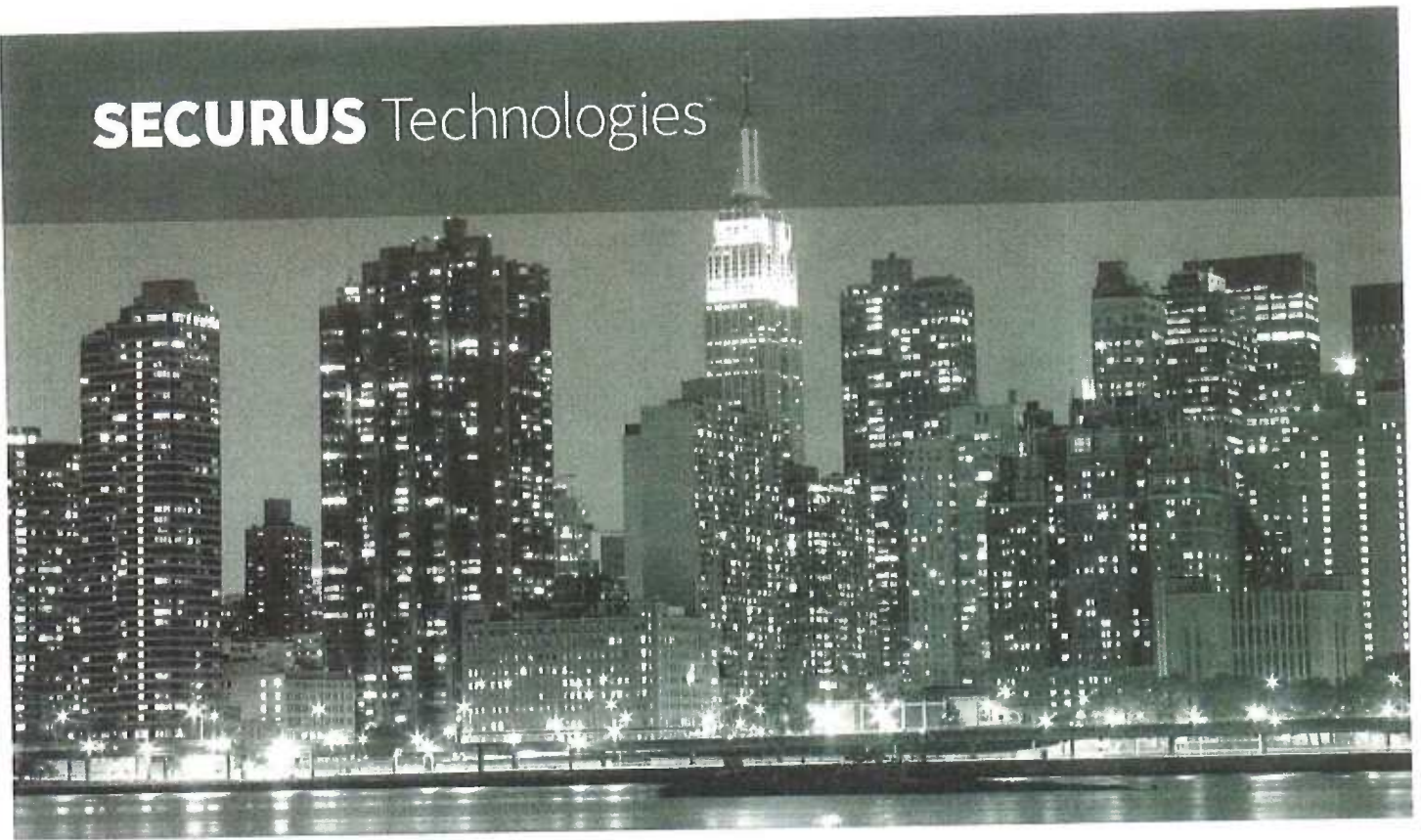



**SECURUS** Technologies



## Public Lender Presentation

April 15, 2015



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## Presenters

### Securus Technologies Inc.

- **Richard A. Smith**
  - *Chief Executive Officer*
- **Geoff Boyd**
  - *Chief Financial Officer*

