MOSAIC CAPITAL

Growth through sustainable cash flow

Corporate Presentation
September 2019
Disclaimer

Contents of Presentation

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Forward-Looking Information

The information and statements in this presentation that are forward-looking involve known and unknown risks and uncertainties that may cause actual results to be materially different from the results or performance expressed or implied by such forward-looking statements. In particular, this presentation contains forward-looking statements regarding: anticipated future financial and operating performance for Mosaic, including as it pertains to organic growth from its existing businesses and deployment of capital into new acquisitions; Mosaic’s acquisition strategy; Mosaic’s intention to not leverage the balance sheet of acquired businesses; and Mosaic’s plans to (i) diversify by industry and geography, (ii) expand Mosaic’s acquisition team and network, (iii) use financial position for accretive acquisitions and (iv) reposition acquisition focus. These statements and information are only predictions and reflect the current beliefs of management with respect to future events. Actual results may differ materially due to a number of risks and uncertainties faced by Mosaic and undue reliance should not be placed on these forward-looking statements. By their nature these forward-looking statements involve assumptions and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the forward-looking statement will not occur. Some of the assumptions, upon which such forward-looking statements are based, include: future market conditions not being different than anticipated by Mosaic; no material changes to laws, policies and regulations affecting Mosaic and its operations; and the business operations of the operating businesses of Mosaic continuing on a basis consistent with prior years.

Further, certain of the risks and uncertainties faced by Mosaic include without limitation: adverse changes in the general economic and business conditions; the failure of Mosaic to identify acquisition targets or complete announced acquisitions; third parties Honouring their contractual obligations with Mosaic and its subsidiaries; results of management's ongoing efforts to sell, re-lease, lease, develop and improve real estate owned and being acquired indirectly by Mosaic through its subsidiaries; the failure to realize the anticipated benefits of Mosaic’s recent and future acquisitions; adverse fluctuations in commodity prices; competition for, among other things, capital, equipment and skilled personnel; the inability to generate sufficient cash flow from operations to meet current and future obligations; the inability to obtain required debt and/or equity capital on suitable terms; competition for acquisition targets; supply disruptions; adverse weather conditions; seasonality and fluctuations in results; and limited diversification of Mosaic’s subsidiaries. Additional information on these and other factors that could affect the operations or financial results of Mosaic and its subsidiaries are included in disclosure documents filed by Mosaic with the securities regulatory authorities, available under Mosaic’s profile on SEDAR (www.sedar.com).

Historical Information

Where information in this presentation is presented for any period prior to May 1, 2011 such information is that of Mosaic Diversified Income Fund, the predecessor entity to Mosaic Capital Corporation.
Mosaic makes **long-term**, majority control investments in **private companies** that have defensible market positions

Led by an **aligned** management team with 40% insider ownership, we strive to **maximize returns** for shareholders
Investment Highlights

- Solid track record of **value creation**:
  - Invested ~$200 million of equity capital
  - Assembled a diversified portfolio of 12 private mid-market Canadian companies
  - Generated an annual ROE of 21% since IPO in 2011
  - Delivered over $120 million in dividends and distributions to shareholders

- **EBITDA growth** - 17% CAGR since IPO

- **Attractive dividend** - current yield of ~8% with a healthy payout ratio of 66%

- **Strong balance sheet** - $150 million in patient, long-term capital provided by Fairfax Financial

- Unique business model with robust **growth opportunities**
Business Model

• Assemble a diversified portfolio of established mid-market private companies
• Maintain value-based capital allocation discipline
• Create value through operational focus and long-term strategic planning
• Deliver strong growth in EBITDA and Free Cash Flow while providing an attractive dividend
Assembling a Diversified Portfolio

- **Ambassador Mechanical**: 75% acquired, January 1, 2012
- **Mackow Industries**: 80% acquired, August 2, 2016
- **First West Properties**: 100% acquired
- **Remote Waste LP**: 98% acquired, September 1, 2008
- **Industrial Scaffold Services LP**: 67.5% acquired, September 1, 2013
- **Printing Unlimited LP**: 100% acquired, February 10, 2007
- **Remote Cathodic Services LP**: 80% acquired, September 1, 2007
- **Kendall’s Supply Ltd.**: 90% acquired, August 1, 2012
- **Place-Crete Systems LP**: 67.5% acquired, September 1, 2014
- **South East Construction**: 75% acquired, November 1, 2014
- **Bassi Construction Ltd.**: 70% acquired, December 5, 2016
- **Mosaic began trading on TSXV**: May 9, 2011
- **Strategic investment from Fairfax**: January 2017

**Key Dates:**
- August 1, 2012: 90% acquisition of Kendall’s Supply Ltd.
- August 2, 2016: 80% acquisition of Mackow Industries
- February 10, 2007: 100% acquisition of Printing Unlimited LP
- September 1, 2007: 98% acquisition of Remote Waste LP
- September 1, 2008: 80% acquisition of Remote Cathodic Services LP
- May 9, 2011: Mosaic began trading on TSXV
- May 1, 2017: 75% acquisition of Cedar Infrastructure Products Inc.
- January 2017: Strategic investment from Fairfax
Assembling a Diversified Portfolio

