

JZ CAPITAL PARTNERS LTD - Interim Management Statement

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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 2016 Interim Management Statement

20 June 2016

JZ Capital Partners Limited (LSE: JZCP.L, the "Company" or "JZCP"), the London listed fund that invests in high-quality US and European micro-cap companies and US real estate, today releases its Interim Management Statement for the period 1 March 2016 to 31 May 2016.

Results Highlights

- Semi-annual dividend of 15 cents per share paid on 10 June 2016
 - Including previously paid dividend of 16 cents in November 2015, implied dividend yield of 5.4%, based on the stock price at 31 May 2016
- Net Asset Value ("NAV") of \$866 million (29/02/16: \$852 million)
- NAV per share of \$10.32 (29/02/16: \$10.15) – this reflects an increase of 1.7% per share, or a total NAV return, including the above dividend, of 3.2%
- Valuation uplift of approximately 4.8% before expenses, finance costs and foreign exchange effects:
 - US micro-cap, European micro-cap and real estate portfolios written up by 13 cents, 6 cents and 30 cents, respectively
- Remaining ZDPs (£32.9m) due 2016 to be fully paid off on 22 June 2016
- \$44 million invested and \$10.1 million realised across the US micro-cap, European micro-cap, real estate and other portfolios
- At the end of the period, the portfolio consisted of 74 micro-cap investments across nine industries and 55 properties located in New York and Miami

David Zalaznick, Founder and Investment Advisor of JZCP said: "The Company achieved a total NAV return of 3.2% for the first quarter ended 31 May 2016 with positive valuation uplifts seen across the underlying portfolio in all major assets classes – US micro-cap, European micro-cap and real estate."

Net Asset Value

The total NAV return per share (including the dividend) was 3.2% for the period, from \$10.15 to \$10.32, driven primarily by write-ups at our healthcare revenue cycle management vertical and Roebing property in Brooklyn, New York (due to a new third-party appraisal).

JZCP declared a dividend of 15 cents per share, which was paid on 10 June 2016. For the past twelve-month period, including a previously paid dividend of 16 cents in November 2015, the implied dividend yield, based on our stock price at 31 May 2016 is 5.4%.

JZCP's liquidity continues to be strong. As of 31 May 2016, our cash and cash equivalents was \$107.4 million.

NAV RETURNS

Net Asset Value per Ordinary Share as of 1 March 2016	\$10.15
<i>Increase/(decrease) in NAV per share due to Capital Gains and Income received/accrued on Investments</i>	
+ US Micro-cap	0.13
+ European Micro-cap	0.06
+ Real Estate	0.30
+ Other Investments	0.03
<i>Other increases/(decreases) in NAV per share</i>	
- Change in CULS fair value	(0.02)
- Finance Costs	(0.06)
+ Foreign exchange effect	0.04
- Expenses	(0.16)

- Dividends Paid (10 June 2016) (0.15)

Net Asset Value per Ordinary Share as of 31 May 2016 \$10.32

The US micro-cap portfolio increased 13 cents, primarily due to a write-up at our healthcare revenue cycle management vertical (11 cents) and co-investments Salter Labs (1 cent), Medplast (2 cents) and Vitalyst (1 cent), as well as escrows received (4 cents). Offsetting these uplifts were decreases in value at: co-investment Sloan LED (2 cents), our legacy Hoveround power wheelchair business (4 cents), and our water vertical (5 cents).

The European micro-cap portfolio increased 6 cents, primarily due to write-ups at Fidor Bank (3 cents) and Petrocorner (1 cent).

Finally, the real estate portfolio increased by 30 cents, primarily due to a write-up at our Roebing property in Brooklyn, New York, based on a newly received third-party appraisal.

The chart below summarises cumulative total shareholder returns and total NAV returns for the most recent three-month period, twelve-month period, three-year period and five-year period. Note that the beginning number of shares for each period (except for the three-month 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.

	31/05/2016	Since 29/02/2016	Since 31/05/2015	Since 31/05/2013	Since 31/05/2011
Share price (in GBP)	£3.90	£3.97	£4.55	£4.89	£4.24
Dividends paid (in USD)	—	\$0.15	\$0.31	\$1.09	\$1.58
Total Shareholders' return (GBP) ¹	—	1.0%	-9.7%	-9.2%	17.0%
NAV per share (in USD)	\$10.32	\$10.15	\$10.69	\$9.90	\$9.06
Implied dividend yield ²	5.4%	6.1%	4.7%	3.9%	2.3%
NAV per share total returns ¹	—	3.2%	-0.5%	16.5%	34.0%
NAV to market price discount	45%	46%	35%	25%	23%

1. Total returns are cumulative and assume that dividends were reinvested

2. For 5/31 dates in 2016, 2015 & 2013, implied dividend yield calculated as the addition of dividend paid in the November immediately preceding the 5/31 date and the June dividend paid immediately following the 5/31 date, divided by the stock price at the 5/31 date. For 2/29/16, dividend yield calculated as the addition of the June & November 2015 dividends divided by the stock price at 2/29/16. For 5/31/2011, dividend yield calculated as the addition of the July & November 2011 dividends divided by the stock price at 5/31/2011.

