



Chartwell Investments

Fall 2015

Chartwell Investments Overview

- Middle-market private equity firm founded in 1992
- Invested via various structures throughout firm's history
 - Family Office / Independent Sponsor (1993-1999, 2004, 2009-present)
 - Committed Fund (1999-2003)
 - Exclusive Capital Source (Leucadia National) (2005-2009)
- Focused on investing in leading middle-market companies with an emphasis on family and entrepreneurially-owned businesses and corporate divestitures that have outstanding management teams and compelling business models
- Reputation for integrity and fair dealing

Chartwell Investments Overview (cont'd)

- Frequent partner with entrepreneurs and families, as well as Fortune 500 companies (Ford, Mobil Oil, Avis Budget Group, Cendant) to bring large company experience to middle market environments
- Long-term investment horizon
 - Match investment horizon with business plan, no preset exit expectation
 - No structural requirement to exit in 3-5 years like traditional private equity funds
- Four existing portfolio companies
 - Responsible for portfolio monitoring at three companies
 - Datascan, the world's largest inventory self-scanning company
 - PPC Industries, a leading manufacturer of pollution control equipment
 - Richard Childress Racing, an elite NASCAR franchise
 - Idaho Timber managed directly by sole capital source
- Extensive sponsor and operational experience
 - Investment experience throughout market cycles and across industries
 - Hands-on Fortune 50 operating experience
 - Extensive network of strategic and operational resources

DATASCAN



AIR POLLUTION CONTROL SYSTEMS
For EPA and MACT Compliance



Richard Childress Racing



IDAHO TIMBER
CORPORATION

Investment Criteria

- Family-owned and entrepreneurially managed companies and corporate divestitures
 - Typically first outside / institutional capital
- Target EBITDA of \$5 million to \$25 million
 - Emphasis on \$5 million - \$15 million
- Target transaction size of \$10 million to \$200 million
- Conservative capital structures
- Transaction types include recapitalizations, control buyouts and growth financings in partnership with controlling families and management teams
 - Owners seeking value-added partners, not just capital, to achieve vision for the company
- Industry agnostic:
 - Focused on business model characteristics and management team
 - Strong margins indicative of value-added and barriers to entry
 - Areas of interest:
 - General industrials
 - Manufacturing
 - Business services
 - Distribution
 - Energy equipment / services

Target attractive risk/return profile

Compelling Industry Dynamics

- Fundamental macro story
 - Durable demand
 - High barriers to entry
 - Fragmented market segments
 - High margin profile
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Low-Risk Business Model

- Target unlevered ROIC of 15% - 20%
 - Demonstrated stable cash flow
 - Conservative capital structure
 - Proven management
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Upside Potential

- Operating improvements
 - Growth initiatives
 - Multiple expansion
 - Strategic importance
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Current Chartwell Portfolio

Independent Sponsor Model

▪ Datascan



Provider of inventory self-scanning equipment and related data services for retailers

- Recapitalized company in partnership with entrepreneur / founder
- Provided capital for investments in staff, technology and expansion of the Company's fleet of scanning equipment



▪ PPC Industries

Manufacturer of industrial pollution control equipment

- Corporate orphan re-energized
- Increased EBITDA substantially through customer and product expansion

Legacy Fund Portfolio

▪ Richard Childress Racing



Elite NASCAR race team organization operating nine teams on behalf of major corporate sponsors

- Partnered with entrepreneur Richard Childress, professionalized management, introduced strategic resources, financial management and business development, and reinvested heavily to improve competitive performance
- Increased revenue approximately 90% since acquisition

Sole Capital Source Partnership

▪ Idaho Timber Corporation



Largest independent remanufacturer of lumber in North America

- Partnered with management and preserved entrepreneurial company culture
- Valuation and conservative capital structure reflects cyclicity of business

Selected Prior Independent Sponsor Transactions



- Petro Stopping Centers

Downstream retailer of diesel fuel and gasoline

- Partnered with founder to enhance systems, product offerings and operating efficiencies
- Brought in Mobil Oil Corporation as a strategic partner / investor
- Improved profitability 60% in three years prior to exiting

- SunPark

Operator of off-site airport parking facilities throughout the U.S.

- Partnered with founder / CEO
- Increased parking capacity by 85% and improved profitability at existing locations
- Grew to become the second largest company in the off-airport parking industry



- Griffith Consumers Company

Independent distributor of petroleum products in the mid-Atlantic region of the US

- Take-private of family controlled small cap company
- Add-on acquisitions strengthened Griffith's market position and profitability
- Introduced hedging strategies to protect against weather volatility



Datascan Background

Company Description

- Datascan, based in Carrollton, Texas, is one of the world's largest inventory self-scanning companies
- Founded in 1970, Datascan serves many of the largest, best-known retailers in the world by providing the most accurate, efficient, and cost effective inventory counting systems
- The Company's scanning systems provide client specific training, a technologically advanced fleet of scanning equipment, customized software and real time reporting and analytics



Seller Objectives

- Entrepreneur / founder sought partner to provide growth capital for investments in staff, technology and expansion of the Company's fleet of scanning equipment in addition to shareholder liquidity
- Focused on financial partners who could facilitate the firm's aggressive growth trajectory while preserving the unique culture of the firm
- Important criteria included prior experience successfully partnering with entrepreneurially-owned companies, and access to resources in accounting, finance, operations, marketing and strategy

