



**JZ CAPITAL PARTNERS LTD**

Preliminary Results Presentation  
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Website: [www.jzcp.com](http://www.jzcp.com)  
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# HIGHLIGHTS

## Performance

- 14<sup>th</sup> consecutive quarter of NAV growth, now exceeding \$600 million
- Driven by positive performance from underlying assets and realisation activity
- NAV per share increased to US\$9.47 (2010: US\$8.93)
- Record full year distribution of 25.0 cents per share
- Total NAV return of 7.9% (including dividend payments)

## Investment Activity

- Proceeds of US\$247.8 million from realisations
- Deployed US\$291.3 million in new investments
- Significant post period end investment activity

## Portfolio

- Micro Cap investments continue to drive growth
- Increasingly diversified portfolio, by industry and geography
- New opportunities in Credit, Real Estate and Latin America

## Balance Sheet

- Exceptional balance sheet strength
- Enhanced liquidity from multiple realizations and repayment of debt investments



# FINANCIAL PERFORMANCE

**NAV per share of US\$9.47 (2010: US\$8.93)  
NAV total return for the period of 7.9%**

**Record full year distribution 25.0 cents per share (2010: 24.5 cents per share)**

**Exceptionally strong and liquid balance sheet to take advantage of further investment opportunities**

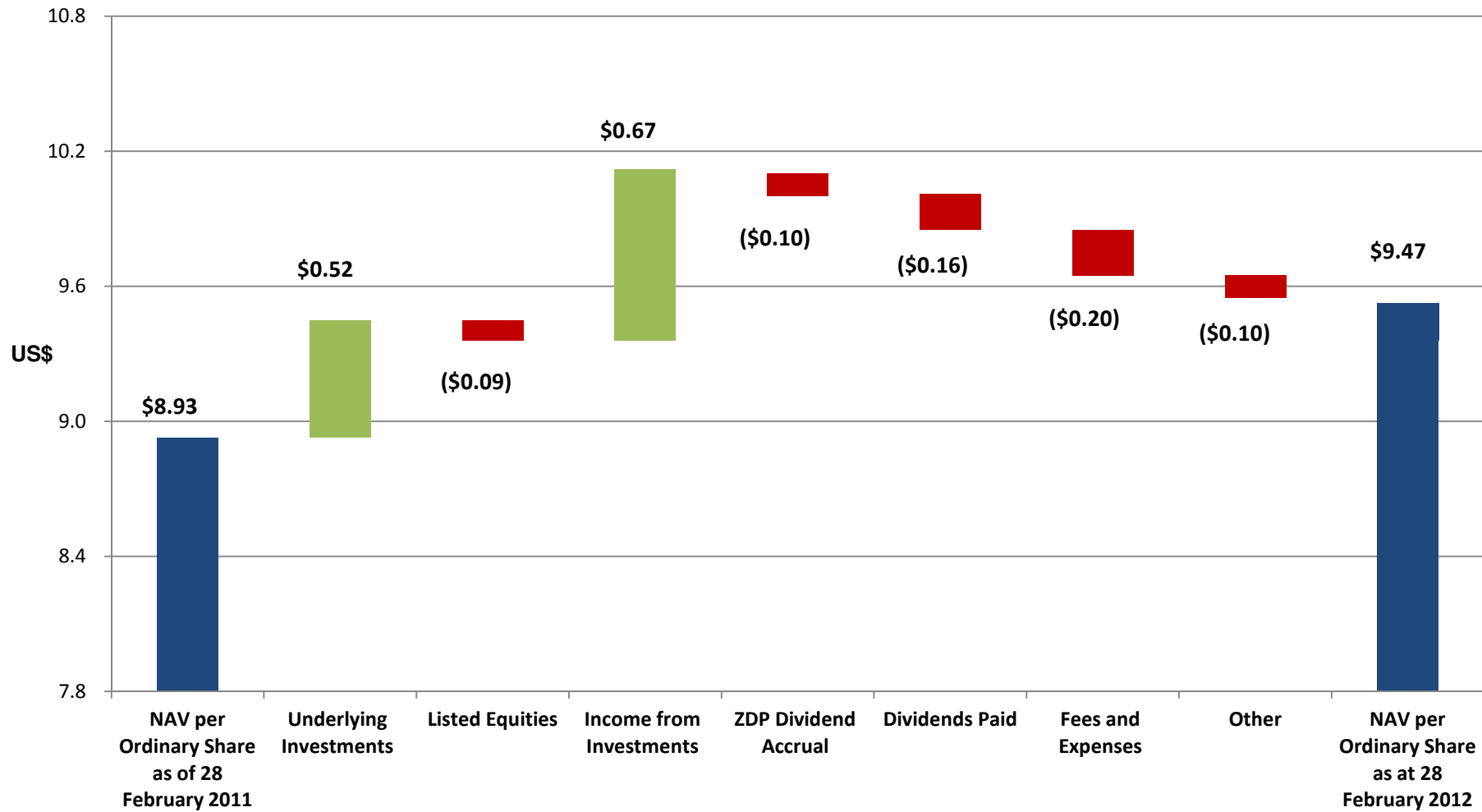
**Share price performance, impacted by ongoing equity market volatility, continues to lag NAV**

