

# PSG Europe Presentation to the Pennsylvania State Employees' Retirement System

DECEMBER 2021

# PSG



# PSG Franchise

- One of the largest software teams in private equity globally – 122 investment professionals
- ~\$6bn deployed across 80+ platforms & 330+ add-ons
- 3.6x Gross MoM & 63% Gross IRR on all realized/partially realized investments across PSG platform (31)<sup>(1)</sup>
- Top performing funds, continuing to outpace peers and the market<sup>(2)</sup>

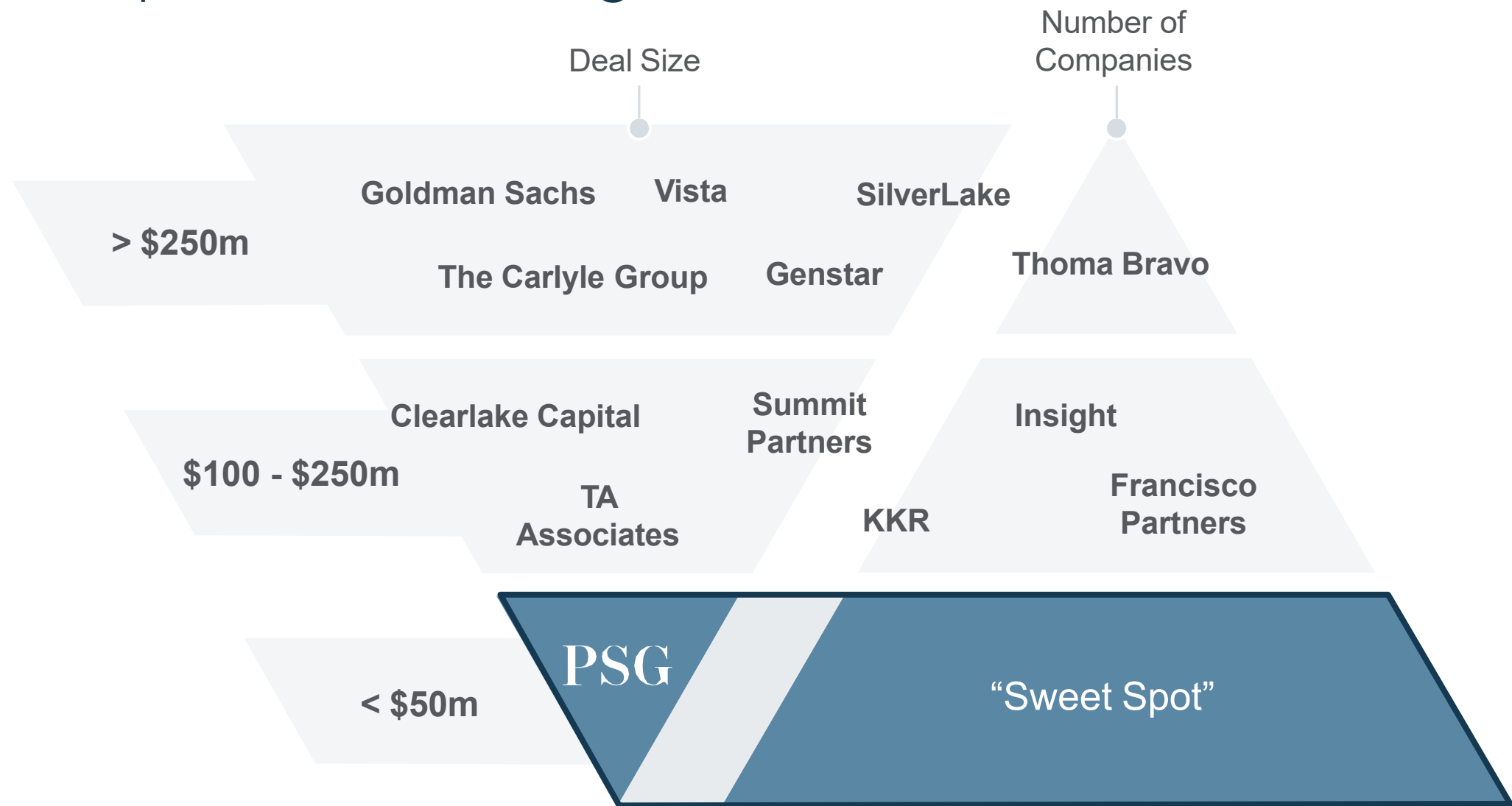
Note: Data for first three bullet points as of June 30, 2021.

