

# CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

## **M&A Quarterly – October 2011**

### **Amazon on Fire, Tech M&A Remains Strong**

Thursday, October 6, 2011  
10:00 am PT

# Introduction



Daniel J. Holland  
Marketing Director  
Corum Group Ltd.

Daniel J. Holland joined Corum this year as Senior Marketing Coordinator, managing the Corum brand through communications, PR, print collateral, and digital marketing.

Daniel was previously Marketing and Communications Director at the University of Washington's College of Education, and Brand Planner at Publicis in Seattle, working on T-Mobile, HP, and the Washington Lottery. His background in cultural anthropology in Seattle and at the University of Chicago helps him deliver a unique perspective to Corum's marketing communications.

# Agenda

- Global Market Overview
- Corum Index and Quarterly Report
- Special Report: Amazon on Fire!
- Software Rising: Why Tech M&A Will Remain Strong
- Keynote Sellers
- Upcoming Events
- Q&A

# Presenters



Bruce Milne  
CEO  
Corum Group Ltd.



Nat Burgess  
President  
Corum Group Ltd.



Rob Schram  
Director  
Corum Group Ltd.



Dougan Milne  
Vice President of Research  
Corum Group Ltd.



Amber Stoner  
Senior Analyst  
Corum Group Ltd.



Tomoki Yasuda  
Senior Analyst  
Corum Group Ltd.



Alina Soltys  
Analyst  
Corum Group Ltd.

# Guest Speakers



**Raju Gulabani**  
VP, Amazon Web Services  
Amazon.com



**Mark Johnson**  
CEO  
Zite



**Mansour Salame**  
CEO  
Contactual

# Logistics

- Ask questions for Q&A session
  - Use Q&A window on right side
  - Submit to queue at any time
  - Ask “all panelists” – see “ask” option above text-entry box
- This event is being recorded
  - Rebroadcast October 13, 12:30am PT, and 8:00am PT
  - See “Conferences and Events” at [MergersAndAcquisitions.webex.com](https://MergersAndAcquisitions.webex.com)
- If any audio problems today
  - Dial +1.408.792.6300
  - Enter meeting event number: 664 110 775

>> For today’s presentation or more information, contact Pat Sultan  
([pats@corumgroup.com](mailto:pats@corumgroup.com), +1 425-455-8281 ext. 248)

# Market Update



Bruce Milne  
CEO  
Corum Group Ltd.

A leader in the software industry, Bruce has founded or owned four software companies, including the largest vertical market software company, AMI, an Inc. 500 firm rated by IDC as the fastest growing computer-related company in the world.

He has served on advisory boards for Microsoft, IBM, DEC, Comdex and Apple, and as board member/founding investor in some of the most innovative firms in their field, including Blue Coat, Bright Star and Sabaki. Past advisor to two governors and a senator, a board member of the Washington Technology Center, and founder of the WTIA, the nation's most active regional technology trade association.

He worked with the Canadian government to found SoftWorld, and he was recently chosen as one of the 200 most influential individuals in the IT community in Europe. He was also the only American juror for the recent Tornado 100 Awards given to Europe's top technology firms

A graduate with Distinction from Harvard Business School, Bruce has written three books on business models for success, including *Power Planning*. He is a frequent lecturer and author.

# China / Asia

- China Manufacturing – Longest Contraction Since '09
- China's Stocks Sink to 14-Month Low
- China Growth Seen Less Than 5% by 2016: Poll
- New Delhi's Housing Boom Hits a Snag
- China Services Index Drops to Record
- IMF Lowers China Growth



# China / Asia

- "No doubt about it" – Pressures on Australian Economy
- Indian Services Slowest Pace in Two Years
- Brazil Slaps Surprise 30% Tariff on Asian Imports
- Asian Economies Weaken as European Debt Crisis

# Europe / International

- German Retail Sales Declined Most in Four Years
- World Slump Seen Triggered by European Breakdown
- Italy Debt Downgraded
- Italian Business Confidence Falls – Two-Year Low
- Pimco Forecasts Europe Recession Next Year

# U.S. / Americas

- U.S. Economy at 1.3% Q2 – More Than Estimated
- Roubini: U.S. in Throes of Economic Contraction
- FedEx Cuts Fiscal Year Forecast on Slowing Growth
- Retail Sales in U.S. Unexpectedly Stagnate
- Pessimism Rises as 72% See U.S. on Wrong Course
- U.S. Inflation Edging up

# U.S. / Americas

- Manufacturing Grew in August, Easing Recession Concerns
- Auto Sales up in August – What Recession?
- Falling U.S. Wages Threaten Consumer Spending
- U.S. Manufacturing Unexpectedly Accelerates – Exports
- Construction Spending in U.S. Unexpectedly Rose
- Services Industries Grew at Slower Pace in September

# Jobs / Real Estate

- Employment Remains Flat – Earnings Down
- Sales of New U.S. Homes Fell to 6-Month Low in August
- U.S. Home Prices Fell 3.3% through July
- Mortgage Default Filings Surge 33%
- U.S. Mortgage Rates Fall to Lowest on Record
- Banks Overwhelmed by Mortgage Refinancing

# Banks / Sovereign Debt

- European Banks Chided for Lack of Transparency
- BIS Keeps 2.5 Percent Big-Bank Surcharge
- Lloyds of London Pulls Euro Bank Deposits
- EU Banks at Risk \$419 Billion
- Sovereign Debt Woes Affect Credit Elsewhere
- Italian Yields Surge from Greece Default Concern

