EBITDA.

Top Ten Investments

Our ten largest investments as of 31 May 2019 are summarized below:

(\$000's)	Asset Category	Valuation 31/05/19	% Gross Assets 31/05/19
Industrial Services Solutions Vertical	US	95,893	8.6%
Design District – Southern Parcel.....	Real Estate	91,994	8.3%
Greenpoint	Real Estate	59,768	5.4%
Fulton Mall Assemblage	Real Estate	53,226	4.8%
TierPoint.....	US	46,813	4.2%
Deflecto.....	US	42,401	3.8%
Avante.....	US	40,850	3.7%
Williamsburg Retail – North 6th	Real Estate	37,188	3.3%
Redbridge Bedford.....	Real Estate	32,372	2.9%
Peaceable Street Capital	US	27,634	2.5%
Top Ten Investments		528,139	47.6%
Remaining Assets		582,495	52.4%
Gross Assets.....		1,110,634	100.0%

Balance Sheet

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

(\$000's)	31/05/19	28/02/19
Cash and cash equivalents	73,174	54,308
Investments & other assets.....	1,037,460	1,070,300
(-) Other net liabilities	(249,186)	(250,508)
(-) ZDPs due 2022.....	(61,266)	(63,838)
Net Asset Value	800,182	810,262

At 31 May 2019, "other net liabilities" includes \$51.4 million from the issuance of Convertible Unsecured Loan Stock ("CULS") in July 2014, which carries an interest rate of 6%, and \$149.3 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 micro-cap 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.