



State of New Jersey

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July 21, 2023

MEMORANDUM TO: The State Investment Council

FROM: Shoaib Khan Director New Jersey Division of Investment

SUBJECT: **Vista Equity Partners Fund VIII L.P.**

The Division of Investment (the “Division”) is proposing an investment of up to \$100 million in Vista Equity Partners VIII L.P. (the “Fund”) and \$100 million to a Co-Investment Vehicle (the “Co-Invest”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

Strong overall track record: Vista’s mature funds (Flagship Funds II-VI) have delivered first and second quartile net returns for LPs, with each fund producing a net TVPI of 1.95x or higher. As of 03/31/2023, Vista has generated a 37.4% gross IRR and 3.12x gross MOIC on the 51 investments fully realized across all private equity strategies since Flagship Fund II began investing in 2000. Vista’s low loss ratio and strong realized track record demonstrates its ability to successfully source, invest, and exit portfolio company investments.

Sector specialization and ability to leverage the Vista platform: Vista is one of the largest and most active US private equity firms investing in the software sector for the past 23 years. The Firm’s deep investment experience and sector specialization provides a differentiated approach in a very competitive technology market. The Fund will benefit from the Flagship Investment Team’s ability to leverage Vista’s broad resources and expertise when sourcing, investing, and managing portfolio companies. Vista has offices in Austin, San Francisco, New York, Chicago, Oakland, and Hong Kong.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its private equity consultant, Aksia LLC undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the fund engaged a third-party solicitor (“placement agent”) in the fundraising of the fund, but the placement agent was not used to solicit New Jersey’s potential investment.

The Firm has a formal ESG Policy. The Firm’s current ESG Policy and related diligence disclosures were reviewed by the Corporate Governance team in accordance with the Council’s ESG Policy.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4), and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 90 of the Council’s regulations. Vista Equity Partners is considered a private equity investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the IPC was held on July 12, 2023. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s July 26, 2023 meeting.

Vista Equity Partners Fund VIII, L.P.

- **DOI Commitment:** \$100 million to Vista Equity Partners Fund VIII / \$100 million to a co-investment sidecar
- **Strategy:** Large Buyout
- **Investment Focus:** The primary focus of Fund VIII will be consistent with that of prior Vista Flagship funds, acquiring controlling interests in upper-middle market and large-cap enterprise software, data, and technology-enabled solutions companies with enterprise values generally between \$750 million and \$10 billion+ . Vista Equity Partners Fund VIII will seek to complete 18 to 25 investments in the Fund with equity checks generally around ~\$750 million.
- **Target Returns:** 3.0x Gross MOIC
- **Investments Thesis:**
 - Strong overall track record
 - Sector specialization and portfolio fit
 - Benefits of Vista platform and experienced team

Fund Name: Vista Equity Partners VIII, L.P

July 21, 2023

Contact Info: Lauren Dillard, Chief Financial Officer, 401 Congress Avenue, Suite 3100, Austin, TX 78701

Fund Details:

