

# Overview of Riordan, Lewis & Haden

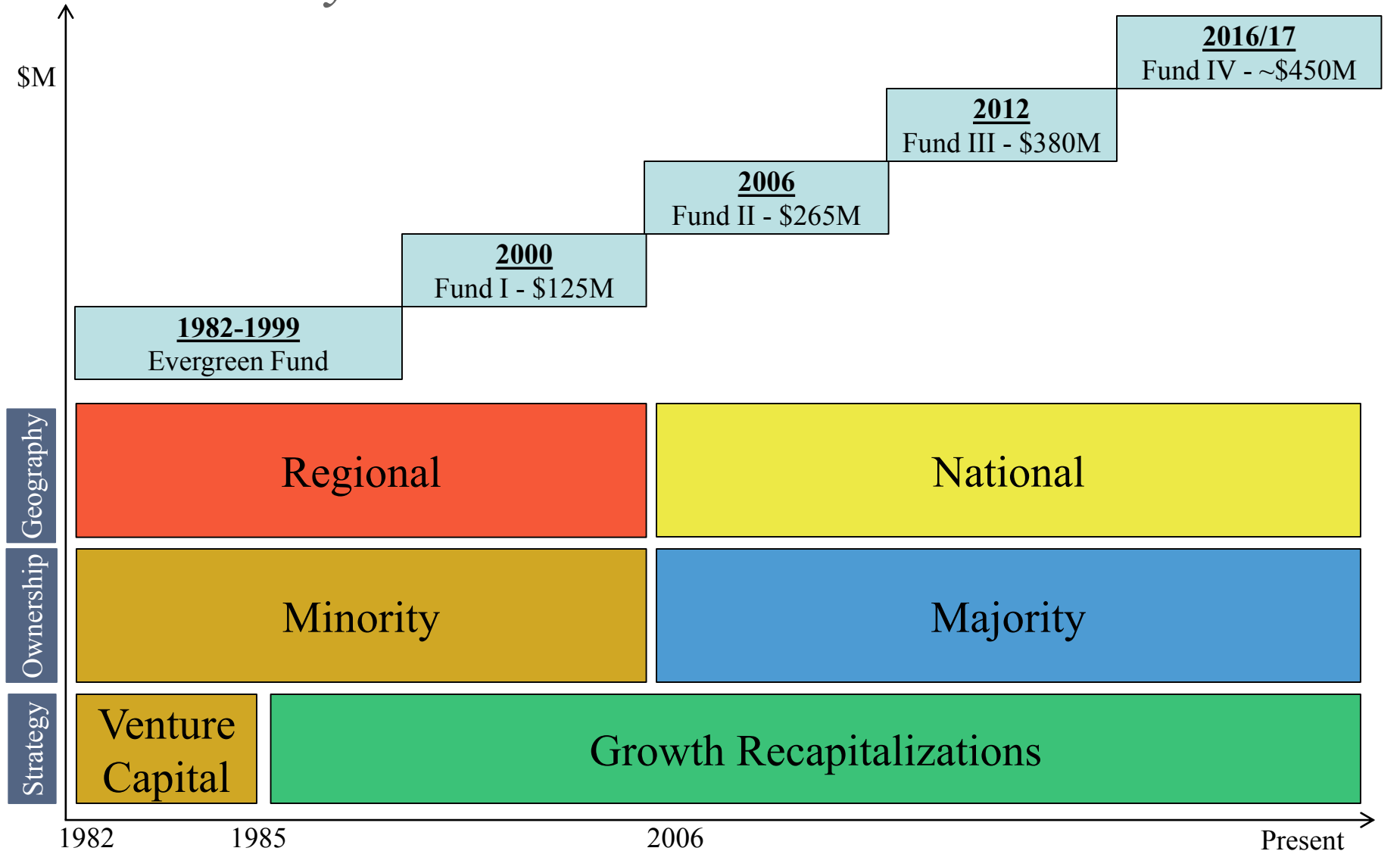
**Q1 2017**

## RLH Overview

### History

- I. Founded in 1982 by Dick Riordan and Chris Lewis
- II. Offices in Los Angeles, Orange County (CA), and Chicago
- III. Invested personal assets of partners through 1999
  - a. Raised over \$750 million in institutional capital since 1999
- IV. Successful track record of investing in high growth, service companies
- V. Team of 11 investment professionals and five operating executives
  - a. Investment team averages 16 years of PE experience (12 w/ RLH)
    - i. Managing Directors average >20 years of PE experience
  - b. Operating Professionals are successful leaders with relevant experience
- VI. Nationwide geographic reach

