

Why you should REJECT the k1 Ventures offer

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- No liability is assumed for any losses suffered by anyone due to buying, selling or otherwise trading in k1 shares

What is k1 Ventures?

- Launched as a technology venture capital fund in Jul 2000
- Now operates as a diversified investment company
- Listed on SGX
- Shareholders:
 - 36% Keppel Corp
 - Founding sponsor, Passive
 - 14% Steven Jay Green
 - Chairman & CEO, Executive
 - Appointed in Sep 2001 to turn k1 around
 - 12% BV Investment
 - Owned by the 2 founders of SAFANAD, a private equity firm which has invested >US\$20b in 100+ deals since 1995
 - Entered k1 via private placement @\$0.29 in Jul 2004
 - 38% Public

Major k1 Investments

- Helm Financial
 - Railcar leasing in the US, started 1980, current fleet: 4,853 railcars
- Knowledge Universe
 - Private education, started in 1996 with US\$500m, 3,700 locations worldwide
 - Founders: Michael Milken (Drexel Burnham Lambert) & his brother
- McMoran Exploration
 - Oil & gas exploration and production in the Gulf of Mexico
 - Listed on NYSE (MMR:US), market cap US\$2b
- Guggenheim Capital
 - Financial services group with US\$100b under supervision
- China Grand Auto
 - Automotive retailer in China (300 dealerships)

Valuation – Helm (Worst Case)

- 3-year average EBITDA: \$33.4m
 - excludes associates and JVs
- At 6x EV / EBITDA, valuation is \$200m
- Debt \$150m – Cash \$41m = Net Debt \$109m
- Equity Value = \$200m – \$109m = \$91m
- Assoc. & JVs: 3-year average Operating Profit \$9.6m
- At 10x Operating Profit, valuation is \$96m
- Total Value of Helm: \$91m + \$96m = \$187m
- k1 owns 80.1% of Helm = \$150m



Valuation – Helm (Most Likely Case)

- Economy improves, EBITDA increases 20% = \$40m
 - excludes associates and JVs
- At 6x EV / EBITDA, valuation is \$240m
- Debt \$150m - Cash \$41m = Net Debt \$109m
- Equity Value = \$240m - \$109m = \$131m
- Assoc. & JVs: Operating Profit up 20% = \$11.5m
- At 10x Operating Profit, valuation is \$115m
- Total Value of Helm: \$131m + \$115m = \$246m
- k1 owns 80.1% of Helm = \$197m



Helm's Competitors – GATX Corp.

- Largest railcar leasing company in the US
- Listed on NYSE (GMT:US), market cap US\$1.9b
- US fleet: 109,187 railcars on 30 Jun 12 (Helm: 4,853 on 31 Dec 11)
- 2012 Q2 conference call on 19 Jul 2012:
 - *The renewal rates for railcars in the lease price index were **23.9% above expiring lease rates** and lease terms were 59 months on average for renewals in the quarter.*
 - *... **continued strong demand** for many car types in the GATX fleet. In particular, we continued to see strong demand across our tank car fleet. We are seeing **ample opportunity to lock in attractive rates on long-term leases** and will continue to pursue this objective.*
 - *we are **raising our full year 2012 earnings** guidance ... The increase is based on the **continued strength in rail***

Helm's Competitors – Trinity Industries

- US railcar manufacturer & leasing company
- Listed on NYSE (TRN:US), market cap US\$2.2b
- Fleet size: 70,690 on 30 Jun 2012 (Helm: 4,853 on 31 Dec 2011)
- 2012 Q2 conference call on 26 Jul 2012:
 - *Trinity's Railcar Leasing and Management Services group performed well during the second quarter obtaining **higher lease rates** and securing **longer lease terms**.*
 - ***Lease rate and lease renewal trends remain very favorable.***
 - *A **high percentage of our [lessees] are renewing our contracts**, which lowers re-marketing expenses and minimizes other service time for the fleet. This has had a **positive impact on leasing operating margins**.*
 - ***Rising railcar prices, extended production backlogs and favorable lease renewal trends** are creating an environment that supports **further increases in lease renewals rates**.*

Helm's Competitors – The Andersons

- Diversified Group
 - Grain, Ethanol, Rail, Plant Nutrient, Turf & Specialty, Retail
- Listed on NASDAQ (ANDE:US), market cap US\$700m
- Fleet Size: 22,963 railcars on 31 Mar 12 (Helm: 4,853 on 31 Dec 11)
- 2012 Q1 results, filed on 9 May 2012:
 - ***Operating results for our Rail Group improved*** by \$4.5 million compared to the results from the same period last year. ***Leasing revenues have increased \$3.8 million, car sales increased \$1.4 million, and repair sales increased \$1.7 [million] quarter over quarter.***
 - ***Gross profit increased \$5.4 million over the first quarter of 2011. Gross profit on car sales increased \$1.5 million and is attributable to more cars sold at a higher margin. Gross profit from the leasing business increased \$2.7 million due to higher average lease rates.***

Helm's Competitors – Utilization

US Fleet Utilization Rate	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Mar 2012	30 Jun 2012
GATX	95.9%	97.4%	98.2%	98.5%	98.3%
Trinity Industries	97.8%	99.4%	99.5%	99.5%	99.1%
The Andersons	78.1%	73.6%	84.6%	85.7%	n/a

Helm – Conclusion

- 3 major competitors say **business is good**
 - Utilization rate is UP
 - Lease pricing is UP
 - Lease renewal rate is UP
 - Operating margin is UP
- Excluding the non-cash accounting charges, Helm should be doing well too!



