



McCarthy
Capital

July 2020

*Growing Businesses in Partnership
with Management*

McCarthy Capital Fund VII Presentation

Nebraska Investment Council

Legal Disclaimer



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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. THE PERFORMANCE DISCUSSED HEREIN REFLECTS INVESTMENTS MADE SINCE 1999 BY MCCARTHY CAPITAL AND EXCLUDES INFORMATION RELATING TO INVESTMENT MADE BY MCCARTHY GROUP, LLC DIRECTLY OFF ITS BALANCE SHEET. MCCARTHY CAPITAL BELIEVES THE PERFORMANCE OF THE PRE-1999 INVESTMENTS ARE GENERALLY SIMILAR TO THE OVERALL PERFORMANCE OF INVESTMENTS MADE BY MCCARTHY CAPITAL SINCE 1999, WHEN MICHAEL MCCARTHY FORMED MCCARTHY CAPITAL AND BEGAN ACQUIRING BUSINESSES PRIMARILY FOR INVESTMENT PURPOSES; HOWEVER, (I) THOSE INVESTMENTS WERE ACQUIRED AS PART OF A FUNDLESS SPONSOR, IN WHICH DEALS WERE OFTEN INDIVIDUALIZED AND THE FEES ASSOCIATED WITH SUCH DEALS DIFFERS FROM THE STRUCTURE OF FEES ASSOCIATED WITH THE POST-1999 FUNDS AND (II) WE BELIEVE THE POST-1999 FUND INVESTMENTS ARE MORE REPRESENTATIVE OF THE INVESTMENTS MCCARTHY CAPITAL INTENDS TO MAKE GOING FORWARD, THEREFORE SUCH INVESTMENTS HAVE BEEN EXCLUDED FROM THIS PRESENTATION. ADDITIONALLY, WHERE NOTED HEREIN, DISCUSSION OF PAST DEALS OR PERFORMANCE GENERALLY DOES NOT INCLUDE “NON-CORE INVESTMENTS” WHICH THE FIRM DEFINES AS PUBLIC SECURITIES, PIPE, MEZZANINE, SPES AND TWO REAL ESTATE FUND INVESTMENTS.

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 MCCARTHY 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.

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.

THIS PRESENTATION CONTAINS CONFIDENTIAL INFORMATION AND, ACCORDINGLY, IS FOR THE CONFIDENTIAL USE OF ONLY THOSE PERSONS TO WHOM IT IS TRANSMITTED. EACH POTENTIAL INVESTOR, BY ACCEPTING DELIVERY OF THIS PRESENTATION, AGREES NOT TO USE, RETRANSMIT, MAKE A COPY OR DIVULGE THE CONTENTS HEREOF TO ANY PERSON OTHER THAN A LEGAL, BUSINESS, INVESTMENT OR TAX ADVISOR IN CONNECTION WITH OBTAINING THE ADVICE OF SUCH PERSONS WITH RESPECT TO THIS OFFERING AND AS TO LEGAL, TAX AND RELATED MATTERS.

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
- Led by an experienced and committed team that assumed Firm leadership responsibilities prior to Fund V; each have been with the firm more than 10 years
- Unwavering mission of growing businesses in partnership with management
- Core values of integrity, rigor, relationships and results
- Fully staffed organization with widely distributed ownership
- The Firm's professionals will commit more than \$25 million of Fund VII's capital

Demonstrated Track Record

- More than 50 investments made; 32 realized investments generated a Gross IRR of 23.7% and a 2.9x gross multiple of invested capital ("MOIC")*
- Generated more than \$1.7 billion of realizations since inception
- Funds I-III are fully or largely realized
- We expect continued appreciation in Funds IV and V as the portfolios are realized
- Fund VI is more than 85% committed with performance exceeding the Firm's initial expectations

Differentiated Approach

- Specialize in partnering with management teams having material capital at risk
- Established brand in underserved Midwest and select regional markets
- Proactive deal sourcing with 80% of investments sourced directly**
- Focused on making control or substantial minority investments in growth businesses
- First institutional capital in more than 75% of investments**
- Conservative capital structures have enabled our portfolio companies to pursue more operating and growth initiatives, resulting in increased cash-flow growth

