

ADW Capital

Investor Presentation

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Management

Adam D. Wyden, Chief Investment Officer and Founding Partner

Before founding ADW, Mr. Wyden spent a year at Baker Street Capital Management – a deep value / event driven fund focusing on small capitalization equities. Mr. Wyden previously worked as a Senior Analyst at SMH Capital, a boutique merchant banking firm where he focused on advisory / principal investing to the lower middle market with sector expertise in technology, media, telecom, business services, consumer products, and industrials. Following SMH Capital, Mr. Wyden was enrolled in Columbia Business School's Accelerated MBA Program. Mr. Wyden holds a B.S. degree in Economics from the University of Pennsylvania's Wharton School and an M.B.A from Columbia University with concentrations in Finance and Accounting.

Overview

Background

- ADW Capital Management, LLC (“ADW”) was founded in September 2010 by Adam D. Wyden and manages a long-term value partnership, ADW Capital Partners, L.P. , launched in January 2011.
- Our objective is to produce high risk-adjusted returns through conservative equity investing in small under-followed businesses primarily in the US, Canada, and select opportunities in Western Europe.
- ADW has taken advantage of the recent market opportunity with net returns in excess of 258% while the S&P 500 has returned roughly 81% when including reinvested dividends.

Investment Philosophy

- Modeled after philosophy and structure of Buffett Partnership, Ltd (managed by Buffett from '56 to '69)
- Similar partnerships include Joel Greenblatt's Gotham Partners and ESL Investments, Inc.
- Evaluate all investment ideas as if one were buying the entire company while thinking about “long term franchise value” versus simply “price”. Put more bluntly, would I want to own the business forever?
- Narrow our universe to great businesses with sustainable franchises, stand-up management teams (significant skin in the game), competitive moats, and a long runway for value creation
- Only invest in situations with large margins of safety, an asymmetric risk-reward, and where we feel like we have a real edge
- Really dig deep. Conduct exhaustive bottoms-up investment research and due diligence. We call this “getting under the hood”
- Concentrate time and effort solely on the best ideas to avoid “idea dilution/crowding” and minimize risk of significant capital loss

Overview

Positioned for Long-Term Success – Now Is The Time

- Patience, our opportunistic investment process, and longer time horizon allows ADW to pursue only high conviction ideas with potential to produce significant returns over time
- With anemic top line growth and stalled corporate profits, managers/CEO's are actively looking for ways to create value to their shareholders (especially companies with significant insider ownership). These corporate actions manifest themselves in the form of tender offers, spin-offs, recapitalizations, buybacks and special dividends. These actions force the market to revalue the Company/security and do not require a robust economic environment
- Largest capital gains for "stock pickers" are produced following/during extended periods of market dislocation (e.g. 1950's, 1970's, etc) – capturing "Alpha" and not simply "Beta"

Investment Philosophy – “Best Offense is Superb Defense”

- Part of Warren Buffett’s investing credo involves a specific set of rules:
 - Rule #1: “Don’t lose money”
 - Rule #2: “Don’t lose money”
 - Rule #3: “Refer to rules #1 and #2”
- At ADW, we adhere to this maxim and believe that capital preservation is the key to securing the highest risk-adjusted returns over extended periods of time
- What does this mean in practice?
 - During periods of extreme market volatility like 2008 / early 2009, we might reduce our gross exposure significantly. Seth Klarman of Baupost Group often credits his returns to only being 50% invested at all times. This may be excessive in lower volatility markets, but we reserve the right to “go to cash” if risk adjusted opportunities do not present themselves
 - This last point reflects our offensive strategy. In baseball and tennis, power hitters often wait for the “fat pitch” or the “lob up the middle” to smash home the game winner
 - We premise our investing the same way. At ADW we are not looking to stretch for balls down the alley or out of our strike zone. We swing for balls we know we can hit and “wont get returned”
 - By focusing on “balls we can hit”, we believe that we will avoid “errant strikes” (opportunities for permanent capital loss) and keep up us well capitalized and ready for the “quality pitches”

Investment Philosophy – Investment Criteria

- **What are the types of things we look for in a specific investment/company?**
 - Strong balance sheet that is capitalized to survive both robust and lean times
 - Strong history of returning capital to shareholders through dividends or stock repurchases. If the company is growing what is the return on incremental capital?
 - Significant insider ownership (especially when paired with low executive compensation) – this is an indication they are running it for shareholders and not as their “piggy bank”
 - Does the company have a distinct competitive advantage? Can the company raise prices regularly?
 - Is this a growing or mature industry? Are there opportunities for consolidation?
 - What is the Company’s tangible book value? Is there a history of value destruction?
 - Is the Company proactive in managing costs and improving margins/profitability?
 - Is there operational leverage? (economies of scale / fixed cost utilization)
 - An asymmetric risk / reward (an opportunity to make 200% with downside reasonably capped at 20% , for example)

Investment Philosophy – Investment Criteria

- Most importantly, we are looking for a **CATALYST**
 - **Is there a distinct path to value creation or price discovery? What makes the stock work?**
 - Soft catalysts includes improved earnings / fundamentals / industry dynamics
 - Hard catalysts includes M&A/buyout, spin-off, restructuring, tender, buyback, special dividend, CEO/MGMT. change, activist present / instigating change
- Contiguous with our risk management policies, we believe that actionable ideas have distinct catalysts/features that prevent the stock from going down substantially and hence protect us from significant capital loss

