



# Acquisition of Greenspring Associates

JULY 2021



## *Acquisition of Greenspring*

StepStone Group Inc. (Nasdaq: STEP) (“StepStone” or the “Company”) cautions you that the information contained in this presentation is summary information that is intended to be considered in the context of the Company’s filings with the Securities and Exchange Commission (the “SEC”) and other public announcements that it may make, by press release or otherwise, from time to time. The Company has entered into an agreement to acquire (the “Acquisition”) Greenspring Associates, Inc., a Delaware corporation, and certain of its affiliates (collectively, “Greenspring”). The Acquisition is subject to customary closing conditions, including regulatory approvals. All financial information in this presentation with respect to Greenspring is preliminary and unaudited and subject to change in connection with the completion of Greenspring financial statements.

This presentation is not intended as an offer to sell, or the solicitation of an offer to purchase, any security. The information set forth in these materials is provided for informational and discussion purposes only and is not intended to be, and shall not be regarded or construed as a recommendation for, any transaction or investment. Nothing in these materials should be construed as a recommendation to invest in any securities that may be issued by the Company, Greenspring or their respective affiliated funds or as legal, accounting or tax advice.

## *Non-GAAP Measures*

The non-GAAP financial measures contained in this presentation (including, without limitation, Adjusted Revenues, Adjusted Net Income (on both a pre-tax and after-tax basis), Adjusted Net Income per share, Fee-Related Earnings and Fee-Related Earnings Margin) are not GAAP measures of financial performance or liquidity and should not be considered as alternatives to net income (loss) as a measure of financial performance or cash flows from operations as measures of liquidity, or any other performance measure derived in accordance with GAAP. A reconciliation of such non-GAAP measures to their most directly comparable GAAP measure is included on pages 12 to 14 of this presentation. You are encouraged to evaluate each adjustment to non-GAAP financial measures and the reasons management considers it appropriate for supplemental analysis. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, these measures may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

## *Cautionary Language Regarding Forward-Looking Statements*

Certain statements in this presentation constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking. Words such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “future,” “intend,” “may,” “plan” and “will” and similar expressions identify forward-looking statements. Forward-looking statements reflect current plans, estimates and expectations. These statements are not guarantees of future performance, condition or results. The inclusion of any forward-looking information in this presentation should not be regarded as a representation that the future plans, estimates or expectations contemplated will be achieved. Forward-looking statements are subject to assumptions and to known and unknown risks and uncertainties, including with respect to whether or when the Acquisition will be consummated, whether Greenspring will be effectively integrated into the Company’s existing operations and whether the Acquisition will achieve the benefits we expect.

Important factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, the possibility that regulatory or other approvals and conditions to the Acquisition are not received or satisfied on a timely basis or at all, or contain unanticipated terms or conditions; delays in closing the Acquisition; difficulties, delays or unanticipated costs in integrating Greenspring’s operations; purchase price adjustments; unexpected costs resulting from the Acquisition; delays or other disruptions associated with the Acquisition or integration of Greenspring personnel; global and domestic market and business conditions; successful execution of business and growth strategies; and regulatory factors relevant to our business, as well as assumptions relating to our and Greenspring’s operations, financial results, financial condition, business prospects, growth strategy and liquidity and the risks and uncertainties described in our Annual Report on Form 10-K filed with the SEC on June 23, 2021, as such factors may be updated from time to time. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

