Fairview Capital

Searching for a Mexican private company to acquire, operate and deliver value to stakeholders

/ 2023

INVESTOR PRESENTATION

FAIRVIEW
CAPITAL

Fairview Capital is raising **$460,000** to pursue a dedicated search in Mexico

Traditional search fund formed to identify, acquire and operate a Mexican private company

Target EBITDA between $1 million and $5 million

Sweet spot for pre-money Enterprise Value between $10 million and $20 million

Raising $460,000 through the sale of 20 Investment Units priced at $23,000 each

Initial capital will be used to sustain a search for up to 24 months to evaluate targets, perform due diligence, and perform an acquisition

Sebastian Ochoteco is the Managing Partner of Fairview Capital

Opportunity to earn up to 25.0% equity interest for identifying, acquiring a company and achieving operating results



Sebastian Ochoteco

has 10+ years of experience in financial services and is ready to be a full-time searcher



Born and raised in Lima, Peru

Economics undergrad at Universidad del Pacifico

5 years at EFIC Partners, mid cap M&A boutique

- 20+ M&A processes
- Sale of $50M to Advent
- Raised $30M from Rabobank

2 years at Grupo El Comercio in Corporate

- Refinance of $50M facility
- Sale of non-core assets for $130M+ to Carlyle and Laureate

Full-time MBA at Berkeley Haas
Internship at Amgen



Move to Mexico City to work at Covalto, largest SME lending fintech

- Managed over $200M of secured debt and $50M of unsecured debt; youngest director across the organization

Fairview Capital launch

Sebastian's experience, achievements, values vision makes him **the best candidate** for a search fund



Experience and skills

- Expertise and capabilities complement the search fund model
- Excels at industry and company screening and proprietary lead generation
- Possesses a deep understanding of the due diligence process
- Resilient and adaptable
- Strong track record as a manager



Business achievements

- History of successfully convincing owners to sell their companies
- Committed to becoming an entrepreneur through acquisition
- Success building a network in the Mexican market



Values and vision

- Enhance the lives of his future employees and foster a positive company culture that benefits all stakeholders
- Seeks to learn from investors, advisors, and employees

Search funds are a proven investment vehicle: **over 400** search funds have been raised worldwide



A search fund is an entrepreneurial path undertaken by one or two individuals (the “searchers”) who form an investment vehicle with a small group of aligned investors to search for, acquire, and lead a privately held company for the medium to long term, typically six to ten years.



For investors, a search fund can provide attractive returns in a two-stage investment: an initial investment in support of the entrepreneur’s sourcing of a company followed by a larger amount of capital in the acquisition of this existing business.



Search funds offer entrepreneurs the opportunity to become equity-owning business operators before they have accumulated the capital or experience required to buy or lead a company.

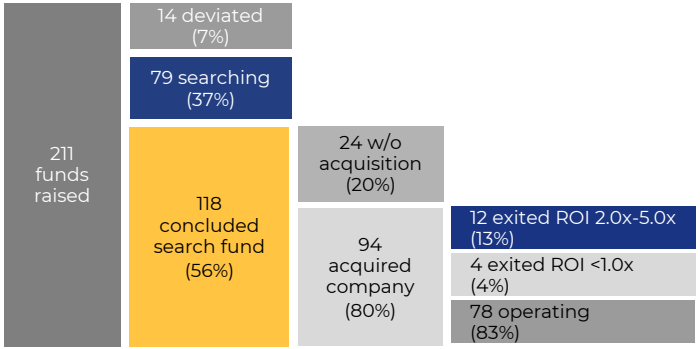
1984

Search funds exist since this year and to date over 400 search funds have been raised primarily by recent graduates of the world’s top business schools

Over 200 search funds have been raised outside of the US and Canada; Mexico being the largest market

International search funds as an asset class achieved an **ROI of 2.3x and an IRR of 24.3%** in 2022 (returns for terminal search funds)

Solo searchers account for 58.0% of international search funds, while 42.0% is partnered search



Search Fund Acquisitions by Country
(excluding US and Canada)



