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TURNAROUND INVESTING - SWINGING AT GOOD PITCHES

LLOYD KHANER, KHANER CAPITAL

Join us for the 8th Annual Spring Value Investing Congress in Las Vegas!

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Turnaround Investing

“Swinging At Good Pitches”



General Partner



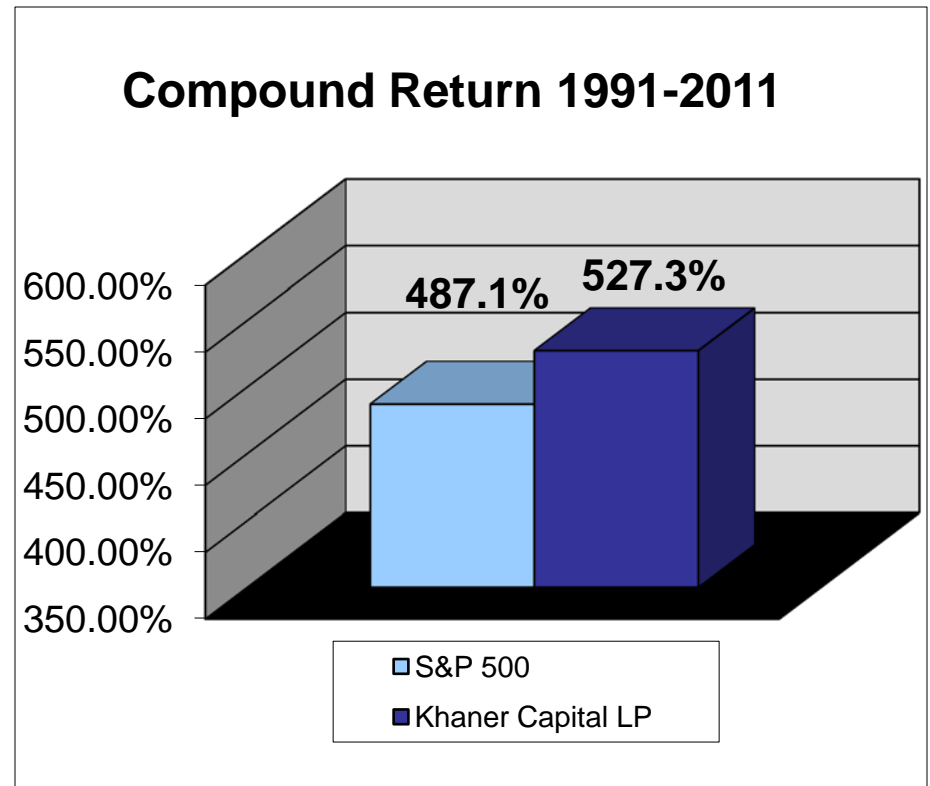
Lloyd Khaner is the General Partner of Khaner Capital, LP - a long-short hedge fund. He joined Khaner Capital Management (formerly MountainGate Partners) in 1991 and was elected General Partner by unanimous vote of the Limited Partners on January 1, 1993.

Lloyd selects stocks for the portfolio, sets the Fund's investment strategy, oversees the Fund's portfolio and directs its resources. Khaner Capital has recorded positive absolute results for 17 out of the last 21 years. Without the use of leverage and after all fees, the fund's compound returns have outperformed the S&P 500 for the following periods: 5 years, 10 years, 15 years , 20 years, 21 years.

Lloyd's speaking engagements include the Value Investing Seminar 2012, 2011, 2010, 2009 in Italy and the Value Investing Congress 2010 in Pasadena, CA and in New York City 2009. Lloyd has been interviewed on Bloomberg TV and Radio. Currently, Lloyd writes a weekly stock market column for Mynyanville.com titled "Lloyd's Wall of Worry." Lloyd was featured in Value Investing Insight in May 2006 and 2011 and has been quoted in news sources including Barron's, The Wall Street Journal, DSN Retailing Today and The Financial Times.

