
LLR Partners



SERS IC Presentation

September 17, 2024

Who is LLR?

1	Established PA-based Firm	<ul style="list-style-type: none">• Single-strategy firm based in Philadelphia, 107 employees, average partner tenure 18+ years.• 25-year track record of competitive risk-adjusted returns over several market cycles.
2	Consistent Strategy	<ul style="list-style-type: none">• Invest in the lower middle market → Build scale and professionalize → Sell upmarket.• Knowledge Economy theses → Tech-driven origination → Value Creation Team.
3	Focused on Stewardship	<ul style="list-style-type: none">• Firm motto: Leave the firm stronger than when you joined.• Supporting responsible investment and diversity, equity & inclusion.
4	Committed to Pennsylvania	<ul style="list-style-type: none">• LLR has invested ~\$894 million in 35 PA-based companies since 1999.• SERS, a founding LLR LP, invested in LLR 1–LLR 6.

Performance data as of 6/30/24, all other data as of 9/3/24, unless indicated otherwise. Past performance is not a guarantee of future results.

Target company criteria and portfolio construction are subject to change. LLR 7 may invest outside these targets.

The information concerning the market environment and opportunities in the marketplace represent the views of LLR.

Reasonable persons may disagree as to perceptions of the market environment and the investment opportunities created thereby.

The statements, opinions, targets and data expressed in this presentation are subject to change without notice.

SERS' investment returns as of June 30, 2024.

	<u>Vintage</u>	<u>SERS Commit</u>	<u>Net IRR</u>	<u>Net TVPI</u>	<u>Net DPI</u>
LLR 1	1999	\$25.0	21.8%	2.1x	2.1x
LLR 2	2004	25.0	12.2	1.8	1.8
LLR 3	2008	30.0	16.5	2.3	2.2
LLR 4	2014	50.0	26.5	2.6	2.1 (a)
LLR 5	2018	<u>75.0</u>	<u>20.3</u>	<u>2.1</u>	<u>0.6</u>
		\$205.0	19.2%	2.2x	1.5x
LLR 6 *	2021	50.0	7.4%	1.2x	0.0x (b)

* Investment Period ended 1/24/24

(a) In September 2024, LLR 4 expects to distribute to SERS ~\$8.8 million, increasing the Net DPI to 2.3x (no guarantees).

(b) By 11/15/24, LLR 6 expects to distribute to SERS ~\$9.6 million to SERS and call capital from SERS of \$2.0 million, increasing the Net DPI to 0.2x (no guarantees).

Clear, repeatable and scalable investment strategy.

Invest

Lower Middle Market
Growth Companies

Private growth companies in **Knowledge Economy** sectors LLR knows well.

Established businesses with annual revenue of \$10M-\$100M in a large, fragmented market.

Seeking **founder-led businesses** where LLR is often the first institutional investor.

Reasonable entry prices for growing and primarily profitable companies.

Diversified portfolio of 20-25 companies, expected equity investments of \$50M-\$150M.

Build

Scale and Professionalize with
LLR's Resources

LLR's 27-person **Value Creation Team** (VCT) completed **682 projects** and **43 portfolio hires** in 2023.

Helping **professionalize** companies and grow revenue and profit:

- **Revenue:** 20.8% revenue CAGR, on average, for investments since 1/1/18¹.
- **M&A:** 164 acquisitions since 1/1/18² adding \$1.2B of LTM revenue at a 27% average discount to platform entry³.
- **Profit:** Aiming to improve margins through growth and operational enhancements.

Sell

Upmarket to
Strategics and PE

31 realizations since 1/1/18²:

- | | |
|-----------------------|-----|
| • Strategic | 39% |
| • PE Fund | 35% |
| • PE-Funded Strategic | 19% |
| • Public Markets | 7% |

Seeking to capitalize on ~**\$308 billion**⁴ of PE dry powder focused on tech companies.

Historical returns primarily driven by **organic and inorganic revenue growth**.

Consistent and integrated investment process.



