



# Private Equity Fund Commitment

## Incline Equity Partners III, L.P.

August 10, 2011

Charles J. Spiller, Managing Director,  
Private Markets and Real Estate

# Incline Equity Partners III, L.P. – Private Equity Fund

## Overview

- Incline Partners is a Pittsburgh-based private equity firm focused on control-oriented equity investments generally between \$10 million and \$30 million in lower middle market companies with enterprise values between \$25 million and \$100 million
- The Principals are currently senior investment professionals affiliated with PNC Financial Services Group, and are forming Fund III as an independent investment vehicle with no ownership or other ties to PNC
- Fund size and hard cap are anticipated to be \$300 million

## Fund Strategy

- Target investments in Core Business Sectors including value-added distribution, outsourced business and industrial services and specialized light manufacturing
- Will continue the strategy of PNC Equity Partners' focus on control buyouts, corporate divestitures and significant minority recapitalizations primarily in companies headquartered in North America, with a portfolio diversified across industries, business sectors and geographies

# Incline Equity Partners III, L.P. –Private Equity Fund

## Investment Team

- The Principals managing Incline will be John Glover, Wali Bacdayan and Justin Bertram
- One or more of the Principals led, co-led, sourced and/or managed each of the investments made in the PNC Funds
- The Principals and other individuals are experienced private equity investors in the lower middle market

## GP “Value Add”

- Incline produces repeatable results by exploiting the lower middle market’s diversity and inefficiencies
- Incline develops an investment thesis and value-creation plan to transform a smaller, entrepreneurial enterprise into a larger, professional company attractive to both larger corporate buyers and/or larger private equity funds
- Incline’s operational focus and strategic discipline result in meaningful improvements in company performance

# Incline Equity Partners III, L.P. – Private Equity Fund

## Performance

- PNC Equity Partners I – (2001) has a gross 2.6X multiple and a 21.7% net IRR
- PNC Equity Partners II – (2006) has a gross 1.2X multiple and a 2.4% net IRR

## Market Opportunity

- Purchase price multiples in the lower middle market tend to be lower as compared to multiples paid for larger businesses
- Sales processes in the lower middle market are less efficient, and senior and mezzanine debt capital is often not as readily available
- Lower middle market companies frequently lack some key element of a complete business strategy or management team

## History with PSERS

- PNC Equity Partners I, L.P. (2001) – PSERS invested \$43 million
- PNC Equity Partners II, L.P. (2006) – PSERS invested \$68 million

# Incline Equity Partners III, L.P. – Private Equity Fund

## Board Issues

- Pennsylvania Presence – Incline is headquartered in Pittsburgh, PA. Fund I and Fund II portfolio companies have employed 2,394 employees in PA, representing over \$78 million in annual payroll
- Placement agent – Sixpoint Partners LLC is the placement agent for new investors (there is no placement agent for PSERS)
- PA Political Contributions – None
- Relationship with Consultant – None

## Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$50 million plus reasonable normal investment expenses

**NOTICE:** This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.