



JZ CAPITAL PARTNERS LIMITED



# 2013 Interim Results Presentation

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# Our investment strategy

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- Focus on strategic build-ups in the inefficient micro cap market in the US and Europe
- Experienced management – US, Europe and real estate
- Verticals employ seasoned senior operating executives which provide supervision and strategic advice
- Significant proprietary deal flow
  - Large network of long-term sourcing relationships
  - Very limited use of auctions
- Reasonable entry multiples with modest leverage
  - Average US micro cap purchase multiple of 5.9x trailing EBITDA
  - Average debt multiple senior to JZCP is 2.0x for the micro-cap portfolio
  - Leverage to enhance returns with well performing investments
- Co-investments with well-known, successful micro cap private equity firms



# Highlights

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## Performance

- 3.4% NAV Total Return including:
  - NAV of US\$641.7 million (FYE 28/02/13: US\$630.0 million)
  - NAV per share of US\$9.87 (FYE 28/02/13: US\$9.69)
  - Distributions of 15 cents per share (FYE 28/02/13: 14 cents per share)
- NAV growth in 17 of the past 18 quarters
- Solid three-year total shareholder return of 78.5%
- An interim distribution of 14.5 cents per share (FYE 28/2/12: 15 cents per share)
- A dividend yield of 4%

## Investment Activity

- Deployed US\$69.3 million in new investments
- Proceeds of US\$72.6 million from realisations

## Portfolio

- Four new real estate investments with an experienced manager to drive NAV growth
- Three new investments in Europe
- Strong balance sheet - liquid securities of US\$79.3 million or 11% of NAV
- Healthy pipeline of opportunities



# Financial performance

NAV per share of US\$9.87 (FYE 2/13 : US\$9.69)



NAV growth in 17 of the past 18 quarters



Distribution of 15 cents per share (HYE 8/12: 14 cents per share)



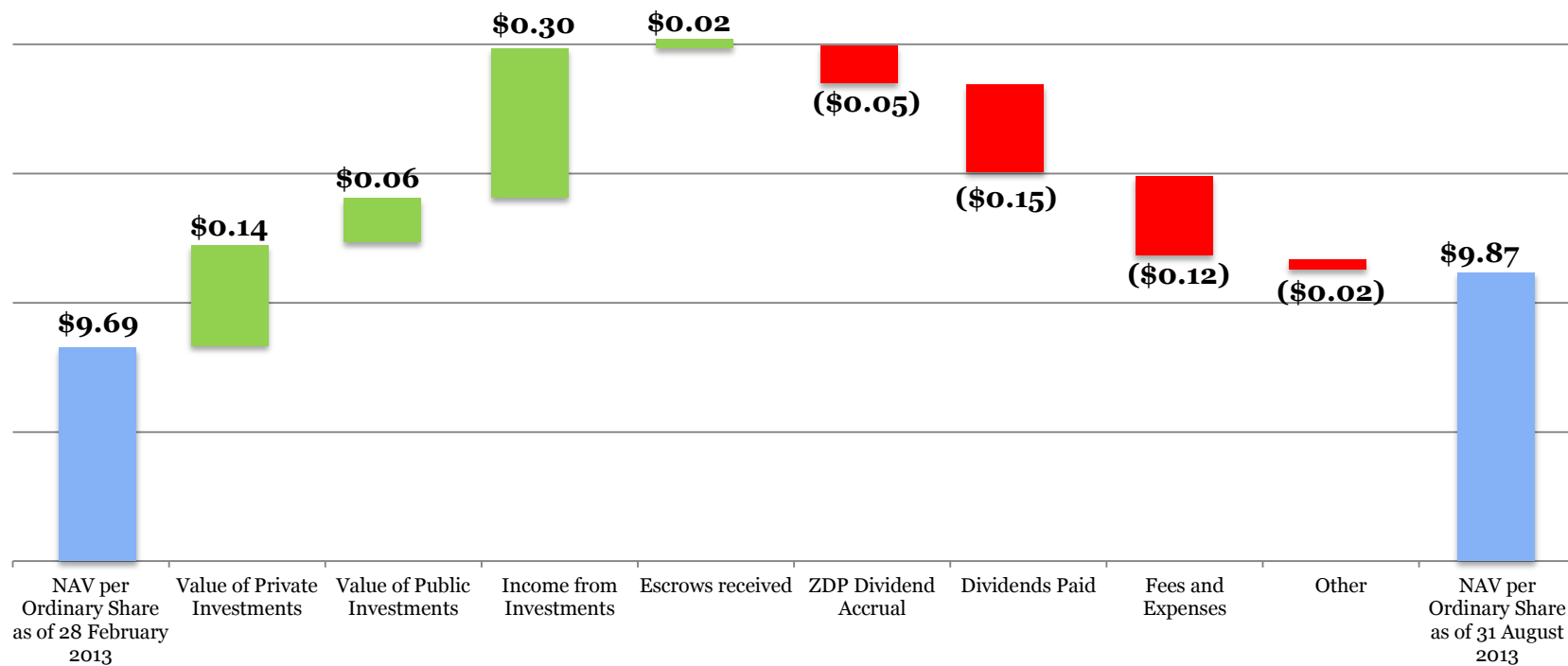
Liquidity strong with US\$79.3 million in cash (11% of NAV)