Source: International Search Funds - 2022 Selected Observations, IESE

The search fund model is executed over **five distinct stages**

Stage 1
Raise Fund

Raise search capital of $460,000 distributed in 20 units of $23,000 each

Funds support: salaries, research, travel, due diligence, overhead and legal fees

Managing Partner search for up to 24 months for a company to buy

1-4 months

Stage 2
Source & Evaluate Targets

Search will operate out of Mexico City

Managing Partner will perform an industry-based search

List of companies build upon selected industries

Contact companies, submit LOIs, perform basic due diligence

1-16 months

Stage 3
Finance & Close Transaction

Raise funds to acquire a potential target

Search fund investors will be offered ROFR and investment will be stepped up at 50.0% and converted

Acquisition will be financed using: debt, seller financing, equity

6-8 months

Stage 4
Operate Business

Managing Partner will assume role of CEO and operate the business

Managing Partner will receive up to 25.0% of equity: 8.3% at acquisition, 8.3% vesting 4 years, 8.3% subject to performance

5-10 years

Stage 5
Exit Business

Company sale 5-10+ years after acquisition

Managing Partner will receive restricted stock; full vesting generally occurs at agreed IRR hurdle

Investor's equity repaid before Managing Partner' equity

6 months-1 year

Up to 24 months

Fairview Capital is raising **$460,000** to sustain a dedicated search for up to 24 months

Fairview Capital is raising $460,000 by selling 20 Units priced at $23,000 each. Each unit grants 5.0% ownership of the search fund

For each Unit purchased investors will receive:



Right of first refusal: investors will have the right to participate in financing the acquisition of the target company (Stage 3) but no the obligation to do so. Investors will have the opportunity to provide 100.0% of the required equity



Investment step-up: all units will be converted to securities and stepped up by 50.0% at the time of the acquisition to compensate investors for the increased risk of investing in the search stage

Stage 1 funds will be used to operating costs such as managing partner salary, due diligence fees, deal expenses and overhead.

Budget for Search Stage (in USD)

Expense Item	Year 1	Year 2	Total
Start-up costs	$10,000	$0	$10,000
Managing Partner draw	$110,000	$110,000	$220,000
Overhead (interns)	$25,350	$25,350	$50,700
Office space & expenses	$8,000	$8,000	$16,000
Travel	$6,000	$6,000	$12,000
Research & Marketing	$12,000	$12,000	$24,000
Due diligence fees	$60,000	$60,000	$120,000
Contingency	$3,650	$3,650	$7,300
Total	$235,000	$225,000	$460,000
Units Size/ 20			$23,000

Fairview Capital will identify potential targets through an **industry-centric search strategy**

Search Strategy



Fairview Capital initial industry of interest is the **pet care market in Mexico**

In 2022, the global pet care market size was $171 billion. The market is projected to reach $241 billion by 2026 - a compound annual growth (CAGR) of 7.1%

In 2022, Mexico's pet market size was $3.4 billion, this ranks Mexico as the 12th largest market globally. During the 2017-2022 period the market grew at an annual rate of 10.0%. It is estimated that the market will grow at an annual rate of 5.6% per annum in the next five years.

$2.2 billion

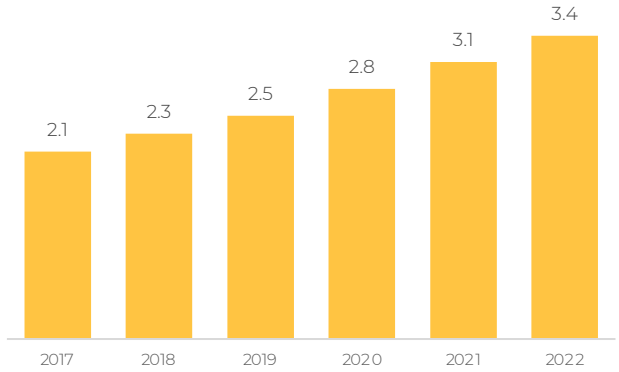
corresponds to pet food - approximately 65%. The rest of the market (35%) corresponds to healthcare and pet supplies.

