



# **CHARLESBANK CAPITAL PARTNERS FLAGSHIP PRIVATE EQUITY FUND X**

**PRESENTATION TO RHODE ISLAND STATE INVESTMENT COMMISSION (RISIC)  
NOVEMBER 18, 2020**

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*Unless otherwise noted, each reference in this presentation to investments made by Charlesbank’s Fund VIII excludes investment in the syndicated debt of Vertellus Specialties, which Charlesbank sold within four months of purchasing; and also, each reference in this presentation to investments made by Charlesbank’s Fund IX excludes investment in the debt of Paradigm Precision, which was made in April 2020 and was refinanced out at par in July 2020.*

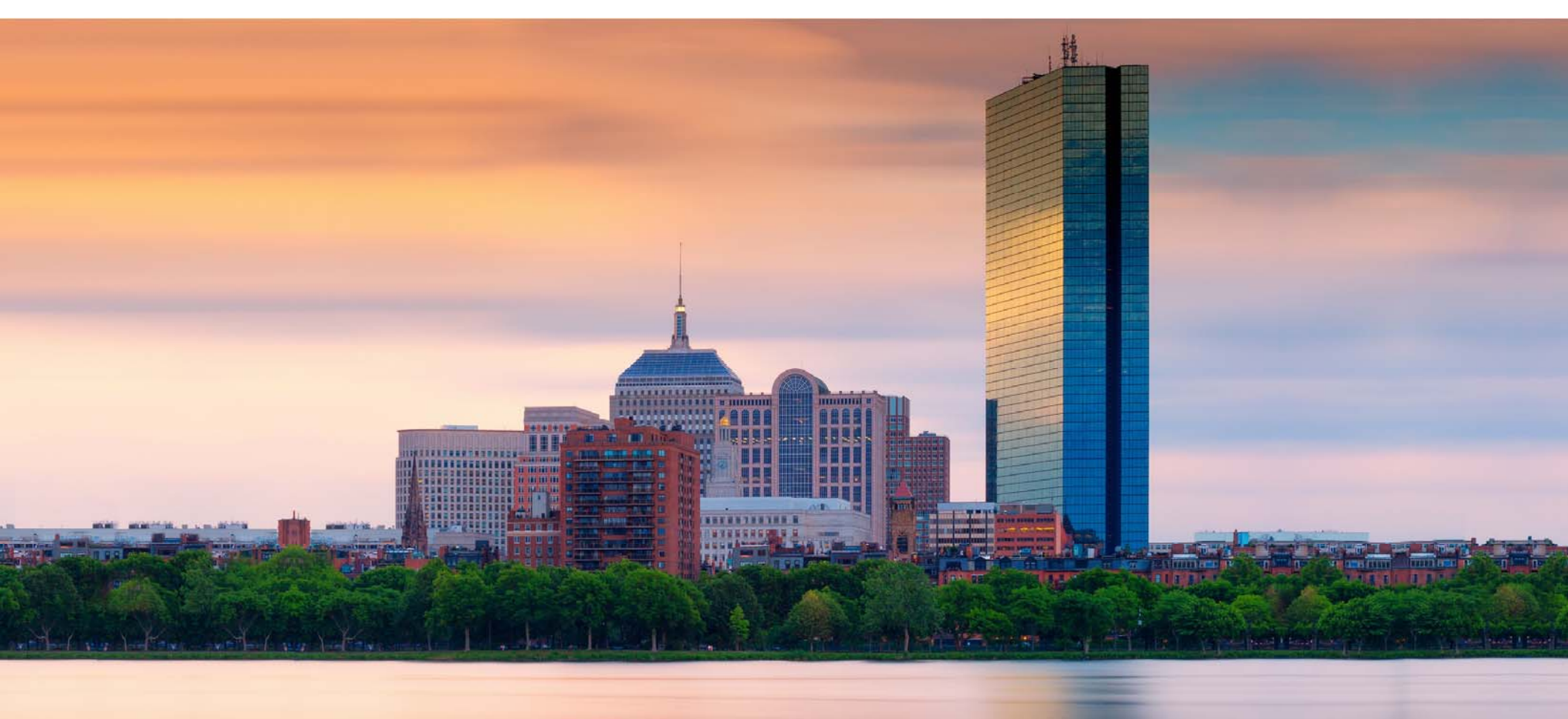
*This presentation is intended to be used in connection with the Rhode Island State Investment Commission meeting on November 18, 2020, where participants will have the opportunity to discuss its contents with Charlesbank. By requesting the information in this presentation about certain Charlesbank investments, the Rhode Island State Investment Commission acknowledges that it is aware that applicable securities laws prohibit a person who has received material, nonpublic information about an issuer from purchasing or selling securities of such issuer or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such other person is likely to purchase or sell such securities.*

***Please see final page in the presentation book for Endnotes that are an integral part of this presentation. These Endnotes describe both (i) the methodologies Charlesbank uses to calculate performance and results and (ii) the assumptions and estimates, both on a macro level as well as portfolio company-specific, on which Charlesbank is relying in setting forth future projections.***

# Disclaimer (Coronavirus Outbreak Risk)

*The global outbreak of the 2019 novel coronavirus (“COVID-19”), together with resulting restrictions on travel and quarantines imposed, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is likely to contribute to market volatility and is also likely to lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which may reduce private equity activity more generally and materially and adversely affect Charlesbank-managed funds (“the Funds”) and their portfolio companies. The COVID-19 outbreak may adversely affect the Funds’ ability to dispose their investments as buyers retrench from pursuing investment opportunities due to the prolonged economic uncertainty. The applicability, or lack thereof, of force majeure provisions could also come into question in connection with contracts that the Funds and their portfolio companies have entered into, which could ultimately work to their detriment. To the extent an epidemic, including COVID-19, is present in jurisdictions in which the Charlesbank has offices or other operations or investments, it could affect the ability of the Charlesbank to operate effectively, including the ability of personnel to function, communicate and travel to the extent necessary to carry out the Funds’ investment strategies and objectives. In addition, in response to the COVID-19 outbreak, several industry conference sponsors and venues have suspended or cancelled events due to concerns over the spread of COVID-19. Events have also been impacted by the implementation of U.S. federal and state and non-U.S. governmental actions, as well as voluntary and involuntary travel restrictions. Attendance by Charlesbank, its employees and affiliates at industry conferences and events is an important component of the Charlesbank’s investment-sourcing strategy. Private and governmental efforts to prevent the further spread of COVID-19 through travel restrictions and cancellation or suspension of industry events may adversely affect the Charlesbank’s ability to source potential investment opportunities for the Funds and to gain meaningful insights in order to properly evaluate the risk/reward potential of investing in a particular industry sector or market. The Funds and their portfolio companies may also suffer losses and other adverse impacts if travel and other COVID-19-related disruptions continue for an extended period of time. In addition, the Charlesbank’s personnel and personnel of critical service providers to Charlesbank or the Funds may be directly impacted by the spread of COVID-19, both through direct exposure (the likelihood of which can increase due to the frequency of travel) and exposure to family members, which could impair Charlesbank’s ability to satisfy its obligations to the Funds, their investors, and pursuant to applicable law. The spread of COVID-19 among the Charlesbank’s personnel has the potential to significantly affect Charlesbank’s ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), resulting in the possibility of temporary or permanent suspension of a Fund’s investment activities or operation.*

*This presentation includes performance data for Charlesbank’s managed funds through June 30, 2020. This data does not reflect changes incurred through the date of this presentation, including as a result of COVID-19, which changes are significant in some cases.*



# CHARLESBANK OVERVIEW

# Charlesbank Mission and Values

Charlesbank will always be grounded in our firm-wide values

Consistently deliver superior returns with carefully controlled risk  
Cultivate a best-in-class professional team and culture

We are one team

We are stewards

We are honest

We are committed to lifelong learning and continuous improvement

We are data-driven

We will always operate with integrity, humility and respect

We will work hard together to be excellent

# Charlesbank Flagship Private Equity Fund X

## Executive Summary



### Firm

#### Experienced Team with Enduring Heritage

- Spun out of Harvard endowment in 1998
- Predominant strategy consulting DNA
- Average Flagship Managing Director tenure of 19 years
- Successful generational leadership evolution

#### 20+ Year Track Record<sup>1</sup>

- Attractive absolute returns spanning multiple cycles
- \$6.4 billion invested in 67 companies since inception
- 2.8x realized gross ROI, 18% net IRR
- Focus on capital preservation with 7.4% realized loss ratio

#### Scaled Infrastructure United by One Team Culture

- 93 team members across Boston and New York offices
- 3 complementary strategies: Flagship Private Equity, Technology Opportunities and Credit Opportunities
- Robust and growing Portfolio Resources Group



### Investment Approach

#### Relative Value Focus

- Control buyout focus
- Willing to trade up capital structure as appropriate
- Emphasis on margin of safety / capital preservation

#### Fundamentals-Based Underwriting

- Intensive bottom-up due diligence
- Top-tier strategy consulting toolkit
- Statistical evaluation of outcome dispersion
- Focus on risk mitigation