### Deutsche Bank


# Agenda

Transaction Overview

Securus

JPay

Public Q&A



## Transaction Overview

- On April 2, 2015, Securus signed a definitive agreement to acquire JPay, Inc. for \$250mm in cash (excluding potential earn-outs), representing an 11.9x TEV / EBITDA purchase multiple on ~\$21mm of preliminary LTM 3/31/2015 PF Adj. EBITDA
- JPay is a leading provider of technology products used to provide inmate banking, communication services, and digital media consumption, servicing more than one million inmates in 29 states
- The combination of JPay and Securus will provide for material cross-sell / up-sell opportunities (alongside combination cost-savings), will further accelerate Securus growth and broaden its revenue base
- The transaction is expected to be funded through a mix of debt and equity, and result in pro forma Net 1<sup>st</sup> Lien and Net Total Leverage of ~4.3x<sup>(1)</sup> / ~5.4x<sup>(1)</sup>, respectively:
  - \$205mm Incremental Term Loan B-2
  - \$50mm additional common equity contribution from ABRY Partners

(1) LTM 3/31/2015 PF Adj. EBITDA is preliminary Securus LTM 3/31/2015 EBITDA of \$121mm, plus preliminary JPay LTM 3/31/2015 PF Adj. EBITDA of \$21mm

# Sources & Uses and Pro Forma Capitalization

(\$ in millions)

Sources		Uses	
Add-on first lien term loan	\$205	Purchase equity	\$250
Sponsor equity proceeds <sup>(a)</sup>	50	Estimated fees, expenses and OID	7
Cash from balance sheet	2		
<b>Total sources</b>	<b>\$257</b>	<b>Total uses</b>	<b>\$257</b>

	At LBO				Adjustments	Pro Forma	
	3/31/13	xEBITDA	Current	xEBITDA		Pro Forma	xEBITDA
Cash	\$4		\$18		(\$2)	\$16	
Revolver (\$50.0 million)	5		--			--	
Existing Term Loan B-1	350		419			419	
Incremental Term Loan B-2	--		--		205	205	
<b>Total first lien debt</b>	<b>\$355</b>	<b>4.2x</b>	<b>\$419</b>	<b>3.5x</b>		<b>\$624</b>	<b>4.4x</b>
<b>Net first lien debt</b>	<b>\$351</b>	<b>4.1x</b>	<b>\$401</b>	<b>3.3x</b>		<b>\$608</b>	<b>4.3x</b>
2nd lien term loan	140		165			165	
<b>Total debt</b>	<b>\$495</b>	<b>5.8x</b>	<b>\$584</b>	<b>4.8x</b>		<b>\$789</b>	<b>5.6x</b>
<b>Net debt</b>	<b>\$491</b>	<b>5.8x</b>	<b>\$566</b>	<b>4.7x</b>		<b>\$773</b>	<b>5.4x</b>
Sponsor and management cash equity	170		197		50 <sup>(b)</sup>	247	
<b>Total capitalization</b>	<b>\$665</b>	<b>7.8x</b>	<b>\$781</b>			<b>\$1,036</b>	
LTM Adj. EBITDA	\$85		\$121		21	\$142 <sup>(b)</sup>	
PF Interest expense	30		35		12	47	
Adj. EBITDA / interest expense	2.9x		3.5x			3.0x	

(a) Sponsor equity can be reduced to \$40mm in lieu of company cash at closing

(b) LTM 3/31/2015 PF Adj. EBITDA is preliminary Securus LTM 3/31/2015 EBITDA of \$121mm, plus preliminary JPay LTM 3/31/2015 PF Adj. EBITDA of \$21mm

## Summary of Incremental Term Loan B-2

Facility:	Incremental Term Loan B-2
Amount:	\$205 million
Coupon:	TBD
LIBOR floor:	1.00%
OID:	TBD
Maturity:	April 2020 (Same as Existing Term Loan B-1)
Amortization:	1% per year
Optional redemption:	101 soft-call for 6 months
Mandatory prepayments:	Same as Existing Term Loan B-1
Financial covenants:	None
Other covenants:	Same as Existing Term Loan B-1

