

I Drive Safely Investment Summary

Transaction Summary

Cohesive Capital Partners, L.P. (“Cohesive”) is investing \$6.0 million of the \$45.5 million of common equity of I Drive Safely, LLC (“IDS” or the “Company”) for 13% basic ownership alongside Compass Investment Partners (“Compass”), a private equity firm founded in 2011 by the team that spun out of DLJ Merchant Banking Partners which focused on the information, media and services sectors. The total enterprise value of the transaction is \$69 million¹, which is 9.2x 2011A Adjusted EBITDA of \$7.5 million and 9.4x 2011A Adjusted EBITDA less Capex of \$7.4 million. Management is rolling \$14.5 million of equity capital into the transaction.

Company Description

I Drive Safely, headquartered in Carlsbad, CA, is a leading provider of proprietary online driver training solutions serving teenagers, adults, senior citizens and corporations. Historically, all drivers education and training was conducted in-person via classroom teaching sessions and pencil/paper testing. IDS offers 276 proprietary online programs in the U.S. and Canada with a core focus on driver improvement programs (“DIP”) (driven by ticket dismissals, court mandates or voluntary insurance reduction), first-time driver education courses (for adult and teen drivers) and corporate training and safety solutions (for corporate customers operating fleets of vehicles). IDS also offers ancillary services such as DMV exam preparation and driver record access/retrieval services. Because driver training in the U.S. is regulated on a state-by-state basis, the Company has established strong relationships with both state legislatures (that approve online delivery of drivers education) and state/local governmental agencies (that oversee DMV operations and administer educational requirements) to help drive the outcome of regulation/legislation surrounding drivers education and maintain visibility into potential changes in the regulatory landscape.

As one of only two national providers in the highly fragmented drivers education industry, IDS currently serves over 700,000 drivers annually and has served nearly four million drivers since its founding in 1998.

Investment Highlights

- *Market leading digital training provider:* IDS is the largest company, and one of only two national providers, in the highly fragmented and regionally-focused online driver training market (#1 or #2 share in its active markets)
- *Compelling value proposition / needed service:* IDS’ proprietary platform allows customers to complete often mandatory (including court-ordered) education and training requirements in a more efficient manner and on customers’ own schedule
- *Large addressable market:* The first-time education market consists of 4+ million Americans who turn 16 every year. The DIP market consists of ~210 million drivers in the U.S who receive ~30 million tickets in aggregate annually
- *Attractive industry trends:* The U.S. is currently undergoing a macro-shift to the digital delivery of drivers education courses driven by (i) increased adoption of online education by states, (ii) traditional driving schools offering online education services and (iii) an increasing focus on the efficient delivery of driver safety curriculum
- *Attractive financial characteristics:* High recurring revenue results from drivers violating traffic laws (~0.15 tickets written annually per licensed driver) and first-time drivers applying for licenses when first eligible; low capex requirements enable over 95%+ Free Cash Flow conversion²; minimal marginal expense for each additional customer who takes a course results in high operating leverage
- *“Jockey” / “Horse” match:* As the previous DLJ Merchant Banking Partners information, media and services sectors investment team, Compass has experience investing in education/e-learning companies
- *Excellent management team with support from new Executive Chairman:* IDS’ Managing Partners, Rick Hernandez and Gari Garimella who co-founded the Company and built it to this point without any outside capital, will continue running IDS post-closing; new Executive Chairman Stuart Goldfarb (part of Compass’ Executive Network) and his team will work with Rick and Gari to optimize the Company’s online marketing and customer acquisition strategies using an analytics-based approach
- *Numerous growth initiatives:* Planned growth initiatives include (i) new product/service offerings in existing markets, (ii) approvals in new states, (iii) corporate fleet (B2B) customer expansion, (iv) international markets and (v) making acquisitions

¹ Excluding transaction fees/expenses and the present value of the tax deductible goodwill amortization created as a result of the transaction.

² Free Cash Flow is defined as Adjusted EBITDA less capital expenditures.