#### Agile Middle-Market Strike Zone

- Target investment size of \$100 - \$300 million for Fund X with expected ability to deploy up to \$500 million through co-investment with Overage Fund
- Deep sector research across five core verticals drives differentiated conviction

<sup>1</sup>) As of June 30, 2020. Includes Flagship Private Equity Funds IV – IX except for realized statistics, which exclude Fund IX as there are no realized investments in the fund as of June 30, 2020.  
Note: See Endnotes 1 & 2 for performance calculations and additional information



# Charlesbank Team

Tenured team with strong continuity and deep private equity experience

## FLAGSHIP PRIVATE EQUITY

### MANAGING DIRECTORS

Michael Choe (CEO)	1998 <sup>1</sup>
Sam Bartlett	1999
Josh Beer <sup>2</sup>	2003
Ryan Carroll	2000
Kim Davis (Founding Partner)	1998
Michael Eisenson (Founding Partner)	1998 <sup>1</sup>
Andrew Janower	1998 <sup>1</sup>
Joshua Klevens	2005
Brandon White	1998 <sup>1</sup>

### PRINCIPALS

Neal Dignum	2016
David Katz	2013
Pedro Vaz	2010
Alex Weiss	2012

### SENIOR VICE PRESIDENTS

Jesse Ge	2017
Danny McBee	2013 <sup>2</sup>
Mike McGuire	2013 <sup>2</sup>

### VICE PRESIDENTS

Sam Bekenstein	2015 <sup>2</sup>
Caitlin Riederer	2016 <sup>2</sup>
Nick Rolfes	2014 <sup>2</sup>
Mutian Rui	2016 <sup>2</sup>

### CO-FOUNDERS & SENIOR ADVISORS

Tim Palmer	1998 <sup>1</sup>
Mark Rosen	1998 <sup>1</sup>
Michael Thonis	1998 <sup>1</sup>

### ASSOCIATES

Bianca Capone	2020
Mathison Clore	2020
Spencer Friske	2019
Andrew Jackman	2020
Rachael Lee	2020
Stephanie Lee	2020
Jake Lippe	2019
Paddy Nopany	2020
Brian Pegno	2019
Dan Pham	2019
Doug Powers	2019
Spencer Ryals	2020
Karan Talreja	2020

## PORTFOLIO RESOURCES GROUP

Camille DeLaite	2018
William Eisenbeis <sup>3</sup>	2019
John Flannery <sup>3</sup>	2019
Shira Goodman <sup>3</sup>	2019
Marcy Shinder <sup>3</sup>	2020
Shivani Tejuja <sup>3</sup>	2018
Daniel Wegiel	2020

## TECHNOLOGY OPPORTUNITIES

Hiren Mankodi (MD)	2018
Darren Battistoni (MD)	2018
Mayur Desai <sup>2</sup>	2009
Bhuvan Jain	2019
Dhruva Kaul	2019
Mike Zirngibl	2018
Sam Berger	2020
Nicolo Carrara	2019
Jon Page	2019
Tanay Nandgaonkar	2020

## CREDIT OPPORTUNITIES

Sandor Hau (MD)	2016
Matthew Jacobson	2016
Matthew Midera	2017
William Reilly	2014
Matthew Maloney	2020
David Osband	2020
Jimmy Park	2019
Lewin Xue	2018

## CAPITAL MARKETS

Carolyn Wintner	2019
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## INVESTOR RELATIONS & MARKETING

Maggie Sahlman	2019
Maura Turner	1999
Lauren Desrosiers	2020
Jared Robichaud	2017
Kara Shaw	2020

## OPERATIONS & FINANCE

Stephanie Paré Sullivan (MD)	2016
John Fiyod	2016
Kirsten Ahearn	2011
Alex Avila	2019
Matthew Casella	2019
Scott Entwistle	2015
Zoe Gharibian	2006
Erik Honkonen	2020
Matthew Klingman	2019
David Kwan	2000
Kristen Laverty	2016
Tim McGrath	2016
Jennifer Nevin	1998 <sup>1</sup>
Kat Ruf	2018
Carole Springhetti	1998 <sup>1</sup>
Erica Snyder	2019
Elizabeth Starr	2016

1) Joined firm's predecessor, Harvard Private Capital Group 2) Initial start year; subsequently attended two years of business school and returned to Charlesbank 3) Advisory Director  
Note: Year indicates Charlesbank start date



# 2020 Team Additions

## Portfolio Resources Group



**Marcy Shinder**  
Advisory Director



**Dan Wegiel**  
Operating Partner



## Returned to Charlesbank



**Caitlin Riederer**  
Vice President



**Mutian Rui**  
Vice President



## Investor Relations



**Lauren Desrosiers**  
Associate



**Kara Shaw**  
Associate



## Investment Associates



**Sam Berger**



**Matthew Maloney**



**Bianca Capone**



**Tanay Nandgaonkar**



**Mathison Clore**



**Paddy Nopany**



**Andrew Jackman**



**David Osband**



**Rachael Lee**



**Spencer Ryals**



**Stephanie Lee**









**Karan Talreja**



# Portfolio Resources Group

Deeply experienced experts fully integrated into Charlesbank strategy and culture

	Team Member	Experience	Background			Focus
			Operations	Consulting	Transaction Experience	
Investment Team	 <b>Sam Bartlett</b> Managing Director	Charlesbank		✓	✓	PRG Leadership
Executive Advisors	 <b>John Flannery</b> Advisory Director	 Former CEO	✓		✓	PRG Leadership, Board Leadership, Executive Network
	 <b>Shira Goodman</b> Advisory Director	 Former CEO	✓	✓	✓	Board Leadership, Executive Network, ESG
Generalists	 <b>Dan Wegiel</b> Operating Partner	 	✓	✓		Strategy, Execution, Growth
	 <b>Camille DeLaite</b> Operating Partner, Talent	GREEN PEAK 		✓	✓	Talent and Organizational Effectiveness
Functional Specialists	 <b>Shivani Tejuja</b> Advisory Director	FULLBEAUTY BRANDS®  	✓	✓	✓	eCommerce, Digital Marketing, Technology
	 <b>Marcy Shinder</b> Advisory Director	 	✓	✓		Marketing
Sector Specialist	 <b>Will Eisenbeis</b> Advisory Director, Technology	 		✓	✓	Executive Network, Business Development



## LONG-TERM TRACK RECORD

# Flagship Private Equity – Performance by Fund

As of June 30, 2020

(\$ Millions)

Fund (Vintage / Size)	# of Investments	Total Invested	Realized Value	Unrealized Value	Total Value	Gross IRR <sup>1</sup>	Gross ROI <sup>1</sup>	Net IRR <sup>1</sup>	Net ROI <sup>1</sup>	DPI <sup>1</sup>
<b>Fund IV</b> (1998 / \$301M)	9	280	715	-	715	28%	2.6x	22%	2.0x	2.0x
<b>Fund V</b> (2000 / \$591M)	12	545	1,624	-	1,624	33%	3.0x	21%	2.2x	2.2x
<b>Fund VI</b> (2005 / \$984M)	13	849	1,794	85	1,880	17%	2.2x	10%	1.7x	1.6x
<b>Fund VII</b> (2009 / \$1.54B)	17	1,527	3,449	612	4,061	35%	2.7x	23%	2.3x	1.9x
<b>Fund VIII</b> (2015 / \$1.88B)	15	1,787	1,536	1,455	2,991	21%	1.7x	14%	1.6x	0.5x
<b>Fund IX</b> (2018 / \$2.97B)	11	1,418	49	1,635	1,684	13%	1.2x	6% <sup>2</sup>	1.1x	0.0x

