



Project XYZ Update

20XX

Topics

- Transaction Overview
- Portfolio Highlights and Risks
- Returns Profile / Value Drivers
- Exit Strategy
- Next Steps

Transaction Overview

Opportunity

- Leverage seller's desire for a comprehensive exit solution to purchase a portfolio of legacy assets at a discount to generate attractive risk-adjusted returns

Transaction Dynamics

- ABC is looking to divest 8 assets to wind down Fund II (19xx) and Fund III (20xx - top quartile) as both funds are in extension periods
- Seller prefers one buyer for the portfolio but has also stated that there's no pressure from LPs to return capital
- Combined portfolio revenues of ~\$xx billion and EBITDA of \$xx million

Portfolio Composition

- Diversified portfolio with no single company accounting for >xx% of total EBITDA
- Companies with strong positions niche markets experiencing favorable macro trends
- Low EBITDA margin businesses but with low volatility to cash flows will enable access to debt financing
- 3 companies with potential for significant growth

Return Dynamics

- Banker guidance of 6.0x valuation and 4.0x debt package yields 2.7x gross returns
- Lower valuation of 5.0x and a more conservative debt package at 3.0x will yield 2.6x-3.1x gross returns depending on multiple arbitrage at exit

3-Tier Portfolio

Tier	Operating Company	Sector	HQ	LTM March 2014 (\$M)				Company Description
				Revenue	% of Total Revenue	Adj. EBITDA	% of Total Adj. EBITDA	
1	1. TE	Marketing Services	XX	\$258.6	26.1%	\$18.2	27.8%	Marketing and seller of consumer products through direct response television, internet, and retail distribution channels
	2. AT	Air Freight and Logistics	XX	\$242.1	24.4%	\$12.8	19.6%	Multimodal cargo transportation and logistics provider
	3. AC	Contract Manufacturer	XX	\$149.2	15.0%	\$11.0	16.8%	Contract manufacturer and packager of liquids, lotion gels, and creams for OTC and Rx markets
2	4. HI	Auto Parts & Equipment	XX	\$200.9	20.2%	\$8.9	13.6%	Manufacturer of automotive interior trim components
	5. EY	Law and Garden Products	XX	\$64.3	6.5%	\$8.2	12.5%	Designer, marketer, and manufacturer of branded products in the lawn and garden industry
	6. RH	Oilfield Services	XX	\$21.3	2.1%	\$5.8	9.0%	Provider of rental equipment and services to the onshore and offshore oil and gas industry
3	7. CW	Craft and Home Décor Design	XX	\$47.2	4.8%	\$0.9	1.4%	Seller of creative consumer products, including paper crafting, home décor, and jewelry
	8. RM	Marketing Services	XX	\$8.5	0.9%	(\$0.4)	(0.7%)	Provider and manager of premium incentive solutions for financial institutions
	Total			\$xxxx	100%	\$xx	100%	

Portfolio Overview

Highlights

- ✓ “Traditional” deal with a need for comprehensive exit solution and GP oversight
- ✓ Company TE and Company RH have operated on a significantly larger scale previously
- ✓ Company AC may provide for attractive return in short-term
- ✓ Potential for outsized returns in Company RH with the growth of Oil & Gas industry
- ✓ Seasoned management teams
- ✓ No concentrated positions

Risks

- X 5 companies <\$xx million EBITDA
- X Low margin businesses
- X Significant drop in financial performance for Company TE over the last 12-18 months
- X Inability to pass through fuel cost increases compressed margins for Company AT historically
- X Potential customer concentration at Company AC

Portfolio Value Map

Indicators	TE	HI	RH	AC	AT	EY
Macro	(-) TV Consumption	(+) Auto industry	(+) Oil rigs	(+) Outsourcing	(+) Latin America	(+) Housing
Industry Positioning	(+) Global distribution #X player	(-) 2 nd tier supplier	(+) Onshore/Offshore offering	(-) #X player Complex products Higher barriers	(+) XX% market share	(+) #X landscape #X fertilizer
Growth Opportunities	(-) Internet New geographies Retail	(+) U.S. Big X Europe Vertical Integration	(+) Industry growth Consolidation opportunity	(+) Utilization at new plant	(+) New sales agents New fleet	(-) Continue rollout of new products
Margins	(-)	(-) Commodity	(+)	(+) Low-risk due to pass throughs on cost	(-) Fuel cost pass through	(+)
CF Conversion	(+) Low Capex	(-) Machinery	(-) High capex in equipment base	(+) Low volatility	(-)	(+) Low capex
Management	(+) Seasoned	(+) Founder (41 yrs)	(+) Seasoned	(+) ABC Hires	(+) Founder (40 yrs)	(+) Seasoned
Exit	(-) Strategic for products & footprint	(-) Larger supplier looking for exposure to Japanese cars	(+) Sponsor	(+) KIK or Sponsor	(-)	(+) Scotts after achieving critical mass

