

Year in Review 2019



EQUICAPITA

EQUICAPITA AND ITS PORTFOLIO

Equicapita is a private SME buyout fund founded in 2013 to acquire a diversified pool of cash streams to provide investors with a combined yield and growth return. At the end of fiscal 2019, Equicapita had a majority ownership in twelve operating companies with \$300M of AUM and gross annual revenues (including franchisees) in excess of \$300M. These companies employ over 1,500 people in Canada in a variety of industries.



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OVERVIEW AND UPDATE

The Equicapita investment strategy continues to mature. Owning a diversified portfolio of long-life businesses, with a flexible capital structure, on a scalable platform, has the fund well positioned.

The market in which we invest is competitive but the investment opportunity continues to be significant and we believe the window for our investment thesis will continue to be relevant over the long-term, as long as there are good businesses in the market where an ownership transition needs to occur.

We would like to take this opportunity to thank you, our investors, for your continued support and belief in Equicapita.

FUND FACTS

Fund Inception	June 2013
Total AUM	\$300M
MER (2019, 2020F)	2.0%, 2.1%
Portfolio Companies	12
Distributions to Date (Dec 31 2019)	\$60M

ACQUISITION ANNOUNCEMENTS

Effective April 5, 2019, Equicapita acquired The Master Mechanic Inc. ("Master Mechanic"). Founded in 1982, Master Mechanic is one of the leading franchisors of aftermarket automotive maintenance and repair service centers in Ontario and has 39 locations throughout Ontario.



Master Mechanic represented the opportunity to add a successful automotive aftermarket maintenance and repair service business with a diverse and growing base of recurring royalty revenue to our portfolio and to increase the weight of eastern Canadian GDP drivers. Equicapita believes that automotive repair services tend to add counter cyclical resiliency to the portfolio as car ownership durations tend to extend during economic downturns and repairs tend to commensurately increase. Master Mechanic represents the third significant franchising business in the Equicapita portfolio, after Nutters and Smitty's.

Effective August 1, 2019, Equicapita acquired the assets of Wingenback Inc. ("Wingenback"). Founded in 1975, Wingenback is one of Canada's top industrial and commercial logistics businesses. Wingenback provides premier solutions in ATM-related products, high-end industrial logistics and project management services. The Company serves a broad span of industries with roots in the financial and banking sector servicing several of Canada's national banks. With the addition of Wingenback, Equicapita has broadened geographical presence across Canada and multi-industry exposure that provides great depth to our portfolio diversification. Wingenback represents the third significant industrial business in the Equicapita portfolio, after Levy's and A&R Metals.



ACQUISITION ANNOUNCEMENTS (CONTINUED)

Effective December 31, 2019, Equicapita acquired Visage Cosmetics Limited (“Visage Cosmetics”). Founded in 1969, Visage Cosmetics is the leading franchisor of retail beauty and cosmetics services and products in Ontario. With 31 locations throughout Ontario and one in Alberta, Visage Cosmetics has established enduring franchisee relationships and a reputation for outstanding guest service. Equicapita is targeting investment opportunities in the beauty product and services market due to its consistent demand profile and favorable long-term growth prospects. The opportunity to invest in a successful beauty product and service business with a diverse and growing base of recurring royalty revenue adds industry diversification to Equicapita’s investment portfolio and continues our growth into Eastern Canada. Visage Cosmetics represents the fourth significant franchise business in the Equicapita portfolio, after Nutters, Smitty’s and Master Mechanic.



DIVESTITURE ANNOUNCEMENT

Effective December 31, 2019, Equicapita divested of North West Crane Enterprises Ltd. (“North West Crane”). Equicapita acquired a majority stake in North West Crane in 2015, prior to the slowdown in the worldwide energy sector. The divestiture was the result of a strategic review which concluded that this energy sector exposure did not fit Equicapita’s business strategy going forward.

DEAL GENERATION

Deal generation was again robust in 2019 – we reviewed 136 deal opportunities, including 57 proprietary deals, with a total notional Enterprise Value (“EV”) of approximately \$1.7B. We feel the quality of deals reviewed in 2019 was high and supported by Equicapita issuing 10 LOI’s/EOI’s, with three accepted and completed since January 2019 (Master Mechanic, Wingenback and Visage Cosmetics). Deal-flow in 2019 was consistent with the upward trend of 2018:

- 2015 – 62 deals reviewed, 5 proprietary deals – total notional EV of ~\$0.67B
- 2016 – 116 deals reviewed, 75 proprietary deals – total notional EV of ~\$1.17B
- 2017 – 96 deals reviewed, 36 proprietary deals – total notional EV of ~\$1.0B
- 2018 – 145 deals reviewed, 50 proprietary deals – total notional EV of ~\$1.8B
- 2019 – 136 deals reviewed, 57 proprietary deals – total notional EV of ~\$1.7B

Going into the second quarter of 2020, management expects M&A activity to be slow until the latter half of the year. Opportunistic acquisitions may present themselves throughout the COVID-19 quarantine period and Equicapita expects to remain prepared for such opportunities.

CAPITAL RAISED

At December 31, 2019, Equicapita had raised approximately \$202M since inception. Of the total raised, \$12.2M was issued as consideration in acquisitions, \$6.8M was issued through Equicapita’s distribution reinvestment plan and \$8M was redeemed. At year end, all capital raised since inception had been deployed.



