McCarthy Capital

November 2022

# *Growing Businesses in Partnership with Management*

## McCarthy Capital Update

# Legal Disclaimer

This presentation (this "Presentation") relates to McCarthy Capital Fund VIII, L.P. (the "Fund") and the services to be provided to such Fund by McCarthy Partners Management, LLC (and collectively with its predecessor, McCarthy Capital Corporation, "McCarthy Capital" or the "Firm").

The information contained herein is preliminary, is provided for discussion purposes only, is only a summary of key information, is not complete, and does not contain certain material information about the Fund, including important conflicts disclosures and risk factors associated with an investment in the Fund, and is subject to change without notice. THIS PRESENTATION DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES AS TO ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION OR TO ANY PERSON WHO IS NOT AN "ACCREDITED INVESTOR" AND "QUALIFIED PURCHASERS" AS DEFINED IN THE RULES AND REGULATIONS PROMULGATED UNDER THE SECURITIES ACT. THIS PRESENTATION IS NOT A PROSPECTUS OR AN ADVERTISEMENT, AND NO OFFERING IS BEING MADE TO THE PUBLIC. Any offer, sale or solicitation of interests with respect to the Fund will be made only pursuant to the Fund's confidential private placement memorandum (the "Memorandum"), limited partnership agreement and subscription agreement, and will be subject to the terms and conditions contained in such documents in accordance with applicable securities laws. This presentation is qualified in its entirety by reference to the Fund's Memorandum and the final versions of such other documents, including without limitation all of the cautionary statements and risk factors set forth therein, the limited partnership agreement and the subscription agreement related thereto, copies of all of which will be made available in the future to qualified investors upon request and should be read carefully prior to any investment in the Fund.

Past Performance is not necessarily indicative, or a guarantee, of future results. Information about the Fund and the prior investments and investment strategies of McCarthy Capital and its professionals is provided solely to illustrate McCarthy Capital's and its professionals' investment experience and processes and strategies. Such information is not intended to be indicative of the Fund's future results. There can be no assurance that the Fund will achieve comparable results as those presented or that the Fund will be able to implement its investment strategy or achieve its investment objective or that even if it does, that such investment strategy or investment objective will prove to be successful. To the extent permitted under the Fund's governing documents, the Fund's investment strategy may be adjusted or amended by McCarthy Capital in its sole discretion. Exit opportunities for prior investments do not provide any assurance that similar exit opportunities will be available for current or future investments. Investors in the Fund may lose part or all of their invested capital.

An investment in the Fund will be illiquid. Investors generally may not withdraw from the Fund and any Fund securities will be subject to significant restrictions on transfer under U.S. federal securities laws and the limited partnership agreement of the Fund. There is not an active market for the Fund's securities and none is expected to develop.

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The investments listed generally do not represent all the investments made by McCarthy Capital since it began making investments through private funds in 1999. The performance discussed herein reflects only those investments made in private funds since 2012 and is limited to those utilizing a substantially similar investment strategy to that which is intended to be pursued by the Fund. This Presentation excludes information relating to investments made prior to 2012, investments made by McCarthy Group, LLC outside of the private funds described herein, and investments by McCarthy Capital Mortgage Investors, LLC, each of which pursued a different investment strategy or involved investments made by a materially different investment team. McCarthy Capital believes the post-2012 investments described herein are most relevant to and representative of the investments McCarthy Capital intends to make in the Fund, and therefore only those investments have been included in this Presentation.

In certain cases, this Presentation provides a subset of prior investments as an example for illustrative purposes only and such investments have been selected to provide, among other things, examples of the types of investment strategies, operating improvements and other actions that McCarty Capital engages in to further their goal of creating value for the funds it advises. In such cases, the investments listed herein do not represent a complete list of McCarthy Capital's prior investments, or a complete list of investments for which McCarthy Capital has utilized such methods. Additionally, in some cases the performance referenced herein relates to financial metrics achieved by individual portfolio companies and while such financial metrics may be associated with overall fund performance, there is no guarantee of a correlation between the underlying portfolio company and fund performance. A complete overview of all investments made by McCarthy Capital in private funds is available to interested investors upon request.