# Currencies / Commodities

- Commodities Fall to 9-Month Low
- Asian Currencies Drop Most since 1998
- Yuan Falls Most in Four Months on Debt Crisis
- Gold Drops Record \$100 in One Day
- Euro Drops to 2001 Low Versus Yen

# Finance / IPOs

- IPOs Postponed at Record Pace Globally
- UBS rogue trader - \$2 bn loss
- Record Low Rate on 10 Year Note
- \$75 bn Pulled from Investment Funds
- VIX Record Gain Signals Stock Rises since 1990
- Democrats Seek 5% Millionaire Tax for Job Plan



# Patents / Litigation

- Google Buys 1023 IBM Patents for Android Defense
- Google Hands HTC Patents to Use Against Apple
- SAP Wins Bid to Overturn \$1.3 Billion Oracle Copyright Award
- Samsung Pulls New Tablet after Apple Win
- Samsung Files New Litigation Against Apple

# Technology

- Amazon Unveils \$199 Kindle Fire Tablet
- Fire to Expand Market Without Being 'iPad Killer'
- Bezos Portrays Kindle Fire as Service, Not Tablet
- Meg Whitman New HP CEO
- RIM Tablet Sales Crushed by iPad, 19 to 1
- Chip Sales Revised by Gartner: 5.1% to -.1%

# Technology

- Oracle Earnings Beat Estimates
- Gartner Cuts PC Sales Forecast: 9.3% > 3.8%
- Netflix Tumbles 60%, Loses Cloud Luster
- Microsoft Increases Dividend 25%
- Microsoft: Windows Phone May Exceed Forecasts
- India to Sell \$22 Tablet Computer for Schools

# Technology

- Groupon's Stumbles May Force Company to Pare Back IPO
- IBM Planning Mid-Sized Acquisitions in Software Business
- Silver Lake, Alibaba, Digital Sky in Yahoo! Talks
- Tech Stocks Outperform as Excess Cash Beats U.S. Cyclical Risk
- No More “Big” Software Deals for HP: Whitman
- Tech Luminary Passes

# Software Rising: Why Tech M&A Will Prevail



Nat Burgess  
President  
Corum Group Ltd.

Nat joined Corum in 1996 and brings a diverse background in technology M&A and law. While with the Enforcement Division of the U.S. Securities and Exchange Commission, Nat helped identify and build cases against securities fraud schemes. With the Strategic Development Division of Morgan Stanley's M&A group, Nat worked on cross-border acquisitions of U.S. and European companies by Japanese firms, and on financings by large Japanese public companies. Nat moved to Morgan Stanley's Tokyo office, where he reported directly to the President of Morgan Stanley, Japan Ltd. and focused exclusively on cross-border M&A.

After Morgan Stanley, Nat co-founded Postcard Software, a creator of advertiser-driven bilingual (English and Japanese) Internet content. At Activision, Nat led the company's on-line business development.

Nat earned an undergraduate degree in Japanese literature from Yale College and a law degree from UCLA. While in law school, Nat wrote articles for the International Forum at Yale, Tokyo Journal.

# Gartner's Top 10 Strategic Technologies

1. Cloud Computing
2. Advanced Analytics (optimization and simulation)
3. Client Computing Platform
4. IT for Green
5. Reshaping the Data Center
6. Social Computing
7. Security – Activity Monitoring
8. Flash Memory
9. Virtualization Availability
10. Mobile Applications

# 10 Reasons Tech M&A Will Remain Strong

1. Extraordinary change – interrelated mega trends
2. Strategic buyers have record cash
3. Debt is at lowest cost ever
4. Private equity – over \$500 billion available
5. New public foreign buyers (e.g., China, India)

# 10 Reasons Tech M&A Will Remain Strong

6. Many large private buyers (Facebook, Zynga, Groupon)
7. American companies are cheap to foreign investors
8. U.S. corporations' cash remains offshore (e.g., Skype)
9. Software is rising in importance (e.g., HP decision)
10. 5 billion users of connected devices in 10 years!