Chartwell Solutions

- Closed the transaction on the terms we committed to early in the process, on the timeline we targeted, and in a manner that achieved considerable liquidity for the owners while enabling them to remain significantly invested in the business
- Worked closely with management to develop ownership participation structure and incentive program
- Utilizing our network of operating partners, industry consultants and managers to help develop and implement transition plan and growth strategy

PPC Background

Overview

- PPC Industries, based in Longview, TX, provides maximum achievable control technology (MACT) compliant air pollution control solutions
- Established in 1967, PPC has completed over 500 projects, predominantly in North America
- PPC not only designs and engineers its products, but also fabricates them in its own facilities and installs them with its own field staff thereby generating strong margins and a cost competitive position
- PPC employs approximately 35 people, all non-union
- Manufacturing is completed in a 44,000 square foot facility on seven acres of land
- Management team has over 150 years of combined experience

Chartwell Involvement

- Chartwell acquired PPC in 2004 through a corporate carve-out from Cendant Corporation, and has since been a long-term investor in the Company in partnership with PPC's management team
- Chartwell worked closely with management to execute corporate carve-out and transition to standalone company
 - Established new accounting systems, finance functions and retirement benefits plan
- Expanded into new end markets, geographies and products
- EBITDA has increased substantially since purchase

Product Lines



Wet/Dry Electrostatic Precipitators (ESPs):

High efficiency precipitators remove particulate matter from combustion, dryer or furnace exhaust gas



Biofilters:

Complete biological solutions for the treatment of volatile organic compounds (VOCs) for odor control and regulatory compliance



Dry Acid Gas Scrubbers:

Dry powder injection system used to remove 85% of SO₂ and 95% of SO₃, HCl and HF



Selective Catalytic Reduction (SCR):

PPC integrates SCRs into dry ESPs to remove NO_x and CO with ammonia streams

Idaho Timber Background

Company Description

- Idaho Timber Corporation (ITC) is the largest independent re-manufacturer of dimensional lumber, providing a wide range of wood products into the general construction and home improvement markets
- Headquarters in Boise, Idaho
- The Company has 9 lumber and building materials operations (including one primary sawmill) across the country



Seller Objectives

- Founder was seeking fair value and a long-term home for his company, management team and employees
- Critical to the transaction were:
 - Preservation of the ITC entrepreneurial culture
 - Maintaining a conservative capital structure
 - Speed and certainty of closing
 - Valuation reflecting cyclical nature of the business

Chartwell Solutions

- Closed the transaction within 30 days of signing a LOI
- Closing consideration of \$132 million funded entirely by partnership equity
 - Term loan was internally provided
 - Leverage contractually limited to 50% of enterprise value
- Valuation based on cycle average EBITDA (5-7 years)
- Capital and resources available to support growth

Company Description

- Keen Energy Services, based in Stillwater, Oklahoma, provides contract land drilling services to oil and gas exploration companies primarily in Oklahoma and Texas
- Second largest drilling contractor in both the Anadarko and Arkoma Basins in Oklahoma, and is a leading drilling contractor in the Barnett Shale in Texas
- Operates a modern fleet of 26 electric rigs, and has experienced significant growth with the investment of over \$280 million in new rigs since January 2006



Seller Objectives

- Founders were seeking capital for a significant fleet expansion program
- Capital required quickly to meet delivery deadlines
- Continued access to capital critical for further fleet expansion

Chartwell Solutions

- Investment structured as combination of equity and debt to finance fleet expansion program
 - Based on LOI, initially provided \$10 million bridge loan to fund interim equipment purchases
 - Remaining equity and debt capital funded within 45 days
- Capital support for incremental fleet investment
 - Committed incremental \$46 million within 90 days of closing to fund additional growth capital expenditures
 - Committed incremental equity and debt to support further fleet expansion
 - Total capital of \$250 million invested
- Founders maintained significant ownership with governance protection
- Multi-year contracts on new rigs provided revenue security

The Chartwell team



Michael S. Shein **Managing Partner**

Co-Founder and Managing Partner of Chartwell. Mike co-founded Chartwell in 1992 and has participated in the purchase or sale of businesses with total transaction values in excess of \$4 billion. He has experience in all facets of management buyouts and venture capital transactions, including valuation, structuring, debt and equity financing, portfolio oversight and restructuring. Prior to founding Chartwell, Mike was a Senior Vice President of a private New York City-based investment firm, and worked at Goldman, Sachs & Company in the Mergers & Acquisitions department.

Mike currently serves as a Director of Richard Childress Racing, and as Chairman of the Board of Directors of Datascan and PPC Holdings.

Mike graduated from the Wharton School at the University of Pennsylvania with a B.S.E., summa cum laude.

Deepak Sethi **Associate**

Deepak joined Chartwell Investments in 2015. He has involvement in new investment analysis as well as in portfolio company management. Previously, Deepak was an Associate at Hyde Park Holdings, a middle market investment firm, where he was involved in all aspects of the investment life cycle including deal sourcing, investment due diligence, financial modeling and analysis, industry research, legal documentation, transaction execution, and portfolio management. Deepak has also previously held various roles at Morgan Stanley and GE Capital.

Deepak has an MBA from the New York University Stern School of Business and a B.S. in Finance and Marketing from Fairfield University.