EMINENCE
CAPITAL

Vote No to Vista's Acquisition of Pluralsight

VISTA
EQUITY PARTNERS

PLURALSIGHT

Overview of Eminence Capital

- Eminence Capital, founded in 1999 by Ricky Sandler, is a global asset management firm with approximately $7.8 billion in assets under management primarily invested in publicly traded equity securities.

- We invest with a "quality value" based framework combining bottom-up, fundamental company and industry due diligence with detailed financial analysis to identify companies that fit our investment criteria.

- We are long-term investors with a typical investment horizon of multiple years.

- Eminence is currently one of the largest shareholders in Pluralsight, owning approximately 6 million shares (4.85% of outstanding shares) with a current market value of approximately $125 million.

- We have been Pluralsight shareholders since July 2020.

Why We Are Invested in Pluralsight

- **SECTOR**

  - Favorable Secular Industry Forces: well positioned to benefit from the transition to on demand, digital learning in the enterprise space and constant retooling of the software developer workforce.

  - Large Total Addressable Market: 102 million global technical team members creating a $42bn immediate TAM and longer-term global eLearning TAM of more than $300 billion.

- **BUSINESS**

  - Attractive Business Model: low friction sale and implementation process with favorable economics, Pluralsight has greater than 80% gross margins, and high ROI for customers.

  - Favorable Competitive Dynamics: with over 1.5 million enterprise users, Pluralsight has one of the largest distribution channels to enterprise customers. This creates significant network effects by attracting authors to its platform through high pay, which in turn garners more customers given the growing content library of 7,000+ courses, creating a flywheel.

- **VALUATION**

  - Undervalued: temporary disruption from a sales force execution issue in 2019 and COVID in 2020 leaves the company trading at a significant discount to peers and its long-term potential.

Why Investors Should Vote No

- Vista's offer price of $20.26 implies a valuation that is materially below comparable transactions and publicly traded comps.

- We believe Pluralsight ran a deeply flawed and highly manipulated sales process with material conflicts of interest.

- We believe current shareholders should not be deprived of Pluralsight's optimistic future to disrupt the enterprise education ecosystem without appropriate compensation.

- We believe there is 160% upside over the next 2 years from the current takeout price if Pluralsight were to continue as a public company.

Valuation

- The valuation implied by Vista's $20.26 offer price is materially below publicly traded comps and comparable transactions. We believe Pluralsight is selling the company valued on depressed metrics due to COVID and a depressed multiple, largely due to a combination of timing and a manipulated sales process.

  - If the acquisition valuation was in line with publicly traded peer SaaS subscription businesses with similar revenue growth rates, the implied stock price would be **$53** before a takeout premium, 160% above the original offer.

  - If the acquisition valuation was in line with recent relevant M&A transactions in the software space, the implied stock price would be **$29**, approximately 43% above the Vista offer.

Valuation

- The acquisition price of $20.26 per share implies zero value creation for shareholders from the time of the IPO in May 2018 and to make matters worse, management is forcing a sale just as KPIs are inflecting positively as headwinds from COVID and prior sales force execution issues begin to abate.

Historical Price Chart of Pluralsight

Source: Bloomberg, Company Filings

Public Market SaaS Valuations

- An offer price of $20.26 per share represents a purchase multiple of 6.1x estimated 2022 sales, a significant discount to other public software as a service (SaaS) companies expected to grow at a similar pace as Pluralsight.

2022 EV / Sales vs. Revenue Growth for Public SaaS Companies

Source: Bloomberg, Company Filings
Note: All public market data as of February 5, 2021