1) See Endnotes 1 & 2 for performance calculations and additional information

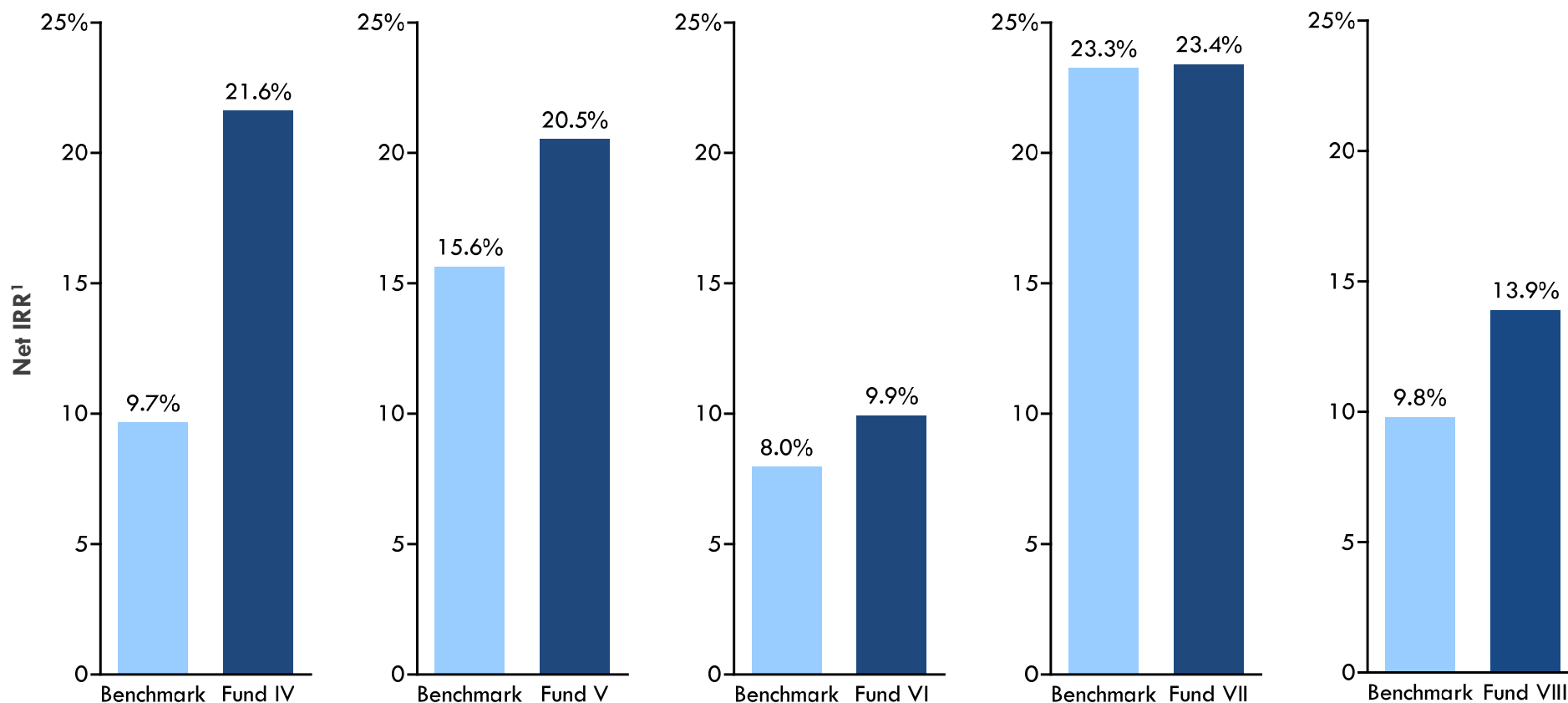
2) Fund IX Net IRR reflects the impact of the Fund IX subscription line. If amounts funded with the subscription line had been funded instead with capital contributions, the Net IRR would have been approximately 4%

Note: Fund size includes all related vehicles, including GP Commitment

# Flagship Private Equity – Benchmarking

All mature funds have outperformed the Cambridge Associates' net IRR benchmark

<u>Fund:</u>	<u>IV</u>	<u>V</u>	<u>VI</u>	<u>VII</u>	<u>VIII</u>
<b>Size:</b>	<b>\$301M</b>	<b>\$591M</b>	<b>\$984M</b>	<b>\$1,537M</b>	<b>\$1,877M</b>
<b>Vintage:</b>	<b>1998</b>	<b>2000</b>	<b>2005</b>	<b>2009</b>	<b>2015</b>



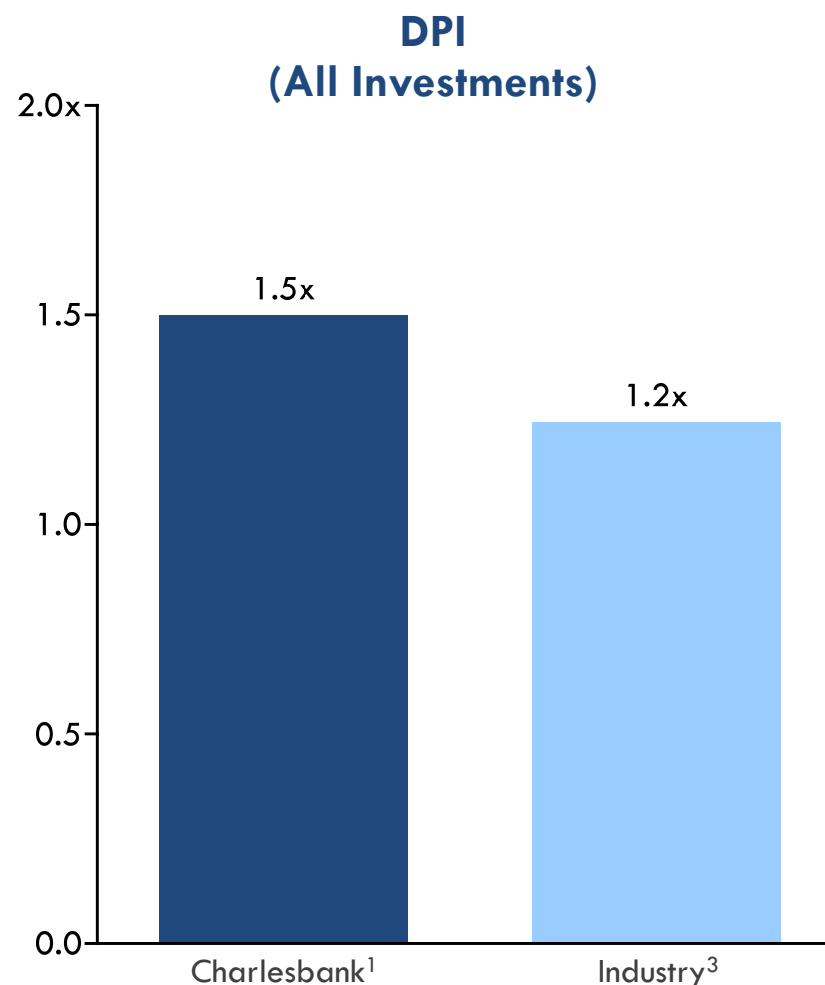
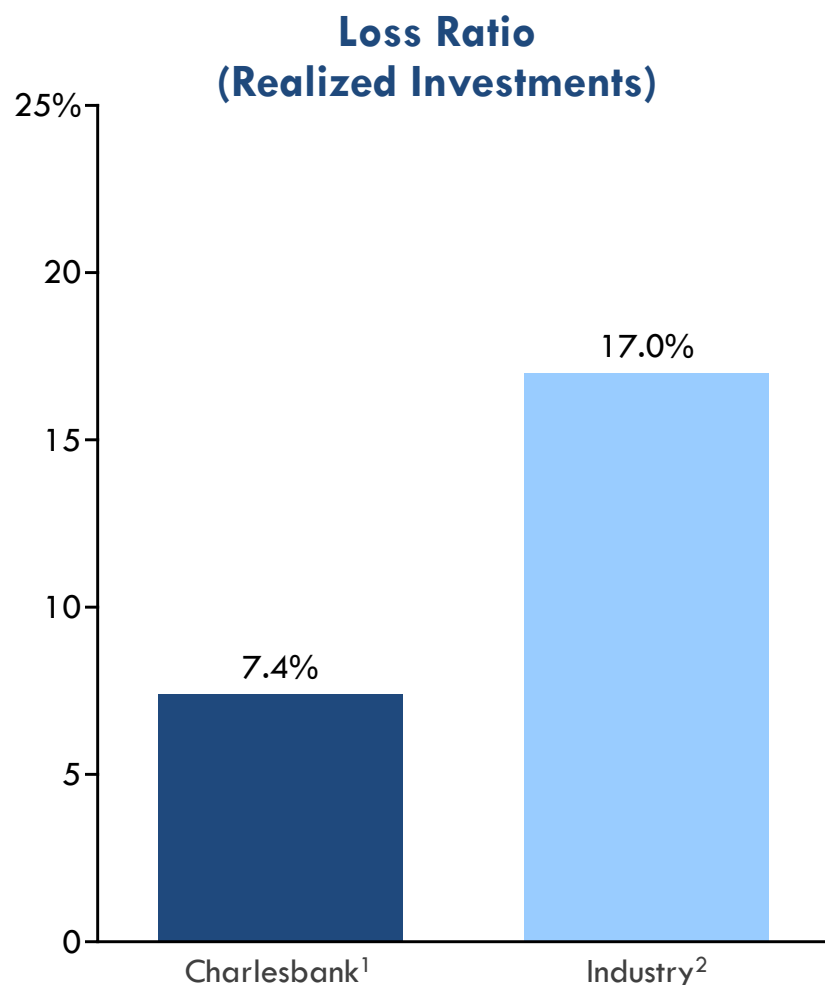
<b>Gross ROI<sup>1</sup></b>	<b>2.6x</b>	<b>3.0x</b>	<b>2.2x</b>	<b>2.7x</b>	<b>1.7x</b>
<b>Net ROI<sup>1</sup></b>	<b>2.0x</b>	<b>2.2x</b>	<b>1.7x</b>	<b>2.3x</b>	<b>1.6x</b>

