

To: Nebraska Investment Council
From: Chris Sanders, Portfolio Manager
Date: 02/20/2025

Re: New Mountain Capital V Single Asset Continuation Vehicle – Real Chemistry

BACKGROUND

The Council made a \$50 million commitment in the New Mountain Capital (NMC) V fund in 2017. As of September 30, 2024, the fund has a Net IRR of 27%, TVPI of 2.4X and DPI of 1.4X.

NMC V is proposing a Continuation Vehicle (CV) for one of the portfolio companies – Real Chemistry. NMC believes additional time is needed to maximize the growth of the company and that further upside will come from transformative M&A in addition to the organic growth of the company. However, as NMC V is past its investment period, additional capital is not available for the additional M&A activity needed.

DUE DILIGENCE

Staff conducted due diligence on the CV that included an on-site visit to NMC, multiple conversations with NMC and a visit by NMC to meet staff in Lincoln. In addition to reviewing the CV with Aon, staff spoke with other consultants and secondary funds who did due diligence on the CV.

CV REVIEW

NMC V invested in Real Chemistry in June 2019. Real Chemistry is a health innovation company that offers data and solutions component to the bio pharma and health care industry. NMC has had success with the company and the fundamentals of the company have been strong

NMC has been a strong and solid manager for NIC since our first investment with them in Fund III in 2007 and their subsequent four funds. They have done well in adding value to their portfolio companies and in managing downside risk.

TERMS & OPTIONS FOR THE CV

Terms for the Continuation Vehicle would be for five years with two extensions of one-year. Management fee will continue at the same level as currently paid in NMC V with a tiered carry schedule.

Below are the three options for the CV:

1. Sell Investor: Sell our indirect stake in Real Chemistry at a discount and receive full liquidity
2. Rolling Investor: Elect to roll our pro-rata interests in Real Chemistry into the Continuation Vehicle.
3. Rolling Upsize Investor: Same as option 2 but have the option to make an additional capital commitment to the continuation vehicle.

RECOMMENDATION

Based on the due diligence conducted, staff thinks Real Chemistry has additional upside potential. The projected base case and target case for returns and multiples from NMC and other secondary managers meets or exceeds our performance objectives in private equity. The potential organic growth of Real Chemistry plus the additional growth options in M&A activity make the CV an attractive opportunity. The size of the CV makes it large enough to still have an impact on the Private Equity portfolio without causing the NIC private equity portfolio to be overallocated to health care. New Mountain has been a strong manager for the NIC and we feel they can add value to Real Chemistry. For these reasons, staff recommends rolling our pro-rata interests in Real Chemistry without additional capital (Option 2).

PROPOSED COMMITMENT

- Approximate \$13M million for the Defined Benefit and Cash Balance Benefit Plans

MEETING MATERIALS

- New Mountain V Continuation Vehicle – Aon Memo
- New Mountain V Continuation Vehicle - Manager Presentation