	US\$ 000 HYE 8/13	US\$ 000 FYE 2/13
Total investment assets	740,315	731,022
Cash and cash equivalents	119,577	134,549
Other liabilities-net	4,048	11,553
Zero Dividend Preference Shares (000's)	95,156	89,839
Number of Ordinary Shares	65,019	65,019
Net asset value per Ordinary Share	9.87	9.69
NAV to market price discount	26%	22%



# Net asset value development

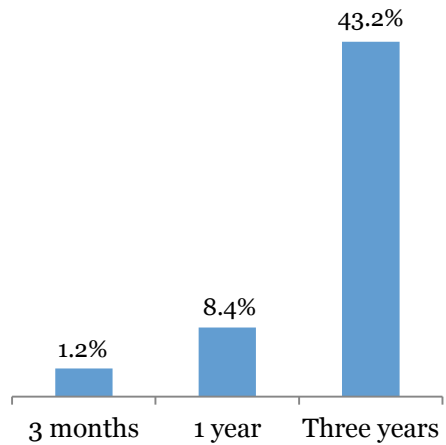
*Investment performance has driven NAV growth*



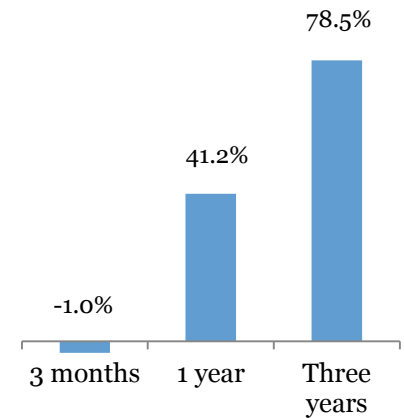
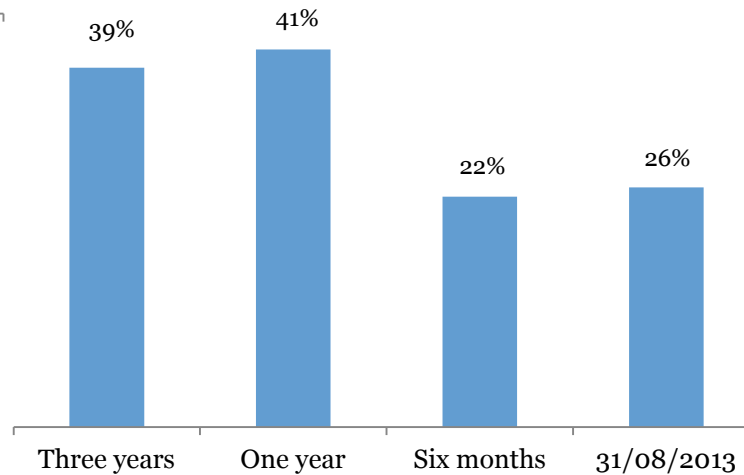
# Share price and NAV per share performance

NAV total returns

Total shareholder returns



NAV to market price discount





# Investment activity

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**Since 28 February 2013**

Millions

Four properties in Brooklyn, NY	US\$22.5
One World Packaging	€5.0
Winn Group	€9.5
Fidor Bank	€7.7
Other	US\$27.0

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Please note that the descriptions are for the entire EuroMicrocap 2010, LP (EMC).  
JZCP owns 75% of EMC.