# Today's Presenters



**Scott Hart**  
Co-CEO



**Jason Ment**  
President & Co-COO



**Mike McCabe**  
Head of Strategy

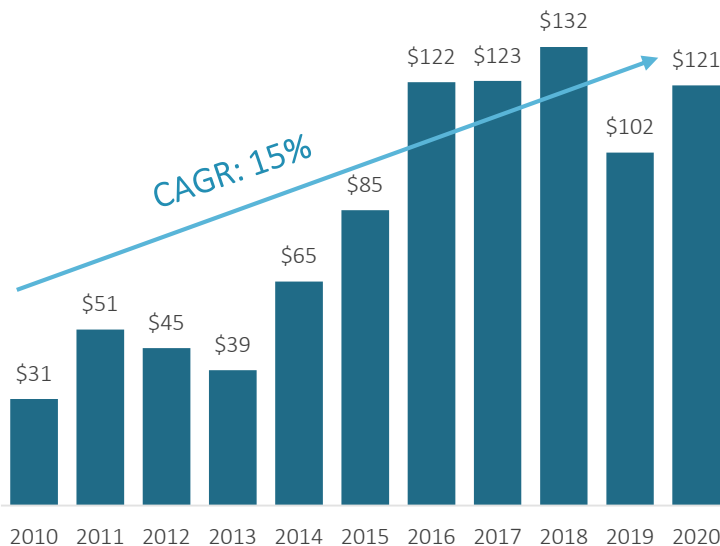


**Johnny Randel**  
Chief Financial Officer

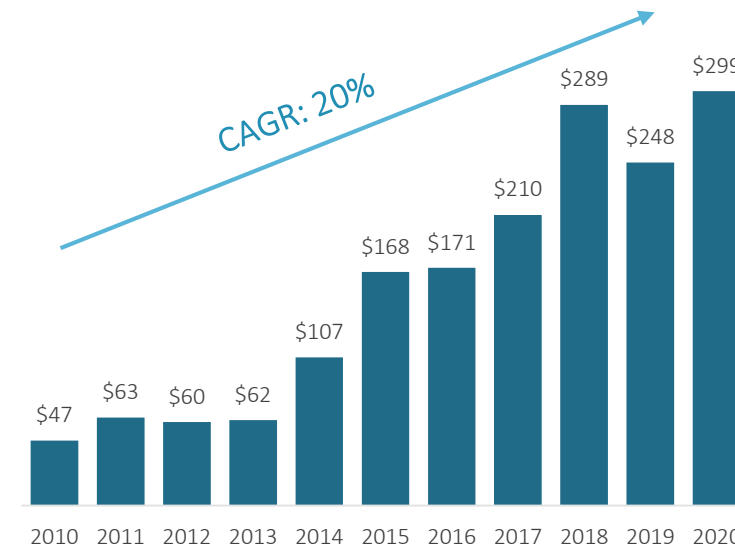
# The Venture Capital and Growth Equity Market Opportunity

- Venture capital and growth equity has been among the fastest growing and best performing sectors in all markets
- A dynamic ecosystem of large platform fund managers and smaller, specialized managers are providing startup and expansion capital to innovative, high growth companies, many of which are achieving unprecedented scale and driving outsized returns
- Over the last 10 years, global venture capital fundraising and deployment have grown at a 15-20% pace, while median venture capital IRRs have outpaced broader private equity buyout fund returns by an average of approximately 500 bps

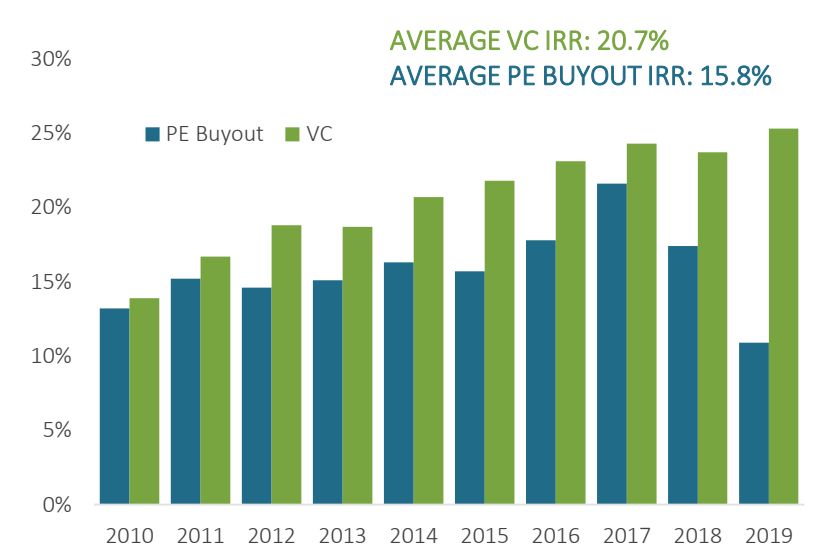
GLOBAL VC FUNDRAISING<sup>1</sup> (\$B)