BANKING UPDATE

During the year, we amended and restated our credit facility to a \$135M committed syndicated credit facility comprising of a \$94M syndicated revolving facility, a \$36M term facility and a \$5M operating facility, which matures on April 22, 2022. The credit facility is subject to an extension and may be increased by \$25M if requested by Equicapita and accepted by the lenders. The syndicated and operating facilities are available for general corporate purposes, capital expenditures and permitted acquisitions. The term facility is available to fund debt repayment to the Partnership in relation to a capital reorganization of the Partnership. Equicapita is required to repay principal of \$2M per quarter on the term facility which commenced on June 30, 2019.

The Credit Facility imposes positive and negative covenants, including the maintenance of certain financial covenants which are tested at each reporting date. The covenants are: i) net funded debt to adjusted EBITDA ratio must not exceed 3.75:1.00 to the end of December 31, 2019, and subsequent must not exceed 3.50:1.00; ii) fixed charge coverage ratio must not be less than 1.00:1.00, which is calculated as the trailing twelve-month adjusted EBITDA to adjusted finance obligations (which include scheduled principal repayments, net financing charges, less net proceeds received on equity issuances) and debt service coverage; and iii) debt service coverage ratio which measures adjusted cash flow to EBITDA must not be less than 1.15:1.00. As at December 31, 2019, Equicapita was in compliance with its financial covenants.

EXTENSION VOTE

On March 15, 2019, approximately 70% of investors participated in a vote which resulted in favor of a five-year extension of the fund (the “Extension”).

A summary of the key changes resulting from the Extension is set forth below:

- **Increase in Equity Participation** from an average of 50% to 80%: Prior to the Extension, investors participated, on average, in approximately 50% of the upside returns generated by Equicapita (represented by the aggregate Common A LP Unit holding) after the payment of preferred distributions and return of capital. Following the completion of the extension, investors now participate in 80% of the upside (in addition to the investors entitlement to receive preferred distributions).
- **Target Yields Unchanged**: The distribution target on an investor’s units remains the same. For example, if an investor held Preferred Trust Units with a 10% target distribution rate, following the Extension, the target distribution rate remains 10% and if an investor held Preferred Trust Units with a 7% target distribution rate, following the Extension, the target distribution rate remains 7%.
- **Cumulative Distributions**: Following the Extension, the distribution targets convert from non-cumulative to cumulative. Unitholders are now entitled to a “Preferred Return” which functions as a “hurdle” for Equicapita such that if a distribution is not paid, it is accrued on a compounding basis and must be paid in full to the investor before any performance participation payments can be made to Management.
- **Management Alignment**: Founders and senior management of Equicapita have invested approximately \$8M in Equicapita since March 15, 2019.

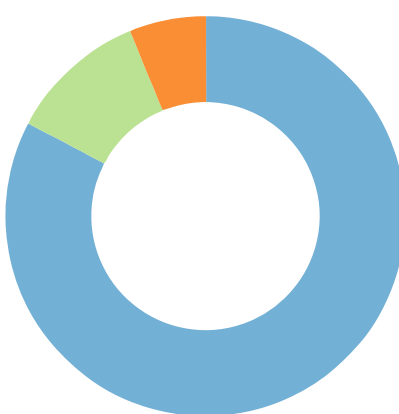


DIVERSIFIED PORTFOLIO DRIVERS

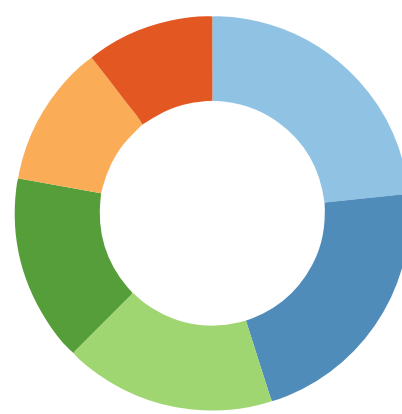
Equicapita has constructed a diversified portfolio with multiple earnings drivers and continues to seek to add unique return profiles. The following is a sample of three of our diversification profiles:



Industry	
Industrial	27.0%
Distribution	23.4%
Royalty/Franchise	21.7%
Regulatory	17.3%
Healthcare	10.5%