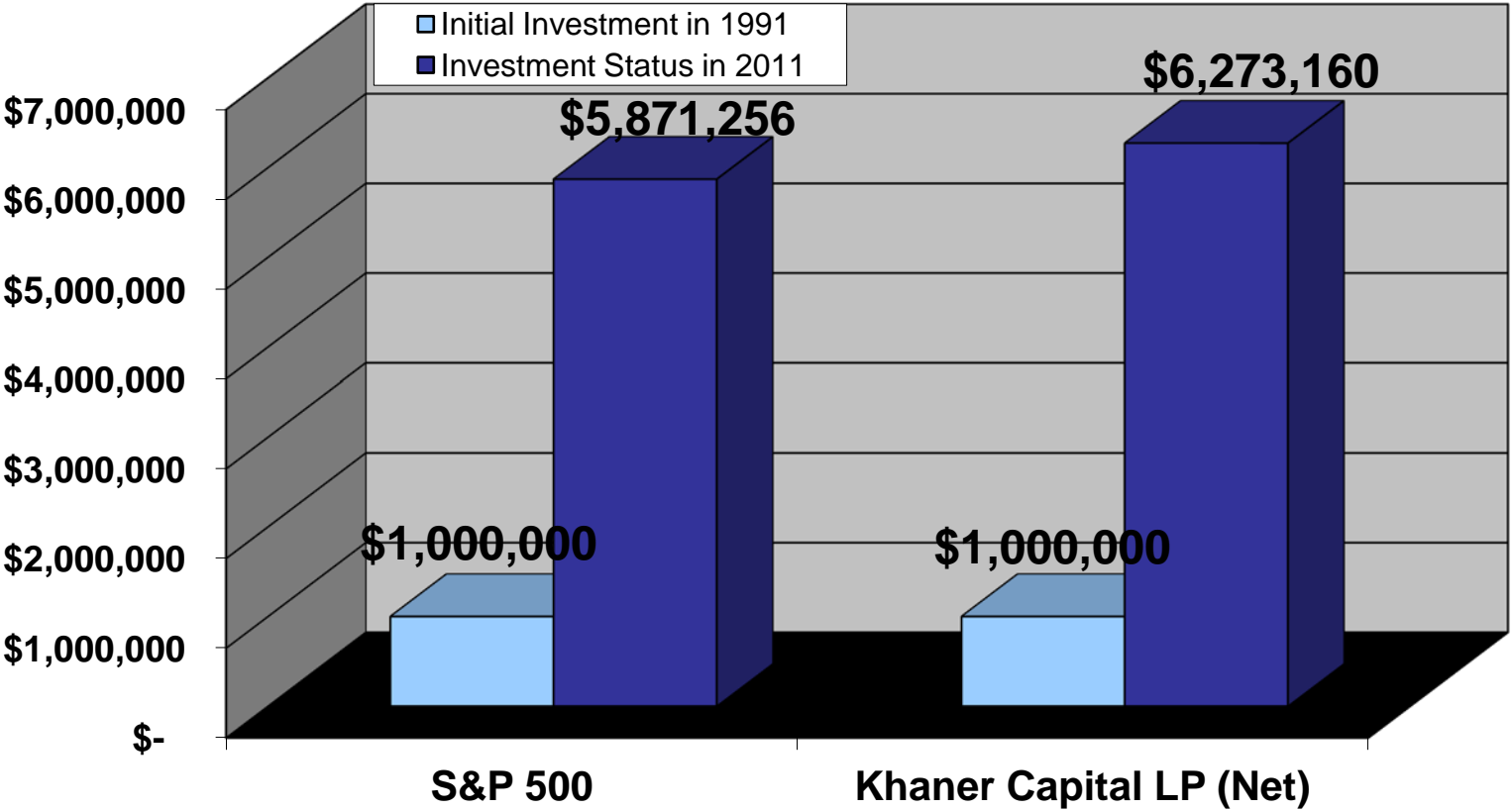
21 Years of Outperformance

- 21 year compound performance surpassing our benchmark the S&P 500
- No use of Leverage
- No Illiquid Investments
- All Investments made in regulated, public markets



21 Years of Investment Success

Investment Growth 1991-2011



21 Years of Compounding

HISTORIC PERFORMANCE			
<u>Year</u>	<u>KCLP</u>	<u>Year</u>	<u>KCLP</u>
1991	28.02%	2001	3.88%
1992	15.10%	2002	-5.85%
1993	1.62%	2003	25.25%
1994	1.87%	2004	8.03%
1995	23.78%	2005	2.41%
1996	9.62%	2006	9.20%
1997	40.00%	2007	-1.40%
1998	30.62%	2008	-14.24%
1999	9.77%	2009	16.70%
2000	4.90%	2010	5.40%
		2011	-6.49%

