September 30, 2021

<u>To:</u> Blue Prism plc Board of Directors

As publicly announced on September 28, 2021, this board has unanimously recommended the sale of Blue Prism plc (the "Company") to Vista Equity Partners ("Vista") at an offer price of £11.25 per share. We are writing to you to convey our vehement objection to the transaction as it currently stands, and to notify you that unless this proposal is meaningfully improved, we will be voting 'against' the transaction and will encourage our fellow shareholders to do the same.

The proposed transaction leads shareholders to question the Board's clear conflict of interest in unanimously supporting a transaction which values the Company materially below consensus valuation, 52-week high, and its average price since IPO without running a fully-fledged process or considering relisting alternatives in the US where peers trade at 5-10x Blue Prism's current valuation.

We note, just earlier this year, Mr. Kingdon called out UK investors for **not valuing Blue Prism accurately, at a time when the Company's share price was £16.70 per share**, commenting:

"Dollar for dollar comparisons between our valuation and our US [peers] show they are at 2-5 times multiples of us. Investors here just don't understand us and it is a more thinly traded market. There's a lack of understanding of tech businesses [on the UK AIM]."

– Mr. Kingdon, Evening Standard, February 4, 2021

To that end, we ask the following questions:

- What has changed so drastically in the last seven months that Mr. Kingdon believes our Company's intrinsic value should be **lower by more than 100%?**
- Why has the Company not progressed further on its US relisting given the deep value disparity?
- Would Mr. Kingdon be willing to sell us his shares at £11.25?

A. <u>Current bid values the Company at a mere fraction of its fair value</u>

By any objective metric, an offer price of £11.25 per share ***<u>vastly</u>*** undervalues the Company, it's immense growth potential, and its market leadership within RPA software. For reference, this offer price constitutes:

- **5% discount** to the prevailing share price of £11.90 on September 27 prior to the announcement
- **11% discount** to the Company's 1 year volume-weighted average price of £12.58[1]
- **10% discount** to the Company's overall volume-weighted average price since IPO of £12.48[1]
- **40% discount** to the Company's 52-week high price of £18.86 on January 11, 2021[1]
- **22% discount** to the average analyst target price of c.£14.50 (per Bloomberg as of September 27)
- **25% discount** to Investec's target price of £15.00 (the Company's corporate broker)

The Company mentions that the offer is at a 35.2% premium to the unaffected price as of August 27, yet fails to mention that the Company's share price in August 2021 was close to its lowest trading levels in four years. The optically high premium serves as a mere guise for an exceptionally low unaffected share price.

On EV/Revenue metrics, the undervaluation becomes even more stark. Vista's offer price values the Company at **5.0x EV / next twelve month (NTM) revenues, an alarming 80% discount** to the trading levels of peers in the US with similar growth profiles. Despite a thorough search, we are yet to find a transaction comparable over the last three years that has transpired at such low a valuation. We also note that 5.0x EV/Revenue would be the *lowest* valuation multiple paid by Vista for any acquisition in the last four years, despite Blue Prism's higher growth profile and more defensible business model vis-à-vis several other Vista target companies.

In light of these facts, it truly surprises shareholders that the Board is willing to recommend an offer price of only £11.25 per share for the Company – a high-growth subscription software business with market-leading customer loyalty, which grew 22% YoY through July 2021 despite the several 'COVID and competitive headwinds' you mention in the offer announcement letter.

Per our conservative valuation analysis, we believe that a fair value multiple for the Company is in the range of **7.0x to 10.0x EV / NTM Revenue, representing an offer price of £15.00 to £20.00 per share**. This price accurately values the Company while also taking into account execution risks incurred by the acquirer around a post-acquisition turnaround.

B. Rushed and inexhaustive sale process

Per the offer announcement letter, Vista entered into a confidentiality agreement with the Company on June 8, at a time when the Company was trading close to its lowest levels in four years. Furthermore, this indicates that the entire sale process was completed in a mere sixteen weeks, and led by a CEO who (by his own admission) was supposed to be serving at Blue Prism ***only*** in an intermediate and temporary capacity.

The lack of strategic acquirers in the sale process (many of whom have been active buyers of RPA software companies in recent months) is indicative of a limited process. The offer letter mentions the strategic rationale around merging with TIBCO and using a joint R&D and sales & marketing budget. If indeed true, then why not consider merging with a larger strategic acquirer with larger budgets, who would invariably pay a higher price for the Company on account of better synergies and lower cost of capital?