RECENT ACTIVITIES

On 12 May 2016, JZCP declared a semi-annual dividend of \$12.6 million, or 15 cents per share. This was paid on 10 June 2016.

Significant Investments and Realizations

US Micro-cap Investments – Verticals

Industrial Services Solutions (“ISS”) Vertical

During the period, JZCP’s ISS vertical completed the add-on acquisition of WPS Industries, which required no cash from JZCP. Since inception, ISS has made 24 acquisitions.

Healthcare Revenue Cycle Management Vertical

In March 2016, JZCP invested \$1.4 million to acquire Prospective Payment Specialists (“PPS”). PPS provides outsourced contract coding, coding reviews, audits, and educational services to large hospital systems across the country.

Additionally, in April 2016, current portfolio company Auctus acquired Healthcare Receivable Professionals Inc., strengthening Auctus’ position in the third party liability billing space. This acquisition required no cash from JZCP.

US Micro-cap Investments – Co-investments

In March and April 2016, JZCP invested a total of \$7.5 million in Peaceable Street Capital, a specialty finance platform for real estate entities.

Real Estate Investments

In March 2016, JZCP invested \$12.5 million to acquire a portfolio of properties in Miami's Wynwood neighbourhood.

In March 2016, JZCP invested a further \$10.6 million to pay down a mezzanine loan made in conjunction with the acquisition of certain Design District (Miami) assemblage properties.

In May 2016, JZCP invested \$8.2 million to acquire another building on Bedford Avenue in the Williamsburg neighbourhood of Brooklyn, NY, adjacent to certain of our other properties on Bedford Avenue.

Realisations

In April 2016, JZCP received proceeds of \$5.9 million from the refinancing of three separate properties located in Brooklyn, NY, including \$3.9 million from our original property on Bedford Avenue in Williamsburg.

PORTFOLIO SUMMARY

At 31 May 2016, the Company's portfolio consisted of 74 micro-cap investments across nine major industries and 55 real estate properties.

(\$'000)	At 31/05/16	At 29/02/16	% Gross Assets 31/05/2016
US Micro-cap Portfolio	402,840	386,173	34.1%
European Micro-cap Portfolio	178,493	168,797	15.1%
Real Estate Portfolio	416,681	366,158	35.2%
Other Portfolio	68,623	64,320	5.8%
Total Private Investments	1,066,637	985,448	90.2%
Listed Corporate Bonds	13,368	13,036	1.1%
UK Treasury Gilts	47,694	45,608	4.0%
Cash	46,308	91,937	3.9%
Total Listed Investments (and Cash)	107,370	150,581	9.0%
Total Investments (and Cash)	1,174,007	1,136,029	99.2%
Other Current Assets	9,050	3,551	0.8%
Total Investments (and Cash)	1,183,057	1,139,580	100.0%

At 31 May 2016, 9% of gross assets were invested in "liquid" assets, which consist of cash, UK treasury gilts 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 micro-cap 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 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 3.7x EBITDA.

Top Ten Investments

Our ten largest investments as of 31 May 2016 are summarised below:

(\$000's)	Asset Category	Valuation 31.05.2016	% Gross Assets 31.05.2016
Industrial Services Solutions Vertical.	US Micro-cap	85,458,293	7.2%
Factor Energia	European	64,313,622	5.4%
Fulton	Real Estate	63,712,877	5.4%
Greenpoint	Real Estate	56,920,617	4.8%
Bright Spruce Fund, LP	Other	48,743,566	4.1%
TierPoint	US Micro-cap	44,312,976	3.7%

Redbridge Bedford	Real Estate	41,459,216	3.5%
Water Vertical	US Micro-cap	40,923,575	3.5%
BH Hospital Services	US Micro-cap	38,114,315	3.2%
Roebling	Real Estate	34,241,782	2.9%
Top Ten Investments		518,200,839	43.7%
Remaining Assets		664,856,527	56.3%
Gross Assets		1,183,057,366	100.0%

Balance Sheet

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

(\$000's)	31.05.2016	29.02.2016
Cash and cash equivalents	107,370	150,581
Investments & other assets	1,075,687	988,999
(-) Other net liabilities	(209,180)	(185,771)
(-) ZDPs due 2016	(47,071)	(44,217)
(-) ZDPs due 2022	(61,191)	(57,854)
Net Asset Value	865,615	851,738

At 31 May 2016, "other net liabilities" includes \$61.1 million from the issuance of Convertible Unsecured Loan Stock ("CULS") in July 2014, which carries an interest rate of 6%, and \$97.9 million from a six-year term loan with Guggenheim Partners, which carries an interest rate of LIBOR plus 5.75%. The remaining ZDPs due 2016 will be fully paid off on 22 June 2016.

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About JZCP

JZCP is a London listed fund which invests in high quality US and European micro-cap 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 micro-cap 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.