# Indicative Transaction Timeline

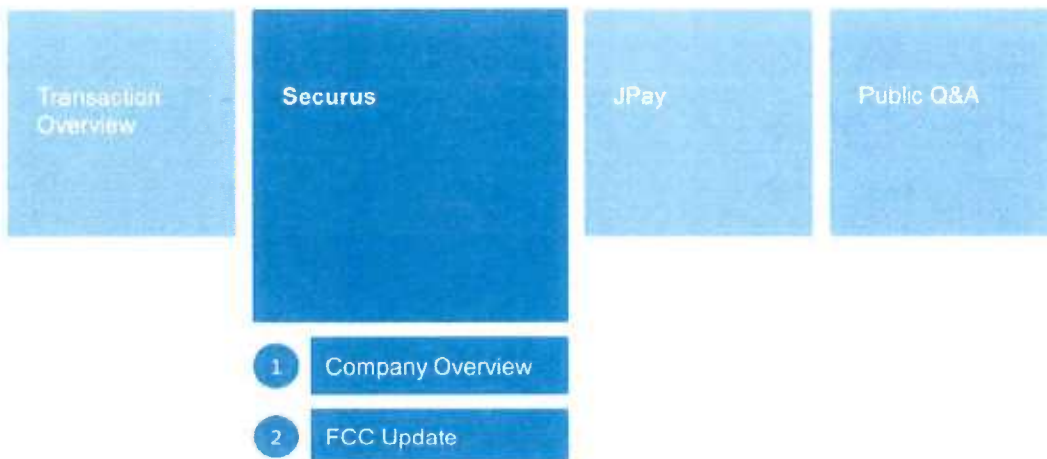
April 2015						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Denotes Holiday
  Denotes Key Date

Date	Activity
April 15 <sup>th</sup>	Host Lenders Call
April 24 <sup>th</sup>	Expected Pricing
Early / Late July	Close & Fund



# Agenda



## Company Overview

# Situation Update

## 2015 YTD March, 2015 Financial Results

	<u>Q1 2014 vs. Q1 2015</u>		<u>Q12015 vs. Equity Budget</u>		<u>Q12015 vs. Bank Model</u>	
	<u>Percent</u>	<u>Performance</u>	<u>Percent</u>	<u>Performance</u>	<u>Percent</u>	<u>Performance</u>
Revenue	+10.1%	Good	+7.2%	Good	+6.5%	Good
Adjusted EBITDA	+23.1%	Good	+20.8%	Good	+16.6%	Good
Free Cash Flow	+9.3%	Good	+26.2%	Good	+19.6%	Good

### Comments:

- Record High Q12015 Revenue, EBITDA, and Free Cash Flow
- Record High Prepaid Percent = 96.3%
- Q12015 EBITDA Annualized = \$133M > 2015 Equity Budget
- Project Initiatives +27.0% vs. Budget
- Same Store Call Volume Variance vs. 2014 = +15%
- Q12015 YTD Bad Debt = .6%
- Q12015 Annualized Net Wins = Record High

## JPay Transaction

- Known JPay Team for +5 years, Past Partnering on RFPs
- Have Attempted to Purchase Them for Last Four (4) Years
- Purchase for \$250M + Earn Out
- EBITDA Forecast (Smith) of \$40M in 4 Years Without Growth ≈ 6.3X EBITDA Multiple
- High DOC Penetration + Low County Penetration
- Fits Acquisition Filter
  - Government Services
  - High Tech/Software Focused
  - Revenue and EBITDA Growth +10%
  - Corrections Sector
  - Good Management
  - High Integrity
  - Positive NPV and Good IRR

### Performance code:

- Green = Good (> better than 3.0%)
- Yellow = OK (+/- 3.0%)
- Red = Poor (> worse than 3.0%)

