



Investment Committee Memorandum

Providence Strategic Growth Europe L.P.

Private Equity Asset Class

December 1, 2020

Investment Recommendation

SERS' Investment Office Staff and SERS' Private Equity Consultant, StepStone Group, recommend that the State Employees' Retirement System Investment Committee interview Providence Strategic Growth, L.L.C. ("Providence Strategic Growth", "PSG", the "Firm" or the "GP") at the December 1, 2020 Investment Committee Meeting to consider a potential commitment of up to \$75 million to Providence Strategic Growth Europe L.P. ("PSG Europe" or the "Fund"), pending the satisfactory completion of legal due diligence. PSG Europe will be a Euro-denominated fund and SERS' target commitment will approximate €64 million based on prevailing currency exchange rates. PSG Europe is targeting capital commitments of €1 billion, with a hard cap of €1.25 billion.

Investment Rationale

SERS Staff identified PSG Europe as a strong candidate for SERS' capital commitment as it offers:

- Strong Absolute Performance
 - The level of net returns are attractive, the attribution of returns comes from demonstrably repeatable sources and capital preservation has been strong.
- Strong Relative Value
 - PSG's track record ranks highly against private peer managers in each of its preceding funds.
 - PSG earns significant alpha above the liquid policy benchmark and comparable sector liquid benchmarks.
 - PSG's returns rank favorably to SERS' existing portfolio and have been accretive to portfolio performance.
- Secular Growth Exposure with Sector Specialist
 - Attractive software business models.
 - European software adoption is nascent compared to the U.S., but is accelerating.
- Advantaged Market Positioning
 - Large pool of resources brought to the European lower middle market.
 - Sector-specialist competition less prevalent than the U.S.
- Seasoned Primary Status
 - Diligence advantage discerned from information available on existing portfolio assets.
 - May strongly mitigate J-curve phenomenon inherent to private equity.
- Consistent with SERS' Portfolio Objectives as outlined in the IPS and Strategic Plan.

Investment Risks

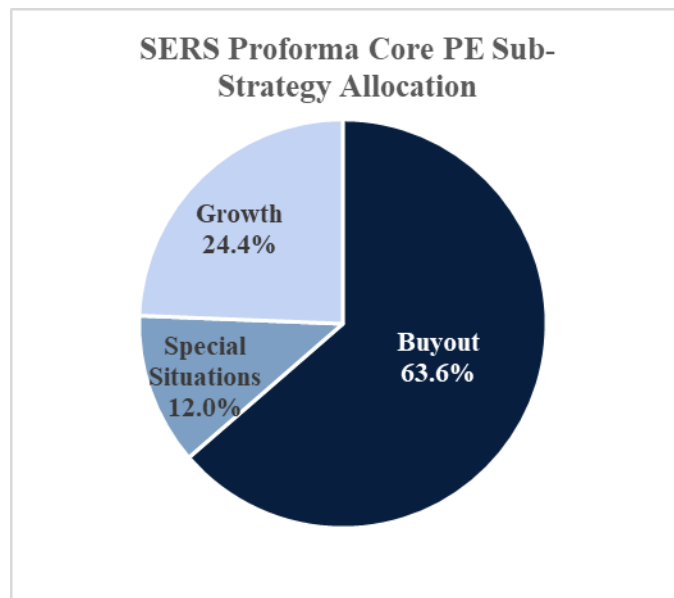
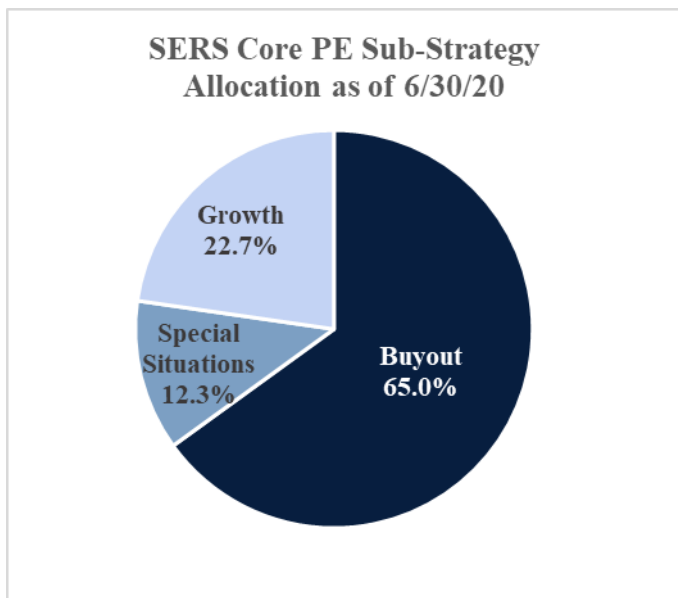
SERS Staff identified the following potential risks of a commitment to PSG Europe:

