

Pohutukawa

A close-up photograph of a vibrant red Pohutukawa flower, showing its dense, brush-like structure and small yellow centers.

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# **Pohutukawa Private Equity I & II Manager Presentation**

**12 March 2014**

# Pohutukawa II Overview

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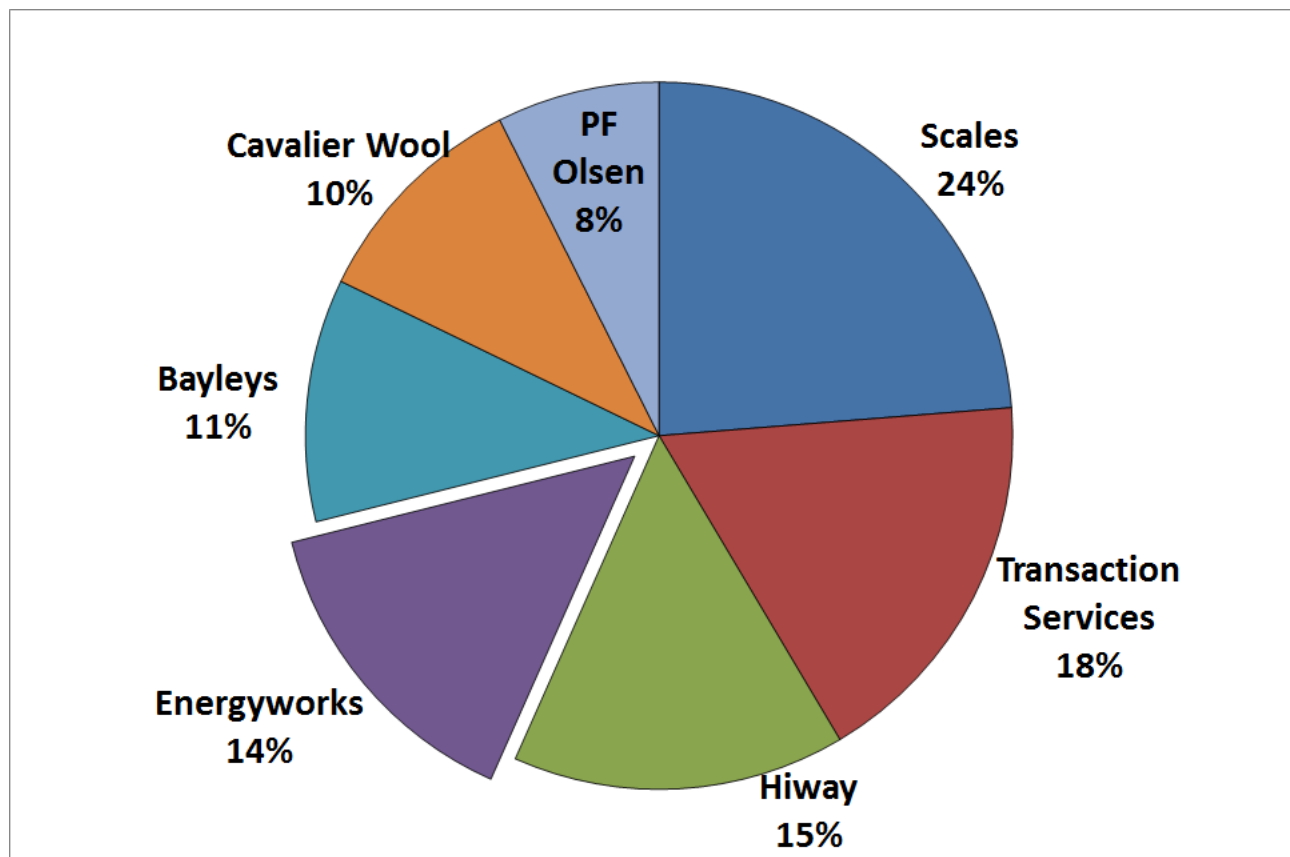
- Seven investments



- Shareholder calls total 47 cents, with next call (10 cents) due 24 April 2014
- Four distributions totalling 12.9 cents paid to date
- Net Tangible Assets at 31 December 2013 is 44.6 cents
- Forecast distributions from Portfolio Companies will enable a further distribution during the year.

## Pohutukawa II Portfolio Composition

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# Pohutukawa II - Energyworks



- Latest investment – January 2014 ~ 6c.
- Infrastructure services provider to blue chip clients in the oil and gas, power generation, petro chemical, dairy and food industries.
- Leading provider of onsite mechanical services to onshore gas processing facilities and agri-product businesses.
- Based in Taranaki, since 1972.
- Pohutukawa II has acquired a 16.7% shareholding as part of Direct Capital's 70% overall shareholding. The remaining 30% has been retained by senior management.



# Pohutukawa II - Energyworks

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- Energyworks is more involved in the production and processing end of the oil and gas industry than the exploration end.
- For example, it services major plant installations like Methanex (pictured) and Ballance.
- Cross-country Pipe assembly and installation is also a significant activity.





