

Private Equity: Is It For Me?

Jarryd Levine, Managing Director

STONE POINT CAPITAL

Overview of Stone Point

Alternative investment management platform focused on financial services & related sectors

Stone Point Capital is a leading alternative investment management firm established over 25 years ago

- ❖ Strong track record of value creation across economic cycles through its flagship private equity funds, the Trident Funds
- ❖ Network of relationships across financial services and related sectors of focus
- ❖ Credit business leverages knowledge and relationships

Stone Point Strategies

STONE POINT THE TRIDENT FUNDS

\$35B+ Committed Capital

Stone Point Capital has raised and manages nine private equity funds – the Trident Funds – over the last 25+ years. The Trident Funds seek to make investments in 10 major verticals within the financial services industry and related sectors

*Partner with owner / operators
we believe are best-in-class
to build outstanding businesses;
provide extensive support based on
each company's lifecycle needs*

STONE POINT CREDIT

\$4.7B Assets Under Management¹

Stone Point Credit includes credit opportunities, direct lending and liquid credit strategies, which are accessible through commingled funds and customized accounts

*Leverages Stone Point's significant
experience to pursue credit-oriented
investment opportunities targeting
attractive risk-adjusted returns*

**150+ total employees, including 85+ investment professionals and
45 additional business development, finance, investor relations and legal/compliance professionals²**

Note: As of May 2023.

¹ESTIMATED as of January 31, 2023. AUM is calculated using total assets plus unfunded capital commitments. ²Total employees include 21 administrative support employees.

Introduction



Jarryd Levine
Managing Director
Helps Lead SPC's Investments in
Human Capital Management

16 Years in FS / 12 Years at Stone Point Capital

- Lightyear Capital
- Citigroup
- Princeton University (A.B.)

Representative HCM Investments

The logo for beeline, featuring the word "beeline" in a lowercase, green, sans-serif font.

The logo for Bullhorn, featuring an orange silhouette of a bull's head and horns above the word "Bullhorn" in a bold, black, sans-serif font.

The logo for businessolver, featuring a stylized orange and white icon of a person with arms raised, followed by the word "businessolver" in a lowercase, blue, sans-serif font.

The logo for ELIASSEN GROUP, featuring a stylized grey icon of a person with arms raised, followed by the words "ELIASSEN GROUP" in a bold, black, sans-serif font, with the tagline "Your Success. Our Talent" in a smaller font below.

The logo for PRISMHR, featuring a stylized icon of a prism with red, green, and blue faces, followed by the words "PRISMHR" in a bold, blue, sans-serif font.

The logo for VensureHR, featuring a stylized grey icon of a person with arms raised, followed by the words "VensureHR" in a bold, black, sans-serif font.

Topics for Discussion

1. Update on the Macro Environment
2. Private Equity in the Staffing Industry
3. Working with Private Equity Firms and Preparing for the Deal

Macro Update

Where We Were (December 2021)

COVID Reopening

Record Low Interest Rates

Cheap, Plentiful Credit

Inflation Coming....But No Big Deal

Strong Labor Market

High Valuations and Robust M&A

Where We Are (May 2023)

Ukraine War and Supply Chain Disruption

Fastest Rate Rise Since Pre-GFC

Credit Crunch and Banking Crisis

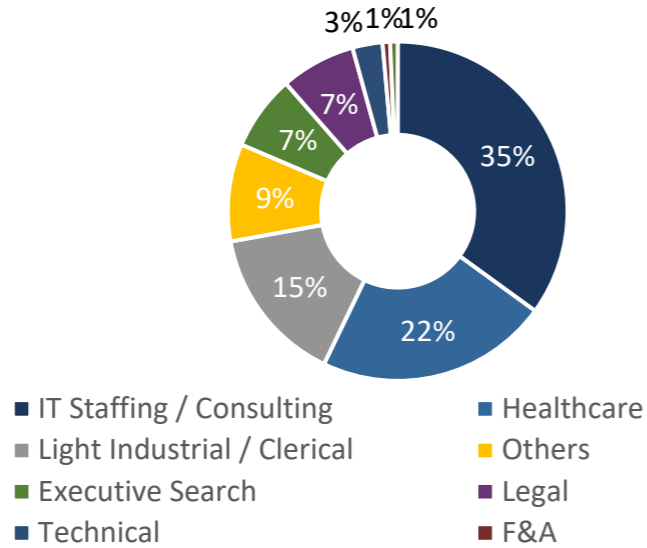
Record High Inflation (But Worst Behind Us?)

Strong Labor Market?