* Net Returns are unavailable because investments were made across a variety of funds and fees are assessed at the fund level

** Excludes public securities

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:

- 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 more than 75% of investments*
- Maintain conservative capital structures (low relative leverage ratios)
- 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

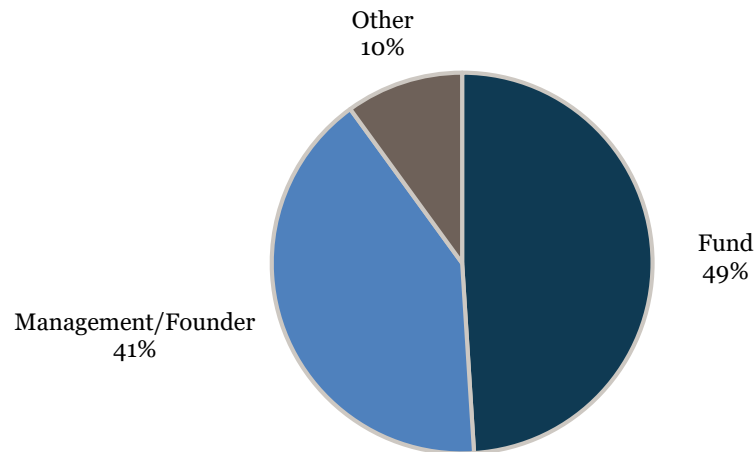
* Excludes public securities

Align Interests with Growth-Oriented Management Teams Having Material Ownership at Risk



- We focus on transaction dynamics that result in aligned partnerships
- Management/Founder ownership at initial investment averages more than 40%, which helps to reduce price and many operational risks*
- We partner with tenured management teams seeking guidance to grow
- Alignment through ownership creates the ideal foundation for strong partnerships

OWNERSHIP AT INITIAL INVESTMENT*



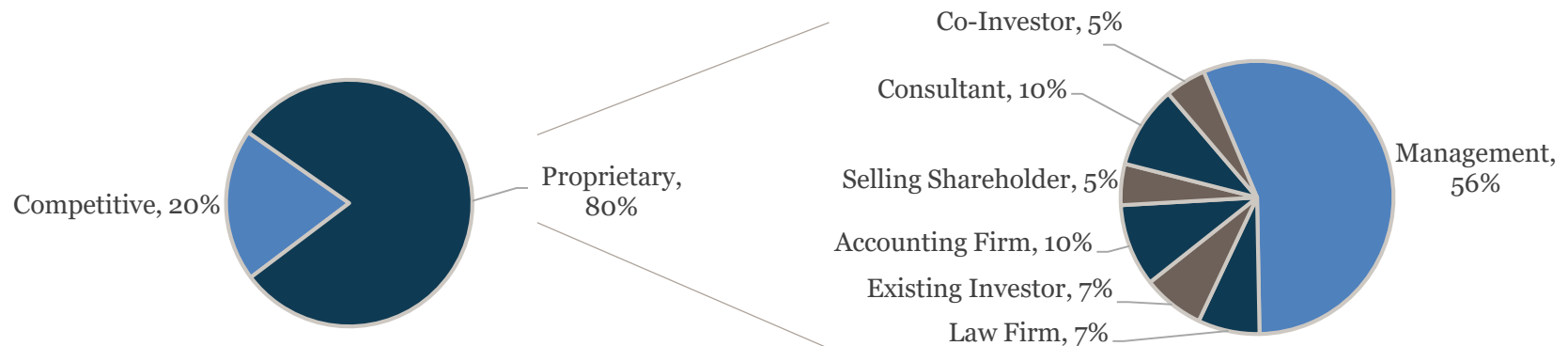
** Weighted average ownership; fund ownership includes co-investor ownership brought into the investment by McCarthy Capital; excludes non-core investments*



