

Clairvest Reports Fiscal 2019 First Quarter Results

TORONTO, Aug. 13, 2018 -- Clairvest Group Inc. (TSX: CVG) today reported results for the fiscal 2019 first quarter ended June 30, 2018. *(All figures are in Canadian dollars unless otherwise stated)*

Highlights

- June 30, 2018 book value was \$715.1 million or \$47.18 per share versus \$667.3 million or \$44.01 per share as at March 31, 2018
- Net income for the quarter was \$54.7 million or \$3.61 per share
- Clairvest, Clairvest Equity Partners V ("CEP V") and Great Canadian Gaming Corporation completed the acquisition of gaming assets in the West Greater Toronto Area
- Clairvest and Clairvest Equity Partners IV ("CEP IV") completed the sale of MAG Aerospace in June 2018
- Clairvest and CEP IV completed the sale of Centaur Gaming in July 2018
- Subsequent to quarter end, Clairvest paid an annual ordinary dividend of \$1.5 million, or \$0.10 per share, and a special dividend of \$5.2 million, or \$0.3401 per share, both paid on July 25, 2018

Clairvest's book value was \$715.1 million or \$47.18 per share as at June 30, 2018, compared with \$667.3 million or \$44.01 per share as at March 31, 2018. The increase in book value per share for the quarter was primarily attributable to net income for the quarter of \$54.7 million, or \$3.61 per share, net of \$0.4401 of dividends per share accrued as at June 30, 2018. During the quarter, 5,100 shares were purchased and cancelled under the Normal Course Issuer Bid at an average cost of \$42.83 per share.

As at June 30, 2018, Clairvest had approximately \$628.8 million of capital available for future acquisitions through treasury funds, credit facilities, access to funds in its acquisition entities and uncalled committed capital in various Clairvest Equity Partnerships (the "CEP Funds").

In May 2018, Clairvest and CEP V invested \$29.2 million for a 45% ownership in Ontario Gaming West GTA Limited Partnership ("OWGTALP"), which operates four gaming facilities in the West Greater Toronto Area. Great Canadian Gaming Corporation owns the remaining 55%. Clairvest's portion of the investment during the quarter was \$8.4 million, bringing total investment in OWGTALP to \$8.8 million.

In June 2018, Clairvest and CEP IV completed the sale of their equity interest in MAG Aerospace for aggregate proceeds of US\$110.4 million, which represented 8.2 times invested capital, or an IRR of 57% over the 5+ year investment life. In Canadian dollar terms, Clairvest received sale proceeds of \$37.9 million against its cost of this equity investment of \$4.0 million, or 9.5 times invested capital.

In July 2018, Clairvest and CEP IV completed the sale of their interest in Centaur Gaming. Clairvest and CEP IV received aggregate sale proceeds of US\$417 million and are entitled to deferred consideration of up to US\$21 million payable over the next three years. Clairvest's portion of the sale proceeds was US\$167 million (C\$219 million) and is entitled to deferred consideration of up to US\$8.4 million payable over the next three years, against an investment of US\$26.5 million. As at June 30, 2018, the valuation of Centaur Gaming of \$225.6 million reflected the cash proceeds received plus the present value of the estimated deferred consideration.

Clairvest's recent exits are part of the firm's focus on portfolio sales and recapitalizations to take advantage of the current seller's market which features high transaction multiples across many industries as well as unprecedented liquidity in the capital markets. Over the past twenty months, Clairvest embarked on an aggressive strategy to monetize several significant wins in its portfolio. The following outlines Clairvest's and its CEP Funds' realizations of over \$1 billion over the last twenty months:

- Rivers Casino completed a dividend recapitalization in December 2016, resulting in a dividend distribution of US\$41M to Clairvest and CEP IV, for total pre-tax realizations to date of 4.6 times invested capital;
- The sale of Cieslok Media in January 2017 which generated a return of over 8.4 times invested capital and proceeds of \$124 million to Clairvest and CEP IV;
- The sale of LSNE in April 2017, resulting in a multiple of capital invested of 3.5 times in Canadian dollars and proceeds of \$110 million to Clairvest and CEP III;
- The sale of CRS Contractors Rental Supply in August 2017 which generated a return of 3.2 times invested capital and proceeds of \$118 million to Clairvest and CEP IV;
- The sale of Wellington Financial in January 2018 which generated sale proceeds in excess of \$40 million for Clairvest, bringing total pre-tax profit to \$58 million over the life of the investment;
- The sale of Winters Bros. Waste Systems of CT where Clairvest and CEP IV received proceeds equal to their investment while continuing to own 23% of the business;
- The sale of MAG Aerospace in June 2018 which resulted in a return of over 9.5 times invested capital in Canadian dollars and proceeds of over \$140 million to Clairvest and CEP IV;
- Digital Media Solutions completed a dividend recapitalization in July 2018, resulting in a distribution of US\$31 million to Clairvest and CEP V, for total pre-tax realizations of 1.7 times invested capital while maintaining their ownership interest; and
- Lastly, the recent closing of the sale of Centaur Gaming which generated a return of over 14 times invested capital, in Canadian dollars, to CEP IV and proceeds of over \$550 million to Clairvest and CEP IV.

