

JZ CAPITAL PARTNERS LTD - Interim Management Statement

PR Newswire

London, December 18

JZ CAPITAL PARTNERS LIMITED

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

Q3 2015 Interim Management Statement

21 December 2015

JZ Capital Partners Limited (LSE: JZCP.L, the "Company" or "JZCP"), the London listed 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 September 2015 to 30 November 2015.

Results Highlights

- Valuation uplift across US, European and Real Estate portfolios of 9 cents, 7 cents and 1 cent (in local currencies), respectively.
- Semi-annual dividend of 16 cents per share paid on 27 November 2015
 - Including previously paid dividend of 17.5 cents in June 2015, implied dividend yield of 5.7%, based on the stock price at 16 December 2015
- \$30.3 million invested including:
 - \$5.5 million in Jordan Health Products to fund its second acquisition
 - \$7.1 million in Tech Industries, a new US co-investment established to invest principally in the aerospace and defense industries
 - \$14.2 million to close on three additional real estate properties, two located in Miami, Florida, and one located in Brooklyn, New York
- \$34.6 million realised including:
 - \$2.6 million from the refinancing of the Flatbush Portfolio
 - \$21.4 million from the sale of Justrite Manufacturing
 - \$10.1 million from the repayment of its second lien position in Dekko
- At the end of the period, the portfolio consisted of 64 microcap investments across eight industries and 39 properties located in New York and Miami.

Strategic Initiatives

- First close at €237 million of JZI Fund III, L.P. ("Fund III"), the successor fund to the EuroMicrocap Fund 2010, L.P. ("EMC 2010"). JZCP has committed €75 million to Fund III
 - JZCP received \$38.9 million from the transfer of three warehoused transactions
 - JZCP invested \$36.1 million in the first two capital calls of Fund III, which included two new investments: Collingwood and My Lender Oy
- Placing and open offer to shareholders that raised approximately a net £77.0 million via the issuance of 18,888,909 new ordinary shares
- Rollover of approximately £41.6 million of our current 8% ZDP shares into a longer-dated ZDP with a much lower 4.75% gross yield

David Zalaznick, Founder and Investment Advisor of JZCP said: "We are pleased with the positive performance of the underlying assets during the period, characterised by a healthy flow of investment and realisation activity.

Going forward we remain focused on generating realisations across the portfolio and investing the new capital from the recently completed key strategic initiatives. JZCP's balance sheet is strong and we are well positioned to take advantage of the growing number of investment opportunities."

Net Asset Value

The pre-dividend NAV per share was down \$1.00 for the period, from \$10.67 to \$9.67, due primarily to the issuance of 18,888,909 new ordinary shares (97 cents) and negative foreign exchange effects (10 cents). In addition, JZCP declared a dividend of 16 cents per share, which was paid on 27 November 2015. For the past twelve-month period, including a previously paid dividend of 17.5 cents in June 2015, the implied dividend yield, based on our stock price at 16 December 2015 is 5.7%.

JZCP's liquidity continues to be strong. As of 30 November 2015, our cash and cash equivalents was \$126.3 million, following the placing and open offer to shareholders that raised approximately a net £77.0 million via the issuance of 18,888,909 new ordinary shares. We also rolled over approximately £41.6 million of our current 8% Zero Dividend Preference ("ZDP") shares into a longer-dated ZDP with a much lower 4.75% gross yield, leaving JZCP with an approximate final liability (including a 1% redemption premium) of £32.9 million of its current 8% ZDPs due in June 2016.

NAV RETURNS

Net Asset Value per Ordinary Share as of 31 August 2015 **\$10.67**

Increase/(decrease) in NAV per share due to Capital Gains and Income received/accrued on Investments

+ US Microcap	0.09
+ European Microcap	0.07
+ Real Estate	0.01
+ Other Investments	0.02
- Listed Bonds and Gilts	(0.01)

Other increases/(decreases) in NAV per share

+ Change in CULS fair value	0.02
- Finance Costs	(0.08)
- Foreign exchange effect	(0.10)
- Expenses and Taxation	(0.05)

Net Asset Value per Ordinary Share (before dividends and new issuance of shares) **\$10.64**

- Dividends Paid	(0.16)
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Net Asset Value per Ordinary Share (before new issuance of shares) **\$10.48**

- Dilution from share issue	(0.97)
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Net Asset Value per Ordinary Share as of 30 November 2015 **\$9.51**

The US microcap portfolio increased 9 cents, primarily due to an increase in value at BHS Physician (2 cents), TWH Infrastructure (2 cents), Salter Labs (3 cents) and the write-up of Justrite Manufacturing upon its realization (2 cents). Offsetting these uplifts in valuation were decreases in value at: Accutest, our full service environmental testing laboratory business (3 cents) and our Industrial Services Solutions ("ISS") vertical (2 cents).