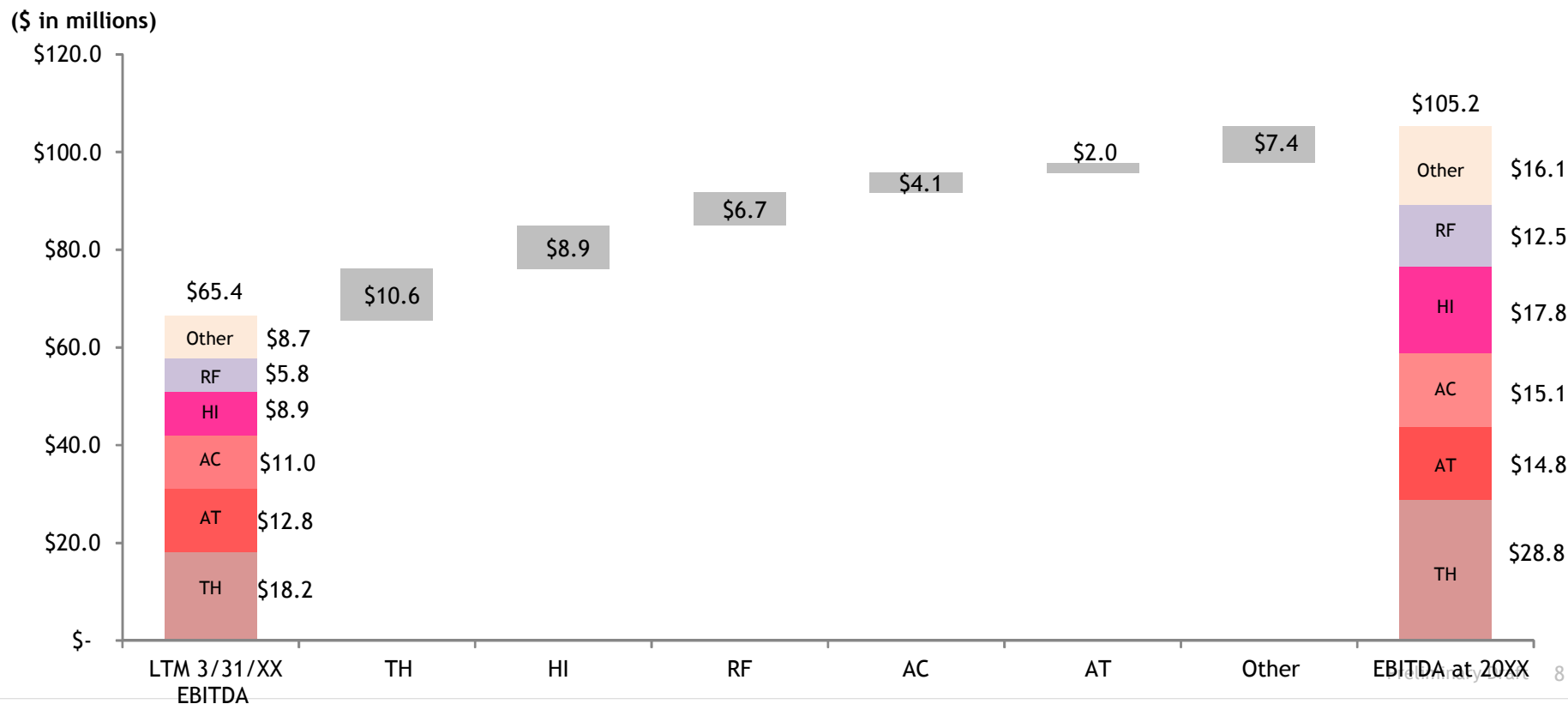
Value Drivers by Company

Indicators	TE	HI	RH	AC	AT	ER
Downside Protection	<ul style="list-style-type: none"> Age of existing products TV consumption and Direct TV marketing 	<ul style="list-style-type: none"> Backlog visibility Relationships with existing customers 	<ul style="list-style-type: none"> Rig count activity Liquidity to service capex 	<ul style="list-style-type: none"> Backlog Customer concentration 	<ul style="list-style-type: none"> Fuel cost pass through Barrier to service routes 	<ul style="list-style-type: none"> Sustained demand
Base	<ul style="list-style-type: none"> New product development New geographies Internet 	<ul style="list-style-type: none"> New customer wins Path to U.S. Big 3 and Europe 	<ul style="list-style-type: none"> Rig count growth 	<ul style="list-style-type: none"> New volume at 2nd plant Leverage / efficiency 	<ul style="list-style-type: none"> New sales office or agents Room to increase utilization 	<ul style="list-style-type: none"> New products domestically
Upside	<ul style="list-style-type: none"> Internet Retail 	<ul style="list-style-type: none"> New products Vertical integration Acquisitions 	<ul style="list-style-type: none"> Acquisitions 	<ul style="list-style-type: none"> New products Quick sale 	<ul style="list-style-type: none"> New planes 	<ul style="list-style-type: none"> International

Banker Case - What do we need to believe?

- TE: Validate new products in development and new market penetration with international distribution platform; achieved \$xx million EBITDA in 20XX
- HI: Win either with U.S. Big 3 or European cars
- RH: Increase in rig count growth; did \$xx million of EBITDA in 20XX
- AC: Secure volume for newly invested 2nd plant in NJ

EBITDA Growth Bridge Banker Case



Banker Case - Portfolio Valuation at 6.0x & Leverage at 4.0x

(\$ in millions, unless otherwise noted)

