

# JZ CAPITAL PARTNERS LTD - Interim Management Statement

PR Newswire

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## JZ CAPITAL PARTNERS LIMITED

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

### Q1 2015 Interim Management Statement

22 June 2015

JZ Capital Partners Limited (LSE: JZCP.L, the "Company" or "JZCP"), the London listed private equity fund that invests in high quality US and European microcap companies and US real estate, today announces its Interim Management Statement for the period 1 March 2015 to 31 May 2015.

#### Highlights

- NAV of US\$695 million (Q114: US\$655 million), an increase of 6.1%
  - Total NAV Return, which includes dividends, for the year ended 31 May 2015 is 9.2%
- Pre-dividend NAV per share of US\$10.86 (FY15: US\$10.85)
  - NAV growth in 23 of the last 25 quarters
- Semi-annual dividend of US\$0.175 per share paid on 12 June 2015
- Total shareholder return in the period of 14.1%
- US\$68.4 million invested including:
  - A US\$22 million investment in K2 Towers, an acquirer, owner and operator of wireless communication towers throughout the U.S. and Puerto Rico.
  - A US\$4.9 million investment in Sloan LED, a designer and manufacturer of LED lights and lighting systems for various end-markets and product applications.
  - A €7.6 million investment in S.A.C, an operational (lease and service) van leasing company based near Copenhagen, Denmark.
  - US\$21.8 million to close on three additional real estate properties, two located in Miami, FL, and one located in Brooklyn, NY.
- At the end of the period, the portfolio consisted of 56 microcap investments across seven industries and 30 properties located in New York and Miami.

**David Zalaznick, Founder and Investment Advisor of JZCP said:** "We are pleased with the performance of the underlying portfolio which has resulted in NAV growth for 23 of the last 25 quarters.

"We continue to source and develop exciting investment opportunities across the US and Europe. We look to the balance of 2015 with continued confidence and remain focused on delivering long-term value for our shareholders."

#### Net Asset Value

JZCP is pleased to report that pre-dividend NAV per share for the quarter was up US\$0.01 versus three months ago, as the pre-dividend NAV per share increased from US\$10.85 to US\$10.86. In addition, JZCP declared a dividend of US\$0.175 per share, which was paid on 12 June 2015. For the past twelve-month period, including a previously paid dividend of US\$0.15 in November 2014, the implied dividend yield, based on our stock price at 29 May 2015 is 4.7%.

JZCP's liquidity and investment activity both continue to be strong. We invested US\$68.4 million during the period across our various portfolios. These investments were contemplated in the plan concerning the redemption of the ZDPs in 2016 referred to in the chairman's statement accompanying JZCP's annual results for the financial year ended 28 February 2015. Our net cash and cash equivalents is currently US\$82.1 million, following the June closing of a US\$100 million bank facility with Guggenheim Partners. We used US\$50 million of those proceeds to pay off our short term loan with Jefferies; the remainder is to be used in part to redeem our ZDPs in June 2016. We also plan on bolstering our liquidity by taking advantage of the buoyant capital markets in the United States; we hope to sell and/or refinance some of our US portfolio companies in the near term.

#### NAV INCREASE AND RETURNS

Net Asset Value per Ordinary Share as of 1 March 2015	US\$10.85
(+) Change in Private Investments	0.15
(+) Income from Investments	0.07
(+) Escrows Received	0.01
(+) Change in CULS Fair Value	0.01
(-) Finance Costs	(0.08)

(-) Foreign Exchange Effect	(0.05)
(-) Fees and Expenses	(0.10)
<b>Net Asset Value per Ordinary Share (Before Dividends)</b>	<b>US\$10.86</b>
(-) Dividends Declared During Period and Paid Post-Period	(0.175)
<b>Net Asset Value per Ordinary Share as of 31 May 2015</b>	<b>US\$10.69</b>

The increase in private investments was primarily driven by increases in performance at our Industrial Services Solutions (“ISS”) vertical (US\$0.08), Healthcare Revenue Cycle Management vertical (US\$0.03) and co-investment Justrite Manufacturing (US\$0.05). These increases were offset by continued performance challenges at Priority Express, our same day/next day delivery company (US\$0.04), Vitalyst, our co-investment IT support company (US\$0.03) and Healthcare Products Holdings, our legacy manufacturer of motorized wheelchairs and scooters (US\$0.04).