# Corum M&A Update



**Dougan Milne**  
VP, Research  
Corum Group Ltd.




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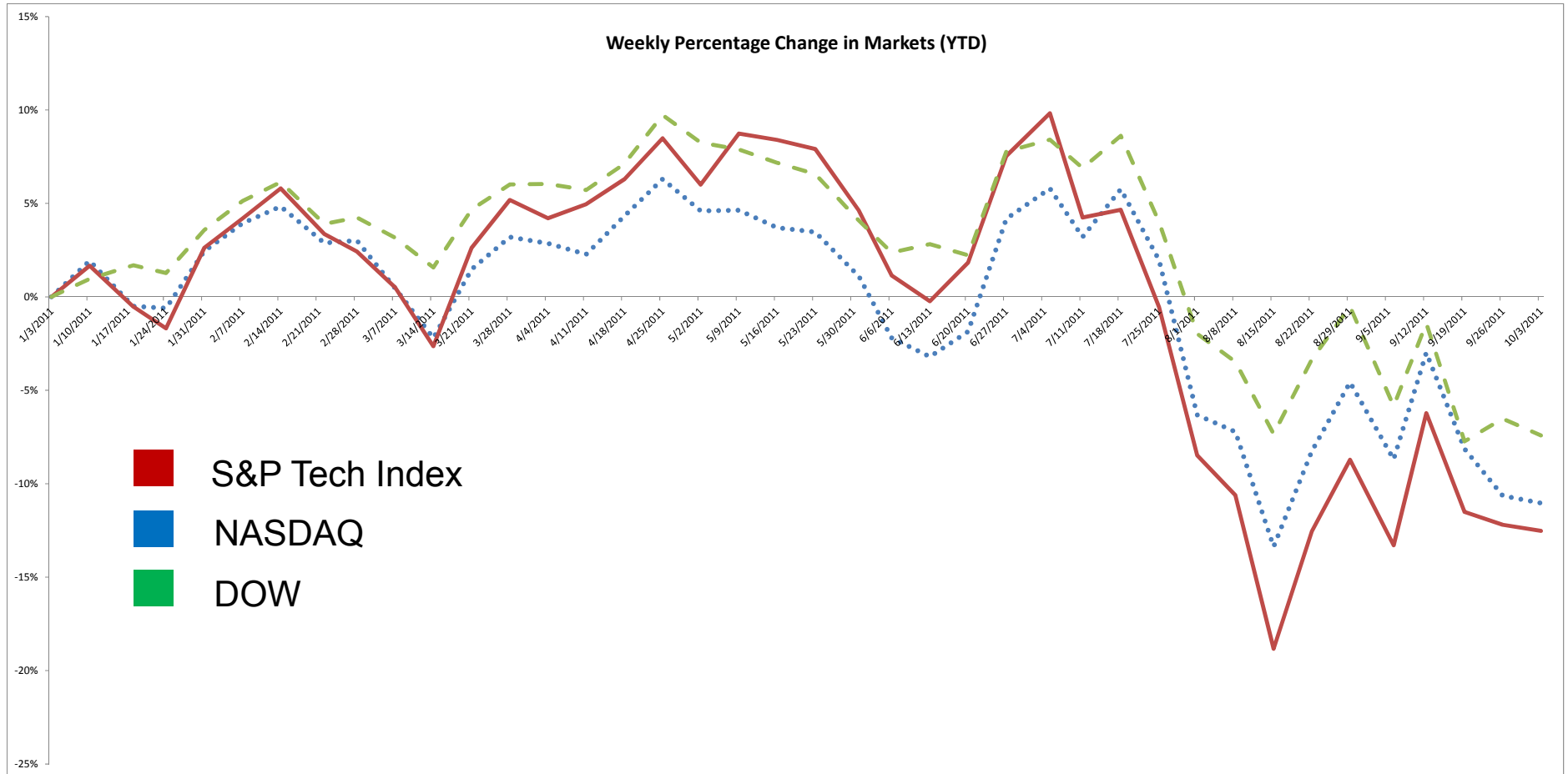