	US' \$000 FY11	US' \$000 FY10
Investments	474,218	493,757
Cash and cash equivalents	235,948	172,267
Other liabilities-net	-7,423	-2,894
Zero Dividend Preference Shares	-87,281	-82,341
Net asset value	615,462	580,788
Number of Ordinary Shares (000's)	65,019	65,019
Net asset value per Ordinary Share	US\$9.47	US\$8.93
Market price per Share	US\$5.83	US\$6.64
NAV to market price discount	38%	26%



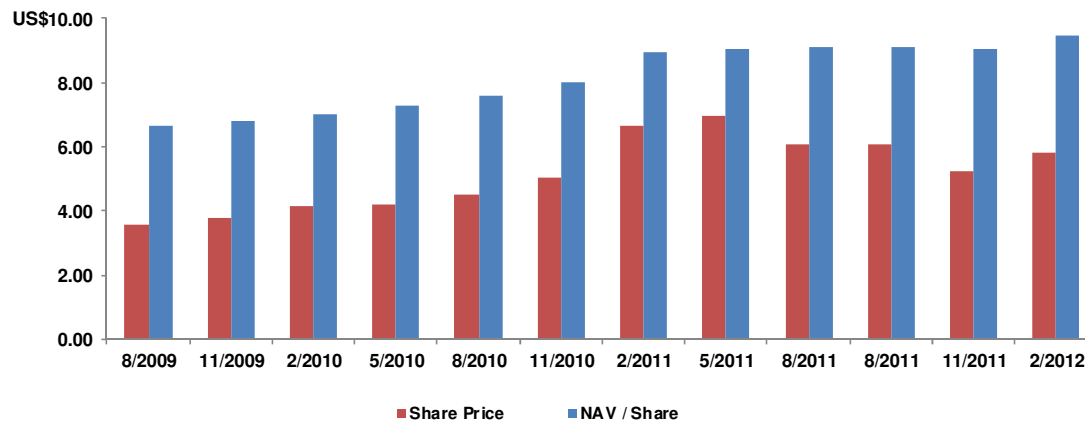
# NET ASSET VALUE DEVELOPMENT

Investments performance / realizations have driven NAV growth



## SHARE PRICE AND NAV PER SHARE PERFORMANCE

- JZCP's NAV per share has increased in 14 consecutive quarters
- JZCP's stock price has lagged JZCP's NAV growth
  - Discount to NAV was 38% as of 29 February 2012
- Management committed to reducing discount to NAV
  - Proposed change to dividend policy to create more predictable yields for investors
  - Proposed move to SPM will approximately double the tradable market capitalization, with no dilution



### NAV and Stock Price – Returns Summary

	Since 28/2/2011	Since 1/7/2009
NAV / Share Return – Reported	6.0%	15.4%
Total NAV / Share Return – Incl. dividends	7.8%	17.9%
Stock Price	-10.2%	23.3%