GLOBAL VC DEAL ACTIVITY<sup>1</sup> (\$B)



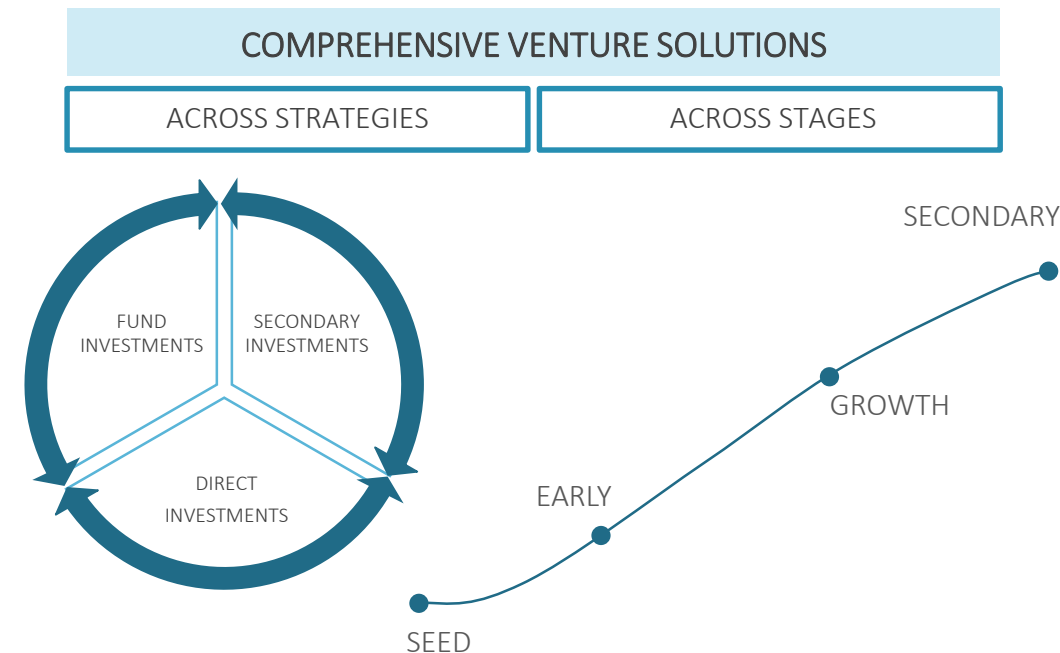
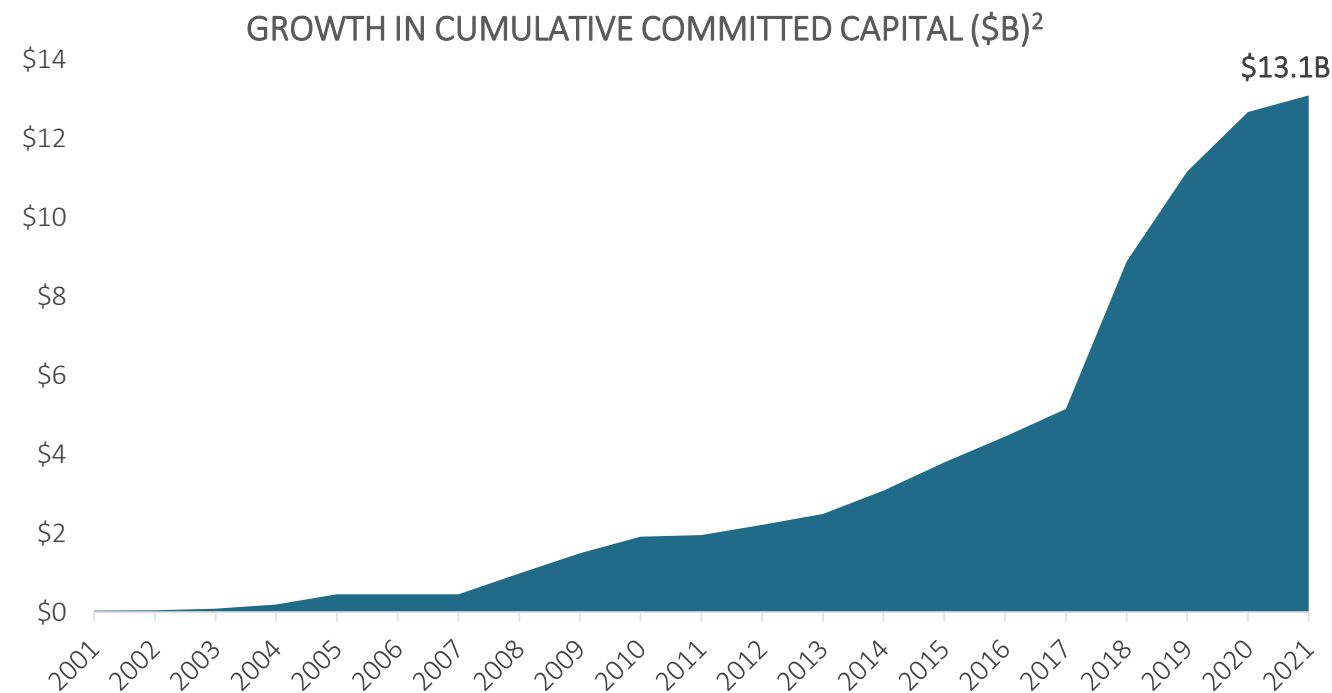
VC VERSUS PE BUYOUT IRR BY VINTAGE YEAR<sup>2</sup>