**Alina Soltys**  
Analyst  
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# Public Market Performance

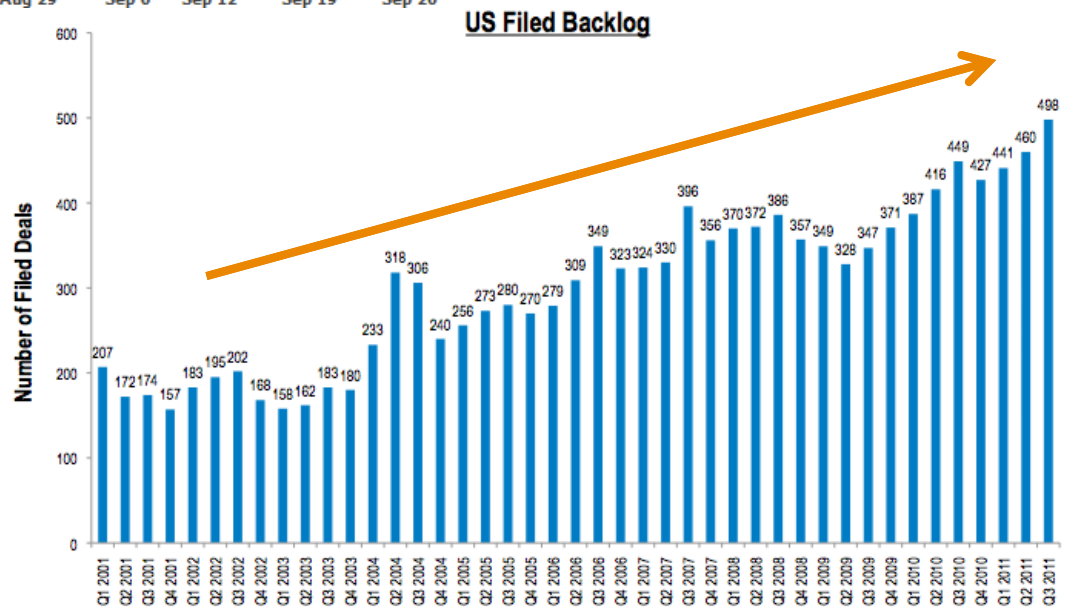


# High Volatility Scares Off IPOs



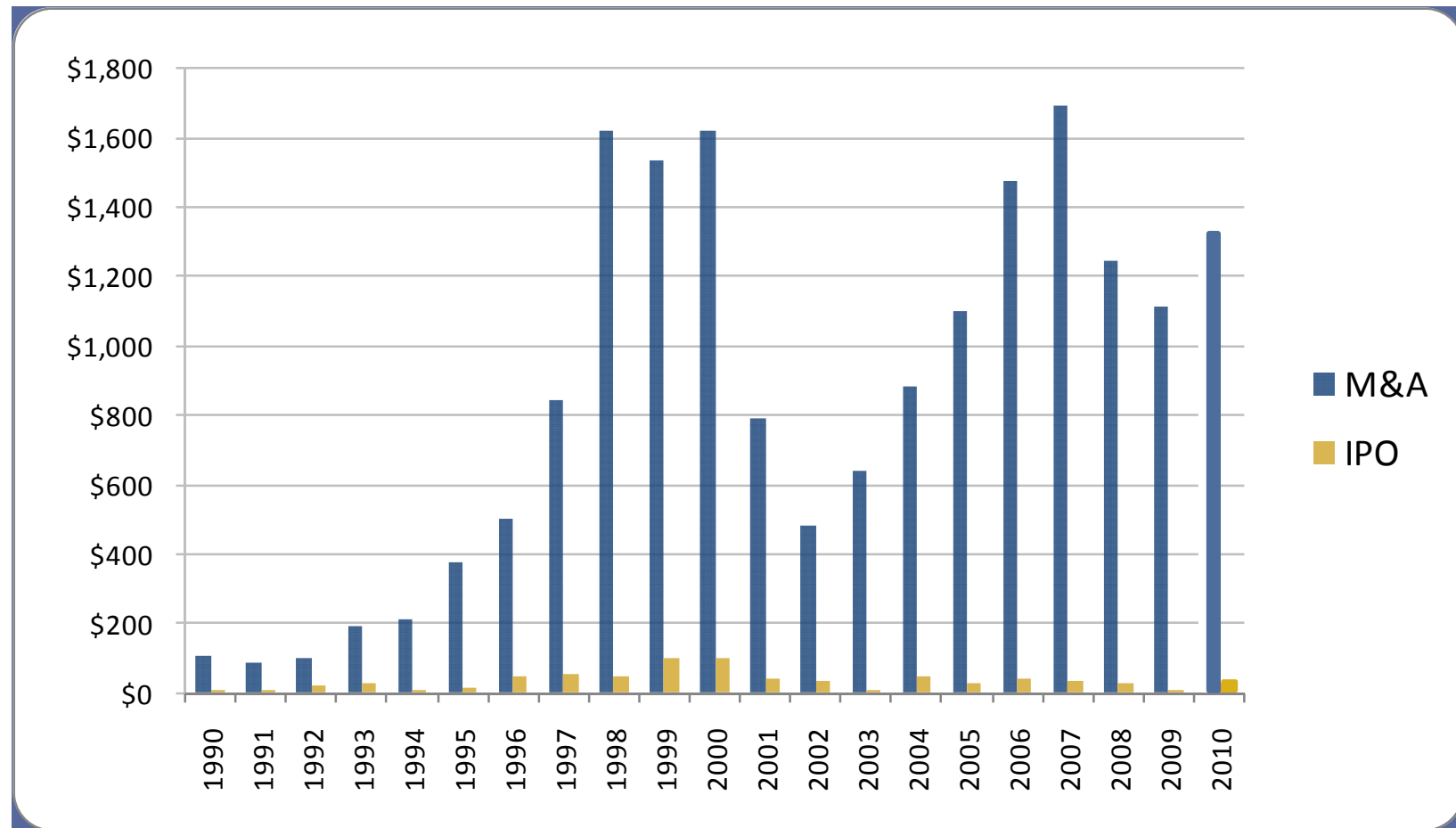
← Danger Zone for IPOs

Current backlog at 498 –  
Highest Level in 10 years



# M&A Is the Primary Source of Liquidity

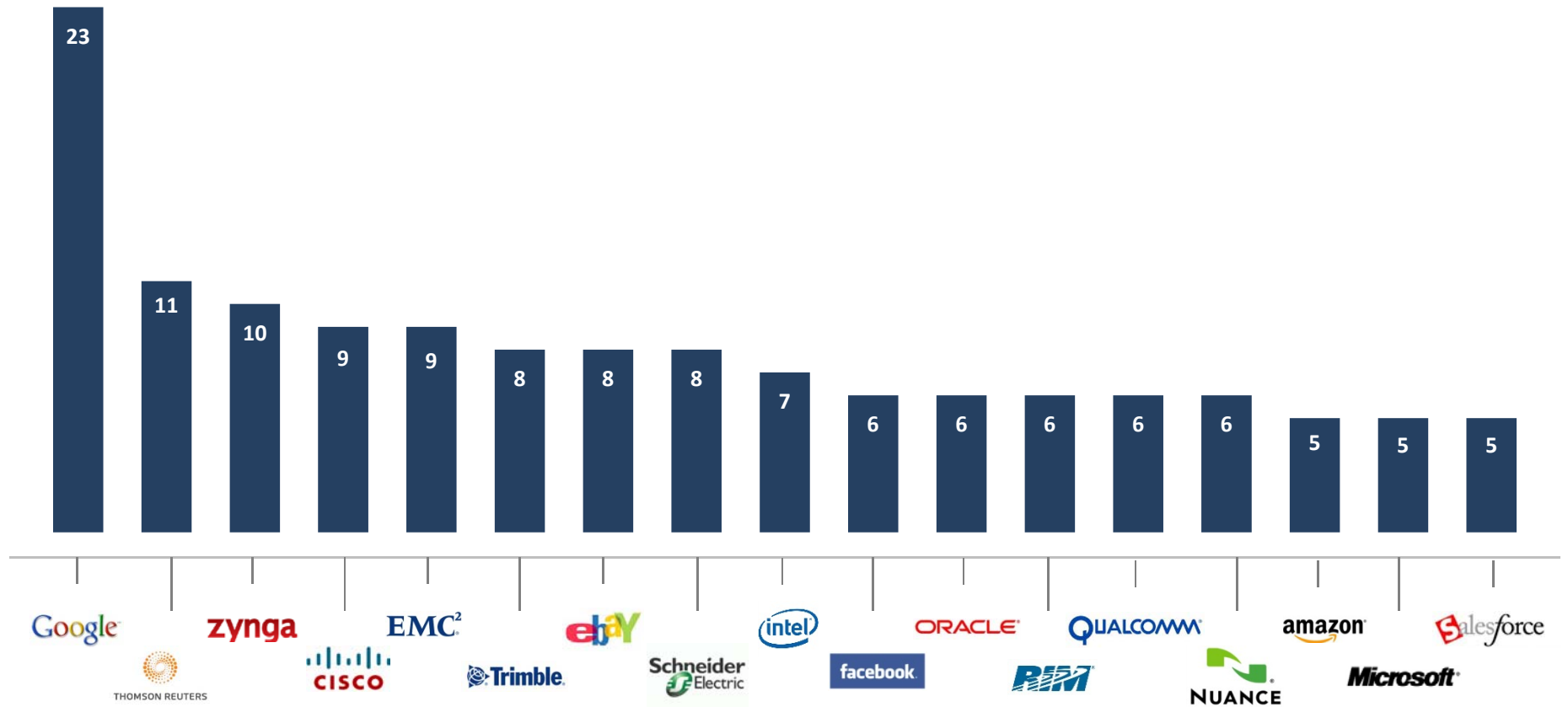