# Realisation activity

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**Since 28 February 2013**

US\$ million

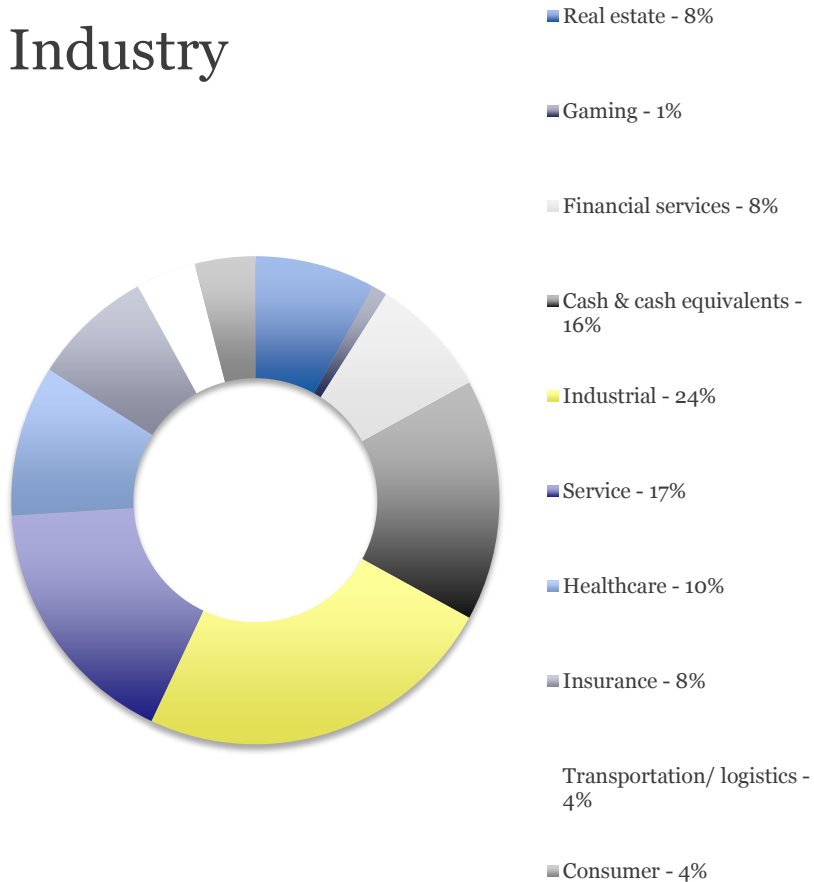
Sale of Horsburgh and Scott	33.7
Refinancing of ISS (Industrial Services) vertical	26.4
Refinancing of HAAS TMC subordinated debt	7.9
Warrants, escrows, other	1.3
	<hr/>
	69.3

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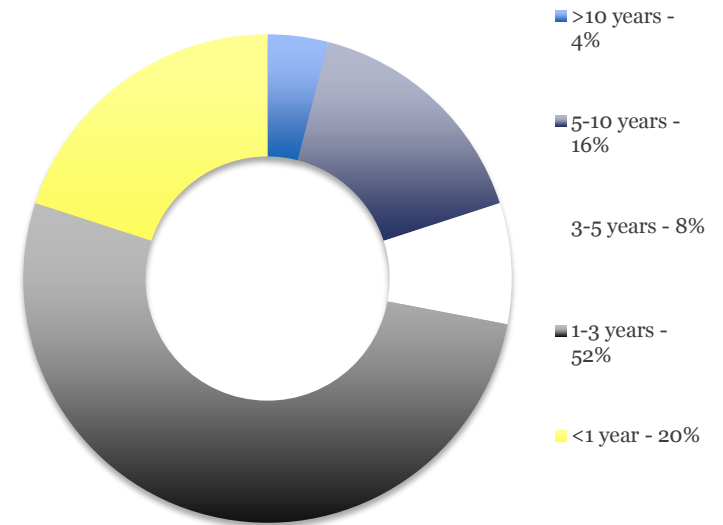