Standalone Valuation

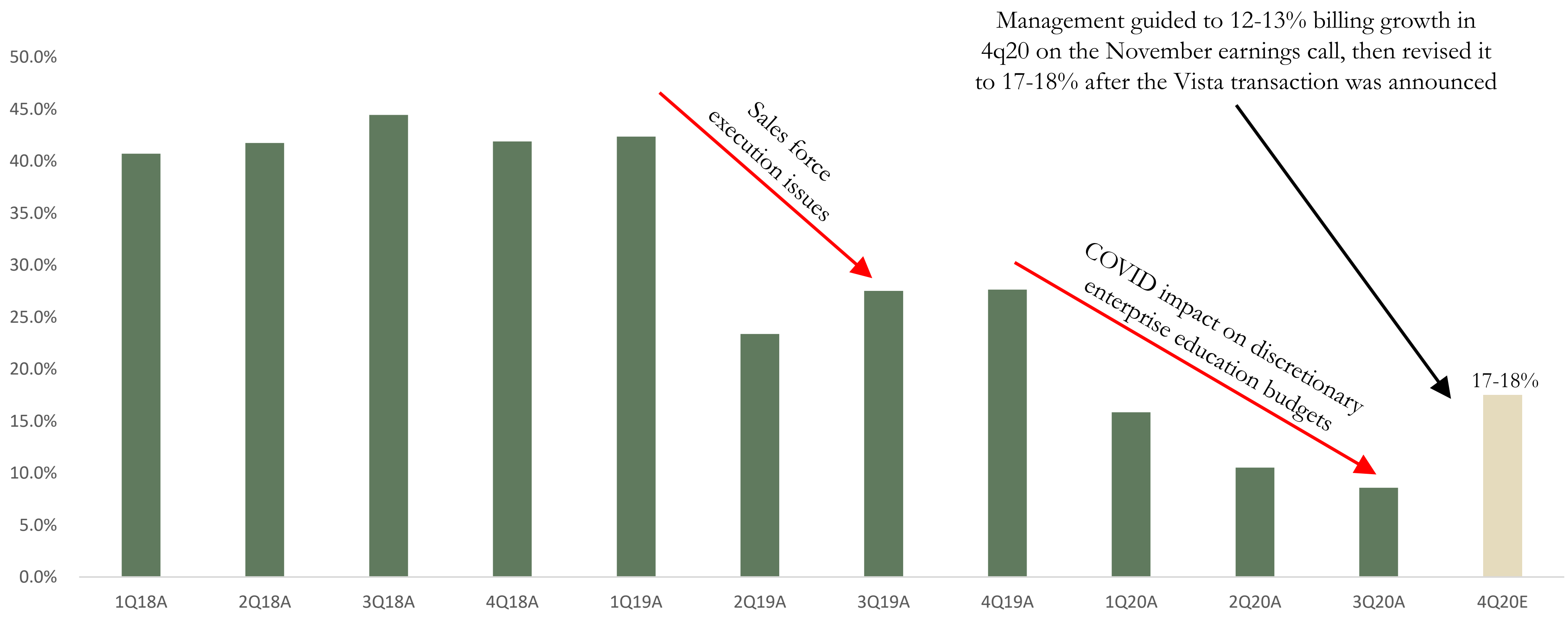
- If the transaction price were to be in line with public enterprise SaaS peers, Vista's offer would have to be $53 before a takeout premium or 160% higher than the current offer at $20.26.

Company[1]	2022 Year / Year Sales Growth	EV / 2022 Sales
Smartsheet	25%	14.4x
PagerDuty	25%	12.8x
Anaplan	25%	16.3x
Dynatrace	24%	14.8x
Paycom	24%	20.4x
RingCentral	23%	21.0x
Elastic	23%	16.2x
LivePerson	23%	8.5x
HubSpot	23%	14.3x
Atlassian	23%	21.6x
Alteryx	23%	12.8x
Avalara	22%	17.8x
Paylocity	22%	11.7x
Blackline	20%	17.0x
SVMK	20%	7.5x
Average	**23%**	**15.1x**
Pluralsight	**23%**	**6.1x**

Source: Bloomberg, Company Filings
Note: All public market data as of February 5, 2021
1. Companies listed in table are selected from public enterprise SaaS companies growing sales 20-25% year over year in 2022 with over 70% gross margins

Standalone Valuation

- Why would management sell Pluralsight when billings growth is at cyclically trough levels, impacted by COVID and recent sales force execution issues, just before performance seems to be inflecting?



Source: Bloomberg, Company Filings

Relevant M&A Transactions

- If Vista's offer were in line with recent relevant SaaS M&A transactions at 10.4x EV / NTM Sales on average, the implied offer price would be $29, approximately 43% higher than Vista's offer at $20.26.