12,026

There were private veterinary clinics in Mexico in 2020 with five states (Mexico State, Mexico City, Jalisco, Nuevo Leon, and Puebla) accounting for 50.3%. See below a chart with the information for the top 10 states in Mexico.

According to the INEGI (National Institute of Statistics and Geography)

Pet Care Market in Mexico 2017-2022 (in USD Bn)



The following industry tailwinds are **a key piece** to sustain an analysis of the industry for potential targets

1

The veterinary market is resilient against recessions. Pet owners view their pets as a "necessity" and are willing to spend on their pets even in a complicated economic environment.

2

Pet medicalization has increased, particularly for dogs, due to the humanization of pets and increased awareness of their health. Double Income No Kids (DINKs), families with pets, and baby boomers who get a pet after their kids leave home are the three consumer categories driving this trend. Working from home alongside pets during COVID-19 has led owners to treat their pets more.

3

Prices are expected to rise for high-end services and remain flat for lower-end services that drive traffic to the veterinary clinic.

4

The number of pet visits is increasing annually, driven by better diagnosis and health plans encouraging owners to visit clinics more often and build stronger relationships with veterinarians. Dogs visit veterinary clinics more often than cats, so the change in ownership mix will drive up the visits.

5

Spending per animal has followed a similar trend as human health care. Improved availability of end-of-life care options has boosted spending on pets in later stages of life. An analysis of this trend suggests that spending is highest from age 7 onwards.

6

Mexico's $3.4Bn veterinary clinic market is highly fragmented, with over 12,000 clinics. Pet ownership is high, with 60% of households having at least one pet. With slow barriers to entry, low regulation, and potential for consolidation, there is opportunity for growth and value creation.

Fairview Capital has also identified other sub-industries that will be analyzed during the search stage, although we are sector agnostic

Sub Industries:



Pet food



Pet supplies (e.g., cat litter)



Dental services



Diagnostic services (B2C and B2B)



Physical therapy services



Specialty clinics (i.e., reproductive clinics, skin clinics gynecology and obstetrics, nutrition).

Growth drivers behind these sub-industries are increase in disposable income, growth of the middle class, increasing healthcare spending, awareness of women's health issues (infertility rates growing, health consciousness driving demand for nutrition plans)

Fairview Capital

Searching for a Mexican private company to acquire, operate and deliver value to stakeholders

/ 2023

INVESTOR PRESENTATION: APPENDIX

FAIRVIEW
CAPITAL

Appendix 1:
Industry Screening Criteria

Size / Growth

- Historical and projected growth rates of the industry
- Emerging trends in the industry
- Innovation in the industry
- Regulatory environment
- Strong track record of annual growth (5-year CAGR at least 1.2x GDP growth)
- Significant number of companies in the industry (200-300+)

Financial Analysis

- Stability of cash flows (3-5 years)
- Average 15%+ EBITDA margins
- Recurring or revenue model with low volatility
- High capital efficiency ratio
- Low market share concentration
- Scalability potential (i.e., analysis of revenue per employee)
- Exit opportunities

Competition

- Fragmented competitive landscape
- No dominant players
- High/medium barriers to entry
- Low threat of external shocks such as technological or regulatory
- High/medium customer switching costs
- Supplier bargaining

Operations / Structure

- Simple and understandable
- Low seasonality or cyclicality
- Manageable learning curve
- Potential for operational improvements
- Medium to low supply chain complexity
- HR/personnel structure in place to scale

Appendix 2: Investment Attractiveness Scorecard

Macroeconomic and Industry Criteria

1. Macro trends: tailwinds and headwinds.
2. Industry growth potential in current and adjacent industries.
3. Competitive landscape