This flawed sale process mirrors Vista's recent acquisition of Pluralsight Inc. in March 2021, wherein Vista increased their final offer price after strong opposition from shareholders to their initial low-ball bid. It's notable that Pluralsight's advisor was also Qatalyst Partners, who were able to secure an acquisition multiple of 9.0x EV/ NTM Revenue for Pluralsight (a lower-growth and less defensible business versus Blue Prism). Why have they fallen so short in securing a similar valuation for our Company?

[1] All analysis periods are prior to August 27, 2021 (the last unaffected trading date)

C. Multiple conflicts of interest and questionable prerogatives

We believe there are multiple conflicts of interest in the Board's recommendation to accept Vista's offer price, and the Board has to clearly answer the following questions ahead of the vote:

- What has been Murray Rode's involvement in the sale process (given his prior executive role at TIBCO and relations with Vista)? What equity stake does he hold in Vista's investment in TIBCO?
- What economic incentives have been offered to the Company's management team? Has the management team been offered any post-closing equity stakes? We note troubling similarities here to the Vista / Mindbody, Inc. transaction which went to litigation in September 2020, and need clarity from Blue Prism's management absolving them of any fiduciary duty shortcomings.[2]
- What valuation analyses has Qatalyst Partners performed to justify the inconceivably low offer price and acquisition multiple? Is Qatalyst Partners truly an objective advisor given their longstanding relations with Vista? Has the Company secured an independent fairness opinion?
- How exhaustive was the sale process and why were strategic acquirers not involved?
- What alternatives were considered in addition to an outright sale? Why has the Company not progressed on its efforts to relist in the US?
- How actively has the Company searched for a CEO replacement candidate for Mr. Kingdon? Why was this not done before running an outright sale process?

As evident above, the Board's recommendation to accept the low-ball bid from Vista is truly surprising, raises more questions than it answers, and provides no value to long-suffering (yet once hopeful) shareholders who remain below their average cost basis.

In our previous correspondences, we have communicated the operational improvement plan that we developed with sector experts and prior management team members over several months. Within this plan, we have prepared a thorough list of new management candidates who would bridge key product gaps and reinvigorate the Company's go-to-market and sales strategies. We also note the departure of several sales leaders (especially in the US) who were frustrated with the Company's current management team and sales leadership in the UK, but would be inclined to re-join the Company under a new and more dynamic management team. We believe a successful execution of this turnaround plan can materialize growth rates exceeding that of peers such as UiPath and Automation Anywhere, and **drive 300%+ returns for shareholders over the next three years**, far exceeding the paltry acquisition 'premium' offered by Vista's opportunistic bid.

We also note that Coast Capital had been mis-quoted in recent weeks as having unshakable faith in the management and Board of the Company. Like all investors, we are very aware of Mr. Kingdon's conflicted roles as Chairman and CEO, and his many failures - to fill key product gaps, respond to client requests in developing required functionalities, ensure that the stock is quoted on a suitable exchange (and not a tertiary one), or even engage with clients (communication does not seem to come naturally to Mr. Kingdon). More worryingly, we note of many great and talented executives who have departed from the company given this shared view. We have great faith however in a great pool of talented managers and employees still at the Company that can and must be elevated to deliver on the Company's potential, and have identified leading executives, and top leadership candidates whom we have every faith can help to address the problems that Mr. Kingdon does not even seem able to acknowledge. All of this is a poor reflection on the Board as well.

[2] Vista's acquisition of Mindbody, Inc. went to litigation in Sep-20 for fiduciary duty claims against Mindbody's CEO for favoring Vista in the sale process for short-term liquidity and post-closing employment / equity (source)

In sum, we are very enthusiastic about Blue Prism's future and potential, under a suitable leadership team, and with a stock that is listed on a first-class exchange such as Nasdaq, where suitable investors can access the Company (and also exercise help ensure necessary changes to the management and Board). At the same time, we remain open to a constructive bid from a private equity or strategic acquirer that accurately captures Blue Prism's immense growth potential and product strengths. **However, we strongly reiterate that voting in favor of the current deal is inconceivable.** We therefore ask the Board to re-negotiate a higher offer price from Vista, or run a more exhaustive sale process that includes strategic acquirers as well. Until then, we will encourage our fellow shareholders to oppose this completely inadequate proposal.

Yours sincerely,

James Rasteh

Coast Capital