- First Time Fund in New Geography
- Software Market Valuations
- Potential Foreign Exchange Fluctuation

Portfolio Implications

A commitment to PSG Europe would be a 2020 vintage allocation in the Private Equity asset class and Growth Equity sub-asset class. As of June 30, 2020, SERS' market value of Growth Equity investments was approximately 22.7% of the Core PE portfolio. This commitment aligns with SERS' Strategic Investment Plan initiative of making fewer commitments to top-tier managers. SERS is targeting a commitment up to the equivalent of \$75 million, or 13.6% of the 2020 strategic plan pacing budget for the Private Equity portfolio. This commitment also reflects a position size of appx. 2.2% within the Core PE portfolio.

The following two charts show the Core PE portfolio allocations by sub-strategy as of June 30, 2020 on the left, and a prospective view of the allocation post a commitment to PSG Europe on the right.



Sponsor Overview

Providence Strategic Growth has historically been an affiliate of the Providence Equity Partners (“PEP”) platform, which has attracted more than \$49 billion of aggregate capital commitments in its history and is headquartered in Providence, Rhode Island. In 2013, PEP launched this standalone growth equity platform to capitalize on lower-middle-market investment opportunities that PEP’s flagship funds rejected due to the smaller company size. Based on lessons learned from a prior growth equity endeavor branded Providence Growth Investors, PEP decided to bring on a dedicated team to manage this fund. Peter Wilde, a Managing Partner for the Providence Equity Partners flagship vehicle, recruited Mark Hastings under the Providence Equity Partners banner to lead the strategy. Mr. Hastings was previously managing a successful growth equity portfolio at CIBC, but had to spin-out due to financial industry regulations resulting from the Global Financial Crisis.

Under the Providence Equity banner, PSG has built its organization to a team of over 80 professionals in the US and Europe, while raising and investing five institutional commingled funds in the process. The Firm is led by the CEO, Mark Hastings, who works alongside the Chairman, Peter Wilde and 15 Managing Directors, several of whom have worked together in various capacities over the last 15 years.

Investment Strategy

PSG’s investment strategy is to target growth equity investments in lower middle market software and technology-enabled companies in North America and now Europe with the launch of the Fund. The strategy of the Firm is largely consistent across the geographies with limited nuance for PSG Europe. PSG makes both majority and significant minority investments in near breakeven or profitable companies with an emphasis on founder-owned or led companies that have not taken prior institutional capital.

The strategy has the following additional attributes:

- Dedicated sourcing effort to drive robust deal flow.
- Target attractive business models with consistent investment characteristics.
- M&A expertise that drives creation of franchise businesses.
- Operating expertise that results in soundly integrated and governed businesses with organic growth potential.
- Thoughtful and deliberate portfolio management strategy.

Management Team

Mark Hastings, *Chief Executive Officer* - Prior to joining Providence in 2013, Mark most recently served as Managing Partner and Founder of Garvin Hill Capital. Mark is currently a director of Abacus Next, Arcoro, Burning Glass Technologies, Evercommerce, GlobalTranz, Jobcase, Netsurion, Property Brands, Skybox, SnapApp and Vertical Knowledge. He served on the boards of seven of Garvin Hill's ten portfolio companies including CashEdge, Amcom, Skybitz, Innovation Interactive, Invision, Cortera, and Renew Data. Prior to spinning out of CIBC to form Garvin Hill in 2009, Mark led CIBC's technology focused growth equity team in the United States. At CIBC, Mark developed the successful investment strategy and recruited the team. He was the primary deal originator and investment team leader. While at CIBC, Mark served on the boards of Seisint, Verid, Adaytum, and Fuelquest. Prior to joining CIBC in 2002, Mark was a principal and general partner at BCI Partners from 1997-2002. Mark started his investment career at Edison Ventures in 1995. Mark earned a Master of Business Administration from the Wharton School at the University of Pennsylvania and a Bachelor of Arts from Colorado College.