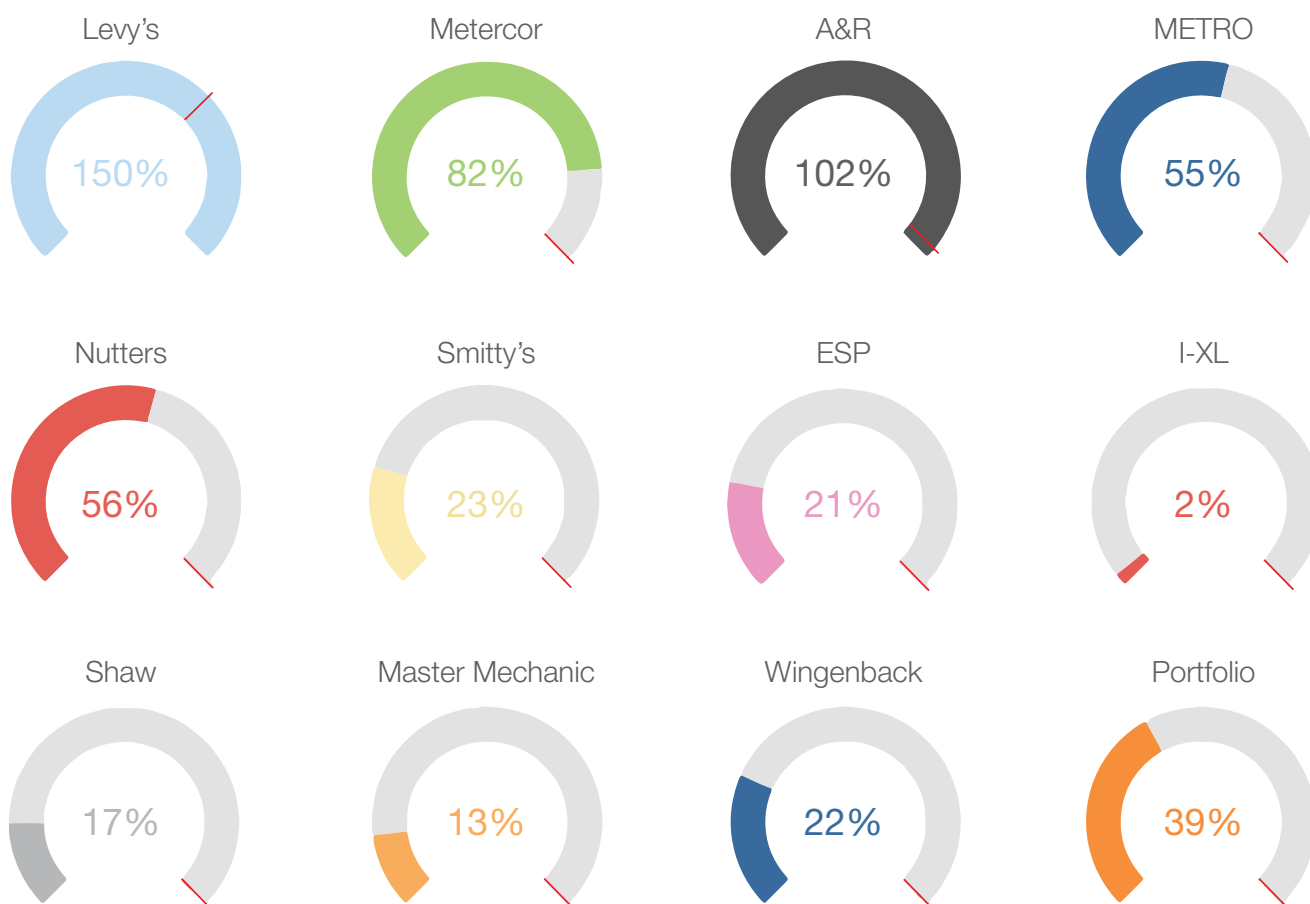
Revenue Geography	
Canada	83%
United States	11%
International	6%



Customer Type	
Retailers	23.4%
Franchisees/Consumers	21.7%
Regulatory bodies	17.3%
Fortune 500 customers	15.4%
Financial institution	11.6%
Healthcare providers	10.5%

RETURN ON INVESTMENTS

Management utilizes normalized EBITDA as a percentage of capital deployed to measure return on investment in two ways. The first is by calculating the inception to date cumulative EBITDA as a percentage of capital deployed as shown by the visuals that follow:

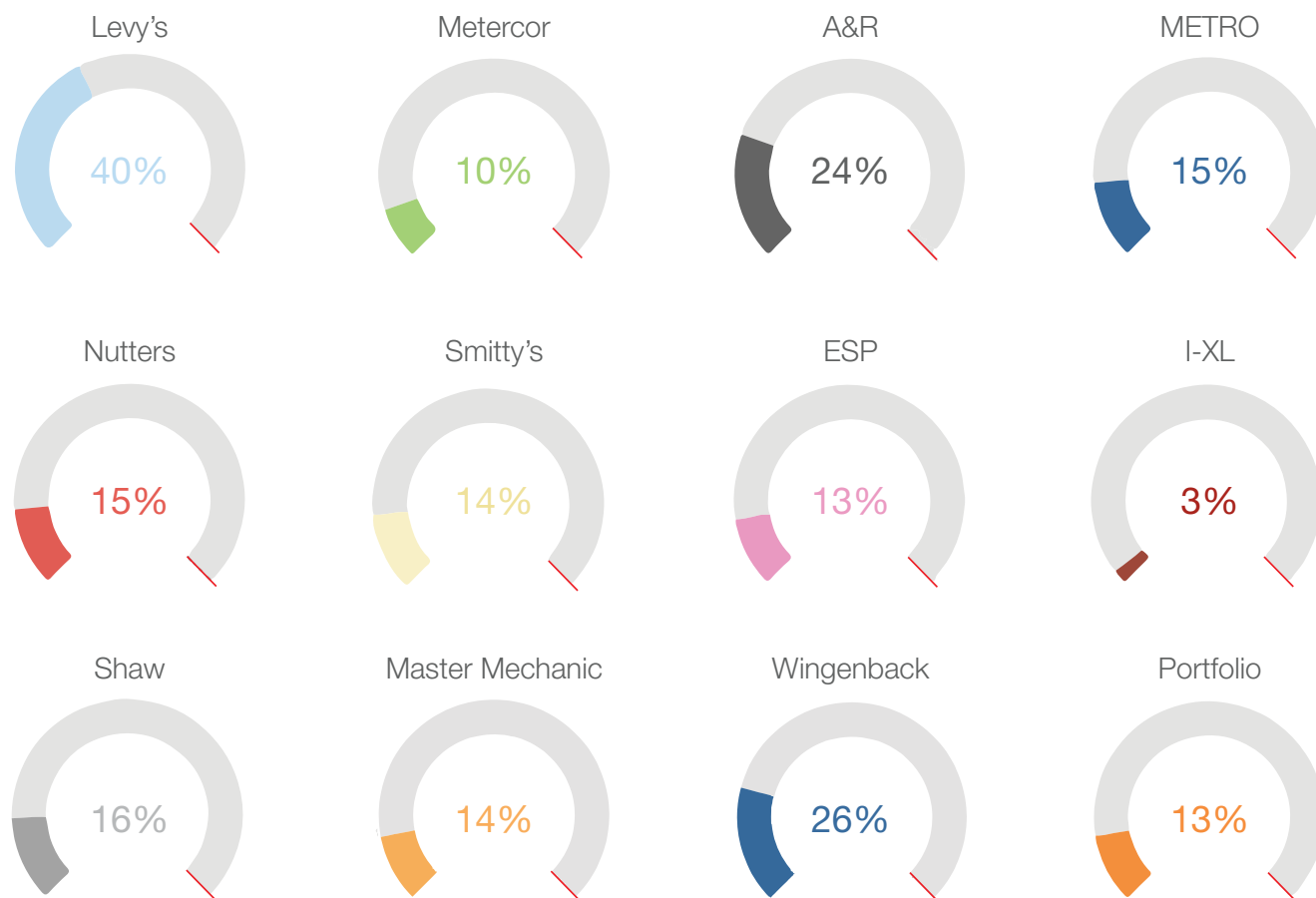


As Visage Cosmetics Limited was acquired on December 31, 2019, it has been excluded. In addition, Wingenback and Master Mechanic returns represents EBITDA from acquisition to end of year.



RETURN ON INVESTMENTS (CONTINUED)

The second is by calculating TTM EBITDA as a percentage of capital deployed as shown by the visuals below:

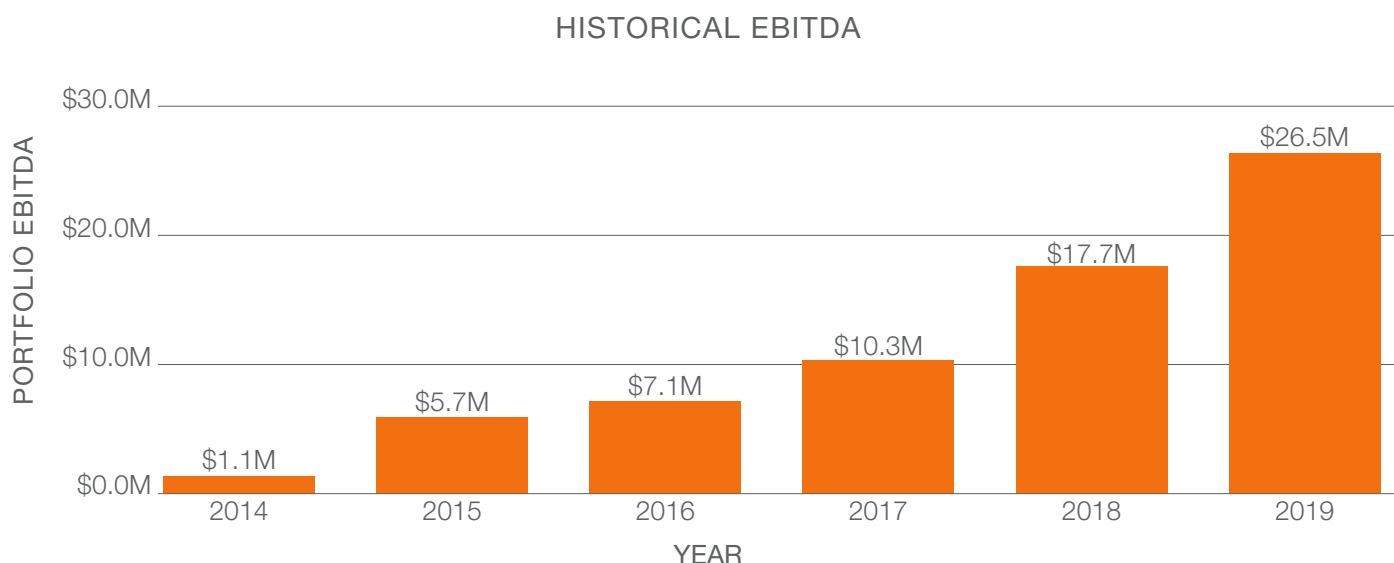


Each of Equicapita's investments were made with the expectation that stable, mature businesses are good long-term investments. When I-XL was acquired, the valuation on historical EBITDA normalized the losses that would result from the Ontario expansion project. Start-up losses are beginning to decline and management expects that the Ontario location will become profitable toward the end of 2020 and into 2021 and will add \$1.5M to annual EBITDA.



PORTFOLIO EBITDA

Equicapita's portfolio EBITDA continues to increase with acquisitions and organic investee company growth:



The following table reconciles operating income on the audited financial statements to Net Normalized Portfolio Operating Income.

Operating Income Summarized (\$M)	2019	2018
Operating Income - Gross	23.0	11.4
Discontinued Operations (excluding non-cash items)	0.1	(0.5)
Interest Income	0.3	0.2
Less: Lease Payments*	(5.3)	-
Add back:		
Normalized G&A**	5.7	3.5
Portfolio Company Normalizations**	5.3	5.4
Non-Cash Provisions included in Operating Income	1.1	-
Gross Portfolio Company EBITDA	30.2	20.0
Less: Non-Controlling Interests	(3.7)	(2.3)
Net Normalized Portfolio Company EBITDA	26.5	17.7

Note:

* Lease payments were included in operating income prior to 2019. Due to changes in IFRS 16 they are now separately identified.

** Normalizations include legal, accounting and other transaction-related expenses, provisions for credit losses in accordance with IFRS 9, miscellaneous inventory impairments, severance and recruitment costs.



CANADA-WIDE FOCUS

During 2019, Equicapita strengthened the geographical diversification further with the acquisition of Master Mechanic, Wingenback and Visage Cosmetics Limited, contributing a total of 37 new locations across Canada. Management believes that the decision to strengthen our positioning in other provinces has mitigated the indirect risk of the energy sector downturn on overall portfolio performance.