# Securus at a Glance

## Company Highlights

- Leading provider of advanced inmate communications, investigative technologies and information management solutions to the corrections industry in the U.S. and Canada
- Stable and recurring revenue model supported by long-term, multi-year customer contracts
- Executive Team Average 14 Years Working Together
- 68 Sales Team Associates
  - +70K Contacts with Facility Customers Annually
- 143 United States Patents Approved, 87 Pending
  - Collected \$60M in License Agreements
  - 3X As Many Patents as the Entire Industry
- Private Equity Sponsored: ABRY Partners
- Key Financial Metrics (LTM March 2015)
  - \$415M Revenue
  - \$121M Adj. EBITDA
  - \$84M Free Cash Flow<sup>(1)</sup>

(1) Free Cash Flow defined as Adj. EBITDA less Capital Expenditures

## Business Snapshot

Founded:	1987	Facilities:	2,600
Headquarters:	Dallas, TX	Number of states:	47
Associates:	1,000+	IT Development Associates:	200

## Product Overview

- Provides High-Tech Products and Services to Law Enforcement and Corrections Sector
  - Audio Outbound Inmate Calling
  - Video Visitation
  - Parolee GPS Monitoring
  - Voice Biometrics
  - Inmate Tablets
  - Data Analytics
  - Jail Management Systems
  - Interactive Voice Response Systems
  - Managed Access Service (wireless contraband)
  - Location Based Services
  - Mobile Marketing Services

## Securus Management Team

Name	Position	Years with Securus	Years Working Together
Richard A. Smith	Chief Executive Officer	7	3 - 20
Robert E. Pickens	President	7	16
Geoffrey M. Boyd	Chief Financial Officer	2	9
Dennis Reinhold	General Counsel	10	7
Patrick Broisma	Vice President, Corporate Development	7	15
Joshua Conklin	Vice President, Sales	5	16
Daniel de Hoyos	Vice President, Service and Technical Operations	7	12
Larry Ehlers	Vice President, Application	6	11
Arlin Goldberg	Chief Information Officer	7	16
David Kunde	Vice President, Network Operations	4	20
Kathryn Lengyel	Vice President, Human Resources	8	7
Russell Roberts	Vice President, Marketing and Corporate Strategy	7	7
Jon Secrest	Vice President, New Growth Opportunities	< 1	9
Dan Wigger	Vice President and Managing Director, Managed Access Systems	< 1	3

- Executive Team averages 11 years working together.
- Has built the most advanced and comprehensive platform of technology solutions serving the corrections industry.

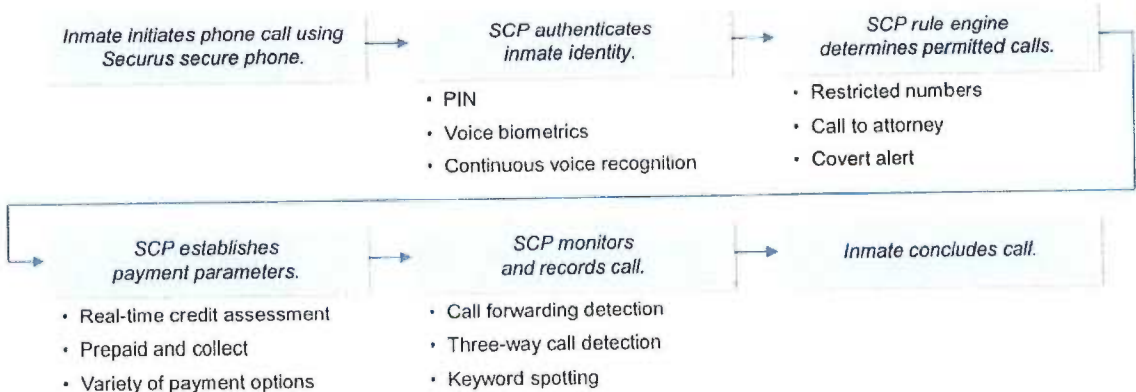
# Inmate Telecommunications Overview

## Key Functions

- Enable Calls
- Ensure Security of Calls
- Monitor Credit Risk
- Billing & Customer Care



