

10 Questions with Tony Miller

Founder and Managing Partner of Excolere

Q Tony, let's start at the beginning. You've had an impressive career as co-founder and partner at Vistria, Deputy Secretary of the Department of Education and with Silver Lake and McKinsey prior. **How have these experiences led you to form Excolere?**

Founding Excolere represents a capstone to my career in many ways. Having spent my professional career in the private sector, when I was asked to take a leadership role at the U.S. Department of Education almost 15 years ago, I did so out of a commitment to public service and a desire to make a difference in an area that has the potential to dramatically and positively impact so many lives. Working at the federal level really brought home the need for more effective deployment of private capital in education and the potential positive impact that could have. To do that most effectively, you not only need to understand policy making and regulatory frameworks, but it's also important to know how to operate and scale a business. That drew from my previous operating background and from my time as an operating partner at Silver Lake. Of course, my experience as a Vistria co-founder, reinforced the importance of understanding the financial aspects of a business in detail and of being disciplined when investing.



"The opportunity to partner with my team and make use of my past experiences is very exciting. This is the right opportunity at the right time with the right skillset."

Q You are starting the firm with two experienced partners you have worked with before. **Can you provide more background on the team and how you came together to form the firm?**

I've got two great partners, that both complement me and one another very well. I'll start with Pete Davis who was previously the president of McGraw Hill Education, one of the leading publishers of educational curriculum. He has extensive experience operating in K-12 and in higher education, both in the U.S. and globally. I've known Pete for over a decade, having first met when I was at the Department of Education, and Pete was leading McGraw Hill's innovative efforts to migrate their heavily print-based curriculum to a more digital model that utilized adaptive learning technologies (the predecessor to today's AI). Pete and I also worked together during my time at Vistria, after he had left McGraw Hill and had made the transition to private equity as a senior operating partner and advisor. After I left Vistria, Pete and I started partnering on different investment themes and planning the launch of Excolere, with the shared belief that combining operating value add with deep sector expertise and an extensive professional network could be a differentiating and sustainable source of advantage.

My other partner, Marcelus DeCoulode, is also someone I've known for over a decade, beginning with our time together in the early days of Vistria when we were working to build the education team and execute deals. Marcelus has been investing successfully in private equity with a focus on the education sector throughout his investing career. He combines the intellectual horsepower and analytic rigor that one would expect from a high performing University of Chicago Booth School of Business graduate, with industry perspectives that can only be

garnered from having spent years investing in the sector, with the entrepreneurial spirit and drive of someone with his northern California native roots. Like Pete and me, he is passionate about education and embraces the mantra that we can “do well and do good”.

Q Starting a firm is a major endeavor. Explain some of the challenges.

Well as they say, “if it was easy, everyone would do it.” You need to have both a clear vision of success and a clear understanding of the winning strategy that will achieve that success. In launching a new private equity firm, in the current post-COVID environment, we’ve been confronted with factors beyond our control like the denominator effect resulting from the pull back in public equities. In talking to other firms, there is consensus that fundraising generally is difficult, and even harder for new firms.

For us, while Excolere is a Fund I, we are not a first-time team. In addition, our position in the marketplace, as a sector-specialist, focused on the middle market, with an operational value-add emphasis fits the current allocation objective of many LPs. In addition, because of our large network in the industry, and the sourcing that comes from that, we’ve been able to complete a deal in a pre-fund context and have an active pipeline which helps to demonstrate our capability and de-risk underwriting.

Personally, my biggest challenge has been making sure we are putting the infrastructure in place that allows Excolere to be a good fund manager, which goes beyond fundraising, deal sourcing, and team building. It has required me to continually wear multiple hats and to have a “roll up the sleeves” mentality, an entrepreneur’s mentality where no job is too big or too small and details matter. Candidly, that is the culture we want to foster as it plays to our strength as a small, highly capable, nimble team.

Q One of the key decisions you made was to partner with GCM Elevate. What about GCM and Elevate resonated with you and the team?

I’m personally familiar with GCM and their expertise in working with small, emerging and diverse managers going back to my time at Vistria. Their commitment to emerging and diverse founders is a key part of the reputation and heritage of the firm.

