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Merchant
Capital



27 September 2018

CIP Merchant Capital Limited

Q3 Update

Table of Contents

1. First nine months update
 - Executive Summary
 - Performance Review
 - Portfolio Review
 - Portfolio Companies
2. Outlook
 - Public Markets
 - Private Equity
3. Appendix
 - Investment Objective and Policy
 - Investment Team
 - Note to recipients

First nine months update

Executive Summary

4

- Admission to trading on AIM market of LSE on 22 December 2017 with gross proceeds of £55 million
- 3 investments as at end of third quarter
 - Oil & Gas – Coro Energy plc, UK exploration and production company
 - Healthcare – Orthofix Medical Inc. (after reporting period), US medical devices producer
 - Business Services – Alkemy S.p.A. (after reporting period), Italian digital consulting firm
- £14 million invested (26% of capital raised) at a 8.5% quarterly spending pace
- Increased volatility in public markets which ended the period at similar levels of 2017 end, with smaller companies performing better than larger; private markets strong during the period and expected to continue throughout the year
- Further investments will follow

Performance Review

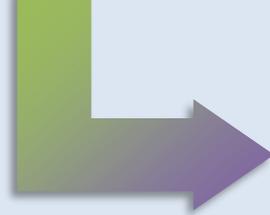
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IPO

- 22 December 2017
- AIM market of London Stock Exchange
- £55 million gross proceeds

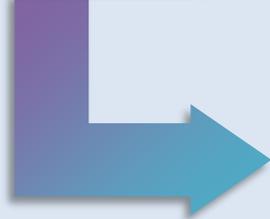


1ST INVESTMENT
DURING 1H 2018



26% OF CAPITAL
INVESTED AT Q3
END

- 8.5% quarterly spending pace
- 26% of capital deployed
- J-curve effect



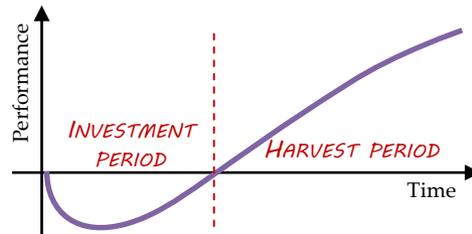
RECOVERY OF
THE NAV

- Prevalence of investments in listed companies
- Weekly NAV reflects timely the value increase

The J-curve effect explained

Private Equity funds experience negative returns during the first years due to upfront investment costs and management fees outpacing the returns generated from the investments.