Entry - LTM 3/31/XX	TH	AT	AC	HI	EP	RF	DW	RN	Total	HC	Total	GP	LP
Revenue	\$ 258.6	\$ 242.1	\$ 149.3	\$ 200.9	\$ 64.3	\$ 21.3	\$ 47.2	\$ 8.5	\$ 992.2	\$ -	\$ 992.2	\$ -	\$ 992.2
EBITDA	\$ 18.2	\$ 12.8	\$ 11.0	\$ 8.9	\$ 8.2	\$ 5.8	\$ 0.9	\$ (0.4)	\$ 65.4	\$ -	\$ 65.4	\$ -	\$ 65.4
Valuation Multiple	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x	1.7x	NA	6.0x		6.0x		6.0x
Cash to Seller	\$ 109.2	\$ 76.8	\$ 66.0	\$ 53.4	\$ 49.2	\$ 34.8	\$ 1.5	\$ 1.5	\$ 392.4	\$ -	\$ 392.4	\$ -	\$ 392.4
Cash on B/S	\$ 2.0	\$ 2.5	\$ 1.0	\$ 2.5	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 12.0	\$ -	\$ 12.0	\$ -	\$ 12.0
Debt Financing Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.0	\$ 5.0	\$ -	\$ 5.0
Transaction Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.0	\$ 5.0	\$ 12.8	\$ 17.8
Total Purchase Price	\$ 111.2	\$ 79.3	\$ 67.0	\$ 55.9	\$ 50.2	\$ 35.8	\$ 2.5	\$ 2.5	\$ 404.4	\$ 10.0	\$ 414.4	\$ 12.8	\$ 427.2
<i>Entry Multiple</i>	<i>6.1x</i>	<i>6.2x</i>	<i>6.1x</i>	<i>6.3x</i>	<i>6.1x</i>	<i>6.2x</i>	<i>2.8x</i>	<i>NA</i>	<i>6.2x</i>		<i>6.3x</i>		<i>6.5x</i>
New Debt	\$ 72.8	\$ 51.2	\$ 44.0	\$ 35.6	\$ 32.8	\$ 23.2	\$ -	\$ -	\$ 259.6	\$ -	\$ 259.6	\$ -	\$ 259.6
New Equity	\$ 38.4	\$ 28.1	\$ 23.0	\$ 20.3	\$ 17.4	\$ 12.6	\$ 2.5	\$ 2.5	\$ 144.8	\$ 10.0	\$ 154.8	\$ 12.8	\$ 167.6
Leverage	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x	0.0x	0.0x	4.0x		4.0x		4.0x
3-YR Revenue CAGR	(4.5%)	4.7%	20.7%	12.7%	(0.6%)	(2.5%)	2.3%	(14.8%)	NA				
3-YR EBITDA CAGR	(15.7%)	2.7%	18.6%	6.0%	(4.6%)	(4.3%)	(31.7%)	NA	NA				
Eq as % of Portfolio	26.5%	19.4%	15.9%	14.0%	12.0%	8.7%	1.7%	1.7%	100.0%				
Yield to Purchase Price	9.7%	8.9%	6.5%	13.6%	8.1%	2.0%	25.7%	(8.0%)	NA				
Yield to Equity	11.0%	8.8%	1.6%	21.9%	6.1%	(11.4%)	23.7%	(9.2%)	NA				
Exit - 20XX	TH	AT	AC	HI	EP	RF	DW	RN	Total		Total	GP	LP