Successful Turnaround Investments

- AirTran Holdings, Inc.
- Anteon International Corp.
- Aramark Corp.
- Avid Technology, Inc.
- Bank One Corp.
- Au Bon Pain Co., Inc.
- Cadence Design Systems, Inc
- Campbell Soup Co.
- Casual Male Retail Group, Inc.
- Cavco Industries, Inc.
- Citigroup Inc.
- Coldwater Creek, Inc.
- Comcast Corp.
- Costco Wholesale Corporation
- Darden Restaurants, Inc.
- Department 56, Inc.
- Duty Free International, Inc.
- Ebay, Inc.
- EOG Resources, Inc.
- Family Dollar Stores, Inc.
- First Alert, Inc.
- Fiserv, Inc.
- Flowers Food, Inc.
- The Gap, Inc.
- General Nutrition Centers, Inc.
- Gentex Corp.
- The Gillette Company
- Grist Mill Company
- Greenlight Capital Re Ltd.
- Hewlett-Packard Co.
- International Business Machines
- Jack In The Box, Inc.
- Keebler Foods Company
- Kellogg Co.
- LSI Corporation
- McDonald's Corporation
- Manpower, Inc.
- Mettler-Toledo International Inc.
- Microsoft Corp.
- Molex, Inc.
- Moore Corporation
- Nalco Holdings Co.
- Nokia Corporation
- NuStar GP Holdings LLC
- Office Depot, Inc.
- Omnicare, Inc.
- Pep Boys Manny Moe & Jack
- PharMerica Corp.
- Plantronics, Inc.
- Praxair, Inc.
- Premcor, Inc.
- Pzena Investment Mgmt, Inc.
- 7-Eleven, Inc.
- Sony Corp.
- TAL International Group Inc.
- Target Corporation
- Tele-Communications, Inc.
- Tiffany & Co.
- TJX Companies, Inc.
- Tractor Supply Co.
- The Travelers Companies, Inc.
- TreeHouse Foods, Inc.
- Urban Outfitters, Inc.
- Wal-Mart Stores, Inc.
- Wright Express Corp.

Presentation Agenda – NY VIC 2012

- Starbucks Update
- “Swinging At Good Pitches”
- Turnaround Stock Pick
- Q&A

STARBUCKS 2009-2012 (SBUX) – KCM Turnaround 2009



STARBUCKS - 2012 (SBUX) – Update

- 1) New Store Growth – *China, India, U.S., Latin America*
- 2) European Turnaround – *Stabilize & Turn*
- 3) U.S. Store Refresh/Mobile – *Keep Current*
- 4) “Verismo” – *Nespresso Market Share*
- 5) “La Boulange” – *Upgrade Food*
- 6) “Evolution Fresh” – *New Concept*

*** Brand related; Food related; Store related;
Gass/Burrows/Culver/Hanesberry/Garner/
Rubinfeld/Brotman; Controlled Pace**

Turnaround Investing – Common Mistakes

- 1) “Swinging At Bad Pitches” – It’s Hard To Do***
- 2) Swinging Too Early – Timing***
- 3) Not Swinging At All – Fear and Loathing***

Bad Pitch #1 – Too Much Debt

- Balance Sheet Myopia
- Disadvantaged with Customers, Suppliers, Competitors
- Starved For Investment
- Lose Talent
- **Whiff: 70+% Debt-to-Capital**



Bad Pitch #2 – Weak/Non-Turnaround Mgmt.

- Capital Discipline
- Cost Cutting
- Headcount Reductions
- Re-Focus Company
- Manage/Retain Talent
- Inspire And Lead
- Raise Capital
- **Whiff: No Successful Turnaround Experience**