36 MONTH PORTFOLIO GUIDANCE

With a fully deployed capital base and a five year capital extension, we are now in the position to work towards our 20 company acquisition target, compounding surplus cash flow and optimizing portfolio company performance without the inefficiency of funding rolling redemptions. Equicapita's unique access to high quality alternative yield will continue to improve with scale and execution. Despite the current global pandemic, Equicapita's 36 month target is to add 8-10 businesses to the portfolio with the expectation of bringing aggregate EBITDA to over \$50M.



EQUIONE

EquiONE is a proprietary operational framework that uses business intelligence software to provide a platform for good companies to become great companies. The focus is on our businesses constantly improving performance. It is never ending, it is not a project, it is the fabric and new normal of how the business functions. In conjunction with our software driven oversight and KPI systems, EquiONE allows us to quickly and cost effectively integrate new acquisitions into the portfolio and then work to enhance profitability. We believe this is a core competitive advantage and an additional source of returns in our portfolio.

In 2019, 229 improvement projects were initiated and 187 completed an overall increase of 25% year over year. These completed projects have resulted in an estimated annual cost savings/avoidance of \$1.7M across the portfolio. As is illustrated in the following examples, the “Kaizen” methodology can convert seemingly small business/process changes into large savings that are highly accretive to the fund. The goal is for investee companies to have a pervasive ethos of continuous improvement such that there will be ongoing operational efficiencies contributing to the bottom line.

A&R Kaizen: Kanban System Implementation

Before: Overstocking of inventory due to lack of insight into material requirement, excessive labor hours consumed by searching, counting, re-ordering and managing supplies.

After: Developed and implemented a supply management system for factory and shipping material which improves cashflow through inventory reduction, stock count accuracy and stock-outs.

Annual Savings: \$13,000

SHAW Kaizen: 3-D Printer for Nightguards

Before: Nightguards were handcrafted artisanal adding up to 8 hours of manual labor per piece. The process included chemical exposure, non-conformance concerns and capacity constraints resulting in outsourcing and margin creep.

After: 3-D Printing technology advancement has allowed for the Nightguard production to become automated, expectations are that this will continue to grow to other products upon Health Canada approval.

Annual Savings: \$96,000

To identify where these waste and losses are located, we use a data first mindset. Visualizing the performance in our Business Intelligence platform creates a predictive rather than reactive decision-making culture which can act swiftly upon given opportunities and challenges. By managing by exception, we have ensured that our methodology is cost effectively scalable for further growth. The cloud-based platform integrates all our operating companies and essential business platforms into a centralized data repository. This tool enables data-driven decision making across the portfolio, departments and all levels of management.

Sample Managing Partner Panel

This sample panel of cards shows the adoption of a given operating company to our EquiONE methodology by tracking Kaizen projects created, completed and conversion rates.



EQUICAPITA GOES PAPERLESS

To provide enhanced service to our investors, reduce administrative expense and our carbon footprint, we are proud to announce that post year end, Equicapita launched its Investor Portal through Exempt Edge Online. Investors now have the convenience of obtaining their quarterly statements online and can see an up to date and consolidated view of all accounts in one place at any time.

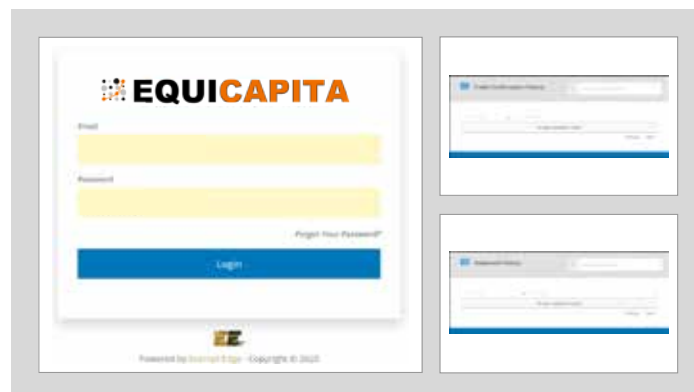
TEAM UPDATES

We pleased to announce the following promotions:

- Yannick Ferket – VP Operations and Analytics
- Nadia Houssaine-Clare – Senior Investment Administrator

We are also pleased to announce the following additions to the team during 2019 and into 2020:

- Marc Drabinsky – VP Business Development
- Scott Mahn – Financial Controller
- Manpreet Brar – Manager of Lean and Continuous Improvement
- Keenan Viney – Business Intelligence Analyst



LEVY'S MACHINE WORKS LTD.
REPORT ON OPERATIONS

INVESTMENT DATE: May 7, 2014
EMPLOYEES: 28
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.levysmachineworks.com
OWNERSHIP: 100%
INDUSTRY SECTOR: Industrial