Total Firm Assets (03/31/2023):	\$100 billion	<p>Key Investment Professionals:</p> <p>Robert Smith - Founder, Chairman & CEO. Mr. Smith founded Vista Equity Partners in 2000 and is the firm's Chairman and CEO. Mr. Smith directs Vista's investment strategy and decisions, governance and investor relations. Mr. Smith is a member of the Executive Committee, the firm's governing and decision-making body for matters affecting its overall management and strategic direction, as well as the firm's Private Equity Management Committee. Mr. Smith sits on the Investment Committee for all Vista Private Equity Funds.</p> <p>David Breach - President & COO. Mr. Breach joined Vista Equity Partners in 2014. Mr. Breach is a member of the Executive Committee, the firm's governing and decision-making body for matters affecting its overall management and strategic direction, as well as the firm's Private Equity Management Committee. Mr. Breach sits on the Investment Committee for all Vista Private Equity Funds.</p> <p>Michael Fosnaugh - Michael Fosnaugh joined Vista Equity Partners in 2005. Mr. Fosnaugh is Co-Head of the Flagship Fund and sits on its Investment Committee. Additionally, Mr. Fosnaugh serves as a member of Vista's Executive Committee, the firm's governing and decision-making body for matters affecting its overall management and strategic direction, and Vista's Private Equity Management Committee, the firm's decision-making body for matters affecting Vista's overall private equity platform.</p> <p>Monti Saroya - Monti Saroya joined Vista Equity Partners in 2008. Mr. Saroya is Co-Head of the Vista Flagship Fund and sits on its Investment Committee. Additionally, Mr. Saroya serves as a member of Vista's Executive Committee, the firm's governing and decision-making body for matters affecting its overall management and strategic direction, and Vista's Private Equity Management Committee, the firm's decision-making body for matters affecting Vista's overall private equity platform.</p>
Strategy:	Upper Middle-Market and Large Cap Software Buyouts	
Year Founded:	2000	
Headquarters:	Austin, TX	
GP Commitment:	Expected to be \$2 billion or 10% of aggregate commitments based on \$20 billion hard cap	

Investment Summary

The Fund will be managed by Michael Fosnaugh and Monti Saroya, supported by five Managing Directors, six Operating Managing Directors, five Senior Vice Presidents, two Operating Senior Vice Presidents, eight Vice Presidents, and six Senior Associates. The Fund will seek to acquire controlling interests in 18-25 upper middle-market and large cap companies within the enterprise software, data, and technology-enabled solutions space that are primarily headquartered in North America. Vista seeks to invest in companies in which the Firm believes they can drive operational change, leveraging their in-house consultancy as well as their Operating Principals. A key component of Vista's Fund strategy has been the Firm's ability to effect substantial operating improvements in its companies through the implementation of Vista Best Practices. In addition to implementing its best practices, Vista seeks to create value for its portfolio companies by assisting with add-on acquisitions to enhance market position, create cross selling opportunities, or enter new markets entirely.

Existing and Prior Funds

<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns: Net IRR, Net TVPI, Net DPI *</u>
Fund II	2000	Buyout	29.2% Net IRR, 2.7x Net TVPI, 2.7x DPI
Fund III	2007	Buyout	27.1% Net IRR, 2.5x Net TVPI, 2.4x DPI
Fund IV	2011	Buyout	14.6% Net IRR, 2.0x Net TVPI, 1.3x DPI
Fund V	2014	Buyout	19.5% Net IRR, 2.2x Net TVPI, 1.2x DPI
Fund VI	2016	Buyout	19.4% Net IRR, 2.0x Net TVPI, 0.8x DPI
Fund VII	2019	Buyout	10.5% Net IRR, 1.3x Net TVPI, 0.1x DPI
Source of Returns - Vista/Aksia			*Net as of 03/31/2023
IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In			

Vehicle Information:

	<i>Vista Equity Partners VIII L.P.</i>	<i>Vista Co-Investment</i>	<i>Auditor:</i>	<i>Deloitte & Touche LLP</i>
Inception:	2022 (2023 Vintage)	2023	Legal Counsel:	Kirkland & Ellis LLP
Fund Size :	\$20 billion	\$100 million		
Management Fee:	1.5% on Committed Capital during the Investment Period; 1.5% on invested capital	0%		
Incentive Fee:	20%	0%		
Hurdle:	8%	0%		
Offset Fees:	100% management fee offset (includes any reimbursement received by Vista Consulting Group or any Value Creation Team Professional, with respect to each separate	N/A		

NJ AIP Program

Recommended Allocation (\$mil.):	up to \$100 million and \$100 million to co-investment sidecar	LP Advisory Board Membership:	TBD
% of Fund:	N/A	Consultant Recommendation:	YES
		Placement Agent:	YES
		Compliance w/ Division Placement Agent Policy:	YES
		Compliance w/ SIC Political Contribution Reg:	YES

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.