The European microcap portfolio increased 7 cents, primarily due to a gain on the sale of the warehoused transactions to Fund III and an uptick in carried interest due to foreign exchange movements. There were no changes to the values of the underlying companies.

Finally, the real estate portfolio increased by 1 cent, a result of property valuation changes net of operating expenses.

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. Note that the beginning number of shares for each period was 65,018,607, while the number of shares at the end of the period was 83,907,516, thus negatively affecting the total NAV return per share and total shareholder return per share.

	Since 11/30/2015	Since 8/31/2015	Since 2/28/2015	Since 11/30/2014	Since 11/30/2012	Since 11/30/2010
Share price (in GBP)	£3.93	£4.34	£4.09	£4.12	£4.34	£3.24
Dividends paid (in US Cents)	—	\$0.16	\$0.34	\$0.34	\$0.94	\$1.43
Total Shareholders' return	—	-7.1%	1.4%	0.6%	4.2%	49.1%
NAV per share (in USD)	\$9.51	\$10.67	\$10.85	\$10.20	\$9.41	\$8.03
NAV per share total returns	—	-9.4%	-9.3%	-3.5%	11.0%	36.1%
NAV to market price discount	38%	37%	42%	37%	26%	37%

* Total returns are cumulative and assume that dividends were not reinvested for Total Shareholder Return.

RECENT ACTIVITIES

On 28 October 2015, JZCP declared a semi-annual dividend of \$10.4 million, or 16 cents per share. This was paid on 27 November 2015.

Significant Investments and Realizations

US Microcap Investments – Verticals

Industrial Services Solutions (“ISS”) Vertical

During the period, JZCP’s ISS vertical completed the add-on acquisitions of All-Pump & Equipment Co. and Service Equipment & Repair Co. Neither of these acquisitions required cash from JZCP. ISS has now made 20 acquisitions.

US Microcap Investments – Co-investments

In September 2015, JZCP invested \$5.5 million in Jordan Health Products to fund the acquisition of DRE, Inc., a surgical and medical equipment supplier that provides a combination of new and professionally refurbished equipment to medical professionals worldwide.

In November 2015, JZCP made its first investment in Tech Industries, a new US co-investment established to invest principally in the aerospace and defense industries. The majority of this \$7.1 million initial investment was used to make two separate acquisitions, Best Technologies (“Best”) and Precision Aerospace Group (“Precision”). Best is a value-added provider of custom, high-precision machined parts and tooling to a wide range of industries, including the aerospace & defense, agriculture, energy and telecommunications sectors. Precision manufactures parts for the aerospace industry.

Recent Events in Europe

Our European team raised €237 million in the first round of fundraising for JZI Fund III, L.P. (“Fund III”), the successor fund to the EuroMicrocap Fund 2010, L.P. (“EMC 2010”). JZCP has committed €75 million to Fund III, which will enable JZCP to continue to expand and diversify its investment portfolio in Western Europe. In addition, we (David Zalaznick, Jay Jordan and the European management team) committed €25 million to the new fund.

As of 30 November 2015, EMC 2010 had made seven investments in Spain, and one investment each in the UK and Germany. During the period, EMC 2010 transferred to Fund III three investments it had been ‘warehousing’ for Fund III (Petrocorner, Fincontinuo and S.A.C). In addition, Fund III made its first direct investments, acquiring Collingwood, a niche auto insurer in the UK and My Lender Oy, a consumer lending platform in Finland.

European Microcap Investments – EuroMicrocap Fund 2010, L.P. (“EMC 2010”)

In October 2015, JZCP invested a further €3 million in One World Packaging (through EMC 2010) to help the company fund the acquisition of further machines.

European Microcap Investments – JZI Fund III, L.P. (“Fund III”)

In October 2015, JZCP invested €26.5 million in the first capital call of Fund III.

This amount was used in large part by Fund III to purchase investments previously made in Petrocorner, Fincontinuo and S.A.C (the “Warehoused Transactions”) from EMC 2010. This capital call was also used to fund follow-on investments in Petrocorner and Fincontinuo as well as Fund III’s first direct investment, Collingwood (see below).

As part of Fund III’s first capital call, JZCP invested €6.8 million in Collingwood, a niche auto insurer in the UK. Collingwood currently focuses on four products in the UK motor market using a non-automated approach to underwriting namely, weekly taxi insurance, learner drivers and distressed motor fleet with a growing fourth new line in the younger driver segment.

In November 2015, JZCP (through Fund III) invested €3.2 million in My Lender Oy (“My Lender”), a consumer lending platform in Finland. This acquisition creates an opportunity to build a pan-Scandinavian consumer lender. Our operations in Finland will be led by a highly regarded local management team, leveraging their extensive previous experience on the ground and strong local connections. JZCP expects to invest further in My Lender as the business ramps up.