(1) The foregoing information is presented on an aggregate basis across PSG I, II, III and IV, and therefore does not reflect the investments of any fund. Fund-level net IRR for PSG I is 34%, fund-level net IRR for PSG II is 48%, fund-level net IRR for PSG III is 40% and fund-level net IRR for PSG IV is 143%. Fund-level net MoM for PSG I is 1.8x, fund-level net MoM for PSG II is 2.6x, fund-level net MoM for PSG III is 2.0x and fund-level net MoM for PSG IV is 1.8x. Net performance is based on a hypothetical realization of fund assets at such valuation date and excludes the deduction of any taxes and transaction related expenses that are expected to be borne in connection with any realization. See further details about the calculation of these figures in the disclaimer at the end of this presentation. Also, although the PSG Funds included are managed by the same investment manager as PSG Europe, PSG Europe's investment strategy focuses on investments in Europe, whereas the PSG Funds are focused on North America. Additionally, although there is some overlap in investment professionals, the PSG Funds included herein and PSG Europe are managed by different investment teams. No reliance should be placed on the past performance of the PSG Funds included herein in assessing the potential future performance of PSG Europe.

(2) Based on returns of comparable growth manager's funds that have the same vintage year as previous PSG funds, respectively, as determined by PSG. Source: Hamilton Lane, by way of the Bison/Cobalt GP database and Cambridge Associates as of March 31, 2021.

Note: **PAST PERFORMANCE SHOULD NOT BE RELIED UPON AS AN INDICATION OF FUTURE RESULTS. INVESTMENT IN A FUND INVOLVES SIGNIFICANT RISKS, INCLUDING LOSS OF THE ENTIRE INVESTMENT.** Performance above is presented on a gross basis. Returns to the fund will be subject to the deduction of management fees, carried interest, taxes, transaction costs in connection with the disposition of unrealized investments and other expenses to be borne by investors, which reduce returns in the aggregate and are expected to be substantial. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the investments shown above.

# PSG Competitive Positioning



# Typical PSG Platform Deal

## Key Investment Thesis

### Key Focus

High Growth Software / B2B

### Large Addressable Market

- B2B Vertical SaaS
- Cloud infrastructure and services
- Payments
- Cybersecurity
- Artificial Intelligence