## *RLH History: 1982 - Present*



## RLH Team

### INVESTMENT PROFESSIONALS

**CHRIS LEWIS**  
Managing Director  
35 / 35 years

**MICHEL GLOUCHEVITCH**  
Managing Director  
33 / 15 years

**MURRAY RUDIN**  
Managing Director  
22 / 19 years

**ROB ZIELINSKI**  
Managing Director  
17 / 13 years

**ROB RODIN**  
Managing Director  
11 / 11 years

**KEN HUBBS**  
Managing Director  
20 / 11 years

**KEVIN CANTRELL**  
Managing Director  
12 / 10 years

**RYAN SMILEY**  
Principal  
9 / 7 years

**MIKE OREND**  
Principal  
11 / 5 years

**STEFAN JENSEN**  
Vice President  
3 years / 1 year

**NAVID GHARAVI**  
Vice President  
3 years / < 1 year

**ADAM FRANKINBURGER**  
CFO  
11 / 2 year

### OPERATING PROFESSIONALS

**DAVE CONNELL**  
30+ years industry experience  
Business Services  
*DPRC*

**BRAD HIVELY**  
15+ years  
Healthcare  
*Heritage Medical*

**MIKE SWEENEY**  
30+ years  
Healthcare Services  
*maxIT Healthcare*

**HUGH GRANT**  
30+ years  
Audit & Assurance  
*Ernst & Young*

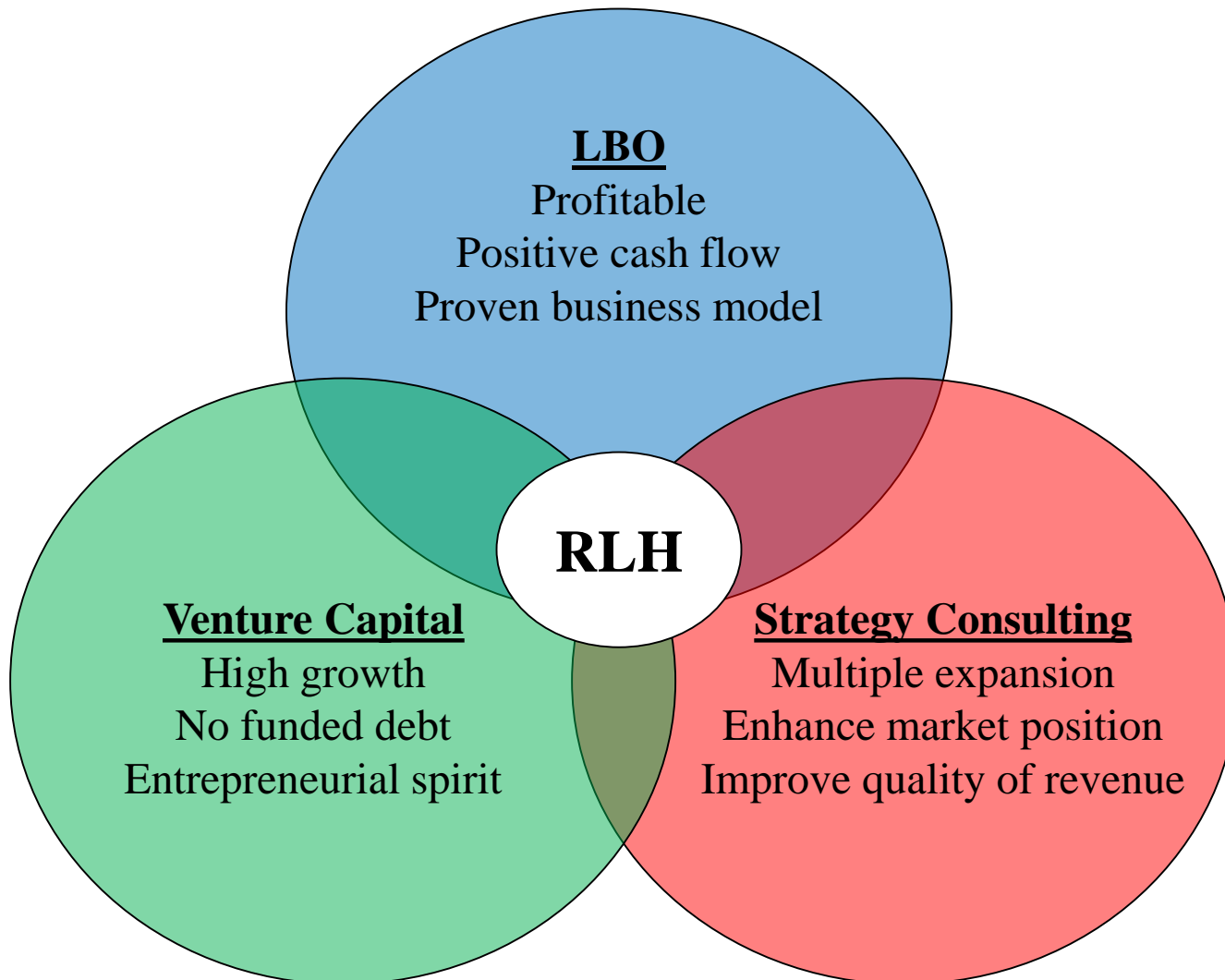
**JOE SULLIVAN**  
30+ years  
Healthcare  
*RAND Health*