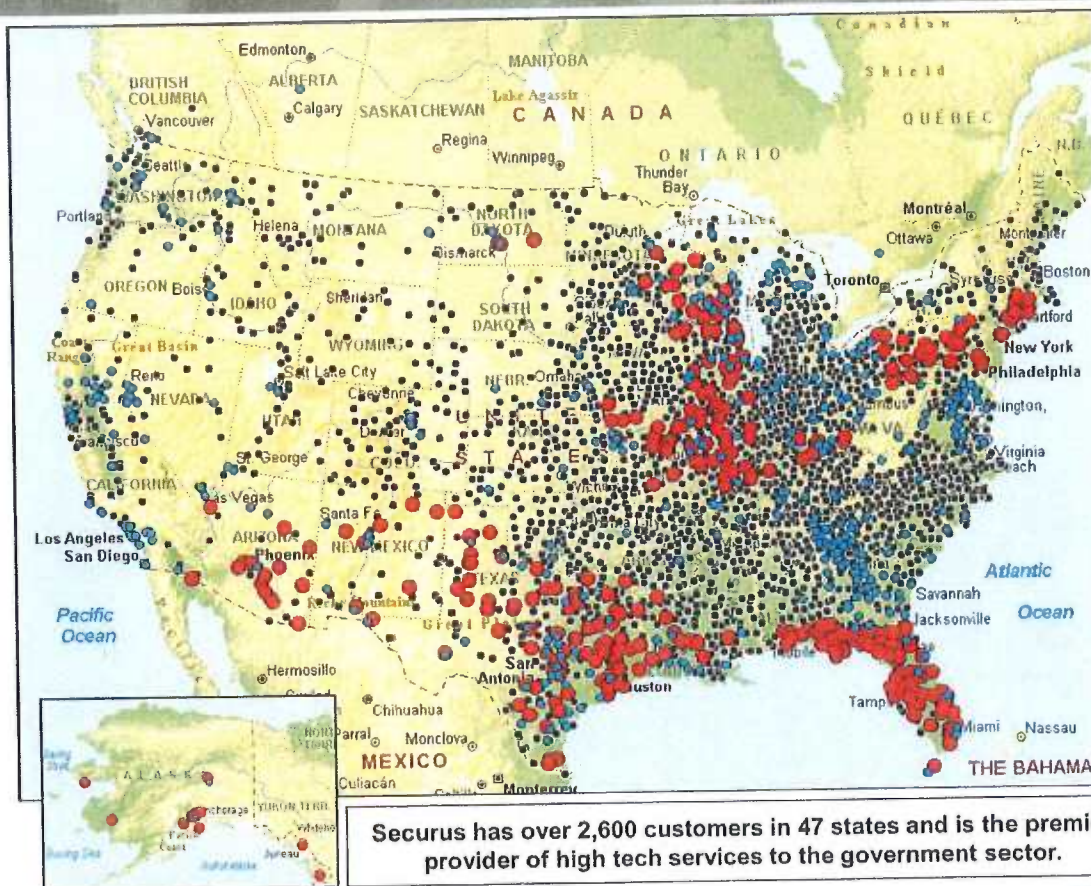
## Summary of Outbound Inmate Call



- Securus bills inmates for the calls they make and the technology services they use
- Nearly 95% of the Company's total direct provisioning revenue are "pre-paid"
- Securus pays a negotiated commission to the correctional facility based upon actual usage of services by inmates