Knowledge Economy Focus

- Successful investors need to understand market nuances to make timely and effective decisions.
 - 46-person Investment Team with significant experience in Knowledge Economy industries.
 - Focused on EdTech, FinTech, Healthcare IT, Human Capital Tech, Industrial Tech and Software.
-



Innovative, Tech-Driven Origination Strategy





- In today's market, successful investors need a deal-sourcing edge.
 - 15-person Origination Team helps us create, surround and win investment opportunities.
 - ~27,000 private companies and ~7,400 referral sources in LLR's proprietary database.
-



Repeatable and Tailored Value Creation Plans

- It's no longer sufficient to simply pick good companies; successful investors must find ways to help drive growth.
- VCT is comprised of 27 experienced professionals covering various operating and functional disciplines.
- LLR's VCT advises our companies and helps accelerate growth and enhance profitability.

LLR 7 has closed four investments, deploying ~\$263M.

Company	Description	Investment
	<p>KEEPS provides information services and data analytics solutions for automotive dealerships' service centers.</p>	<p>\$76.5M in January 2024</p>
	<p>TurboTenant provides rental property management software designed for single-family rental landlords.</p>	<p>\$50.3M in March 2024</p>
	<p>Nonstop Health provides technology-enabled healthcare cost containment solutions for small and mid-size employers.</p>	<p>\$90.0M in August 2024</p>
	<p>Soltis, a Registered Investment Adviser, provides comprehensive wealth management services to high-net-worth clients and institutional retirement plans.</p>	<p>\$46.0M in August 2024</p>

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Focused on stewardship.

Community Engagement



- **One year** of support for an AchieveAbility family
- **50** sessions of employment workshops
- **6** weeks of emergency childcare services
- **5** months of transportation to work & school for a parent
- **100** stuffed backpacks for our back-to-school drive



- **80,000** meals donated to people in need
- **4** school guidance counselors funded
- **2** Philadelphia schools renovated

Responsible Investment



Most Recent Scores: FY '23



Policy, Governance & Strategy⁽¹⁾



Direct – Private Equity⁽¹⁾



Confidence Building Measures⁽¹⁾

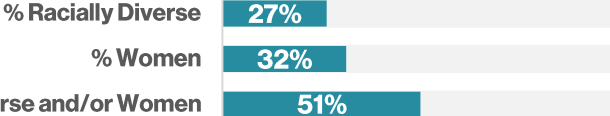
Diversity, Equity & Inclusion



Founding Signatory in 2020



Key Partnerships



LLR Diversity & Inclusion Data

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¹⁾ Scores issued by PRI for FY 2023 (Report available upon request). Modules are scored from 1 to 5 stars. The lowest score is 1 star, allocated to those whose responsible investment behavior is at the lower end of what is expected from signatories. The highest score is 5 stars and awarded to those signatories who demonstrate leading practices within the investment industry. (<https://www.unpri.org/reporting-and-assessment/how-investors-are-assessed-on-their-reporting/3066.article>).

Committed to Pennsylvania.

Headquartered in Philadelphia, LLR is one of Pennsylvania's largest private equity firms

Investing in Pennsylvania

\$894.4 million invested in **35** PA-based investments since 1999

29 PA-based realized investments, including –



Six active PA-based investments, employing **1,000+** Pennsylvanians –



Working, Learning and Living in Pennsylvania

87 LLR team members work in LLR's Philadelphia office

14 PA-based colleges and universities attended, including –



LLR volunteered **1,000+** hours at PA-based non-profits in 2023



Thank you for your support and consideration.

- Long-tenured team executing the same investment strategy for 25 years.
- LLR is not flashy, no gimmicks – single investment strategy.
- Significant GP commit in each LLR fund with no fee waivers – LLR 7 GP commit will be 6.5% to 7.5% of the fund.
- Competitive returns with attractive DPIs.
- LLR is based in PA and has made a meaningful contribution to the growth of the Commonwealth.
- SERS and LLR have been partners since 1999 – LLR has delivered for SERS and SERS has delivered for LLR.

Disclaimer.

