



OPENGATE CAPITAL

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

2019 ANNUAL REPORT
December 31, 2019

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MANAGEMENT REPORT

April 1, 2020

Dear Partners:

Special Message Regarding COVID-19

As the global pandemic continues to unfold, we remain committed to the well-being of the OpenGate team and our global portfolio of investments. Thankfully, everyone at the firm is well, and while working remotely in accordance with our contingency and disaster recovery plan, we remain focused on our work as your partner.

The financial stability of our investments, including the safety and well-being of the thousands of employees dedicated to the operations of our businesses around the world is a top priority for us. In February of 2020, COVID-19 situation analysis was incorporated into our portfolio review program, and in early March we directed management of all portfolio companies to reduce non-essential spending and hiring, to identify secondary supply chain sources, and plan for employees to work from home where feasible. I am very proud to report that the Operations Team at OpenGate is driving extraordinary measures across our portfolios to mitigate the impact of the pandemic and have developed a COVID-19 Crisis Guide. Our Operations Team is working closely with portfolio company management on efforts to stabilize operations, production levels, cash management, and other critical business areas.

OpenGate Capital remains steadfast in its ability to navigate through periods of economic turbulence. Our investments are underwritten with downside risk scenarios, and we are experienced in sourcing unique opportunities during economic downturns. While there is little doubt that there will be negative economic consequences globally, and potentially within our funds' portfolios, we are confident that we will manage through this challenging time.

Enclosed please find our Annual Report for the year ending December 31, 2019 and accompanying financial statements, which are now presented as combined financial statements for Fund II and IIA to present a clearer financial overview.

2019 was a year of tremendous discipline and activity for OpenGate. We completed 11 transactions including buy and sell-side activity, closed our second institutional fundraise, began fully deploying our OGx operational capability across select investments, and we fully realized our first Fund I investment in Power Partners for a Gross MOIC of 2.8x.

Within Fund II, we successfully completed the acquisition of six platform businesses of which three are based in Europe, three in the US, four were corporate carve-outs in the industrial sectors, and two were technology businesses. In December 2019, we completed a strategic add-on investment for one of this platform businesses, Sargent & Greenleaf, which acquired Delaney Hardware and Premier Steel Doors & Hardware.

At the firm level, OpenGate made several strategic new hires, including Damian Blazy, Principal and Vinay Menon, Vice President, both serving on our North American Operations Team. We developed a new initiative, OGCulture, which is focused on programs to support the growth of our employees and contribute to the communities in which we operate.

From all of us at OpenGate Capital, we thank all of our investors for the continued support and trust. We send our best wishes to you and your families during these challenging times and hope that you are all well.

ANDREW NIKOU
Founder & Chief Executive Officer



PORTFOLIO COMPANY REPORT

As of December 31, 2019, there are six portfolio companies in the OpenGate Capital Partners II & II-A Fund. As the most recent investments in InRule and CoreMedia have been held for less than six months, each has been marked at cost (in the local currency for the investment) in accordance with our Valuation Policy. Highlights of each investment's current value* are listed below.

- **Fiven: May 14, 2019**
 - Valuation: 100.55% of Cost
 - Total Value: \$42.5 million
- **SMAC: May 20, 2019**
 - Valuation: 396.41% of Cost
 - Total Value: \$66.6 million
- **Sargent and Greenleaf: May 30, 2019**
 - Valuation: 100.00% of Cost
 - Total Value: \$76.4 million
- **Duraco Specialty Tapes: June 28, 2019**
 - Valuation: 100.00% of Cost
 - Total Value: \$39.2 million
- **InRule Technologies: August 16, 2019**
 - Valuation: 100.00% of Cost
 - Total Value: \$13.9 million
- **CoreMedia: October 31, 2019**
 - Valuation: 100.34% of Cost
 - Total Value: \$33.6 million

* COVID-19 in subsequent events:

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. In 2020, the World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Partnership's portfolio companies will depend on certain developments, including the duration and spread of the outbreak, impact on the portfolio companies' customers, employees and vendors, all of which are uncertain and cannot be predicted. Unless otherwise indicated, all information included in these financial statements is as of December 31, 2019 and you should not assume that valuations of investments or other matters are current as of any later date. The extent to which COVID-19 may impact the Partnership's financial results is uncertain, but could be material, and the Partnership will continue to evaluate any potential impact.