“Clairvest’s exit and recapitalization activity has meaningfully bolstered our track record of actively invested capital and is a testament to the success of Clairvest’s proven investment strategy which focuses on industry knowledge and expertise, patient capital deployment and a partnership first mentality with operating partners. These transaction have resulted in a significant increase in our cash balances and we expect this to continue while Clairvest remains in the seller’s seat. We do not believe that the current valuations are sustainable over the long run and when the inevitable correction takes place, Clairvest’s strong liquidity position will allow us to pursue attractive opportunities in the new market environment. That said, we continue to pursue interesting specialty situations which are surfacing as a result of our domain activity.” said Ken Rotman, CEO of Clairvest.

Subsequent to quarter end, Clairvest paid an annual ordinary dividend of \$0.10 per share and a special dividend of \$0.3401 per share, such that in aggregate, the dividends represent 1% of the March 31, 2018 book value. Both dividends were paid on July 25, 2018 to common shareholders of record as at July 6, 2018 and are eligible dividends for Canadian income tax purposes.

Summary of Financial Results – Unaudited

| Financial Results ⁽¹⁾ | Quarter ended | |
|---|---------------|----------|
| | June 30 | |
| | 2018 | 2017 |
| (\$000’s, except per share amounts) | \$ | \$ |
| Net investment gain (loss) | 60,398 | (23,164) |
| Net carried interest income – realized and unrealized changes | 23,595 | 2,290 |
| Distributions, interest income, dividends and fees | 5,245 | 17,043 |
| Total expenses, excluding income taxes | 26,425 | 10,024 |
| Net income (loss) and comprehensive income (loss) | 54,655 | (11,560) |
| Basic and fully diluted net income (loss) per share | 3.61 | (0.76) |

| Financial Position | June 30 | March 31, |
|---|------------|------------|
| | 2018 | 2018 |
| (\$000’s, except share information and per share amounts) | \$ | \$ |
| Total assets ⁽¹⁾ | 914,546 | 834,889 |
| Total cash, cash equivalents and temporary investments and restricted cash ⁽¹⁾ | 158,067 | 147,924 |
| Unrealized carried interest from the CEP Funds ⁽²⁾ | 147,099 | 127,900 |
| Corporate investments, at fair value ⁽¹⁾ | 560,569 | 515,172 |
| Total liabilities ⁽¹⁾ | 199,460 | 167,568 |
| Management participation ⁽¹⁾ | 106,683 | 91,267 |
| Book value ⁽²⁾ | 715,086 | 667,321 |
| Common shares outstanding | 15,157,895 | 15,162,995 |
| Book value per share ⁽²⁾ | 47.18 | 44.01 |

⁽¹⁾ Under IFRS, the Company is required to fair value certain acquisition entities and wholly-owned holding entities and record them as corporate investments. The Company is also required to recognize as revenue that portion of the carried interest from the CEP Funds which are allocated to the principals and employees of Clairvest through various limited partnerships which are controlled by Clairvest. In addition, Clairvest is required to record a liability for any entitlements of limited partners of a partnership where the limited partners are not part of the consolidated group of the Company but where the partnership is required to be consolidated by the Company. Accordingly, that portion of the carried interest from the CEP Funds that is allocated to the limited partners of these partnerships (“MIP Partnerships”) and the carried interest payable to MIP Partnerships by other partnerships which are consolidated by Clairvest (collectively, the “Management participation”) are recorded as an expense and a liability of the Company.

⁽²⁾ Book value is a Non-IFRS measure calculated as the value of total assets less the value of total liabilities. The term book value does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. There is no comparable IFRS measure presented in Clairvest’s consolidated financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial measure. The Company has calculated book value consistently for many years and believes that book value can provide information useful to its shareholders in understanding its performance, and may assist in the evaluation of its business relative to that of its peers.

Clairvest’s first quarter fiscal 2019 financial statements and MD&A are available on the SEDAR website at www.sedar.com and

the Clairvest website at www.clairvest.com.

About Clairvest

Clairvest Group Inc. is a private equity investor which invests its own capital, and that of third parties through the Clairvest Equity Partners ("CEP") limited partnerships, in businesses that have the potential to generate superior returns. In addition to providing financing, Clairvest contributes strategic expertise and execution ability to support the growth and development of its investee partners. Clairvest realizes value through investment returns and the eventual disposition of its investments.

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Forward-looking Statements

This news release contains forward-looking statements with respect to Clairvest Group Inc., its subsidiaries, its CEP limited partnerships and their investments. These statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Clairvest, its subsidiaries, its CEP limited partnerships and their investments to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. Clairvest is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or otherwise.

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