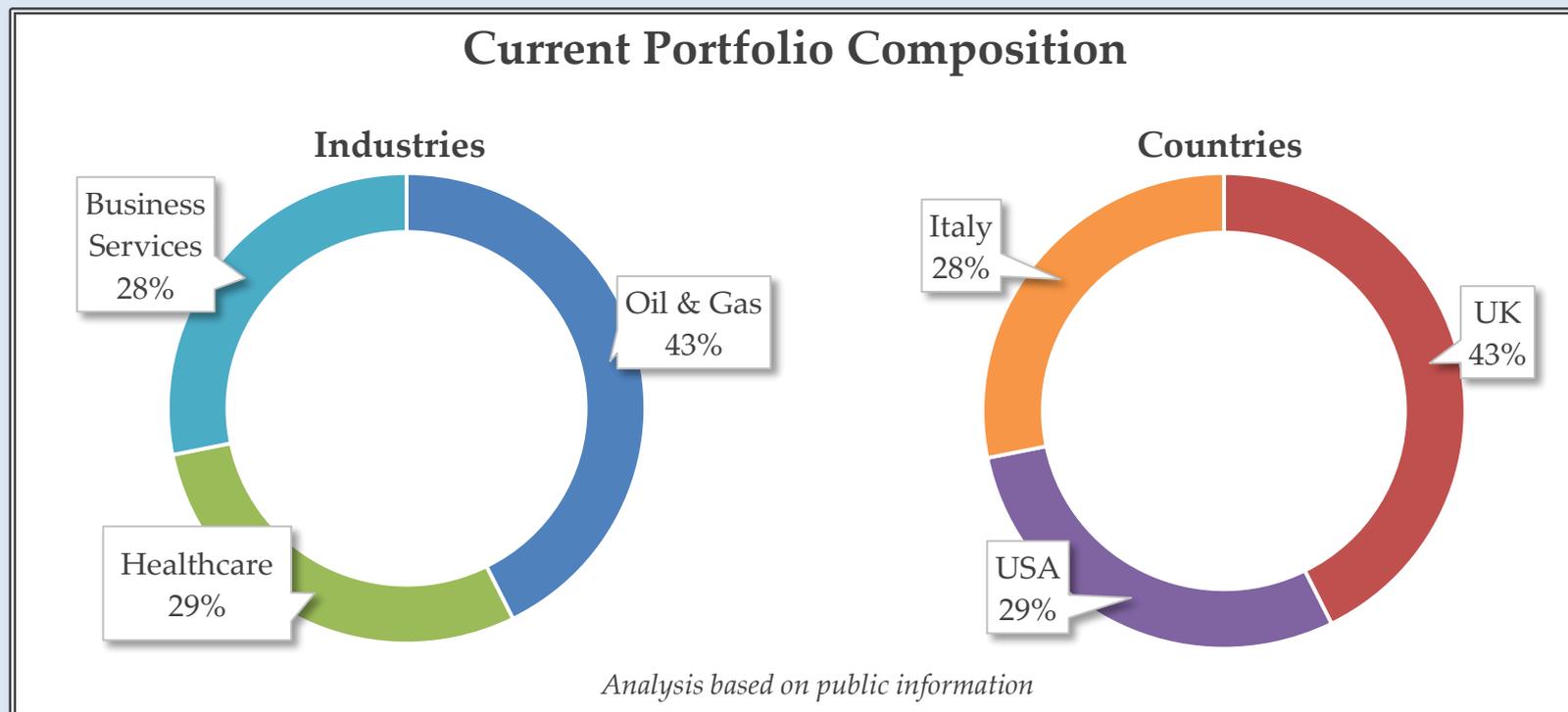
Afterwards, the NAV recovers from its initial losses and the growing returns form a J-curve.



Portfolio Review

6

- Single £6 million investment as at 30 June 2018
- Further £8 million deployed in two businesses during Q3 2018
- To date, 26% of capital raised invested



NOTE: the Company accounts and share price are denominated in sterling. All the investments in foreign currencies are not hedged at this time. The investors are encouraged to ponder thoroughly and carefully the impact of fluctuations in the exchange rates in relation to their unique needs, goals and risk considerations.

7

Market: AIM, London Stock Exchange

Country: United Kingdom

Industry: Oil & Gas

Investment date: January 2018

Transaction: Acquisition of a relevant minority stake (<30%) via a capital increase in 2018. 10% discount paid-in-kind + warrants @150% subscription price

Strategy: Active management with PE approach and seat on the Board of Directors

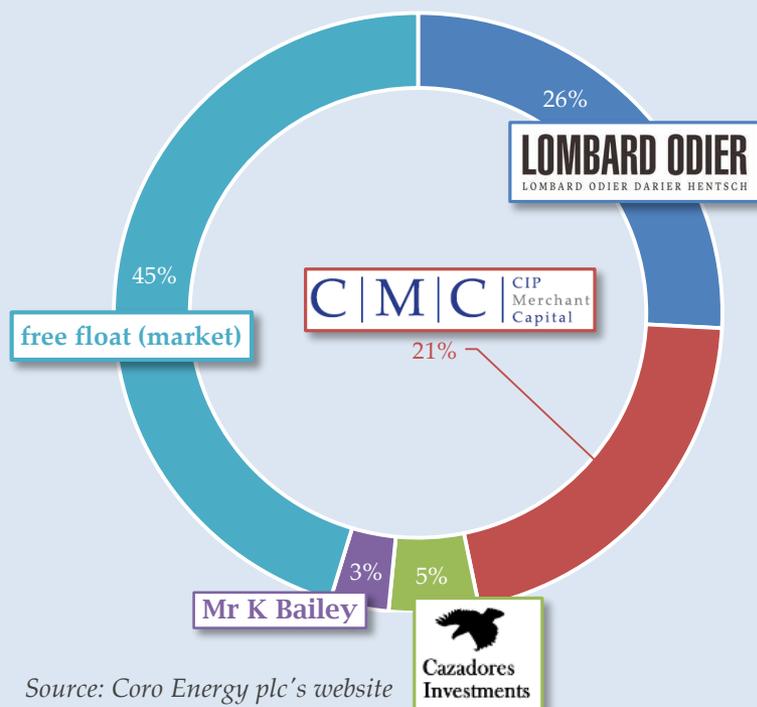
THE BUSINESS

Coro Energy plc is a pan Euro-Asian upstream oil and gas exploration and production company.