Certain figures in this presentation have been rounded. The inclusion of any third-party firm and/or company names, brands and/or logos does not imply any affiliation with these firms or companies. None of these firms or companies have endorsed McCarthy Capital, the Fund or any entities or personnel.

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**NOTES ON INVESTMENT AND PERFORMANCE TERMS**

Gross MOIC refers to the total gross proceeds divided by the invested amount, representing the multiple of investment capital, on a gross, pre-tax basis, and does not reflect the deduction of management fees, Fund expenses, carried interest and other expenses borne by investors in the respective funds. Gross IRR refers to the aggregate, annual, compound, gross, pre-tax internal rate of return on the investment and does not reflect the deduction of management fees, Fund expenses, carried interest and other expenses borne by investors in the respective funds. Gross IRR is calculated from the date on which a Fund makes an investment, which may include a period of up 180 days during which the investment is funded with a Fund's subscription line of credit.

Net MOIC represents the multiple of invested capital, on a net basis, calculated after giving effect to all management fees, fund expenses, carried interest and other expenses borne by investors. Net IRR represents the compound annual rate of return generally received by a fund investor bearing its full share of management fees and carried interest and carried interest. Net IRR is calculated from date on which the Fund receives investor capital calls related to an investment, which may exclude a period of up 180 days during which the investment is funded with a Fund's subscription line of credit.

McCarthy Capital Fund V, L.P. and McCarthy Capital Fund VI, L.P. each maintained a line of credit that permitted borrowed funds to remain outstanding for up to 90 days, and McCarthy Capital Fund VII, L.P. maintains a line of credit that permits borrowed funds to remain outstanding for up to 180 days. The facilities generally impose interest at a rate of WSJ Prime minus 60 bps with a minimum rate of 2.65%, the cost of which is excluded in calculating Gross MOIC and Gross IRR and included in calculating Net MOIC and Net IRR.

Distributions to paid-in-capital is calculated as Total Distributions to Limited Partners divided by Total Invested Capital by Limited Partners at the fund level.

Substantiating information for statements made herein with respect to sourcing of investments, first institutional capital and management/founder ownership is available upon request. All such statements are limited to investments made by McCarthy Capital Fund V, L.P., McCarthy Capital Fund VI, L.P. and McCarthy Capital Fund VII, L.P.

# Overview of McCarthy Capital

## McCarthy Capital is an experienced investor in the lower middle market

| | |
|---|---|
| **Strong Team** | • Founded in 1986, McCarthy Capital is headquartered in Omaha<br>• Led by an experienced team with substantial tenure at the Firm<br>• Unwavering mission of growing businesses in partnership with management<br>• Core values of integrity, rigor, relationships and results<br>• Fully staffed organization with widely distributed ownership<br>• The Firm's professionals make a significant capital commitment to each fund |
| **Demonstrated Track Record** | • Substantial investment and realization experience<br>• Across Fund V, VI and VII, we have \$864.4M of invested capital (35 investments) and \$2.6B of total value with \$1.2B in realizations and 12 realized investments<br>• Fund VI (2016) performance is exceeding the Firm's initial expectations and is currently marked at 5.2x gross MOIC / 61.2% gross IRR and 3.9x net MOIC / 51.5% net IRR<br>• Capital deployment is underway in Fund VII with 64% invested in portfolio companies |
| **Differentiated Approach** | • Specialize in partnering with management teams having material capital at risk<br>• Established brand in underserved Midwest and select regional markets<br>• Proactive deal sourcing with 71% of investments sourced directly<br>• Focused on making control or substantial minority investments in growth businesses<br>• First institutional capital in 86% of investments<br>• Conservative capital structures have enabled our portfolio companies to pursue more operating and growth initiatives, resulting in increased cash-flow growth |