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

	<b>As of 31.05.15</b>	<b>28.02.15 to 31.05.15</b>	<b>31.05.14 to 31.05.15</b>	<b>31.05.12 to 31.05.15</b>
Share Price (Start of Period)	£4.55	£4.09	£4.41	£3.68
Dividends Paid During Period <sup>(1)</sup>	—	US\$0.18	US\$0.49	US\$1.11
Total Shareholder Return <sup>(2)</sup>	—	14.1%	7.9%	42.6%
NAV per Share (Start of Period) <sup>(1)</sup>	US\$10.69	US\$10.85	US\$10.08	US\$9.38
Total NAV Return <sup>(2)</sup>	—	0.1%	9.2%	25.7%
NAV to Market Price Discount (Start of Period)	35%	42%	27%	40%
Russell 1000 <sup>(3)</sup>	—	0.3%	9.8%	62.5%
FTSE 100 <sup>(3)</sup>	—	0.5%	2.0%	31.3%

<sup>(1)</sup> Includes dividend of US\$0.175 cents declared during 1Q2015 and paid post-period on 12 June 2015. This dividend payment has been taken out of the NAV per Share as of 31 May 2015.

<sup>(2)</sup> Total returns are cumulative and assume that dividends were not reinvested for Total Shareholder Return. Total returns include dividend of US\$0.175 cents declared during 1Q2015 and paid post-period on 12 June 2015.

<sup>(3)</sup> Returns are cumulative for each period and assume that dividends were not reinvested.

## RECENT ACTIVITIES

On 13 May 2015, JZCP declared a semi-annual dividend of US\$10.5 million, or US\$0.175 per share. This was paid on 12 June 2015.

### Significant Investments and Realizations

#### US Microcap Investments - Verticals

##### *Industrial Services Solutions (“ISS”) Vertical*

In March 2015, JZCP’s ISS vertical completed the add-on acquisition of Midwest Valve Parts Supply Company (“MVP”), an independent supplier of replacement parts for valves, actuators, and related equipment to valve remanufacturers, as well as direct to end users in a variety of markets. MVP’s acquisition required no cash from JZCP.

#### US Microcap Investments – Co-investments

In April 2015, JZCP invested US\$4.9 million in Sloan LED, a designer and manufacturer of LED lights and lighting systems for various end-markets and product applications.

In April 2015, JZCP invested US\$22 million in K2 Towers, an acquirer, owner and operator of wireless communication towers throughout the United States and Puerto Rico.

#### European Microcap Investments

In March 2015, JZCP invested a total of €7.6 million (€2.8 million in equity through the EuroMicrocap Fund 2010, L.P. (“EMC”) and €4.8 million directly as mezzanine lender) in S.A.C, an operational (lease and service) van leasing company based south of Copenhagen, Denmark.

In March 2015, JZCP invested a further €1.1 million in Fidor Bank (through EMC), as part of larger Tier 1 capital increase from

existing Fidor Bank shareholders.

Additionally in March 2015, JZCP invested a further €3.8 million (through EMC) to capitalize an alternative lending vehicle for Fincontinuo. Fincontinuo is a leading independent lending platform that has been distributing and servicing *Cessione del Quinto* ("CdQ") loans, a low risk and niche form of consumer lending in Italy since 1997.

#### Real Estate Investments

In April 2015, JZCP invested a further US\$5.8 million to close on a property on Bedford Avenue in the Williamsburg neighbourhood of Brooklyn, New York. This property features 20 ft. of frontage on Bedford Avenue (the most highly trafficked street in Williamsburg) and up to 6,000 sq. ft. of build-to-suit multi-level retail space.

In March 2015, JZCP invested a further US\$15.9 million to close on two properties in Miami, Florida, one each in the city's adjacent Wynwood and Design District neighborhoods.

#### Realizations

In March 2015, JZCP received proceeds of US\$3.4 million from Salter Labs, following Salter Lab's refinancing and partial repayment of its existing senior subordinated notes.

### **PORTFOLIO SUMMARY**

At 31 May 2015, the Company's portfolio consisted of 56 microcap investments across seven major industries and 30 real estate properties.

