



NEPC, LLC

To: NEPC Consultants and Clients

From: NEPC Research

Date: October 29, 2024

Subject: Monroe Capital Acquisition by Wendel Group

Summary

On October 22, 2024, Wendel Group ("Wendel") announced that it has agreed to acquire a majority stake (75%) in Monroe Capital ("Monroe" or the "Firm"). Wendel will be purchasing 50% of its stake from Monroe and 25% from Bonaccord, a minority stakeholder in the Firm since 2021. It is anticipated that Bonaccord will retain no ownership moving forward. Monroe's management team will retain a 25% stake in the business. In addition, Wendel and Monroe intend for AXA to participate in the transaction. Wendel and AXA have a longstanding relationship and have jointly worked on the current transaction since inception. Wendel and AXA are now in discussion to confirm that AXA will invest up to \$50 million as a minority shareholder, through its GP-stake fund "AXA IM Prime Capital Partners I", alongside Wendel, in Monroe Capital. AXA's ownership stake would come out of Wendel's 75% share. AXA has also historically been a meaningful limited partner in Monroe Capital's funds.

Wendel will support Monroe with its significant balance sheet to fund growth initiatives and expand Monroe's private credit platform in the United States, while further developing Wendel's third-party asset management platform. As part of the transaction, Wendel will commit \$1 billion for a mix of seed capital (\$800 million) and GP commitments (\$200 million) for current and future Monroe investment strategies. Monroe will continue to operate independently, retaining its current governance and leadership structure. Monroe's investment process, strategy and operations will remain the same and Wendel will have no representation on any of Monroe's investment committees. Wendel has no existing business lines that would compete or overlap with Monroe.

Partners at Monroe that own 1% or more of the business have already signed 5-year non-compete and non-solicit contracts as part of this transaction. It is anticipated that Partners owning less than 1% will also be signing similar agreements prior to the transaction formally closing. If any Partners depart prior to their equity vesting, which will take between 3 and 7 years depending on level of seniority, they will forfeit their proceeds. After the equity vesting period, Partners will have the option to retain or sell their individual ownership stakes to Wendel. Moving forward, Monroe will receive 80% of the carried interest earned by its funds, with the remaining 20% going to Wendel.

Wendel is one of Europe's leading listed investment firms. A long-term investor with permanent capital, Wendel has been supported for over three centuries by the Wendel family. Wendel's historical investments have typically been in industrial companies,



however, in May 2024 it acquired a 51% stake in IK Partners, a European private equity manager.

The transaction is expected to close in the first quarter of 2025. Due to a change in control of Monroe, investor consent will be required as part of this transaction. However, there will be no change in fund terms as a result of the sale. Monroe will be initiating that consent process in the coming weeks.

Conclusion

NEPC held multiple calls with senior members of Monroe's management team, including Zia Uddin (President and Co-Portfolio Manager) and Chris Lund (Partner and Co-Portfolio Manager), to discuss the acquisition. After discussing the details of the transaction with Monroe, NEPC is comfortable with the acquisition by Wendel. The Firm retains most of its autonomy and will also have significant capital to grow and expand. Monroe's investment committees and operations will not change. Monroe's senior leaders are subject to multi-year retention packages whereby material proceeds will be forfeited if individuals depart the Firm prior to expiration. Moving forward, Monroe will be retaining 80% of the carried interest it generates as a way to retain and incentivize mid and junior-level employees. NEPC will continue to monitor the impacts of the sale as it develops over time.