**Specialized Systems And Technology Create High Barriers To Entry**

# Securus Sites

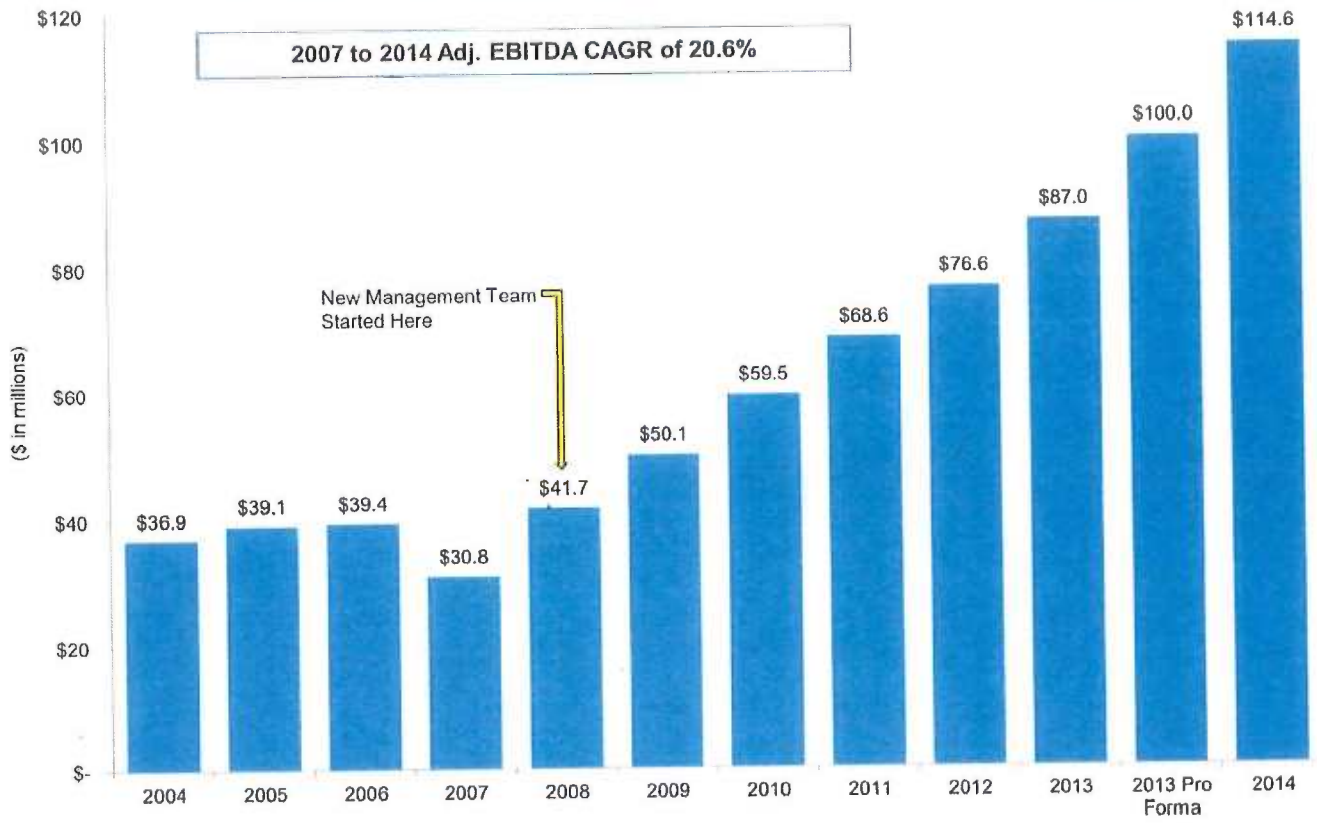


## Sites Under Contract

- State DOC Sites
- County/Regional/City Accounts
- STOP Inmate Monitoring Customers