Revenue	\$ 311.5	\$ 288.0	\$ 201.8	\$ 271.0	\$ 74.3	\$ 39.9	\$ 64.6	\$ 15.0	\$ 1,266.1		\$ 1,266.1		\$ 1,266.1
EBITDA	\$ 28.8	\$ 14.8	\$ 15.1	\$ 17.8	\$ 10.1	\$ 12.5	\$ 4.6	\$ 1.4	\$ 105.1		\$ 105.1		\$ 105.1
Cash	\$ 12.0	\$ 4.7	\$ 4.2	\$ 5.7	\$ 3.7	\$ 1.0	\$ 4.9	\$ 3.4	\$ 39.7		\$ 39.7		\$ 39.7
Debt	\$ 38.7	\$ 37.7	\$ 34.9	\$ 17.2	\$ 23.3	\$ 22.6	\$ -	\$ -	\$ 174.5		\$ 174.5		\$ 174.5
Leverage	1.3x	2.5x	2.3x	1.0x	2.3x	1.8x	0.0x	0.0x	1.7x		1.7x		1.7x
Valuation Multiple	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x	NA	NA	5.7x		5.7x		5.7x
Enterprise Value	\$ 172.8	\$ 89.0	\$ 90.8	\$ 107.0	\$ 60.5	\$ 74.9	\$ 2.5	\$ 2.5	\$ 600.0		\$ 600.0		\$ 600.0
Less: Net Debt	\$ (26.7)	\$ (33.0)	\$ (30.8)	\$ (11.5)	\$ (19.6)	\$ (21.6)	\$ 4.9	\$ 3.4	\$ (134.8)		\$ (134.8)		\$ (134.8)
Less: Transaction Expenses	\$ (3.5)	\$ (1.8)	\$ (1.8)	\$ (2.1)	\$ (1.2)	\$ (1.5)	\$ (0.1)	\$ (0.1)	\$ (12.0)		\$ (12.0)		\$ (12.0)
Less: Management	\$ (13.5)	\$ (2.4)	\$ (3.7)	\$ (9.5)	\$ (2.1)	\$ (5.0)	\$ (0.6)	\$ (0.3)	\$ (37.2)		\$ (37.2)	\$ (37.3)	\$ (74.5)
Equity Value at Exit	\$ 129.0	\$ 51.8	\$ 54.5	\$ 83.8	\$ 37.6	\$ 46.8	\$ 6.8	\$ 5.6	\$ 416.0		\$ 416.0	\$ (37.3)	\$ 378.7
<i>Multiple of Capital</i>	<i>3.4x</i>	<i>1.8x</i>	<i>2.4x</i>	<i>4.1x</i>	<i>2.2x</i>	<i>3.7x</i>	<i>2.7x</i>	<i>2.2x</i>	<i>2.9x</i>		<i>2.7x</i>		<i>2.3x</i>
IRR	38.1%	16.5%	21.1%	37.0%	18.7%	33.8%	28.4%	19.4%	23.5%		21.9%		19.8%
Revenue CAGR	4.8%	4.0%	5.2%	7.6%	3.6%	12.3%	7.8%	11.2%	NA				
EBITDA CAGR	12.2%	6.6%	6.0%	9.3%	4.4%	15.9%	34.8%	0.0%	NA				
Eq as % of Portfolio	31.0%	12.5%	13.1%	20.2%	9.0%	11.3%	1.6%	1.3%	100.0%				

- \$1xx million equity
- 6.3x entry including W/C and deal expenses
- 4.0x leverage at 8.0% blended cost
- QWE and RTY bought at \$XX million combined (incl W/C)
- No multiple arbitrage
- Gross returns of 2.7x and net returns of 2.3x

