



OPENGATE CAPITAL

OPENGATE CAPITAL PARTNERS II, LP
OPENGATE CAPITAL PARTNERS II-A, LP

Q3 2019 REPORT
September 30, 2019

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MANAGEMENT REPORT

November 15, 2019

Dear Partners;

I am pleased to present the Fund II financial report representing the third quarter of 2019, ending September 30th.

Following the four acquisitions completed in the second quarter of 2019, OpenGate completed a fifth, technology-related, platform investment in August with InRule Technologies. InRule is a US-based, decision making platform that has an established, blue-chip customer base and is highly recognized for its superior technology.

2019 is proving to be one of the most active and productive years for OpenGate. On October 31st, we successfully closed our second fund with approximately \$585 million in total commitments and completed a sixth, Fund II investment with CoreMedia. In OpenGate's Fund I, we completed an add-on to EverZinc, and we have a pending realization of Power Partners, the first platform investment completed in Fund I. Earlier this year we also exited our largest, pre-fund investment with Nakan, a business within The Ivy Group. (We will have more information on CoreMedia in our Fund II Annual Financial Report.)

Of the four, industrial-related Fund II investments, we remained true to our discipline entry-value strategy. OpenGate had an average 6.8x purchase price multiple across Fiven, SMAC, S&G and Duraco, while the average purchase price multiple rose in 2019 to 10.4x from 9.4x in 2018 in the US¹. Despite the steep decline in average purchase price multiples in Europe, which went from 11.8x in 2018 to 8.9x in 2019², OpenGate was still well below Europe's purchase price average. This is a credit to our sourcing efforts which are a continuation of our comprehensive, disciplined, and global approach to the market.

Enclosed you will find the quarterly financial results for each of the five, Fund II investments held in the third quarter period. Given the recent investment dates, all valuations are held at cost.

From all of us at OpenGate Capital, we thank all of our investors for the support and trust. We look forward to our partnership throughout Fund II and beyond. To those who are in the United States, we wish you and your family a Happy Thanksgiving celebration.

ANDREW NIKOU
Founder & Chief Executive Officer

¹ Source: Pitchbook: *North American M&A Report* (Q3 2019). Median M&A EV / EBITDA multiples

² Source: Pitchbook: *European PE Breakdown* (Q3 2019). Median M&A EV / EBITDA buyout multiple



PORTFOLIO COMPANY REPORT

As of September 30, 2019, there are five portfolio companies in the OpenGate Capital Partners II & II-A Fund. As the investments have been held for less than six months, each has been marked at cost. Highlights of each investment's current value are listed below.

- **Fiven: May 14, 2019**
 - Valuation: 100% of Cost
 - Total Value: \$42.3 million
- **SMAC: May 20, 2019**
 - Valuation: 100% of Cost
 - Total Value: \$16.8 million
- **Sargent and Greenleaf: May 30, 2019**
 - Valuation: 100% of Cost
 - Total Value: \$40.4 million
- **Duraco Specialty Tapes: June 28, 2019**
 - Valuation: 100% of Cost
 - Total Value: \$39.2 million
- **InRule Technologies: August 16, 2019**
 - Valuation: 100% of Cost
 - Total Value: \$13.9 million





Investment Summary

Investment Date:	May 14, 2019	Invested Capital:	\$42.3 M	9/30/2019 Valuation:	100%
Deal Type:	Cross Border, Corporate Carve-out	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$42.3 M		
		Total Value:	\$42.3 M		

Company Description

Business Summary FIVEN is a global leader in silicon carbide ("SiC"), a material used throughout a variety of industrial applications. SiC is recognized for superior hardness and thermal conductivity, making it the preferred material for demanding applications: abrasive, metallurgy, filtration, technical ceramics and other uses. FIVEN has a global manufacturing footprint with five sites across two main geographies: Europe and Latin America.