Key strengths:

- Full cycle E&P company, currently operating 5 production & 4 exploration licences across Italy
- Strong shareholder base supportive of pan Euro-Asian strategy
- Up to US\$35 million new funds available over 12 months

SIGNIFICANT SHAREHOLDERS



Source: Coro Energy plc's website

RATIONALE OF THE INVESTMENT

1. Operations in Italy constitute the foundation for an international expansion
2. Strategy of expansion in a geography with untapped resources
3. Target markets population growth trends will create shortages of gas production
4. Demand-supply dynamics will bring to a rise of gas prices (differently from the UK & US)

RECENT DEVELOPMENTS

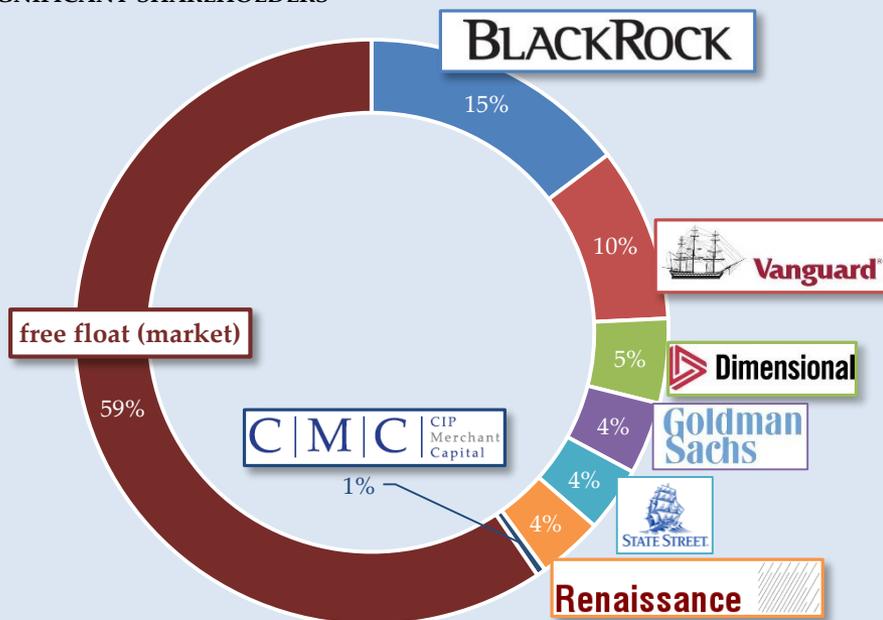
Mar.18 Appointment of James Menzies as Chief Executive Officer. Previously James founded and then sold Salamander Energy plc to Ophir Energy plc in a transaction that valued the business at US\$850M in 2015.

Sept.18 Acquisition of 42,5% of Lengo gas field, offshore East Java, with resources of 359Bcf (2C) + potential upside of 420 Bcf (3C) at low price (\$0,10/Mmbtu).

8

Market: NASDAQ
Country: United States of America
Industry: Healthcare
Investment date: July 2018
Transaction: Purchase of shares on the market.
Strategy: Passive approach.

SIGNIFICANT SHAREHOLDERS



Source: Bloomberg

THE CASE

Headquartered in Lewisville, Orthofix Medical Inc. is a global medical device company focused on musculoskeletal healing products and value-added services.