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 and we believe this 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*

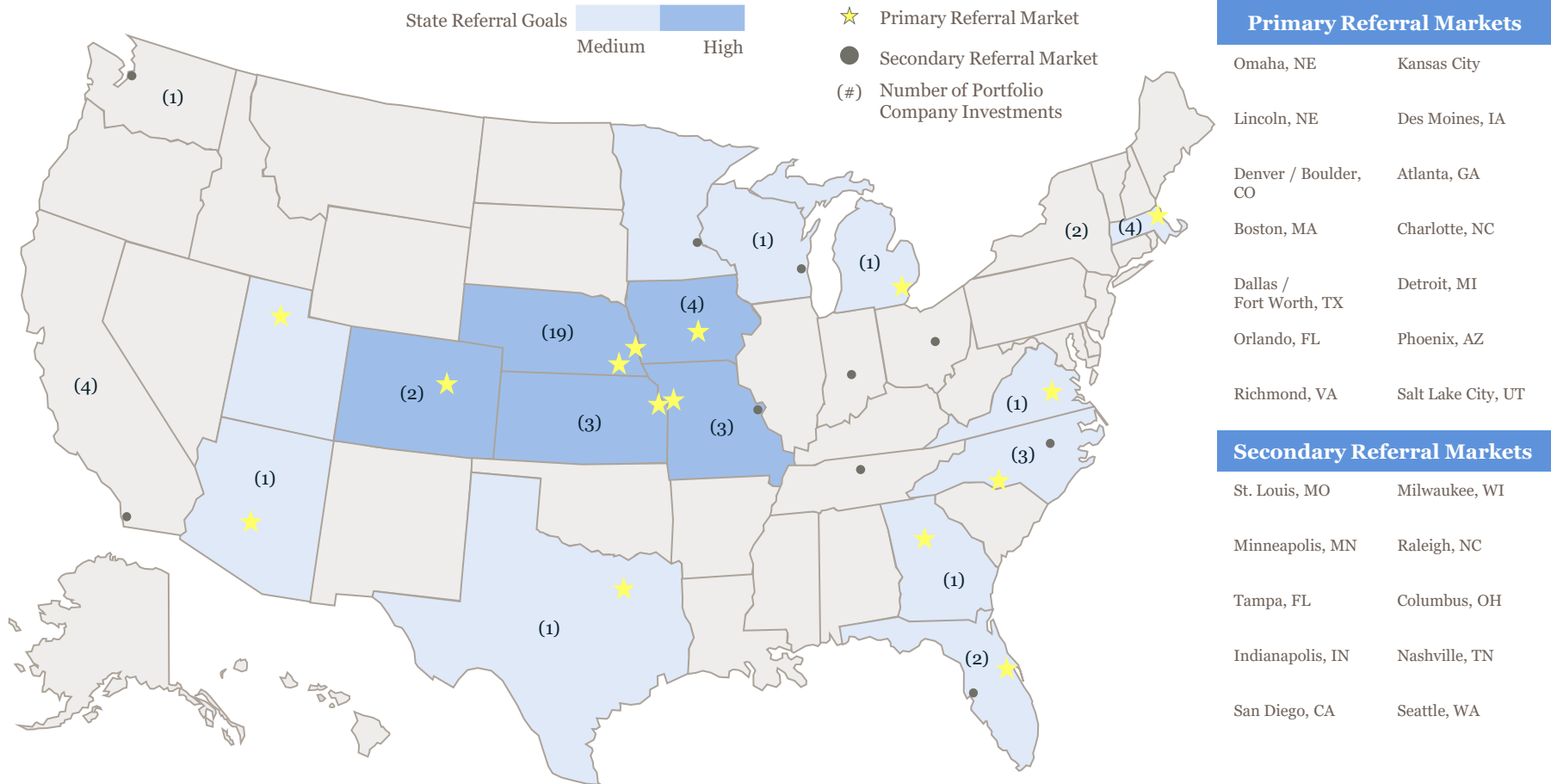


* Excludes public securities

Core Origination Markets