Headquarters Oslo, Norway
Employees 646

Management Falk Ast – CEO
 Stein Erik Ommundsen – CFO

Recent Developments

- Q3 sales at €28.7 million were 9% below last year, driven mostly by the lower SiC sales for diesel particulate filters (DPF)
- Like for like EBITDA between Q3 2018 and Q3 2019 was flat due to increase in prices to clients and positive one-offs in September 2019, compensated by the lower sales and higher production costs in Q3 2019
- Production of crude silicon carbide in Venezuela resumed in early July following the shortage of power
- Carve-out activities launched, with IT separation on-going and a €13 million factoring line implemented for Norway and Belgium
- Strategic roadmap review launched and supported by Nexant since September

Financial Summary (€ in millions) (EBITDA does not include one-time transaction and deal fees)

	LTM	Quarter Ended			At
	9/30/19	9/30/18	9/30/19		9/30/19
Revenue (net):	€ 125.2	€ 31.2	€ 28.7	Cash & Equivalents:	€ 9.2
Gross Profit:	€ 32.6	€ 7.6	€ 8.4	Debt:	€ 65.9 ³
EBITDA:	€ 19.4 ¹	€ 4.4	€ 5.7 ²		

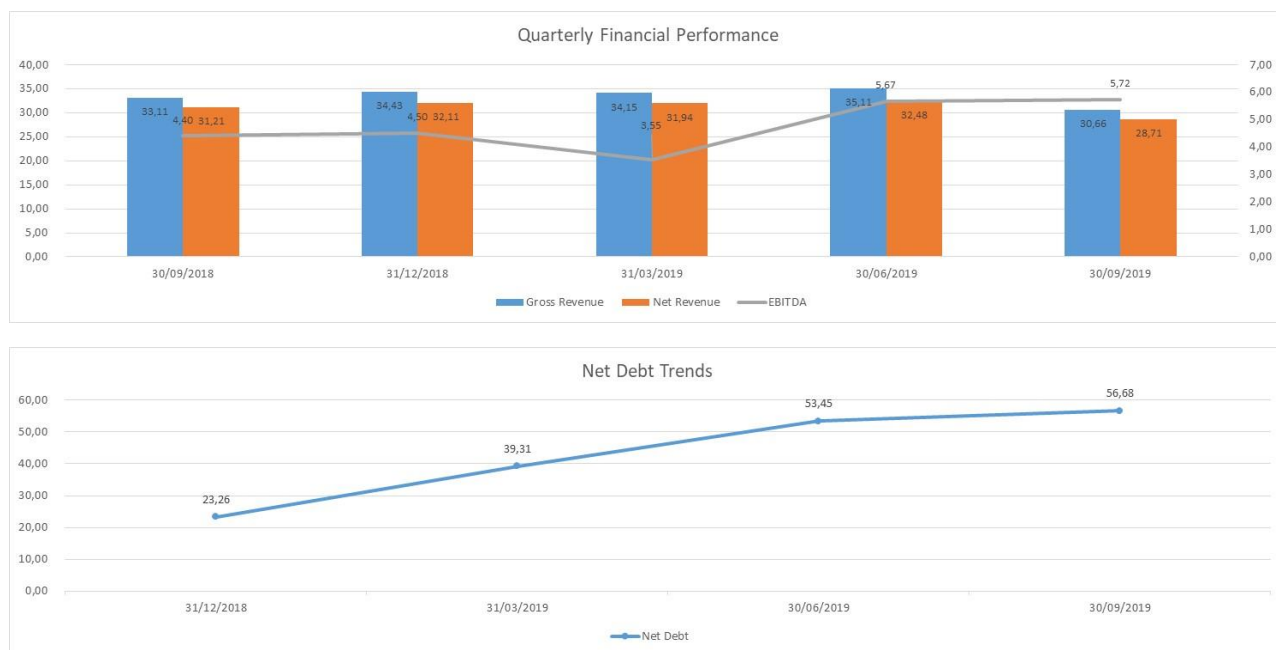
¹ Includes a favorable IFRS16 impact of €1.3 million

² Includes a favorable IFRS16 impact of €1.3 million

³ Includes IFRS16 debt impact of €5.7 million



Q3 2019 Financial Performance and Net Debt Trends (in Euros)



Dec 18 and March 19 figures correspond to Saint-Gobain legacy period prior to preclosing reorganizations that occurred in May 2019. Increase in net debt is rather due to mark to market value of the bond issued for the deal in Norwegian balance sheet.



