



*Jefferson*  
CAPITAL PARTNERS



March 2017

# Jefferson Capital Partners

*Jefferson Capital Partners (JCP) presently manages two SBIC funds which invest in small businesses in a variety of industries throughout the United States. JCP is in the process of raising its third SBIC fund (JCP III) targeted up to \$150 million, including leverage.*

## Diversified Experience of Management Team

- Successful track record of investing capital in lower middle market companies.
- Experienced professionals from a variety of backgrounds with long history together.

## Opportunistic Strategy

- JCP's flexible financing structures allow it to invest in a wide variety of industries and transactions.
- This opportunistic strategy allows the firm to maintain discipline and properly structure investments to generate returns for its investors.

## Strong Referral Network

- The principals have long standing relationships with a network of referral sources that generate considerable deal flow.
- Typically stay away from IB led auctions. Prefer to work through small business owners and their advisors, including accountants, lawyers, business brokers.

## Significant Demand for Our Capital

- JCP II committed its \$54 million fund in just 2.5 years while remaining selective in its investments.

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# Jefferson Capital Strategy

*Jefferson Capital utilizes both subordinated debt and equity investment securities to manage risk and enhance returns. This hybrid strategy allows for the benefits of receiving current income while participating in the equity value creation of the company.*

## Hybrid Investment Strategy

- JCP invests as a mezzanine lender and behaves as a private equity partner.
- Incorporating the benefits of both approaches provides JCP with the flexibility to exercise patience to respond to portfolio company challenges and seize upon market opportunities.

## Acquire Businesses

- JCP will provide up to 100% of the cash portion of a business acquisition using a combination of its own dedicated funds, and readily available bank financing.
  - Ability to complete acquisitions without raising capital from third parties.
  - Work with brokers, intermediaries, and investment bankers to meet seller's cash objectives.
- Usually done in support of a management team with key knowledge of the business and industry.

## Provide Capital

- JCP will provide “mezzanine” risk capital (i.e. beyond what can be obtained from bank financing) to owners for a variety of needs
  - Capital for facility or equipment expansion.
  - Growth & working capital financing
  - Dividend recaps (i.e. owner cash out)
- Mezzanine capital structured as patient, interest-only debt, with minority warrants (i.e. equity options)

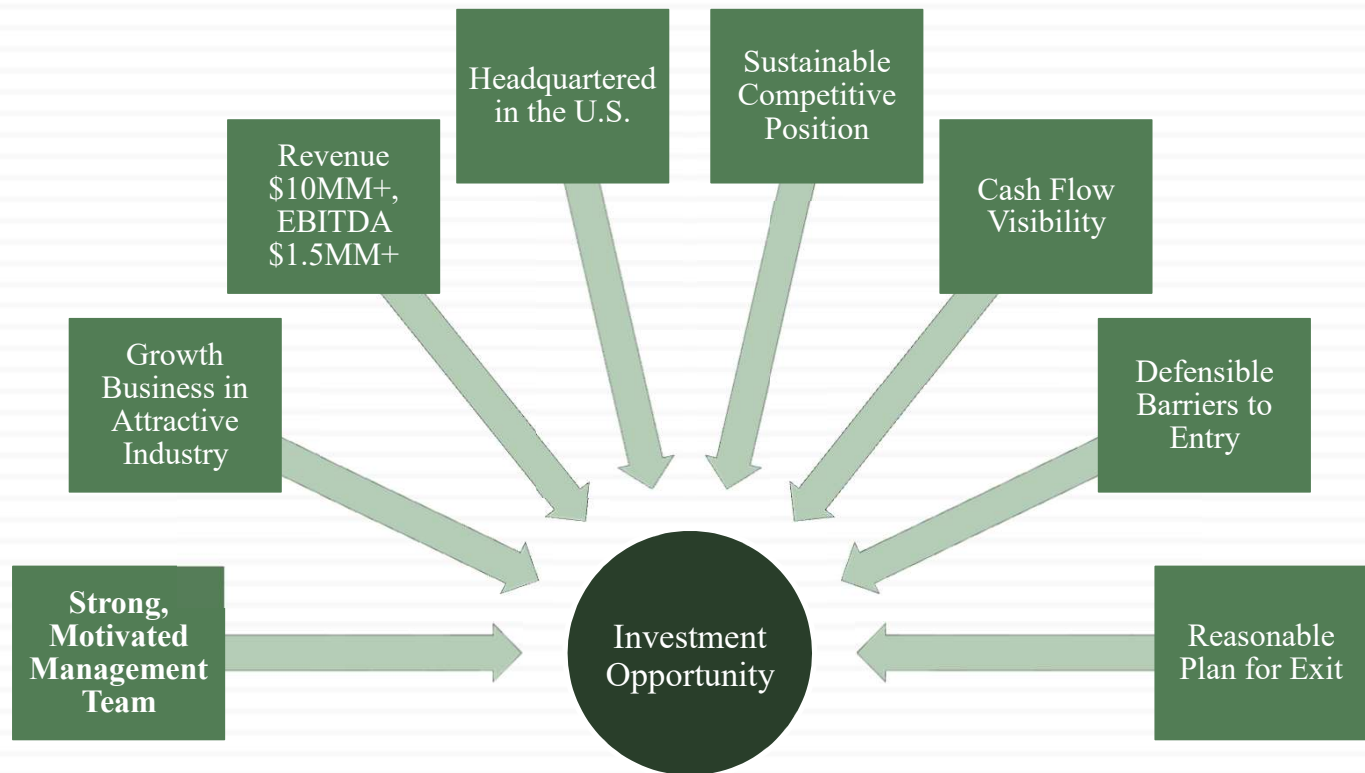
## Small M&A Market Participant Comparison