1. Source: Preqin  
2. Source: Private iQ Benchmarks, as of March 31, 2021. Median IRR by vintage year.

# Overview of Greenspring Associates

- Greenspring is a dedicated venture and growth equity platform that manages assets across strategies covering all stages of the venture capital life cycle
- As of March 31, 2021, Greenspring currently manages \$17 billion of total AUM, and \$9 billion of fee-earning AUM
- Greenspring has a strong growth and performance track record
  - 34% 3-year compounded annual growth rate of management and advisory fees
  - Platform-wide net IRR of 21% since the firm's inception in 2000, versus a public market equivalent of 12%<sup>1</sup>



1. Based on Greenspring company data  
 2. As of December 31 for all periods, except for 2021, which is as of March 31

# Shared Capabilities, Strategies, and Values

We believe the combination of StepStone and Greenspring creates the clear market leader in venture capital and growth equity solutions

## SHARED CAPABILITIES & STRATEGIES



### EXPERIENCED & SPECIALIZED TEAM

Deep and specialized industry knowledge across multiple asset classes and sectors providing us a high degree of expertise



### TECHNOLOGY & DATA

Unparalleled information across the general partner level, fund level, and portfolio company level



### GLOBAL APPROACH

Steeped in local economic and political environments, our integrated global team provides actionable insights that make sense of changing markets



### SOLUTIONS ORIENTED APPROACH

Mission to be the partner of choice for private markets solutions



### RESEARCH DRIVEN

Utilize our information advantage to inform our investment decisions and deliver the best outcomes for our clients



### RESPONSIBLE INVESTING

Committed to being responsible stewards of capital in managing our firm and delivering investment solutions to our clients