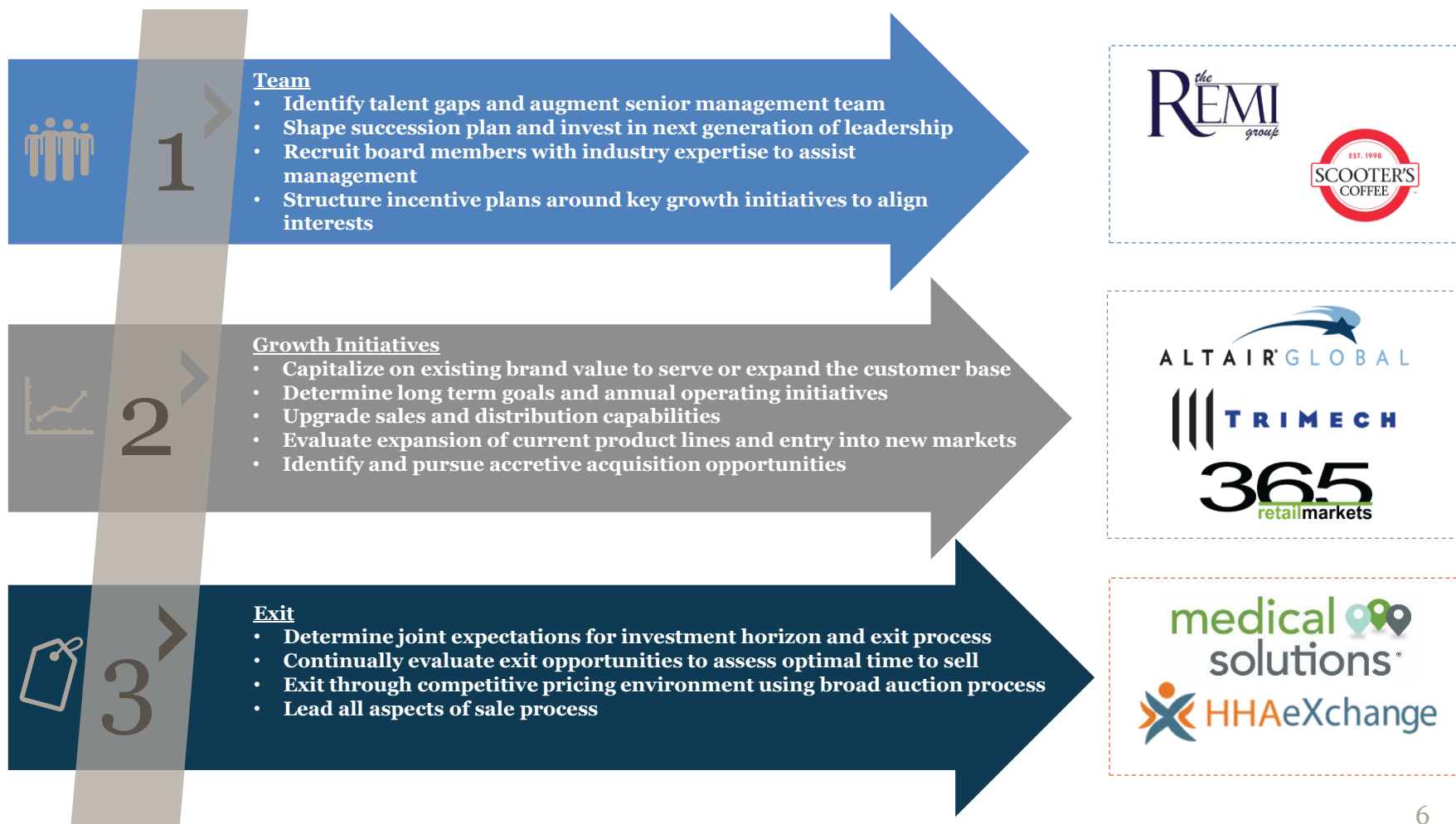
Each Primary and Secondary Referral Market is assigned a specific McCarthy Capital team member who is accountable for a specified number of touchpoints in, and for generating referrals from, that market