Source: Benchmark data is as most recently reported Cambridge Associates US Buyouts Index (Median) as of 6/30/20; Charlesbank performance as of 6/30/20 for comparability with benchmark; Fund IX is not included as the comparative performance of Fund IX and other 2018 or later vintage funds are not yet meaningful. Cambridge Associates states that most funds take at least six years to settle into their final quartile ranking, and previous to this settling they typically rank in 2-3 other quartiles; therefore fund or benchmark performance metrics from more recent vintage years may be less meaningful

1) See Endnotes 1 & 2 for performance calculations and additional information

# Prioritizing Return of Capital

Significantly lower loss ratios and higher DPI relative to industry benchmarks



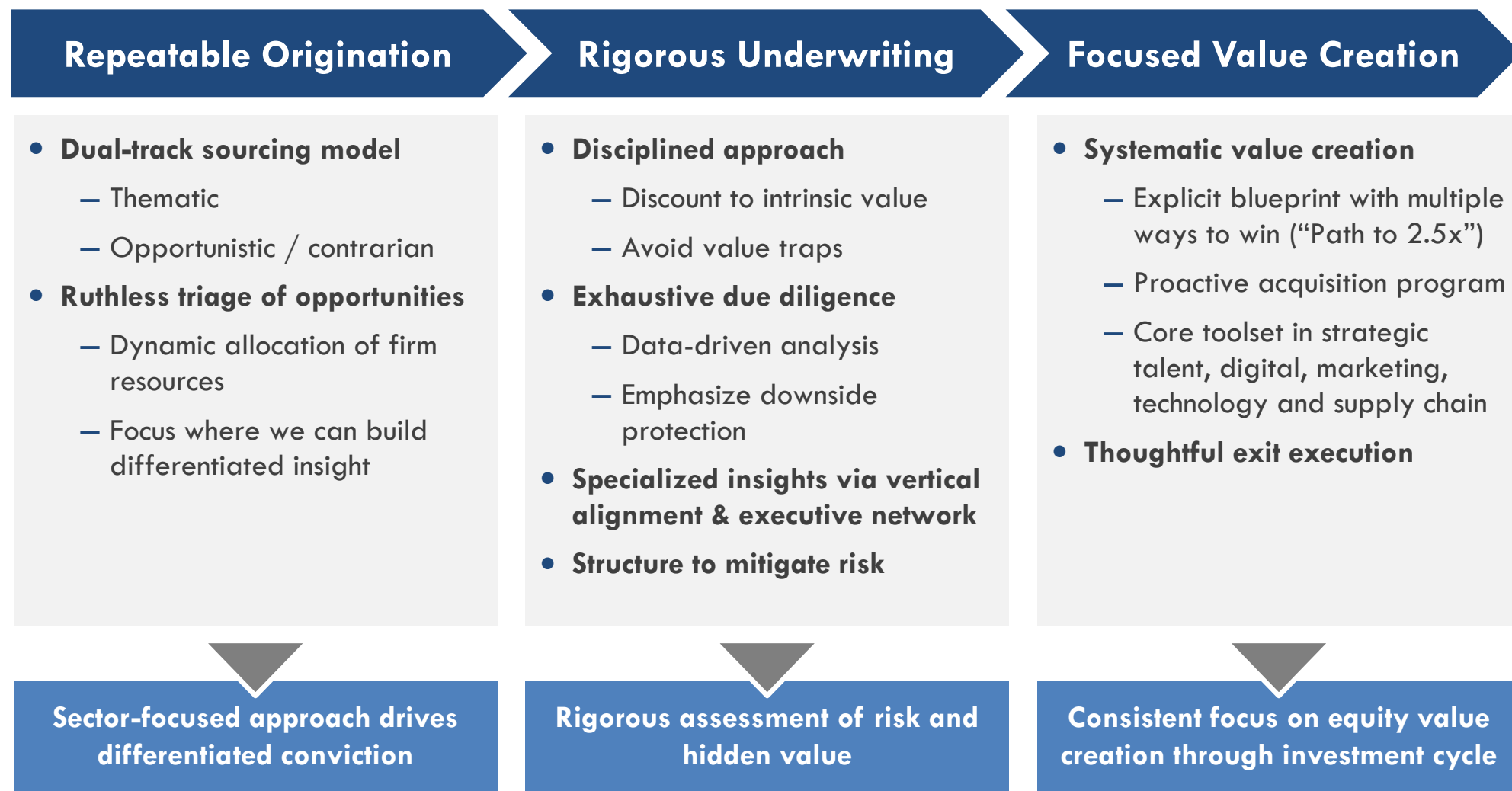
1) Charlesbank data is for Funds IV-VIII, which realized investments during the same period as the industry benchmark (from 1998 to 2018) and is calculated as of 6/30/20 for comparability to benchmarks 2) Cambridge data is as of 6/30/20, which is the most recent period for which the data is available; data is weighted by number of investments and is calculated using the same 5 year average hold period as the investments in Charlesbank's data for Funds IV-VIII to calculate number of realized investments 3) Represents weighted average of mid- to large-sized North American buyout funds with corresponding vintage years to Charlesbank funds IV through VIII (1998-2017), per Preqin database (reported as of October 2020; includes performance through Q2 2020); figure is weighted average by number of funds within each vintage year; Fund IX and other 2018 or later vintage peers are not included as DPI for both Fund IX and benchmark is zero and performance deemed not yet meaningful  
Note: Fund IX is not included in loss ratio analysis as there were no realized investments in the fund as of 6/30/20, and Fund IX is not included in DPI analysis as DPI for both Fund IX and benchmark is zero and performance deemed not yet meaningful. See Endnotes 1 & 2 for performance calculations and additional information



# INVESTMENT APPROACH



System designed over two decades for disciplined pursuit of best relative value





# Relative Value Investment Approach



We believe relative value exists across the business quality spectrum

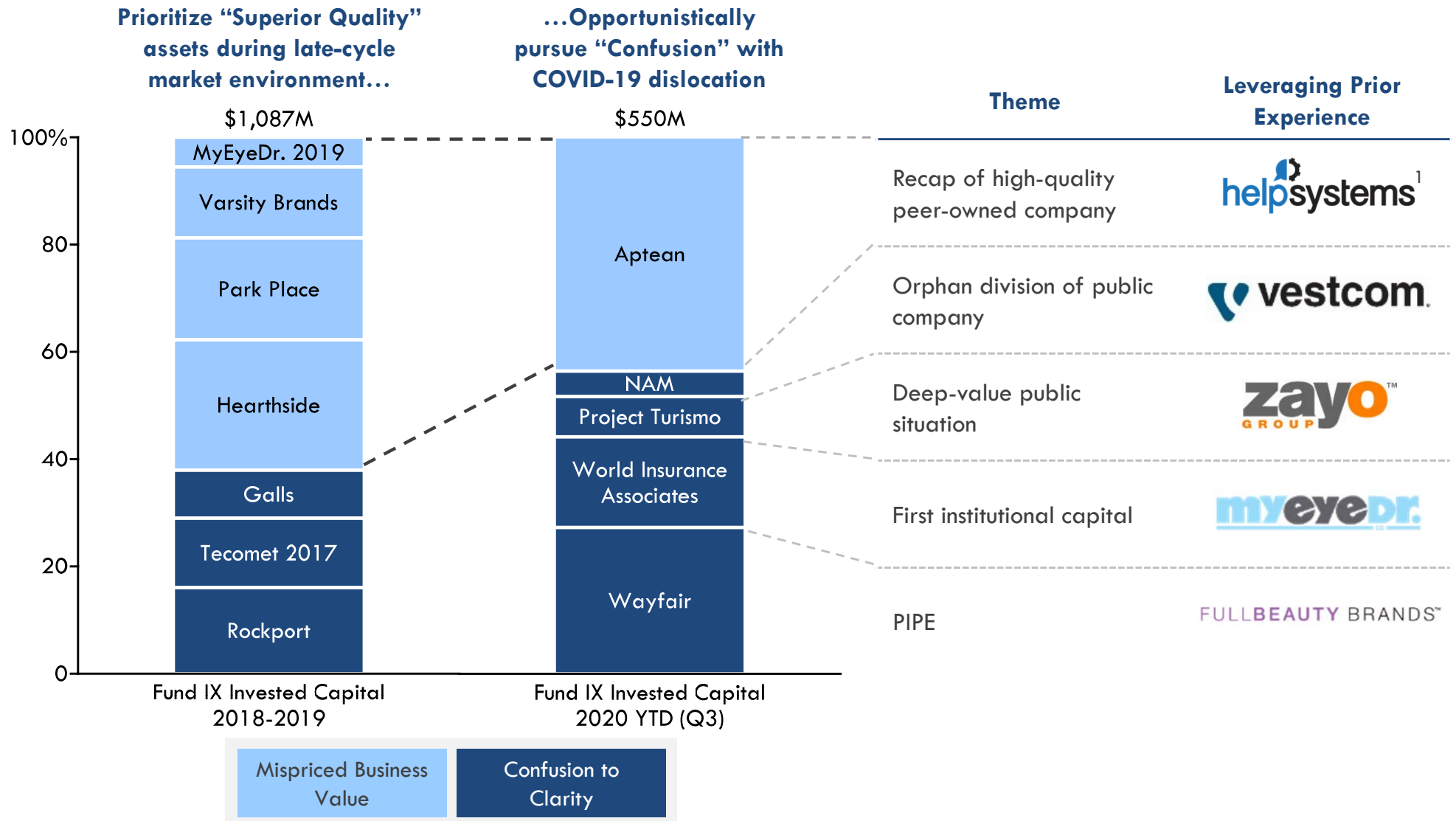


Note: Includes representative examples of Fund VIII and IX investments; please see Charlesbank's website ([www.charlesbank.com](http://www.charlesbank.com)) for a list of all Charlesbank investments.