# PORTFOLIO REVIEW

44 Businesses in 10 sectors across 3 geographies

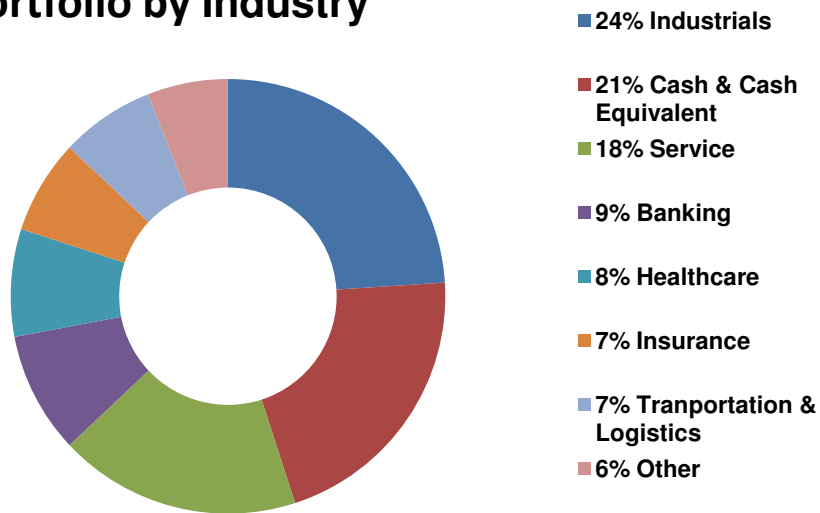
Total amount invested during the period was US\$291.3 million

US\$247.8 million in proceeds from realizations

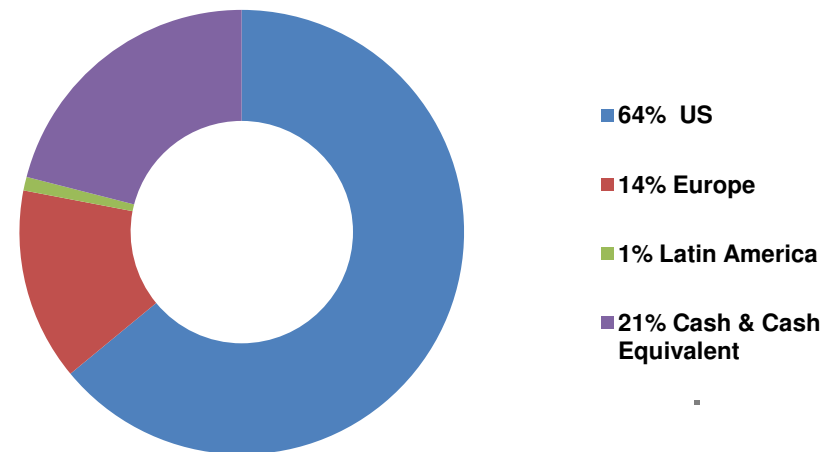
Well diversified by industry and geography

Non US investments constitute 15% of NAV

### Portfolio by Industry



### Portfolio by Geography



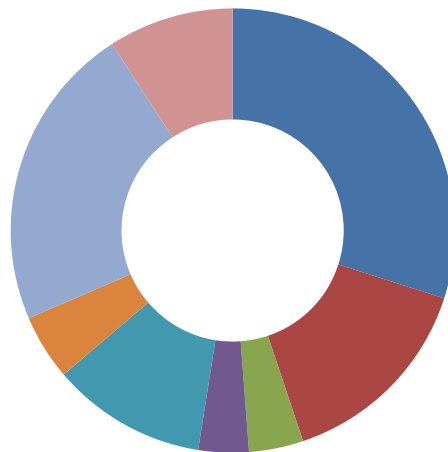


# PORTFOLIO REVIEW

Liquid, diversified portfolio combining equity and interest earning assets

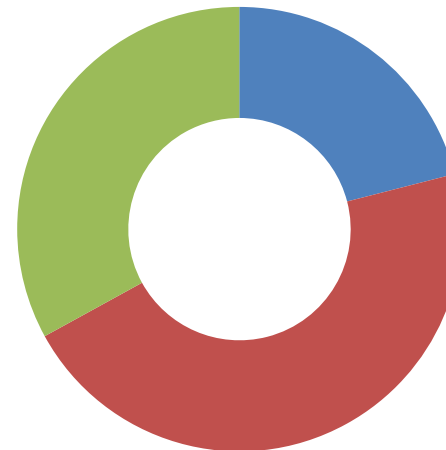
A purchase programme of highly rated listed corporate bonds, to enhance return on cash

## Portfolio by Investment Type



- 30% US Micro cap
- 15% Non US Micro cap
- 4% Mezzanine
- 4% Legacy
- 11% Listed Equity
- 5% Bank Debt
- 22% Cash & Cash Equivalent
- 9% Other

## Portfolio by Securities



- 21% Cash & Cash Equivalent
- 46% Preferred and Common Stock
- 33% Debt

## INVESTMENT ACTIVITY – MICRO CAP

- Strong pick up in investment activity reflecting strategic build up in Micro-Cap Investments and Europe
- US\$291.3 million in new investments over past 14 months
- The average entry multiple was 5.6x and the average leverage was 1.2x