Investment Summary

Investment Date:	May 14, 2019	Invested Capital:	\$42.3 M	12/31/19 Valuation:	100.55%
Deal Type:	Cross Border, Corporate Carve-out	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$42.5 M		
		Total Value:	\$42.5 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	626
Management	Falk Ast – CEO Stein Erik Ommundsen – CFO

Recent Developments

- Q4 sales at €25.9 million were 19% below last year, driven mostly by the lower SiC sales for diesel particulate filters (DPF) and sales to former mother company Saint Gobain
- Like-for-like EBITDA between Q4 2018 and Q4 2019 decreased by 16%
- Decrease in top line as a first driver of EBITDA decrease partly compensated by better sales mix and decrease in raw materials costs
- Production of crude silicon carbide in Venezuela resumed in early July following the shortage of power and continued in Q4 2019
- Carve-out activities continued, with IT separation and a €13 million factoring line implemented for Norway and Belgium
- Strategic roadmap review launched and supported by Nexant completed in December 2019
- OGx initiatives, with initial focus on brand recognition and CO2 emissions reduction were reviewed

Financial Summary (€ in millions)

	LTM	Quarter Ended			At
	12/31/19	12/31/18	12/31/19		12/31/19
Revenue (net):	€ 119.1	€ 32.1	€ 25.9	Cash & Equivalents:	€ 14.7
Gross Profit:	€ 31.3	€ 8	€ 6.8	Debt:	€ 65.7 ³
EBITDA:	€ 19.1 ¹	€ 4.5	€ 4.1 ²		

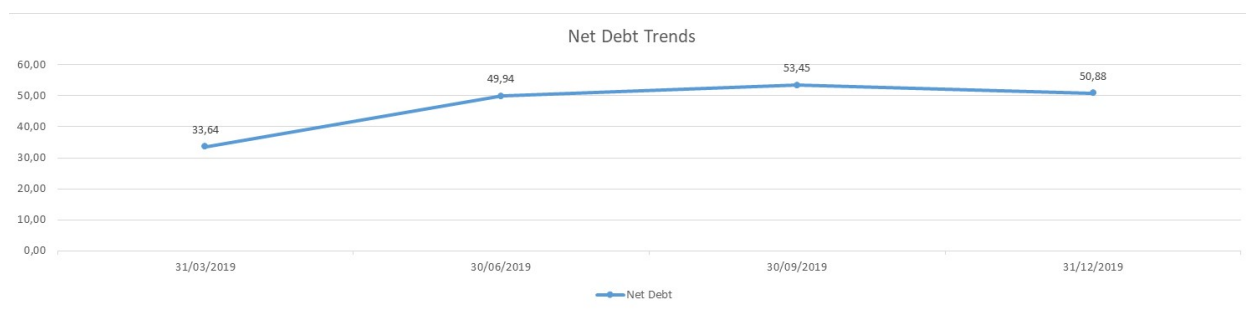
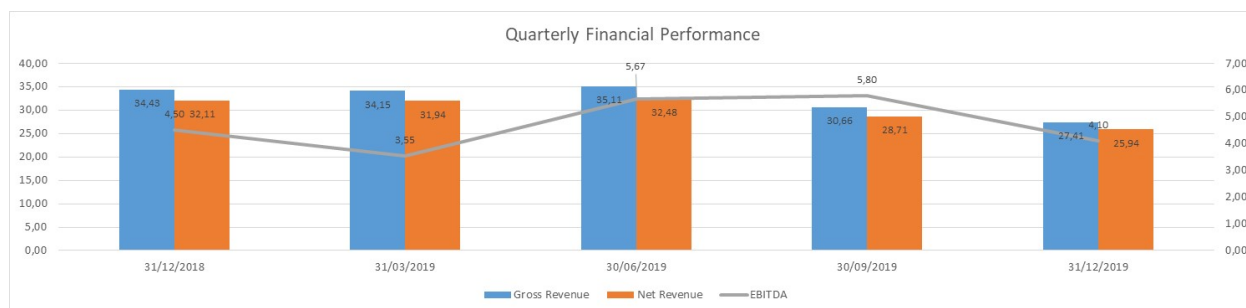
¹ Includes a favorable IFRS16 impact of €1.6 million