## COMMON VALUES



### INTEGRITY



### TRUST



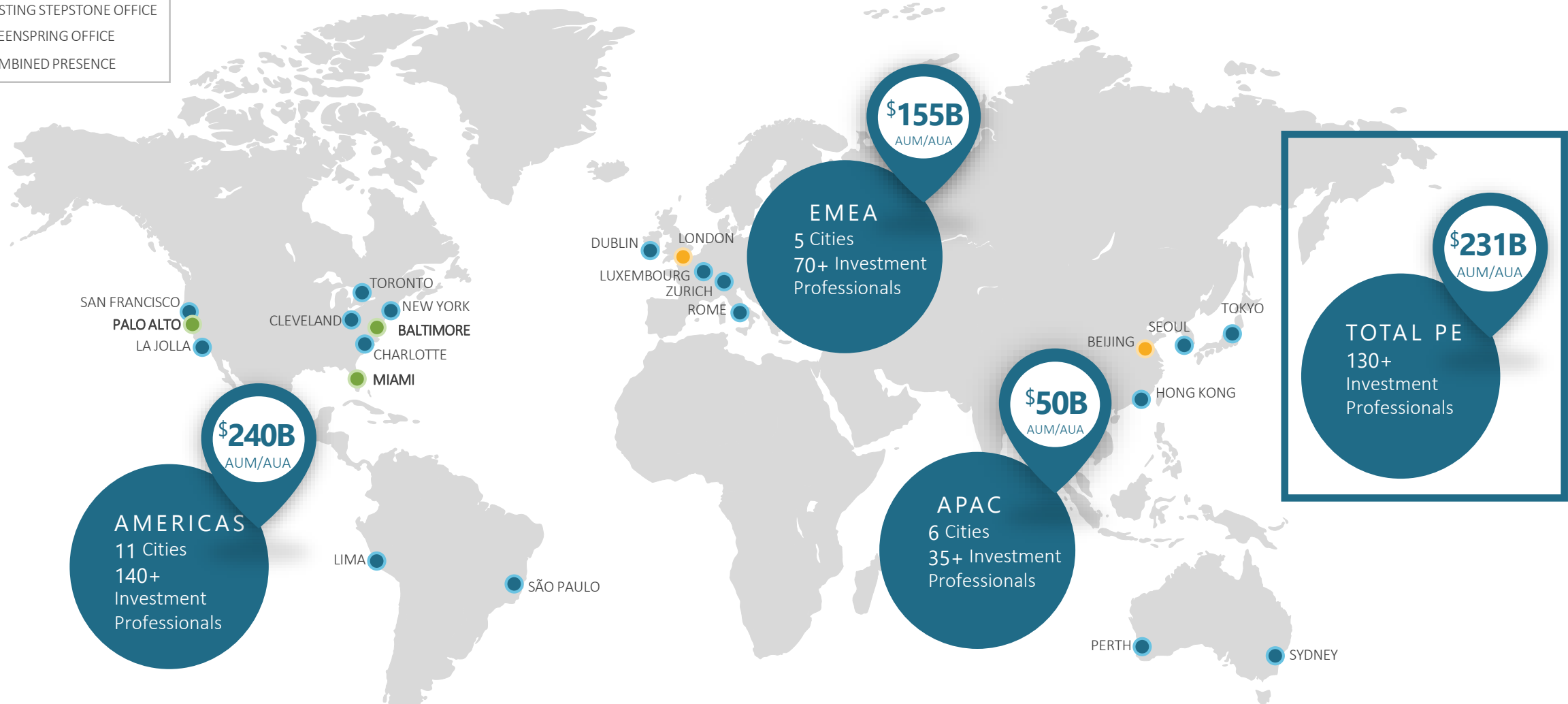
### TRANSPARENCY



### RESPECT

# Broad Geographic Presence (as adjusted, including Greenspring locations)

- EXISTING STEPSTONE OFFICE
- GREENSPRING OFFICE
- COMBINED PRESENCE



All headcount is presented as of May 31, 2021. AUM/AUA as of March 31, 2021. Reflects final data for the prior period (December 31, 2020), adjusted for net new client account activity through March 31, 2021. Does not include post-period investment valuation or cash activity. Asia-Pacific headcount includes professionals with investment-related responsibilities.



# Transaction Summary

## PURCHASE PRICE STRUCTURE:

- \$185 million in cash
- \$540 million in Class A common stock at price of approximately \$34.27 per share and Class C partnership units convertible into Class A common stock. Results in the addition of 15.8 million adjusted shares<sup>1</sup>, representing 14% of the combined adjusted shares
- Potential earnout of up to \$75 million payable in 2025, subject to the achievement of certain revenue targets

## CONSIDERATIONS:

- StepStone will be entitled to receive 100% of fund management fee-related earnings on all Greenspring FEAUM, as well as a portion of carried interest from Greenspring funds that begin investing after the close of the transaction
- StepStone will be entitled to a portion of carried interest for new funds:
  - 25% of carried interest for new funds that have a first close and commence its investment period following the completion of the transaction and before the end of 2024
  - 50% of carried interest for new funds that have a first close in 2025 and beyond
  - The purchase does not include any accrued or future carried interest for the legacy Greenspring funds

1. Based on the 10-day volume weighted average closing price as of July 1, 2012, assuming all Class C units and Class B common stock are converted into Class A common stock