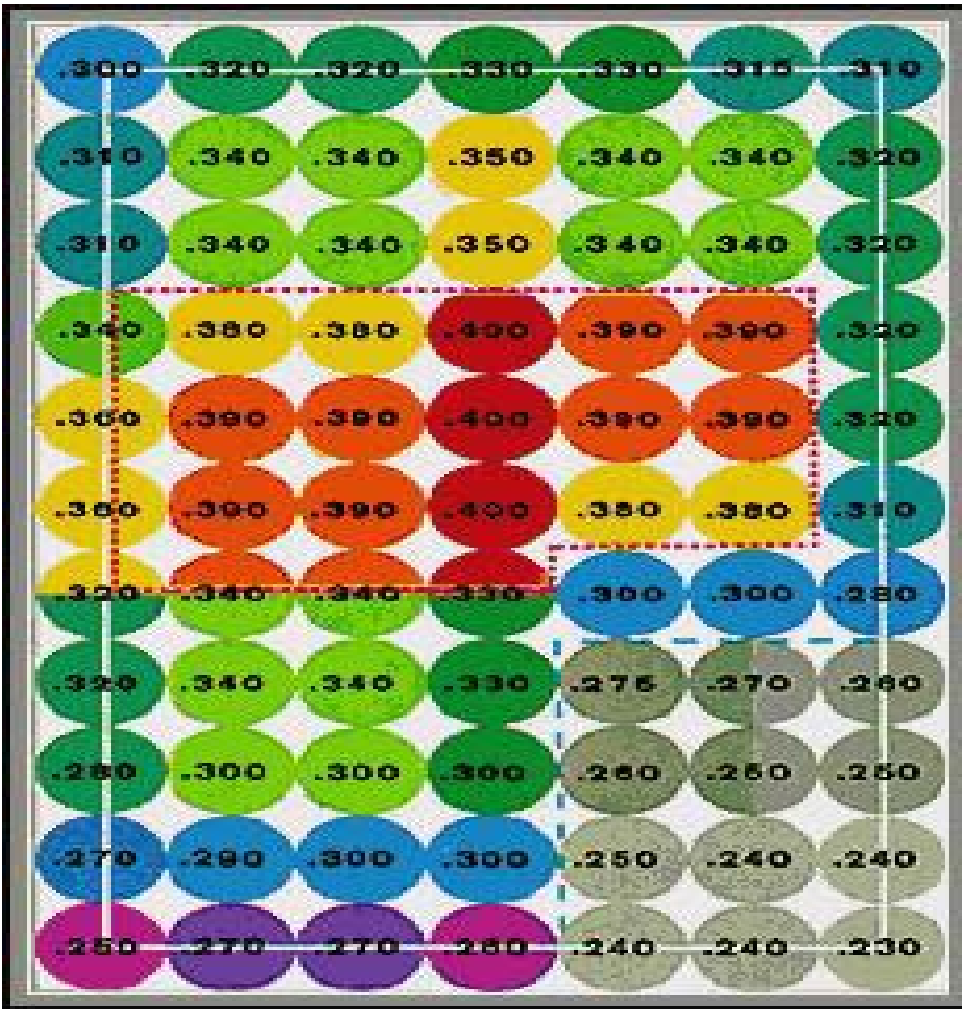


Bad Pitch #3 – Weak/Impaired Industry

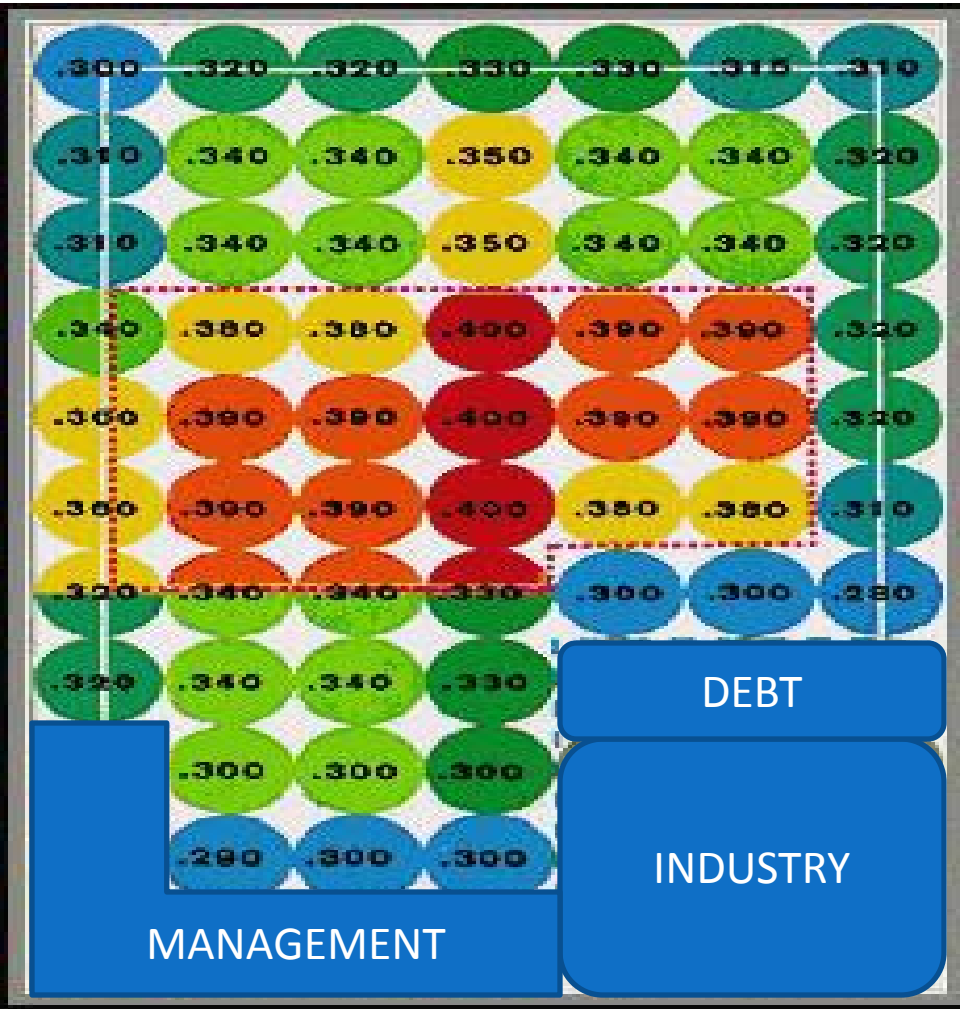
- Becoming Obsolete
- Transitioning Industry
- Consolidating Industry
- Overly Fragmented
- Irrational Pricing
- Expensive Financing
- Talent Exodus
- **Whiff: Dying Industry**