# Disciplined, yet Agile Portfolio Construction



Portfolio construction reflects a thoughtful response to the market environment over the last three years
























































1) HelpSystems is a Technology Opportunities Fund investment. Note: Invested capital does not include 1H20 follow-on invested capital for Rockport or Galls.

# Sector-Focused Origination



Cross-sector collaboration drives focus on most attractive sectors

Sector	Investments					Realized Gross ROI <sup>1</sup>
	2000	2005	2010	2015	2020	
<b>Consumer</b> 		  	  	  	      	3.2x
<b>Industrials</b> 			  	  	   	2.8x
<b>Business Services</b> 	 	 		 	    	2.6x
<b>Tech &amp; Tech Infrastructure</b> 			 		6.3x	
<b>Healthcare</b> 		 			3.2x	

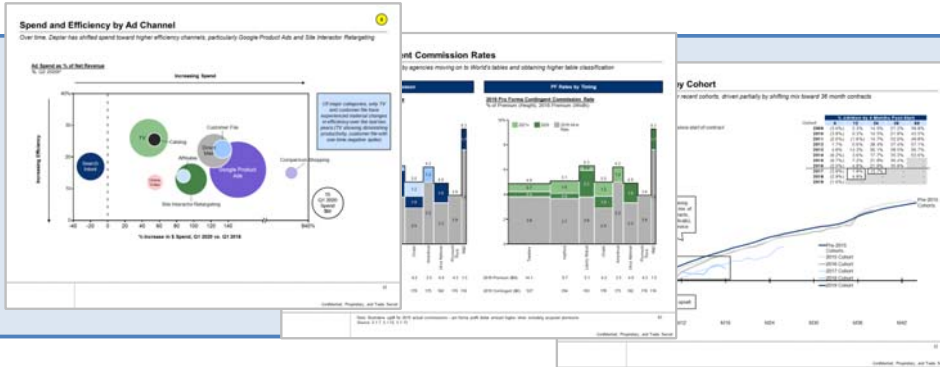
1) See Endnote 1; realized gross ROIs are weighted average by invested capital

Note: Excludes investments made through Credit SPV in Fund VIII and Fund IX and investments made in opportunistic sectors, but otherwise includes all investments made by Funds V-IX through 6/1/20 as these funds were actively and exclusively investing post-June 2000. Investments made in opportunistic sectors and therefore not included are: Regency, Southcross, Blueknight, RGL, StoneCastle, CIFIC and CSI Leasing.

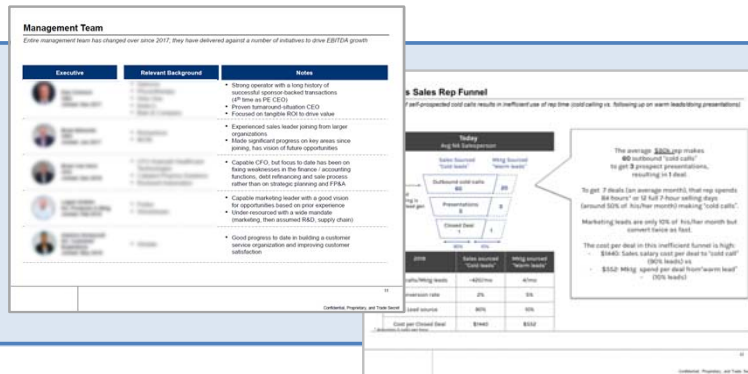
# Rigorous Underwriting Standards



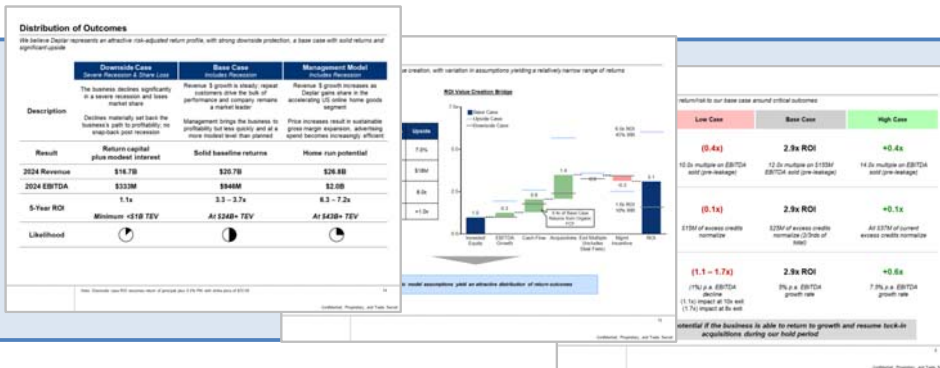
Diligence approach results in differentiated underwriting capabilities



Deep-dive analysis



Sector-focused insights



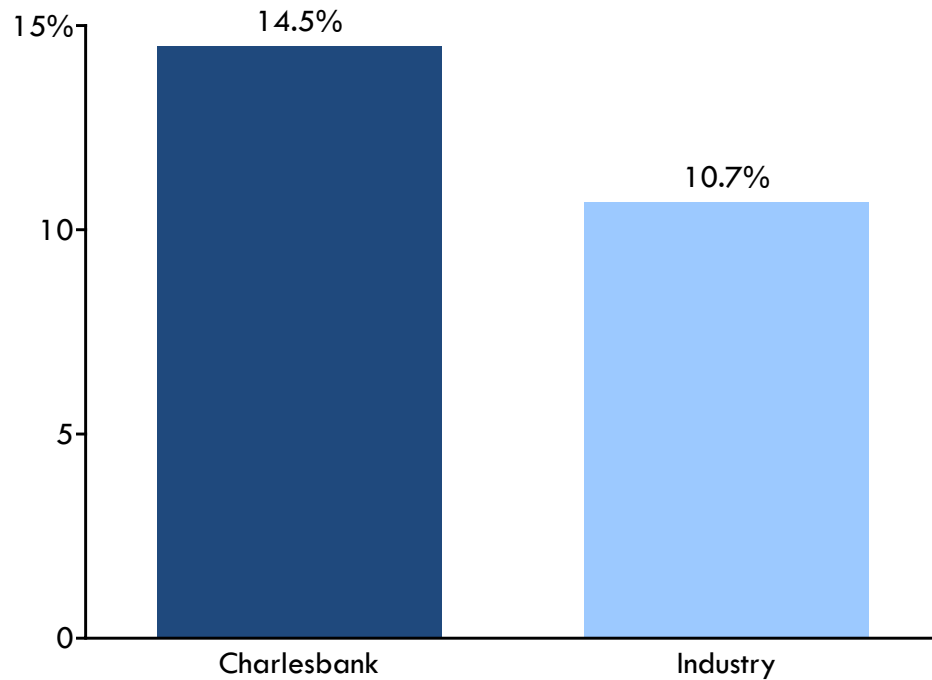
Asymmetric risk / return profiles  
Multiple “ways to win”

# Value Creation vs. Industry



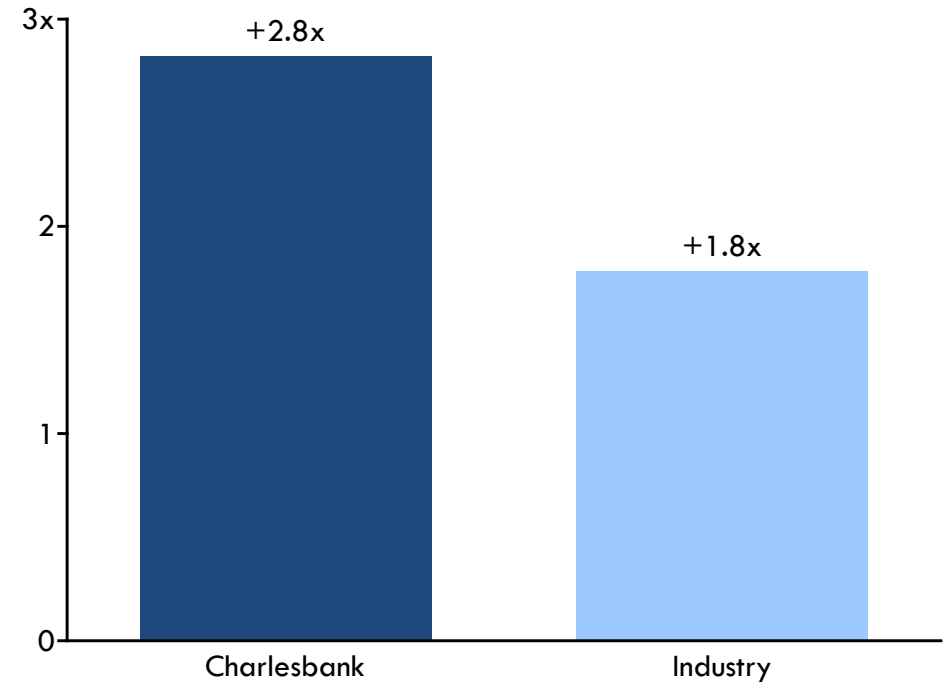
Our realized investments have generated stronger earnings growth and greater multiple expansion than the industry average