### Highly fragmented ripe for consolidation

Fragmented sectors/verticals with an opportunity for consolidation

### High Growth

Organic growth acceleration through go-to-market expansion

## Key Metrics

~€25m initial equity check

€ >10m ARR

€ 0-10m EBITDA

>20% YoY top-line growth

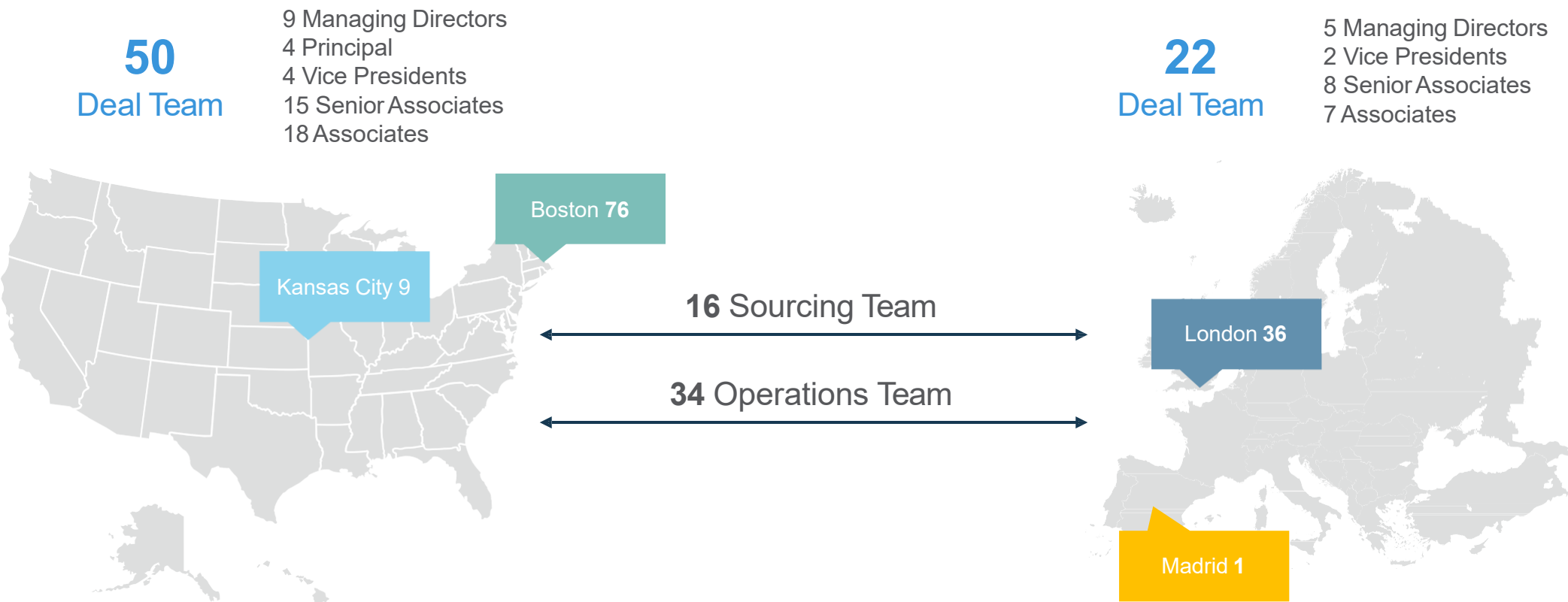
~€50-100m equity per vertical

Buy & Build Focus

Majority Control

# PSG has a large infrastructure to leverage

## 122 Investment Professionals Across 4 Offices



# PSG USA & Europe Team

**1 / Team Members: 152**

**2 / % Gender Diversity: 28%**

**3 / % Minority Diversity: 20%**

**4 / Female & Minority Hires: 11 in Dec-17 to 63 in Oct-21**

# Breadth of Language Proficiency Across Teams



**The PSG Europe Team of 37 professionals speaks 15 languages in total, which include Arabic, Armenian, Danish, English, French, German, Italian, Norwegian, Portuguese, Romanian, Russian, Spanish, Swedish, Turkish, Welsh**

# PSG ESG Progress in 2021

## Accomplishments to Date

- Engaging with third party ESG consultant Blue Dot Capital since June 2020
- ESG DD incorporated in investment process and IC considerations, integrating SASB standards and guidance
- Firm-wide materiality assessment completed to identify ESG focus areas
- Firm-wide ESG capacity-building series conducted by Blue Dot launched in September. This is part of an ongoing series
- ESG policy formalized and published
- Inaugural ESG report published
- Operational emissions management exercise initiated. Engaged with carbon measurement solutions provider Persefoni, beginning with carbon emissions measurement at management company level. Currently exploring options to extend this to portfolio companies