Ted William's Hitting Zones



Turnaround Investor's Hitting Zones



*Turnaround Investing – “Swinging At Good Pitches” Got Your Pitch So Swing From Heels Right? **Wrong!***



***Turnaround Investing – TIMING is everything
Wait until you can see the stitches on the baseball***



JAMBA JUICE 2006-2012 (JMBA) – KCM Turnaround 2012



JAMBA JUICE (JMBA) – The Company

Great Tasting, Affordable, Better-For-You Food

- Jamba Juice Inc. is a leading restaurant retailer of better-for-you specialty beverages and food. Market Cap. \$208 million; Avg. Daily Volume 600,000+ Shares
- Founded in 1990. IPO in January 2005 as “Blank Check Company”, March 2006 merged with Jamba Juice Company – Red Flag #1
- Approx. 790 Jamba Juice Stores – System-wide Revs. \$450+ million
 - 750+ Stores in 25 States in the USA - 52% of all Stores in California – 2/3 Co-Owned
 - 450 Franchised/305 Company Owned – 60%/40%
 - 90+ JambaGO stations
 - 40+ International locations - South Korea, Canada, Philippines, Bahamas
- CPG (Consumer Package Goods) Products in 35,000 Retail Doors
- **“Good Pitch” - No Debt/\$29+ mil., Turnaround Management Tailwind Industry**

JAMBA JUICE (JMBA) – The Stores

Average Unit Size – 1,200-1,400 sq ft , 110-130 sq meters



JAMBA JUICE (JMBA) – The Stores

Average Unit Volume (AUV) - \$700,000



JAMBA JUICE (JMBA) – The Stores

Dayparts: Breakfast 15-20% Lunch 20-30% Afternoon 20-35% Dinner 15%



JAMBA JUICE (JMBA) – The Stores

4-Wall Store Operating Margin - 20.0-23.0%



JAMBA JUICE (JMBA) – The Stores

Attachment Rate: 20%



JAMBA JUICE (JMBA) – The Stores

Construction Costs: \$264,000-\$462,000 (USD)



JAMBA JUICE (JMBA) – The Stores

Non-Traditional/Mall Units - \$185,000-\$408,000



JAMBA JUICE (JMBA) – The Stores

"JambaGO" Self-Serve Unit – Schools, C-Stores, Institutions



JAMBA JUICE (JMBA) – “The Whys?”

- Question: Why did a private equity group inject capital in 2008 that kept Jamba Juice Inc. from going into bankruptcy?
- Question: Why do Jamba Juice Stores do 2x the AUV of their next largest competitor?
- Question: Why have Jamba Juice Stores sales increased even after McDonalds started offering Smoothies in 2010?
- Question: Why is Jamba Juice experiencing solidly positive same-store sales?
- Question: Why are Jamba Juice Stores experiencing increases in their Store Traffic?
- Question: Why is Jamba Juice able to raise prices when commodity costs rise?
- Question: Why is Jamba Juice one of only a few restaurant concepts that does not have a Consumer “Veto Vote”?
- Question: Why do people buy Jamba Juice products in Retail Stores and make them at home when there are no Jamba Juice Stores within driving distance?
- Question: Why is Jamba Juice able to install its “*JambaGO*” units in Public Schools?