US Micro Cap  
39% of NAV

- US\$22.5 million to acquire a 33% stake in **Amptek, Inc** – December 2011 (Sensors Solutions Vertical)
- US\$6.6 million investment in **Southern Parts and Engineering Company** (“SPECO”) – August 2011 (Industrial Services Solutions Vertical)
- Additional US\$10.0 million in **Milestone Aviation** – throughout the period (Co-Invest)

*Post Period End Activity*

- US\$18.7 million investment (debt and equity securities) in **Bay Valve Service and Engineering** – April 2012 (Industrial Services Solutions Vertical)
- US\$17.5 million investment (debt and equity securities) in **Medplast/UP**, a refurbisher of industrial valves - April 2012 (Co-Invest)

European Micro Cap  
14% of NAV

- €11 million for 37.3% of **Docout** – April 2011. JZCP provided a €2.0 million working capital loan
- €12.7 million (equity securities) for 75% of **Grupo Ombuds** – May 2011. JZCP provided €5.0 million of senior debt and €3.5 million of junior debt

*Post Period End Activity*

- €13.5 million co-investment in **Oro Direct**, a leading precious metals trading business in Spain – April 2012

## INVESTMENT ACTIVITY – OTHER SECTORS

-Using existing skills to leverage new credit, real estate and Latin American investment opportunities

### Latin America

- US\$6.2 million co-investment in **BSM Engenharia**, a Brazil based infrastructure service business - *April 2012*
- Our 3.7% of BSM was purchased in conjunction with ACON, a very successful private equity group with significant Latin American experience.
- Exceptionally positive demographics expected to provide further co-investment opportunities in Brazil and other Latin American countries

### Real Estate

- Leveraging credit investment experience to take advantage of current dislocation. Started to invest in **secondary mortgage loans**
- High current yield and potential for capital appreciation
- Expect to be able to deploy \$50-100 million in high yielding paper with low loan to value ratios
- Separately, Investment of US\$14.25 million to purchase over 100,000 square feet of retail units and forty apartments in Williamsburg, Brooklyn

### Asset Management Company

- Establishing a new **asset management business** in the **US**
- Exploit growing demand from endowments and pension funds for fiduciary management services .
- Portfolio company of JZCP, which would invest up to \$15m, alongside an equal amount from David Zalaznick and Jay Jordan

## REALISATION ACTIVITY

- Five successful realizations were the main drivers of NAV growth
- US\$226.1 million in proceeds received, including \$156 million from the sale of five business
- Average multiple of equity capital invested: 5.0x
- Average IRR: 27%

- **AC Tech** (one of our oldest investments) – net proceeds of US\$18.2m, earning a multiple of equity capital invested of 8.3x (40% IRR) – July 2011
- **Document Holdings Corporation** – net proceeds of US\$40.5m, earning a multiple of equity capital invested of 4.8x (27% IRR) – October 2011
- **Wound Care Holdings and Sechrist** – net proceeds of US\$83.0m, earning a multiple of equity capital invested of 1.9x (14% IRR) – November 2011
- JZCP was repaid in full (with accrued interest) US\$29 million debt position in **Continental Cement** – January 2012

### Post Period End Activity

**TAL** – Additional secondary of TAL stock realizing \$17.0 million

# EUROPEAN MICRO CAP

- Strategically important region for JZCP, now representing 14% of NAV
- Five assets in Spain are exceeding expectations
- Healthy investment pipeline across Europe
- Proposal to increase the allocation of non-US investments from 20% to 30%

## Team & Experience

- Offices in London and Madrid led by Jock Green - Armytage and Miguel Rueda
- Outstanding team with over twelve years of investing together in European Microcap deals (UK, Italy, Holland, Scandinavia and Spain), including David Zalaznick and Jay Jordan

## Strategy

- Identical value-orientated investment approach
- Targeting good quality micro cap companies for strategic build ups
- Investments across a variety of industry sectors

## Portfolio

- **Factor Energia (July 2010)**
- **Xacom Comunicaciones (February 2010)**
- **Docout (April 2011)**
- **Grupo Ombuds (May 2011)**
- **Oro Direct (April 2012)**
  
- EBITDA increased 21% across the portfolio versus the previous year

# U.S. MICRO CAP: VERTICAL INVESTMENT ACTIVITY

## **Sensors Solutions:**

- Acquired Nielsen Kellerman in December 2010
- Acquired Amptek, Inc. in December 2011
- Strong pipeline of additional targets