² Includes a favorable IFRS16 impact of € 0.3 million

³ Includes IFRS16 debt impact of €4 million



Q4 2019 Financial Performance and Net Debt Trends (in Euros)



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. Decrease in Net Debt between Q3 and Q4 2019 is due to improved working capital.



Investment Summary

Investment Date:	May 20, 2019	Invested Capital:	\$16.8 M	12/31/19 Valuation:	396.41%
Deal Type:	Cross Border, Corporate Carve-out	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$66.6 M		
		Total Value:	\$66.6 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
Active Employees 3,263
Management Franck Davoine – CEO
Jean Christian Vaglio – CFO

Recent Developments

- Q4 sales at € 144.2 million were 2.9% lower than last year, as a result of lower sales in November 2019 vs. 2018 due to lower number of business days (impacting for works activity)
- Gross margin improved compared to last year as a result of higher margins on works and industry activities (improved work execution and higher productivity on industries)
- Like for like EBITDA growth between Q4 2018 and Q4 2019 amounted to +€ 1.1 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. Decision taken to deploy SAP for Works business line. Go live expected in 2021
- Strategic roadmap updated and operational excellence initiatives launched.

Financial Summary (€ in millions)

	LTM	Quarter Ended		At
	12/31/19	12/31/18	12/31/19	12/31/19
Revenue:	€ 587.9	€ 148.5	€ 144.2	Cash & Equivalents: € 6.9
Gross Profit:	€ 104.4	€ 24.9	€ 25.5	Debt: € 27.4 ³
EBITDA:	€22.4 ¹	€ 4.3	€ 7.1 ²	

¹ Includes a favorable IFRS16 impact of €7 million

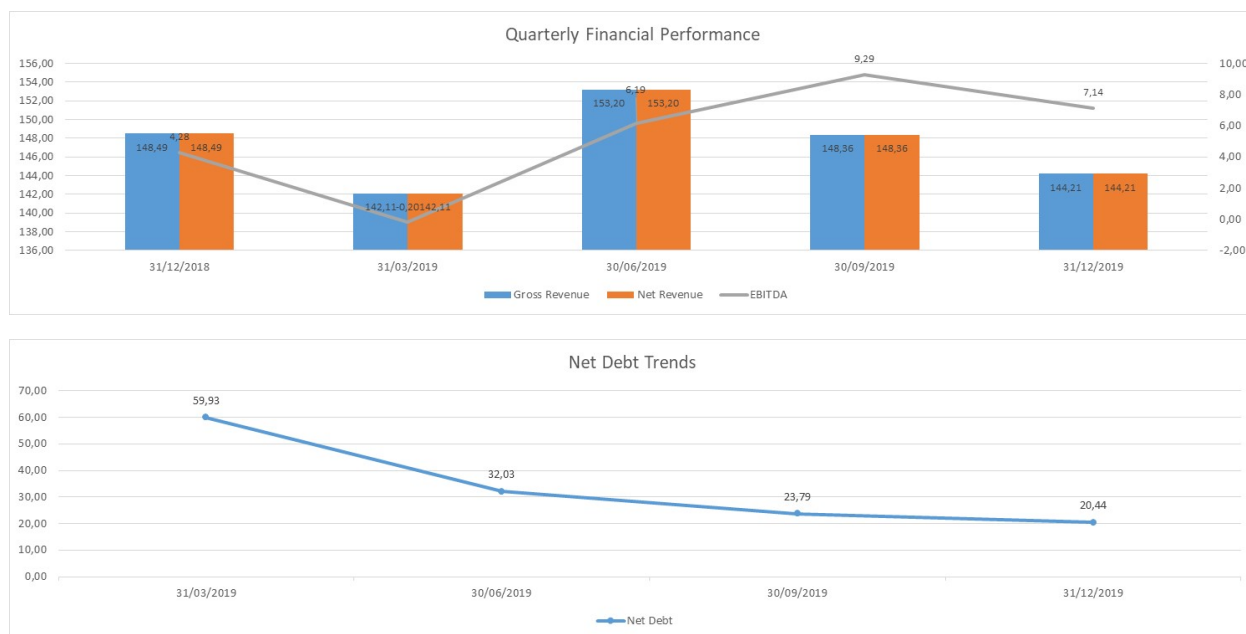
² Includes a favorable IFRS16 impact of € 1.7million