JAMBA JUICE (JMBA) – *The Food Is Great* *Fruit Smoothies*



JAMBA JUICE (JMBA) – The Food Is Healthy

No Trans Fats, No HFC, No Artificial Preservatives or Flavors

We believe in the good stuff.

Natural
energy from nutritious
ingredients.

big
booming
flavors.

**No high-fructose
corn syrup.**

Real whole fruit. Real fruit juice. Real good taste.

Balanced diet.
**BALANCED
LIFE.**

**HEAPING
HELPINGS**
of antioxidants,
vitamins, and minerals.

0 grams
trans fat and
no artificial preservatives.

NO food comas.

We believe in you. That's how we got here.

JAMBA JUICE (JMBA) – The Food Is Affordable

Fresh Squeezed Juices

\$2 special offer with coupon

all natural
fresh squeezed
juice &
juice blends
(twelve size)

click for your coupon!

JAMBA JUICE (JMBA) – The Food Is Fun

Frozen Yogurt



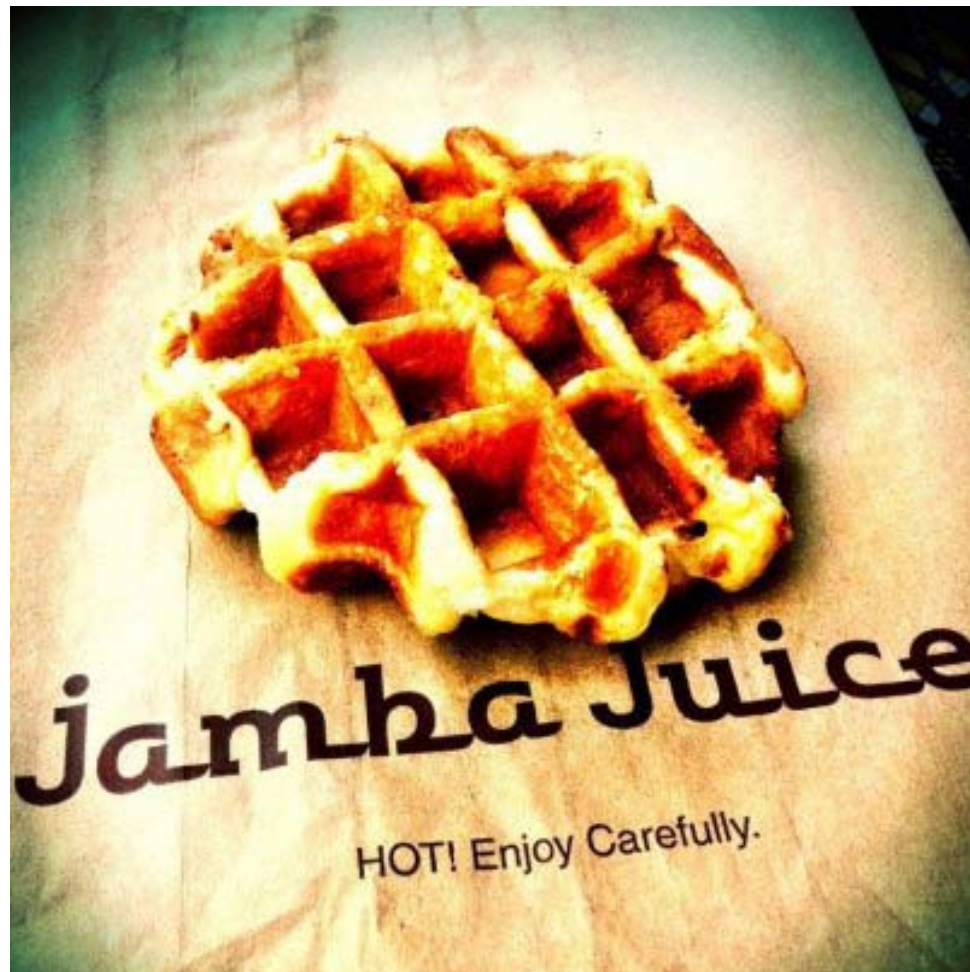
JAMBA JUICE (JMBA) – The Food Is For All Ages