Announce Date	Acquirer	Target	EV / NTM Sales
12/1/2020	Salesforce	Slack	24.2x
8/6/2020	ICE	Ellie Mae	11.1x
6/10/2019	Salesforce	Tableau	10.9x
2/4/2019	Investor Group	Ultimate Software	8.4x
12/24/2018	Vista Equity	Mindbody	6.7x
11/11/2018	Vista Equity	Apptio	7.0x
10/15/2018	Twilio	SendGrid	11.5x
3/20/2018	Salesforce	MuleSoft	15.7x
1/29/2018	SAP	Callidus Software	8.3x
Average			**11.5x**
Adj. Average[(1)]			**10.4x**
12/13/2020	**Vista Equity**	**PluralSight**	**7.4x**

Source: Company Filings, Bloomberg, Eminence Estimates

1. Adj. average excludes the transactions with the highest (Slack) and lowest (Mindbody) EV / NTM Sales multiples

Deeply Flawed Process

Highly Questionable Timing

- **A frenzied race to sell -** Following receipt of Vista's unsolicited expression of interest **<u>with no price</u>** in September, Pluralsight - a company that was not actively pursuing a going-private transaction or facing any financial or operational crisis – instituted what we believe was a rushed sales process. Less than four weeks later, Pluralsight demanded that all interested parties, except Vista, submit a final bid. Just over a week after that demand, Vista stood alone as the only potential buyer.
  - Why would a CEO interested in maximizing value for shareholders drop everything and commence a rushed sales process in response to a general expression of interest?
  - Would you rush to put your house on the market if someone knocked on the door and expressed interest with no hint of price?

- **Why sell? Why now?**
  - With the stock price near where it closed on the day of the Company's IPO and the Company poised to gain market share and accelerate billings growth, why did the Board believe that it was a propitious time to consider selling the Company?
  - The process outlined in Pluralsight's proxy statement ***raises more questions than it answers.***

It is clear to us that the Board never gave serious consideration to remaining a public company when the only bid was at an artificially depressed price at a time the Company is well-positioned for future growth.

Deeply Flawed Process

Questions, Questions, Questions

- **This was hardly the "robust market-check process" involving a "broad and deep review" asserted by the Company in its February 1st letter to shareholders.**

- Between Sept. 28 and Sept. 30, Pluralsight and its financial advisor (Qatalyst) reached out to 11 potential counterparties – 5 potential financial sponsors and 6 potential strategic acquirors.
  - ***Not a single potential strategic acquiror even entered the data room – why?***

- On Oct. 18, Pluralsight set a completely arbitrary deadline for bids of Oct. 26 (less than 4 weeks from initial outreach). Yet for inexplicable reasons, that deadline did not apply to Vista. In fact, it was not until Oct. 27 that Vista reached out to Skonnard to indicate that Vista would not be submitting a proposal prior to Pluralsight's announcement of Q3 earnings results – at the time still 10 days away. Vista finally submitted its initial proposal Nov. 6, the day after Pluralsight's disappointing earnings results.
  - ***Why did Pluralsight allow Vista to dictate its own timing?***
  - ***Why give interested parties such a limited time for due diligence and bid submission?***
  - ***Why did Vista (and none of the other bidders) feel the need to wait until Pluralsight's Q3 earnings results were reported?***

- On Oct. 25, the day before bids were due for all parties other than Vista and all but 2 other parties had dropped out, Pluralsight placed new projections in the data room. Those projections showed a dramatic improvement over previously-provided projections in two important ways: (1) they showed that the Company expected its revenue to increase by 20.7% in 2021 and 22.5% in 2022 (vs. the 16.1% in 2021 and 19.2% in 2022 previously provided to bidders) and (2) the later projections forecasted strong revenue growth out to 2025.
  - ***Wouldn't a management team focused on maximizing shareholder value want to ensure all potential bidders had more than 24 hours to digest such critical new information?***

Deeply Flawed Process

More Questions

- On Nov. 5, Pluralsight provided optically disappointing results and guidance: Q3 billings missed consensus (up 9% year over year vs. consensus estimates of up 12% year over year) and for the first time in its history the Company issued specific forward quarter billings guidance (+12-13% y/y) that also was below consensus.
  - Why did the Company choose to provide quarterly billings guidance for the first time during its sales "process," and at a level that it knew would disappoint the market?