## RLH Summary

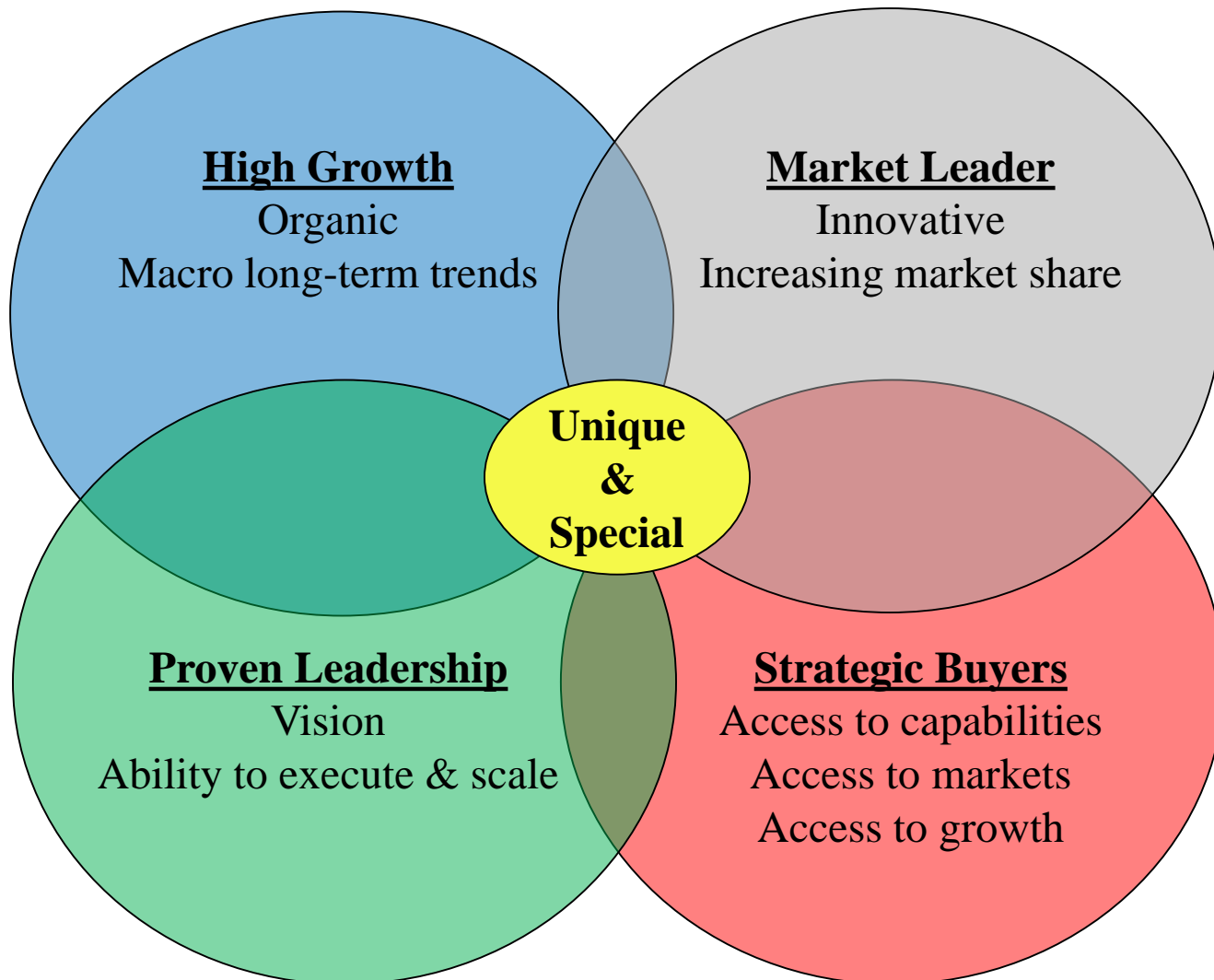
### **The RLH Investment Strategy**

- I. Pursue growth recapitalizations where management retains significant equity (typically 40%)
- II. Target profitable, high organic growth (20+% / year), middle-market firms
  - \$30-\$100M in annual revenues and 10-20% EBITDA margins
- III. Focus on market-leading service firms in the business services, healthcare, and government services sectors
  - Firms that are benefiting from a macro growth trend in their sector
- IV. Disciplined investor with regard to valuation and low leverage
- V. Utilize the RLH PlayBook to generate value

## RLH – Combining the Best Attributes of Three Disciplines



## An RLH Portfolio Company



## RLH Summary

### Key Metrics at Investment

	<u>Fund III</u>	<u>Fund II</u>
➤ Average Revenue:	\$36M	\$51M
➤ Average Historical Growth Rate:	28%	33%
➤ Average Purchase Price Multiple:	7.2x	7.1x
➤ Average PEG Ratio Equivalent:	0.3x	0.3x