Investment Summary

Investment Date:	May 20, 2019	Invested Capital:	\$16.8 M	9/30/2019 Valuation:	100%
Deal Type:	Cross Border, Corporate Carve-out	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$16.8 M		
		Total Value:	\$16.8 M		

Company Description

Business Summary	SMAC is a leading manufacturer of waterproofing and building envelope solutions with two divisions; Travaux (works) and Industrie (manufacturing). SMAC Travaux specializes in waterproofing and façade projects. SMAC Travaux mainly operates within France across customers including large construction providers, industrial companies and public and private customers. SMAC Industrie specializes in the manufacturing of bituminous membranes, skylights and resins. SMAC Industrie has a broader international reach across customers that are distributors and construction companies.
Headquarters	Issy-les-Moulineaux, France
Employees	3,273
Management	Franck Davoine – CEO Jean Christian Vaglio – CFO

Recent Developments

- Q3 sales at €148.4 million were 7% above last year, driven by the strong activity in the works division
- Gross margin significantly improved compared to last year as a result of higher margins on works and industry activities, as well as the better weather conditions
- Like for like EBITDA growth between Q3 2018 and Q3 amounted to +€ 4.5 million excluding major non-recurring effects in 2018 and the first IFRS 16 effects booked in 2019
- Carve-out activities were launched, with IT separation on-going
- Strategic roadmap updated and operational excellence initiatives launched

Financial Summary (€ in millions) (EBITDA does not include one-time transaction and deal fees)

	LTM	Quarter Ended		At
	9/30/19	9/30/18	9/30/19	9/30/19
Revenue:	€ 592.2	€ 138.4	€ 148.4	Cash & Equivalents: € 9.7
Gross Profit:	€ 103.8	€ 24.1	€ 29.5	Debt: € 35.6 ³
EBITDA:	€ 19.4 ¹	€ 2.9	€ 9.3 ²	

¹ Includes a favorable IFRS16 impact of €7.2 million

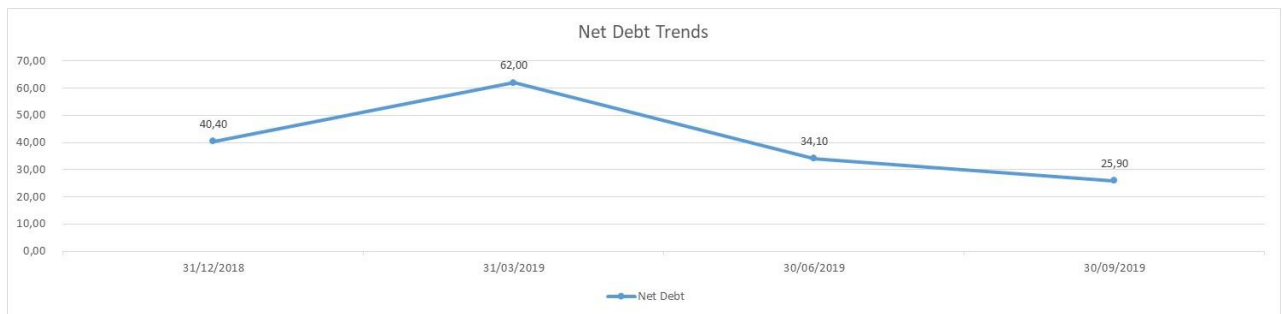
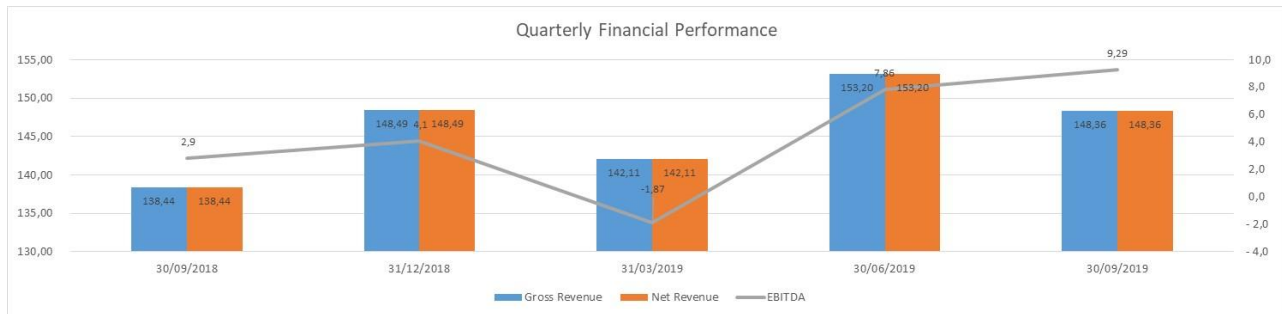
² Includes a favorable IFRS16 impact of €1.9 million

³ Includes IFRS16 debt impact of €16.4 million





Q3 2019 Financial Performance and Net Debt Trends (in Euros)



Dec 18 and March 19 figures correspond to Bouygues Colas legacy period prior to preclosing reorganizations that occurred in May 2019.





