



**OPENGATE CAPITAL**

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

**Q2 2019 REPORT**  
**June 30, 2019**

# TABLE OF CONTENTS

Management Report	2
Portfolio Report	3
• Fiven	4
• SMAC	6
• Sargent and Greenleaf	8
• Duraco	10

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Nothing in this report should be construed as legal, accounting, financial, tax or other advice.

# MANAGEMENT REPORT

**August 15, 2019**

**Dear Partners;**

Enclosed please find our first, quarterly report for Fund II representing the second quarter of 2019, ending June 30<sup>th</sup>.

I am tremendously proud of the progress that OpenGate has made this year in securing commitments to our second fund and closing on four new investments in Q2 - all of which are corporate carve-outs and well suited for our lower middle market strategy. Each Fund II investment represents the benefits of our deal origination strategy as highlighted below:

- Fiven, with operations across Europe and Latin America, and was acquired a result of our long-standing relationships with Saint-Gobain, and their intermediary, Lazard.
- SMAC was acquired from an industrial conglomerate, Colas Group, who demanded speed and certainty from a transaction partner in a complex divestiture of two business divisions headquartered in France.
- Sargent and Greenleaf, based in Kentucky, was owned by Stanley Black & Decker. Sourced in 2017, OpenGate maintained dialogue with the seller and its intermediary as the initial sales process failed due to valuation expectations and re-engaged in late 2018.
- Duraco was a US-based, non-core division of Essentra, a UK-based industrial company. Our determination and speed ultimately gained the seller's confidence and we completed the acquisition at the end of June.

At the firm level, I am proud to announce that we developed a strategy for enhancing our firm's culture and near- and long-term strategies with a new Senior Leadership Team ("SLT") forum. Comprised of the Partners and the senior most members of our team, our SLT meets each quarter and have established a process for collaborating on new initiatives to enhance many of the internal aspects of OpenGate. From recruiting new and sophisticated talent, to developing our employees' skill sets, and enhancing our M&A and operations playbooks across our two core geographies, including our technology-related initiative OGx, our discussions have been very productive and are already driving results. Through the recent new hires in our European and North American operations teams, and through our Senior Leadership discussions, we are continuing to strengthen our unique advantages, invest in our people, and build on our 15-year track record.

As of June 30<sup>th</sup>, OpenGate's marketing efforts for Fund II has met our cover target of \$450 million, and we are working with several potential new investors to reach our final close by the end of Q3 2019.

From all of us at OpenGate Capital, we thank you for your continued support.

**ANDREW NIKOU**  
**Founder & Chief Executive Officer**

Note: Please be sure to mark your calendars for OpenGate Capital's 2019 Annual General Meeting on Wednesday, November 6<sup>th</sup>, 2019 in Los Angeles.



## PORTFOLIO COMPANY REPORT

As of June 30, 2019, there are four 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: June 28, 2019**
  - Valuation: 100% of Cost
  - Total Value: \$39.2 million





## Investment Summary

<b>Investment Date:</b>	May 14, 2019	<b>Invested Capital:</b>	\$42.3 M	<b>06/30/2019 Valuation:</b>	100%
<b>Deal Type:</b>	Cross Border, Corporate Carve-out	<b>Realized Value:</b>	\$0.0 M		
		<b>Remaining Unrealized Value:</b>	\$42.3 M		
		<b>Total Value:</b>	\$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** 650

**Management** Falk Ast– CEO  
Helén Borchgrevink – Interim CFO

## Recent Developments

- Transaction closed on May 14, 2019, closing accounts received.
- €13 m factoring line implemented for Norway and Belgium.
- Carve-out activities launched, with IT separation on-going.
- Strategic roadmap launched with the support of Nexant consultants.
- Production of crude silicon carbide in Venezuela restarted early July following shortage of power.
- Gross Margin and EBITDA is impacted by lower SiC sales for Diesel Particulate Filters and higher production costs in Q2 despite increase in prices to clients by around 5% vs. 2019.

