UFENAU CAPITAL PARTNERS

Investment Amount:	I recommend up to a $75M ticket, subject to SLIB approval. As LPAC seats are offered at $100M, we will not have an LPAC seat.

STRATEGY SUMMARY: Ufenau is a buyout investor dedicated to growing owner-managed, asset-light SME service companies across Europe. The firm invests in smaller high quality businesses to create a foundation for rapid growth via their systematic buy and build approach (either buyout or roll-up strategy). This strategy has been implemented for two decades. They focus on companies within the service sector that are highly scalable, with a focus on regional champions delivering positive cash flows and high EBIT/EBITDA margins. They focus exclusively on owner-managed SME platforms in fragmented markets with add-on potential.

COMPETITIVE ADVANTAGES: Ufenau has a strategy of buying platforms at low multiples: Fund III 3.8x, Fund IV 4.3x, Fund V 5.1x, Fund VI at 4.7x and Fund VII at 6.2x. Ufenau has a partnership with Sancovia, a small company sales consultant who assists institutional buyers. They assist Ufenau in finding off-market platforms and add-ons. Sancovia has a team of 70 professionals that are a essentially a lead generation machine. Their recent funds that have exited their investment period have averaged approximately 12 add-ons per platform. They prefer owners to maintain a sizeable stake (non-controlling) in order to reduce Ufenau's cost-basis and have them maintain 'skin in the game'.

BUSINESS SUMMARY: Ufenau was founded in 1992 and currently has over 70 investment professionals and has done over 400 acquisitions (40 platforms and 370 add-ons). Over half their investments have been done in Germany, with the remainder spread in Europe (with Switzerland (68) and Spain (30) taking the #2 and #3 spot). Additional resources they have at their disposal include the 70 people from Sancovia and 12 M&A managers operating at various portfolio companies. They are located in five offices: Switzerland (HG), Spain, Netherlands, Poland and the UK. From these locations, they conduct add-ons internationally, with the goal for most businesses to acquire several add-ons in the US (to increase the valuation multiple).

RISKS / MITIGANTS:

1. **AUM GROWTH:** Fund VIII's larger size will be used to conduct more add-ons per platform. Initial platform size will be staying the same. In the past they have occasionally used continuation vehicles to continue the firm growth of high performing deals. Going forward this would likely be unnecessary given the higher fund size.
2. **FOCUSED ON THE DACH (GERMANY/AUSTRIA/SWITZERLAND) REGION:** Germany is currently suffering with multiple energy supply issues. Their strategy is asset light, and by extension, not highly dependent on low energy prices.
3. **NO CO-INVESTMENT POTENTIAL:** There will likely be no co-investments offered as all capital will be used for add-ons. They have historically invested 95% of committed capital.
4. **EURO EXCHANGE RATE VOLATILITY:** The vast majority of our investments are USD based. Our benchmark is allocated approximately 25% to Europe. This is a strong manager to help us make up part of that distance.

KEY FACTS	
Target / Hardcap / Vintage:	$1.65B / $2.00B / 2025
Prior Fund (Vintage):	$1.1B (2022)
Firm Inception Date:	1992
Strategy Inc. Date:	2011
Strategy AUM ($B):	$1.9B (commits. funds III-VII)
Headquarters:	Zurich, Switzerland
Key LPs:	Stanford, Univ. of PA, Cambridge Assoc., SCS Financial, Pictet, Wilshire
Key Person(s):	Ralf Flore, Marinus Schmitt, Andreas Joehle, Adrian Hess, Joaquin Alcalde, Richard Lustig
Sr. Leavers (S.I.):	1 inv. mgr, 1 inv. dir., and 1 partner

STRATEGY & STRUCTURE	
Strategy:	EU Buyouts in Asset light firms
Sub-Sector:	Services
GP Commitment:	4-5%
First Close:	2Q 2025
Final Close:	3Q 2025
Inv. Period (I.P.):	5 yrs post 1st closing, +1*
Term:	10 + 1* +1* * with advisory board approval
Fee / Carry:	2% committed / 2% invested post I.P. 8% pref., 20% until 2.5x, then 30% post 2.5x w/ min 13% IRR, w/ a 75/25 catchup.
Waterfall:	European

