



Michael Kaye

2018 YEAR IN REVIEW

2018 was a strong year for ClearLight. We were fortunate to welcome several new executives to our management teams and to have two new platform investments as well as two exits.

The first announced platform investment was Paul Fredrick, a designer and direct-to-consumer retailer of men's apparel and related accessories. Paul Fredrick is led by the former executive team from JoS. A. Bank and offers a great solution for anyone seeking high quality, stylish products at competitive prices. Later in the year, we invested into a large franchisee in the exciting Orangetheory Fitness system. Orangetheory's approach to fitness is centered around High Intensity Interval Training ("HIIT") and creates a fun, challenging, and effective experience for individuals of all ages and fitness levels in a class-based setting. This investment marks ClearLight's second platform in fitness franchising. Our two exits included Taymax (profiled below), a franchisee in the Planet Fitness system, and Pure Water Technology, a manufacturer and marketer of point-of-use water purification coolers.

As the private equity business continues to evolve, we feel well situated to adapt and respond to the challenges at this stage of our industry's development.

Here's to a prosperous 2019 to you all. Thank you for your past and future contributions!



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REFLECTIONS AND FAVORITE MEMORIES FROM THE PARTNERS



Josh Mack

"I'm thankful to the Taymax management team for driving such a great outcome for the investment. We had fun along the way, developed lifelong friendships and produced an excellent financial return."



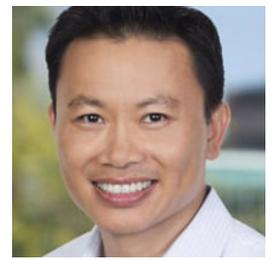
Andrew Brennan

"Overall, navigating market cycles is always challenging, and at a time of some frothiness in the market, our focus on building durable relationships and focusing on long-term value creation has been a differentiator for us."



Joe Schmidt

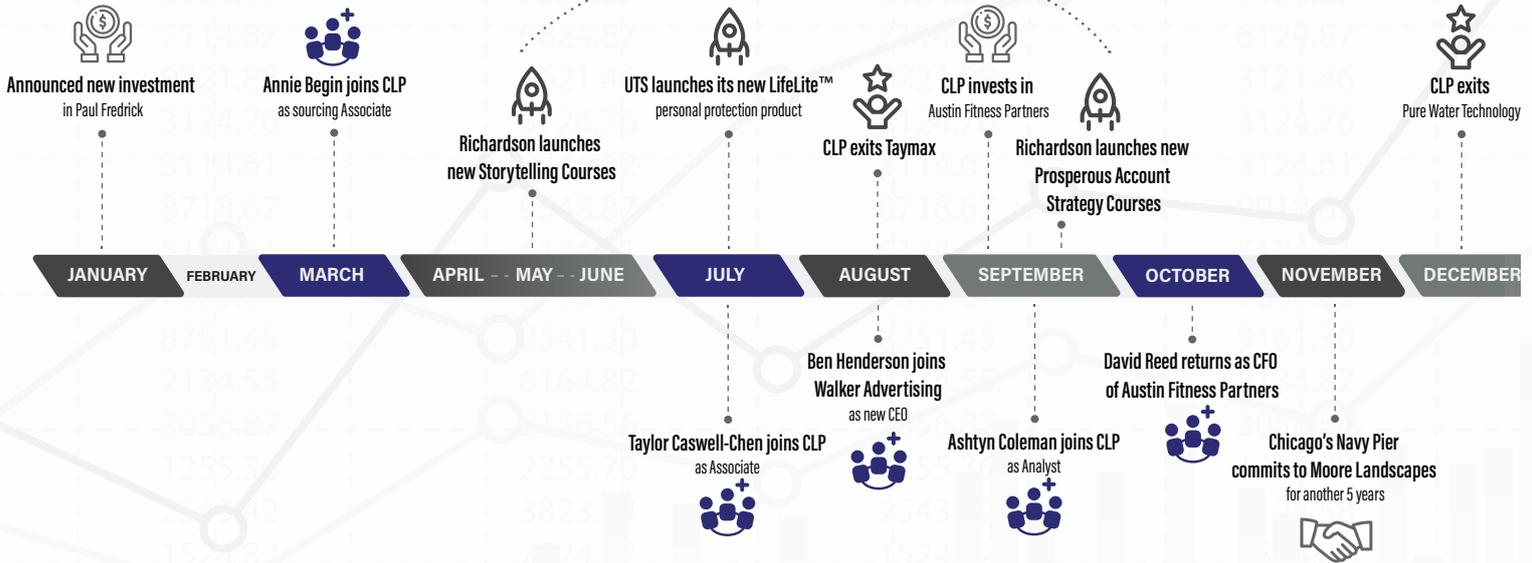
"I had a great time working with ClearLight's management teams to help advance important goals within our family of companies. It was also rewarding to interact with so many business owners who sought out our help throughout the year – something we are always happy to provide whether we are investors in their companies or not."



Huy Dang Vu

"It was exciting to see how our entrepreneurial and collaborative approach with our companies resulted in some significant wins in 2018."

OUR NOTABLE ACCOMPLISHMENTS THROUGH THE YEAR



Time flies when you're having fun. We were fortunate to enjoy some great wins during 2018 including welcoming new team members, two exits, a new platform investment and some important strategic advancements within our portfolio companies. A lot of work led up to each of these highlights, so hats off to everyone involved. Heading into 2019, we feel well positioned across many fronts to tackle the New Year's inevitable array of challenges.