## Planned Next Steps

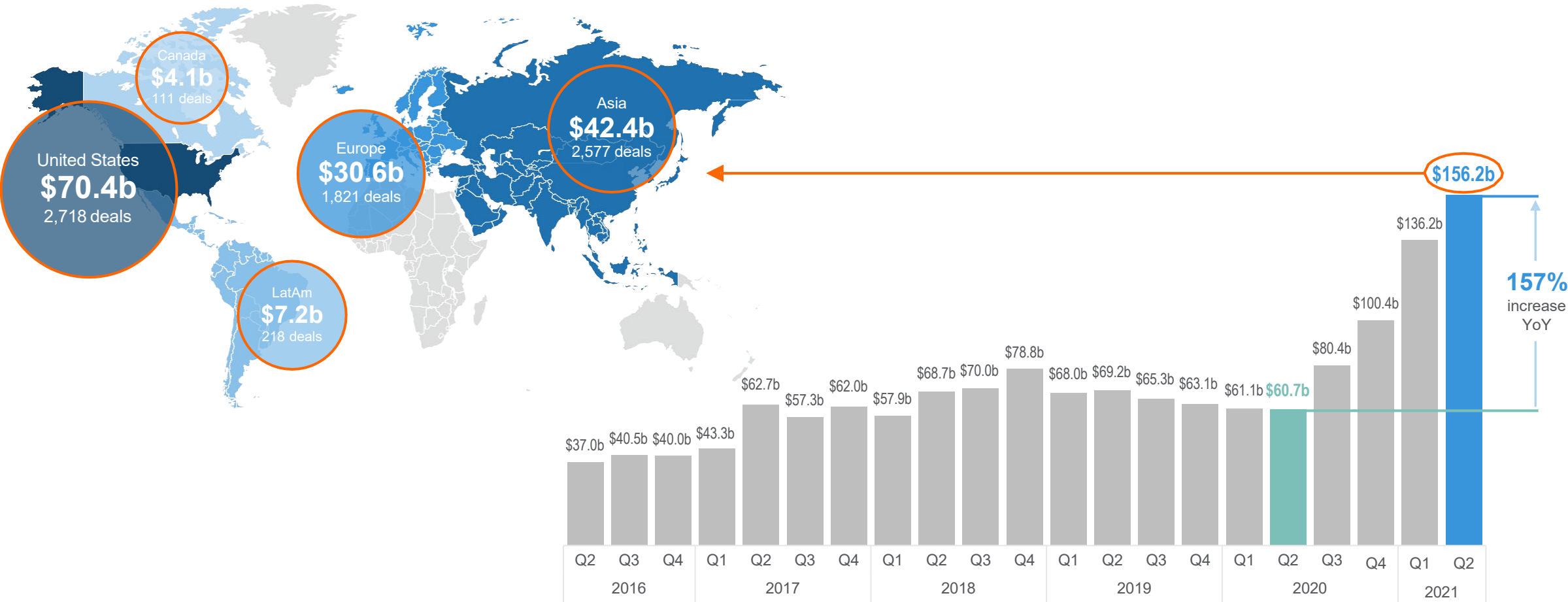
- Extend Blue Dot-led ESG capacity building to portfolio companies
- Exploring signing with international ESG standard / reporting framework
- Continued engagement with Blue Dot to continue progress of ESG program



# Market Overview

Global funding to tech companies rises to new records in Q2'21

Global regional comparison Q2'21



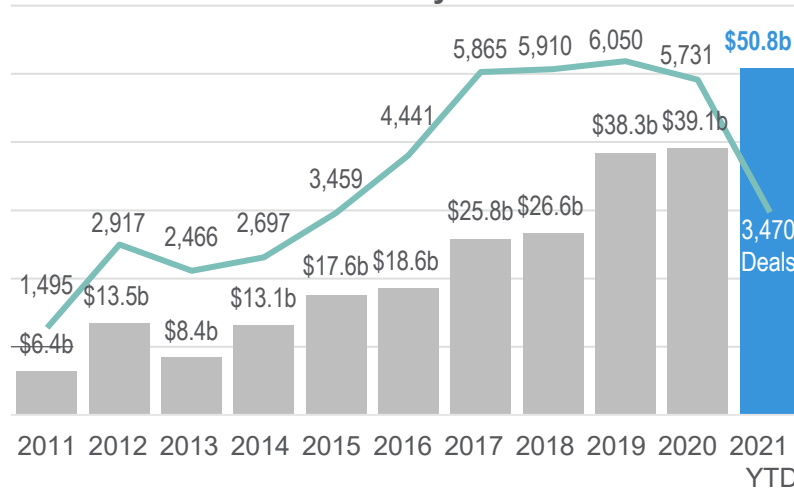
Source: CBInsights, The State of Venture Report Q2'21 Report  
Note: Equity financings into private companies. Fundings must be to VC-backed companies, which are defined as companies that have received funding at any point from: venture capital firms, corporate venture arms, growth equity, or super angel investors.

