

## JZ CAPITAL PARTNERS LIMITED

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

### Q1 2017 Interim Management Statement

29 June 2017

JZ Capital Partners Limited (LSE: JZCP.L, the "Company" or "JZCP"), the London listed fund that invests in US and European micro-cap companies and US real estate, today releases its Interim Management Statement for the period 1 March 2017 to 31 May 2017.

#### Results Highlights

- Net Asset Value ("NAV") of \$833.3 million (28/02/17: \$848.8 million)
- NAV per share of \$9.93 (28/02/17: \$10.12)
- \$43.9 million invested during the period, including:
  - o \$12.0 million invested in new co-investment Felix Storch
  - o \$4.5 million follow-on investment in Jordan Health Products
  - o \$1.2 million net investment in Reflective Apparel Factory ("RAF"), a Technical Services and Solutions ("TSS") vertical add-on acquisition
- \$16.3 million realised, including:
  - o \$12.5 million from the first tranche of proceeds for Fidor Bank
- At the end of the period, the portfolio consisted of 34 micro-cap investments across nine industries and four major real estate "assemblages" (59 total properties) located in New York and South Florida

#### Strategic Initiatives

- In May 2017, JZCP received shareholder approval for certain initiatives designed to maximize shareholder returns, including the discontinuation of the Company's current dividend policy and inception of a new strategy to allow for the repurchase of shares
- In April 2017, JZCP increased its loan facility with Guggenheim Partners from approximately \$100 million to \$150 million in order to provide additional liquidity to JZCP in order to bridge certain planned realisations. The entire \$150 million facility may be repaid, in whole or in part, with no penalty after June 2017

**David Zalaznick, Founder and Investment Advisor of JZCP said:** "Despite the challenging market environment, the strength of our balance sheet has again allowed us to put money to work across the US and European micro-cap and US real estate sectors.

We continue to believe that the US market presents a number of potential realisation opportunities for the Company and we remain confident in the outlook for our diversified portfolio."

#### Net Asset Value

NAV per share for the quarter decreased from \$10.12 to \$9.93, or 1.9%.

#### NAV Returns

Net Asset Value per Ordinary Share as of 1 March 2017 \$10.12

Change in NAV per share due to capital gains and income received / accrued on investments

US Micro-cap	0.03
European Micro-cap	(0.05)
Real Estate	(0.06)
Other Investment	(0.06)
Other changes in NAV per share	
Change in CULS Fair Value	(0.01)
Finance Costs	(0.06)
Foreign Exchange Effect	0.08
Expenses and Taxation	(0.04)
Net Asset Value per Ordinary Share as of 31 May 2017	\$9.93

The US micro-cap portfolio had a net increase of 3 cents, primarily due to net accrued income of 5 cents and write-ups at our healthcare revenue cycle management vertical (2 cents) and logistics vertical (1 cent). Jordan Health Products was also written up 2 cents. An escrow payment related to our exited co-investment Medplast added 1 cent. Offsetting these uplifts in valuation were decreases in value at our legacy Nationwide Studios business (1 cent) and our ISS vertical (9 cents).

The European micro-cap portfolio had a net decrease of 5 cents, primarily due to 1 cent of accrued income offset by a 6 cent write-down at Factor Energia.

The real estate portfolio had a net decrease of 6 cents, primarily due to estimates of debt service, operating costs and other expenses at the property level.

Finally, our other investments had a net decrease of 6 cents, primarily due to a write-down at Spruceview (6 cents).

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

	31/05/17	Since 28/02/17	Since 31/05/16	Since 31/05/14	Since 31/05/12
Share price (in GBP)	£5.66	£5.38	£3.90	£4.41	£3.68
Dividends paid (in USD)	—	—	\$0.16	\$0.79	\$1.57
Total Shareholders' return (GBP) <sup>1</sup>	—	5.2%	48.9%	45.3%	95.0%
NAV per share (in USD)	\$9.93	\$10.12	\$10.32	\$10.08	\$9.38
NAV per share total returns <sup>1</sup>	—	(1.9)%	(2.3)%	6.5%	24.2%
NAV to market price discount	26%	34%	45%	27%	40%

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

## RECENT ACTIVITIES

### Significant Investments and Realisations

#### US Micro-cap Investments – Verticals

##### *TSS Vertical (formerly known as 'testing' vertical)*

In May 2017, JZCP invested \$1.2 million (investment net of proceeds from refinancing the entire testing vertical) to acquire RAF, which produces high-end reflective apparel purchased by transportation, municipal, construction and industrial customers.