Organic Steel Cut Oatmeal



JAMBA JUICE (JMBA) – The Food Is Original

Fresh Baked Goods



JAMBA JUICE (JMBA) – The Food Is Convenient

Not Just A Smoothie Shop Anymore



JAMBA JUICE (JMBA) – The Food Is Mom Friendly

Snack Chips



JAMBA JUICE (JMBA) – The Food Is Kid Friendly

They Have A Secret Menu



JAMBA JUICE (JMBA) – The Food Is Sold At Retail

Building A CPG Platform - 50,000 Locations By EOY 2012

Jamba-Branded Lifestyle Products



JAMBA JUICE (JMBA) – The Food Is Trending

Smoothies, Juice/Juicing, Better-For-You Foods



JAMBA JUICE (JMBA) – The Food Is Great

- **Fruit and Veggie Smoothies** and Fruit Juices are majority of sales
- **Breakfast:** Coffee, “Talbot Teas”, Baked Goods, Oatmeal, Breakfast Wraps
- **Lunch:** Pre-Packaged Sandwiches, Wraps and Salads
- **Dinner:** California Flatbreads Test
- **Key Commodities:** Blueberries, Strawberries
- **Key Vulnerabilities:**
 - Speed of Service – KCM survey average 5-10 minutes from “hand-to-mouth”
 - Limited Seating – Few chairs or tables in stores

JAMBA JUICE (JMBA) – What Went Wrong?

- **Weak Management Team** – Execs from: Burger King, Baja Fresh, Boston Market, Hewlett Packard, Blockbuster **Red Flag #2**
- **Too Many Employees** – 10,000 in Stores; 250 in Support/Management **Red Flag #3**
- **Grew Company-Owned/Operated Stores Too Quickly** - Opened 99 Stores in 2007 **Red Flag #4**
- **Existing Store Base** - Run Down/Dirty/Poor Service **Red Flag #5**
- **Same-Store Sales Negative** - (8.1%) in 2008, Pricing Up/Traffic Down **Red Flag #6**
- **Margins in Decline** **Red Flag #7**
 - Cost of Sales % of Company Store Revenues: 2003 = 23.4% **2008 = 27.5%**
 - Labor Costs % of Company Store Revenues: 2003 = 32.4% **2008 = 33.5%**
 - Occupancy Costs % of Company Store Revs: 2003 = 9.5% **2008 = 12.2%**
- **EPS and FCF negative** - 2006, 2007, 2008 **Red Flag #8**
- **Using Expensive Short-Term Debt** **Red Flag #9**

JAMBA JUICE (JMBA) – The Turnaround

- **Hired James White as Chairman/CEO – December 2008**
 - SVP Consumer Brands – Safeway Supermarkets
 - SVP Bus. Development N.A. – Gillette Co. Worked for Jim Kilts **Green Flag #1**
 - VP Various Roles – Nestle Purina
 - 48 years old, Never has been a CEO
- **BLEND Plan 1.0 (3 Year Plan) – January 2009 introduced**
 - Hire New Execs: **Green Flag #2**
 - Retain Talent **Green Flag #3**
 - Eliminate Debt **Green Flag #4**
 - Headcount Reduction/Reduce Store Level Employment Number **Green Flag #5**
 - Reduction/Refranchise Company-Owned Stores and Close Stores **Green Flag #6**
 - Improve Store Operations/Clean Stores **Green Flag #7**
 - Forgo Revenue to Improve Margins **Green Flag #8**
 - Improve Food Quality and Make Product Innovation High Priority **Green Flag #9**
 - Menu Expansion – broaden dayparts, expand offerings
 - Consumer Packaged Goods (CPG) – extend the Jamba Juice Brand
 - Achieve Positive Same-Store Sales
 - Make Jamba Juice a “Globally Recognized Healthy, Active Lifestyle Brand”

JAMBA JUICE (JMBA) – The Present

- **BLEND Plan 1.0 Completed – January 2012**

- Hired New Execs: P&G/Gillette/Nestle, Safeway/Quaker Oats, Wal-Mart/Safeway
- Eliminated Debt: Capital Infusion \$25 million for Convert. Pref. & Warrants ; Net Cash \$19 mil
- Headcount Reduction/Reduce Store Level Employment Number: 4,900/190
- Reduction/Refranchise Company-Owned Stores and Close Stores: 67/174
- Improve Store Operations/Clean Stores: Store Op.Mrgn 19-22%, Service & Stores (+)
- Revenues for Margins: Store Revenues \$214 mil vs. \$306 mil peak
 - Cost of Sales: 2011 23.0% , Labor Costs 31.6%
- Improve Food Quality and Make Product Innovation High Priority:
 - Four Mandatory Core Standards – NTF, NHC, NPorAFs
 - “iDistrict” Innovation District Group of Stores
- Menu Expansion: Coffee, Tea, Oatmeal, “Make It Light”, Flatbreads
- Consumer Packaged Goods (CPG): 10 Product Lines Commercialized
- Positive Same-Store Sales: +3-4% in 2011, Traffic/Price/Mix – “Thank You McDonald’s!”
- “Globally Recognized Healthy, Active Lifestyle Brand” – S.Korea, Phillipines, Canada, Bahamas