*Past performance is not necessarily indicative, or a guarantee, of future results. Please see the Legal Disclaimers at the beginning of this Presentation for additional information concerning calculations, assumptions and limitations with respect investment terms and performance data provided in this Presentation.*

# McCarthy Capital Performance Overview

| As of September 30, 2022 | | | | | |
|---|---|---|---|---|---|
| **McCarthy Capital Fund** | **Gross MOIC** | **Gross IRR** | **Net MOIC** | **Net IRR** | **DPI[1]** |
| Fund VII (2020 - $535M)[2] | 1.0x | 4.8% | 1.0x | 0.0% | 0.0x |
| Fund VI (2016 - $353M) | 5.2x | 61.2% | 3.9x | 51.5% | 1.7x |
| Fund V (2012 - $200M) | 2.9x | 22.1% | 2.4x | 17.2% | 2.0x |
| **Total** | **3.0x** | **34.3%** | **2.5x** | **28.5%** | |
| Fund IV (2009 - $125M)[3] | 3.0x | 16.2% | 2.5x | 12.5% | 2.3x |

*(1) Distributions to paid-in capital ("DPI") is calculated as LP Total Distributions / LP Total Invested Capital at the fund level*

*(2) Fund VII has invested $342.6 million into portfolio companies, of which 70% was deployed within the past 12 months*

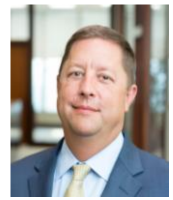
*(3) All figures in this Presentation include Funds V-VII only; Fund IV is not in the Totals shown but is included below due to NIC status as a Fund IV limited partner; Fund IV net returns reflect actual Fund IV fees (1.5% management fee / 15% carry pool)*

# McCarthy Capital Team Members

## We have an experienced and motivated team with significant capital invested across all funds

**Patrick J. Duffy**
***President & Managing Partner***

- Joined McCarthy Capital in 2007
- 25+ years of private equity, corporate finance and transaction experience
- Chairs investment and executive committees



**Robert Y. Emmert**
***Partner***

- Joined McCarthy Capital in 2008
- 25+ years of private equity and investment banking experience
- Investment and executive committees

**Phillip N. Dudley**
***Partner***

- Joined McCarthy Capital in 2009
- 15+ years of private equity and investment banking experience
- Investment committee

**Chase M. Meyer**
***Partner***

- Joined McCarthy Capital in 2008
- 15+ years of private equity, corporate audit and actuarial science experience
- Investment and executive committee

**Teri L. Mercer**
***Chief Financial Officer & Chief Compliance Officer***

- Joined McCarthy Capital in 2005
- 15+ years of finance, transaction and tax experience
- Executive committee

**Brian P. Zaversnik**
***Managing Director, Portfolio Management***

- Joined McCarthy Capital in 2012
- 15+ years of private equity, investment banking and corporate audit experience

# McCarthy Capital Team Members

**BJ Hansen**
***Managing Director***

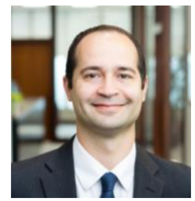
- Joined McCarthy Capital in 2008
- 10+ years of private equity and investment banking experience

**Matthew R. Breunsbach**
***Managing Director***

- Joined McCarthy Capital in 2014
- 10+ years of private equity, investment banking and business services experience

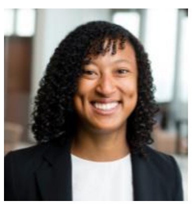
**Justin R. Disch**
***Vice President***

- Joined McCarthy Capital in 2014
- 14 years of private equity and corporate finance experience



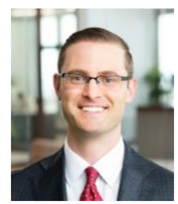
**Tyler R. Cyboron**
***Chief of Staff, VP of Investment Operations***