In Dollar Volume (Billions) – All Industries



# M&A – Cash Is King

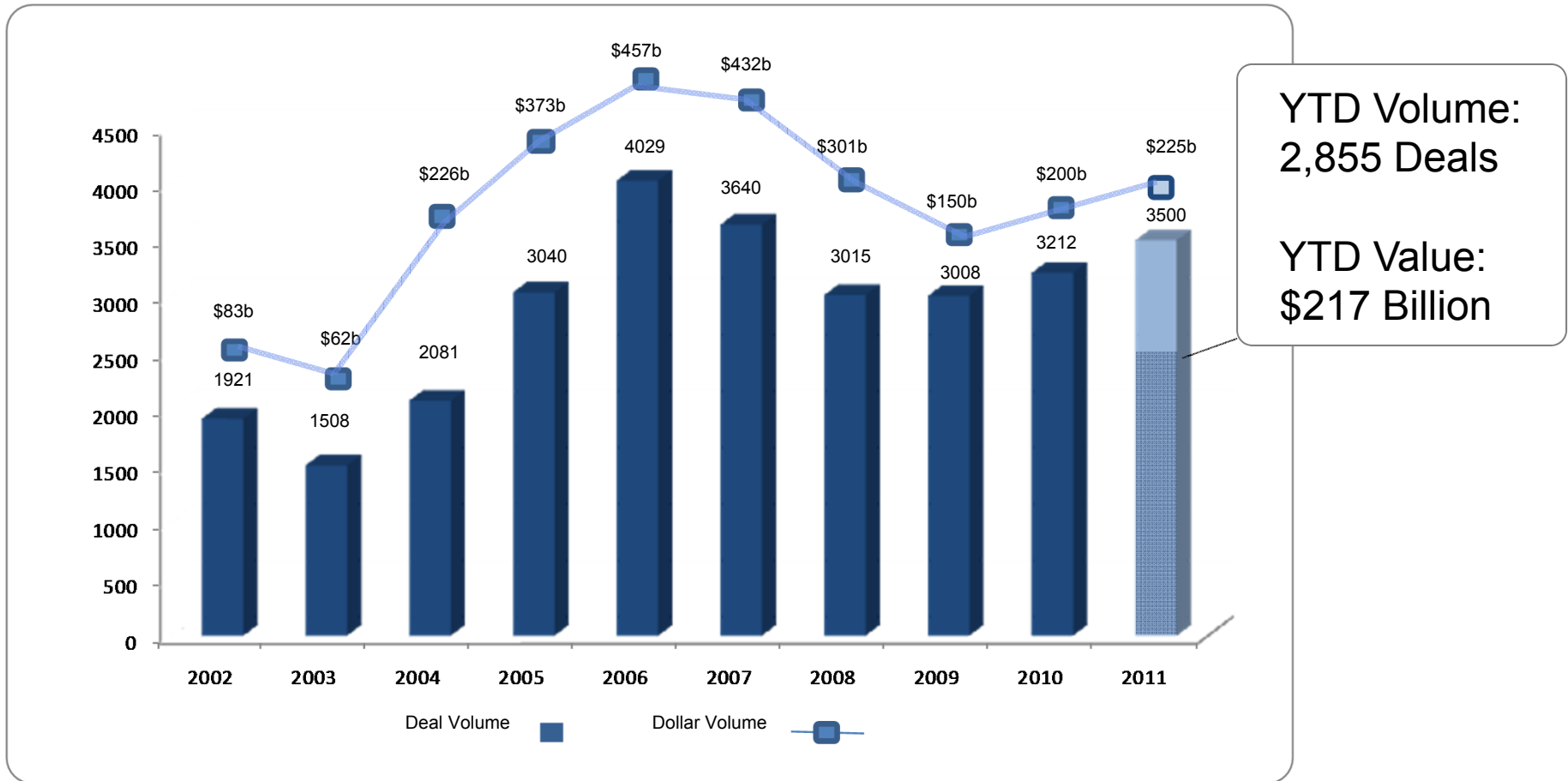
Company	2007	Sept. 2011	% Change since 2007
MSFT	\$6,111	\$51,370	741%
CSCO	\$3,728	\$44,580	1096%
GOOG	\$6,082	\$39,120	543%
AAPL	\$9,352	\$28,400	204%
ORCL	\$6,218	\$28,850	364%
IBM	\$14,991	\$11,790	-21%
HPQ	\$11,293	\$12,950	15%
SAP	\$3,151	\$5,670	80%
EMC	\$4,482	\$5,330	19%
YHOO	\$1,514	\$2,550	68%