- The (predictable) result?
  - The stock fell ***22%*** on Nov. 6.

- **That same day (!)**, Vista submitted an initial offer of $16.50, less than the Company's stock was trading for on the day Vista first approached Pluralsight.
  - In its Feb. 1st letter to shareholders, Pluralsight touts Vista's final offer as a "23% increase" from the initial $16.50 offer. *Not surprisingly, there is no mention that the offensively low offer followed management's decision to disclose forward guidance for the first time - and at a level that would clearly miss expectations.*

- **<u>Reality</u>:** Pluralsight's Q4 billings were meaningfully higher than the Company's guidance. On Feb. 1, Pluralsight reported that Q4 billings were expected to be up 17-18%.
  - Is it believable that the C**ompany had such insufficient insight into Q4 billings on Nov. 5?**
  - Where would the stock price have been on Nov. 6 had the Company's Q4 billings guidance been accurate? And what impact would that have had on Vista's offer?

Deeply Flawed Process

And Still More Questions

- The Company's Tax Receivable Agreement required a ~$400mm payout upon a change of control (though Qatalyst calculated the present value as ~$127mm). The threat of a $400mm payout effectively deterred all potential bidders (other than Vista). Nine of the eleven Board members were parties to the TRA.

- Rather than addressing this obvious obstacle to a deal, the conflicted Board, led by Skonnard, continued with the sales process and did not engage in negotiations to amend the TRA until Nov. 2nd -- after all parties other than Vista had dropped out! When the TRA negotiations finally got underway, Skonnard was deeply involved.
  - Why did it take so long for the Board to have its "ahah" moment that by reducing the TRA payout the Company could negotiate for a higher stock price?
  - Wouldn't a Board seeking to maximize shareholder value through a competitive process be expected to thoroughly vet the possibility of amending the TRA payout *before* all parties other than Vista had dropped out?

- The Transaction Committee was reconstituted mid-way through the game to exclude Board members who were parties to the TRA and was thereafter comprised of just two Board members (neither of whom had M&A experience). *Four days* after the Committee was reconstituted Pluralsight set the arbitrary deadline for bids of Oct. 26 that applied to the non-Vista parties.
  - Even after the Committee was reconstituted, Skonnard and other conflicted members of management and the Board were routinely invited to participate in its meetings -- why?
  - Why didn't the Committee engage independent legal counsel or financial advisors?
  - Does this sound like an independent Committee empowered to lead a robust process?

Deeply Flawed Process

Pluralsight is Painting its Business in a Negative Light to Push for a Sale

Pluralsight's Description of its Business Prior to the Vista Announcement

"I actually think we're going to be in a better position from a cash flow perspective, from a bottom line perspective in 2021 than we would have been pre-COVID. So to the extent the bottom line is your thing, I think we're going to have a very nice 2021 relative to what it had been earlier and we still expect to grow well over 20% as we get into 2021." *– James Budge (CFO) Needham Conference May 19, 2020*

"The biggest competitor that any of the commercial platform or product providers put into the market is instructor-led or in-classroom experiences. That's still probably -- we calculate the market to be anywhere around $40 billion to $50 billion… **So we see that as somewhat easy to pick off. It's super inefficient. It doesn't scale. You don't reach any of your employees at mass scale."** *– James Budge (CFO) Needham Growth Conference January 14, 2020*

"In almost every large enterprise account, we see a horizontal solution like a Linkedin Learning, a Skillsoft, et cetera, who are providing a more broad learning solution for the non-tech skills. And we come in and provide that vertical solution that's very strategic. It's wanted and valued by the CTO, the CIO, and can be integrated with the horizontal solution. **So we're very compatible and complementary to those horizontal product offerings, and it doesn't end up usually being a competitive dynamic in those cases**." *– Aaron Skonnard (CEO) 4q19 Earnings Call February 19, 2020*

"But what we're seeing here is a different type of conversation this time, where a lot of those large enterprise customers are reimagining and rethinking how they're going to solve those same jobs to be done that they've solved with classroom training in a post-COVID environment. **And I believe we're well positioned to take advantage of that opportunity, both through our digital solutions that we offer today, along with some new and improved professional services offering that we can also bring to the table"** *– Aaron Skonnard (CEO) 2q20 Earnings Call July 29, 2020*

Pluralsight Feb. 1, 2021 Press Release

"Pluralsight competes in a highly competitive, rapidly evolving and fragmented market. While Pluralsight's total addressable market is substantial, so is the extent of our competition."