Investment Philosophy – Sourcing the next big one

- How do we keep the portfolio current and fresh?
 - Proprietary investment websites/networks/newsletters
 - SumZero, Value Investor's Club, Manual of Ideas, etc.
 - Quantitative screens using Capital IQ (investment software) for value stock metrics (Low P/B, Low P/E, Net Cash, High ROIC). Additional screens for events – spin-off, buyback, tender, dividends, etc.
 - Keep current with business trends and marketplace. Peter Lynch used to travel to the shopping mall weekly to observe business transactions / marketplace in real time
 - Proprietary network – Wharton, Columbia, New York investing community, Washington DC / Federal Government
 - Experiential knowledge -- knowledge of past and current successful investments and ability to leverage relationships with management teams and industry experts

Investment Philosophy – “Getting under the hood”

- How do we differentiate ourselves from the rest of the investment community?
 - Passion, hard work, creativity, strong interpersonal skills, and ability to see the runway and connect the dots

- Formal Process
 - Go through the “math / valuation” (Buffett believes that if the math cannot be explained on the back of an envelope, the opportunity is probably unattractive)
 - Sometimes “the math” can be deceiving. We always double check for things we might have missed --- hidden assets / liabilities, non-cash charges, dramatic changes to the business/legal structure, etc or anything else that would affect the earnings power of the business going forward
 - Once we understand what we are “paying for” numerically, we drill down to the intangible components of the business – where we believe we get our “edge”
 - Evaluate the Company’s management team: Are they people of high integrity? What are their incentives? Will they manage the Company’s excess capital as if it were the shareholders’ checking account?
 - Call EVERYONE: Customers, suppliers, competitors, industry experts, regulatory officials – often the information gleaned from these calls is the most revealing (cues us to a potential home run or helps us avoid an impending landmine)

Terms and Service Providers

Terms

ADW Capital Partners, L.P.	Onshore vehicle
Average Net Exposure	50-100%
Management Fee	2% of assets per annum paid quarterly in advance
Incentive Fee	20% annual incentive fee subject to a high watermark provision

Service Providers

Prime Broker	BTIG LLC
Custodian	Goldman Sachs Execution & Clearing, L.P.
Administrator	SS&C GlobeOp
Auditor	Marcum LLP
Legal Counsel	Haynes & Boone, LLP

References

- Joseph Edelman, CEO, Perceptive Advisors
- Bill Martin, Founder and Chief Investment Officer, Raging Capital Management
- Scott Shleifer, Managing Director, Tiger Global Management
- Dan Mack, Portfolio Manager, Nantahala Capital Management
- Marc Lehmann, Portfolio Manager, Riverloft Capital Management

Fund Performance

ADW Capital Partners, L.P. ⁽¹⁾⁽²⁾⁽³⁾													
MONTHLY PERFORMANCE SINCE INCEPTION (net of all fees)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	1.68%	10.78%	0.81%	-4.61%	4.04%	-2.64%	4.08%	-1.76%	-2.65%	5.45%			15.16%
2014	-3.46%	2.60%	-0.89%	4.94%	3.00%	7.58%	-1.32%	0.01%	-2.58%	-1.98%	2.91%	10.44%	22.26%
2013	11.81%	2.36%	2.99%	1.94%	0.84%	-10.81%	-0.54%	2.08%	1.05%	0.83%	-0.98%	6.21%	17.56%
2012	-0.32%	5.28%	3.00%	2.62%	-5.55%	-3.39%	1.97%	0.77%	-0.66%	6.74%	-3.24%	6.09%	13.23%
2011	9.10%	11.46%	43.69%	11.68%	-4.84%	8.28%	-1.82%	-0.04%	-3.37%	-4.45%	6.58%	-1.48%	91.31%
Fund Performance Since Inception												258.56%	
Fund Annualized RoR												30.24%	
Annualized S&P 500 ⁽⁴⁾												13.10%	

(1) The performance shown is net of management fees (2%) and performance fees (20%). Past performance is not necessarily indicative of future results. Fund returns assume that an investor made a single capital contribution at the inception of the Fund with no subsequent additions or withdrawals. (2) The return for 2015 is a preliminary, unaudited estimate. (3) Returns and statistics are based on the results calculated by the Fund's administrator, SS&C GlobeOp. Such benchmarks and financial indices may not be available for direct investment, may be unmanaged, assume reinvestment of income, do not reflect the impact of any trading commissions and costs, management or performance fees, and have limitations when used for comparison or other purposes because they, among other reasons, may have different trading strategy, volatility, credit, or other material characteristics (such as limitations on the number and types of securities or instruments). The Fund's investment objective is not restricted to the securities and instruments comprising any one index. No representation is made that any benchmark or index is an appropriate measure for comparison. (4) References to S&P 500 are for informational purposes only. INFORMATION DOES NOT CONSTITUTE AN OFFER TO SELL (NOR THE SOLICITATION OF AN OFFER TO BUY) INTERESTS IN THE FUND. This information is qualified in its entirety by the applicable offering documents of the Fund. Market indices are included in this report only as context reflecting general market results during the period. This presentation is based on information believed to be correct, but subject to revision and audit adjustment. (*) Subject to waiver by ADW Capital Management, LLC.

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