Business Description

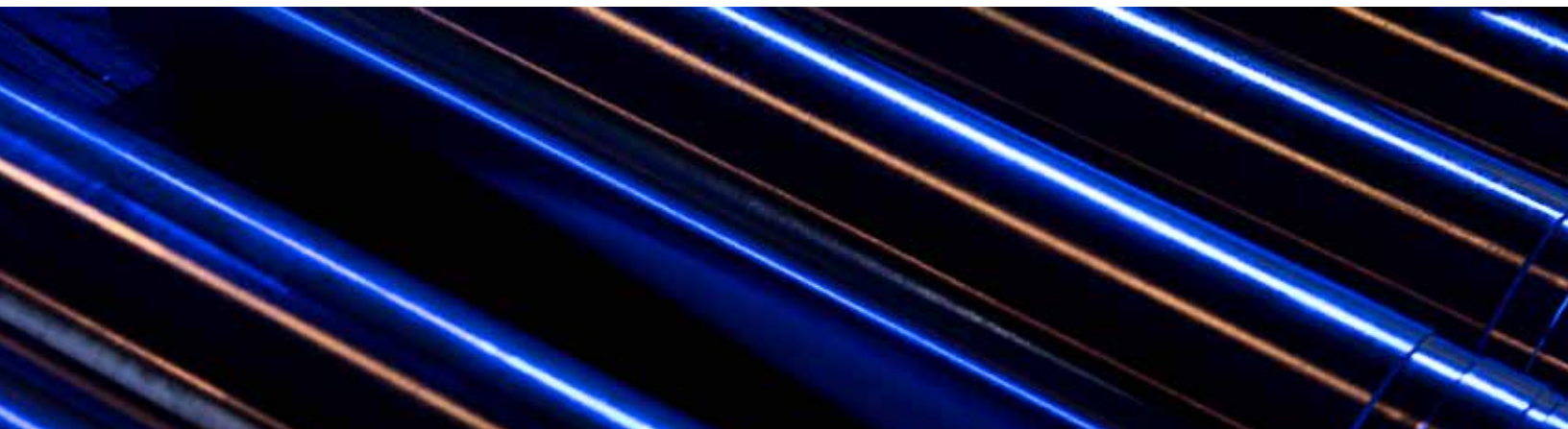
Levy's Machine Works ("Levy's") specializes in producing precision machined components and offers services in CNC & conventional machining, welding and fabrication, equipment repairs and manufacture, and construction of prototypes.

Highlights

- Levy's generated revenue of \$9.9M in 2019, a 15% decrease over prior year
- Normalized EBITDA was \$2.5M during 2019, a 20% decrease over prior year, 66% above valuation EBITDA
- Second best year for both EBITDA and revenue due to increased capacity
- Open orders are stable and indicate a larger spread in customer and part mix
- US market focus remains main contributor to diversification and growth

Recent Developments

- Strengthened team with addition of procurement specialist to source alternative suppliers and reduce raw material cost
- Created new role in business development manager with fulltime focus on diversification and growth
- Actively searching to add experienced CNC programmer/machinists to increase operator capacity



METERCOR INC. REPORT ON OPERATIONS

INVESTMENT DATE: May 26, 2014
EMPLOYEES: 10
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.metercor.com
OWNERSHIP: 100%
INDUSTRY SECTOR: Regulatory

Business Description

Metercor Inc. ("Metercor") offers utility metering and management services. The company works closely with utility service providers to execute new meter installation and replacement programs, and to provide industry leading leak detection.

Highlights

- Metercor generated revenue of \$5.6M in 2019, a 17% decrease over prior year
- Normalized EBITDA was \$0.7M during 2019, a 47% decrease over prior year
- Long term contract meter installation targets for 2019 are partially deferred to 2021
- City of Red Deer project completed with highest customer satisfaction
- Sales funnel indication of substantial growth opportunities in British Columbia and Saskatchewan

Recent Developments

- Project management initiatives are showing material results through operational KPI's
- Continuing to focus on strength in key supplier relationship and broadening service offering
- Added bench strength to the team with the addition of a business development role for the Western Canada expansion



A&R METAL INDUSTRIES LTD.
REPORT ON OPERATIONS

INVESTMENT DATE: December 31, 2015
EMPLOYEES: 80
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.armetal.net
OWNERSHIP: 100%
INDUSTRY SECTOR: Industrial

Business Description

A&R Metal Industries ("A&R") is a metal processing and steel fabricating company that is dedicated to excellence in speciality metal manufacturing of OEM truck trims, accessories and other specialty parts including automotive, commercial finishings & architecture, exhaust & filtration, construction & agriculture and safety products.

Highlights

- A&R generated revenue of \$24M in 2019, a 18% increase over prior year
- Normalized EBITDA was \$2.9M during 2019, a 24% increase over prior year
- US market focus and new product categories main contributor to diversification and growth
- All time best performance in on-time shipping to main customers
- Successful plant move executed during Q1

Recent Developments

- Integrating new CRM with expected go-live date of summer 2020
- Expansion opportunities into the medium-class truck segment
- A number of new continuous improvement initiatives underway to further improve operational efficiencies



METRO TESTING + ENGINEERING LTD. REPORT ON OPERATIONS

INVESTMENT DATE: March 21, 2016
EMPLOYEES: 224
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.metrotesting.ca
OWNERSHIP: 70%
INDUSTRY SECTOR: Regulatory

Business Description

Metro Testing + Engineering ("METRO") is a leading provider of materials testing, materials engineering, geotechnical engineering, concrete restoration, environmental engineering and total quality management. Core revenue segments are: concrete testing, soils testing, asphalt testing, geotechnical testing, construction testing and environmental consulting. METRO has 27 years of operating history, twelve locations in British Columbia and two in Alberta. METRO provides exposure to long-term government and private sector infrastructure investments.

Highlights

- METRO generated revenue of \$22.8M in 2019, a 7% increase over prior year
- Normalized EBITDA was \$4.1M during 2019, flat to prior year
- Materials and environmental revenue continue to be the main driver of growth
- Lower mainland BC infrastructure projects providing significant opportunities
- Completed a rebranding exercise to promote a one-brand, one-name marketing strategy

Recent Developments

- Consolidated branches, reducing overhead and improving overall profitability
- Metro Academy actively in use for cross-training

NUTTERS BULK AND NATURAL FOODS INC. REPORT ON OPERATIONS

INVESTMENT DATE: November 22, 2016
EMPLOYEES: 146
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.nutters.com
OWNERSHIP: 80%
INDUSTRY SECTOR: Royalty/Franchise

Business Description

The Nutters Bulk and Natural Foods (“Nutters”) investment represented an opportunity to partner with a strong management team/owner and provided geographic as well as industry diversification. Nutters is a strong player in its niche – offering natural foods and health products across western Canada in 24 retail outlets located in smaller metropolitan areas. Natural foods are a growing sector and the management group has consistently demonstrated that they are among the leading retailers in western Canada in this space.