# Market Overview

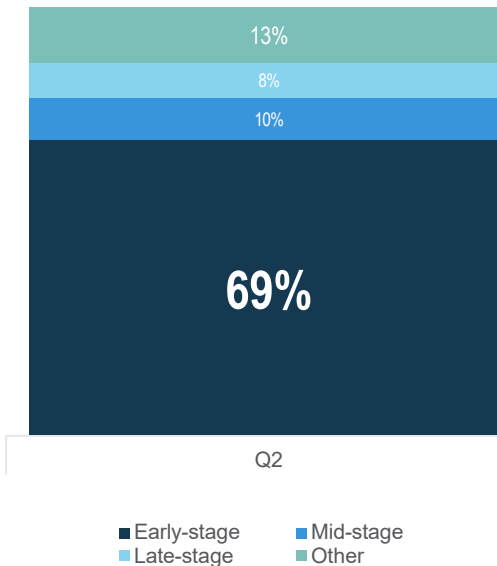
## Europe

- Although Europe comes in third place by total dollars raised in the quarter, **it is the fastest-growing region for investment this year**
- European tech attracted nearly \$50b and already surpasses the \$38b raised in all of 2020
- The vast majority of the money went to five countries: the U.K., Italy, Germany, France and Sweden
- Large early stage funding points to significant late stage companies to hit PSG radar in 3-5 years

Europe blows past previous funding records at the half-year mark

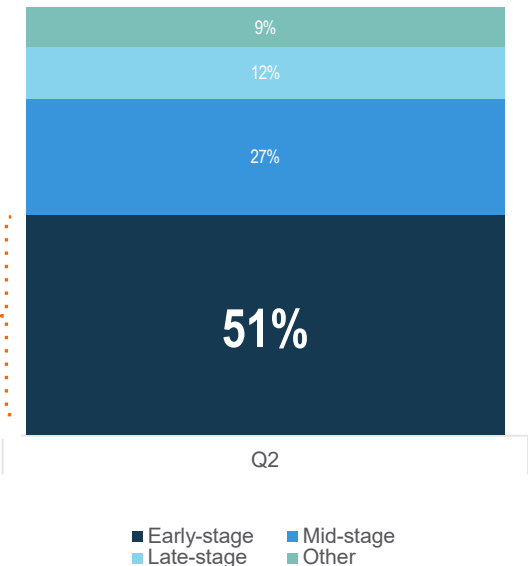


Europe early-stage deal share continues to dominate



Higher proportion of early-stage funding compared to US (Silicon Valley)

