

# REICHMANNHAUER

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## CAPITAL PARTNERS

ReichmannHauer Capital Partners is a private investment firm of **active business builders** driving **lasting strategic** and **operational improvements** and **strong financial returns**.



## | Our Firm

ReichmannHauer Capital Partners (RHCP) is a private investment firm of active investors and business builders. Our principal orientation is to be highly active, yet patient owners, driving lasting strategic and operational improvements and strong financial returns.

RHCP proactively seeks unique investment opportunities that match one or more of our proprietary value creation themes. Following an intensive due diligence process, we seek to acquire control or significant influence of the businesses. This proprietary diligence process always involves building a value creation blueprint for the company, which outlines how we expect to grow its value. Following the closing of a transaction, our team continues the process of co-creating a more detailed version of the blueprint with management, including a granular 100 day plan to set investee organizations on faster and more profitable trajectories. We begin executing these plans immediately after our transactions are closed, and where possible, before transactions are closed.

Over the life of an investment, RHCP's notion of "active ownership" goes far beyond just participating in Board and management meetings or planning major corporate decisions. RHCP acts as a full value creation partner, assisting management teams with more granular management challenges. Some of these challenges include reviewing and implementing strategy and budgeting, optimizing sales and other operating plans, coverage models, and incentives.

Philosophically, RHCP was founded on the idea of "winning together". We believe in the power and importance of the right incentives. We have designed our firm, both in the relationships between our own people and in the relationships we have with investee organizations, so that each of us have clear and strong incentives to pursue the same goals.



## | RHCP's Value Proposition to Investee Companies



Our value proposition towards investee companies is simple.

### **1) Branded capital**

RHCP provides our investee companies with short to medium term capital to meet immediate needs and with a deep, trust-based relationship and the capacity to provide future rounds of capital if needed. Importantly, RHCP investments provide the added value of “branded capital”, in that firms in which RHCP makes an investment have successfully participated in our rigorous due diligence, investment and active ownership processes. Thus each firm that becomes a portfolio company of RHCP gains the visibility and credibility of the branded capital of RHCP.

### **2) Real business building assistance**

We have a unique team with extensive experience driving value creation and positive change. We offer our investee companies the benefits of our team's experience and insight in operating and guiding businesses in a broad spectrum of disciplines such as: business operations and management, organizational restructuring, corporate repositioning and mergers, acquisitions and joint ventures.

### **3) Pace and momentum**

Through our supervisory framework we bring a new standard of pace and momentum to our investee companies. Our orientation is to “be in a hurry” without being “frenetic” and bring this energy and enthusiasm to our portfolio organizations. Through experience gained with much larger organizations, we can help to unlock “logjam” management issues and to quickly work through indecision in order to drive a company forward. Importantly, we always seek to channel this energy through our investee management teams, who remain the most critical lever in execution and company performance.