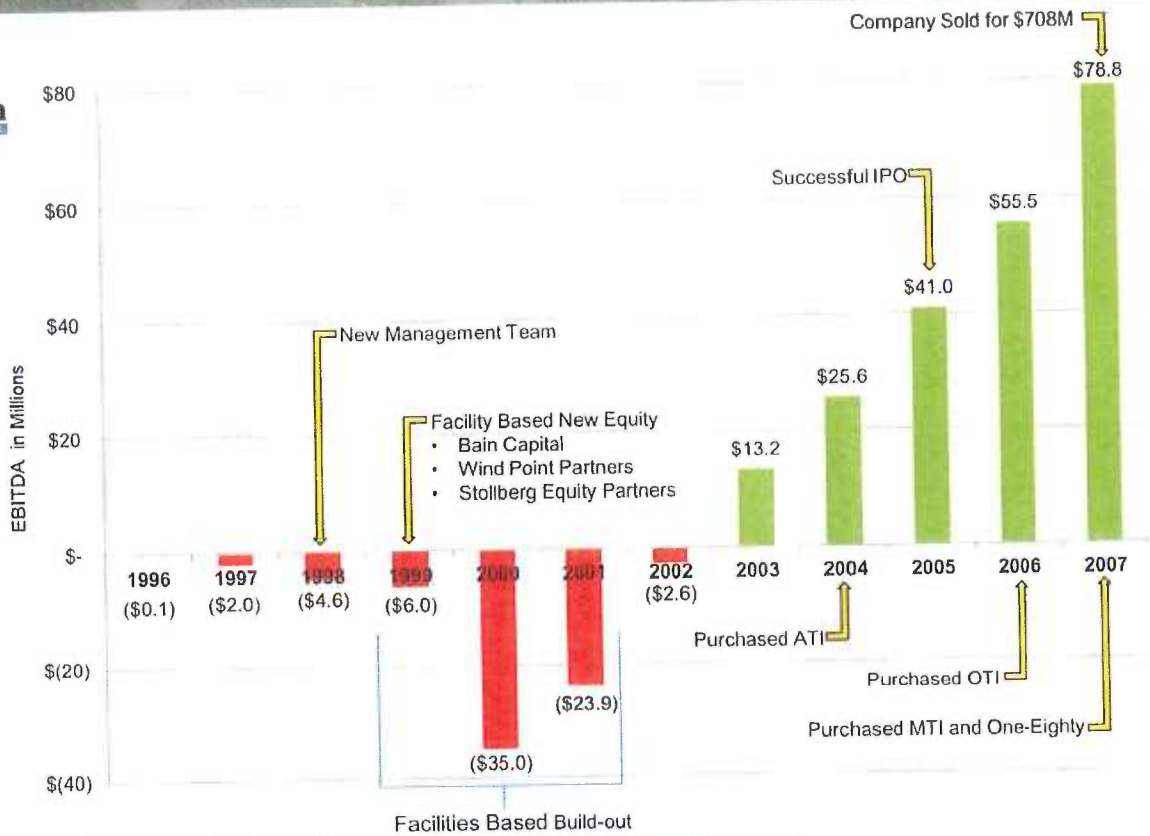
Securus has over 2,600 customers in 47 states and is the premier provider of high tech services to the government sector.

# Historical Adj. EBITDA





# Eschelon EBITDA, 1996 to 2007 (Competitive Local Exchange Carrier)



The Executive Team at Securus has a long history of good operating and financial performance including at Eschelon, for nine (9) years.

# Key Credit Highlights

## Securus Represents an Attractive Credit Investment

*Recurring Revenue Model With Long Term Contracts*



- Average revenue retention of 94% over the last 5 years
- 3 to 5 year contracts with majority on automatic renewals without RFP

*Diverse Customer Base With Minimal Customer Concentration*



- 2,600 facilities across 47 states, D.C and Canada
- Top 10 customers account for ~32% of revenue, long standing relationships with average tenure of ~10 years

*Industry Leading Technology Platform*



- Patented, proprietary technology platform
- Efficient centralized technology model is CapEx and OpEx efficient

*Large, Stable And Growing Corrections Industry*



- ~\$75B corrections industry represents a large, recession-resistant and stable market
- Inmate population and corrections expenditures have grown steadily for 3 decades

*Diversified Service Offering in Highly Attractive Segments*



- The acquisition of JPay results in a comprehensive communication and tech-enabled solution provider
- Well positioned for organic growth through numerous initiatives currently underway

*Exceptional Financial Performance Since 2008*



- Quality of revenue significantly improved: Higher prepaid revenue, lower bad debt expense, low wholesale revenue
- Increased Adj. EBITDA by 272% from 2007 to 2014
- Number of recent wins against GTL proves Securus' superior operating model

*Experienced Management Team*



- Experienced, cohesive team with 16 year track record of value creation
- Implemented numerous initiatives to double EBITDA from 2007 to 2014
- Continuous operational improvement and margin expansion