	Insider Knowledge of Business	Buyouts & Majority Re-caps	Provides both Equity & Mezz	Minority Re-cap (owner cash out)	Growth Capital Financing	
Larger Industry/ Corporate Buyer	✓	?				<ul style="list-style-type: none"> <li>• Ideal buyer, preferred by seller</li> <li>• Typically buys with all cash, favorable terms</li> <li>• Tend to focus on larger acquisitions</li> </ul>
Management/ Small Competitor	✓					<ul style="list-style-type: none"> <li>• May be most logical, and eager buyer</li> <li>• Typically overlooked by seller due to perceived lack of ability to raise capital.</li> </ul>
Jefferson Capital		✓	✓	✓	✓	<ul style="list-style-type: none"> <li>• Can provide all of the capital below bank</li> <li>• Will partner with existing company/industry management</li> </ul>
Private Equity Group	?	✓				<ul style="list-style-type: none"> <li>• Look for strategic fit to leverage operating partners' strength.</li> <li>• Typically leverage equity capital with third parties.</li> </ul>
Sponsor Group		✓				<ul style="list-style-type: none"> <li>• Active participants in small M&amp;A market</li> <li>• Eager to have offer accepted by seller</li> <li>• Rely on third parties for all capital</li> </ul>

# Investment Criteria

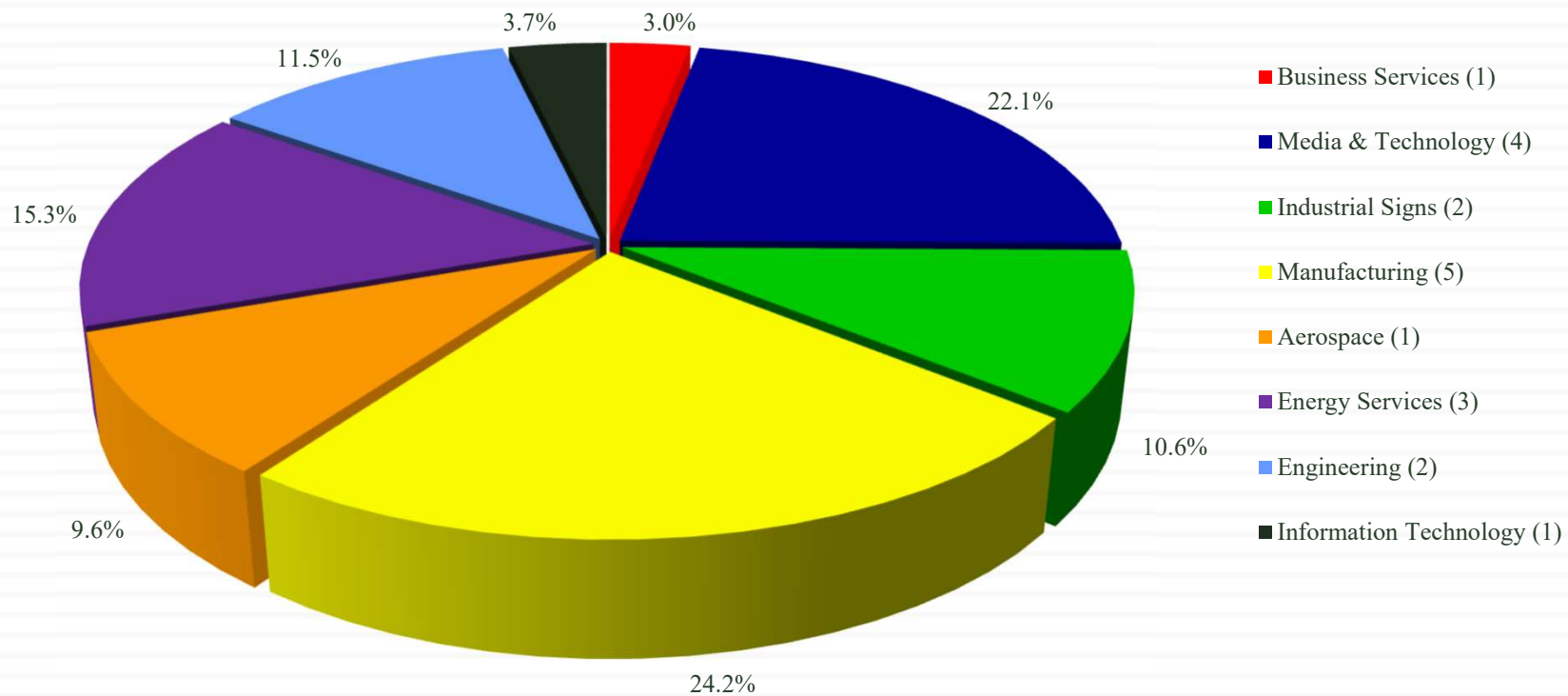
*JCP III will target investments between \$3 and \$10 million in growing lower middle-market companies with positive cash flow.*

*SBA rules prohibit investments in passive real estate, gaming and project finance. JCP III will not invest in start-ups, companies that are subject to significant risk from early obsolescence, rapidly changing technology or companies with significant regulatory uncertainty, or majority foreign operations.*



# JCP II Portfolio Diversification

## Portfolio Investments as of March 2017 (in dollars)



## Contact Us

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