## **Industrial Service Solutions:**

- Acquired Southern Parts in August 2011
- Acquired Bay Valve Service & Engineering in April 2012
- Several targets currently under Letter of Intent

## **Water Treatment Solutions:**

- Acquired Nashville Chemical & Equipment Co. in March 2011
- Additional target currently under Letter of Intent

## **Testing Services**

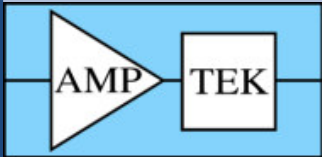
- Acquired Galson Laboratories in April 2010
- Two add-on targets currently under Letter of Intent

## **New Verticals:**

- Jan/San Distribution and Revenue Cycle Management



## INVESTMENT CASE STUDY: AMPTEK, INC.



(Sensors  
Solutions  
Vertical)

- Acquired a 33% stake in Amptek, Inc. for US\$22.5 million in December 2011 (5.6x EBITDA)
  - Deal was sourced through JZAI's proprietary broker network
- Amptek designs and manufactures instrumentation used in numerous non-destructive testing and elemental analysis applications
- Recruited Gerry Posner, an experienced executive in the sensors industry, to be the Chairman
  - Gerry Posner is bolstering the company's existing sales and marketing efforts to further accelerate growth
- YTD Sales and EBITDA have grown 16% and 65%, respectively

## REALISATION CASE STUDY: DOCUMENT PROCESSING CORP.



Document  
Processing Corp.

- Sold Document Processing Corp, parent company of Dantom Systems, Inc. in October 2011
- Post April 2005 investment, several strategic initiatives were enacted to create increased shareholder value
  - Hired new senior management team (CEO, CFO & Head of Ops)
  - Hired sales & marketing personnel to capture additional market share
  - Integrated the company's operations into a new facility that could support both organic and acquired growth
  - Made several synergistic add-on acquisitions to build scale and diversify the company's end market mix
- Received net proceeds of \$40.5 million, earning a multiple of equity capital of 4.8x (27% IRR)



# STRATEGIC INITIATIVES

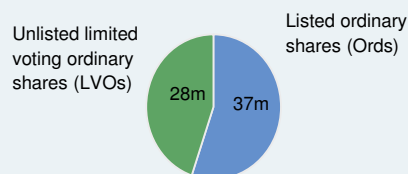
## Overview

- Capital restructuring to create a single class of ordinary shares
- Admission of all ordinary shares and zero dividend preference shares to trading on the LSE's Specialist Fund Market (SFM) and Channel Islands Stock Exchange (CISX)
- Cancellation of admission to the Official List and to trading on the LSE's Main Market
- Change of dividend policy
- Co-investment in asset management business with David Zalaznick and Jay Jordan
- Investment policy change to allow Company to take advantage of further investment opportunities outside of U.S.

# THE CURRENT STRUCTURE HAS PROVEN INADEQUATE FOR INVESTORS AND THE COMPANY

## Currently

- Current ordinary capital structure split;



- US investors hold approximately 68% of the total ordinary share capital (46% of the Ords and 100% of the LVOs)

## Issues

- The market capitalisation is often calculated only on the Ords
- The LVOs have limited voting rights
- Exceeding 50% ownership of Ords by US investors has negative consequences
- Ords are freely transferable so no control over US ownership
- Small purchases of Ords by US investors could tip US ownership over 50%

## Consequences

- If US ownership of Ords exceeds 50%
  - Company would be considered a “domestic issuer” for purposes of US securities laws
  - Company could be required to register with the SEC and become subject to onerous and costly reporting requirements
  - If the Company was to issue further equity (incl. ZDPs) it would be subject to requirements under US securities law with which it could not comply

- US ownership of Ords did exceed 50% last year. The Board had to request the voluntary conversion into LVOs by some holders of Ords.
- The alternative was either to force a sell-down of Ords by US investors or force a conversion into LVOs.