TRACK RECORD (NET) AS OF Q3 - 2024

Fund/ Vintage	IRR Quartile	Size (M)	IRR	TVPI	DPI
I (2005)	1	2	31.0%	3.6x	3.6x
II (2008)	1	18	27.4%	2.5x	2.5x
III (2011)	1	25	58.7%	3.0x	3.0x
IV (2014)	1	120	27.2%	2.1x	1.4x
V (2017)	1	227	39.0%	3.2x	2.9x
VI (2019)	2	460	20.5%	1.7x	0.2x
VII (2022)	1	1,055	34.0%	1.5x	-

Index is the Preqin Global Private Equity Benchmark

RETURN ASSUMPTIONS	
Target Returns (net):	2.5x / 20%+
Individual firm risk:	1 / n, n = ca. 15
Main Return Sources:	Add-ons
Impairment Risk:	Low to moderate (see below)

Performance Commentary: Funds I, II, III, and V are likely first decile, but Preqin does not publish decile numbers. On an intra-fund basis, of their total 39 deals, 3 are below a 1x.

Portfolio Fit: The benchmark does have an allocation to Europe; we currently have no European funds in the portfolio. The secondary funds do have an allocation, albeit a small one. Regardless of the geography of this fund, it is an add-on creation machine. The performance of the portfolio will be less dependent upon organic growth, and more dependent on their add-on process that they have refined over many years.

Investment Strategy: The objective of Ufenau VIII is to invest in attractive, Asset-Light service companies. Through a systematic Buy-&-Build approach, Ufenau will professionalize and institutionalize the organizations, integrating the different businesses, while growing those companies both in terms of sales and EBITDA, so that they reach a critical mass for exit.

Ufenau pursues two main Buy-&-Build investment themes, buyout and roll-up. In a buyout situation, Ufenau will acquire a sizeable platform and make a smaller number of value accretive add-ons each year. In a roll-up, Ufenau will make a platform investment as a door-opener and make a larger number of add-ons each year to reach critical mass. Both Buy-&-Build investment themes target sizeable, high-growth, fragmented markets to foster growth. Ufenau targets platform companies which typically have sales of EUR 20-100m (sweet spot EUR 30-80m) and provide a high single- or double-digit EBIT or EBITDA margin to serve as an ideal foundation to grow organically, but more importantly via add-on acquisitions. Ufenau screens for fragmented sub-sectors and selects established, niche players with proven management teams whilst pre-identifying potential add-on opportunities. Once the platform company has been acquired, Ufenau seeks to make these add-on acquisitions within a period of 24 to 60 months. The objective is to establish each platform as an industry or sub-sector leader within a few years, while expanding the business either through introducing wider service offerings / verticals and/or enlarging its geographic footprint through Ufenau's European offices and network of industry relationships.

Sancovia supports Ufenau in identifying and approaching both potential platform and add-on opportunities as well as, in some instances, helping to implement the Buy-&-Build strategies for its portfolio companies, through a dedicated internal Post-Merger Integration team. Lastly, Ufenau creates and implements an M&A Management function within each platform company, typically within the first 6-12 months of ownership, in order to provide additional support in identifying and integrating the add-on acquisitions.