➤ Average Leverage Multiple:	1.2x	1.6x
➤ Avg Entrepreneur/Mgmt Ownership:	36%	35%

Note: BlueWolf Group was an investment in both Fund II and Fund III. In 2014, BlueWolf Group was split into two separate companies, BlueWolf and Mondo respectively, however we did not allocate them retroactively for these key investment metrics.



## 30+ Years of Strong Results

Fund (Vintage)	Gross MOI	Gross IRR	Net MOI	Net IRR	Status
Evergreen	3.8x	29%	2.9x	21%	Fully Realized
Fund I (1999)	2.4x	18%	1.9x	13%	Fully Realized
Fund II (2006)	3.4x	28%	2.5x	20%	3 of 9 remain
Fund III (2012)	1.9x	20%	1.5x	15%	8 of 9 remain
<b>All Realized</b>	<b>3.4x</b>	<b>29%</b>	NA	NA	<b>1982 - 2016</b>

### Notes:

- Fund II and Fund III Unrealized values based on preliminary year-end valuations as of 12/31/16
- Fund II as of December 2016 – Realized only: MOI 3.7x, IRR 32%
- Evergreen Fund period: 1982 – 1999
- Fund III metrics exclude Utegration, an Oct. 2016 investment, because of its recent addition to the Fund.