In November 2015, JZCP (through Fund III) made a €3.2 million follow-on investment in S.A.C, a niche operational van leasing company in Denmark launched by two industry experts in 2011. The objective of this follow-on investment is to continue to scale the current S.A.C. platform and build out its fleet of vans.

Real Estate Investments

In September 2015, JZCP invested \$7.6 million to acquire another property in Miami’s Design District neighborhood, adjacent to the property acquired in June 2015.

In November 2015, JZCP invested \$4.9 million to close on a property in the Wynwood neighborhood of Miami, Florida.

In November 2015, JZCP invested \$1.7 million to acquire another property in the Downtown Brooklyn neighbourhood, an addition to our Downtown Brooklyn portfolio.

Realizations

In October 2015, JZCP Realty Fund received proceeds of \$2.6 million from the refinancing of the Flatbush Portfolio, three properties located in the Downtown Brooklyn neighborhood.

In October 2015, JZCP received proceeds of \$38.9 million related to Fund III buying down EMC 2010's investments in the Warehoused Transactions as well as the common interest and loan note JZCP held directly in S.A.C.

In November 2015, JZCP received proceeds of \$21.4 million from the sale of Justrite Manufacturing Company, a manufacturer of containment solutions for flammable / hazardous liquids.

In November 2015, JZCP received proceeds of \$10.1 million from the repayment of its second lien position in Dekko Technologies at par value, plus accrued interest.

PORTFOLIO SUMMARY

At 30 November 2015, the Company's portfolio consisted of 64 microcap investments across eight major industries and 39 real estate properties.

(\$'000)	At 30.11.15	At 28.02.15	% Gross Assets 30.11.2015
US Microcap Portfolio	351,577	297,340	32.5%
European Microcap Portfolio	248,844	245,884	23.0%
Real Estate Portfolio	272,882	216,781	25.2%
Other Portfolio	68,795	66,541	6.4%
Total Private Investments	942,098	826,546	87.1%
Listed Corporate Bonds	12,675	13,473	1.2%
Bank Debt	?	10,452	0.0%
UK Treasury Gilts	38,192	39,480	3.5%
Cash	75,441	101,323	7.0%
Total Listed Investments (and Cash)	126,308	164,728	11.7%
Total Investments (and Cash)	1,068,406	991,274	98.8%
Other Current Assets	14,552	4,403	1.2%
Total Investments (and Cash)	1,082,958	995,677	100.0%

At 30 November 2015, 11.7% 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 7.8x trailing EBITDA. In addition, we do not have substantial debt in these businesses. The multiple of debt senior to JZCP's position is approximately 3.4x EBITDA.

Top Ten Investments

Our ten largest investments as of 30 November 2015 are summarized below:

(\$000's)	Asset Category	Valuation 30.11.2015	% Gross Assets 30.11.2015
Industrial Services Solutions Vertical	US Microcap	\$83,248,449	7.7%
Factor Energia, S.A	European	67,761,385	6.3%
Fulton	Real Estate	55,996,967	5.2%
Bright Spruce	Other	48,515,000	4.5%
Greenpoint	Real Estate	47,553,956	4.4%
Toro Finance	European	41,569,758	3.8%
Group Ombuds	European	37,534,247	3.5%

Williamsburg Retail.	Real Estate	27,845,101	2.6%
TierPoint	US Microcap	25,335,015	2.3%
Medplast	US Microcap	25,378,468	2.3%
Top Ten Investments		\$460,738,346	42.6%
Remaining Assets		622,219,280	57.4%
Gross Assets		\$1,082,957,626	100.0%

Note that the largest exposure is to our Industrial Services Solutions (“ISS”) Vertical, accounting for 7.7% of gross assets at 30 November 2015.

Balance Sheet

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

(\$000’s)	30.11.2015	28.02.2015
Cash and cash equivalents	\$126,308	\$140,803
Investments & other assets	956,650	850,471
(-) Other net liabilities	(176,451)	(178,951)
(-) ZDPs due 2016	(46,843)	(106,814)
(-) ZDPs due 2022	(61,831)	?
Net Asset Value	\$797,833	\$705,510

At 30 November 2015, “other net liabilities” includes \$63.8 million from the issuance of Convertible Unsecured Loan Stock (“CULS”) in July 2014, which carries an interest rate of 6%, and \$96.7 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

JZCP is a London listed fund which invests in high quality US and European microcap companies and US real estate. Its objective is to achieve a superior overall return comprised of a current yield and significant capital appreciation. JZCP receives investment advice from Jordan/Zalaznick Advisers, Inc. (“JZAI”) 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. JZAI’s experts work with the existing management of microcap companies to help build better businesses, create value and deliver strong returns for investors. JZCP also invests in mezzanine loans, first and second lien investments and other publicly traded securities. For more information please visit www.jzcp.com.