Value Creation Principles / Process



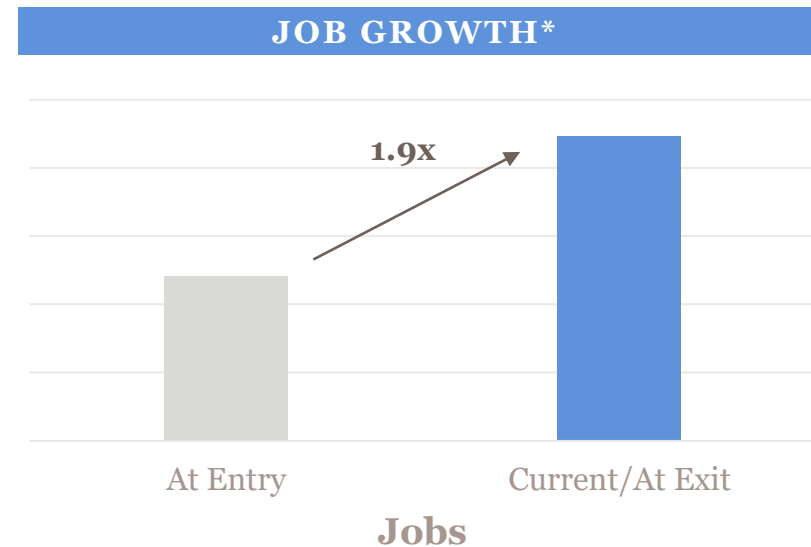
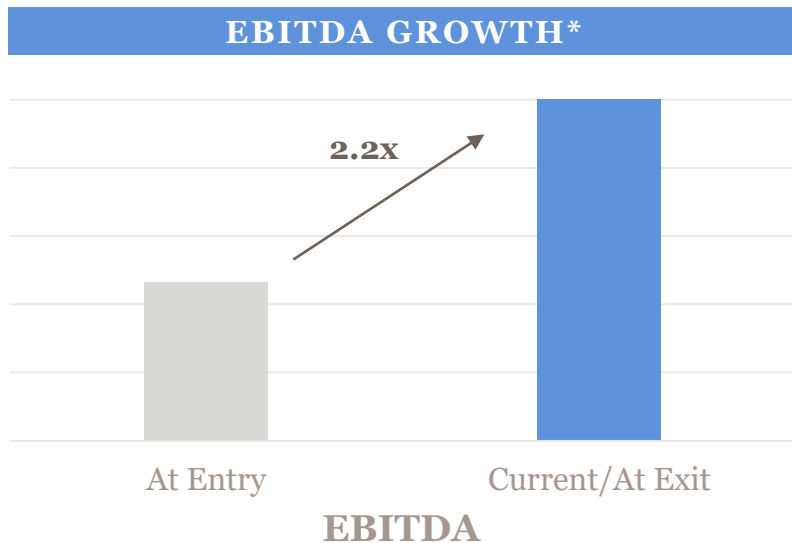
- McCarthy Capital has a well-defined operating model to identify and drive value-add initiatives within its portfolio



Identifiable Value Creation Initiatives



- McCarthy Capital has a demonstrated track record of identifying companies with considerable opportunities to grow revenue and cash-flow through continued investment in the business
- Revenue grew more than 10%, on average, at Fund V and Fund VI portfolio companies in 2017, 2018 and 2019
- Our portfolio companies have increased employment substantially during our hold periods