## Average Annual Sourcing Metrics: 2012 - 2016





## **Investment Thesis**

*Migration of enterprise software applications from on-premises solutions to cloud-based offerings propels demand for related consulting services. Specifically in the customer relationship management (CRM) software arena, this large and rapid transition increases need for sales process optimization consulting and software implementation services.*

## **Company Overview**

- Implements cloud software platforms, primarily Salesforce.com (SFDC - the dominant CRM software in the world), and related software products
- Helps clients (i) transform their sales process in order to capitalize on the power of SFDC and (ii) customize the SFDC software to work smoothly with the client's sales team and other software applications.
- Solutions include strategic and tactical implementation services, as well as post-implementation 24/7 technical support, upgrades, and maintenance ("Beyond" services)

## **Outcomes (10/2011 to 5/2016)**

- Gross IRR: 39.6%
- Gross MOI 4.5x (\$25M → \$115M (\$86M realized + \$29M anticipated))



## **Investment Rationale**

- Historical organic revenue CAGR: 30%
- Strong history of profitability
- Alignment: Management team retained 40% equity stake
- Growth driver: see investment thesis above.
- Pricing Power: Gross margin % notably higher than most other IT services businesses, suggesting pricing based on value delivered rather than cost.

## **RLH Strategic Influence (Playbook)**

- *Optimize Revenue Streams*: Significantly grew recurring revenue “Beyond” services, which increase customer retention and typically command a higher exit multiple, to comprise over 30% of revenue
- *Competitive Differentiation*: Developed implementation solutions for the full breadth of software in the Salesforce eco-system, including for related customer service, marketing, and pricing software
- *High Value Solution to Client*: Increased repeatability of outcomes by developing proprietary software tools that improve the SFDC implementation process by increasing speed and accuracy of configuration
- *Market Leadership*: Recognized as a worldwide leader in the SFDC ecosystem by research firm IDC and earned SFDC’s “Global Platinum Partner” designation



## **Investment Thesis**

*Hospitals are undergoing a long-term and fundamental shift to more sophisticated digital systems to track all their clinical activities. This transformation requires the purchase of new and upgraded hospital-wide enterprise software. These new systems cause each hospital to retain specialized consultants to provide customized software selection, implementation, and training services.*

## **Company Overview**

- Assisted hospitals in implementing enterprise-wide software developed by leading vendors such as Cerner, Eclipsys, Epic, and McKesson. Service offerings included strategic IT advice, software customization and configuration, project staffing, user training, and system transition assistance. Hospital enterprise software systems help enable electronic medical records, automate tracking of physicians' medical orders, and improve hospital efficiency.

## **Outcomes (10/2007 to 8/2012)**

- Gross IRR: 54.6%
- Gross MOI 8.7x (\$30M → \$261M)



## **Investment Rationale**

- Historical organic revenue CAGR: 29%
- Strong history of profitability
- Alignment: Management team retained 40% equity stake
- Growth driver: see investment thesis above.
- Precedent: Close parallels (growth drivers, sector, and team) to prior RLH portfolio company success at DPRC

## **RLH Strategic Influence (Playbook)**

- *Improve Quality of Revenue:* To supplement core IT services business, developed highly valued, high-margin, consulting practice which grew to comprise over 25% of revenue
- *Strategic Sales:* Through well-designed evaluation and hiring process, increased size of sales organization 6-fold and greatly expanded nationwide sales coverage
- *Repeatable Hiring Approach:* Increased internal recruiting staff significantly and developed systems for recruiting consultants that enabled over 5x growth in the number of consultants in less than 5 years
- *Market Leadership:* Became largest pure-play healthcare IT consulting provider in the US, enhancing appeal to strategic acquirers

## Summary of Key Terms: RLH Investors IV

<b>Target Size</b>	\$450 million
<b>Team Commitment</b>	\$20 million
<b>Investment Period</b>	Not to exceed 6 years
<b>Fund Term</b>	12 years
<b>Annual Management Fee</b>	2% of commitments during Investment Period; 2% of invested capital during remainder of Fund Term
<b>Carried Interest</b>	20%
<b>Preferred Return</b>	8%
<b>Mgmt Fee Offset</b>	100% of advisory fees applied against management fees