# Portfolio review

## Industry



## Vintage



# US micro cap verticals

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Verticals are sector driven “build ups” created to add value through operational synergies across businesses and through exit multiple expansion

**Industrial Services Solutions (ISS)**, a build up of industrial equipment services, repair and sales businesses

- Managed by Jim Rogers, a GE veteran
- Consists of 8 acquisitions, servicing industrial equipment across the United States
- For HYE 6/13, US\$131.9 million of revenues and US\$17.8 million of EBITDA, currently valued at a 6.6x multiple
- Over the last six months, upgraded management with 3 new senior managers, and upgraded systems and infrastructure
- Refinanced US\$26.4 million of JZCP securities with a senior credit facility



# US micro cap verticals

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**Bolder Healthcare**, a revenue cycle management business for hospitals and doctors' offices

- Managed by Mike Shea, a seasoned individual who has done this before successfully
- Currently consists of MEDS, a patient qualification business for hospitals
  - A very active transaction pipeline
- For HYE 6/13, \$17.0 million of revenues and \$4.3 million of EBITDA, currently valued at a 7.4x multiple
- Recently added US\$1.7 million in infrastructure upgrades, sales force enhancements and systems

**Sensors Solutions**, a specialised (non-commodity) sensors business

- Managed by Gerry Posner, who has managed and sold several similar businesses
- Consists of Amptek and Nielsen Kellerman
  - Several active acquisition targets
- For HYE 6/13, US\$17.2 million of revenues and US\$19.1 million of EBITDA, currently valued at a 7.7x multiple
- Spent significant R&D time and expenses preparing for next generation products at Amptek

# US micro cap verticals

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**Testing Services,**  
a laboratory and  
laboratory services  
business

- Managed by Phil Rooney, an experienced executive in a wide variety of industries
- Consists of Accutest, Galson Labs and Argus Group
- For HYE 6/13, US\$76.9 million of revenues and US\$10.5 million of EBITDA, currently valued at a 6.9x multiple
- Have identified and implemented a US\$1.4 million cost saving plan at Accutest

**Water Services,** a  
water infrastructure  
repair and water  
treatment business

- Managed by Mike Reardon who has extensive experience in buying, integrating and managing water businesses
- Consists of two water infrastructure businesses (LMK Enterprises and Perma-Liner Industries ) and two water chemical businesses (Nashville Chemical and Klenzoid Canada)
- For HYE 6/13, US\$76.9 million of revenues and US\$10.5 million of EBITDA, currently valued at a 6.9x multiple
- Have recently spent US\$1.5 million in management and sales force enhancements



# European micro cap

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- Strategically important region for JZCP, now represents 18.5% of gross assets
- Strategy coordinated by an experienced management team

## **Team & Experience**

- Offices in London and Madrid led by Jock Green -Armytage and Miguel Rueda
- Invested in European micro cap deals (UK, Italy, Holland, Scandinavia, Germany and Spain) for more than 12 years

## **Strategy**

- Identical value-orientated investment approach
- Targeting good quality micro cap companies for strategic build ups
- Investments focus on financial services outsourcing



# Winn Group

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- **Winn Group**, a successful UK legal services and claims management business
- Co-invested £9.5 million in September 2013 to acquire 36% alongside Souter Investments
- Well positioned to benefit from the rapid consolidation of the personal injury sector due to efficient business model
- Generated revenues of £40 million in the year to 31 March 2013

Please note that the descriptions are for the entire EuroMicrocap 2010, LP (EMC).  
JZCP owns 75% of EMC.





