
Tillery Capital

Greater Focus, Better Results, Higher Returns.

Introduction

Tillery Capital Introduction

Background

- Operationally oriented, family office structured private investment firm; founded in Dec. '06.
- Invests in and builds lower middle-market companies in partnership with management teams.
- Equity investments in companies whose EBITDA is > \$2 million.
- Founding partners have been CEOs of rapidly growing businesses and consultants to wide range of companies.
- Invests in companies where application of partners' investment and business management expertise can help management teams build their businesses further and create significant shareholder value.
- Proven investment and business building track record.

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Our Strategy

- Make money buying and building businesses the right way and having fun doing so.
- We seek owners and management teams that are trying to grow their business, but want a value-added equity partner like us to help them get it done.
- We apply our extensive investment and business management experience to help our portfolio companies and their management teams achieve superior business performance and financial results.
 - ▶ We work collaboratively with management in setting strategic objectives and priorities, identifying sales growth opportunities, improving operational effectiveness, implementing more sophisticated financial controls, handling business complexities, address capital needs of the business and sourcing and completing add-on acquisitions.
 - ▶ We provide management tools, resources and capital our executives otherwise would not have access to.
 - ▶ We are active board members, but we do not assume management roles in the company.
- We target growing our companies by a factor of 3 to 5 over a 5- to 7-year period and then re-assess for additional investments or sell the company to a new owner who will grow the business further.
- Strive to protect independence, culture and values that make companies successful.

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Why We Are Unique

- We focus our efforts on a small number of investments. We target making only one new platform investment every 12-18 months and take an active, consultative board-level role in helping our companies achieve their business plans. This focus drives better business performance and financial results which creates higher investment returns.
- We are value-added equity partners. We understand, first-hand, the demands of running a business in a challenging, competitive environment. We have the knowledge, experience and management tools necessary to help our companies implement their business plans and provide them the resources and capital they otherwise would not have access to. Business owners desire this approach.
- We believe in significant employee ownership. We strive for the management team and key employees to own 20-40% of the company on the same basis as ourselves. This cultivates an ownership mentality throughout the company.
- We personally invest a significant amount of the required equity. We personally make significant cash investments in each deal. Whereas, most private equity firms are investing other people's money.
- We have the benefits of being a family office. We are not constrained by a limited-life fund, which can drive short-term decision making. We have the flexibility to focus on and manage our companies for the long-term and to do what is best for the company, its shareholders and its employees.

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What We Believe In

- Focus drives success. Focus your efforts on the two or three things that must be done to out-perform the competition. Everything else is a distraction.
- One vision, one team. The management team and key employees must have 100% commitment to the strategy and tactics behind the company's business plan, why they make sense, and are leading their employees accordingly.
- Those who add the value should reap the rewards. We believe management and key employees should own between 20-40% of the company.
- Hire the best talent. For every key position, hire the very best person available, who is committed to the vision and shares the same values as the company.
- Victory goes to the quick and the nimble. In the past, big companies pushed around little companies. Today, the quick and nimble outmaneuver the slow.
- Invest in what you know. We invest only where we are able to bring more than just money to the table. Our business value-add should create more wealth than our capital.
- Make money with your partners not from them. Align everyone's interests.
- Integrity, trust, and respect. These cultural values guide how we operate and how we interact with others at all times.

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Profile of Ideal Business Characteristics

- Profitability. EBITDA of \$2 to \$10 million.
- Ownership Dynamics. Owners and management teams that are trying to grow their business, but want a value-added equity partner like us to help them get it done.
 - ▶ Enables realization of business plans faster and with greater certainty
 - ▶ Provide owners certain level of financial security and diversification
 - ▶ Owners who want to participate in the future upside as a shareholder (> 20% retained ownership)
- Business Characteristics.
 - ▶ Has truly differentiated intellectual property, that it owns. IP can be product, software and/or process-based.
 - ▶ Goes to market under its own brand name.
 - ▶ Has genuine international sales opportunities, even if business does not sell internationally today.
- Strategic Relationship With Customers. The business' products or services:
 - ▶ Directly help their customers increase their (the customer's) sales, or
 - ▶ Directly help their customers permanently reduce their cost structure.