One of the challenges for emerging managers in general and fund one specifically is how to jumpstart the business-building process. You need credibility and capital formation, but also sophistication about how to build a scalable back office. You need support not only to achieve investment success but also have operational success. You need to find a partner who truly understands your strategy as a firm – a partner who is an early endorser, but also very committed to the firm’s long-term success and wants to invest in that success. Ultimately, you need to be on same side and problem solve together. We had other opportunities, but we were very excited and intentionally partnered with Elevate and GCM Grosvenor because we believe they checked all the boxes.

Q Please provide more details about Excolere’s investment strategy. What key sectors do you plan to focus on, and why are they attractive market segments?

We are resolutely thematic in our approach. It starts with how we think about the education marketplace. We have experience across the education continuum - from early childhood, to K-12, to higher education, to adult education and workforce development. From an investment standpoint, we start with identifying the long-term trends.

One clear trend is that employers are demanding ever changing skills from their workforce. That requires them to figure out how to develop talent and upskill talent. What do employers demand from the market to address their needs around training, upskilling, developing and managing talent? And downstream, how are they engaging with talent providers? Talent providers are increasingly not just 4-year higher education institutions, because employers increasingly understand the value of the alternative credentialing market. The ability to obtain credentials and certifications without necessarily having a 4-year degree presents working adults with increasingly attractive alternative career pathways.

This trend is impacting school systems as well. K-12 schools are realizing they need to prepare their students for careers. What are the tools and techniques that school districts require to do that at scale?

In the early grades of K-12, there is a focus on keeping kids on track at grade level. In the aftermath of the pandemic, a lot of kids need supplemental support and instruction. There is also an unprecedented integration of technology in these tools, which enables them to scale more effectively.

Finally, perhaps the greatest ROI is in early childhood education. Arriving at Kindergarten ready and prepared is one of best precursors to long-term success. The challenge is that not enough kids are prepared. Parents and K-12 school systems are demanding early childhood programs transition from primarily custodial care to deliver holistic social, emotional and cognitive development.

Q You've clearly defined your key areas of focus. Let's talk about specific profiles of the companies you target. **What are you looking for in new opportunities and what are characteristics that define the ideal Excolere deal?**

One, we're control investors. We're looking to make a significant commitment and partner with management to grow the business. We want to be true partners, including aligning on strategic direction, operating priorities, and exit approach and timing.

Then, in terms of looking for targets, it's really about scalability. We look for profitable companies with a solid position in their core segment, that have product offerings with good market fit that can be extended, with executive teams that see the benefit of partnership with "smart" capital with sector and operating experience necessary to allow the company's full potential to be realized. We leverage the skills and experience that Excolere has - along with our extensive network - to help the business continue to scale, further distinguish itself in its segment, and maximize its enterprise value.

Our investment strategy is not to compete solely on price, but to compete on fit and value-add. Our operating experience, policy expertise and advisory network distinguish us as an investor. The companies who value us as a partner are the ones who want to take advantage of those capabilities.

Q How do you factor in the variable of regulation?

Our experience and understanding of the regulatory environment is one of the things that sets Excolere apart. In both education and human capital management, you need to understand the funding mechanisms. There's an incredible intricacy to public and private funding. For example, as employers look to leverage their education and training investment as an employee benefit, they take into account the federal student aid, grants, and other public sources of funding available to design programs that maximize the "bang for the buck."

Our in-depth understanding of public policy also allows us to better develop investment themes and support portfolio companies in their operations. Take the public policy efforts around Universal preschool, for example. While not a current federal mandate, variations are being enacted at the state-level across the country.

In K-12, a lot of the accountability sits at the federal level, but not the dollars. Understanding the interplay between governance and funding allows you to optimize your investments.

Finally, in adult education, states are emphasizing the importance of alternative pathways. We expect states to continue to promote career and technical education pathways and to recognize high-quality credentialing programs that are aligned with their economic development priorities. Workforce Pell is another example of potential future policy that will have a transformative impact on workforce training.

It's critically important that investors understand such mandates and what business models work best within that environment.