³ Includes IFRS16 debt impact of €14.3 million and €8 m Seller Note





Q4 2019 Financial Performance and Net Debt Trends (in Euros)



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:	\$76.4 M	12/31/2019 Valuation:	100.00%
Deal Type:	Corporate Carve-Out	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$76.4 M		
		Total Value:	\$76.4 M		

Company Description

Business Summary Sargent and Greenleaf, Inc. manufactures and sells mechanical and electronic security locks, residential door hardware, and steel doors. Three divisions include the Sargent and Greenleaf brand for security locking systems, Delaney Hardware brand for door systems hardware, and Premier Steel Doors & Frames for steel entry solutions. The company's products and services are offered directly and through distributors to banking, retail, residential and building construction, consumer, utilities, and government markets. The security company was founded in 1857 and was acquired as a carve-out from Stanley Black & Decker's security division. Delaney Hardware and Premier Steel Door & Frames, which were previously consolidated, were acquired on December 20, 2019.

Headquarters Nicholasville, Kentucky – USA

Employees 271

Management Mark LeMire – CEO and Acting President of Sargent and Greenleaf Locks Division
Libby Zappala – President of Delaney Hardware
Joey Meggs – President of Premier Steel Doors & Frames
Steve Tonkel – CFO

Recent Developments

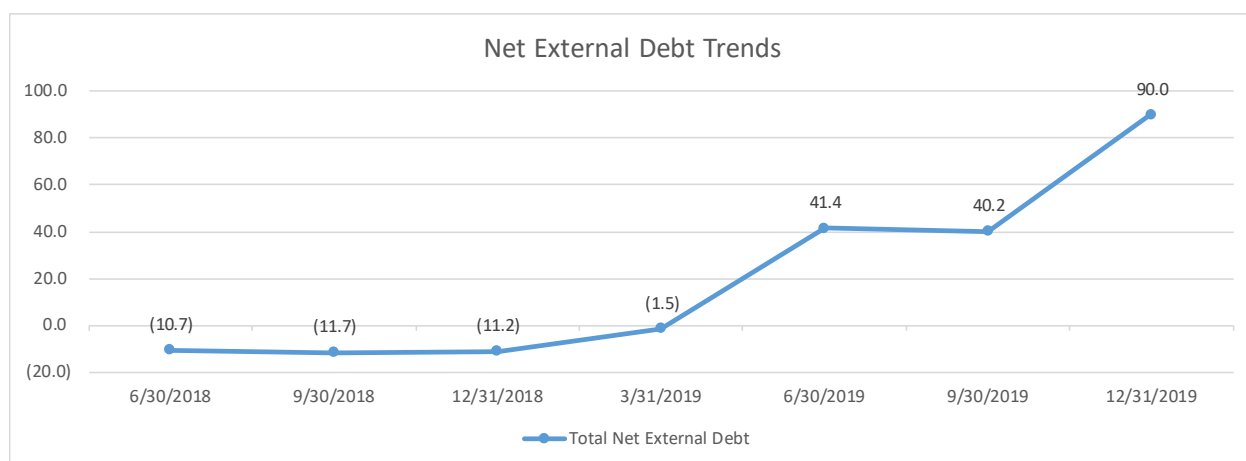
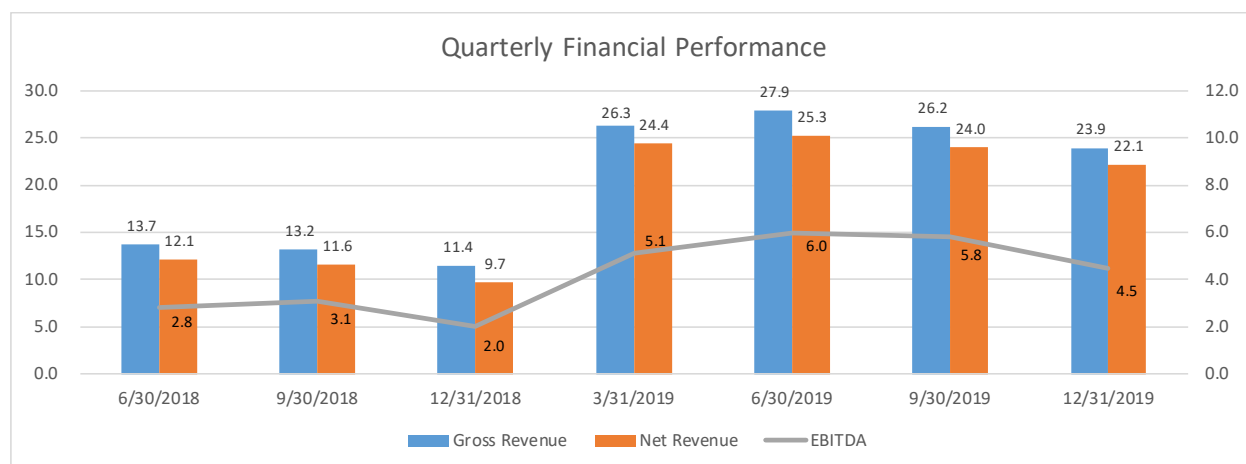
- Began S&G logo redesign and new website development, in preparation for brand refresh launch in Q2 2020
- Continued development of new S&G digital keypad with touch display, modern aesthetics, and open source connectivity, targeting summer 2020 launch
- Kicked off recruiting process for a Customer Relationship Director to coordinate product development, marketing, and customer service to best meet customer needs
- On December 20, acquired Delaney Hardware and Premier Steel Doors & Frames
- Delaney experienced multiple sales successes in Q4, including its largest sales month in Oct and >40% increase in Q4 eCommerce sales vs. prior year
- Premier experienced its best year for sales in 2019, with ~20% increase in Q4 shipments vs. prior year

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

	LTM	Quarter Ended		At
	12/28/19	12/29/18	12/28/19	12/28/19
Revenue:	\$95.9	\$21.7	\$22.1	Cash & Equivalents: \$2.6
Gross Profit:	\$38.0	\$8.8	\$8.7	Debt: \$92.5
EBITDA:	\$21.9	\$4.6	\$5.0	



Q4 2019 Financial Performance and Net Debt Trends (in USD)



Note: These charts exclude Delaney and Premier in the 2018 periods



Investment Summary

Investment Date:	June 28, 2019	Invested Capital:	\$39.2 M	12/31/2019 Valuation:	100.00%
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, Illinois – USA
Employees 139
Management David Danelz – CEO
Brad Schechtman – CFO