SARGENT AND GREENLEAF®

Investment Summary

Investment Date:	May 30, 2019	Invested Capital:	\$40.4 M	9/30/2019 Valuation:	100%
Deal Type:	Corporate Carve-Out	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$40.4 M		
		Total Value:	\$40.4 M		

Company Description

Business Summary Sargent and Greenleaf, Inc. manufactures from its sole manufacturing site in Central Kentucky high security mechanical and electronic locks for safes, vaults, automatic teller machines, cash in transit vehicles, safe deposit boxes, and sensitive compartmented information facilities. The company supplies worldwide to banking, retail, residential, utilities, and government security markets and offers its products through distributors and direct sell. The company was founded in 1857 and was acquired as a carve-out from Stanley Black & Decker's security division.

Headquarters Nicholasville, KY – USA

Employees 127

Management Mark LeMire – CEO
Steve Tonkel – CFO

Recent Developments

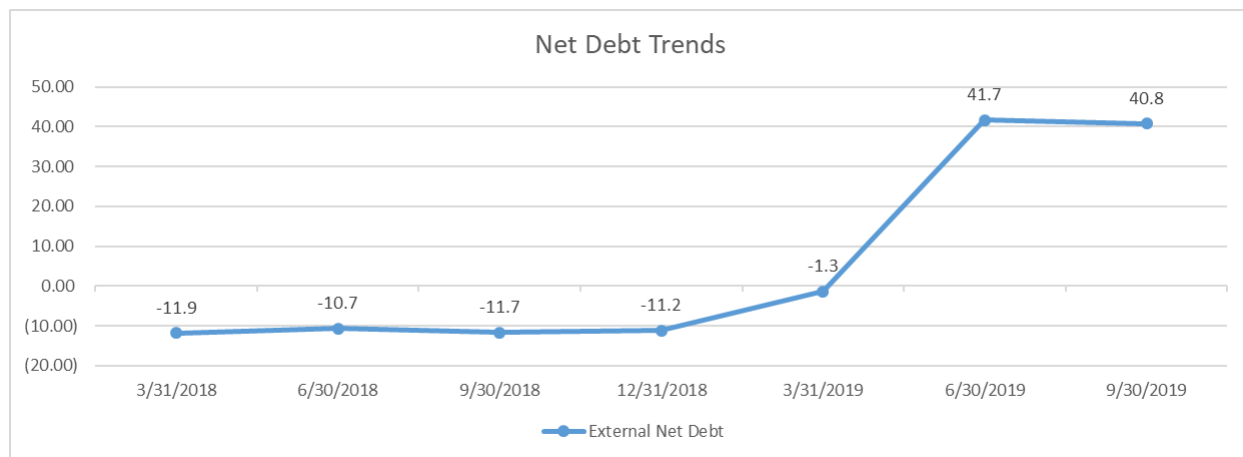
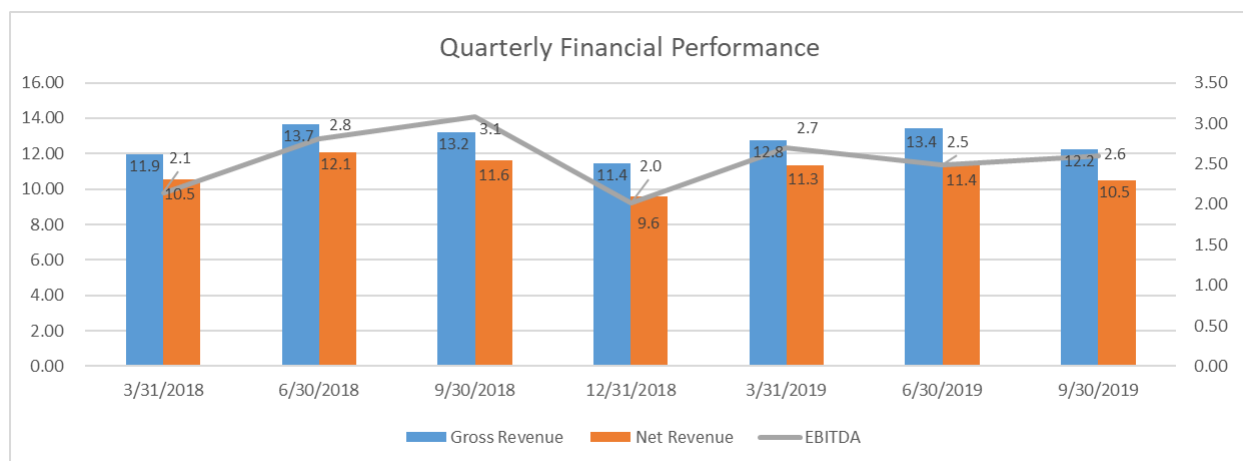
- Launched work to refresh brand, including new logo and redesigned website
- Launched updates to decades-old keypad design using modern aesthetics and enabling updated display screen functionality; detailed design effort currently underway
- Hired new VP Global Sales and four new sales reps (two in US and two in APAC)