# Top Strategic Acquirers: 2011



# Software M&A Activity 2002-2011

## Total Deal Volume vs. Total Deal Value



# Corum Index

## Corum Index

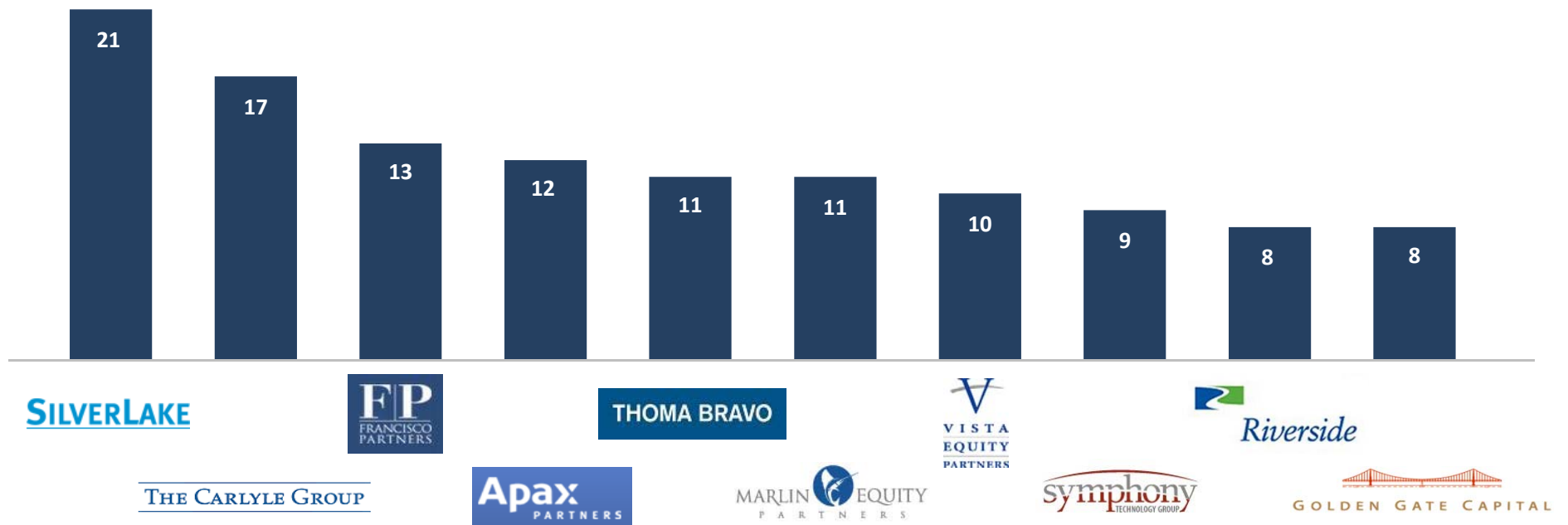
	Q3:10	Q3:11
# of Transactions	791	934
# of Mega Deals	12	11
Largest Deal	\$7,680	\$12,500
% Sub-\$100m	63%	65%
Private Equity Deals	47	52
Private Equity Value	\$4,736	\$8,337
# VC backed Exits	87	179
All Cash (announced)	51%	57%
% Targets were Public	14%	9%
% Public Buyers	46%	49%