Company Specific Criteria

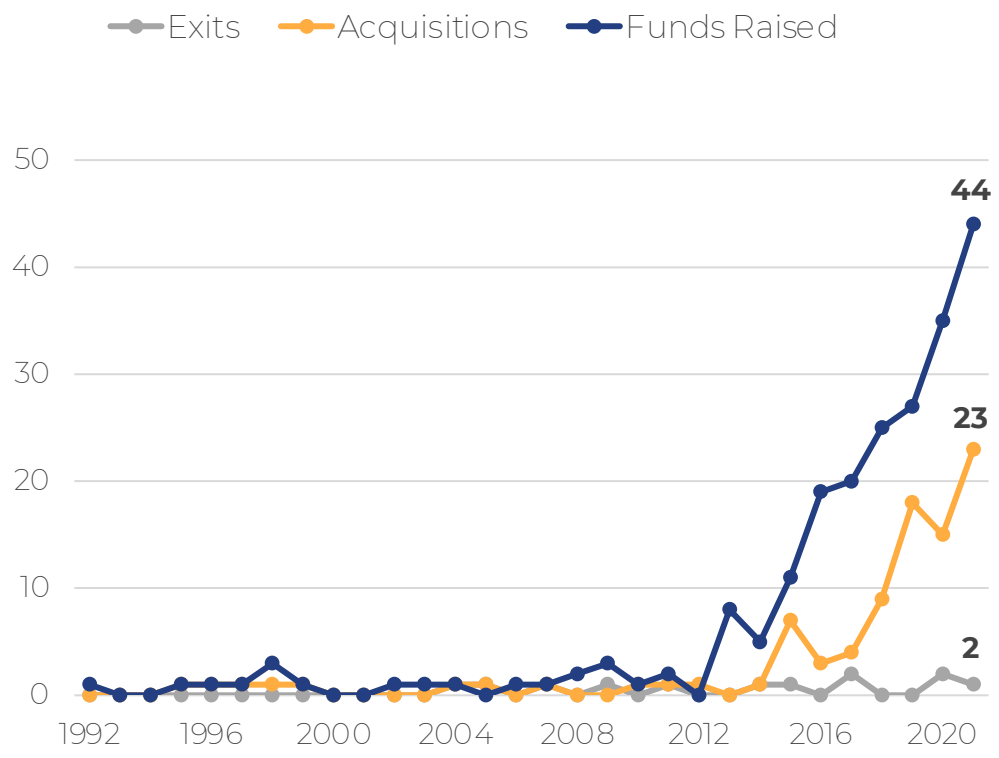
1. Revenue and cash flow quality
2. EBITDA margin performance
3. Revenue and EBITDA growth year over year
4. Debt ratios analysis (D/EBITDA & DSCR)
5. Capital requirements, both for capital expenditures (CAPEX) and working capital (WK).
6. Strength of customers and suppliers (bargaining power).
7. Operational complexity.