Recent Developments

- Strategic planning session held in October with full participation from Duraco leadership team and OpenGate Capital Operations. Execution of strategic plan progressed in the period.
- Bolstered staffing of commercial team with additional hire of inside sales leader
- Management is transitioning the business to go from owned satellite locations with inside sales and customer service at the satellite locations to inside sales and customer service centralized in the Chicago location with inventory stored in strategic locations operated by 3PLs
- Carve-out activities continue to be on-track with IT serving as the long lead time
- Management is working with OGC M&A team to develop a robust M&A pipeline

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

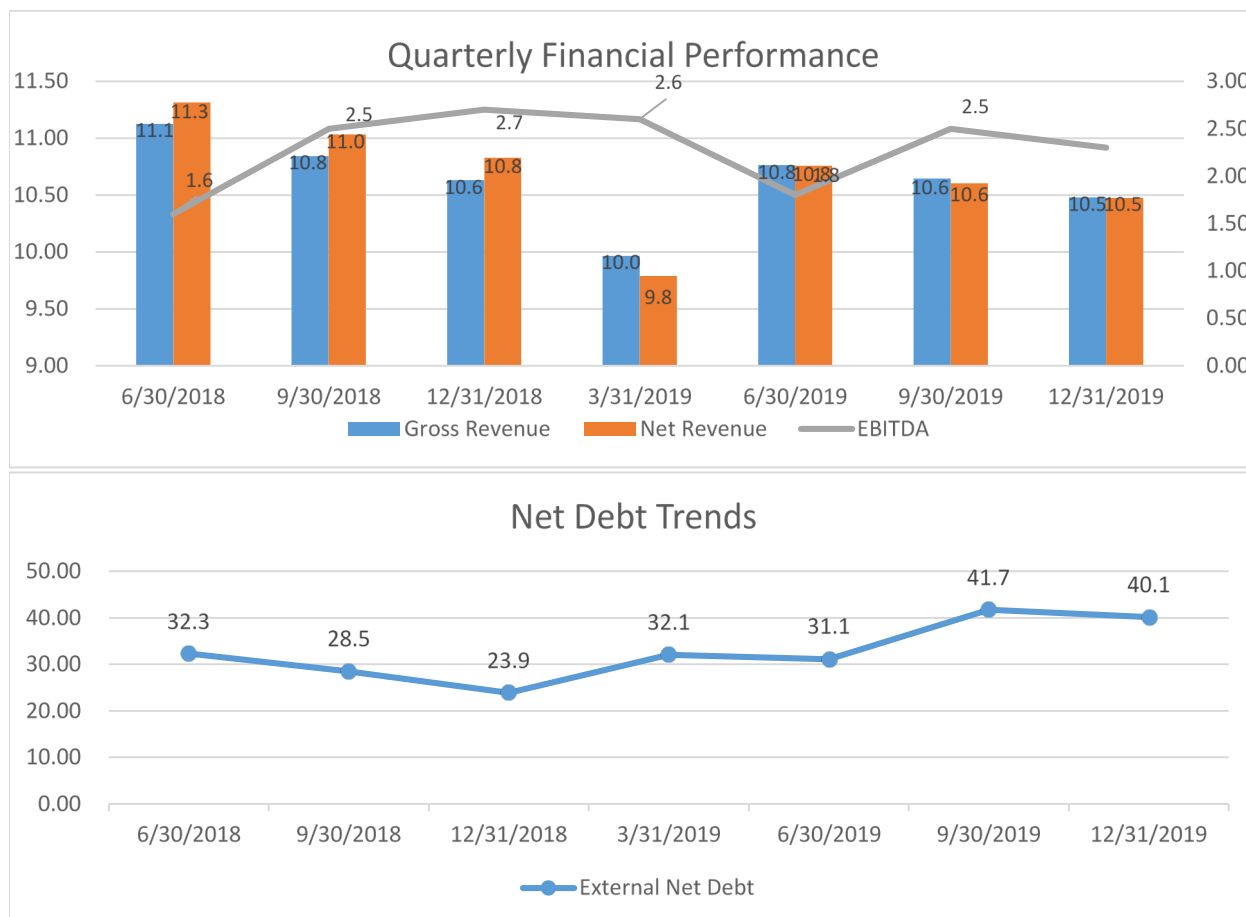
	LTM	Quarter Ended			At
	12/31/19	12/31/19	12/31/18		12/31/19
Revenue:	\$41.73	\$10.47	\$10.82	Cash & Equivalents:	\$1.61
Gross Margin:	\$17.8	\$4.64	\$4.91	Debt:	\$40.1
EBITDA:	\$9.2	\$2.49	\$2.90		