Valuation – Guggenheim Capital

- Invested in June 2011
- Cost: USD 100m
- Preferred Units paying 7% dividend
- Put Option after 6 years
- Warrants allowing conversion into equity
- Should be worth at least initial cost
- Valuation: USD 100m / SGD 125m



Valuation – McMoran Exploration

- Listed on NYSE (MMR:US)
- Oil and gas exploration and production
 - Offshore in the Gulf of Mexico
 - Onshore along the Gulf Coast
- k1 owns 2,309,000 shares (~1.5% stake)
 - Last done price (30 Jul 2012): USD 13.81
- Valuation: USD 31.9m / SGD 39.9m



Valuation – Knowledge Universe

- 2010 revenue: USD 1.6bn
- EBITDA margin: 13.2% (2010), 11.6% (2011)
- Current Debt: USD 260m

- Debt versus EBITDA for the 12 mths ended 31 Mar 2012 = 6.1
- => Current EBITDA = USD 42.6m

- Cash on 31 Dec 2011 = USD 54m
- Debt USD 260m – Cash USD 54m = Net Debt USD 206m

- Plus: 7.4m shares in K12, Inc (listed on NYSE)
 - Last Done Price USD 18.06 (30 Jul 2012)
 - Valued at USD 134m



Valuation – Knowledge Universe (Worst Case)

- Assume Recession Continues
 - EBITDA is flat at USD 42.6m
- At 6x EV / EBITDA, valuation is USD 256m
- Net Debt = USD 206m
- Equity Value = USD 256m – USD 206m = USD 50m

- Total Value (Knowledge Universe + K12)
- = USD 50m + USD 134m
- = USD 184m

- k1 owns a 12.2% stake = USD 22.4m = SGD 28m



Valuation – Knowledge Universe (Most Likely Case)

- Assume Economy Recovers
 - Revenues steady at USD 1.6bn
 - EBITDA margin returns to 2011 level (11.6%)
 - EBITDA = USD 186m
- At 6x EV / EBITDA, valuation is USD 1,114m
- Net Debt = USD 206m
- Equity Value = USD 1,114m – USD 206m = USD 908m
- Total (Knowledge Universe+K12)
 - = USD 908m + USD 134m
 - = USD 1,042m
- k1 owns a 12.2% stake = USD 127m = SGD 159m



Valuation – China Grand Auto

Hong Kong-listed Car Dealers	Stock Code	2011 Sales	Market Capitalization (as of 1 Aug 2012)	Price/Sales
Zhongsheng Auto	881 HK	RMB 41.9bn	HKD 15.9bn	0.31
China Yongda Auto	3669 HK	RMB 20.3bn	HKD 9.8bn	0.40
China ZhengTong	1728 HK	RMB 14.4bn	HKD 8.1bn	0.46
Baoxin Auto	1293 HK	RMB 12.0bn	HKD 9.6bn	0.66
			Average Price/Sales Ratio	0.46

- China Grand Auto had 2011 sales of **RMB 64.1bn**
 - Preparing for IPO, so listed peers are a valid reference
 - Using average price/sales ratio of 0.46, value is RMB 29.5bn
 - k1 has a 1.6% effective stake = RMB 472m = SGD 92m
- Worst Case Value = Cost = USD 12.3m / SGD 15.4m
- Most Likely Value = SGD 92m



k1 Valuation – Worst Case

- Helm = SGD 150m
- Knowledge Universe + K12 = SGD 28m
- McMoran Exploration = SGD 40m
- Guggenheim Capital = SGD 125m
- China Grand Auto = SGD 15m
- Total Value = SGD 358m
- Shares Issued = 2,166m
- **Minimum Value per Share = SGD 0.165**



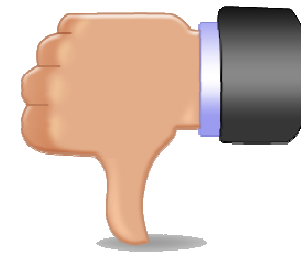
k1 Valuation – Most Likely Case

- Helm = SGD 197m
- Knowledge Universe + K12 = SGD 159m
- McMoran Exploration = SGD 40m
- Guggenheim Capital = SGD 125m
- China Grand Auto = SGD 78m
- Total Value = SGD 599 m
- Shares Issued = 2,166m
- **Most Likely Value per Share = SGD 0.277**



Conclusion

- The offer of SGD 0.135 per share is...
 - 18% below the worst-case minimum value of SGD 0.165; and
 - >50% below the most likely value of SGD 0.277
- **DO NOT ACCEPT** the offer



Final Argument – Common Sense

- If the offer succeeds...
 - Steven Green’s deemed 14% stake goes to 43%
 - He runs k1 as Chairman and CEO, if he wants to triple his stake, k1 is probably worth **a lot more** than the offer price
 - BV Investment will maintain its stake at 12%
 - Its owners are private equity professionals, if they are not selling, it means they have **confidence in Steven**
 - Keppel Corp’s stake will rise from 36% to 45%
 - Keppel Corp is passive, an increase in its stake is a **vote of confidence in Steven**
- Follow the “smart money” – REJECT the offer

Appendix: What about Steven Green?

- Business Savvy
 - >25 years of business experience
 - Chairman & CEO of Samsonite Corp (1988-1996)
 - Director of GIC Real Estate (2008-current)
- Helped k1 to realize significant investment profits
 - GASCO: \$170m
 - McMoran: \$66m (and counting)
 - DM&E: \$49m
 - K2: \$20m
- Investment Profits have funded large cash distributions by k1
 - To date, k1 has paid out >SGD 470m / SGD 0.22 per share
- What is Steven Green buying now? **k1**