# Fidor Bank AG

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- **Fidor Bank AG**, an innovative and fast growing online German bank
- Invested €7.75 million in September 2013 to acquire 25.2%
- One of the only banks in Europe to allow customers to transfer money through social media
- Provides deposit and savings accounts, FX transactions, a credit card and crowdfunding
- Deposits in the year to 31 March 2013 almost doubled
- Regulated by BaFin

Please note that the descriptions are for the entire EuroMicrocap 2010, LP (EMC).  
JZCP owns 75% of EMC.



# One World Packaging

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- **One World Packaging**, a manufacturer of biodegradable trays for the food industry in Europe
- Invested €5.0 million in April 2013 to acquire 70%
- The proprietary product outperforms plastic and is biodegradable
- The Company plans to sell the product to large food manufacturers and distributors in European countries which value environmentally sound and sustainable products
- JZCP will support the company's development

Please note that the descriptions are for the entire EuroMicrocap 2010, LP (EMC).  
JZCP owns 75% of EMC.



# Other European micro cap investments

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**Factor Energia**, a energy/utility distribution and reselling business which focuses on SMEs in Spain

- For FYE 2/13, €265.2m of revenues and €14.9m of EBITDA

**Xacom**, a telecoms products business in Spain

- For FYE 2/13, €8.7m of revenues and €0.2m of EBITDA

**Docout**, a provider of document processing and storage services to financial institutions, utilities, telecom and insurance companies in Spain

- For FYE 2/13, €15.0m of revenues and €3.5m of EBITDA

**Grupo Ombuds**, a provider of personal security and asset protection to blue-chip companies in Spain

- For FYE 2/13, €66.0m of revenues and €4.3m of EBITDA

**Oro direct**, a buyer of precious metals in Spain which also sells investment grade gold and silver

- For FYE 2/13, €798.6m of revenues and €5.4m of EBITDA

# Real estate

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- Applying the principles of our micro cap investment strategy
- Investing with an experienced and successful management team
- Redeveloping residential and retail properties in Brooklyn, New York
  - Strong demographics
  - Reasonable prices in negotiated sales
- Portfolio expected to contribute significantly to NAV growth in the future
- Portfolio consists of seven properties with a total capitalization of US\$153.9 million
- JZCP has invested US\$54.1 in these entities



# Real estate portfolio (1)

	Date Acquired	Total Investment (Including Debt)	Total Equity	JZCP Equity
<b>(1) Bedford</b> 100,000 sq. ft mixed use facility on one of the most desirable blocks in Williamsburg	April 2012	US\$83 million	US\$26 million	US\$18 million
<b>(2) 182 Flatbush Avenue</b> 4,791 sq. ft commercial building directly across from the front entrance to the Barclays Center and a major subway hub	September 2012	US\$9 million	US\$5 million	US\$4 million
<b>(3) Fulton Avenue</b> 10,006 sq. ft development parcel with buildable air rights on Fulton Mall in Downtown Brooklyn	November 2012	US\$21 million	US\$19 million	US\$15 million



## Real estate portfolio (2)

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	Date Acquired	Total Investment (Including Debt)	Total Equity	JZCP Equity
<b>(4) Flatbush #2</b> 3 properties totalling 14,200 sq. ft and air rights in immediate proximity to the Barclays Center	April – June 2013	US\$29 million	US\$13 million	US\$10 million
<b>(5) Driggs</b> 43,250 sq. ft including air rights in Williamsburg near our Bedford property	August 2013	US\$11 million	US\$11 million	US\$8 million



# Redbridge Bedford, LLC

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**235 – 247 Bedford Avenue, Brooklyn**

**Owner**

Redbridge Bedford, LLC

**Date Acquired**

6 April 2012

**Unit composition**

15 commercial and 39 loft apartments

**Square feet**

100,000

REDSKY  
CAPITAL



# Redbridge Bedford, LLC

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## Original Thesis

JZ/RS acquired the property with the intent to redevelop and retenant the retail and residential building into a class A mixed-use property

## Asset Description

241 Bedford Avenue is a 100,000 sq. ft. mixed-use asset located on one of the most desirable blocks in Williamsburg. It is the biggest and most visible retail site on Bedford Avenue