# As Adjusted Financial Impact

		AS OF OR FOR THE TWELVE MONTHS ENDED MARCH 31, 2021		
		STEPSTONE	GREENSPRING <sup>1</sup>	COMBINED <sup>2</sup>
	ASSETS UNDER MANAGEMENT (\$s in billions)	\$86.4	\$17.4 <sup>3</sup>	\$103.8
	FEE-EARNING AUM (\$s in billions)	\$52.0	\$9.1	\$61.1
TRAILING TWELVE MONTHS	MANAGEMENT & ADVISORY FEES (\$s in millions) <sup>4</sup>	\$285.5	\$70.4	\$355.9
	MANAGEMENT & ADVISORY FEES AS % OF ADJUSTED REVENUE <sup>5,6</sup>	80%	100%	83%
	FEE-RELATED EARNINGS (\$s in millions)	\$89.5	\$28.0	\$117.5
	FRE MARGIN <sup>7</sup>	31%	40%	33%
	PRE-TAX ADJUSTED NET INCOME (\$s in millions)	\$110.3	\$28.0	\$138.3

We anticipate the transaction will be accretive to adjusted net income per share by the high-single digits during the twelve-months following the deal close, and more so in the future

1. Greenspring figures are preliminary and based on unaudited, estimated results for the twelve months ended March 31, 2021, and are based on currently available information. Amounts have been presented to conform to StepStone's reporting policies. See Appendix for GAAP to non-GAAP reconciliations.

2. Presented on an as-adjusted basis by combining StepStone and Greenspring results for the twelve months ended March 31, 2021, and not a pro forma basis under Article 11 of Reg. S-X. See StepStone's SEC filings and Appendix for GAAP to non-GAAP reconciliations.

3. The difference between Greenspring's \$9.1 billion of FEAUM and \$17.4 billion of AUM is due in part to \$2.8 billion of non-fee paying AUM, with the remaining difference driven by the appreciation of the underlying investments in the current funds.

4. Greenspring's Management & Advisory Fees include \$3 million of fund administration fees.

5. StepStone is not acquiring performance fees on legacy Greenspring funds.

6. Management & Advisory fees as % of Adjusted Revenue is calculated by dividing Management & Advisory Fees by the sum of Management & Advisory Fees and Gross Realized Performance Fees. See Appendix for GAAP to non-GAAP reconciliations.

7. FRE Margin is calculated by dividing Fee-Related Earnings by Management & Advisory Fees.

# Strategic Merits of the Deal

The combination of StepStone and Greenspring will strengthen both firms' private equity and venture capital capabilities



## COMBINED PE METRICS AS OF 3/31/21

130+

PE Investment professionals

\$60B

PE AUM

\$28B

Annual deployed PE capital<sup>1</sup>

### STEPSTONE

- Creates the global leader in private markets solutions, including a strong and scaled presence in venture capital and growth equity, with over \$100B of total AUM and \$340B of AUA
- Expands StepStone's proprietary data
- Increases StepStone's limited partner relationships, with limited overlap of existing clients
- Helps attract and retain additional limited partner capital, further increasing StepStone's scale in private markets, proliferating the flywheel effect

### GREENSPRING

- Increases Greenspring's scale and geographic reach allowing deeper relationships with fund managers
- Utilizes StepStone's SPI and OMNI platforms and StepStone's data science and engineering team to expand Greenspring's data and technology advantage
- Leverage StepStone's business development team and shared corporate functions
- Allows the Greenspring investment team to allocate more time and attention to investing

1. Annual deployed private equity capital is for the fiscal year ended March 31, 2021, for StepStone, and the twelve months ended December 31, 2020, for Greenspring