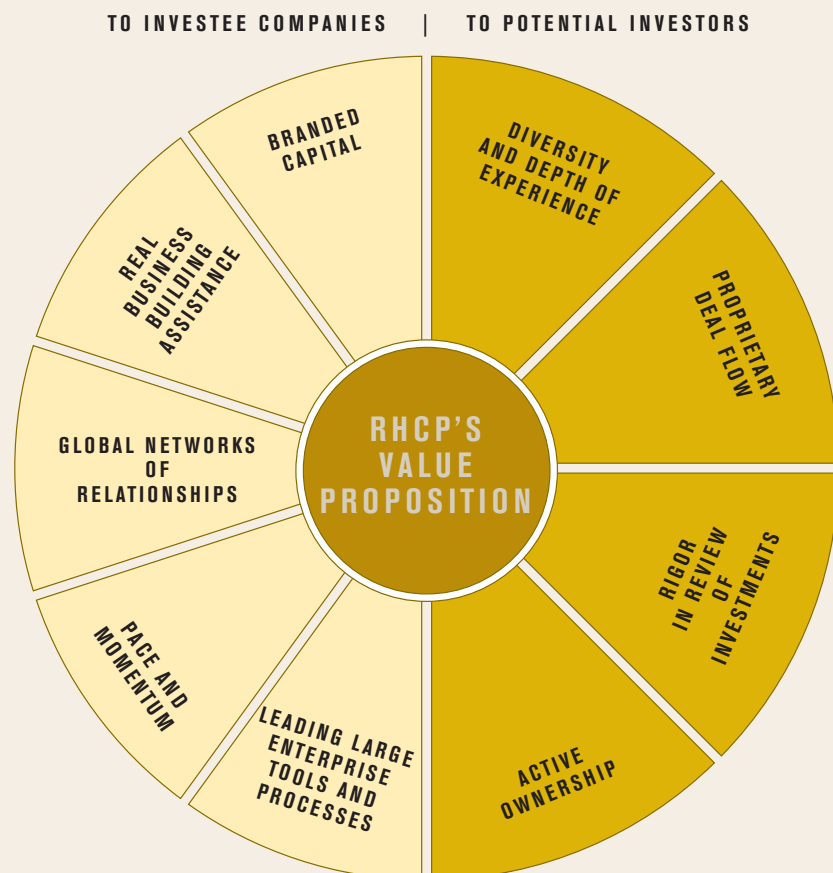
| Investee Companies, continued

**4) Leading-edge, large-enterprise tools and processes**

RHCP provides guidance on tools and processes used in large organizations to manage profitability and growth. Some of these processes: construction of key performance indicators, board governance procedures, and tools for strategic decision making. We help our management teams emulate the leading processes of large successful organizations in order to find new performance horizons for their companies and for themselves as managers and leaders.

**5) Global networks of relationships**

The experience of RHCP's members provide it with a global network of relationships and partners. These relationships stem from our work with many world-class organizations and previous investments.



## | RHCP's Value Proposition to Investors

We believe that ReichmannHauer Capital Partners offers investors a distinct and valuable approach that generates superior investment returns.

### RHCP OFFERS INVESTORS A COMPELLING 4-PART VALUE PROPOSITION

#### **1) Diversity and depth of experience**

RHCP is comprised of individuals with a diverse background unified by a common passion for investing in businesses and helping them to achieve their full potential. To accomplish RHCP's active ownership approach, our firm combines traditional private equity skills with a distinctive set of business building, operational improvement capabilities and transaction and M&A expertise.

#### **2) Proprietary deal flow**

RHCP provides investors access to privileged deal flow through its relationships in Canadian and international industry. We generate deal flow and seek to "manufacture deals" both by pursuing a set of investment themes and also through both bottom-up and top-down technical analysis of companies and industries. We look directly for companies that have, or could have, the characteristics of businesses that fit within one of our investment themes and then screen for the key quantitative metrics, strategic priorities and qualitative characteristics that would support further diligence.

#### **3) Rigorous review of potential investments**

RHCP has built systems and processes that ensure clarity and rigor in our investment review process. RHCP has in place extremely strict and detailed tools and systems for deal creation, quick screening, investment thesis evaluation, transaction and ongoing investment management.

Once a prospective investment has passed our first level of scrutiny, we generate a custom template to provide key information that will influence our decision to invest. We investigate current operations and the areas where a business could be improved and analyze the terms and merits of a potential deal.

| **Our Proposition to Investors, continued**

The component parts of this template and other internal investment frameworks provide a common standard to evaluate potential portfolio businesses across industries and geographies. In addition, we use a common framework to highlight the dynamics of the core business from all angles. We extract, in great detail, the core business from the perspective of industry structure, supplier and customer power, the influence of macroeconomic trends, and how the business could evolve in the next five years.

**4) Active ownership of portfolio companies**

Investors in RHCP gain access to active managers of portfolio businesses. RHCP has significant past experience in operating and building businesses, and we have the explicit goal of leveraging that experience for the benefit of our portfolio companies. Our approach to working with portfolio companies is not to supplant their management's decisions but rather to supplement them. We help management focus their efforts on the key levers that will drive the business and its value. RHCP acts as a full value creation partner, assisting management teams with more granular management challenges as well. Some of these challenges might include: reviewing and optimizing sales plans, coverage models, and incentives; reducing discretionary spend items, increasing marketing spend effectiveness, improving key operational levers such as throughput time, and ensuring discipline and rigor in key corporate processes like annual planning and budgeting.

## | Our Approach

### RHCP VALUE CREATION THEMES

UNDERLEVERAGED  
INTANGIBLE ASSETS

SUB-SCALE PLATFORMS

CUSTOMER EXPANSION

HIGHLY PROPRIETARY  
OPERATING ASSETS  
AND PROCESSES

COST AND REGULATORY  
ARBITRAGE

FAMILY BUSINESSES  
WITH OWNERSHIP  
CHALLENGES

ORPHAN UNITS  
NEEDING ATTENTION

### Identifying Opportunities

RHCP takes a proactive, fact-based approach to locating investment ideas. We believe detail is critical, and this extends to opportunity identification, screening, evaluation and investment planning.