Silicon Valley early-stage rounds lose deal share in Q2'21

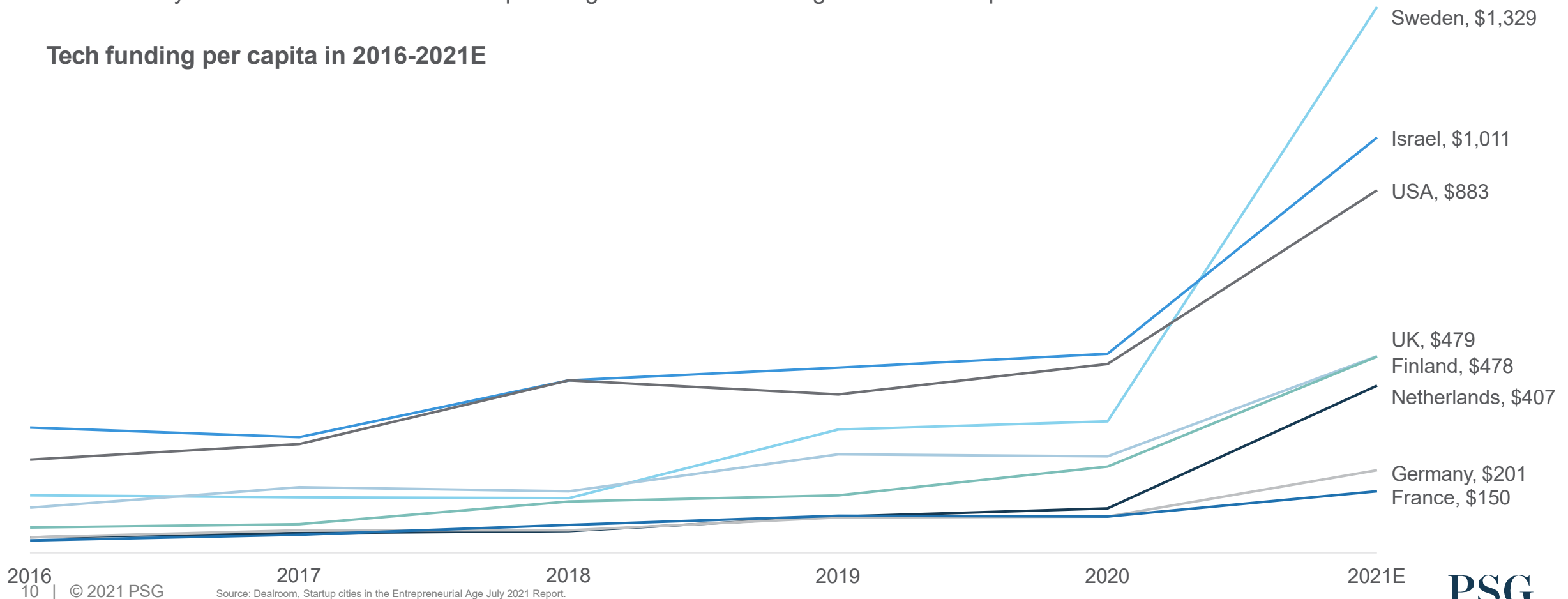


# Market Overview

## Funding Gap

- 2021E average European per capita funding still lags the U.S. and Israel, but individual countries like the UK, Sweden and Finland have significantly closed the gap
- The next few years should continue to see explosive growth for tech funding across all European economies

### Tech funding per capita in 2016-2021E



# TAM Expansion Through Buy and Build in Europe



- **Thousands of point solution providers, with single product, single country and limited TAM**
- **Substantial TAM expansion through acquisitions and integrations**
  - Product adjacencies: cross-selling, TAM expansion
  - Geographic expansion: scale, TAM expansion
  - Combination of both