\*\$ values in millions

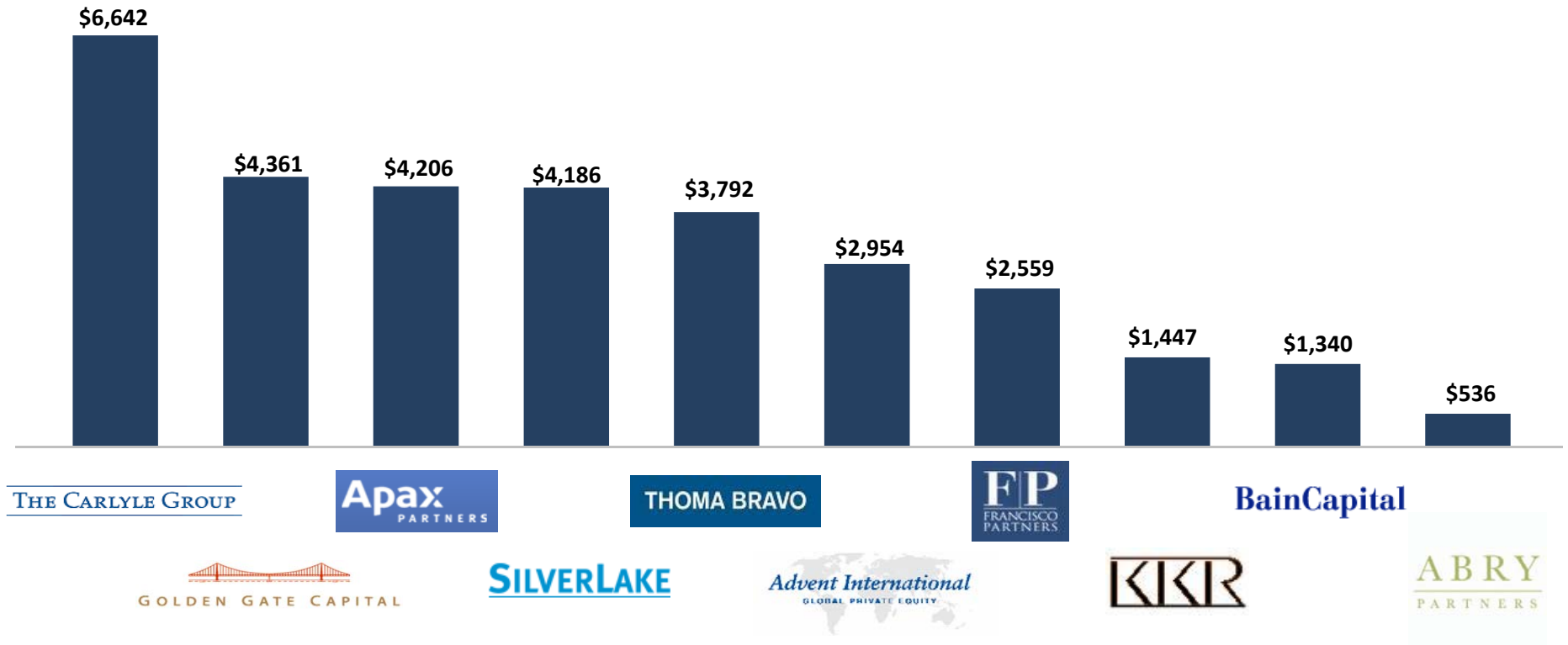
Buyer	Seller	Price
Google	Motorola	\$12.5b
HP	Autonomy	\$11.7b
Broadcom	NetLogic	\$3.9b
Blackstone	Emdeon	\$3.0b
Time Warner	Insight	\$3.0b
Datatel	Sungard Education	\$1.8b