# Hiway Group



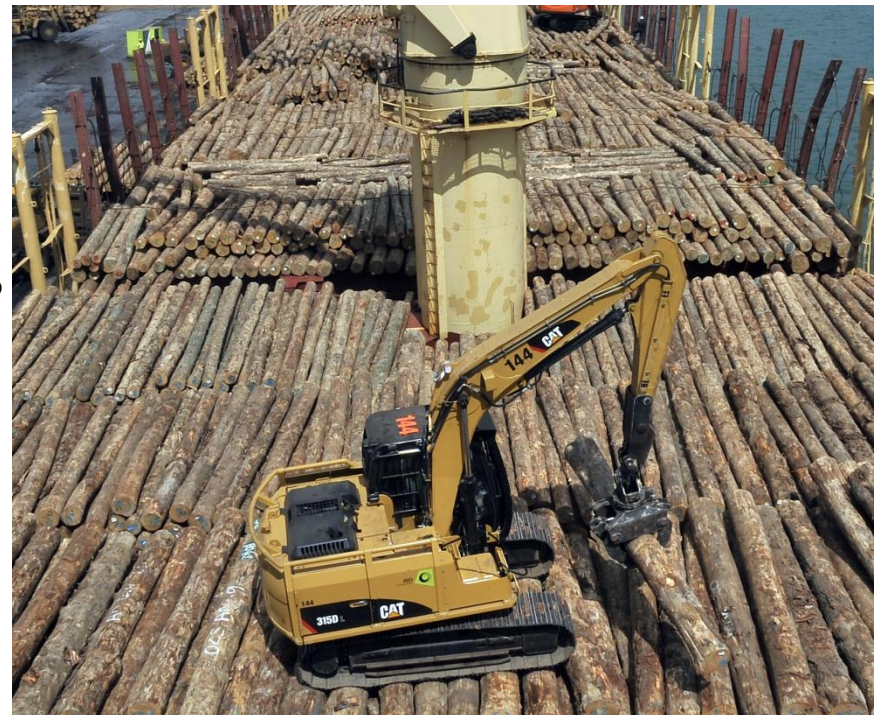
- Hiway is a specialist roading and infrastructure contractor in NZ and Australia.
- Pohutukawa II has invested a total of \$4.9m for a 14% shareholding. Combined with Direct Capital, the total shareholding is 60%.
- Capital returns received to date: \$1.5m or 32% of invested cost.
- Expansion into Australia continues. Strategic Director appointments completed, increasing company focus on safety.



# PF Olsen Group



- PF Olsen is an independent provider of forestry services, primarily forestry and harvest management.
- Pohutukawa II invested \$2.4m for a 10% shareholding. Combined with Direct Capital, the total shareholding is 40%.
- Dividends received to date: \$1.3m or 56% of invested cost.
- Contractor health and safety is a primary focus, both publicly and internally.
- Solid Chinese log demand has underpinned solid financial performance.





- Scales main divisions are Storage and Logistics, Horticulture, Food Ingredients and Investment holdings.
- Pohutukawa II has invested \$7.6m for a 10% shareholding. Combined with Direct Capital, the total shareholding is 84% (with co-investors NZ Super and ACC).
- Dividends received to date: \$1.1m or 15% of invested cost. Further dividends anticipated in 2014.
- Company pursuing strategy to demerge trading business from investment assets.
- Underlying businesses performing well.





# Cavalier Wool Holdings



- Cavalier Wool Holdings is one of two wool scouring companies in New Zealand, processing 60-70% of the national greasy wool clip each year.
- Pohutukawa II has invested \$3.3m for a 6% shareholding. Combined with Direct Capital, the total shareholding is 25%.
- Dividends received to date: \$1.1m or 34% of invested cost.
- Company continues to be active in achieving efficiency in national wool processing.
- Record profit year in 2013 but current year impacted by decreased wool grease pricing.



# Bayley Corporation

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- Bayleys is the leading national real estate services business, with a well regarded brand.
- Pohutukawa II has invested \$3.6m for a 8% shareholding. Combined with Direct Capital, the total shareholding is 32%.
- Dividends received to date: \$1.1m or 29% of invested cost.
- Bayleys has grown revenues and earnings over the last year and is expected to achieve a record result in the current year.



## Transaction Services Limited

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- TSL is an outsourcing payment processor, initially in the gym and sports club markets, but now expanding into sectors such as educational, residential, direct TV sales, storage, and optical retail.
- Pohutukawa II has invested \$5.7m for a 12% shareholding. Combined with Direct Capital, the total shareholding is 49%.
- Capital and dividends returned to date: \$5.1m or 90% of investment cost
- Acquisition of Debit Finance Collections in the UK provides a beachhead for the next growth stage.