Financial Summary (\$ in millions) (EBITDA does not include one-time transaction and deal fees)

	LTM	Quarter Ended			At
	9/30/19	9/30/18	9/30/19		9/30/19
Revenue:	\$42.9	\$11.6	\$10.5	Cash & Equivalents:	\$3.6
Gross Profit:	\$18.2	\$5.6	\$3.7	Debt:	\$44.4
EBITDA:	\$10.3	\$3.1	\$2.6		



Q3 2019 Financial Performance and Net Debt Trends (in USD)





Investment Summary

Investment Date:	June 28, 2019	Invested Capital:	\$39.2 M	9/30/2019 Valuation:	100%
Deal Type:	Corporate Carve-Out	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$39.2 M		
		Total Value:	\$39.2 M		

Company Description

Business Summary	Duraco is a B2B manufacturer of specialty tapes, which are sold into highly attractive end markets including Point-of Purchase displays, appliances, transit packaging, construction, signage, and HVAC. Duraco's application-specific tapes are strong alternatives to mechanical fasteners and traditional glues offering longevity, strength, efficiencies in customer's assembly operations and breadth of substrates.
Headquarters	Chicago, IL – USA
Employees	142
Management	David Danelz – CEO Brad Schechtman – CFO

Recent Developments

- Significant progress made on carve-out / transition workstreams; including selecting new ERP and website platform
- Completed hires of several key roles (e.g., CFO, IT manager, inside sales manager)
- Commenced project with third party consultancy to develop sales program / go-to-market strategy

Financial Summary (\$ in millions) (EBITDA does not include one-time transaction and deal fees)

	LTM	Quarter Ended			At
	9/30/19	9/30/18	9/30/19		9/30/19 **
Revenue:	\$42.1	\$11.0	\$10.6	Cash & Equivalents:	\$2.4
Gross Margin:	\$18.1	\$4.9	\$4.5	Debt:	\$42.5
EBITDA: *	\$9.5	\$2.7	\$2.3		