Personal Alignment

1. Managing partner interest in industry, company and prospects.

Appendix 3: International Search Fund Activity by Year

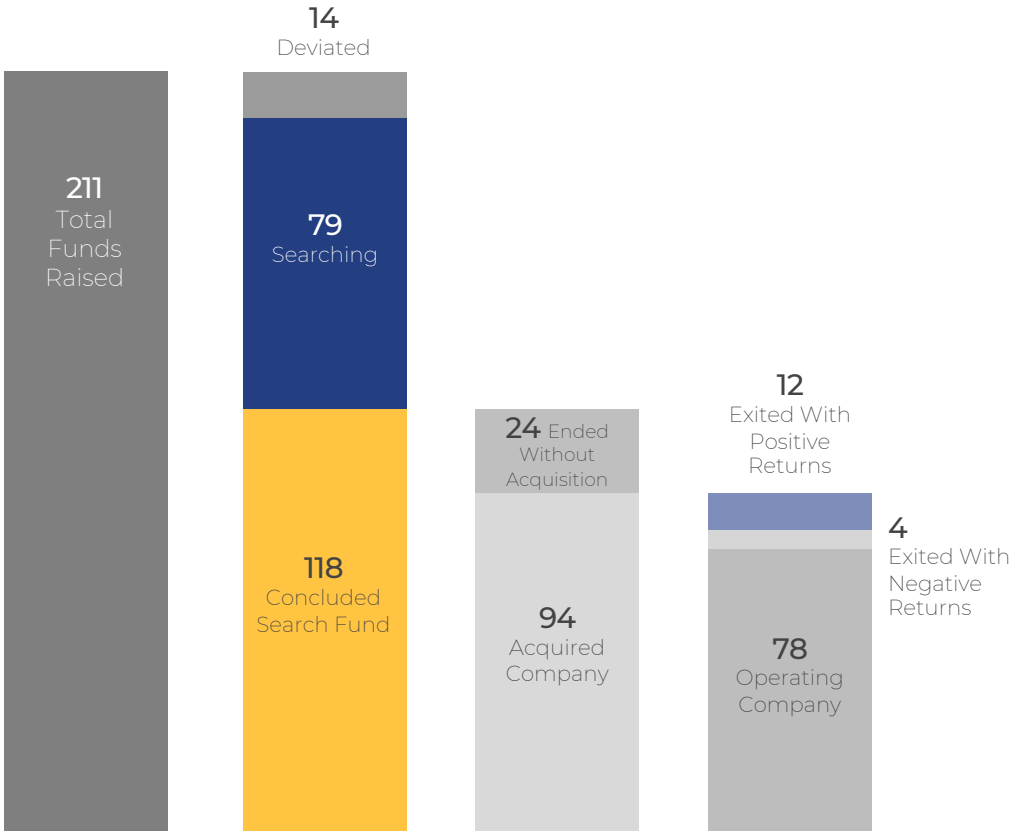
INTERNATIONAL SEARCH FUND ACTIVITY BY YEAR



Source: International Search Funds - 2022 Selected Observations, IESE

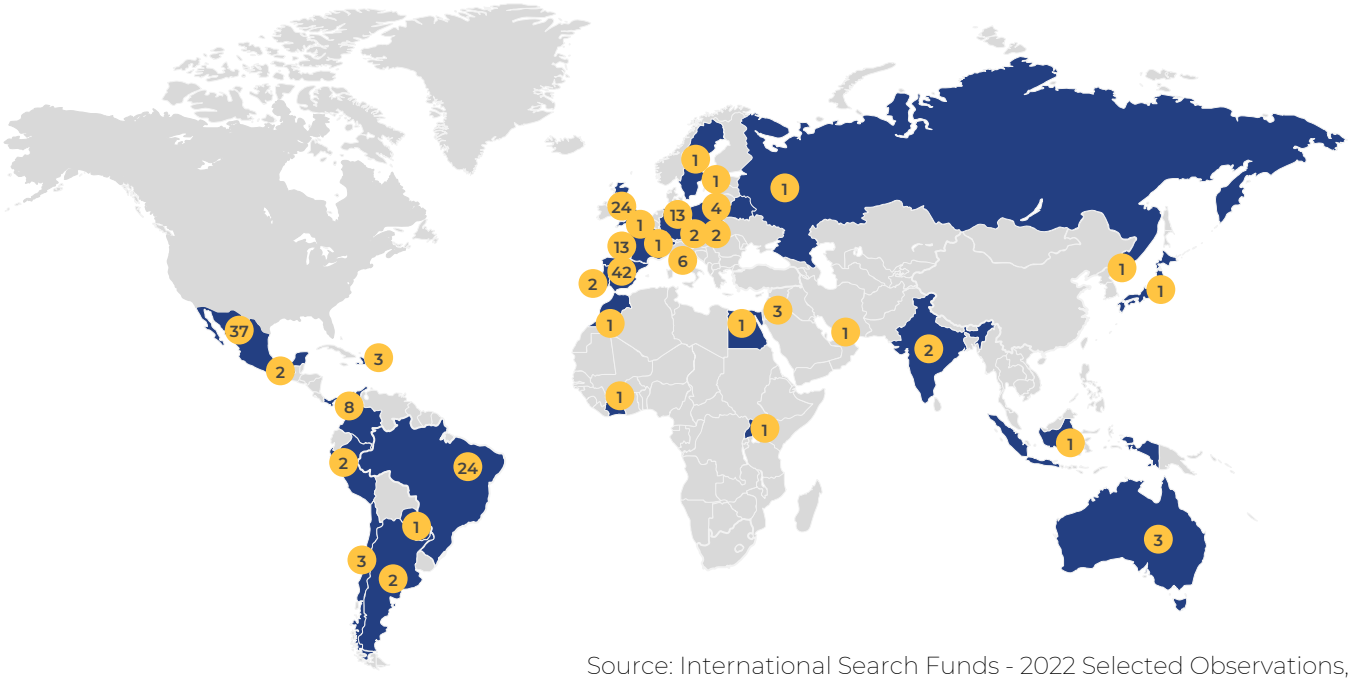
Appendix 4: International Search Fund Activity by Status