- 12 portfolio companies
- 2018 revenue of approximately $400 million
- 2018 EBITDA of $31 million
- Average portfolio EBITDA weight of <15% per company
- Offers geographic and industry diversification to cash flow
Value Based Investment Discipline

8,000 private Canadian company opportunity set

Review 150 opportunities per year

Identify and select attractive, value based opportunities

Rigorous due diligence process

Target 1-2 transactions per year

Investment Criteria:

- Defensive business models with an established competitive advantage
- A track record of sustainable cash flow generation
- Low sustaining capital expenditure requirements
- Strong management with visibility to leadership continuity

Investment Approach:

- Acquire 70-80% control equity positions
- Employ minimal leverage in the transaction
- Enable minority interest partners to continue operating on day-to-day basis

4-6x EBITDA
Established in 1987, Circle 5 is a supplier of molding solutions to Tier 1 automotive part manufacturers, offering custom, high-precision molds and tools for plastic injection production of highly-visible interior automotive components.

Long-term relationships with key Tier 1 automotive parts suppliers that, in turn, produce interior components for leading global vehicle brands.

Mosaic acquired a 75% equity interest in the company in November 2017.

President, a professional engineer who has ~20 years of tenure, retained a 25% minority interest.

Successful initial transaction due to Mosaic’s unique investment approach.
Creating Value

Key Areas of Focus:

• Long-term strategic planning and execution
• Sourcing and analysis of tuck-in acquisition opportunities
• Centralize and improve legal, insurance, management accounting processes
• Focus on maximizing the return on invested capital
• Working capital management and discipline
• Human resource management and succession planning
Creating Value

Mackow Industries – Case Study:

- Acquired 80% of the company in 2016 from founding family members
- Expanded operations with a new manufacturing facility in Fargo, North Dakota
- Transitioned the founding family members to strategic roles with the hiring of a new professional management team
- The new Fargo facility is offering customer and industry diversification and is becoming a long-term growth engine for the company
Industrial Scaffold – Case Study:

- Acquired 67.5% of the company in 2013
- Initiated a formal succession plan for the founder by grooming the next level of senior management
- Finalized the succession plan in 2018 by increasing Mosaic ownership while leaving a 10% interest with the next generation of operating partners
SECON – Case Study:

- Acquired 75% of the company in 2014
- Assisted the company to diversify its service offering beyond the potash industry
- Tuck-in acquisitions in 2017 offered new exposure to the agriculture industry
- Continued to expand service offering in 2019 with an introduction to opportunities at the Churchill port and railway project being pursued by Fairfax
Q2 2019 Highlights:

- Generated record second quarter 2019 Adjusted EBITDA of $9.8 million, which contributed to TTM Adjusted EBITDA of $39.3 million
- Provided dividends of $1.1 million to our shareholders with a Combined Payout Ratio of 66%
- Maintained a healthy balance sheet with $13 million in cash and $60 million in working capital
Historical Financial Performance

Highlights:

- Dividends per common share CAGR of 39% since IPO
- Delivered total distributions of over $120 million to security holders
Looking Forward - Key Priorities

- Near-term focus is on capturing organic growth opportunities within the current portfolio
- Longer-term focus is grow with the acquisition of new portfolio companies and follow-on acquisitions
- Maintain value-based, investment discipline to drive value accretion for common shareholders
- Capitalize on scalable business model
Summary

• Unique exposure to mid-market private equity
• Strong balance sheet
• Diversified cash flow stream
• Attractive dividend profile
• Strong long-term partner in Fairfax Financial
• Well aligned management team
Appendix
Mosaic Capital

A public company offering unique access to mid-market private equity investment opportunities at attractive valuations

<table>
<thead>
<tr>
<th>Common Share Information</th>
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<tbody>
<tr>
<td>Ticker Symbol: TSX-V</td>
<td>M</td>
</tr>
<tr>
<td>Share Price (Sept 3, 2019)</td>
<td>$5.00</td>
</tr>
<tr>
<td>Monthly Dividend</td>
<td>$0.035</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>8.4%</td>
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<tr>
<td>Common shares outstanding (millions)</td>
<td>10.6</td>
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<tr>
<td>Market Capitalization (millions)</td>
<td>$53</td>
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</tbody>
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<table>
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<tr>
<th>Balance Sheet Highlights (March. 31 2019)</th>
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<tbody>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Working Capital</td>
</tr>
<tr>
<td>Strategic Investment by Fairfax Financial</td>
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<td>Total Debt to EBITDA</td>
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Closed a long-term strategic transaction with Fairfax Financial in January 2017 consisting of $100 million in 6% perpetual preferred securities and $50 million in 5% debentures.
Mosaic’s Strategic Inflection Point

Closed a strategic transaction with Fairfax January 2017

Private Placement

$100 million – 6% Perpetual Preferred Securities
$ 50 million – 5% 7 Year Secured Debentures