# Reconciliation of GAAP to Non-GAAP – StepStone

(\$ in thousands)	<b>Year Ended March 31, 2021</b>
<b>Income before income tax</b>	<b>\$ 337,849</b>
Net income attributable to non-controlling interests in subsidiaries (1)	(23,952)
Unrealized carried interest allocation revenue	(433,827)
Unrealized performance fee-related compensation	215,508
Unrealized investment (income) loss	(11,066)
Deferred incentive fees	4,700
Equity-based compensation (2)	7,848
Amortization of intangibles	3,339
Write-off of unamortized deferred financing costs	3,526
Non-core items (3)	6,342
<b>Pre-tax adjusted net income</b>	<b>110,267</b>
Income taxes (4)	(24,865)
<b>Adjusted net income</b>	<b>85,402</b>
Income taxes (4)	24,865
Realized carried interest allocation revenue	(62,953)
Realized performance fee-related compensation	30,532
Realized investment income	(5,341)
Incentive fees	(5,474)
Deferred incentive fees	(4,700)
Interest income	(413)
Interest expense	7,360
Other income	(220)
Write-off of unamortized deferred financing costs	(3,526)
Net income attributable to non-controlling interests in subsidiaries (1)	23,952
<b>Fee-related earnings</b>	<b>\$ 89,484</b>
<b>Total revenues</b>	<b>787,716</b>
Unrealized carried interest allocations	(433,827)
Deferred incentive fees	4,700
<b>Adjusted revenues</b>	<b>\$ 358,589</b>

1. Includes income attributable to non-controlling interests in subsidiaries net of non-controlling interest portion of unrealized investment income (loss) \$(0.1) million) and non-controlling interest portion of loss on change in fair value for contingent consideration obligation (\$0.7 million).

2. Reflects equity-based compensation for awards granted prior to and in connection with the IPO.

3. Includes transaction costs (\$0.4 million), severance costs (\$4.2 million), loss on change in fair value for contingent consideration obligation (\$1.6 million) and other non-core operating income and expenses.

4. Represents corporate income taxes at a blended statutory rate of 22.6% applied to pre-tax adjusted net income for fiscal 2021. The 22.6% rate for fiscal 2021 is based on a federal statutory rate of 21.0% and a combined state, local and foreign rate net of federal benefits of 1.6%.

# Reconciliation of GAAP to Non-GAAP – StepStone

(\$ in millions)	Quarter			
	1Q FY21	2Q FY21	3Q FY21	4Q FY21
Realized carried interest revenue	\$ 3.6	\$ 8.6	\$ 26.1	\$ 24.7
Incentive fees	3.6	1.2	0.3	0.4
Deferred incentive fees	<u>3.5</u>	<u>1.2</u>	<u>-</u>	<u>-</u>
Gross realized performance fees	10.8	10.9	26.4	25.0
Realized performance fee-related compensation	<u>(2.9)</u>	<u>(4.8)</u>	<u>(10.2)</u>	<u>(12.6)</u>
Net realized performance fees	<u>\$ 7.9</u>	<u>\$ 6.1</u>	<u>\$ 16.1</u>	<u>\$ 12.5</u>

	Last Twelve Months			
	1Q FY21	2Q FY21	3Q FY21	4Q FY21
Realized carried interest revenue	\$ 36.9	\$ 34.4	\$ 40.9	\$ 62.9
Incentive fees	5.4	5.8	5.9	5.5
Deferred incentive fees	<u>4.3</u>	<u>4.7</u>	<u>4.7</u>	<u>4.7</u>
Gross realized performance fees	46.6	44.9	51.5	73.1
Realized performance fee-related compensation	<u>(22.1)</u>	<u>(20.5)</u>	<u>(20.3)</u>	<u>(30.5)</u>
Net realized performance fees	<u>\$ 24.5</u>	<u>\$ 24.4</u>	<u>\$ 31.1</u>	<u>\$ 42.6</u>

# Reconciliation of GAAP to Non-GAAP – Greenspring

	<b>Twelve Months Ended March 31, 2021</b>
(\$ in thousands)	
<b>Net income</b>	<b>\$ 22,833</b>
Other (income) expense items (1)	5,193
<b>Pre-tax adjusted net income</b>	<b>28,026</b>
Income taxes	-
<b>Adjusted net income</b>	<b>28,026</b>
Income taxes	-
Interest expense	21
<b>Fee-related earnings</b>	<b>\$ 28,047</b>

Note: Greenspring figures are preliminary and based on unaudited, estimated results for the twelve months ended March 31, 2021, and are based on currently available information. Amounts have been presented to conform to StepStone's reporting policies.

1. Represents certain income and expense items that are not expected to recur post acquisition.