## EBITDA CAGR of Realized Investments<sup>1</sup>



*Achieved strong post-acquisition growth profile relative to industry average*

## Multiple Expansion of Realized Investments<sup>2</sup>



*Generated above-market multiple expansion by improving business quality during hold period*

1) Charlesbank data is weighted by invested capital and includes all realized investments as of 6/30/20 made by its flagship funds from 2004-2015 except CIFC (EBITDA not used as a growth metric) and TLC Vision (sum-of-the-parts exits result in non-meaningful EBITDA CAGR); industry data is from Cambridge Associates and reflects investments made by US private equity funds between 2004-2015, weighed by number of investments in each year; Cambridge Associates data not available prior to 2004 or after 2015, and Charlesbank date range selected to match available benchmark data; if calculated using all realized investments of Funds IV-VIII, EBITDA CAGR would increase to 15.7%

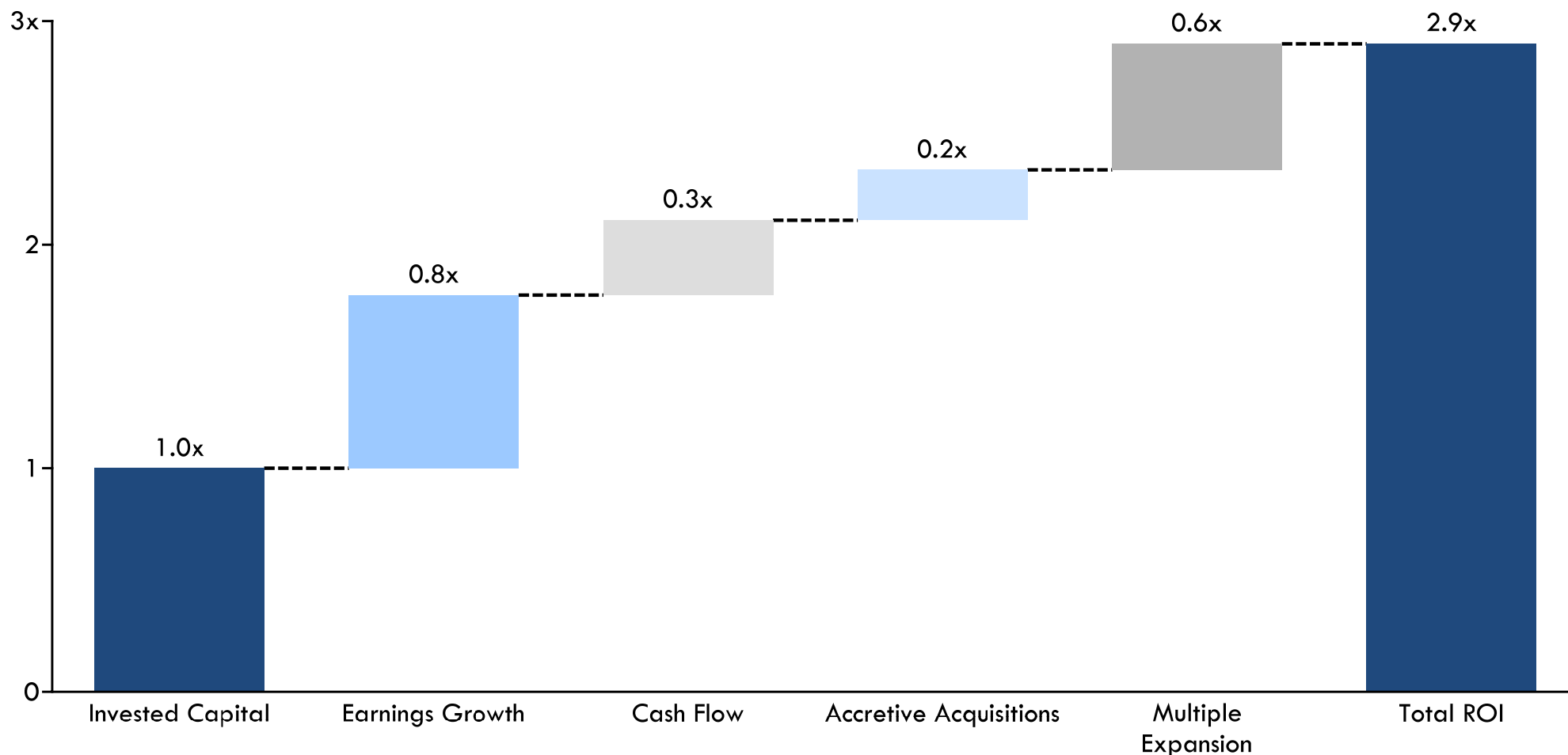
2) Charlesbank data is weighted by invested capital and includes all realized investments as of 6/30/20 made by its flagship funds from 2004-2015 except CIFC and Montpelier Re (neither valued on TEV / EBITDA), TLC (sum-of-the-parts exits result in no available exit multiple) and Mastercraft and Bankruptcy Management Solutions (exited via transfer of equity to lenders in restructuring, resulting in no available exit multiple); Industry data from Cambridge Associates and reflects investments made by US private equity funds between 2004-2015, weighed by number of investments in each year; Cambridge Associates data not available prior to 2004 or after 2015, and Charlesbank date range selected to match available benchmark data; if calculated using all realized investments of Funds IV-VIII, multiple expansion would remain +2.8x

# Balanced Equity Value Creation



Historical results driven by earnings growth, cash flow and multiple expansion

Realized Gross ROI,  
Funds V-VIII



Note: As of 3/31/20. Data not available for Fund IV. Includes all realized Funds V-VIII investments in which we do not currently have a control position. Fund IX is not included as there were no realized investments in the fund as of 3/31/20. See Endnotes 1 & 2 for performance calculations and additional information

|| Charlesbank ||

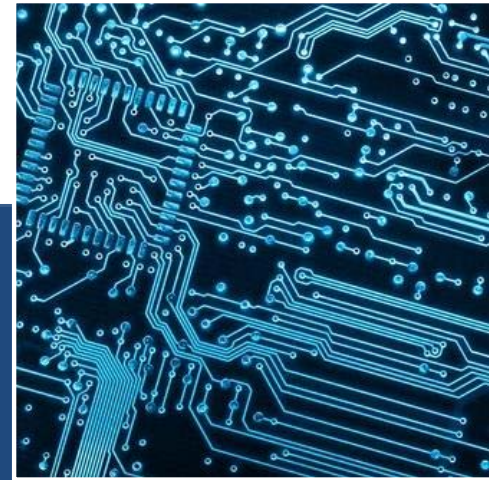
CAPITAL PARTNERS LLC



## EXAMPLE INVESTMENTS

enson<sup>TM</sup>

OPERATE FOR TODAY.  
OPTIMIZE FOR TOMORROW.