KEY FINANCIAL METRICS

USD m	2016-12	2017-12	TTM	2018	
				Low	High
Revenue	409,8	433,8	442,4	458,0	464,0
Adjusted EBITDA	79,3	81,6	83,1	85,0	88,0
% Growth	3,4%	5,9%	2,0%	5,6%	7,0%
EBITDA %	19,4%	18,8%	18,8%	18,6%	19,0%

Source: Orthofix Medical Inc.'s financial statements

RATIONALE OF THE INVESTMENT

1. Global company with growing sales and EBITDA
2. Market leading position in its niche
3. Healthy financial structure
4. Significant upside potential from
 - Accelerating top line
 - Margin expansion
 - Approval in the US of products
 - Premium paid by larger players from the acquisition of the business units or in delisting process
 - Multiple alignment to industry

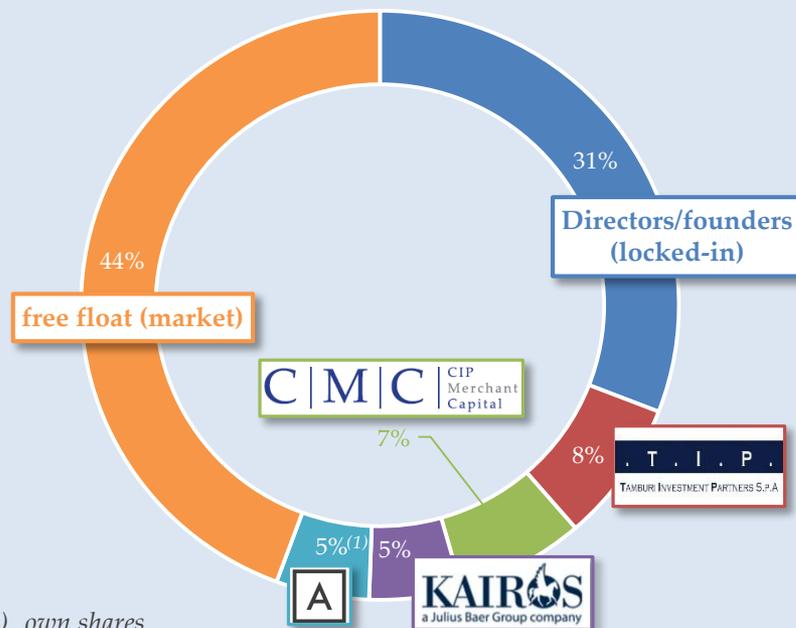
RECENT DEVELOPMENTS

- Jul.18 Started the reorganization from 4 Business Units into Core and Non-Core Businesses
- Aug.18 Announced financial results for the second quarter ended June 30, 2018. Net sales were \$111.5 million, an increase of 2,4% compared to prior year or 1.3% on a constant currency basis. Adjusted EBITDA of \$22,0 million compared to \$20,5 million in the prior year period, a 7,4% increase.

9

Market: AIM, Borsa Italiana
Country: Italy
Industry: Business Services
Investment date: July 2018
Transaction: Purchase of shares via blocks.
Strategy: Active approach.

SIGNIFICANT SHAREHOLDERS



(1) own shares

Source: Alkemy S.p.A.'s website

THE CASE

Alkemy S.p.A. is the result of the combination of the experiences of its founders in corporate consulting, communication and advisory services in technological innovation.

KEY FINANCIAL METRICS

EUR m	2014-12	2015-12	2016-12	2017-12
Revenue	17,6	28,8	34,8	44,9
EBITDA	1,1	3,0	4,0	5,1
% Growth	n.a.	64,0%	20,8%	28,9%
EBITDA %	6,1%	10,3%	11,6%	11,3%

Source: Alkemy S.p.A.'s financial statements

RATIONALE OF THE INVESTMENT

1. Double digit growth both through organic growth and aggressive M&A policy
2. High standing and cross-industry client base, with high loyalty and increasing share of wallet
3. Plan to move from AIM Italia to main market (MTA – Star)
4. Potential discount to current market prices through a special situation