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

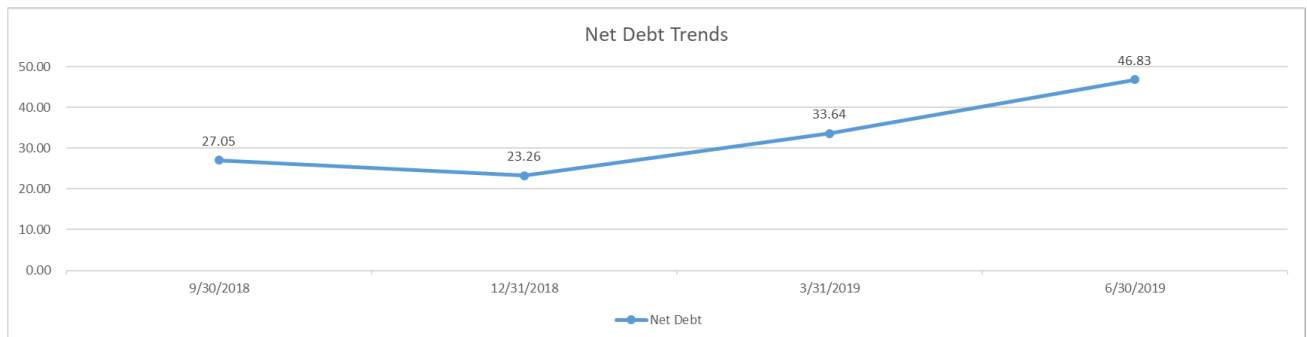
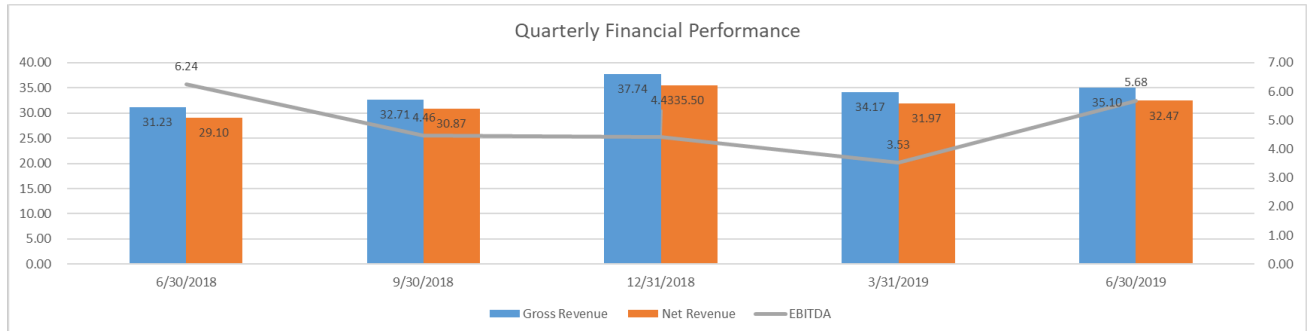
	LTM	Quarter Ended			At
	06/30/19	06/30/18	06/30/19		06/30/19
<b>Revenue (net):</b>	€130.8	€29.1	€32.5	<b>Cash &amp; Equivalents:</b>	€9.7
<b>Gross Profit:</b>	31.6	9.6	8.7	<b>Debt:</b>	56.5*
<b>EBITDA:</b>	18.1	6.2	5.7		

\*Bond issued for the purpose of the deal





## Q2 2019 Financial Performance and Net Debt Trends (in Euros)





## Investment Summary

<b>Investment Date:</b>	May 20, 2019	<b>Invested Capital:</b>	\$16.8 M	<b>06/30/2019 Valuation:</b>	100%
<b>Deal Type:</b>	Cross Border, Corporate Carve-out	<b>Realized Value:</b>	\$0.0 M		
		<b>Remaining Unrealized Value:</b>	\$16.8 M		
		<b>Total Value:</b>	\$16.8 M		