Highlights

- Nutters generated revenue of \$21M in 2019, a 8% increase from prior year
- Normalized EBITDA was \$1.7M during 2019, a 18% decrease from prior year
- Successfully reduced slow-moving inventory by 21%
- Enhanced warehouse buying opportunities for corporate and franchise operations
- Increased average customer purchase total through continued execution of promotional basket size strategies

Recent Developments

- Store merchandising and implementation of new social media initiatives
- Cost reduction and administrative efficiency initiatives under way



**SMITTY'S CANADA INC.
REPORT ON OPERATIONS**

INVESTMENT DATE: April 9, 2018
EMPLOYEES: 56
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.smittys.ca
OWNERSHIP: 100%
INDUSTRY SECTOR: Royalty/Franchise

Business Description

Smitty's Canada Inc. ("Smitty's") is one of Canada's largest family restaurant chains with 85 locations across Canada (83 franchise locations and 2 corporate locations). Smitty's has developed a long-term sustainable business model that attracts loyal customers, entrepreneurial franchisees, and has a strong supplier and franchise support system.

Highlights

- Smitty's generated revenue of \$8.1M in 2019, above expectations
- Normalized EBITDA was \$5.2M in 2019, above expectations
- Successful renewal of end-of-term franchise agreements
- Rollout of online delivery showing promising early performance indicators
- Corporate locations Macleod Trail and Westbrook Mall sold to existing franchisees

Recent Developments

- Loyalty app to be released in 2020
- Opening of multiple new franchised stores underway
- Preparations for 60th Anniversary promotions underway



ESP SALON SALES INC.
REPORT ON OPERATIONS

INVESTMENT DATE: July 1, 2018
EMPLOYEES: 93
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.espsalonsales.com
OWNERSHIP: 100%
INDUSTRY SECTOR: Distribution

Business Description

ESP Salon Sales Inc. ("ESP") was founded in 1990 and is headquartered in Saskatoon, Saskatchewan, with seven additional locations across Canada. ESP is a leading wholesale distributor of hair and beauty products to professional stylists and salons across five provinces. ESP has developed a long-term sustainable business model with over four thousand active customers and best in class suppliers.

Highlights

- ESP generated revenue of \$23.5M in 2019, in line with expectations
- Normalized EBITDA was \$2M in 2019, just below expectations
- New supplier agreements to provide competitive advantage and increase in product offering
- Added bench strength to the team with an experienced financial controller

Recent Developments

- Free freight promotion to increase basket size and online ordering sales
- Planning mobile friendly website upgrade to address shifting purchasing habits
- Planning for digital rollout of the bi-monthly catalogue



I-XL BUILDING PRODUCTS INC. REPORT ON OPERATIONS

INVESTMENT DATE: Dec 14, 2018
EMPLOYEES: 53
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.ixlbuild.com
OWNERSHIP: 100%
INDUSTRY SECTOR: Distribution

Business Description

I-XL Building Products Inc. ("I-XL") is one of the largest importers and distributors of brick, stone and building products in Canada with roots dating back to 1912. With a focus on premier products from around the world, I-XL offers customers one of the most comprehensive selections of building envelope products available.

Highlights

- I-XL generated revenue of \$29M in 2019, below expectations
- Normalized EBITDA was \$587K in 2019, below expectations
- Residential market softness main contributor to below target performance
- Web presence upgrade to obtain traffic growth and adoption within design community

Recent Developments

- Continued development of the Ontario expansion strategy
- Completed design center renovations with objective of expanding product mix offering
- Consignment arrangements with customers being contemplated
- Introducing promising new mechanically fastened stone system products



SHAW DENTAL LABORATORY INC. REPORT ON OPERATIONS

INVESTMENT DATE: Dec 20, 2018
EMPLOYEES: 170
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.shawlabgroup.com
OWNERSHIP: 93%
INDUSTRY SECTOR: Healthcare

Business Description

Shaw Dental Laboratory Inc. ("Shaw") is one of the leading networks of dental laboratories in Ontario, with locations in Toronto, London, Ottawa, Kingston and Brampton. Shaw Group, whose diverse customer base includes over 1,500 dentists, has an established reputation for technical leadership and outstanding customer service.

Highlights

- Shaw generated revenue of \$22.2M in 2019, above expectations
- Normalized EBITDA was \$2.6M in 2019, well above expectations
- New PerfectSmile aligners brand showing promising first year sales performance
- Lower inventory levels due to laboratories' improved efficiencies
- Completed a rebranding exercise

Recent Developments

- Increasing marketing efforts and presence in national dental community



THE MASTER MECHANIC INC. REPORT ON OPERATIONS

INVESTMENT DATE: April 4, 2019
EMPLOYEES: 2
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.mastermechanic.ca
OWNERSHIP: 90%
INDUSTRY SECTOR: Royalty/Franchise

Business Description

Founded in 1982, Master Mechanic is one of the leading franchisors of aftermarket automotive maintenance and repair service centers in Ontario and has 39 locations throughout Ontario. Master Mechanic has a diverse and growing base of recurring royalty revenue and has a strong reputation for high quality auto repair and regular vehicle maintenance.