Investment Date	July 2015
Charlesbank Investment	\$84M
Entry Valuation (Multiple)	\$209M (4.2x Adj. EBITDA)
F/D Ownership	52% <sup>1</sup>
Q2 2020 Value	Total: \$273M Realized: <\$1M Unrealized: \$272M
Q2 2020 Gross ROI	3.2x

## Business Overview

- Leading provider of hybrid IT services, including outsourced mainframe, private cloud, and managed public cloud to large enterprises with complex IT environments
- Original platform was orphan division of Acxiom Corporation

## Investment Dynamics

- Charlesbank invested \$84 million including follow-on equity for an acquisition
- Original 2015 TEV of \$209 million (4.2x Adj. EBITDA; ~7x Adj. EBITDA pro forma for standalone SG&A and known contract renewal risk)
- Maintained discussions with the seller after a failed auction process

## Investment Thesis

- Backing strong CEO who worked alongside team in diligence and carve-out
- Strong conviction in strategic opportunity to execute carve-out and reposition business
- Potential to reverse revenue declines and drive growth by rebuilding sales organization and expanding customer value proposition
- Platform to execute highly accretive acquisitions

## Investment Status

- Recruited an exceptional management team and restarted organic growth engine
- Completed three add-ons, including data center services business of Wipro
- Tripled EBITDA from \$50 million at acquisition to \$150 million in 2019
- Sale process paused due to COVID-19; expect continued strong performance through exit

<sup>1</sup>) Fully diluted ownership excludes Acxiom warrants worth 4.6% of US equity value

Note: Detailed information about this example investment is being provided at the request of the Rhode Island State Investment Commission. See Endnotes for performance calculations and additional information

# Value Creation Example: Restart Organic Growth

Expanded and articulated value proposition, driving new customer wins



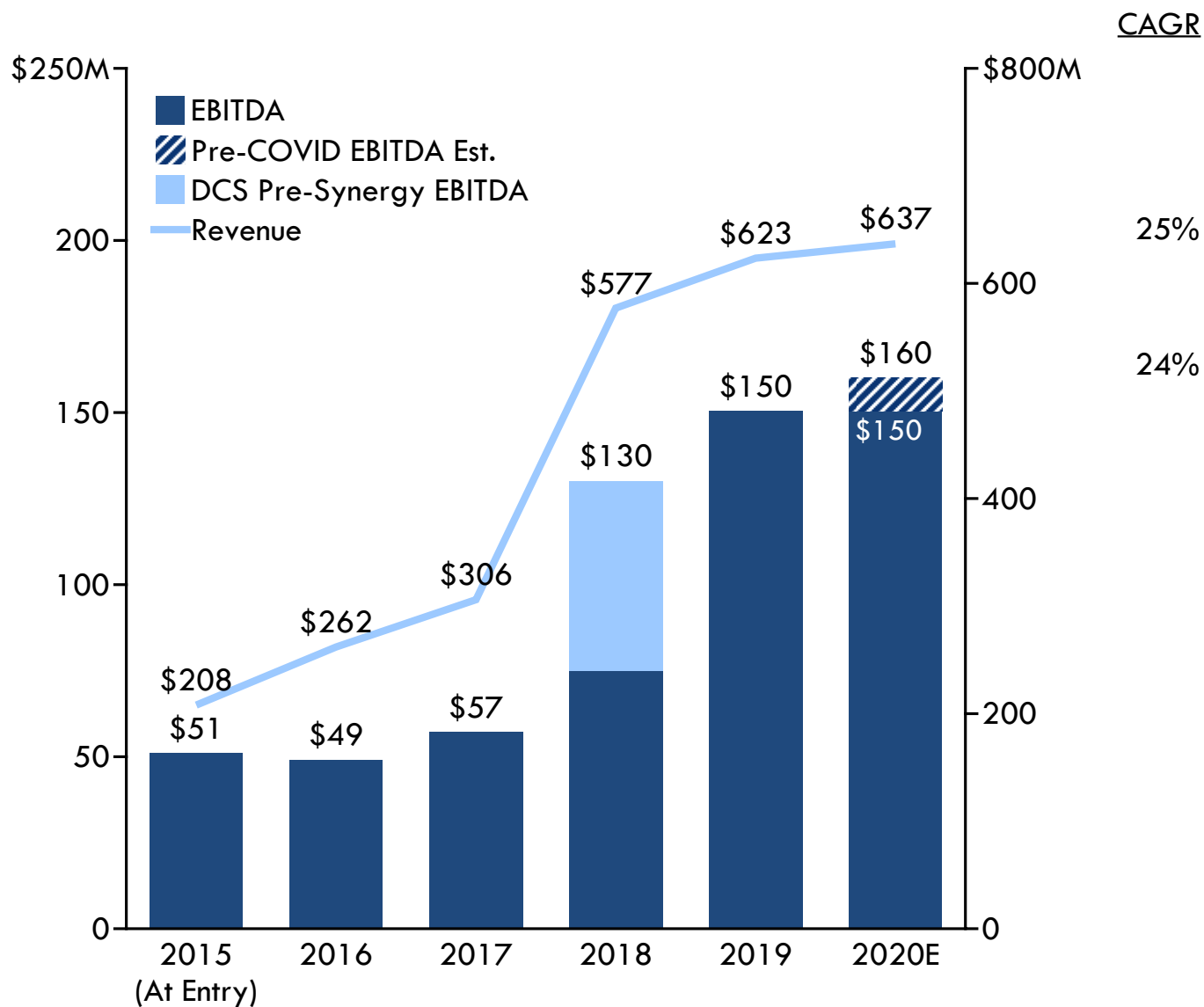
		2015	2020 (Q1)
Service Offering	Mainframe	✓	✓
	Private Cloud	Limited	✓
	Public Cloud	X	✓
	Consulting	X	✓
	Proprietary Mgmt. System	X	✓
	Global Service Delivery	X	✓
Performance	Customers	34	204
	Top 2 Customers % of Rev.	62%	20%
	Contracted Revenue <sup>1</sup>	26%	>80%
	Revenue CAGR	-10%	>10%

*Declining mainframe-focused specialist with no broader enterprise value proposition and no sales team*

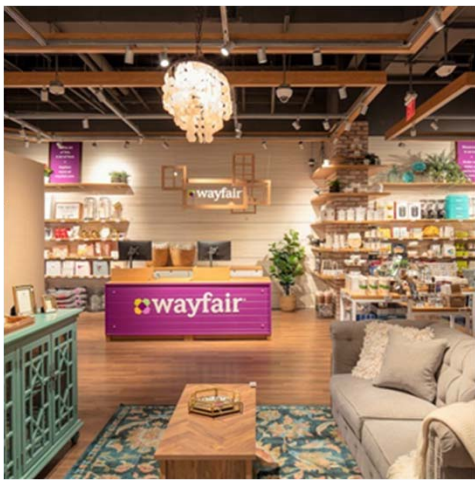
*End-to-end enterprise hybrid IT provider with differentiated capabilities*

1) Contracted for at least 1 year

## Historical financials<sup>1</sup>



1) Not pro forma for historical acquisitions



Investment Date	April 2020
Charlesbank Investment	\$250M <sup>1</sup> (convertible notes)
Entry Valuation (Multiple)	0.1x LTM Mar-20 revenue at preferred detach  0.8x LTM Mar-20 revenue on as converted basis <sup>2</sup>
F/D Ownership	3%
Value	Total: \$1.05B <sup>3</sup> Realized: \$1.05B <sup>3</sup> Unrealized: -
Gross ROI	4.2x

## Business Overview

- Largest pure-play online home goods retailer in the United States
- Offers over 14 million items across home furnishing, décor, home improvement, and other categories on its family of websites in the US, Canada, UK, and Germany

## Investment Dynamics

- Charlesbank invested \$250 million<sup>1</sup> on April 8, 2020 (0.1x LTM Mar-20 revenue at preferred detach; 0.8x LTM Mar-20 revenue on as converted basis<sup>1</sup>)
- Longstanding relationship with co-founders Niraj Shah and Steve Conine
- Ability to move quickly and underwrite a structured transaction during a period of capital markets uncertainty
- Prior experience in direct-to-consumer and home goods businesses

## Investment Thesis

- Large, fragmented industry shifting rapidly to online
- Market leader with a growing moat against competitors
- Highly capable management team with exceptional talent throughout the organization
- Strong forward visibility based on analysis of consumer behavior and unit economics
- Discount to intrinsic value; highly attractive risk / return profile due to investment structure

## Investment Status

- Company performed well since investment and was focused on value creation initiatives
- Share price as of 6/30/20 equal to \$197.61; significant appreciation to date relative to original conversion price of \$72.50
- Charlesbank fully exited the investment on October 8, 2020

1) Funded with \$150M from Fund IX and \$100M from Fund IX Overage Allocation Program

2) As converted valuation based on \$72.50 / share for all common equity and pro forma for conversion of \$535M of convertible debt to equity

3) At the time of the distribution-in-kind on October 8, the previous day's trailing 10-day average closing price of \$300.07 per share values the distributed shares at \$1.05B

Note: Detailed information about this example investment is being provided at the request of the Rhode Island State Investment Commission and includes public information only. See Endnotes for performance calculations and additional information

## Relationship with Management



- **Long-standing relationship with co-founder and CEO Niraj Shah and co-founder Steve Conine**
- **Relationships with numerous senior leaders throughout the company provided additional conviction in management depth and quality**

## Ability to Move Quickly In Structured Transaction



- **Institutional capability to move on an aggressive timeline in a structured transaction**
  - Flexibility around transaction structure and process dynamic
  - Prior relationship with Great Hill Partners, who had previously invested in Wayfair and invested alongside us in this transaction
  - Prior experience in similar situations; strategic financing during market dislocations

## Prior Industry Experience



- **Pattern recognition from relevant industry knowledge**
  - Significant direct-to-consumer experience, including FullBeauty Brands
  - Prior investments in home furnishings, including Sealy and Mattress Discounters
  - Recent due diligence of key Wayfair suppliers