**EBITDA is adjusted for Standalone Costs





Q4 2019 Financial Performance and Net Debt Trends (in USD)



inrule

Investment Summary

Investment Date:	August 16, 2019	Invested Capital:	\$13.9 M	12/31/2019 Valuation:	100.00%
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	46
Management	Rik Chomko – CEO Loren Goodman – CTO Beth Worthem – VP Finance & HR

Recent Developments

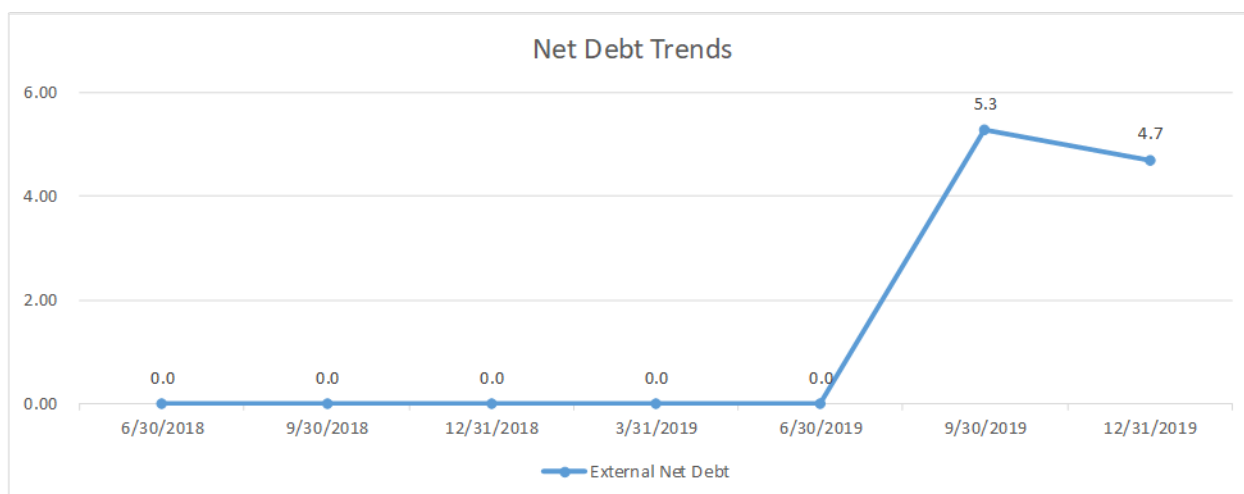
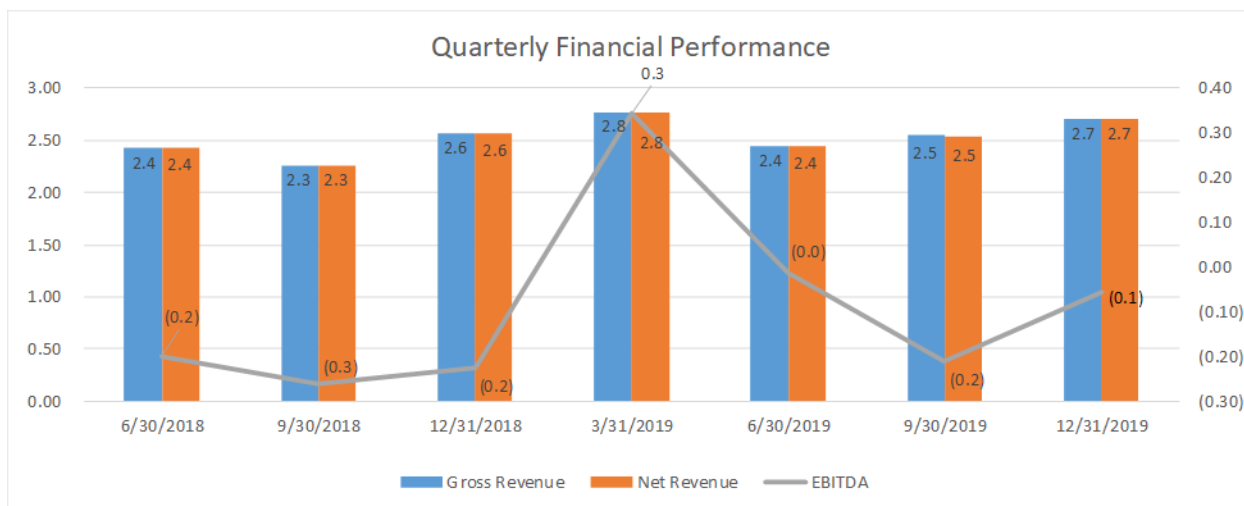
- Hired and on-boarded new Chief Product Officer
- Finalized partnership agreement with Salesforce
- Strong uptick in new SaaS/Subscription revenue with key new customers including Fidelity International, American Airlines, Stihl and Cancer Treatment Centers of America
- Higher than average 2019 renewal rate of 93%
- Restructured product machine for optimal R&D, Design and Engineering delivery in 2020