TAYMAX

In October of 2013, ClearLight made a majority investment into Taymax, a franchisee of Planet Fitness health clubs. The investment established ClearLight as the first institutional investor into the Planet Fitness franchisee base and marked ClearLight's entrance into both the fitness industry and franchising. What followed surpassed everyone's expectations in terms of growth in unit count and other operational KPIs. We exited in August 2018 to another private equity fund which generated a stellar outcome for all stakeholders.

In Under Five Years...

GREW FROM 12 ↗ 60 CLUBS

\$33MM



KIDS CORNER

Perhaps there's something in the reverse osmosis filtered water (thanks to PHSI) around the office, but we experienced what is now being referred to as the 2018 ClearLight Baby Boom. Yes, we had three new bundles of joy arrive on the scene in 2018 to the delight of the three proud fathers below.



MARK & AUGUST



KYLE & BLAIR



DOUG & CAROLINE

CURRENT PORTFOLIO COMPANIES



Austin Fitness Partners
Austin, TX
Invested Sept. '18

Franchisee of Orangetheory Fitness studios



Richardson
Philadelphia, PA
Invested Sept. '06

Global sales training and sales performance improvement company



Katzkin Leather Interiors
Montebello, CA
Invested June '07

Designer, manufacturer, and distributor of aftermarket leather interiors for automobiles and light trucks



United Tactical Systems
Chicago, IL
Invested Aug. '14

Provider of less lethal crowd control & self-defense products



Moore Landscapes
Chicago, IL
Invested May '17

Provider of commercial landscape management and winter services



Walker Advertising
Torrance, CA
Invested Aug. '15

Provider of marketing / advertising, & lead generation services for law firms

Paul Fredrick

Paul Fredrick
Baltimore, MD
Invested Dec. '17

Designer and direct-to-consumer retailer of men's apparel and related accessories

ONGOING SECTORS OF INTEREST

As a refresher on our investment criteria, we continue to look for **founder or family-owned private companies generating at least \$3MM of EBITDA** and that are operating in industries with good growth prospects. While most sectors are eligible for us, we spend the majority of our time pursuing deals in the following general areas.

BUSINESS SERVICES

Business-to-Business (B2B) services

EDUCATION & TRAINING

Emphasis on early childhood education, brick-and-mortar operations and/or recurring training services & content



CONSUMER PRODUCTS & SERVICES

Branded consumer products, multi-unit retail not likely to be disrupted by the internet, and residential services

INDUSTRIAL TECHNOLOGY, SERVICES & SPECIALTY MANUFACTURING

High margin industrial products or route-based commercial / industrial services

CURRENT SECTORS OF PARTICULAR INTEREST

A EXPRESS CAR WASHES

Automated, tunnel-based operators with a multi-site presence and at least \$1-2MM of EBITDA. No restrictions on geography.

B JUVENILE PRODUCTS

Branded children's products with an emphasis on the direct-to-consumer channel. At least \$20MM in annual revenue with a track record of multiple successful product launches. Preference for 10%+ recent historical revenue growth and a minimum of \$3MM of EBITDA.



C COMMERCIAL LANDSCAPING

Operations focused in the Midwest and/or Upper South with \$5-10MM+ of Revenue. Desired emphasis on commercial landscape maintenance with net profit margins of at least 10%.

D RESIDENTIAL HVAC MAINTENANCE & REPAIR

Business mix & growth driven by maintenance and/or repair revenue with at least \$3MM of EBITDA. Strong regional presence with a high customer service orientation and associated online reputation.

CLEARLIGHT'S CEO ALLIANCE PROGRAM

Are you an executive looking to work with a PE fund in 2019?

Some of our best investments started with a passionate executive and a thesis for an industry in which we could build a leading company together.

CALL US TODAY!

Is this you?

- EXPERIENCED, SENIOR EXECUTIVE (PRIOR GM / CEO-LEVEL EXPERIENCE)
- INDUSTRY EXPERIENCE IN TARGETED SECTOR
- PERSONAL PASSION, WITH GOALS THAT ARE ALIGNED TO THE CLEARLIGHT TEAM
- STRONG MIX OF IQ / EQ
- TRACK RECORD OF VALUE CREATION

TRENDS / PREDICTIONS FOR THE M&A BUSINESS IN 2019

Mark Twain said, "Prediction is difficult – particularly when it involves the future." Case in point, several of us have been incorrectly predicting the next recession for the past several years. However, there are some trends we've been observing which could portend glimpses into the future if they continue on their current trajectory. So, without future ado, here are some things we have our eye on for 2019:

- **Recession resistant businesses will continue to be attractive.** We're currently amidst the second longest period of economic expansion in the country's history, and most companies have at least some exposure to cyclicalities. All else being equal, companies that were around and weathered the Great Recession without too much difficulty will inspire more conviction in anticipation of the next downturn.
- **Everything-as-a-Service ("EaaS").** 2018 was the year that recurring revenue "jumped the shark". Just when we thought we had heard them all, we were introduced to Dental Practice Management and Digital Marketing as-a-Service. Eagerly awaiting the next batch of acronyms.
- **Humanization of Capital.** The market is awash with capital, so investors would do well to step up their marketing games to differentiate themselves and reveal the personalities behind the decisionmakers at the firm.
- **Private Equity Becomes More Technology Enabled.** Technology use within the private equity industry has become increasingly prevalent, though its adoption is somewhat inconsistent across use cases. Early technology adopters may experience fits and starts, but those that determine where and how to maximize ROI from technology investment should maintain a competitive edge.
- **Cyber Security Creates Both Risks and Opportunities.** The cyber-villain community is getting a lot better at what they do, and every business needs to remain vigilant such that they are not unduly relieved of their financial resources or unwittingly sharing sensitive information. The good news is that when a problem arises, so emerge business and investment opportunities.



FOR ANY NEW INVESTMENT OPPORTUNITIES PLEASE CONTACT

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