***Current situation inimical to good investor relations***

# PROPOSED SOLUTION

## The proposed solution

- The LVOs voluntarily convert into Ords (by ordinary resolution)
- All Ords will have the same rights and be subject to the same restrictions, however with one feature:
  - For the purposes of US securities law, the rights of the Ords will provide that upon any vote which relates to the appointment or removal of a director, each holder of Ords will be required to certify that it is not a US resident. The aggregate number of votes able to be cast by holders of Ords who do not so certify would be limited to 49% of all the votes that can be cast on such a resolution
- The Company would transfer to the LSE's SFM from the main market
- The Company would continue to act as if the regulatory framework which currently applies to the Company will continue to apply in all material respects

## The advantages

- A simplified structure with a single class of ordinary shares
- More appropriate to the mix of investors who own the Company
- A permanent resolution to the problem of US ownership
- The reported market capitalisation of the Company will nearly double to £293m
- Ability to better accommodate investors from the US, where there is appetite for the Company's Shares

## The considerations

- The Ords would cease to be FTSE eligible
- Lighter touch regulatory environment

## DIVIDEND POLICY

### Proposed dividend policy change to benefit shareholders and address discount to NAV

- The proposed change to the dividend policy will create a predictable dividend stream for investors
- Historically, the Company has distributed as regular interim and final dividends substantially all of its net cash investment return and as special dividends non-cash income, largely Paid in Kind interest, when it has been converted into cash
- The payment of special dividends has been irregular in terms of amount and timing giving shareholders no certainty or yield or progression
- The dividend for the year ended 29 February 2012 is the amount of 25.0c per share and has been determined on the historic basis but going forward the dividend will be calculated as 3% of NAV per year, 1.5% at each of the interim and final periods, implying a yield at the discount (as at 16 May 2012) of approximately 4 per cent.
- This year's dividend is 2.6% of NAV or 4.3% of the share price (as at 29 February 2012)

# 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**

- Proposed dividend policy change to benefit shareholders and narrow discount to NAV
- Simplification of capital structure and SFM listing to increase access for US investors
- Positive outlook - well positioned with significant balance sheet liquidity
- Investment verticals will continue to be growth engines of NAV
- Build out platform in Europe and Latin America entry to pursue microcap opportunities
- Use existing skills to leverage new opportunities in credit, real estate and fiduciary management services
- Ongoing NAV appreciation





**JZ CAPITAL PARTNERS LTD**

Appendix



# ABOUT US

- JZ Capital Partners Limited is one of the oldest closed ended investment companies listed on the Main Market of the London Stock Exchange
- Approximately \$711 million of assets
- Principally invests in US and European micro cap companies
- Guernsey resident — tax efficient vehicle
- Two classes of shares in issue – Zero Dividend Preference and Ordinary Shares
- Advisor is Jordan/Zalaznick Advisers – 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 distinct teams, in US and Europe, dedicated to building micro cap portfolios
- 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 Jordon



## WHAT IS OUR INVESTMENT STRATEGY?

- Strategic build-ups in the inefficient micro cap market in the US and Europe and Latin America
  
- JZCP buys at reasonable entry multiples and modest leverage
  - Average US micro cap purchase multiple of 6.0x trailing EBITDA
  - Average debt multiple senior to JZCP is 1.5x for the US micro-cap portfolio
  - Will add leverage to enhance returns with well performing investments
  
- In the US, JZCP has senior operating executives that provide supervision and strategic advice
  - Five executives to date – hands-on operating industry professionals
  
- Co-investments with well-known, successful micro cap private equity firms
  
- Significant proprietary deal flow
  - Large network of long-term sourcing relationships
  - No auctions



## INVESTMENT CASE

- 30 year track record in the micro cap buy out market
- Over 70 micro cap realisations, 3.5x multiple of capital invested
- Offer shareholders access to US and European micro cap market
- Exceptionally strong balance sheet with large cash reserves for investment
- Diversified, liquid and conservatively valued portfolio
  - 44 companies, 10 industries
  - \$389m cash and liquid securities
  - US Micro cap investments valued at approximately 6.7x EBITDA
- Benefitting from return profile of small cap funds versus larger cap funds
- Consistent NAV growth
- Trading at a significant discount - 38%

## MAJOR HOLDINGS

Company	Type	Value (US\$'000s)	% of Total
Safety Insurance Group, Inc.	Listed equities	49,363	10%
Accutest Holdings, Inc.	Micro cap	39,089	8%
TAL International Group, Inc.	Listed equities	38,409	8%
Factor Energia, S.A.	European Micro cap	30,438	6%
BG Holdings, Inc.	Micro cap	28,734	6%
Sensors Solutions	Micro cap	25,993	5%
Dental Services Group, Inc.	Micro cap	24,061	5%
Healthcare Products Holdings, Inc.	Legacy	22,726	5%
Kinetek, Inc.	Bank debt	17,558	4%
TTS, LLC	Mezzanine	15,187	3%
Top 10 Holdings		291,558	61%

**JZCP's 10 largest investments account for approximately 61% of the portfolio as at 29 February 2012**