# Financial Performance

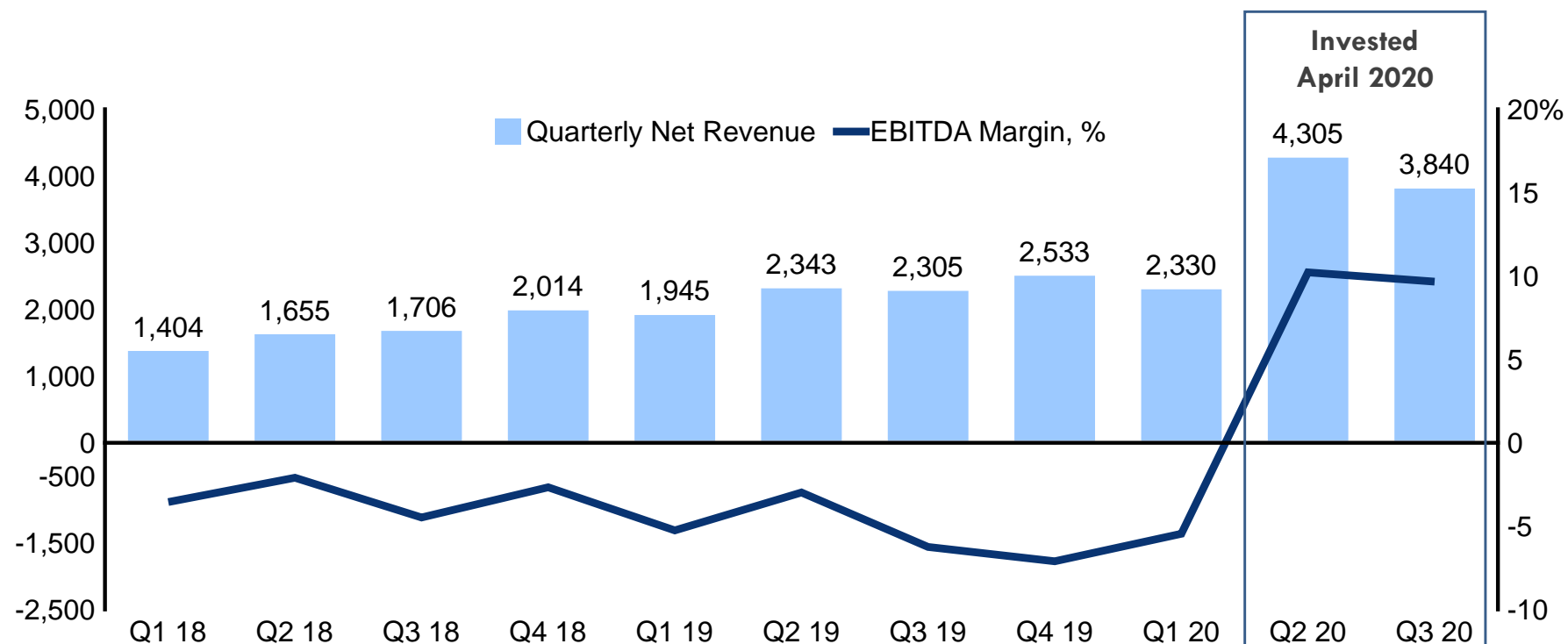


## Quarterly Net Revenue

Values in \$M, as reported publicly, bars

## Quarterly Adj. EBITDA Margin

% of Net Revenue, as reported publicly, line



Quarterly YoY Revenue Growth

46%   47%   42%   40%   38%   42%   35%   26%   20%   84%   67%

Quarterly Adj. EBITDA

-50   -35   -76   -54   -102   -70   -144   -180   -127   440   371

Note: Investment made in April 2020, prior to release of Q1 2020 earnings

Note: All figures are based on publicly available reported financials



# SUMMARY



# Charlesbank Equity Fund X, Limited Partnership

## Summary of principal terms

Term	Description
Target Fund Size	\$3.25B, with \$3.75B hard cap
GP Commitment	\$130M+
Investment Period	6 years
Term	10 years
Management Fee	2.0%
Performance Fee	20.0%
Hurdle Rate	8% preferred return, with full catch-up

This slide summarizes certain fund terms. It is incomplete and does not address many other important fund terms. Accordingly, it should not be relied upon when making an investment decision. Please refer to Fund X's governing documents for complete terms.

# Charlesbank Flagship Private Equity Fund X

## Summary



### Experienced Team with Enduring Heritage of Discipline

- Spun out of Harvard endowment in 1998
- 93 team members across Boston and New York offices
- Average Flagship Managing Director tenure of 19 years



### Systematic Relative-Value Approach Proven Over Multiple Business Cycles

- Focused on control buyouts with agile middle-market strike zone
- Intensive bottom-up due diligence leveraging strategy consulting toolkit
- Emphasis on risk mitigation and capital preservation



### Long-Term Track Record Driven by Differentiated Risk Management<sup>1</sup>

- \$6.4 billion invested in 67 companies since inception
- 2.8x realized gross ROI, 18% net IRR
- Focus on capital preservation with 7.4% realized loss ratio

1) As of June 30, 2020; Includes Flagship Private Equity Funds IV – IX except for realized statistics, which exclude Fund IX as there were no realized investments in the fund as of 6/30/20  
Note: See Endnotes 1 & 2 for performance calculations and additional information

# Endnotes

1. Unless expressly stated otherwise, the following notes apply to performance-related information:
  - a. the term “gross” (also referred to as “portfolio level”) indicates that fund expenses, management fees, carried interest and other expenses to be borne by investors, which will reduce returns and, in the aggregate, are expected to be substantial were not taken into account;
  - b. the word “net” indicates that fund expenses, management fees, carried interest and other expenses to be borne by investors, which will reduce returns and, in the aggregate, are expected to be substantial were taken into account;
  - c. IRR assumes unrealized investments are sold at the carrying value as of June 30, 2020.
  - d. net IRRs are calculated on the basis of daily cash flows and the carrying value of the investments as of June 30, 2020 of the domestic fund in each fund family, as applicable, formed by Charlesbank since its inception and for the purposes of determining net IRR, also are based on the capital accounts of a representative LP of the relevant domestic fund. Net IRR includes the effects of subscription financing, which was used to finance investments rather than calling capital from limited partners. For the avoidance of doubt, the Net IRR shows a return on capital contributed. Net IRR is net of expenses, management fees and carried interest chargeable to a full fee-paying Limited Partner in the applicable domestic fund;
  - e. net ROI has been calculated using the remaining LP capital balance market value plus the cumulative LP distributions paid to date divided by all LP contributions (including amounts called for investments, expenses and management fees). Net ROI is net of expenses, management fees and carried interest chargeable to a full fee-paying Limited Partner in the relevant domestic fund;
  - f. gross ROIs are calculated by dividing (A) (i) realized proceeds, reduced for short-term and bridge investments (where applicable), plus (ii) the remaining carrying value of investments (if applicable), by (B) capital invested, reduced for short-term and bridge investments (where applicable), as of June 30, 2020;
  - g. Distributed to Paid in Capital (DPI) is calculated as LP distributions, net of recycled capital, divided by LP contributions, net of recycled capital;
  - h. the term “realized investments” (i) includes fully realized investments as well as realized investments in which the remaining interest is held through escrows or residual/rollover securities that Charlesbank does not control and (ii) is net of repaid, short-term investments and bridge loan investments;
  - i. the financial information in this presentation is unaudited;
  - j. past performance is not indicative of future performance and there is no guarantee targeted returns will be achieved;
  - k. information about indices is provided to allow for comparison of the performance of Charlesbank’s private equity funds to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. One cannot invest directly in an index. The volatility of indices may be materially different from the performance of Charlesbank. In addition, Charlesbank’s recommendations may differ significantly from the securities that comprise the indices. “CA” refers to the US Buyouts Index (Median) from Cambridge Associates, which compiles performance.
2. Certain information in this presentation is based on statistical analysis of historical information (which may not be a reliable predictor of future results). In addition, certain information in this presentation contains future projections based on various macro- and micro-economic assumptions and estimates. Projections are inherently subject to uncertainty and to factors beyond Charlesbank’s control. As a result, these assumptions and estimates could prove incorrect or inaccurate for a variety of reasons, which may in turn cause the projections to be incorrect or inaccurate, perhaps significantly so. In making these future projections, Charlesbank is relying on macro-economic assumptions and estimates, such as (a) general future economic conditions, (b) the future market conditions for mergers and acquisitions and/or the equity and debt markets, (c) the growth, development and future state of the private equity industry and (d) the growth, development and future state of the industries in which the portfolio companies operate. Moreover, in addition to developing these macro-economic assumptions and estimates, Charlesbank’s future projections also rely on various assumptions and estimates specific to each portfolio company that cannot be known or predicted, such as, among other things, the ability of the portfolio company’s management to successfully finance, operate and manage the company, the timing and nature of one or more liquidity events pursuant to which a fund will dispose of the portfolio company, and the amount and nature of proceeds to be received by a fund in connection with any liquidity event.
3. Additional information (including performance information) regarding the representative investments, and the complete list of Charlesbank portfolio companies, are available on our website.