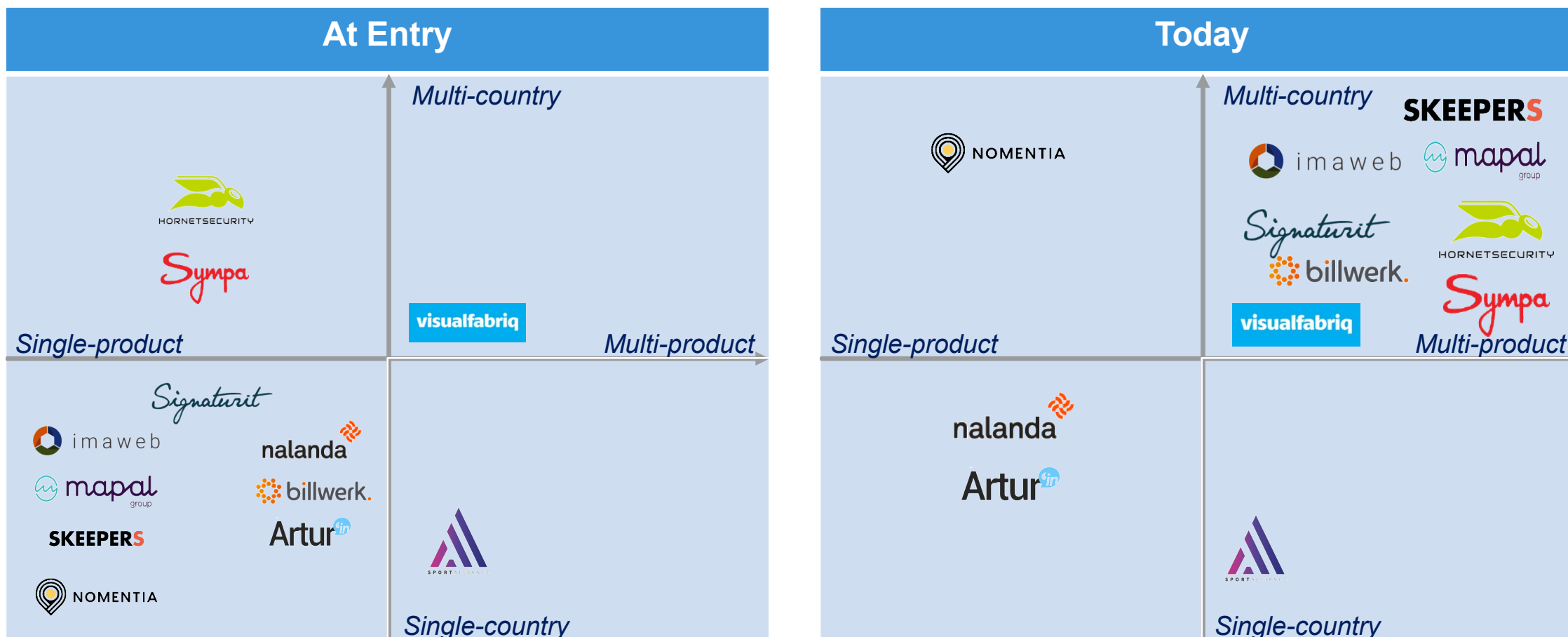
# Portfolio Overview

12 platforms and 29 add-ons with operations across 14 European countries



# PSG Europe Portfolio At Entry vs. Today: TAM Expansion

Majority of the PSG Europe portfolio has moved to multi-country, multi-product



# PSG Europe Differentiation

While competitors address pieces of the value proposition, PSG combines a variety of key strategic elements into a differentiated “package”

- **Focus on low mid-market (<€50m equity ticket), majority investments**
- **Pan-European and USA-Europe scale-up / buy & build focus**
- **Sourcing and Operations teams are key differentiators**
- **Shared USA and Europe infrastructure and software experience**
- **Europe buyout and buy & build focus infrastructure and track record**
- **Team’s cultural fit with founders and entrepreneurs**
- **Strong, continued commitment to ESG and Social Justice**

# Disclaimer (Page 1 of 2)

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The valuations of unrealized investments rely on a variety of assumptions about future market conditions. The global outbreak of the novel coronavirus ("COVID-19"), together with resulting restrictions on travel, limitations on transportation, production and sale of goods and services, prohibitions on large events, efforts to engage in "social distancing", and shelter in place practices, has continued to meaningfully disrupt the global economy and certain of PSG's portfolio companies and, given the unprecedented nature of COVID-19, has introduced greater uncertainty regarding future market conditions and portfolio company results. The stagnant rate of COVID-19 vaccinations and the failure to achieve herd immunity in much of the developed world, and the limited supply of, and unequal access to, the COVID-19 vaccine in lesser-developed jurisdictions, coupled with, the spread of new and more contagious variants of the virus have hampered recovery efforts and continue to create further uncertainty. Even as restrictions have been lifted in certain jurisdictions, they have been reimposed in others, and this pattern is expected to continue for the foreseeable future as certain jurisdictions experience resurgences of COVID-19. Although the long-term economic fallout of COVID-19 is difficult to predict, it has contributed to, and is likely to continue to contribute to, market volatility and the economic outlook remains inherently uncertain. There can be no assurance that in the future there will be deal flows similar to those of any existing Fund or that any Fund will be successful at identifying similar investment opportunities.

Certain information contained herein (including financial information) has been obtained from published and non-published sources, including the management of the applicable portfolio companies, and has not been independently verified by PSG, which does not assume responsibility for the accuracy of such information. Except where otherwise indicated herein, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

Except where otherwise indicated herein, (i) all investment performance data is calculated as of June 30, 2021 and is unaudited and subject to change, (ii) all IRRs and other performance figures related to specific portfolio companies are gross and calculated before fund expenses, management fees and carried interest, if any, and net performance would have been lower, (iii) all publicly traded investments are valued at the applicable closing price as of June 30, 2021, and (iv) all other unrealized investments are unaudited and valued at fair value as determined in good faith by the applicable general partner as of June 30, 2021 in accordance with Financial Accounting Standard Codification 820 and PSG's valuation process and procedures. There can be no assurance that unrealized investments will ultimately be realized for their June 30, 2021 values.

Financial information at the portfolio company level generally has been provided by the portfolio companies as of June 30, 2021 or latest available, and has not been independently verified by PSG.

"Invested Capital" represents the aggregate amount of equity invested in the portfolio company by Providence Strategic Growth L.P. ("PSG I"), Providence Strategic Growth II L.P. ("PSG II"), Providence Strategic Growth III L.P. ("PSG III"), Providence Strategic Growth IV L.P. ("PSG IV"), PSG V L.P. ("PSG V") and Providence Strategic Growth Europe L.P. ("PSG Europe").

"Realized Proceeds" represents the sum of all cash dividends, interest income, other fees and cash proceeds received from the dispositions of interests in portfolio investments. All "Realized Proceeds" is calculated before giving effect to management fees, carried interest and other partnership expenses, which in aggregate may be substantial.