KCM Turnaround Successful

JAMBA JUICE (JMBA) – The 2012 Goals

- **Company Goals for EOY 2012 (as of August 1, 2012):**
 - Same-Store Sales: +4-6%
 - Adjusted Operating Margin: 20-23% (vs. 19-22% as of 1/1/12)
 - Maintain “Flat” General and Administrative Expenses in absolute dollars ex-Performance Compensation (some non-cash)
 - CPG in 50,000 Retail Doors by EOY 2012
 - CPG Licensing Revenue ~\$3 mil
 - Develop 40-50 New U.S. Store Locations
 - Develop 10-15 New International Locations
 - Add 1-2 New International Partners for Franchising
 - JambaGO units in 400-500 institutions (mostly Schools, in 90+ already “Very pleased with results so far.”)
 - Capital Expenditures: \$6 mil
- **KCM 2012E Goals for Jamba Juice:**
 - EPS Positive \$0.05
 - FCF Positive ~\$0.10 per Share
 - **ROIC Positive – first time in 5+ years**

JAMBA JUICE (JMBA) – The BLEND 2.0 Plan/Growth

- **James White CEO (April 5th, 2011 10-K) “...our focus is now on accelerating the growth of the Jamba brand and expanding the business model.”**
- **Projected Worldwide Unit Opportunity = 3,700+ units, +400%**
 - Chain Goal 70+% Franchised: 5-6% Royalty Rate plus 2-4% Marketing Spend
- **Projected International Store Opportunity = 1,000+ units**
 - Pipeline of 320 Units – **SPC Group in S. Korea** (4,500+ now) to open 200 units w/in 10 years, **Max’s Group in Philippines** to develop 40+ units w/in 10 years, **Canadian Juice Corp.** (1,200 in 25 Countries now) to develop 80 units w/in 10 years
 - “Will double # of International Units every year” – Have ~40 today
- **Projected JambaGO Concept Opportunity = 1,500 by EOY 2013**
- **CPG Royalties reach \$10 mil in 2014, \$20 mil 2016**
 - Royalty Rates 3-5%; License; 5-7% JV; 7-9% Co-Manufacture

JAMBA JUICE (JMBA) – The Culture **Green Flag #10**

“Quotes – from Management”

- Embody a healthy, active lifestyle at store level and broadly across the enterprise
- We have an exceptional brand franchise
- We have a focused strategy
- We have a disciplined organization
- We are confident about our future
- Building Jamba into a \$1 billion healthy, active lifestyle brand 2016
- We remain committed to driving growth, managing financial discipline, cost management, continuous improvement, and realistic targets that we will meet or exceed.

“Promises Made Will Be Kept!”

JAMBA JUICE (JMBA) – The Timing *A Three-Year Turnaround in Year 3+*

- **Teddy Samuel Williams:**
 - U.S. Veteran WWII
 - U.S. Veteran Korean War
 - Last Player To Hit .400+
 - 1941 Avg.: .406
 - Lifetime Avg: .344
 - Strikeout Percentage:
 - 9.2 times/1000 At-bats
 - #285 all-time lowest %



Thank You

* Kam-sa-ham-ni-da

* *Grazie*

* GRACIAS

* *Merci beaucoup*

* **Danka schon**

* **Sas efharisto**

* *Toda*

* **KOSZI**

* Dhanyawaad

• **MAKASIH**

* **Go raibh maith agat**

* *Arigato*

• **Ah bo**

* **Dèkoju**

* Dhannvaad

• **Mulțumesc**

* *Xie Xie Ni*

* **Spasibo**

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- Please see “Certain Risk Factors” in KCLP’s Offering Memorandum for a partial list of significant risks.
- This is neither a solicitation nor an offer to buy or sell securities.

Khaner Capital, LP: Sources

- **“The Science of Hitting” – by Ted Williams and John Underwood**
- **“Baseball Almanac” www.baseball-almanac.com**
- **Bloomberg**
- **Big Charts**
- **Jamba Juice Corporate website**