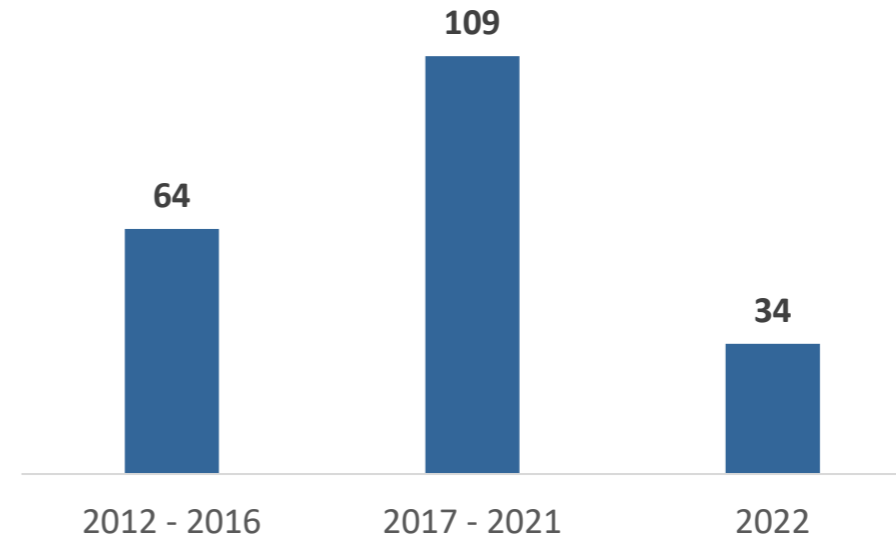
Depressed M&A; Valuations TBD

M&A Activity in the Staffing Space

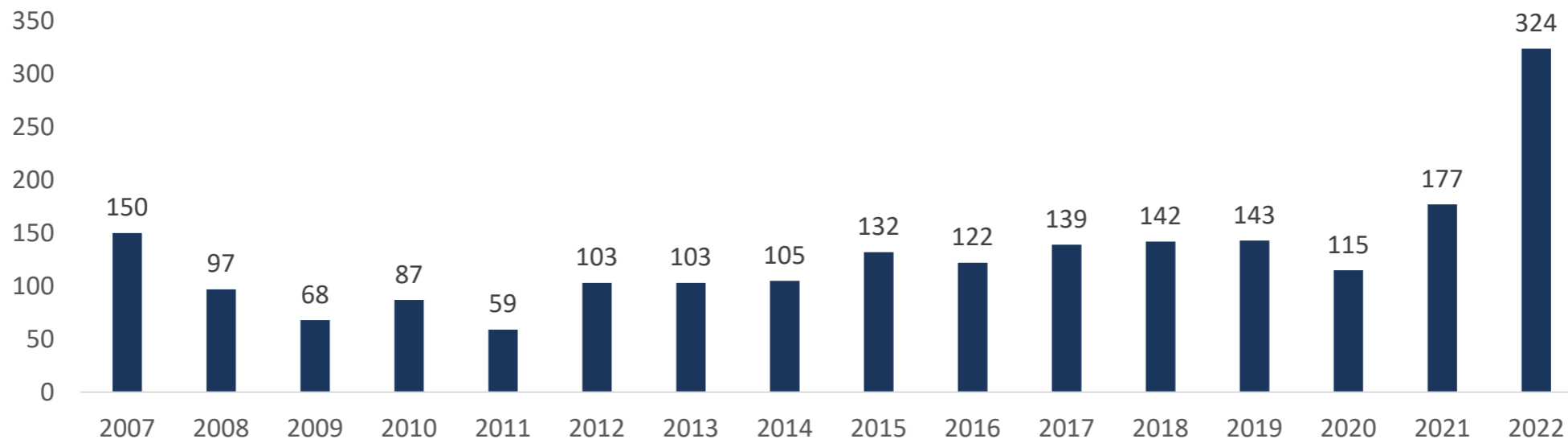
Transactions by Sub-Sector



Private Equity Platform Investments in Staffing



Yearly Staffing Transaction Volume (Deal Counts)



Source: Kroll Winter M&A Staffing Report, February 2023.

PE in the Staffing Industry: What's the Thesis?

1

Large and Growing Market Supported by Secular Tailwinds

2

Evolution of Contingent Labor from “Temps” to Strategic Component of the Workforce

3

Opportunity to Drive Higher Bill Rates and Gross Margins Through Specialization

4

Digitalization Should Drive Enhanced Operating Leverage

5

Significant Tuck-In M&A Opportunity

What Does Private Equity Look for In a Staffing Firm?

Metric	Company A	Company B	Company C
Revenue	~\$240 million	~\$220 million	~\$450 million
EBITDA	~\$15 million	~\$40 million	~\$50 million

Key Differentiators

- 1 Organic Growth Profile
- 2 Bill Rates, Consultant Duration and Gross Margin
- 3 Scalability of Platform and Investments in Technology
- 4 Ability to Augment Organic Growth with Acquisitions

More than Price: Key Deal Terms to Consider

Illustrative Deal Points and Terms

- Structure
- Board Structure and Governance
- Managed Incentive Equity Plans
- Form of Operating Company
- Indemnification
- Working Capital
- Closing Conditions
- Covenants
- Reps and Warranties
- Liquidity Provisions and Exit Rights

Takeaway: Valuation is Only One Component of Deal Consideration

Key Process Considerations

Preparing for the Deal

- Hire the right advisors
- Start early – information gathering is tougher than you think
- Address mgmt team gaps before not after!

Due Diligence

- Be honest – PE firms will figure it out
- Prepare more than just financials, KPIs matter
- Due diligence is a two-way street!

Finding the Right PE Partner

- Meet plenty of potential partners before you launch a process
- If you've met one private equity firm...you've met one private equity firm

Concluding Remarks: Is Private Equity Right for Me?

- When executed correctly private equity can be a terrific way to help a company grow and execute on their strategic initiatives

When it Goes Well

- ✓ Willingness (and excitement!) to rollover meaningful equity
- ✓ Opportunities to invest in the business to support continued organic growth
- ✓ Experience and desire to do M&A
- ✓ Want to have a partner to work together and collaborate with

When it Goes Poorly

- ✗ Desire to sell 100%
- ✗ “Lifestyle” business looking to maintain vs. expand
- ✗ No interest in tuck-in acquisitions
- ✗ Want to be left alone with no partnership or involvement from capital provider