INTERNATIONAL SEARCH FUND ACTIVITY BY STATUS



Source: International Search Funds - 2022 Selected Observations, IESE

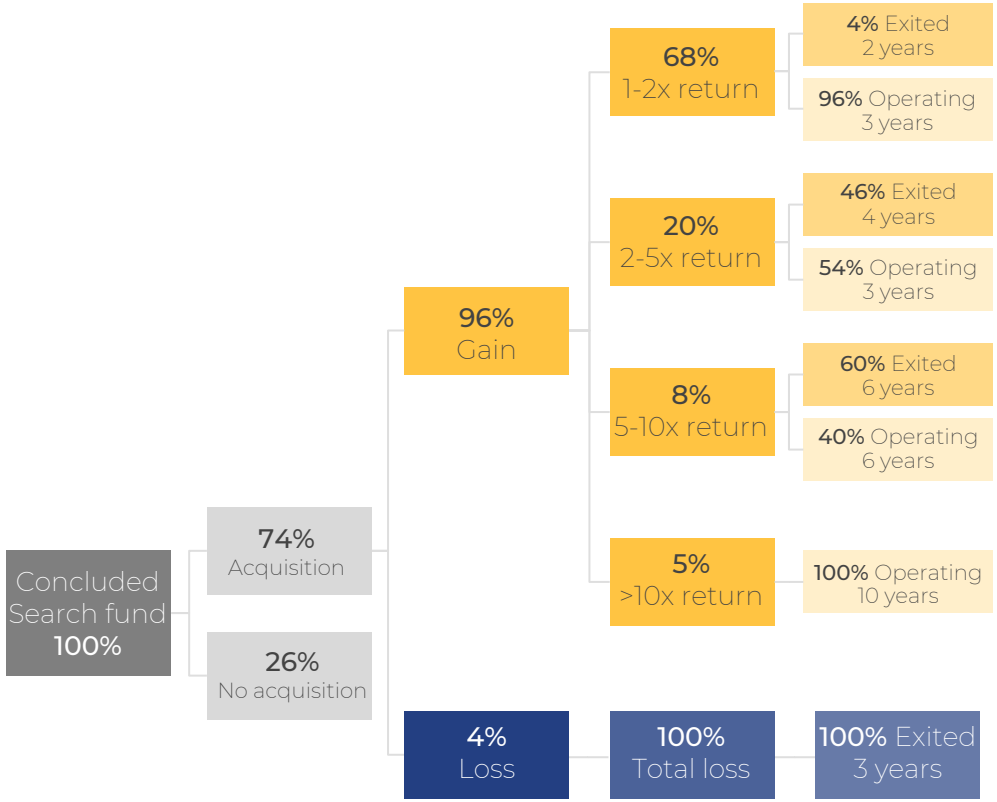
Appendix 5:
Active Search Funds by Country