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Advantages to Business Owners

- We offer fair purchase price to business owners, allowing them to diversify their personal net worth and get out from underneath any personal guarantees.
- Meaningful amount of stock ownership is typically retained, enabling owners to participate in future growth of company. History shows greater returns associated with equity retained in businesses versus taken out of businesses and invested elsewhere.
- Transactions are structured to meet unique needs of owners and the company.
- Greater certainty of closing. Demonstrated track record of closing, and closing on original terms.
- Discrete, timely transaction. All transactions are completed discretely, minimizing disruptions to management and the company.
- Our belief in employee ownership increases certainty that legacy the owners have created will continue on and be further built upon.
- Focused on growth, both organic and via acquisitions. Experienced at developing and executing strategies that strengthen and grow acquired businesses. Good for shareholders and employees.

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Advantages to CEOs & Management Teams

- Management teams maintain their leadership role in the company and have full authority to execute the business plan.
- Management teams are financially rewarded for delivering superior performance (people who create the value should reap the rewards).
 - ▶ Significant co-investment opportunities and stock option programs
 - ▶ Significant cash bonus and profit sharing opportunities
- Management viewed and treated as our partners. We develop the collaborative relationships management teams desire and ensure everyone's financial interests and incentives are fully aligned.
- We add real value without getting in the way. Better understanding of business makes us better partners for management; we are not passive "second guessers".
 - ▶ We have the knowledge, experience and management tools necessary to help our companies implement their business plans and we provide them resources and capital they otherwise would not have access to
 - ▶ We understand real world challenges management faces and provide practical, implementable solutions
 - ▶ Expertise in financial and capital markets and diligence / integration of add-on acquisitions
 - ▶ Strong track record of value creation
- Company remains independent, enabling the management team to build upon the values and culture that have led to their current success.

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Case Study

SCT Performance

- Background / Situation pre-Tillery Investment
 - ▶ Three founders/owners; engineers with great product, but no real management experience.
 - ▶ “Commercialized” their hobby into a business (automotive performance software).
 - ▶ Successful business, ~ \$8 MM sales and \$2 MM EBITDA, but not realizing full potential.
 - ▶ Wanted to take their business to the next level, but wanted to focus their efforts on business function they liked (product development) and have someone else run the business.
- Our Transaction and Plan
 - ▶ Asset purchase, Q4 '07 (right before recession); sellers retained 30% equity in company.
 - ▶ Plan: professionalize management and business processes, accelerate product development and have leading edge products, diversify product line and sales including internationally.
- Results
 - ▶ Let owners focus on engineering and product development; filled in management team gaps.
 - ▶ Materially strengthened breadth and depth of engineering team enabling company to accelerate product development and become acknowledged product leader within industry that others tried to copy.
 - ▶ Significantly grew sales, profits and margins, all internally (no acquisitions), despite going through hard industry recession in 2008 and 2009.
 - ▶ Sold just short of 6-year anniversary of investment for 5.45 times original investment.
 - ▶ Sellers made 2.1 times more on their 30% retained ownership than they did from selling the original 70%.

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Partner Biographies

- Chris Weidenhammer, CFA
 - ▶ Extensive, proven investment track record
 - ▶ 17 platform investments, 17 add-on acquisitions; \$1.36 billion total transaction value
 - ▶ \$251 million equity invested
 - ▶ 39% gross realized IRR
 - ▶ 20 years private equity investing experience in a wide-range of industries and business situations.
 - ▶ B.S. Mechanical Engineering, MBA Finance & Marketing, Chartered Financial Analyst

- Richard Fetter, PhD
 - ▶ Experienced business executive and private equity investor
 - ▶ Co-owner and leader of family business; increased sales ten-fold; sold company to strategic buyer
 - ▶ Several private equity investments across multiple industries
 - ▶ Consulted with more than 20 companies, both large and small, on growth strategies, recapitalization, acquisition strategy, and leadership development of key personnel.
 - ▶ B.S. Accounting, CPA, MBA Finance, PhD Marketing

- Jim Buck, PE
 - ▶ Experienced CEO and entrepreneur
 - ▶ Founded and was CEO of multiple companies
 - ▶ Sold two remaining businesses in 2006; realizing significant returns to all investors
 - ▶ Significant experience in leading dynamic, growing businesses
 - ▶ Buck Engineering was on "Inc." magazine's list of 500 fastest growing companies in U.S. in 2005 and 2006
 - ▶ 25 years operating experience in engineering, consulting and program management
 - ▶ B.S. Civil Engineering, M.S. Civil Engineering, Professional Engineer, MBA General Management