Financial Summary (\$ in millions) (Reported EBITDA)

	LTM	Quarter Ended			At
	12/31/19	12/31/18	12/31/19		12/31/19
Revenue:	\$10.5	\$2.6	\$2.7	Cash & Equivalents:	\$3.8
Gross Profit:	\$8.7	\$2.1	\$2.3	Debt:	\$8.5
EBITDA:	\$0.1	\$(0.2)	\$(0.1)		



Q4 2019 Financial Performance and Net Debt Trends (in USD)



Investment Summary

Investment Date:	October 31, 2019	OGC Invested Capital:	\$33.5M	12/31/2019 Valuation:	100.34%
Deal Type:	Private Seller	Realized Value:	\$0.0 M		
		Remaining Unrealized Value:	\$33.6 M		
		Total Value:	\$33.6 M		

Company Description

Business Summary CoreMedia is a web content management (“WCM”) and digital experience platform (“DXP”) platform. CoreMedia’s suite of offerings blend real-time product information with multimedia marketing content to deliver personalized product messaging across a variety of digital channels. Its solutions are used by companies to increase their digital presence, manage digital asset libraries and enhance their eCommerce platform.

Headquarters Hamburg, Germany – USA

Employees 168

Management Sören Stamer – CEO
Klemens Kleiminger – CFO
Jim Stirewalt – CRO

Recent Developments

- Working to complete transition as an OpenGate Capital investment company
- Promoted Jim Stirewalt to Chief Revenue Officer (CRO) and globally restructured the commercial organization not one platform
- 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

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

	LTM	Quarter Ended		At
	12/31/19	12/31/18	12/31/19	12/31/19
Revenue:	\$23.2	\$5.8	\$6.1	Cash & Equivalents: \$3.5
Gross Profit:	\$22.8	\$5.8	\$6.1	Debt: \$16.3
ARR*:		\$16.0	\$17.4	

* ARR is the acronym for Annual Recurring Revenue which is a key metric used by SaaS or subscription businesses that have term subscription agreements, meaning that there is a defined contract length. ARR is the value of the contracted recurring revenue components of the term subscriptions normalized to a one-year period.

Q4 2019 Financial Performance and Net Debt Trends (in USD)