# Pohutukawa I Overview

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- Twelve investments

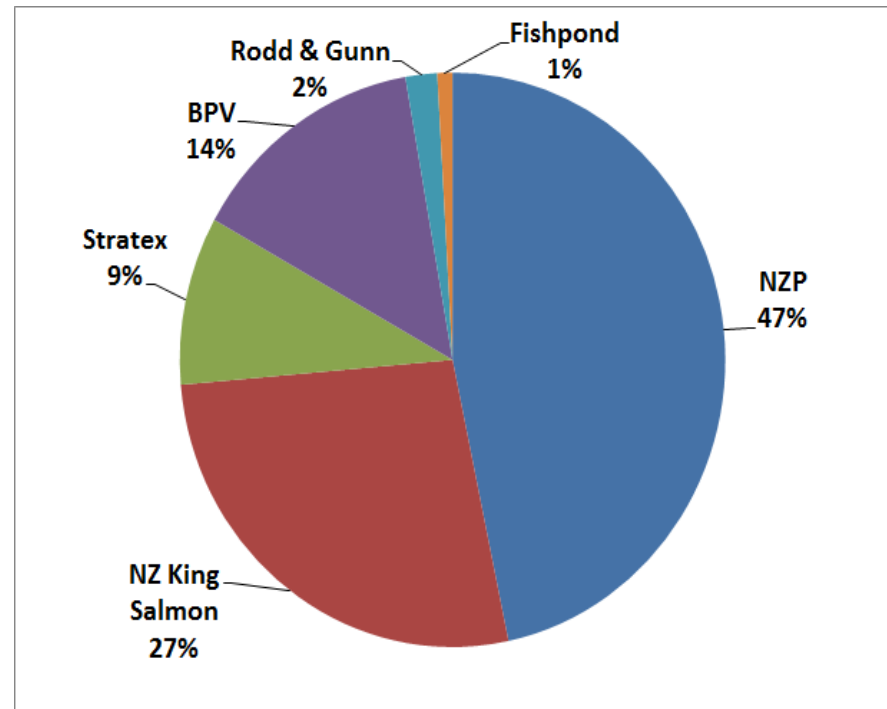
The logo for Max, featuring the word "Max" in a stylized, handwritten-style font with a registered trademark symbol.The logo for EXPRESS LOGISTICS, featuring the word "EXPRESS" in white on a red background and "LOGISTICS" in white on a blue background, with a red triangle pointing downwards.The logo for NZP New Zealand Pharmaceuticals Ltd, featuring the letters "NZP" in green and "New Zealand Pharmaceuticals Ltd" in white on a green background.The logo for Triton HEARING CLINICS, featuring the word "Triton" in blue and "HEARING CLINICS" in smaller blue letters below it.The logo for go bus, featuring a green "go" and an orange circle with the word "bus" in white.The logo for SHEARS & MAC., featuring the words "SHEARS" and "MAC." in bold black letters.The logo for STRATEX PRODUCT PROTECTION, featuring the word "STRATEX" in blue and "PRODUCT PROTECTION" in smaller blue letters below it.The logo for RODD & GUNN, featuring a dog's head in a circle and the words "RODD & GUNN" in gold on a dark background.The logo for fishpond .co.nz, featuring the word "fishpond" in white on a blue background and ".co.nz" in smaller white letters below it, with a green fish icon.The logo for Innovair, featuring the word "Innovair" in yellow on a blue background.The logo for Gluck Since 1972, featuring the word "Gluck" in blue and "Since 1972" in smaller blue letters below it.The logo for New Zealand King Salmon, featuring a blue fish icon and the words "New Zealand King Salmon" in blue.

- Shareholder capital fully called with \$2.0m of cash to fund operations.
- Seven distributions totalling 109 cents paid per share.
- Net Tangible Assets at 31 December 2013 is 43 cents (after Earnout).
- Active focus on crystallising value in the remaining portfolio.



# Pohutukawa I Portfolio Composition

- Seven investments realised at a weighted average money multiple of 2.6x.
- Five investments remain in portfolio, plus the interest in BPV, with the largest two companies representing almost 75% of value.
- Bold strategic growth initiatives continue which will take time and hold some managed risk.
- \$7.4m available for follow-on investment.



# NZ Pharmaceuticals



New Zealand Pharmaceuticals Ltd

- NZP is a biopharmaceutical manufacturer. It is a world leader in production of cholic acid, a core intermediate in the production of liver disease related pharmaceuticals.
- Pohutukawa I invested \$5m and holds a 16% shareholding. Combined with Direct Capital, the total shareholding is 51%.
- Dividends received to date: \$5.5m or 114% of invested cost.
- Plant expansion currently underway, to increase production capability by 1/3.



DIRECT CAPITAL



# New Zealand King Salmon



- NZKS produces approx. 6,000 tonnes of king salmon per annum with ~40% exported.
- Pohutukawa I has invested \$10m and holds a 11% shareholding. Combined with Direct Capital, the total shareholding is 42%.
- Dividends received to date: \$1.1m or 11% of invested cost.
- Company is pursuing an EPA application for 4 additional farms in Marlborough Sounds to double production capacity. Anticipate Supreme Court outcome soon.



# Outlook

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- Investor drawdown of \$0.10 per share for Pohutukawa 2 due 24 April 2014.
- Focus for new investments still on privately owned companies with strong track records, good people who will partner with us, and favourable industry dynamics.
- New investment prospects continue to be encouraging for an active year in 2014.
- Economic conditions remain cautiously optimistic and we too will remain cautious in our approach to new opportunities.
- The existing portfolio companies are well placed to continue to perform well, and are actively pursuing acquisition opportunities.