This presentation is being provided at the request of SERS during continued due diligence review of LLR Management HoldCo, L.P. and its Relying Advisers (together with its associated advisory and investment entities, "LLR") and LLR Equity Partners VII, L.P. (together with its associated investment vehicles "LLR 7"). This presentation does not constitute an offer to sell or a solicitation of an offer to purchase interests in LLR 7. Any such offer or solicitation will be made only pursuant to the confidential private placement memorandum and all supplements for LLR 7 (the "PPM"), which qualifies in its entirety the information set forth herein and which should be read carefully prior to investment in LLR 7 for a description of the merits and risks of an investment in LLR 7. This presentation is not and may not be relied on in any manner as legal, tax, investment, accounting or other advice. Neither the U.S. Securities and Exchange Commission nor the securities regulatory authority of any state or of any other U.S. or non-U.S. jurisdiction has passed upon the accuracy or adequacy of this document or the merits of an investment in LLR 7. Any representation to the contrary is unlawful. An investment in LLR 7 entails a high degree of risk and no assurance can be given that LLR 7's investment objective will be achieved or that investors will receive a return of their capital.

The recipients should make their own investigations and evaluations of the information contained in this presentation. Prior to the closing of a private offering of interests in LLR 7, LLR will give the prospective investors therein the opportunity to ask questions and receive additional information concerning the terms and conditions of such offering and other relevant matters. Each prospective investor should consult its own attorney, business advisor and tax advisor as to legal, business, tax and related matters concerning the information contained in this presentation and such offering and in order to make an independent determination of the suitability and consequences of a potential investment in LLR 7.

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References to portfolio companies are presented to illustrate the application of LLR's investment process only and should not be considered a recommendation of any particular security or portfolio company. Information about recommendations over the last year is available upon request. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of past recommendations. All reported information regarding portfolio company performance is based on data and information provided by the portfolio companies and is believed to be accurate. Using publicly available information, certain metrics are compared to selected precedent transactions. Certain other similar transaction for which no information was publicly available were not included, and the reasons for and the circumstances surrounding each of the selected precedent transactions analyzed were diverse and there may be inherent differences in the business, operations, financial conditions and prospects of LLR's portfolio companies and the companies included in the selected precedent transaction analysis. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involved complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the companies involved and other factors that could affect the value of such companies. Further information regarding precedent transactions used in this analysis and the financial metrics of each LLR Fund portfolio company are available upon request.

There can be no assurance that the application of the investment process and methodology described herein will lead to investment opportunities or that the LLR will be able to generate future returns for its investors or that any returns will be commensurate with the risks of investing in the types of companies and transactions described herein. In addition, any method of seeking to minimize investment strategy and other risks may not accurately address future risk exposures.

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Please see Definitions for more information.

Definitions.