## Company Description

<b>Business Summary</b>	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.
<b>Headquarters</b>	Issy-les-Moulineaux, France
<b>Active Employees</b>	3,271
<b>Management</b>	Franck Davoine – CEO Jean Christian Vaglio – CFO

## Recent Developments

- Transaction closed on May 20, 2019.
- €90 m factoring line put in place as of closing date.
- Carve-out activities launched, with IT separation on-going.
- Strategic roadmap updated and operational excellence initiatives launched.
- Gross margin significantly improved compared to last year as a result of increased order intakes, higher margins on works and industry activities and better weather conditions.
- Like for like organic growth between Q2 2018 and Q2 2019 is above +€2 m excluding major non-recurring effects in 2018 and first IFRS 16<sup>1</sup> effects booked in 2019.

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

	LTM	Quarter Ended		At
	06/30/19	06/30/18	06/30/19	06/30/19
<b>Revenue:</b>	€582.2	€144.7	€153.2	<b>Cash &amp; Equivalents:</b> €26.7
<b>Gross Profit:</b>	98,3	21.7	28.5	<b>Debt:</b> 2.4*
<b>EBITDA:</b>	17.4	9.7	7.9	

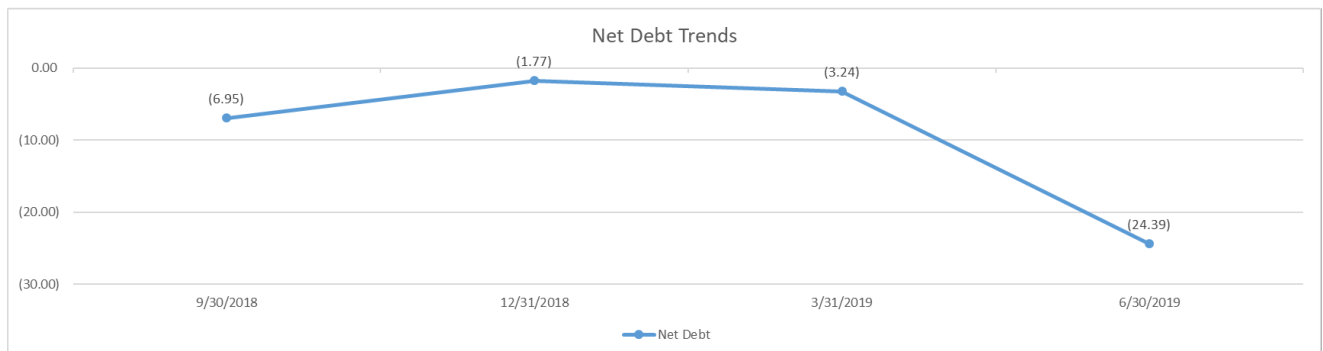
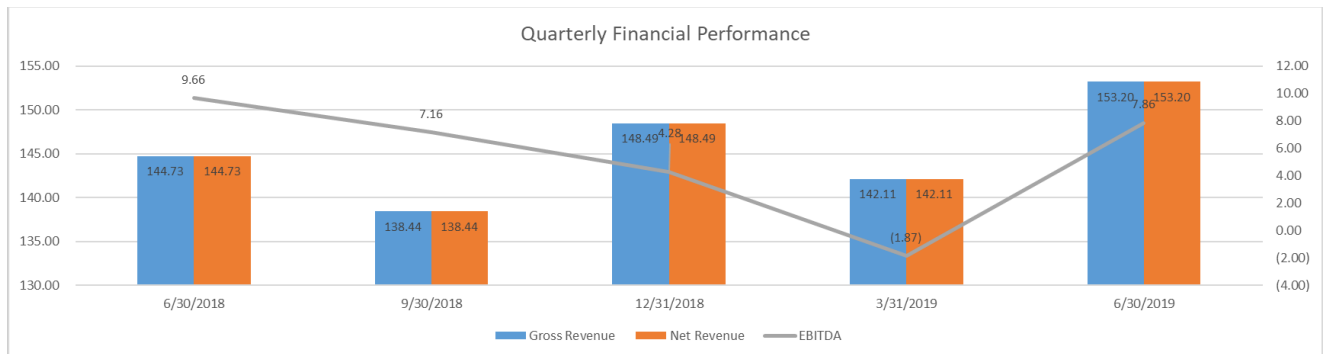
\*Excluding factoring debt toward factor of €31.7 m as of June 30, 2019, (deconsolidation analysis on-going) and excluding the impacts of IFRS 16 restatements on financial debt.

