



## 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)

### Q3 2017 Interim Management Statement 20 December 2017

LEI: 549300TZCK08Q16HHU44

(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 September 2017 to 30 November 2017.

#### Results Highlights

- Net Asset Value (“NAV”) of \$831.3 million (28/02/17: \$848.8 million)
- NAV per share of \$9.91, an increase of 0.3% for the quarter (28/02/17: \$10.12)
- \$9.2 million invested during the period, including:
  - \$4.2 million invested in K2 Towers II, a new vehicle which is being used to fund a new portfolio of cell tower assets with the same management partners as K2 Towers
  - \$4.0 million in follow-on investments in our Williamsburg, Greenpoint, Design District and Wynwood assemblages
- \$37.6 million realised, including:
  - \$8.6 million from Nielsen-Kellerman, a designer, manufacturer and distributor of rugged environmental and sports performance instruments
  - \$28.7 million from K2 Towers, a build-up of cell tower assets across the United States (a further \$2.6 million in proceeds is expected in 2018)
- Post-period, JZCP received its first distribution of proceeds from the November 2017 sale of Factor Energia, totaling \$54.7 million (net of carry)
- Post-period, JZCP received approximately \$11.0 million from the second tranche of sale proceeds of Fidor Bank (net of carry)
- At the end of the period, the portfolio consisted of 35 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 are pleased to report the continued steady performance of our portfolio, driven primarily by the realisations from two US micro-cap companies, K2 Towers and Nielsen Kellerman, above their carrying value.

Looking forward, we anticipate further realisations over the next six months which would provide more liquidity to enable us to invest in our growing pipeline of investment opportunities, repay debt or buy back our stock.”

### Net Asset Value

NAV per share for the quarter increased from \$9.88 to \$9.91, or 0.3%.

### NAV Returns

<b>Net Asset Value per Ordinary Share as of 1 September 2017 .....</b>	<b>\$9.88</b>
<i>Change in NAV per share due to capital gains and income received / accrued on investments</i>	
US Micro-cap .....	0.24
European Micro-cap.....	0.02
Real Estate.....	(0.05)
Other Investments.....	(0.01)
<i>Other changes in NAV per share</i>	
Change in CULS Fair Value.....	0.05
Finance Costs .....	(0.06)
Foreign Exchange Effect.....	(0.06)
Expenses and Taxation .....	(0.10)
<b>Net Asset Value per Ordinary Share as of 30 November 2017 .....</b>	<b><u>\$9.91</u></b>

The US micro-cap portfolio had a net increase of 24 cents, primarily due to the realisations of K2 Towers and Nielsen Kellerman above carrying value (11 cents and 2 cents, respectively), net accrued income of 9 cents and a write-up at our water vertical (2 cents).

The European micro-cap portfolio had a net increase of 2 cents, primarily due to accrued income.

The real estate portfolio had a net decrease of 5 cents, primarily due to pre-development operating expenses and debt service.

Finally, our other investments had a net decrease of 1 cent, primarily due to the write-off of unused holding companies.

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

	<u>30/11/17</u>	<u>31/08/17</u>	<u>28/02/17</u>	<u>30/11/16</u>	<u>30/11/14</u>	<u>30/11/12</u>
Share price (in GBP)	£5.09	£5.16	£5.38	£5.07	£4.12	£4.34
NAV per share (in USD)	\$9.91	\$9.88	\$10.12	\$10.13	\$10.20	\$9.41
NAV to market price discount	30%	33%	34%	37%	35%	26%
		<b>3 month return</b>	<b>9 month return</b>	<b>12 month return</b>	<b>3 year return</b>	<b>5 year return</b>
Dividends paid (in USD)	—	—	—	—	\$0.64	\$1.25
Total Shareholders' return (GBP) <sup>1</sup>	—	(1.4)%	(5.5)%	0.3%	35.1%	40.9%
Total NAV return per share (USD) <sup>1</sup>	—	0.3%	(2.1)%	(2.2)%	3.5%	19.3%

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

## RECENT ACTIVITIES

### Significant Investments and Realisations

#### US Micro-cap Investments – Co-investments

In October 2017, JZCP rolled approximately \$4.2 million of proceeds from the K2 Towers realisation into K2 Towers II, a new vehicle which is being used to fund a new portfolio of cell tower assets with the same management partners.

#### Real Estate Investments

In the three-month period ended 30 November 2017, JZCP invested a total of \$4.0 million in follow-on investments in our Williamsburg, Greenpoint, Design District and Wynwood assemblages.