#### US Micro-cap Investments – Co-investments

In March 2017, JZCP invested a further \$4.5 million in Jordan Health Products, to fund the acquisition of Transtate, a business which sells, services, repairs and installs refurbished medical imaging equipment, specializing in catheter angiography equipment.

Also in March 2017, JZCP invested \$12.0 million in Felix Storch, a business that manufactures and distributes specialty refrigeration products and appliances.

#### European Micro-cap Investments

In April and May 2017, JZCP made three short-term loans to EuroMicrocap Fund-B, L.P., totalling \$5.4 million, to bridge investments in Docout, Ombuds and One World Packaging.

We expect these loans to be paid back before their stated maturity dates of 31 July 2017.

#### Real Estate Investments

In the three-month period ended 31 May 2017, JZCP invested a total of \$10.4 million in follow-on investments in our Williamsburg Retail, Design District and Greenpoint properties.

### Realisations

JZCP sold its interest in Fidor Bank (“Fidor”) to Groupe BPCE, the second largest banking group in France. The transaction closed in December 2016. JZCP invested a total of \$13.8 million and is expected to receive total gross proceeds of approximately \$25 million from the sale. JZCP received its first tranche of proceeds totalling \$12.5 million in March 2017.

## PORTFOLIO SUMMARY

At 31 May 2017, the Company’s portfolio consisted of 34 micro-cap investments across nine major industries and four major real estate “assemblages” (59 total properties) located in New York and South Florida.

(\$'000)	At 31/05/17	At 28/02/17	% Gross Assets 31/05/17
US Micro-cap Portfolio	442,147	424,502	38.9%
European Micro-cap Portfolio	162,183	154,277	14.2%
Real Estate Portfolio	474,758	468,599	41.7%
Other Portfolio	15,844	21,802	1.4%
Total Private Investments	1,094,932	1,069,180	96.2%
Cash	42,262	29,064	3.7%
Total Investments (and Cash)	1,137,194	1,098,244	99.9%
Other Current Assets	596	511	0.1%
Total Investments (and Cash)	1,137,790	1,098,755	100.0%

At 31 May 2017, 3.7% of gross assets were invested in “liquid” assets (cash). The remaining portion of the portfolio was invested in private investments in US or European micro-cap companies or real estate. 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 3.4x EBITDA.

## Top Ten Investments

Our ten largest investments as of 31 May 2017 are summarised below:

(\$000's)	Asset Category	Valuation 31/05/17	% Gross Assets 31/05/17
Design District Assemblage	Real Estate	100,570	8.8%
Industrial Services Solutions Vertical	US	77,653	6.8%
Greenpoint	Real Estate	75,524	6.6%
Healthcare Rev. Cycle Management Vertical	US	70,273	6.2%
Williamsburg Retail	Real Estate	68,718	6.0%
Fulton Assemblage	Real Estate	62,011	5.5%
EuroMicrocap Fund-C, L.P.	European	61,077	5.4%
TierPoint	US	46,813	4.1%
Jordan Health Products	US	37,354	3.3%
RedBridge	Real Estate	36,445	3.2%
Top Ten Investments		636,438	55.9%

Remaining Assets	501,352	44.1%
Gross Assets	1,137,790	100.0%

## Balance Sheet

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

(\$000's)	31/05/17	28/02/17
Cash and cash equivalents	42,262	29,064
Investments & other assets	1,095,528	1,069,691
(-) Other net liabilities	(247,780)	(195,976)
(-) ZDPs due 2022	(56,669)	(53,935)
Net Asset Value	833,341	848,844

At 31 May 2017, "other net liabilities" includes \$60.2 million from the issuance of Convertible Unsecured Loan Stock ("CULS") in July 2014, which carries an interest rate of 6%, and \$147.6 million from a six-year term loan with Guggenheim Partners, which carries an interest rate of LIBOR plus 5.75%.

## For Further Information:

Ed Berry / Kit Dunford  
FTI Consulting +44 (0) 20 3727 1046 / 1143

David Zalaznick  
Jordan/Zalaznick Advisers, Inc. +1 212 485 9410

Teresa Le Couteur-Tembo  
JZ Capital Partners, Ltd. +44 (0) 1481 745741

## About JZCP

JZCP is a London listed fund which invests in US and European micro-cap companies and US real estate. Its objective is to achieve an overall return comprised of a current yield and 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](http://www.jzcp.com).