	<b>Number of Investments (at 31.05.15)</b>	<b>At 31.05.15 (US\$'000)</b>	<b>At 28.02.15</b>	<b>% of Gross Assets (at 31.05.15)</b>
US Microcap Portfolio	44	334,008	297,340	33.4%
European Microcap Portfolio	12	252,655	245,884	25.3%
Real Estate Portfolio	30	239,589	216,781	24.0%
Other Portfolio	7	68,606	66,541	6.9%
<b>Total Private Investments</b>	<b>93</b>	<b>894,858</b>	<b>826,546</b>	<b>89.6%</b>
Listed Corporate Bonds		13,183	13,473	1.3%
Bank Debt	1	10,360	10,452	1.0%
UK Treasury Gilts		39,011	39,480	3.9%
Cash		36,153	101,323	3.6%
<b>Total Listed Investments (and Cash)</b>	<b>1</b>	<b>98,707</b>	<b>164,728</b>	<b>9.8%</b>
<b>Total Investments (and Cash)</b>	<b>94</b>	<b>993,565</b>	<b>991,274</b>	<b>99.4%</b>
Other Current Assets		5,574	4,403	0.6%
<b>Total Investments (and Cash)</b>	<b>94</b>	<b>999,139</b>	<b>995,677</b>	<b>100.0%</b>

At 31 May 2015, 9.9% of the portfolio was invested in "liquid" assets, which consist of cash, UK treasury gilts, bank debt and corporate bonds. These asset classes are valued at prices quoted by third parties. The remaining portion of the portfolio was invested in private investments in US or European microcap companies, real estate or mezzanine debt. 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 microcap businesses is 7.6x trailing EBITDA. In addition, we do not have substantial debt in these businesses. The multiple of debt senior to JZCP's position is approximately 3.1x EBITDA.

#### **Top Ten Investments**

Our ten largest investments as of 31 May 2015 are summarized below:

(US\$000's)	<b>Asset Category</b>	<b>Valuation as of 31.05.2015</b>	<b>% of Gross Assets as of 31.05.2015</b>
Industrial Services Solutions Vertical	US Microcap	\$83,282	8.3%
Factor Energia, S.A	European	69,488	7.0%

Bright Spruce	Other	50,825	5.1%
Greenpoint	Real Estate	47,263	4.7%
Toro Finance	European	43,195	4.3%
Fulton	Real Estate	42,393	4.2%
Group Ombuds	European	37,984	3.8%
Williamsburg Retail	Real Estate	27,749	2.8%
TierPoint	US Microcap	25,335	2.6%
Medplast	US Microcap	24,938	2.5%
<b>Top Ten Investments</b>		<b>\$452,452</b>	<b>45.3%</b>
<b>Remaining Assets</b>		<b>546,687</b>	<b>54.7%</b>
<b>Gross Assets</b>		<b>\$999,139</b>	<b>100.0%</b>

Note that the largest exposure is to our Industrial Services Solutions (“ISS”) Vertical, accounting for 8.3% of gross assets at 31 May 2015.

## Balance Sheet

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

(US\$000’s)

	<u>31.05.2015</u>	<u>28.02.2015</u>
Cash and cash equivalents	\$75,165	\$140,803
Investments	918,401	850,471
(-) Other Net Liabilities	(191,128)	(178,951)
(-) ZDPs	(107,485)	(106,814)
<b>Net Asset Value</b>	<b>\$694,953</b>	<b>\$705,510</b>

At 31 May 2015, “other net liabilities” includes US\$66.4 million of loans from the issuance of Convertible Unsecured Loan Stock (“CULS”) in July 2014, which carry an interest rate of 6 per cent, a US\$50 million one-year loan facility with Jefferies, and US\$40.1 million secured by the UK Gilts and Goldman Sachs corporate bonds.

In June 2015 (post-period), JZCP closed on a US\$100 million six-year term loan from Guggenheim Partners. This term loan carries an interest rate of LIBOR plus 5.75% and was partially used to pay down the entire Jefferies US\$50 million one-year loan facility.

## For further information:

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## About JZCP

JZCP is a London listed private equity fund which invests in high quality microcap companies, real estate and other debt and equity opportunities globally but with a particular focus on opportunities in the US and Europe. Its corporate objective is to create a portfolio of investments providing a superior overall return comprised of a current yield and significant capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. (“JZA”) which is led by David Zalaznick and Jay Jordan. They have worked together for 30 years and are supported by teams of investment professionals in New York, Chicago, London and Madrid. JZA’s experts work with the existing management of microcap 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).