Value Creation Methods:

1. Direct sourcing: Ufenau employs a well-established and proprietary deal-sourcing approach, with 88% of its investments (platforms and add-ons) sourced directly. Only 9% of its transactions involve an open auction process, while the remaining 3% are part of limited auctions. This strategy minimizes competition and enhances deal quality.
2. Efficient structuring: Ufenau has a disciplined approach to transactions, which is characterized by efficient and appropriate investment structuring. Through its direct sourcing process, Ufenau is afforded sufficient time with the vendor to discuss the most beneficial capital efficient structuring approach. Combined with the ability to negotiate at "eye-level" with owners, Ufenau has been able to consistently acquire companies at attractive entry multiples. Since inception, Ufenau has invested in 39 platforms, paying an average of 5.5x EV/EBITDA across Ufenau IV to Ufenau VII, which, according to multiple market reports, is approximately 40% below the median. These deals are usually bought from entrepreneurs who oftentimes retain a stake (thereby reducing purchase price and increasing alignment).

3. <u>Systematic Buy-&-Build program for each investment:</u> Ufenau continuously identifies a large number of potential add-ons from which it executes its Systematic Buy-&-Build program, which includes pre-identifying potential add-ons before a new platform investment is made. Since 2011, Ufenau has reviewed more than 14,000 add-on opportunities and completed 350 across the portfolio. Typically, within 6-12 months of completing a new platform investment, Ufenau will introduce the role of an M&A Manager into the business; this individual or team supports the add-on activity and ultimately takes over most of the responsibility (which is overseen by Ufenau), and remains in place post-exit of the business, therefore allowing the next owner to continue to benefit from the add-on approach.
4. <u>Operational improvements:</u> Operational improvements are often driven by strengthening and professionalizing the management team. In most cases, this will include introducing the role of a CFO and/or replacing the existing CFO; improving reporting and transparency and the integration of core functions, supported by Ufenau's dedicated Post-Merger Integration team; and lastly, unlocking synergies across areas such as procurement, marketing and HR. In addition, Ufenau works with management on new strategic initiatives, including service extensions and geographic expansion.
5. <u>A well-executed and well-timed exit:</u> One aspect of the pre-investment due diligence phase it to pre-identify potential buyers of the larger platform company at exit. Before making an investment, Ufenau has already discussed and outlined who those potential buys may be. Following the successful execution of the Systematic Buy-&-Build approach as well as operating improvements, Ufenau utilizes specific teams/functions within its group that focus on "Exit Readiness". Altogether, this has helped Ufenau consistently build larger and more attractive companies that are of interest to a wide universe of potential buyers. For example, across Ufenau III to Ufenau VI, the team has achieved an average EV/EBITDA uplift of 5.7x from 12 exits.

Distinguishing Characteristics:

1. Low Purchase Multiples: Not a small source of value creation is the low multiples by which they have purchased their platforms. Despite increasing fund size, the purchase multiples have increased only slightly.
2. Sourcing Engine Sancovia: Ufenau has a partnership with Sancovia who assists them in finding off-market platforms and add-ons. Sancovia moves with them at every new country office opening. Their recent funds that have exited their investment period have averaged approximately 12 add-ons per platform. With the fund in question, they expect 15 platforms and will conduct 200+ add-ons, averaging more than 13 add-ons per platform. They expect the approximately 25% of invested capital to go towards platforms and the remainder towards the add-ons.
3. Research work: Their internal work 'Neighborhood Watch' researches larger funds in both Europe and the US to identify those trends that are moving to Europe as well as to identify those sub-sectors that would be easily sold to larger PE funds.
4. Historical performance: It is rare to find such a consistently high performer. Their strategy steers clear of capital intensive companies as well as cyclical ones. They don't require a high level of GDP growth to accomplish their underwriting as a large percentage of value-add is from add-ons.
5. Sourcing directly from entrepreneurs: approximately 90% of all 389 transactions since inception were sourced on a bilateral/direct basis.

Terms & Conditions:
GP Investment: The Investment Team shall make a Commitment to the Partnership of at least eighty million euros that may be increased up to a maximum of one hundred million euros.

Targeted Investments: The Partnership shall focus on profitable services-industry ("Asset Light") companies in Europe with a focus on Germany, Switzerland and Austria (the "D/A/CH Region"), with established scalable business models and revenues between twenty million euros and two hundred million euros and high single or double digit EBITDA margin. The purpose is to develop the platform companies based on a buy-&-build growth strategy.