Banker Case - Portfolio Valuation at 6.0x & Leverage at 4.0x

- 1.3x return on a flat EBITDA with equity creation from debt paydown (incl mgmt incentives)
- 2.7x gross returns with 4.0x leverage
- 2.3x gross returns with 3.0x leverage

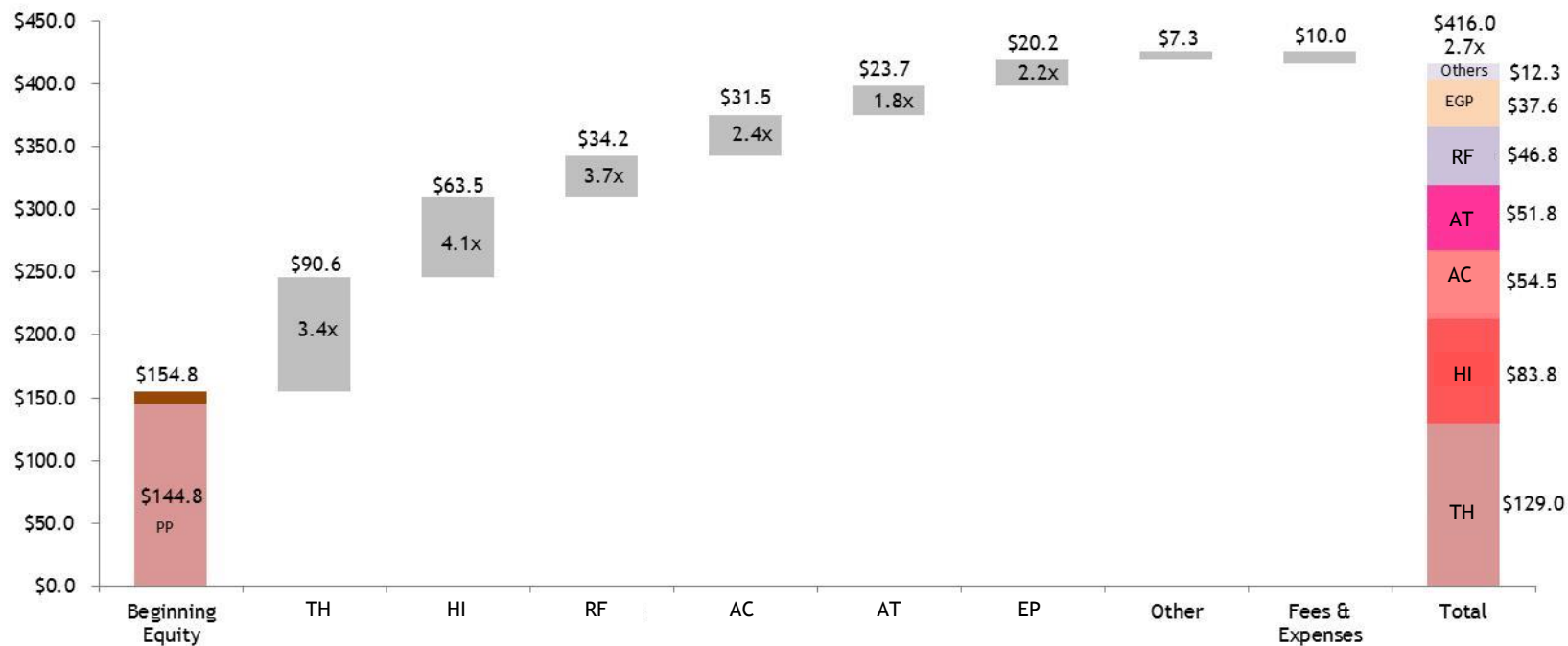
Equity Value Creation By Source - Banker Case
6.0x Valuation Multiple w/ 4.0x Leverage



Banker Case - Equity Value Creation by Company

Equity Value Creation By Company - Banker Case
6.0x Valuation Multiple w/ 4.0x Leverage