Q Shifting gears -- there's engaging with management and then investment value creation. **Talk about Excolere's value creation approach and playbook.**

We have what we call our Excolere Value Creation Blueprint. It's our process and methodology for how we partner and align with management to create outsized results. We're upfront in describing our approach when engaging with management during diligence.

It starts with creating clear strategic alignment both near-term and longer-term and answering the derivative questions that make that vision more actionable: *What does success look like? What are the financial and operating goals that align with that vision? What organizational capabilities are needed to be successful?*

At the more functional level, we work with our companies with a focus on the key operating levers that add a lot of value. The first is classic go-to-market and sales optimization. That's not just about quota configuration but also about sales operations. For example, managing, leading and growing a sales pipeline across multiple channels.

It's also essential to define and refine the firm's value proposition to the market. Many times, firms have a good core product, but want to go to other markets or expand into adjacent product categories. We also spend a lot of time working with firms on tactical lead generation and marketing and also bundling and pricing to drive cross selling and help new products be most successful.

We share a core belief that outcomes and efficacy matter. Simply, does your product do what it says it's going to do? It's too easy to conflate satisfaction and efficacy. Just because a customer is satisfied doesn't mean the product is working optimally. Increasingly, customers have the ability to understand what's working and what doesn't through data. We work very closely with our portfolio companies to deeply understand their products' efficacy through data. Similarly, we want to ensure that our portfolio companies are both fully leveraging and evolving their technology platform capabilities. In the world of AI, helping companies define and execute their technology roadmaps, exploring more fully the array of build, buy, partner options that are available to them is a critically important opportunity to add value.

We combine all of the above with targeted thoughtful M&A that allows upsizing. As investors, our team understands the education landscape very well and we know how to structure deals.

The last essential component is that we believe companies with a good culture are most successful at the end of the day. They have low turnover and an inclusive environment that enables their employees to have maximum impact. We also believe on exit a prospective buyer will want to understand not only the financial opportunity, but will the company given its culture and team be positioned to take advantage of the future growth opportunity.

Q Excolere closed its first deal, EPS School Specialty, earlier this year. Can you provide some background on the transaction and why you were interested in the deal?

We were very excited by EPS School Specialty. We'd known the parent company School Specialty well. They were known in the marketplace primarily as a catalogue company selling more commodity-like school and classroom supplies. When we discovered they were going to divest their curriculum divisions, we had immediate interest in their supplemental curriculum unit. We're thematic investors and the theme of supplemental education is a central area of our focus.

From a thematic standpoint, the fundamental pedagogy that underlies how reading is taught has been changing. School districts across the country are in the process of adopting Science of Reading-based programs at scale. Coming out of the pandemic, parents, teachers and administrators are impatient for real progress, which has caused schools to accelerate the pace of adoption. We knew that the EPS division had a good reputation and that eSpire, its Science of Reading curriculum for K-8 grades was very well-regarded by teachers. We believe EPS School Specialty is uniquely well-positioned to capitalize on this theme.

On their side, they were looking for a buyer that understood the opportunities and risks of the business. It was very helpful that the School Specialty executives were familiar with my partners and me, and had confidence in our ability to quickly and effectively execute a somewhat complex transaction. Any time you divest a business as a carve-out, there is a heightened concern about the buyer's ability to execute operationally. They appreciated our teams' experience and capabilities in this area which was of course helpful.

We are very excited about our first investment, as it's a great example of our strategy in action – a thesis-driven investment that allows us to leverage our sector expertise, policy expertise, and operational value add. As importantly, our investors are excited as well!

Q How did you decide to name the firm Excolere?

The name Excolere is a Latin word which means to build and nurture and develop. And for companies in the education and human capital management sector in which we're investing, that's what they are doing. However, the meaning goes beyond the impact we're having on the end user. Excolere is also meant to reflect our partnering approach with our portfolio companies to help them build and nurture their businesses so that they may realize their full potential. It's a name that fits our strategy and value creation model and is also central to what we value as a team.

Given the Latin origins of our name, we are always asked about the correct pronunciation. For those whose Latin pronunciation and declensions might be a bit rusty we offer the following guidance: "X-co-lair-rey".



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