#### Realisations

##### *Nielsen-Kellerman (“NK”)*

JZCP received proceeds of \$8.6 million from the sale of NK, a designer, manufacturer and distributor of rugged, waterproof environmental and sports performance instruments for active lifestyles and technical applications. NK’s sale represents a 3.3x realised gross multiple on invested capital and a 19.2% realised gross IRR. JZCP first invested in NK in March 2010.

##### *K2 Towers (“K2”)*

JZCP expects to receive total proceeds of \$31.3 million from the sale of K2 to one of the largest publicly traded cell tower companies, representing an overall gross multiple of invested capital of 1.5x and a gross internal rate of return of 17.6% in just over two years.

Approximately \$4.2 million of these proceeds were re-invested into a new vehicle which is being used to fund a new portfolio of cell tower assets with the same management partners. This transaction provides liquidity to JZCP at an attractive valuation while continuing to build a great cell tower portfolio with further upside.

#### *Factor Energia (“Factor”)*

Finally, JZCP realised, at approximately net asset value, its majority equity interest in Factor held through EuroMicrocap Fund-C, L.P. Post-sale, Factor will be majority owned by an affiliate of a major North American public pension fund. As part of this transaction, JZI Fund III, L.P., in which JZCP is an approximately 18.8% limited partner, has agreed to invest €20 million alongside the majority owner and Factor management, representing approximately 25% of the business’ fully diluted equity ownership.

JZCP invested a total of approximately €7.6 million (\$9.6 million) in Factor and is expected to receive total gross proceeds (before carry) of approximately €69.7 million (\$82.3 million) from the sale (including deferred payments and interim distributions received over the course of the investment), representing an approximate gross multiple of invested capital of 9.2x and an approximate gross IRR of 42.3% in euro-denominated terms.

Post-period, JZCP received its first distribution of proceeds from the November 2017 sale of Factor Energia, totaling \$54.7 million (net of carry)

### **PORTFOLIO SUMMARY**

At 30 November 2017, the Company’s portfolio consisted of 35 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 30/11/17	At 28/02/17	% Gross Assets 30/11/17
US Micro-cap Portfolio.....	426,718	424,502	37.3%
European Micro-cap Portfolio.....	167,868	154,277	14.7%
Real Estate Portfolio.....	476,772	468,599	41.7%
Other Portfolio .....	16,402	21,802	1.4%
<b>Total Private Investments.....</b>	<b>1,087,760</b>	<b>1,069,180</b>	<b>95.1%</b>
Cash .....	55,187	29,064	4.8%
<b>Total Investments (and Cash).....</b>	<b>1,142,947</b>	<b>1,098,244</b>	<b>99.9%</b>
Other Current Assets.....	521	511	0.1%
<b>Total Investments (and Cash) .....</b>	<b>1,143,468</b>	<b>1,098,755</b>	<b>100.0%</b>

At 30 November 2017, 4.8% 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. These investments are valued at fair value by JZCP’s directors each quarter.

We value our privately held businesses carefully. Our average multiple used for our US micro-cap businesses is 8.2x 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 30 November 2017 are summarised below:

(\$000's)	<u>Asset Category</u>	<u>Valuation 30/11/17</u>	<u>% Gross Assets 30/11/17</u>
Design District Assemblage .....	Real Estate	98,899	8.6%
Industrial Services Solutions Vertical .....	US	79,938	7.0%
Greenpoint .....	Real Estate	76,356	6.7%
Williamsburg Retail Assemblage .....	Real Estate	72,253	6.3%
Healthcare Rev. Cycle Management Vertical.....	US	72,188	6.3%
Fulton Assemblage .....	Real Estate	67,475	5.9%
EuroMicrocap Fund-C, L.P. ....	European	63,170	5.5%
TierPoint.....	US	46,813	4.1%
RedBridge .....	Real Estate	36,774	3.2%
Jordan Health Products .....	US	32,712	2.9%
<b>Top Ten Investments</b> .....		<b>646,578</b>	<b>56.5%</b>
<b>Remaining Assets</b> .....		<b>496,890</b>	<b>43.5%</b>
<b>Gross Assets</b> .....		<b><u>1,143,468</u></b>	<b><u>100.0%</u></b>

### Balance Sheet

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

(\$000's)	<u>30/11/17</u>	<u>28/02/17</u>
Cash and cash equivalents .....	55,187	29,064
Investments & other assets.....	1,088,281	1,069,691
(-) Other net liabilities .....	(251,260)	(195,976)
(-) ZDPs due 2022.....	(60,949)	(53,935)
<b>Net Asset Value</b> .....	<b><u>831,259</u></b>	<b><u>848,844</u></b>

At 30 November 2017, "other net liabilities" includes \$58.9 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%.

**For Further Information:**

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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](http://www.jzcp.com).