RECENT DEVELOPMENTS

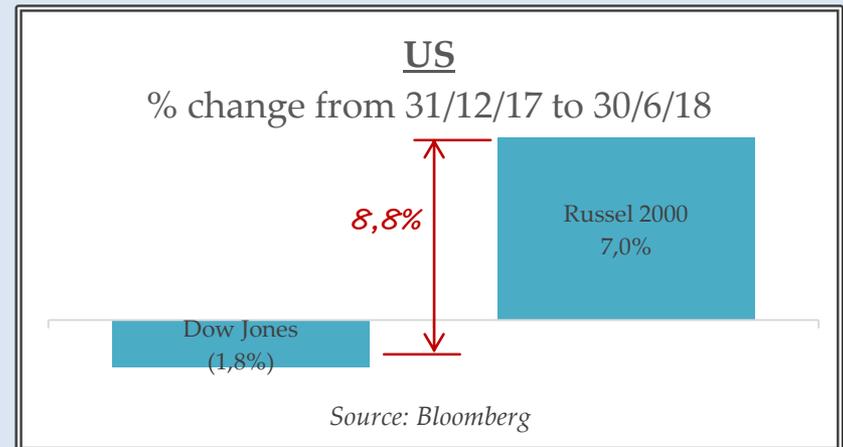
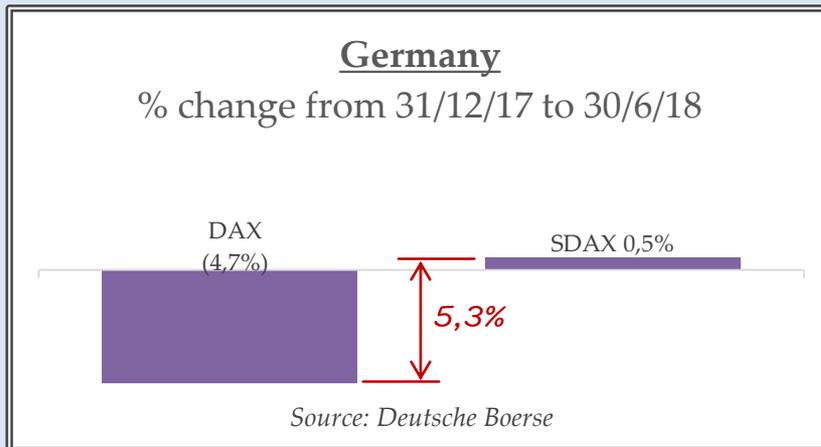
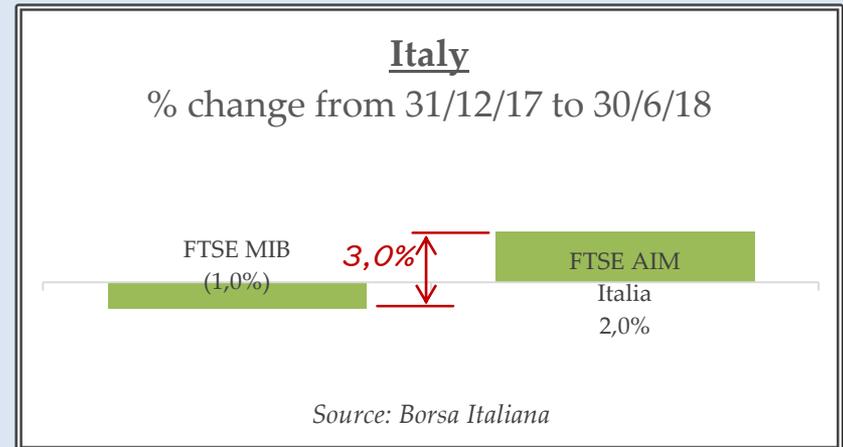
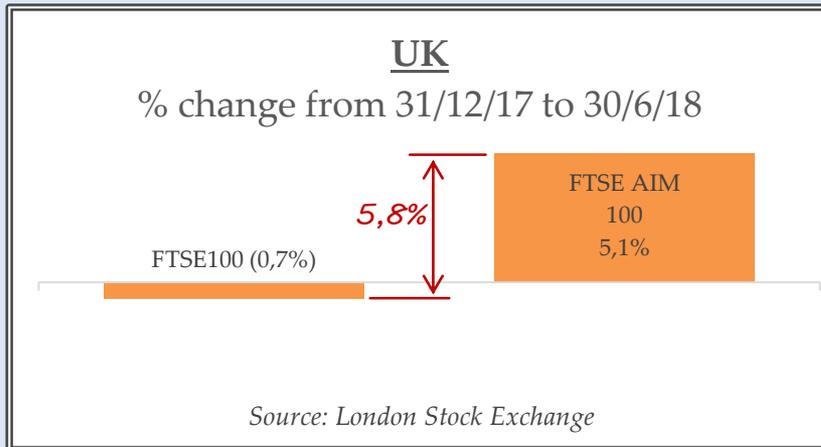
Jul.18 Agreement for the acquisition of an initial 51% stake in the share capital of Ontwice Interactive Services SL. The completion of the acquisition of the remaining 49% will take place within four years. Ontwice Interactive Services SL, based in Madrid and founded in 2006 is one of the most important digital agencies in Spain, also present in Mexico. Among the brands it has worked for, are eBay, Microsoft, Rolex, DIA Group, EuropeAssistance, Mahon, Hawkers and Mapfre.