- Joined McCarthy Capital in 2018
- 8 years of private equity and specialty finance experience



**Alyssa M. Anglin**
***Senior Associate***

- Joined McCarthy Capital in 2020
- 6 years of strategic and operational experience

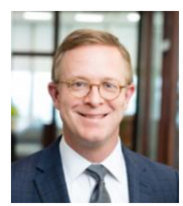


**Thomas J. Sudyka**
***Senior Associate***

- Joined McCarthy Capital in 2017
- 9 years of private equity and M&A experience

**Mary Beth Brosnihan**
***Senior Associate***

- Joined McCarthy Capital in 2021
- 5 years of private equity experience



**Jonathan J. Wegner**
***General Counsel***

- Joined McCarthy Capital in 2019
- 15+ years of corporate law and M&A experience

- **Associates:** Jaski Bir, Jack Petty, Niko Shad, Spencer Nussrallah

# Investment Strategy & Principles

## Demonstrated, focused and disciplined strategy:

- Focus on a specific transaction dynamic – material continued management ownership
- Target the underserved and inefficient lower middle market of companies with enterprise values of $25 million to $250 million
- Typical investment size ranges from $20 million to $50 million
- Target investments in businesses with proven business models, demonstrated profitability and a market opportunity for substantial growth
- Source investments directly through an extensive, actively developed professional network
- Follow a disciplined investment and portfolio management process

## Core investment principles and value creation plan:

- Align interests with growth-oriented management teams having material capital at risk
- Establish a position of influence through a combination of strong relationships, contractual rights and positions on portfolio company governing boards
- Hold a controlling or substantial minority interest; first institutional capital in 86% of investments
- Conservative capital structures and allocation of McCarthy Capital resources enable our portfolio companies to pursue accelerated growth through identifiable value-creation initiatives
- Well-defined exit strategies

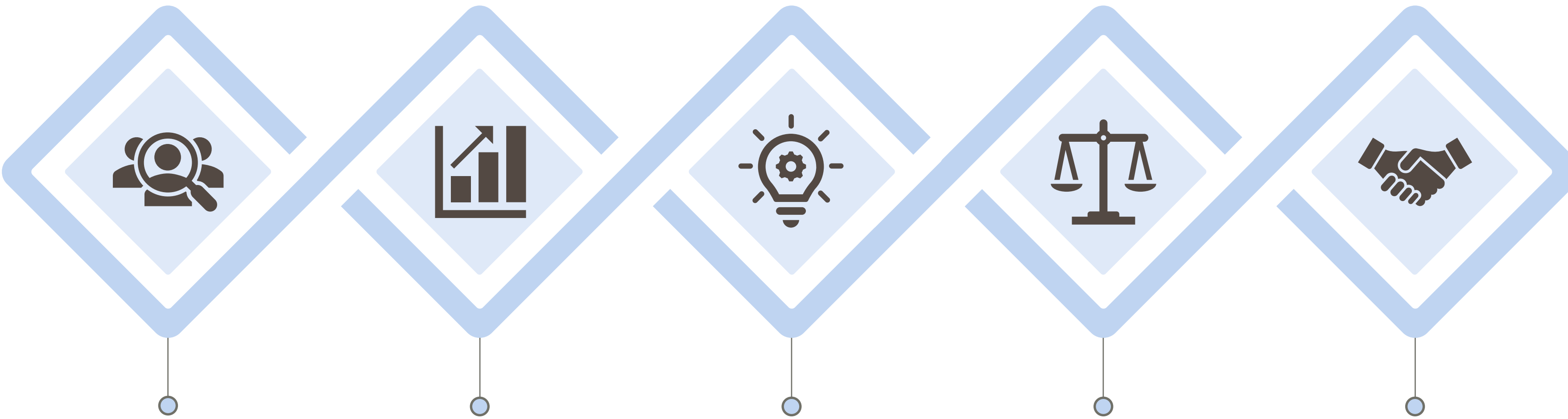
# Established Industry Network to Source Privately Negotiated Deals