<sup>1</sup>International Financial Reporting Standard promulgated by the International Accounting Standards Board providing guidance on accounting for leases. IFRS 16 was issued in January 2016 and is effective for most companies that report under IFRS since 1 January 2019.





## Q2 2019 Financial Performance and Net Debt Trends (in Euros)







**SARGENT AND GREENLEAF®**

## Investment Summary

<b>Investment Date:</b>	May 30, 2019	<b>Invested Capital:</b>	\$40.4 M	<b>06/30/2019 Valuation:</b>	100%
<b>Deal Type:</b>	Corporate Carve-Out	<b>Realized Value:</b>	\$0.0 M		
		<b>Remaining Unrealized Value:</b>	\$40.4 M		
		<b>Total Value:</b>	\$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** 126

**Management** Mark LeMire – CEO  
Steve Tonkel – CFO

## Recent Developments

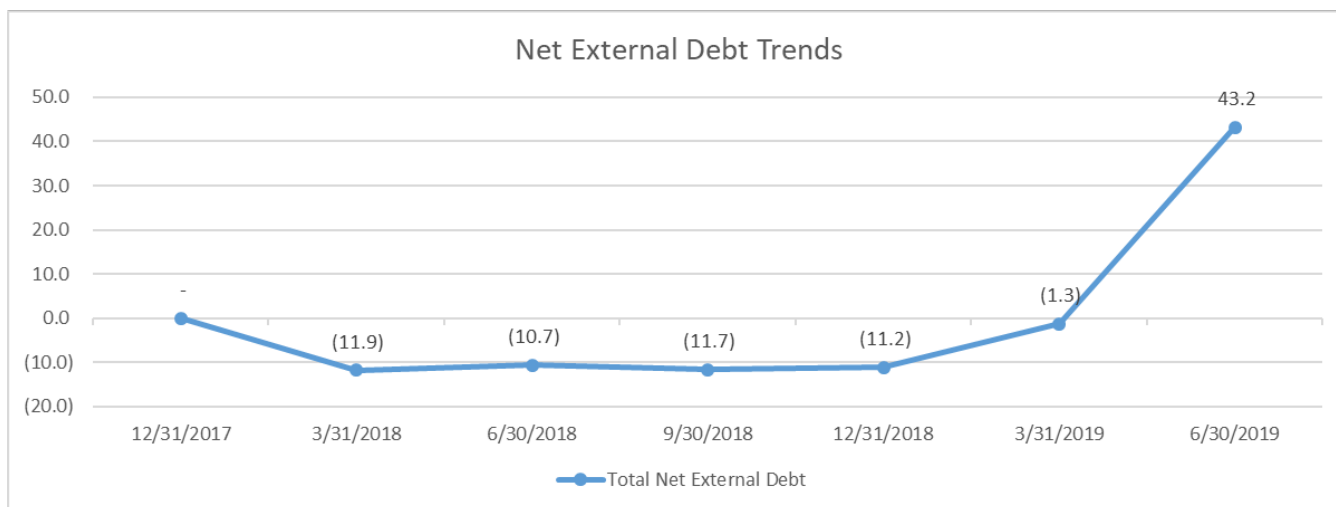
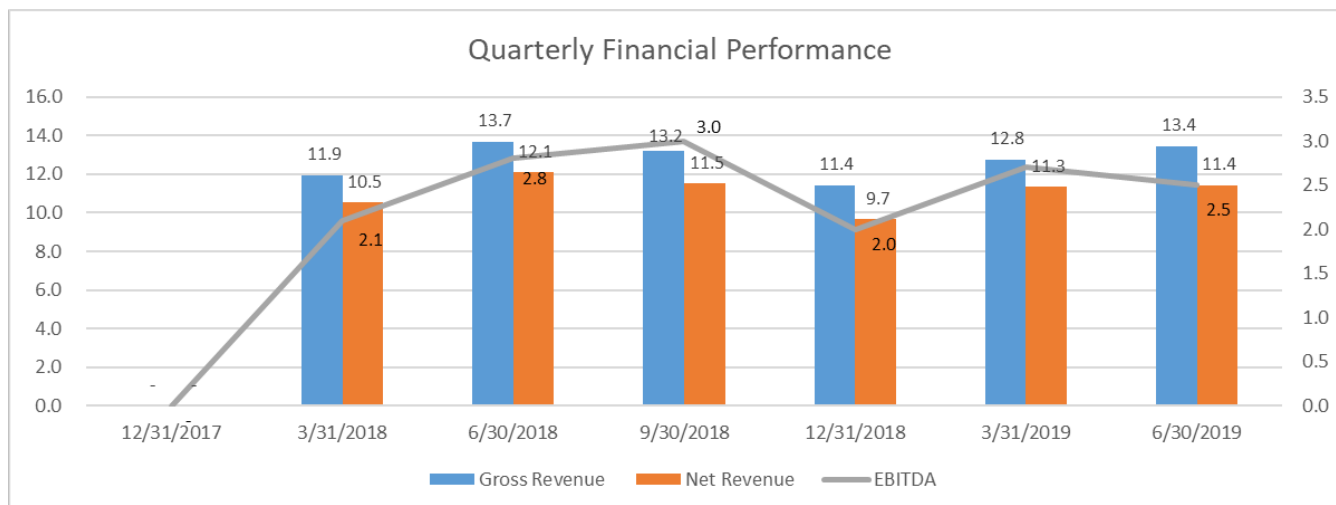
- Finished first 31 days of operating post carve-out.
- Added CFO and IT Manager to the management team in June and secured new CEO and VP Sales.
- Developed a detailed strategic plan to drive future revenue growth through enhanced customer engagement, accelerated new product development, improved commercial strategy, optimized operational excellence, and renewed focus on company culture.
- 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
	06/30/19	06/30/18	06/30/19		06/30/19
<b>Revenue:</b>	\$44.0	\$12.1	\$11.4	<b>Cash &amp; Equivalents:</b>	\$1.4
<b>Gross Profit:</b>	20.1	5.3	5.0	<b>Debt:</b>	44.6
<b>EBITDA:</b>	10.8	3.1	3.0		