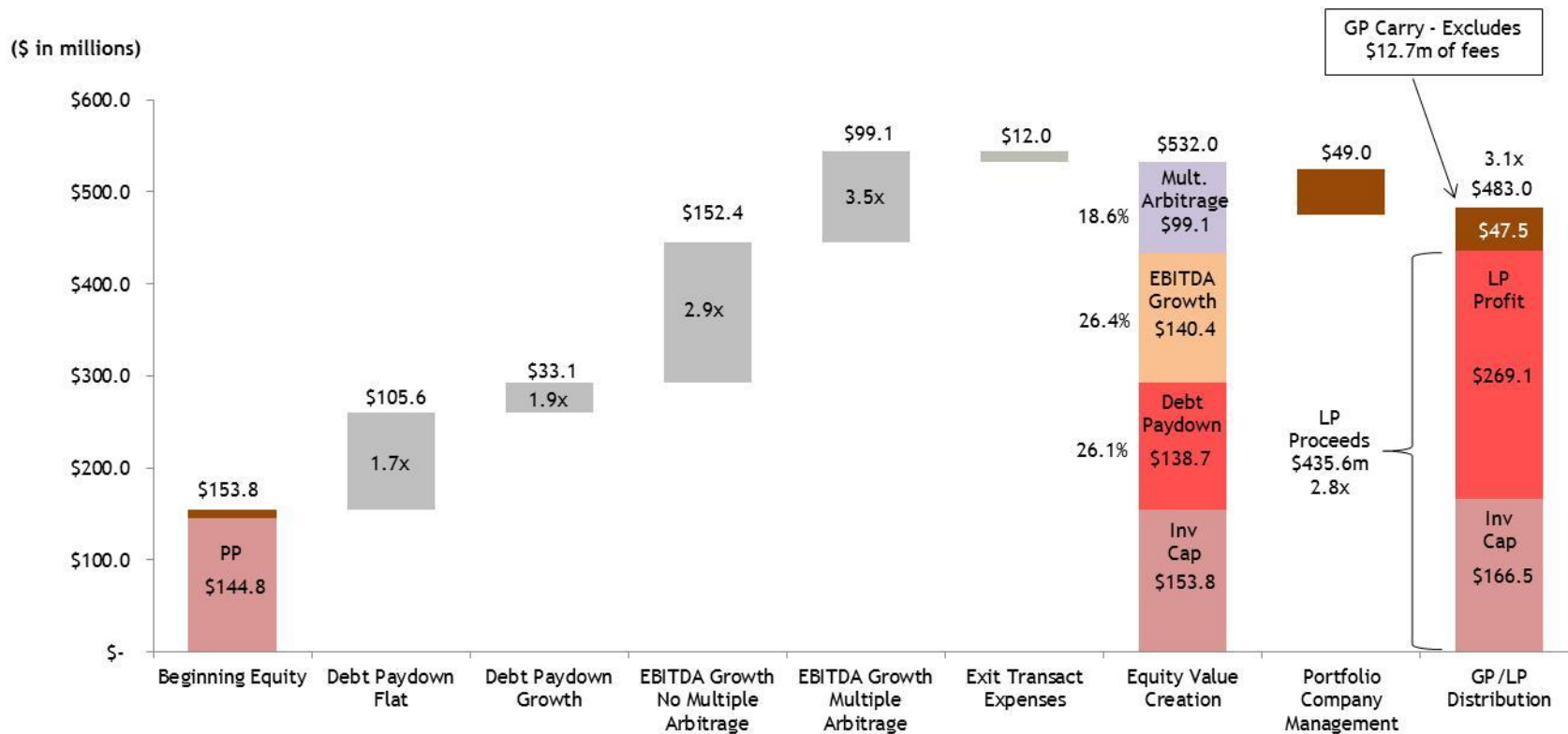
(\$ in millions)



5.0x Entry Multiple and 3.0x Leverage

- 1.5x gross returns with no EBITDA growth (including management incentives)
- 2.6x gross returns with an exit multiple at 5.0x and 3.1x with an exit multiple at 6.0x

Equity Value Creation By Source - Banker Case
5.0x Valuation Multiple w/ 3.0x Leverage



Exit Strategy

Tier 1 Companies

- TE
- AT
- AC
- TE and AT have critical mass today and can be attractive to sponsors after proving out stability of cash flows
- AC could be sold sooner to KK

Tier 2 Companies

- HF
- ER
- RH
- Explore interest of sponsors for ER and HI
- Offer to purchase with a combination of debt and short term seller note
- Upside above 6.0x to seller
- Keep RH as option for Oil and Gas exposure

Tier 3 Companies

- Attribute minimal value
- Find operator to protect downside
- Sell within 2-3 years or keep as options if no cash requirements

Next Steps

- Initial indication of interest due July 15th
- Temperature check on assets
- Financing sources