"Unrealized Value" represents fair value as determined in good faith as of June 30, 2021 in accordance with Financial Accounting Standard Codification 820 and the Investment Manager's valuation process and procedures. There is no guarantee that such value will ultimately be realized by the applicable fund or that such value reflects the actual value of the investment. To the extent that such value is not realized, the returns of such fund could be lower.

Internal rate of return ("IRR") is a measure of the discounted cash flows (inflows and outflows) related to an investment. Specifically, IRR is the discount rate at which the net present value of all cash flows and any remaining investment value is equal to zero. In other words, IRR is the discount rate at which (i) the present value of all capital invested in an investment (including expenses specifically allocable to the investment) is equal to (ii) the present value of all returns from the investment (whether or not realized). The IRRs shown were calculated on the basis of the actual timing of deployed capital into portfolio companies and, in the case of unrealized investments, the value of such investments as of June 30, 2021, as determined by PSG; expenses are assumed to occur at the midpoint of each quarter. All IRR calculations are unaudited and are annualized.

Gross IRRs and multiples are calculated on the basis of the actual timing of investment inflows (based on the date proceeds are received by the applicable fund from the applicable portfolio investment) and outflows (based on the date cash is invested by the applicable fund in the applicable portfolio investment), and the return is annualized for investments held over 1 year. For publicly traded investments and unrealized investments, Gross IRRs and multiples are calculated as of June 30, 2021. Gross IRRs and multiples are calculated before fund expenses, fund borrowings, carried interest and management fees. PSG I's multiples are based on invested capital. If based on committed capital due to recycled capital, PSG I's gross multiple is 2.9x. PSG II's multiples are based on invested capital. If based on committed capital due to recycled capital, PSG II's gross multiple is 3.5x.

Net IRRs and multiples are calculated on the basis of the actual timing of investment inflows (based on the date proceeds are received by the applicable fund from the applicable portfolio investment) and outflows (based on the date cash is invested by the applicable fund in the applicable portfolio investment), and the return is annualized if the portfolio is over one year old. Fund borrowings and repayment of borrowings are incorporated into the Net IRR calculation. Cash flows are determined on a blended basis across all parallel funds and alternative investment vehicles of the applicable fund. Cash flows are not determined based upon actual cash flows to and from limited partners, and as a result the actual performance of the investment by a limited partner would be lower. For publicly traded investments and unrealized investments, Net IRRs and multiples are calculated as of June 30, 2021 and fund performance (including calculation of carried interest, if any) is determined on the basis of a hypothetical liquidation of the fund based on reported values as of such date. Net IRRs and multiples take into account carried interest, management fees, fund borrowings and fund expenses borne by limited partners, but exclude taxes borne by limited partners and certain taxes paid by the applicable fund on behalf of the limited partners (e.g. taxes on the sale of "blocker corporations"). In certain circumstances, PSG has warehoused investments or pre-paid operating costs for a fund and was later reimbursed by the applicable fund. The IRR has been calculated based on the date the applicable fund reimbursed PSG. Net IRR does not include non-fee paying accounts. PSG I's multiples are based on invested capital. If based on committed capital due to recycled capital, PSG I's net multiple is 2.6x. PSG II's multiples are based on invested capital. If based on committed capital due to recycled capital, PSG II's net multiple is 3.0x.

A Fund may borrow funds in advance or in lieu of capital contributions by partners or a portfolio company may borrow directly through such Fund facility. Such use of borrowed funds will impact the calculation of a Fund's net performance and may make such Fund's net IRR calculations higher than such metrics otherwise would be without fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions as well as the level of the organizational structure at which such borrowed funds are borrowed or deployed.



# Disclaimer (Page 2 of 2)

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Certain information contained herein constitutes forward-looking statements, including but not limited to, the key themes, outlooks and key strategic priorities and statements regarding potential liquidity events. Forward looking statements may be identified by the use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue" or "believe" (or the negatives thereof) or other variations thereof. Due to various risks and uncertainties, actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements which only speak at the date they are made, and there can be no assurance that unrealized investments used to calculate the return information set forth herein will be ultimately realized for their assumed values. As a result, investors should not rely on such forward-looking statements.

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