## Q2 2019 Financial Performance and Net Debt Trends (in USD)





## Investment Summary

<b>Investment Date:</b>	June 28, 2019	<b>Invested Capital:</b>	\$39.2 M	<b>06/30/2019 Valuation:</b>	100%
<b>Deal Type:</b>	Corporate Carve-Out	<b>Realized Value:</b>	\$0.0 M		
		<b>Remaining Unrealized Value:</b>	\$39.2 M		
		<b>Total Value:</b>	\$39.2 M		

## Company Description

<b>Business Summary</b>	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.
<b>Headquarters</b>	Chicago, Illinois – USA
<b>Employees</b>	139
<b>Management</b>	David Danelz, CEO

## Recent Developments

- Beginning post carve-out initiatives.
- OpenGate operations team hosted town hall on June 29<sup>th</sup> welcoming the business and its employees into the portfolio.
- The pre-acquisition carve-out and transition plan was formally launched.
- New CFO to start mid Q3 2019.

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

	LTM	Quarter Ended			At
	06/30/19	06/30/18	06/30/19		06/30/19
<b>Revenue:</b>	\$42.60	\$10.42	\$9.94	<b>Cash &amp; Equivalents:</b>	\$0.77
<b>Gross Margin:</b>	\$18.30	\$3.98	\$4.20	<b>Debt:</b>	\$42.47
<b>EBITDA:</b>	\$9.92	\$1.60	\$1.83		