## Value Add

JZ/RS is in the middle of a repositioning plan which will:

- Transform Bedford Avenue into two floors of retail and lease to high end international retailers
- Lease 4 retail spaces on North 4<sup>th</sup> Street to boutique high end tenants
- Vacate and lease remaining occupied retail spaces throughout the property
- Vacate and lease under market residential apartments

## Capitalisation

Purchase price	US\$64 million
CapEx/ reserves	US\$15.2 million
Total capitalisation	US\$83 million
Total equity	US\$26 million
Total debt	US\$57 million
Lender	Jefferies Loancore, LLC
Initial JZCP equity	US\$14.02 million

## Cash Flow

Unlevered yield at purchase	3.3%
Year1 NOI	US\$1.76 million
Unlevered yield once fully	8.5%
NOI once fully leased	US\$6.7 million

REDSKY  
CAPITAL





# Outlook

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Financial condition remains strong

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Healthy pipeline

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Increasingly diversified portfolio

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Consistent value orientated approach

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- Dividend policy provides predictable dividends
  - Geographically diversified portfolio
  - Investing with experienced management teams in real estate and Europe
  - Positive outlook - well positioned with significant balance sheet liquidity
  - NAV growth in 17 of the past 18 quarters
  - Superior long-term total return performance



# Appendix



# About us

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- JZ Capital Partners Limited is one of the oldest closed ended investment companies listed on the Specialist Fund Market of the London Stock Exchange and the Channel Islands Stock Exchange
- Approximately \$730 million of gross assets
- Principally invests in US and European micro cap companies
- Guernsey resident – tax efficient vehicle
- Two classes of shares in issue – Ordinary Shares and Zero Dividend Preference Shares
- Advisor is Jordan/Zalaznick Advisers, Inc. – founded in 1986
  - Led by Jay Jordan and David Zalaznick – invested together for 30 years
  - Gordon Nelson (CIO) – worked with Jay and David for 20 years
  - Todd Hamilton – Managing Director of Bolder Capital, the driver of micro cap strategy
- Two experienced investment teams in US and Europe
- The European team includes Jock Green-Armytage and Miguel Rueda, with over twelve years of investing together in European Microcap deals (UK, Italy, Holland, Scandinavia and Spain), including David Zalaznick and Jay Jordan



# Major holdings

Company	Type	Value (US\$ 000)	% of gross assets
Safety Insurance Group, Inc.	Listed equities	58,007	8
Factor Energia, S.A.	European micro cap	56,719	8
Redsky Flatbush	Real estate	54,110	7
Accutest Holdings, Inc.	Micro cap	29,593	4
Grupo Ombuds	European micro cap	28,849	4
Dental Services Group, Inc	Micro cap	28,525	4
Milestone Aviation	Micro cap	22,678	3
TWH Water Treatment Industries, Inc	Micro cap	22,564	3
Amptek, Inc.	Micro cap	21,960	3
Medplast/UPG Holdings	Micro cap	18,641	3
Top 10 Holdings		319,686	46



# US micro cap co-investments (1)

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**New Vitality (April 2010)**, a vitamin and supplements business

- Co-Investment with Baird Capital Partners

**Milestone Aviation (September 2010)**, a supplier of helicopters to commercial and industrial customers

- Co-investment with The Resolute Funds

**Salter Laboratories (October 2010)**, a manufacturer of disposable respiratory products for use in acute care facilities or home healthcare

- Co-investment with Round Table Healthcare

**Just Rite Manufacturing (June 2011)**, a manufacturer of industrial safety products used in manufacturing facilities

- Co-Investment with Baird



# US micro cap co-investments (2)

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**MedPlast/ UPG (April 2012)**, a precision plastics moulding business

- Co-Investment with Baird

**PC Helps (September 2012)**, a provider of “how to” support for software users

- Co-Investment with Baird

**Suzo-Happ (July 2012)**, a designer, manufacturer and distributor of parts for gaming and amusement outlets

- Co-Investment with ACON Investments