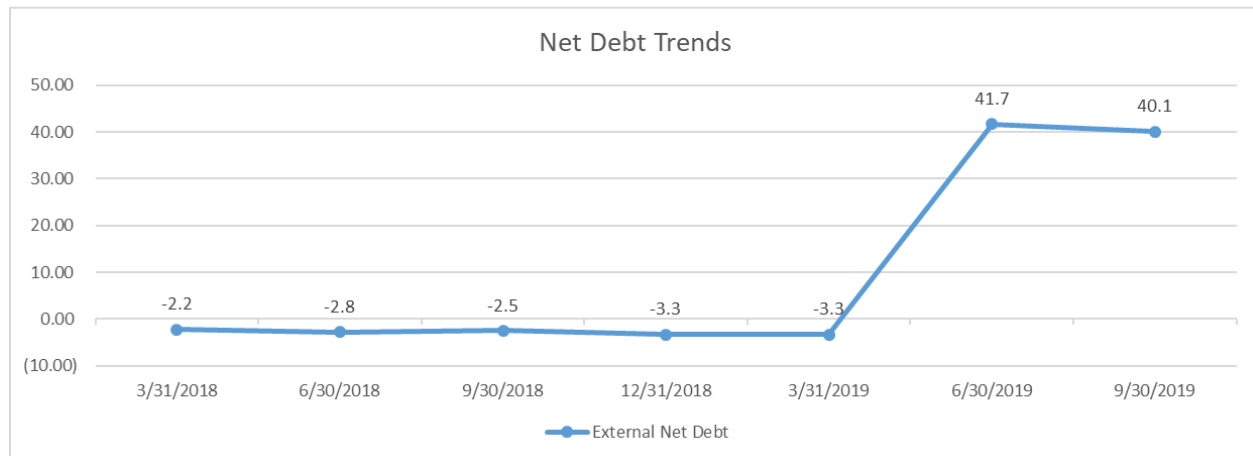
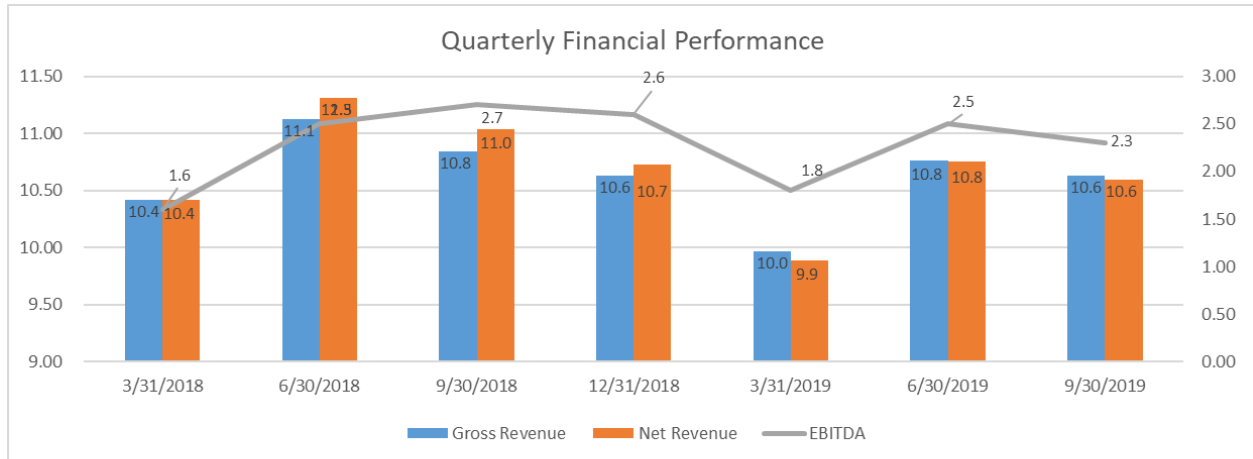
* EBITDA is adjusted to include standalone costs

** Duraco's month ended 9/28, two days prior to the quarterly debt payment. Cash on hand would be \$1.2m with \$42.2m of debt had the month included the quarterly debt payment.





Q3 2019 Financial Performance and Net Debt Trends (in USD)





Investment Summary

Investment Date:	August 16, 2019	Invested Capital:	\$13.9 M	9/30/2019 Valuation:	100%
Deal Type:	Private Seller	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$13.9 M		
		Total Value:	\$13.9 M		

Company Description

Business Summary	InRule provides an end-to-end, fully auditable platform that acts as a “single source of truth” for enterprises processing complex business rules and decision workflows. Its decision platform drives significant and quantifiable business value across a variety of use cases including insurance eligibility, mortgage qualification, risk rating and fraud reduction, regulatory compliance, healthcare claims processing and CPQ calculations.
Headquarters	Chicago, IL – USA
Employees	41
Management	Rik Chomko – CEO Loren Goodman – CTO Beth Worthem – VP Finance & HR

Recent Developments

- Added Sales Engineer in September to help meet demand by alleviating a key bottleneck in the commercial organization
- Developed a detailed strategic plan to drive future recurring revenue growth through accelerated new product development, improved commercial strategy, a comprehensive services program, increased market awareness, and optimized operational excellence
- Kicked off ERP implementation process, beginning with system and integrator selection

Financial Summary (\$ in millions) (EBITDA does not include one-time transaction and deal fees)

	LTM	Quarter Ended			At
	9/30/19	9/30/18	9/30/19		9/30/19
Revenue:	\$10.4	\$2.3	\$2.6	Cash & Equivalents:	\$3.2
Gross Profit:	\$8.6	\$1.8	\$2.2	Debt:	\$8.5
EBITDA:	\$0.0	\$(0.3)	\$(0.1)		



Q3 2019 Financial Performance and Net Debt Trends (in USD)