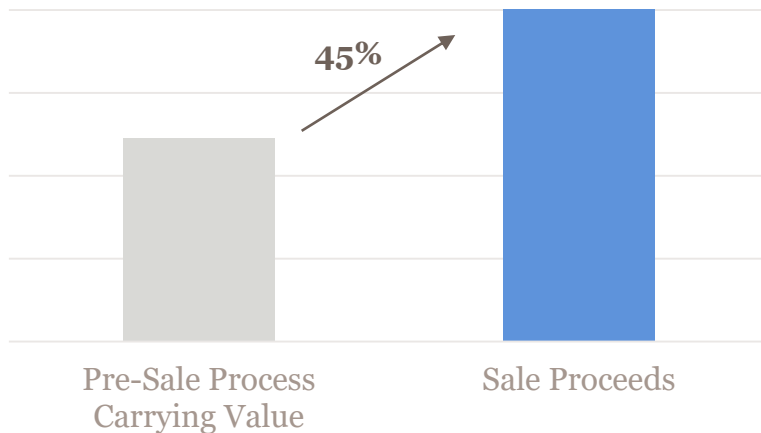
* Current numbers are as of the most recent year-end (December 31, 2019); current EBITDA numbers are full-year 2019; excludes non-core investments

Well-Defined Exit Strategies



- We seek to invest under non-competitive conditions and exit through a competitive pricing environment
- We typically enjoy 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) over the last ten years (2009-2019); excludes non-core investments; also excludes select companies, which were sold in multiple transactions

PORTFOLIO EXAMPLES

LTM EBITDA Multiples

	At Purchase	Start of Sale Process**	At Exit	% Expansion from mark	% Expansion during hold
Company A	7.4x	7.7x	11.8x	54%	60%
Company B	6.9x	7.2x	9.5x	32%	38%
Company C	10.0x	12.5x	18.8x	51%	89%
Company D***	4.8x	5.2x	6.5x	23%	36%
Company E	6.6x	7.2x	8.9x	23%	35%

** Start of Sale Process represents the EBITDA multiple at one year prior to exit

*** Company D is based off of revenue multiple



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Appendix

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
- 20+ 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
- 12+ years of private equity and investment banking experience
- Fund VII Partner and investment committee



Chase M. Meyer
*Partner**

- Joined McCarthy Capital in 2008
- 12+ years of private equity, corporate audit and actuarial science experience
- Fund VII Partner and investment 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

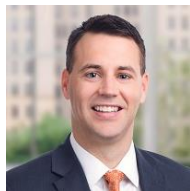


Michael R. McCarthy
*Chairman Emeritus**

- Founded the McCarthy organization in 1986
- 30+ years of private equity, investment and board experience
- Union Pacific Corp. (NYSE: UNP), Peter Kiewit Sons', Inc. and Creighton University (Chairman)

*Title to be effective with Fund VII

McCarthy Capital Team Members



BJ Hansen
Vice President

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



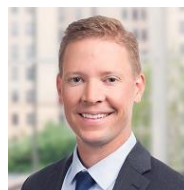
Matthew R. Breunsbach
Vice President

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



Michael C. Meyer
Portfolio Director

- Joined McCarthy Capital in 2013
- 30+ years of finance and operations experience in the energy and financial services industries



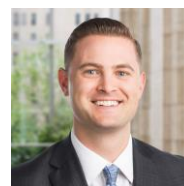
Brian P. Zaversnik
Portfolio Director

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



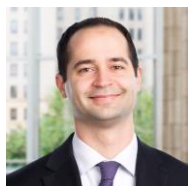
Justin R. Disch
Senior Associate

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



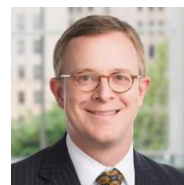
Thomas J. Sudyka
Senior Associate

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



Tyler R. Cyboron
Director, Portfolio Reporting

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



Jonathan J. Wegner
General Counsel

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

- **Associates:** Calvin Ye, Kelly Schatz, Ted Kirkpatrick
- **Summer 2020 New Hires:** Alyssa Anglin (Investment Associate), Alan Davis (Associate) and Brian Hopkin (Senior Associate)
- **Business Development Coordinator:** Hilke Brandon
- **Executive Advisory Panel:** several accomplished executives who may serve portfolio companies in a director or advisory role

Current Portfolio Companies



Fund IV



Fund V



Fund VI