Outlook

Public Markets

11

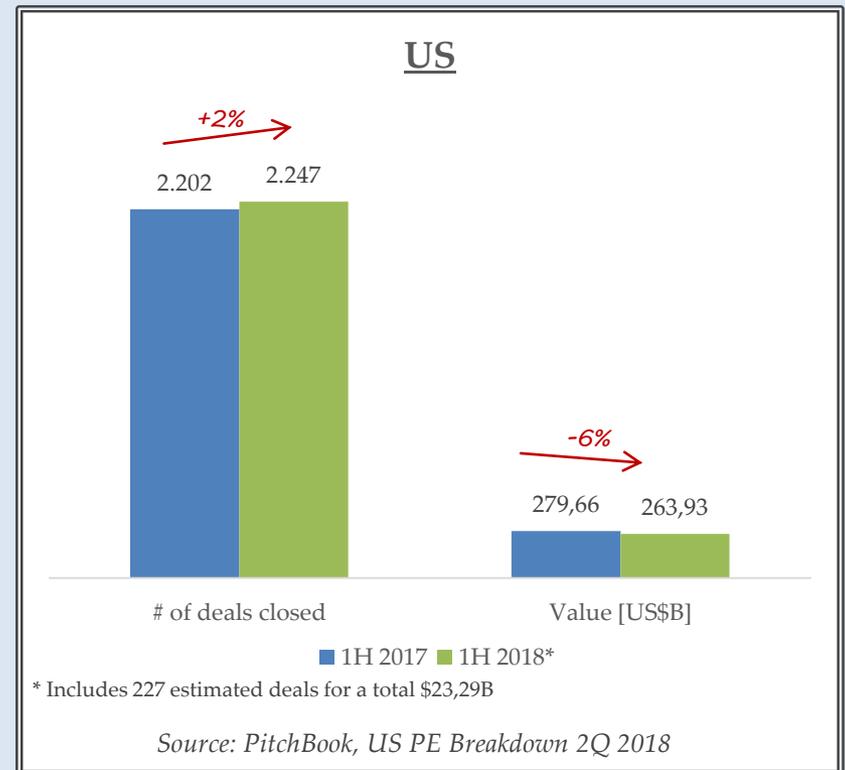
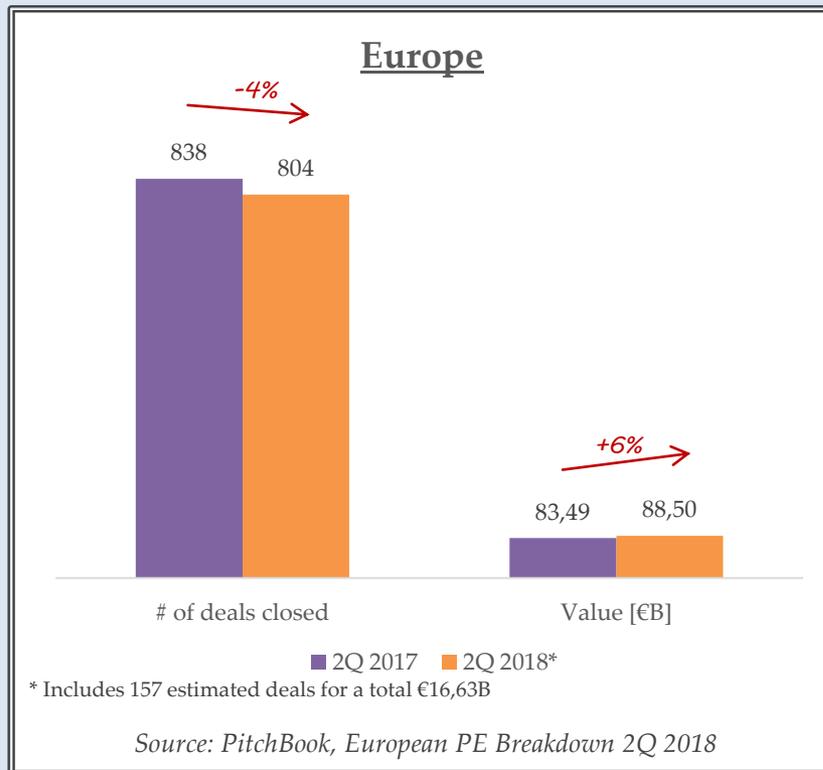
- In 1H 2018, public markets have shown up- and down-swings with an increase in volatility compared to previous years but ended June 2018 essentially on the same levels as at the beginning of the year.
- Hunting ground is at the smaller end of the market, which has outperformed the top tier of the market.



