



Investment Case Study



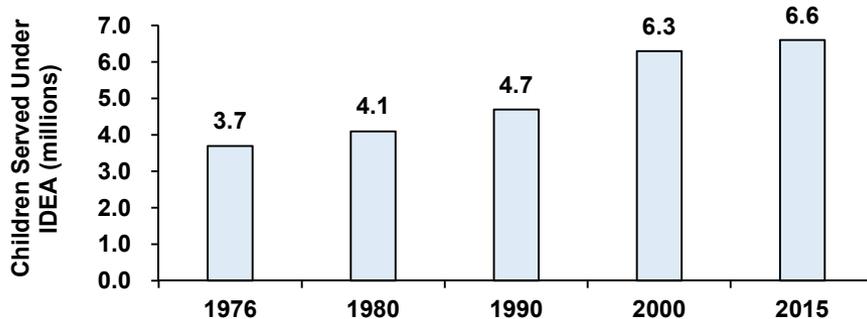
The Stepping Stones
GROUP



Proactive Search for Behavioral Health Investment

- In 2013, Shore began actively seeking investments in the broader behavioral health and staffing industry
 - Through discussions with industry experts, Shore realized that a tremendous amount of behavioral health and therapy services are provided to children in a school setting, where they spend more time than anywhere else
 - Federal regulations mandate that care must be provided to children with special needs
 - School customers are stable payors and highly attractive compared to other healthcare funding sources

Large and Growing Addressable Market



Market Statistics

Addressable Market

7 million Children with disabilities served in school system	576 thousand School children with autism served under IDEA	\$7bn+ market size Total addressable market in school setting
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Diverse Set of Services and Highly Visible and Recurring Revenue

Core Services

Multiple Funding Sources

Speech and Language Pathology



Occupational Therapy



Special Education Teaching



School Psychology



Applied Behavior Analysis



Physical Therapy



Local Funding

- Residential and commercial property taxes
- Provided directly to local schools

State Funding

- State level income and sales tax
- Provided to schools through allocation formulas

Federal Funding

- Annual discretionary budget appropriations by Congress
- Special education funding through IDEA

Established Corporate Infrastructure for Growth



- Shore and the Board of Directors recruited talented executives to help rapidly scale the business
 - In addition, established local and regional leadership structure to transition the business from a “line of sight” management model to a scalable infrastructure capable of transformational growth

At Investment
(May 2014)

At Exit
(December 2017)

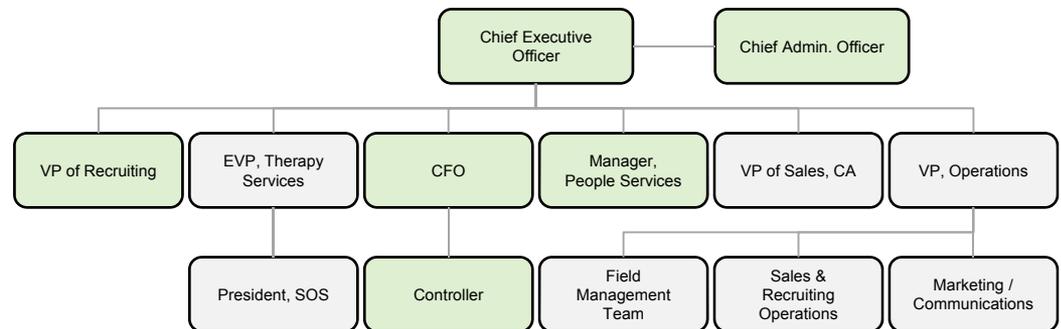
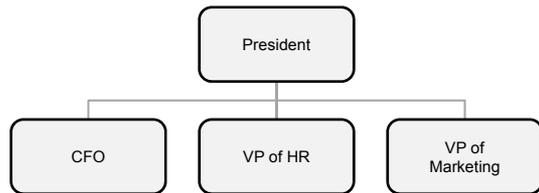
Brands & Scope of Services



- Focus on speech and language pathology
- Limited presence and experience with behavioral positions

- Expanded service offerings including school psychologist services and special education teaching services
- Comprehensive pediatric therapy and behavioral staffing platform with 5 leading brands, one corporate team, a robust sales infrastructure, and tech-enabled processes and procedures

Org Chart



Building a World Class Board of Directors



- Shore Capital recruited independent industry experts with meaningful healthcare staffing experience and broader expertise scaling healthcare services companies