"Since we went public, **we have at times not met Wall Street expectations for billings in our quarterly financial results.** In addition, market expectations for Pluralsight have declined, with Wall Street's two-year revenue CAGR target decreasing from 30% in June 2018 to 27% in November 2019 and 21% in November 2020**. In addition, Pluralsight has historically been unprofitable.** As a result of sustained volatility and slowing growth, Pluralsight's stock has traded down after eight of our 10 quarterly earnings releases, with an average decline of 6%."

"Pluralsight increasingly believes that a meaningful portion of its future growth is likely to be inorganic and will occur through the purchase of other companies and product offerings. The pursuit of these growth opportunities is likely to require substantial additional capital resources. These capital resources might only be available at significant cost to Pluralsight (if available at all) or through equity offerings that would potentially significantly dilute our shareholders. **Even if capital is available, these growth opportunities may not be successful**, thereby increasing the risk to Pluralsight's shareholders associated with Pluralsight remaining a public company."

"Given the **significant risks to Pluralsight's business, long-term prospects and shareholder value**, Pluralsight's Transaction Committee and Board concluded that the price offered by Vista was superior to the potential long-term value that might be achieved by Pluralsight on a standalone basis. Both the Transaction Committee and the Pluralsight Board believe that **unless Pluralsight can achieve sustained superior growth, there is a significant risk that Pluralsight's multiple could decline meaningfully and remain depressed for some time."**

Deeply Flawed Process

Answers(?)

- **Conflicts, conflicts, everywhere…**

- **What a time for Vista (and Skonnard) to buy!**
  - Skonnard's economic interest is fully-aligned with Vista's – NOT Pluralsight's. An acquisition by Vista would allow Skonnard to continue to run Pluralsight and to roll his equity post-transaction (as is common in PE transactions) PLUS get new incentives. **Vista and Skonnard are attempting to take the Company from shareholders at an appallingly low price.**

- **Qatalyst has deep ties with Vista.** However, the Board relied on Qatalyst at nearly every step of the process and Qatalyst allowed Vista to dictate the timing of the sales process.

- **The Board did not take reasonable steps to address the material conflicts of interest that skewed nearly every step of the process.**

The only winners in this process appear to be Vista and Skonnard, who will divide up the spoils of an artificially low takeover price for a market leader with a strong future.

Summary

- Vista's acquisition price of $20.26 significantly undervalues Pluralsight.
- Pluralsight ran a deeply flawed and highly manipulated sales process with material conflicts of interest.
- If Pluralsight were valued in line with peers, it would be worth $53 dollars per share, 160% above Vista's accepted price.
- Shareholders should reject the Vista / Pluralsight merger agreement.

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Eminence and Ricky C. Sandler (collectively, the "Participants") intend to file with the Securities and Exchange Commission (the "SEC") a definitive proxy statement and accompanying form of GOLD proxy to be used in connection with the solicitation of proxies from the shareholders of Pluralsight, Inc. (the "Company"). All shareholders of the Company are advised to read the definitive proxy statement and other documents related to the solicitation of proxies by the Participants when they become available, as they will contain important information, including additional information related to the Participants. The definitive proxy statement and an accompanying GOLD proxy card will be furnished to some or all of the Company's shareholders and will be, along with other relevant documents, available at no charge on the SEC website at http://www.sec.gov/.

Information about the Participants and a description of their direct or indirect interests by security holdings are contained in the preliminary proxy statement on Schedule 14A filed by the Participants with the SEC on February 4, 2021. This document will be available free of charge from the source indicated above.

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