Leverage: Short-term debt (12 months or less) shall not exceed the lower of 20% of aggregate commitments or unfunded commitments. Long-term financing, secured by the underlying investments, shall not exceed 30% of aggregate commitments.

Investment Period: 5 years from the first closing. May be extended 1 additional year subject to the approval of the advisory board.

Term: 10 years from the first closing. May be extended by two one-year periods, each subject to the approval of the advisory board.

Management Fee: 2% of commitments annually during the investment period; 2% of invested for the remainder.

Incentive fee: 100% to the LPs up till a return of their capital contributions and the preferred return (8%) – (European waterfall). Then 100% catch-up to the GPs until they have received 20% of distributions. Then 80% to the LPs until they have received a 2.5x and a minimum 13% IRR. Thereafter, a 75/25% GP/LP split until the GP has received 30% of all distributions; thereafter 70/30% LP/GP split.

Key Person Trigger: The key persons are Ralf Flore (53), Marinus Schmitt (46), Andreas Joehle (61), Adrian Hess (39), Joaquin Alcalde (37), and Richard Lustig (36). The trigger is both: a) two out of the following group leave: Ralf Flore, Marinus Schmitt, and Andreas Joehle; and b) two out of the following group leave: Joaquin Alcalde, Adrian Hess and Richard Lustig. A Key executive shall automatically cease to qualify as a Key Person upon reaching the age of 65 and this section will not apply to them.

Meeting History: I first met Ufenau in 2019 and have spoken with them over the years leading up to this investment recommendation.

Service Providers:
The firm's services providers are listed below:

Custodian	Royal Bank of Scotland
Fund Administer	Fundcraft
Auditor	Ernst & Young Lux. S.A.
Tax Advisor	Arendt & Medernach S.A. (Europe) / PwC (US)
Legal counsel	Arendt & Medernach S.A.
Managed IT Service Provider	ITAGA AG
Cyber Security Provider	ITAGA AG
Placement Agent	PJT Park Hill

Reference calls: Three calls were made with investors. Two will continuing investing in Fund VIII, the other is in the middle of their due-diligence. Some concerns were addressed:

- Fund size growth
- Geographic expansion with relatively new team members. The additional concern was expressed that the UK and Benelux are highly brokered countries.
- Buyers of earlier deals have noticed integration issues with some of their acquired companies.

BB Commentary: The fund size issue has been addressed in the risk section. The country head team members they hire are experienced PE professionals from their respective countries. They do need to learn the way Ufenau does things, and this is accomplished by stints of up to 12 months in Pfäffikon Switzerland. Although the countries in question are highly brokered, they are buying companies whose size precludes them from being of interest to most brokers.

Regarding the integration issue, they have since focused on addressing this by making integration a key focus of all add-ons. Nonetheless, the stigma remains in the marketplace. The mitigant is that we have minimum of 5 years before the first deal from our fund will be sold. Till that time, many other deals from prior funds will be sold that have been through their integration framework, thereby erasing the aforementioned stigma.

Team:

There is additionally a 21 person analyst team and a group of 21 people responsible for operational matters, HR and administration.

There have been 3 senior leavers since inception; one investment manager, one investment director and a partner.

Biographies of Partners:

Ralf Flore, Managing Partner, Switzerland
Prior to founding Ufenau Capital Partners, Ralf Flore was CEO of a publicly listed private equity company five years and based in Frankfurt and Zurich. Before this tenure, Ralf was Investment Director at Go Equity in Vienna and was responsible for growth capital and buyouts in the DACH-region. Between 2000-2004, he was Analyst and then Investment manager at Swiss Life Private Equity Partners and Capvis Equity Partners in Zurich. Ralf Flore started his career as a commercial trainee in a SME company and has a degree in Business Administration.