Peter Wilde, *Managing Director* - Peter is the global sector head of Providence's education and information investment team and is currently a director of Asurion, Blackboard, Galileo Global Education, KPA, NACE Schools, Study Group, Tes Global and Vistage. Peter was formerly a director of several other Providence portfolio companies. Peter led the effort to establish the Providence Strategic Growth platform in the Providence franchise. Prior to joining Providence in 2002, Peter was a general partner at BCI Partners ("BCI"), where he began his career in private equity in 1992. While at BCI, he was involved in many of BCI's investment activities in media, education and information services companies. Prior to BCI, Peter worked at LaSalle Partners in the acquisitions group. Peter received a Master of Business Administration from Harvard Business School and a Bachelor of Arts from Colorado College.

Dany Rammal, *Managing Director* - Prior to joining Providence in 2008, Dany was a vice president in the media and communications group within investment banking at Morgan Stanley in London, where he worked on transactions across a variety of sectors including fixed and wireless telecommunications, cable and satellite. He is currently a director of Galileo Global Education, NACE Schools, Study Group and Tes Global. Previously, Dany worked in Paris as a management consultant with both KPMG Consulting and Diamondcluster International. Dany received a Master of Business Administration from INSEAD and a Master of Science in Communications Engineering from L'École Supérieure d'Électricité.

Lori Ali, *Managing Director* - Prior to joining Providence in 2018, Lori was a principal at Lori B. Ali Executive Coaching & Consulting, LLC. She has been an executive coach and consultant for several years, applying her executive coaching training and previous fifteen years of diverse business and management experience. Prior to being an executive coach, Lori was on the leadership team at Outside the Classroom (now EverFi), and oversaw the account management division at Advisory Board Company. Lori is a graduate of the Massachusetts School of Professional Psychology's graduate program in executive coaching and received a Bachelor of Arts from Hobart & William Smith Colleges.

William Aliber, *Managing Director* - Prior to joining Providence in 2018, Bill was the CFO of Ascend Learning, a leading provider of educational content, software and analytics. Ascend Learning was owned by Providence for ten years and Bill was the CFO for nearly nine of those years, during which time revenue increased from \$150 million to over \$450 million and the company completed numerous acquisitions. Prior to Ascend Learning, Bill was the CFO of Hallmark Card's various entertainment related businesses. Bill received a Master of Business Administration from the University of Chicago and a Bachelor of Arts from Brown University.

John Clancy, *Managing Director* - Prior to joining Providence in 2016, John was the president of Radius Worldwide, the leading provider of international business services and software. He is currently a director confidential of Arcoro, Boston Logic, Evercommerce and SnapApp. John has over 20 years of experience in building high growth, market leading software and technology enabled businesses. Previously, he was the CEO and president of Azuki Systems, now part of Ericsson, a leading provider of over-the-top video delivery to mobile and tablet devices. John was also the president of Iron Mountain Digital, where he grew revenues from \$40 million to \$250 million over a 5-year period. Prior to Iron Mountain, he was the COO at Connected Corporation, an early pioneer in the software as a service (SaaS) market and leader in PC data protection. John works with PSG portfolio companies on strategic planning, operational excellence and to help maximize go to market opportunities. He received a Bachelor of Arts from Assumption College.

Aldo Mareuse, Managing Director - Prior to joining Providence in 2019, Aldo was the CEO of Telkom Kenya, a full-fledged telecom operator in Kenya where he led the turnaround of the company before its merger with Airtel Kenya the number two operator in the country. Aldo has over 20 years of experience in building high growth businesses. Previously, he was Chief Financial Officer of Orascom Telecom and Wind Telecom Group from 2002 to 2011 during which time the group grew from a mid-sized regional mobile operator with a market of capitalization of \$200 million in 2002 into a global operator that ultimately merged for an enterprise value of \$25 billion with VimpelCom Ltd to create one of the world's largest telecommunications carriers. Aldo received a Master of Science in Engineering from Ecole Centrale de Lyon.

Edd Hughes, Managing Director - Prior to joining Providence in 2013, Edd was a vice president in the telecommunications, media and technology investment banking group at J.P. Morgan in London. He is currently a director of Bitè, Galileo Global Education, NACE Schools and Tes Global. Edd received a degree in Natural Sciences from Durham University.