Private Equity

12

- European private market activity has slightly slowed down in 2Q of 2018 with the deal count reduced by 4%, balanced by the value that has increased by 6%. For 2018, it is expected that levels achieved in 2015 and 2017, the two highest performing years since the global financial crisis, will be reached.
- The US private markets, coming from a strong 2016 and 2017, continue to show solid results in terms of both deal value and number of deal closed. 2H 2018 deal flow is expected to proceed on its strong path, due primarily to dry powder that is building up and easy access to debt financing.



Appendix

1. Investment Objective and Policy
2. Investment Team
3. Notes to recipients

Investment Objective and Policy

14

Investment Policy

Concentrated portfolio of 5 to 10 companies to be hold between 12 and 60 months (investment to realisation).

The Company is seeking for:



Investment Restrictions

No single investment over 20% of NAV

Company may utilise debt up to 30% of its NAV

Any industry up to more that 50% of NAV

Unlisted/unquoted investments up to 30% of NAV

Derivatives may be utilised to manage risks



CARLO SGARBI, *Managing Partner & Non-Executive Director of CIP Merchant Capital Limited*

Carlo is a well-known investment banking professional who has been operative in global markets for over 20 years. After 'filling' many major positions within the Global Market, he landed the prestigious role as responsible for market activities (equity, fixed income, risk arbitrage) for Banca IMI in 1999, the investment bank of the Intesa Group where he was responsible for managing approximately 300 professionals specialized in different areas of risk. From 2007 to 2013 he was responsible for managing all investment activities within a primary Swiss family office. Since September 2013 he has been Managing Partner and founder of CIP.



MARCO FUMAGALLI, *Founding Partner & Non-Executive Director of CIP Merchant Capital Limited*

Marco has a significant transaction track-record as a Global Partner at the PE house 3i Group, with significant results in the management of investments in both private (eg, Giochi Preziosi, Coelsanus Preserves, Vis Pharmaceuticals, Newron) and listed companies (Biosearch Italy, Datamat Novuspharma). From 2010 to 2013 he was responsible for managing the private equity activities within the primary Swiss family office. Marco is Founding Partner of CIP.



MARCELLO NESTA, *Investment Manager*

Marcello began his career at SAI Investimenti SGR, Real Estate investment manager of the Italian insurer UnipolSai. In 2011 he joined a financial advisory firm in Switzerland, where he advised small and middle enterprises in raising debt and equity capital as well as valued alternative investments. Marcello combines corporate finance skills with experience in alternative markets. Investment Manager at CIP since 2017, he dedicates to the Private Equity and Real Estate activities.



ALEXANDER NAKHLUPIN, *Investment Manager*

Investment Manager at CIP, Alexander began his career in 2007 as Analyst at Deutsche Bank Kiev and later as Associate at Deutsche Bank Moscow, focusing on commodities and FX products sales, and became main regional specialist in CIS region for Environmental Financial Products. In 2011 Alexander joined the Russian based Coal Company Zarechnaya LLC and co-led the creation and operation of CCZ Trade SA, Lugano based trading company of Zarechnaya Group, in the role of CFO. In January 2016 Alexander joined CIP as Investment Manager, responsible for Private Equity and Real Estate activities.



VALERIA GIRALDIN, *Administration*

Valeria has started her career in 90's in the accounting/administration departments of diverse multinational companies, in Italy and Switzerland. From 2003 to 2013 she was in charge of the administration activities for a major Swiss family office. Since October 2013 Valeria is in charge of the accounting and administration activities in CIP.

Notes to recipients

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