- Reduces cost of capital by approximately 5%
- Reduces distributions on equivalent capital amount by approximately $5.2 million
- Allows Mosaic to accelerate growth plan and strategy
- Opportunity for expanding sources of unique and original deal flow – Fairfax refers deals under $50mm enterprise value to Mosaic
Non-IFRS Measures

Non-IFRS financial measures stated in this presentation do not have any standardized meaning under IFRS, may not be comparable to similar measures presented by other issuers and are defined and reconciled to their most directly comparable IFRS measure within our Management’s Discussion and Analysis for the twelve months ended December 31, 2016 under the sections “Non-IFRS Financial Measures” and “Reconciliation of Non-IFRS Financial Measures”, which document is available electronically at www.sedar.com under Mosaic’s profile.
Non-IFRS Definitions

Mosaic has historically used various metrics when evaluating its operational and financial performance. Mosaic continually monitors, evaluates and updates these metrics as required to ensure they provide information considered most useful, in the opinion of Mosaic management, to any decision making based on Mosaic’s performance. This section defines, quantifies and analyzes the key performance indicators used by management of Mosaic, and referred to elsewhere in this presentation, which are not recognized under International Financial Reporting Standards (“IFRS”) and have no standardized meaning prescribed by IFRS. These indicators and measures are therefore unlikely to be comparable to similar measures presented by other issuers.

Adjusted EBITDA: is defined as income from continuing operations before income taxes and before (i) gain (loss) on sale of equipment, (ii) non-cash income and expenses, (iii) finance income and expenses, (iv) securities-based compensation expense, and (v) any unusual non-operating one-time items such as acquisition and reorganization costs. Adjusted EBITDA is used by management to assess Mosaic’s normalized cash generated on a consolidated basis and in its operating segments. Adjusted EBITDA is also a performance measure which may be utilized by investors to analyze the cash generated by Mosaic and its operating segments.

Free Cash Flow: is defined as Adjusted EBITDA less (i) non-controlling interests’ share of Adjusted EBITDA, (ii) Mosaic’s share of current income tax expense and (iii) Mosaic’s share of the Sustaining Capital Expenditures. Free Cash Flow is a performance measure used by management to summarize the funds available for (i) the payment of distributions to holders of preferred securities and private yield securities, and dividends to holders of series “A” shares and common shares, (ii) investment in capital expenditures made to grow the enterprise and (iii) new acquisitions and working capital. Free Cash Flow is also a performance measure which may be utilized by investors to analyze the free cash available for preferred security distributions, private yield security distributions, common share dividends, series “A” share dividends, acquisitions and additional investment into existing businesses.

Sustaining Capital Expenditures: is defined as capital expenditures required to sustain the operations of Mosaic at its current level of operations and is calculated by subtracting those capital expenditures which are, as determined in the discretion of management, made to grow the enterprise and expected to generate additional Adjusted EBITDA from total capital expenditures for the period. An example of Sustaining Capital Expenditures would be the replacement of vehicles that have completed their useful life.

Adjusted Return on Common Equity: means that number, expressed as a percentage, that is obtained by dividing (i) Free Cash Flow less distributions declared to holders of preferred securities and private yield securities, and dividends declared to holders of series “A” shares during the period indicated, by (ii) weighted average common shareholders’ equity for the period. Management believes Adjusted Return on Common Equity is a key performance measure as it indicates the return generated by Mosaic on its common equity. Management believes that this measure is most useful and relevant when measured over a twelve-month period, as opposed to quarterly periods. As a result, management is reporting on this financial metric over the trailing twelve-month period ended as of the last day of the most recently completed financial period, being June 30, 2016 (June 30, 2015 for the comparative period).

Preferred Distribution Payout Ratio: means that number, expressed as a percentage, which is the total amount declared (which includes cash paid as well as preferred securities distributed pursuant to the Mosaic distribution reinvestment plan (“DRIP”)) to holders of preferred securities, private yield securities and series “A” shares during the period divided by Free Cash Flow for the period. Management believes that this measure may be useful to investors in assessing the likelihood that Mosaic will be able to continue to pay distributions on its preferred securities and private yield securities, and pay dividends on its series “A” shares.

Investors are cautioned that the above non-IFRS measures should not be viewed as an alternative to measures that are recognized under IFRS such as net income or cash from operating activities. The distributions and dividends paid by Mosaic to its security holders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities. Mosaic’s method of calculating the above non-IFRS measures may differ from that of other entities and therefore may not be comparable to measures utilized by them. See “Reconciliations of Non-IFRS Financial Measures”.

MOSAIC CAPITAL
Contact Us

Mark Gardhouse  
President and Chief Executive Officer  
Mosaic Capital Corporation  
mgardhouse@mosaiccapitalcorp.com  
Ph: (403) 218-6511

Cam Deller  
Vice President, Corporate Development  
Mosaic Capital Corporation  
cdeller@mosaiccapitalcorp.com  
Ph: (403) 930-6576