- **"LTM Revenue"** was determined using GAAP revenue pro forma for acquisition(s) for the last twelve months prior to the close of the transaction. If the transaction was consummated on the last business day of the month or following, the LTM period includes the month of close.
- **"Net DPI"** represents the distributions to Limited Partners as of 6/30/24 divided by the capital paid-in by the Limited Partners as of 6/30/24. Multiple fund limited partners pay a discounted carried interest rate and/or a discounted management fee. Net DPI is presented using the highest management fee and carried interest rate for the applicable fund. Investors may experience different net returns than presented based on the specific costs associated with the individual fund vehicle through which they commit and certain other factors.
- **"Net IRR"** represents the pre-tax annual compound percentage return net of management fees, carried interest and fund expenses borne by fund investors. At the fund level, Net IRR is computed using a standard Microsoft Excel "XIRR" formula based on the dates and amounts of cash flows (including tax distributions and non-resident state income taxes and other taxes paid on behalf of the fund by the portfolio company) between the fund and the portfolio company excluding bridge loans made to and repayments received from portfolio companies (but does include interest received on the bridge loans), plus the 6/30/24 Limited Partners' Capital Accounts. Multiple fund limited partners pay a discounted carried interest rate and/or a discounted management fee. Where an overall fund-level Net IRR is presented, this Net IRR reflects the weighted average IRR for Limited Partners using the highest management fee and carried interest rate for the applicable fund. In certain instances, certain LLR funds have used, and are expected to continue to use, a line of credit to fund investments in portfolio companies, as well as to pay fees and expenses, which borrowings are then to be repaid with capital calls or other cash sources. As a result, certain LLR funds have called, and are expected to continue to call, capital later than it otherwise would have, if a line of credit had not been used. This causes the Net IRR to be higher (and, potentially, materially higher) than if the same fund called capital from its limited partners at the time the investments in the portfolio companies were made or when fees and expenses were incurred. "Net IRR" at the fund level is presented two ways: once showing the Net IRR inclusive of actual line of credit usage by the LLR fund, and once showing the Net IRR on a hypothetical basis without use of a line of credit, which is notated as "Net IRR without Line of Credit." For individual portfolio companies, Net IRRs have been calculated as follows: (1) The gross investment cash flows of each portfolio company used in the calculation of Gross IRR (i.e., the cash flows from the fund to a portfolio company (each, a "Negative Cash Flow") and the cash flows from a portfolio company to the fund (including tax payments made by the portfolio company on behalf of the fund) and the fair market value of such portfolio company at the end of the reporting period (each, a "Positive Cash Flow")) are used as a starting point, excluding bridge loans made to and repayments received from portfolio companies (but including interest received on the bridge loans); (2) For each Positive Cash Flow, an initial scaling factor is then applied. The scaling factor is determined using Microsoft Excel's "Goal Seek" function to yield net cash flows for each portfolio company that results in the Net IRR of such aggregated cash flows of all portfolio companies (calculated using Microsoft Excel's "XIRR" function) being equal to the applicable LLR fund's overall Net IRR; (3) After determining the Net IRR for each portfolio company as described in (2), if the fund has obtained a Net IRR in excess of an 8% preferred return, an implied Positive Cash Flow of 20% of the cumulative net cash flows of any portfolio company with a negative Net IRR is then added to such portfolio company's cash flows either (a) at the end of the applicable reporting period or (b) for those portfolio companies with no fair market value at the end of the applicable reporting period, on the last day of its cash flow activity; (4) After making the adjustment described in (3), Microsoft Excel's "Goal Seek" function is then run again to determine a final scaling factor for each Positive Cash Flow to yield a net cash flow for each portfolio company that results in the Net IRR of such aggregated adjusted cash flows of all portfolio companies (calculated using Microsoft Excel's "XIRR" function) being equal to the applicable LLR fund's overall Net IRR; and (5) For any portfolio company where Microsoft Excel's "XIRR" function does not generate an IRR (typically due to cash flows flipping between negative and positive over time), the Net IRR is considered not applicable (denoted as N/A).
- **"Net TVPI"** represents (i) the sum of (a) the distributions to Limited Partners as of 6/30/24 and (b) Limited Partners' Capital Accounts as of 6/30/24, divided by (ii) the capital paid-in by the Limited Partners as of 6/30/24. Multiple fund limited partners pay a discounted carried interest rate and/or a discounted management fee. Net TVPI is presented using the highest management fee and carried interest rate for the applicable fund. Investors may experience different net returns than presented based on the specific costs associated with the individual fund vehicle through which they commit and certain other factors. At the fund-level, Net TVPI is calculated consistently with Net MOIC.
- **"Realized Investments"** include those investments where (i) all or a substantial portion of the operating business has been sold (with the unsold portion (if any) being denoted as "Unrealized Value") or (ii) there has been a permanent impairment resulting in the investment being fully written off (valued at zero).
- **"Revenue CAGR"** is calculated as follows: $(\text{Current LTM Revenue} / \text{Entry LTM Revenue})^{(1/\text{Hold as of Reference Date})} - 1$ for each of the specific four categories listed (e.g., Company-Building). The figures presented are based on actual historical data and are not pro forma.
- **"Vintage Year"** was determined by the General Partner in accordance with Global Investment Performance Standards (GIPS) and represents the year in which the Fund's first capital call occurred.