Source: International Search Funds - 2022 Selected Observations, IESE

Appendix 6: International Search Fund Activity by Life Cycle

PERCENTAGE OF INTERNATIONAL SEARCH FUNDS IN EACH PHASE OF THE SEARCH FUND LIFE CYCLE

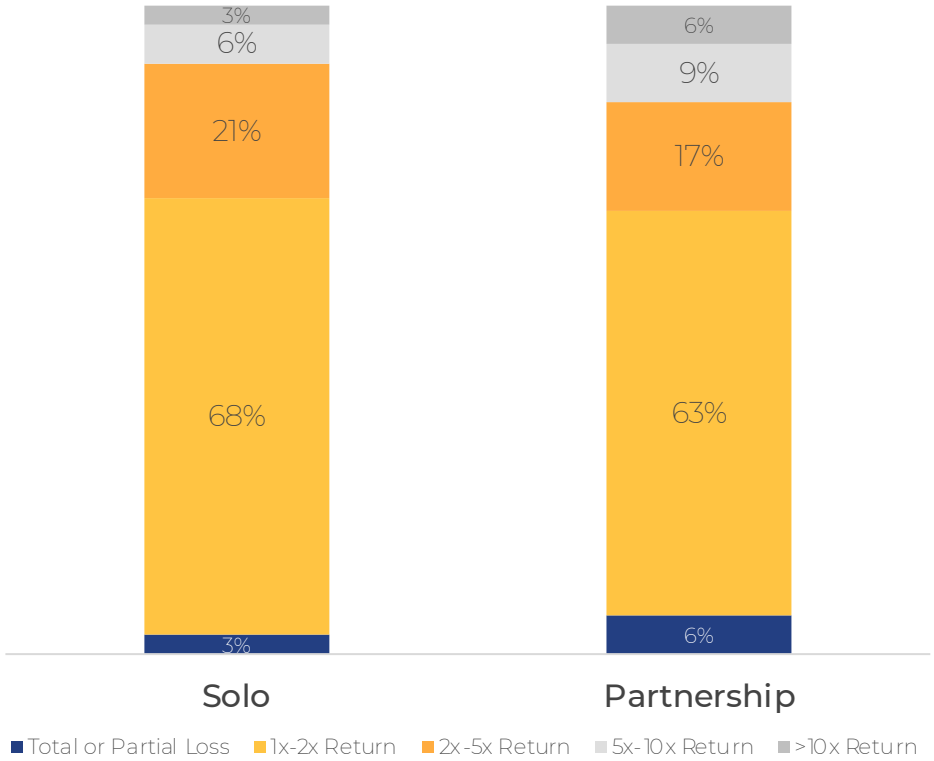


Source: International Search Funds - 2022 Selected Observations, IESE

Appendix 7:
ROI for Search Funds that Acquired a Company
(includes ongoing search)

INVESTOR ROI BY PARTNERSHIP STATUS AMONG FUNDS THAT ACQUIRED A COMPANY

N=69, including 34 solo searchers and 35 partnerships



Source: International Search Funds - 2022 Selected Observations, IESE

Appendix 8: Key Learnings from Mexican Searchers



Alignment and collaboration with investors is key. The Managing Partner will strive to develop relationships with their investors, co-build on the criteria to find the right target, and jointly evaluate them for the best possible outcome.

It is a long journey ahead. The Managing Partner understands the challenges that leading a search fund entail and is prepared to meet them head on. It will not always be smooth sailing, but he has confidence in his skills and resilience to find a successful company.

Challenge your assumptions. The Managing Partner has strongly-held beliefs about what makes for a valuable company but maintains hypotheses about in which industries they will be found. Sebastian will keep an open mind and eye to unexpected opportunities that arise during the search process.

Dive deep, as fast as you can. Time is of the essence during the search period, The Managing Partner will create robust processes to collect key information and swiftly decide whether to invest more time in appealing opportunities or move on.

Create a good framework to analyze opportunities. Build a good investment memo template and an internal scorecard to evaluate targets. This framework should be scalable and easy to understand for investors and search fund analysts and interns. Good write ups are key to quickly evaluate an opportunity.

Mexican sellers are eager to know about price early in the process. Understand the driver needs and be ready to use a simple framework to offer a price range. This strategy allows them to perform a basic due diligence to then offer an LOI.

Be mindful of the time put into a full blown due-diligence and contract negotiation. During this time, sellers could neglect day-to-day operations and therefore affect future value generation if they spend too much time negotiating the deal.