



Portfolio Company Background:

Sector	Industry	Business Portfolio
IoT/Consumer Technology	Condensing gas boiler and water heater manufacturer	IoT-enabled condensing gas boiler, condensing gas water heater

Deal structure:

Deal Size	\$29.9 million
BRV Lotus Fund II Commitment	\$13.7 million
Co-Investor(s)	US Endowment (LP)
Target Equity Position	90% at investment; 49% at exit (post-expected exercise of call option by seller in 2018)
Investment Form	Common Shares
Investment Strategy	Growth Equity / Consolidation
Deal Closing Date	August 2016
Sourcing Background	BRV has a long working relationship with the founder's family and is exclusively invited by the family to help with growth and IPO. BRV constructed attractive deal terms with solid downside protection offered by the family.
Deal Team	YG Oh, Kwan Yoon, and Ryan Lee
Board Seat	1 seat (YG Oh)

Industry Overview:

Key Players	Kyung Dong Navien, Rinnai, Kiturami
Market Size	<ul style="list-style-type: none"> - ~USD \$500 million for total domestic market - ~USD \$1 billion plus for target segment in US market
Market Opportunities	<ul style="list-style-type: none"> - Korea has a mature market as the 3rd largest boiler market globally after China and UK - Strategically targeting fast growing niche markets in US with double digit sales volume growth for condensing gas boilers and water heaters - Opportune time to launch Celtic's products in target segments in US market (exit multiple premium to overseas expansion), and integrate IoT features and systems to expand margin and product portfolio for higher growth - Rapid migration to IoT integrated smart home system play

Investment Thesis:

Solid Baseline	<ul style="list-style-type: none"> - Key beneficiary of technology shift from non-condensing boilers to energy-efficient and eco-friendly condensing boilers in Korea and US - #1 condensing boiler brand by cumulative sales volume in Korea - Other differentiation/advantages: Strong R&D and product development capabilities backed by proven ability to read trends in regulatory policy and market demand → advanced product line-up strategically developed to meet both high energy efficiency and ultra-low NOx emissions standards in US market
Growth Initiatives	<ul style="list-style-type: none"> - Topline, earning, customer expansion/diversification: <ul style="list-style-type: none"> • ERP system improvement to enable systematic profitability monitoring by product and geography • Improve marketing activities – traditional media marketing to more targeted social media marketing led by BRV • IoT integration – a wider range of product portfolio development with solid topline/margin expansion angle (via partnership with



	<p>SW/network companies to enable smart home networking and energy saving features)</p> <ul style="list-style-type: none"> - Overseas, domestic expansion: <ul style="list-style-type: none"> • Overseas expansion mainly in US, Russia, Middle East, and Europe • Domestic expansion via new channel acquisitions such as telecom service providers (with IoT features) and vertical integration strategies (with other kitchen/home appliance providers)
Management Team	<ul style="list-style-type: none"> - Key executives track record: CEO and CTO with deep experience in pioneering mass production of condensing gas boilers in Korea - Strength and differentiation: Over 30-year history of manufacturing boilers and accumulating strong R&D capabilities
BRV Value-Add	<ul style="list-style-type: none"> - Management build out: Hired CFO with deep experience in leading organizational upgrade and monitoring US subsidiary - Strategic initiatives: Introduce a major home appliance retail chain in Korea to boost Celtic's franchise store network and improve customer service network and accessibility, and connect with leading SW/HW technology providers in the IoT space - Global expansion: in discussion to introduce HR pool with successful US market penetration experience in the HVAC sector
Attractive Valuation	<ul style="list-style-type: none"> - Low entry valuation of 4.1x trailing EV/EBITDA and 5.9x trailing P/E vs. peers trading at 13.8x trailing EV/EBITDA and 26.2x trailing P/E on average – based on BRV's proven differentiated value creation potential

Company Financials:

(in USD mm)	FY2015	FY2016	FY2017	FY2018
Revenue	89.0	101.0	109.5	124.1
YoY (%)	4.3%	13.5%	8.4%	13.4%
EBITDA	6.6	6.1	6.6	8.1
EBITDA Margin (%)	7.5%	6.0%	6.0%	6.5%
Net Profit	4.6	3.7	3.5	4.4
NP Margin (%)	5.2%	3.6%	3.2%	3.6%

Exit Profile

Expected Return	1.9 – 5x
Minimum IRR (worst case)	17.6%
Expected Exit Timing	1H2020
Exit Strategy	IPO in Korea