At the heart of our investment identification process lies a series of value creation themes that we have developed in working with companies over many years. Rather than focusing on one industry or another, RHCP prefers its opportunity screening to be “industry agnostic”, concentrating instead on ascertaining whether or not companies across industries fit one or more of our value creation themes. Once an opportunity is deemed attractive, RHCP evaluates whether it is the “natural owner” for the deal or if a partner would add additional competency, enhancing the opportunity.

RHCP then assembles a comprehensive amount of objective data about companies across industries and screens to find companies that fit these criteria. We complement this fact-based screening using interviews with industry observers, customers, and suppliers to bolster our data.

Our RHCP value creation themes are:

1. Underleveraged intangible assets (brands, relationships, intellectual property)
2. Sub-scale platforms
3. Customer expansion
4. Highly proprietary operating assets and processes
5. Cost and regulatory arbitrage
6. Family businesses with complex governance/succession challenges or ownership discord
7. Orphan units within larger businesses that are not getting the attention that their potential warrants.

| Our Approach, continued

### Evaluating Opportunities

The initial step is to identify and evaluate an investment idea using our RHCP value creation themes. The next step is to conduct detailed due diligence which involves detailed financial and operational analysis, as well as other kinds of investigative actions.

To ensure that each diligence process is carried out in a thorough and consistent manner, RHCP uses its proprietary investment evaluation process, referred to as Returns Through Discipline (RTD). In this approach, we divide the investment decision into three initial components and conduct numerous sub component analysis. This approach ensures that each investment opportunity is thoroughly vetted against rigorous criteria. It also ensures that over time a consistent “bar” is used to evaluate all transactions. This allows RHCP to reverse-engineer later investment performance and to continually improve the processes and analysis we use to diligence and evaluate opportunities. Put simply, this process ensures that RHCP’s investment decision process is disciplined and repeatable.



### RHCP’S RETURNS THROUGH DISCIPLINE (RTD) FRAMEWORK

$$S = R \times T \times D$$

**SUPERIOR RETURNS**

**RESONANCE**

**TANGIBLE VALUE**

**DEAL VALUE**

**Does investment fit with RHCP’s unique focus and capabilities?**

Example:  
RHCP’s team has deep expertise in the sector or company matches RHCP’s value creation themes.

**Does investment have attractive real fundamental attributes that are sustainable?**

Example:  
Asset has attractive growth, ROIC, risk and strategic attributes

**Can a deal be designed that generates additional value beyond fundamentals?**

Example:  
Asset can be acquired cheaply and has multiple valuable exit paths.



| **Our Approach, continued**



In addition to using a rigorous and consistent set of analysis to evaluate each investment opportunity, RHCP believes in conducting extensive primary research about issues relating to an investment decision. To do this, RHCP calls heavily on a global network of relationships with industry experts, current and former corporate leaders, and investment professionals. We also spend significant time with management teams and key employees of companies to understand the inner workings of their businesses and the underlying trends and subtleties of their industries.

### **Creating Value**

By starting our investment process with our RHCP value creation themes, RHCP ensures that value creation is our focus from the very beginning. Nearing the time when a transaction will be closed, our work is simply to begin deepening and refining our thinking around the value creation theme that originally led us to an investment opportunity.

As soon as a transaction has been consummated, we begin the process of building successive versions of our value creation blueprints for an investee organization. The value creation blueprint is an action plan for the company that will help management set a new trajectory for their organization. Importantly, RHCP co-creates these value creation blueprints with company management, since these are the individuals who will be responsible for executing the plans. The value creation blueprint is a living document, and successive versions are refined and updated through the closing process, frequently throughout the company's first year as an RHCP company, and periodically throughout the life of the organization's affiliation with RHCP.

## | Our Values

RHCP is an organization with a strong and crisp sense of its values. This provides every member of RHCP with a clear sense of “how we work” that impacts all facets of our business. We refer to these values as the “RHCP DNA”.

- We treat those that place their capital in our trust as our partners, seeking superior returns while mitigating risk.
- Each day, we earn a reputation for proactive, strategic analysis and investing acumen. We are always mindful that a reputation is the hardest asset to earn and the easiest to lose.
- We subscribe to the highest ethical standards in dealings with partners and portfolio companies.
- We are a great firm where top people want to work; we encourage our employees to learn, grow and fulfill their personal potential in a supportive work environment.
  - We expect and demand open honest dialogue of our partners and ourselves; openly addressing successes and mistakes and seeing them as our best opportunity to learn.
  - As individuals we hold very high performance aspirations; “good enough is never good enough”.
  - We are open to discussion and debate. We seek to continually improve as we work to build the reputation and success of our firm.