- Our Investment Team develops and maintains trusted relationships with management teams, consultants, attorneys, accountants and boutique investment bankers in more than 30 U.S. cities
- We have found that trusted relationships result in significant direct deal flow that does not come through traditional, competitive processes, which we believe results in more attractive valuations
- There are numerous factors, other than price, that influence the decision of owners and management teams to partner with McCarthy Capital
- Lower middle market companies are often characterized by complexities that we are well-suited to address due to our extensive experience

**PRIOR DEAL SOURCES**

# McCarthy Capital Value Creation Plan

*McCarthy Capital works with management teams to implement a plan for value enhancement based upon prior experiences with similar operating company characteristics*



### Talent Management

- Augment and align organizational chart to growth plan
- Establish effective governance and network of third-party advisors
- Align compensation, ownership and equity incentive plans
- Succession planning and culture perpetuation

### Velocitize Sales and Marketing

- Develop comprehensive go-to-market strategy
- Align team and channels to create accountability
- Measure and optimize pricing and terms
- Drive expansion of market share, new products/services and geographies

### Scale Operations

- Build metric-driven organization for scale
- Evaluate and optimize supply chain and systems
- Negotiate vendor pricing, including benefit plans and key expense categories
- Improve working capital cycle

### Optimize Balance Sheet

- Lead capital planning and prudent utilization of balance sheet / debt level
- Model scenarios and most efficient capital allocation
- Pursue transformative acquisitions, including identification, evaluation and integration
- Ensure stability to support long-term growth

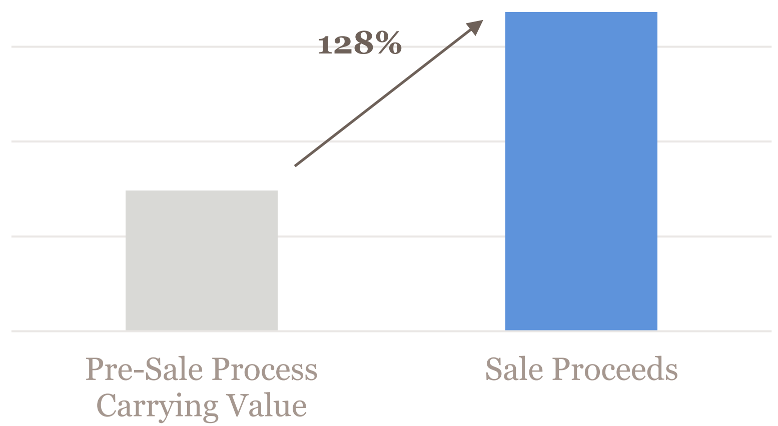
### Maximize Exit

- Prepare for exit in advance and transact when market dynamics are dominant
- Manage exit process, including advisor selection / management and deal negotiation
- Provide post-transaction support including family planning and executive placement

# Well-Defined Exit Strategies

- We seek to invest under non-competitive conditions and exit through a competitive pricing environment
- We aim to achieve multiple expansion at exit due to competitive sales processes, planning, good judgment on timing and greater scale through cash-flow growth

**EXPANSION AT EXIT***




** Graph depicts the weighted average percentage increase in fund exit proceeds when comparing the investment carrying value one year prior to exit with proceeds received after that point in time (inclusive of exit proceeds, escrow and future payouts); includes all exits within Funds V, VI and VII*

# Recent Realizations

- McCarthy Capital's three most recent realizations were SaaS businesses that we exited at a substantial premium relative to our carrying value

QUANTUM WORKPLACE

BAMBOO ROSE

rxss™ Rx Savings Solutions

# Outlook & Questions and Answers

- Portfolio Performance
- New Opportunities
- Fund VII Deployment
- Q & A

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