Dieter Scheiff, Managing Partner, Switzerland
From 2006 until 2009 Dieter Scheiff was CEO of Adecco, the largest global staffing company with sales of above EUR 20bn. Prior to Adecco, Dieter was CEO of publicly listed German staffing company DIS AG. Dieter led their add-on acquisitions until DIS was acquired by Adecco in 2006. Until 2001, Dieter was VP of the European business of Johnson & Johnson Cordis and led the German operations as CEO. His career began in 1979 at the US corporation 3M, where he held various management positions gaining insights and experience in different areas. Dieter has a degree in Business Administration from the University of Aachen.

Marinus Schmitt, Partner, Switzerland
Marinus Schmitt is Partner at Ufenau Capital Partners. He has more than 17 years of professional experience in private equity and 2 years in corporate finance. Marinus has been with Ufenau since its inception and is responsible for managing portfolio companies as well as fundraising. Prior to Ufenau Capital Partners, Marinus worked at Quarton International in Zurich – a global M&A & corporate finance house. The focus was on corporate transactions in the mid-market sector in the DACH region. Marinus holds a Master in Business Administration from the University of Zurich.

Andreas Joehle, Partner, Switzerland
Andreas Joehle has over 30 years of operational experience in the healthcare sector and was the global CEO of the listed HARTMANN Group for 6 years before joining Ufenau Capital Partners. He combines practical management experience in industry, also in foreign cultures, with sound financial knowledge. Paul Hartmann AG is a leading international provider of nursing and medical products with sales of EUR 2.5bn and 11'000 employees in more than 70 locations. Prior to Paul Hartmann, Andreas lead the Surgical Division at the Swedish Mölnlycke Health Care Group with sales of EUR 600m and over 5'000 employees and also worked internationally for the Danish Coloplast Group and the 3M Group. In 2016 he graduated as Certified Director (INSEAD, Fontainebleau), in addition to his studies at INSEAD (Fontainebleau/Singapore), IMD (Lausanne) and Duke University (North Carolina).

Adrian Hess, Partner, Switzerland
Adrian Hess is a partner at Ufenau Capital Partners. He has more than 12 years of PE experience with Ufenau. Prior to Ufenau Capital Partners, Adrian Hess worked at the Fribourg Cantonal Bank in various positions in the area of personal and business loans, gaining important experience in connection with financing SMEs. Adrian holds a dual-language Bachelor's degree in Business Administration from the Fribourg School of Economics and completed a Master of Advanced Studies in Banking and Finance at the University of Zurich.

Joaquin Alcalde, Partner, Spain
Joaquín Alcalde is a partner at Ufenau Capital Partners and heads the Ufenau office in Madrid. He has over 17 years of experience in strategy consulting and private equity. Before joining Ufenau Capital Partners, Joaquín gained private equity experience as an Investment Director at the buyout house H.I.G. Capital in Madrid, where he led several LBO and growth transactions throughout Spain. Previously, he was a Consulting Manager at

McKinsey&Co, where he advised international companies on strategic and operational matters. Between 2008 and 2012, he worked as an Associate with a US fund and with Abengoa, an international engineering and services company. Joaquín is also an Adjunct Professor at IE University, holding seminars in the field of Finance and Private Equity. He holds a double degree in engineering from Universidad Pontificia Comillas in Spain, and from Ecole Central Paris in France. He also completed an MBA with honors and distinction at Columbia Business School, sponsored by the Rafael del Pino Foundation.

Richard Lustig, Partner, Switzerland

Richard Lustig is a Partner at Ufenau Capital Partners, bringing over 15 years of industry and private equity experience. He has been with Ufenau since 2018. Before joining Ufenau, Richard Lustig worked in the healthcare portfolio at Auctus Capital Partners. From 2007 to 2016, he held roles in strategy, IT, audit, and corporate finance at the chemical and pharmaceutical conglomerate Bayer. Richard Lustig holds a Bachelor’s degree in Computer Science for Business from FHDW (Germany), a Master’s degree with distinction from Hult International Business School, and a Master’s in Finance from London Business School.