Director Background & Expertise

	Board Member	Background and Experience
Healthcare Staffing	<p>Joe Matarese</p>  <p>   </p>	<ul style="list-style-type: none"> • Founder and Chief Executive Officer of Medicus Healthcare Solutions, a provider of physician staffing and operational consulting solutions • Previously managed multiple divisions for Oxford Global Resources and collectively has amassed over 20 years of experience in the healthcare and information technology services industries
	<p>Greg Palmer</p>  <p>   </p>	<ul style="list-style-type: none"> • Currently serves as an Operating Partner and Board Member on numerous PE-backed staffing companies including Supplemental Healthcare, the Delta Companies and Select Group • Previously served as CEO of Remedy, a leading staffing firm, and prior to that was a senior vice president at Olsten Staffing
General Healthcare and Multi-Site Operations	<p>Jim Forrest</p>  <p>   </p>	<ul style="list-style-type: none"> • Currently serves as the Chairman of Shore Capital, and previously spent 20 years as a Managing Director at Wind Point Partners • Elected to the Board of Overseer of the Hoover Institution at Stanford University, a preeminent public policy research institution
	<p>Ron Malone</p>  <p>   </p>	<ul style="list-style-type: none"> • Currently serves as an Operating Partner and Board Member on numerous PE-backed healthcare companies including Supplemental Healthcare and St. Croix Hospice. Ron is also on two publicly traded Boards – Capital Senior Living and Hill-Rom • Served as the Chairman and CEO of Gentiva, a home healthcare company; held leadership positions with Olsten Staffing and Emery Worldwide

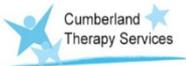
Integrated Five Companies Into One Platform



- Shore built its platform by acquiring and integrating five pediatric therapy staffing companies with complementary service offerings and operational expertise

Acquired Five Companies

Leading Integrated Behavioral Health Staffing Company

Company	Date Closed	Rationale
 Cumberland Therapy Services Chicago, IL	May 2014	<ul style="list-style-type: none"> • Advanced recruiting and sales process
 MYTHERAPYCOMPANY Lafayette, CO	May 2014	<ul style="list-style-type: none"> • Clinically-driven model • Well-suited for larger schools outsourcing entire behavioral or therapy programs
 AlphaVista Sunnyvale, CA	June 2016	<ul style="list-style-type: none"> • Bolstered presence in California • Immediate brand recognition in Bay area
 SOS STAFFING OPTIONS & SOLUTIONS, INC. Indianapolis, IN	June 2017	<ul style="list-style-type: none"> • Multi-state tuck-in • Robust margin profile • Expertise with new grad recruitment
 COBB PEDIATRIC THERAPY services Kennesaw, GA	January 2018	<ul style="list-style-type: none"> • Multi-state presence in several new states • Strong brand recognition in the southeast U.S. • Clinically driven model

- **Unified Leadership Team**
 - › Constituted a united organizational structure with senior and mid-level managers
- **Integrated Company Operations**
 - › Centralized accounting under CFO and Controller
 - › Combined payroll and employee benefits
- **Improved Cash Collections**
 - › Maintained strict oversight over cash collections and invoicing
- **Integrated Automated IT Systems and Operational Processes**
 - › Integrated onto a single IT infrastructure, driving efficiencies and optimizing performance
- **Implemented Clinical Programs and Field Manager Model Across All Brands**
 - › Expanded service offerings within existing clients and leveraged data and metrics to drive faster placements and higher renewal rates

Company Overview at 2017 Exit



- Stepping Stones Group is currently a leading national provider of behavioral health and therapy services to children with special needs and autism

Stepping Stones at a Glance



The Stepping Stones GROUP

Integrated, Technology-Enabled Corporate Infrastructure

Core Services

Speech-Language Pathology (“SLP”)

Occupational Therapy (“OT”)

School Psychology (“PSYCH”)

Special Education Teaching (“SPED”)

Behavioral Therapy / Applied Behavior Analysis (“ABA”)

Physical Therapy (“PT”)

National Presence and Strong Value Proposition to School Partners

Differentiated by national footprint and network of clinical field managers providing value-enhancing service to local school districts



● Corporate Offices

- Clinical field managers drive quality outcomes and support clinicians in the school system
- Corporate Infrastructure Supported by Highly Customized and Largely Automated Workflow Solutions
- Helps school districts meet federal special education requirements – reduces administrative burden and ensures provision of quality care

Sale Dynamics

- **SSG matured into a highly attractive target for a number of strategic and financial buyers in an active M&A environment**
 - Market became educated on the attractiveness of the school-based therapy model
 - High interest in differentiated behavioral health and autism therapy assets

Active Industry Consolidation



May 2016



December 2016



December 2017

Buyer Considerations

- **School therapy market is large, growing, and highly fragmented**
 - Tremendous runway for growth (SSG served 2% of public schools in the U.S.)
- **Ultimately sold to Five Arrows Capital Partners (or “FACP”, part of the Rothschild Middle Market Merchant Banking Group)**
 - FACP had prior experience and success in the behavioral health market
 - Attracted to tech-enabled systems utilized across the SSG platform
 - Realization that SSG solves a key pain point for schools