Highlights

- Master Mechanic generated revenue of \$1.7M from acquisition date to end of 2019, above expectations
- Normalized EBITDA was \$1.2M from acquisition date to end of 2019, above expectations
- Successfully completed the relocation of a franchisee
- Approved a candidate for franchise location

Recent Developments

- Hosted inaugural franchisee conference in Q1 2020
- Reviewing POS system for upgrade in Q4 2020
- Repurchased and sold two franchisees in Q1 2020



**WINGENBACK INC.
REPORT ON OPERATIONS**

INVESTMENT DATE: Aug 1, 2019
EMPLOYEES: 110
FISCAL YEAR END: Dec 31

COMPANY WEBSITE: www.wingenback.com
OWNERSHIP: 70%
INDUSTRY SECTOR: Industrial

Business Description

Wingenback Inc. ("Wingenback") specializes in industrial and commercial moving and manufacturing of surrounds and kiosks for ATMs and related products. Founded in 1975, Wingenback has provided efficient and reliable service and has attributed much of its success to its "yes we can" approach. Wingenback has moving and storage divisions across Canada and its head office is located in Calgary, Alberta.

Highlights

- Wingenback generated revenue of \$17.6M from August 1 to end of 2019, significantly above expectations
- Normalized EBITDA was \$2.9M from August 1 to end of 2019, significantly above expectations
- Completed banking mobile unit roll out generating significant revenue in the year
- Collaboration with Shaw on lab move in Q3 2020
- Growth in mobile banking units with significant new orders

Recent Developments

- Developed and secured new sales for plexi-glass shields in the retail space
- Recruitment of senior controller underway



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This update may contain statistical data, market research and industry forecasts that were obtained from government or other industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While Equicapita believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Equicapita has not independently verified any of the data from independent third party sources referred to in this update or ascertained the underlying assumptions relied upon by such sources.

This update includes forward-looking information and forward-looking statements (collectively, "forward-looking information") with respect to Equicapita. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases including, but not limited to, "expects", "does not expect", "is expected", "anticipates", "does not anticipate", "plans", "estimates", "believes", "does not believe" or "intends", or stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking information". This information represents predictions and actual events or results may differ materially. Forward-looking information contained in this update include, but are not limited to, statements with respect to: investment opportunities, flexibility under the credit facility, distributions, payout ratio, weighted-adjusted cost of capital (WACC) reduction; projected interest on debt, 36 month portfolio guidance (including the target to add 8-10 businesses and targeted \$50M EBITDA), projected distribution coverage ratio, benefits of the Extension, and recent developments and strategies for each of the portfolio companies.

Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: use of proceeds; the retention of securities dealers and payment of fees to those securities dealers; the business to be conducted by Equicapita; the general stability of the economic and political environment in which the Equicapita operates; Equicapita's investment objectives and investment strategies; timing and payment of distributions; treatment under governmental regulatory regimes and tax laws; the ability of Equicapita to obtain qualified staff, equipment and services in a timely and cost efficient manner; valuation of Equicapita's investments; and currency, exchange and interest rates.

Forward-looking information is based on the current expectations, estimates and projections of Equicapita and involve a number of known and unknown risks and uncertainties which would cause actual results or events to differ materially from those presently anticipated. These include, but are not limited to, acquisitions, including investment timing, difficulty in valuing acquisitions, failure to realize benefits of acquisitions, potential undisclosed liabilities associated with acquisitions and continued success of acquisitions, no assurance that Equicapita's investment strategies will be successful, constraint in the availability of services, commodity price and exchange rate fluctuations, changes in legislation (including but not limited to tax laws, royalty regimes and environmental legislation), conflicts of interests, status of Equicapita Income Trust as a trust, financing risks, changes in applicable law, operating hazards, debt related risks, reliance on management, general economic conditions, third party credit risk, and risk related to each of the portfolio companies. Equicapita has included the above summary of risks related to forward-looking information provided in this document in order to provide readers with a more complete perspective on Equicapita's current and future operations and such information may not be appropriate for other purposes. Equicapita's actual results, performance or achievement could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits Equicapita will derive therefrom.

This document contains future oriented financial information and financial outlook information (collectively, "FOFI") about Equicapita's prospective results of operations and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained herein is made as of May 5, 2020 and is provided for the purpose of providing further information about the Equicapita's anticipated future business operations. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

This forward-looking information and FOFI is given as at May 5, 2020 and Equicapita disclaims any intent or obligation to update publicly any forward-looking information or FOFI, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Key Terms:

"EBITDA" is defined as income from continuing operations before (i) finance expense, (ii) income taxes, (iii) depreciation and amortization and (iv) other non-cash expenses, including but not limited to gains and losses on foreign currency and disposition of property - net of minority interests.

"MER" is Management Expense Ratio calculated by dividing normalized fund G&A by the weighted average capital outstanding in the year.

"Normalized TTM EBITDA" is EBITDA without fund level G&A, non-recurring items and assuming full calendar year hold for investment to provide a reasonable comparison to full cycle EBITDA for the entire portfolio.

"Normalized EBITDA" is EBITDA without fund level G&A, non-recurring items but with acquisition company economic contributions only from date of purchase.

"Total AUM" is based on the valuation set out in the fairness opinion provided in the extension circulars.

Notes:

The MER in the Fund Facts table for 2019 is calculated by dividing normalized fund G&A of \$5.7M by the weighted average capital outstanding in the year of \$280.8M. In 2019, there was an increase in G&A which is directly related to the 3 deals that were completed in the year as well as the 2 completed at the end of 2018. Management expects that the MER for 2020 will be ~2.1% calculated using steady state normalized G&A of \$6.5M and weighted average capital outstanding (assuming no additional capital raised) of \$303M.