# Top PE Acquirers: Total Deals 2010/2011

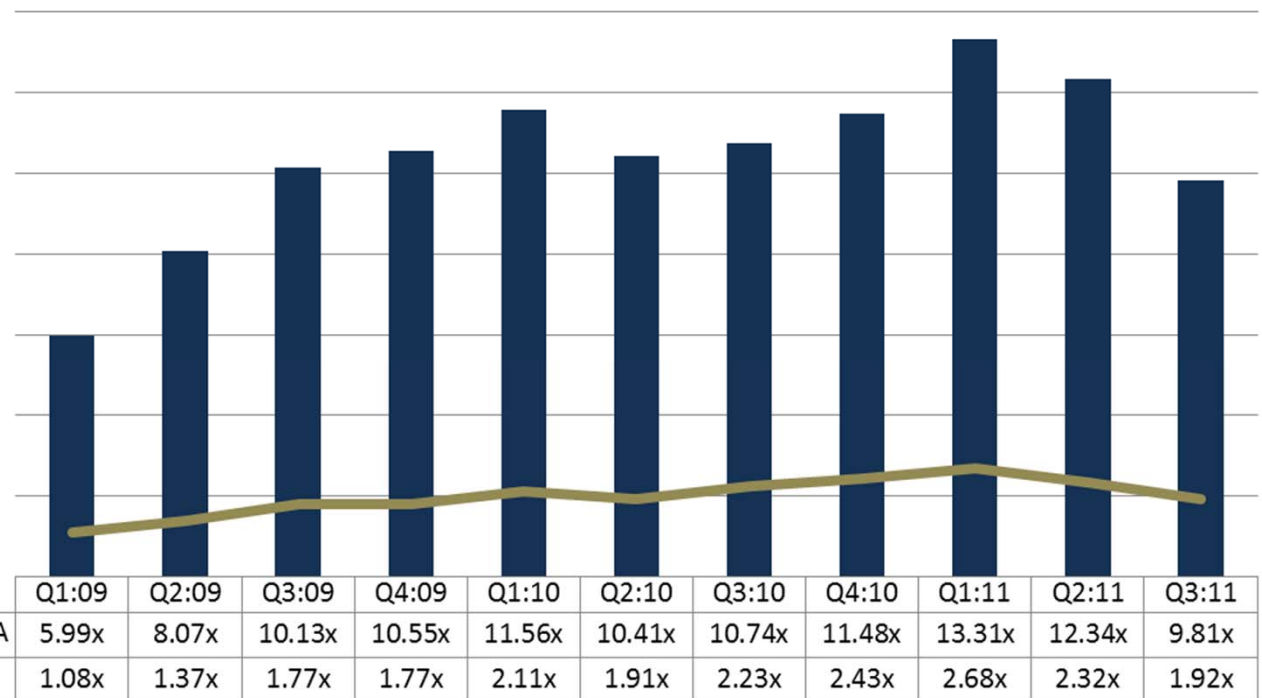


# Top PE Acquirers: Dollar Value 2010/2011



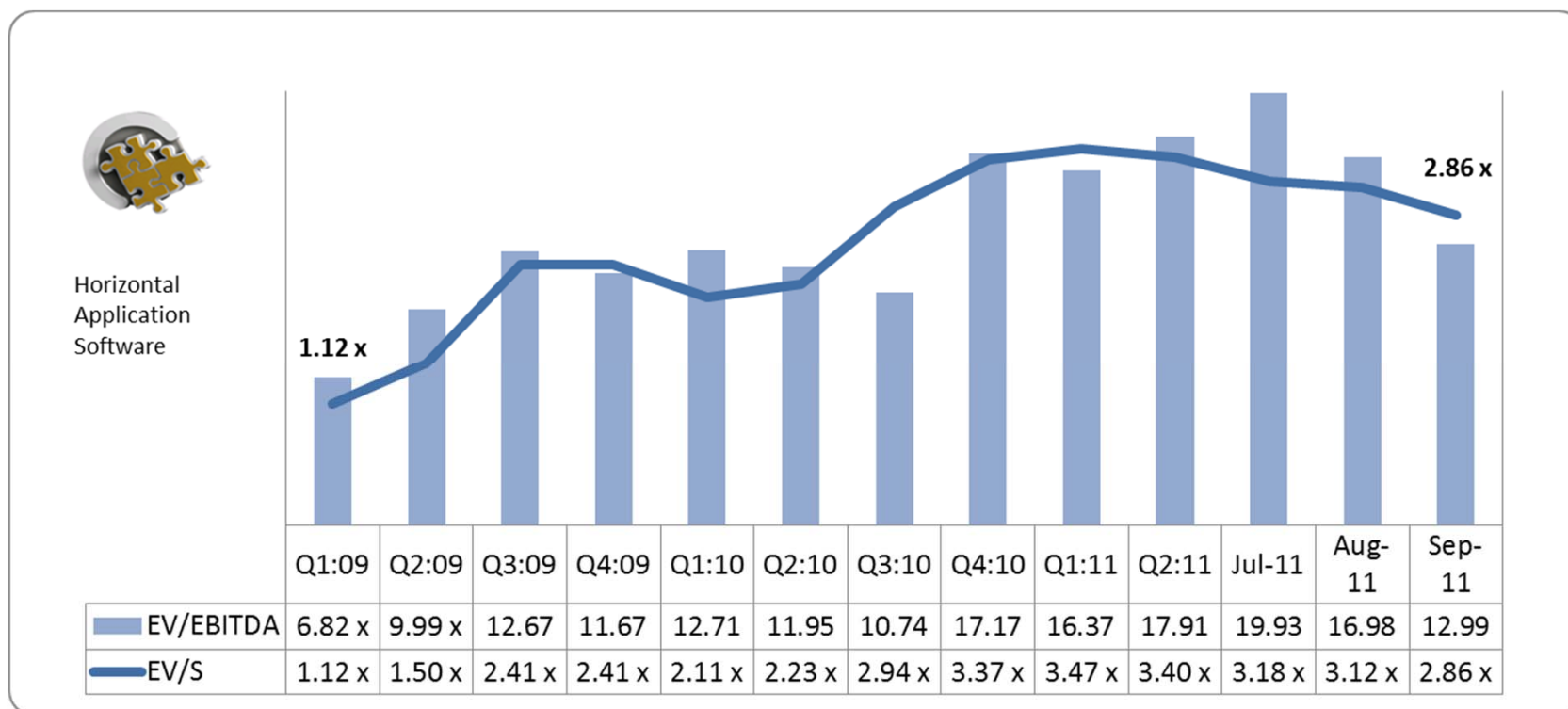
# Corum 6 Markets

## 6 markets



# Horizontal Application Software Market

## Public Valuations



# Horizontal Application Software Market

Business Intelligence	
EV/S	3.75 x
EV/EBITDA	22.00 x

- Informatica Corp.
- MicroStrategy Inc.

Communications	
EV/S	1.64 x
EV/EBITDA	6.47 x

- Amdocs Ltd.
- Nuance Communications

Content Mgmt.	
EV/S	2.88 x
EV/EBITDA	10.06 x

- Open Text Corp.

Human Resources	
EV/S	3.50 x
EV/EBITDA	26.80 x

- Kenexa Corp.
- Taleo Corp.

ERP	
EV/S	2.67 x
EV/EBITDA	5.83 x

- Lawson Software Inc.
- Oracle Corp.

SCM	
EV/S	2.74 x
EV/EBITDA	11.77 x

- SPS Commerce Inc.
- Manhattan Associates Inc.

CRM	
EV/S	4.51 x
EV/EBITDA	19.51 x

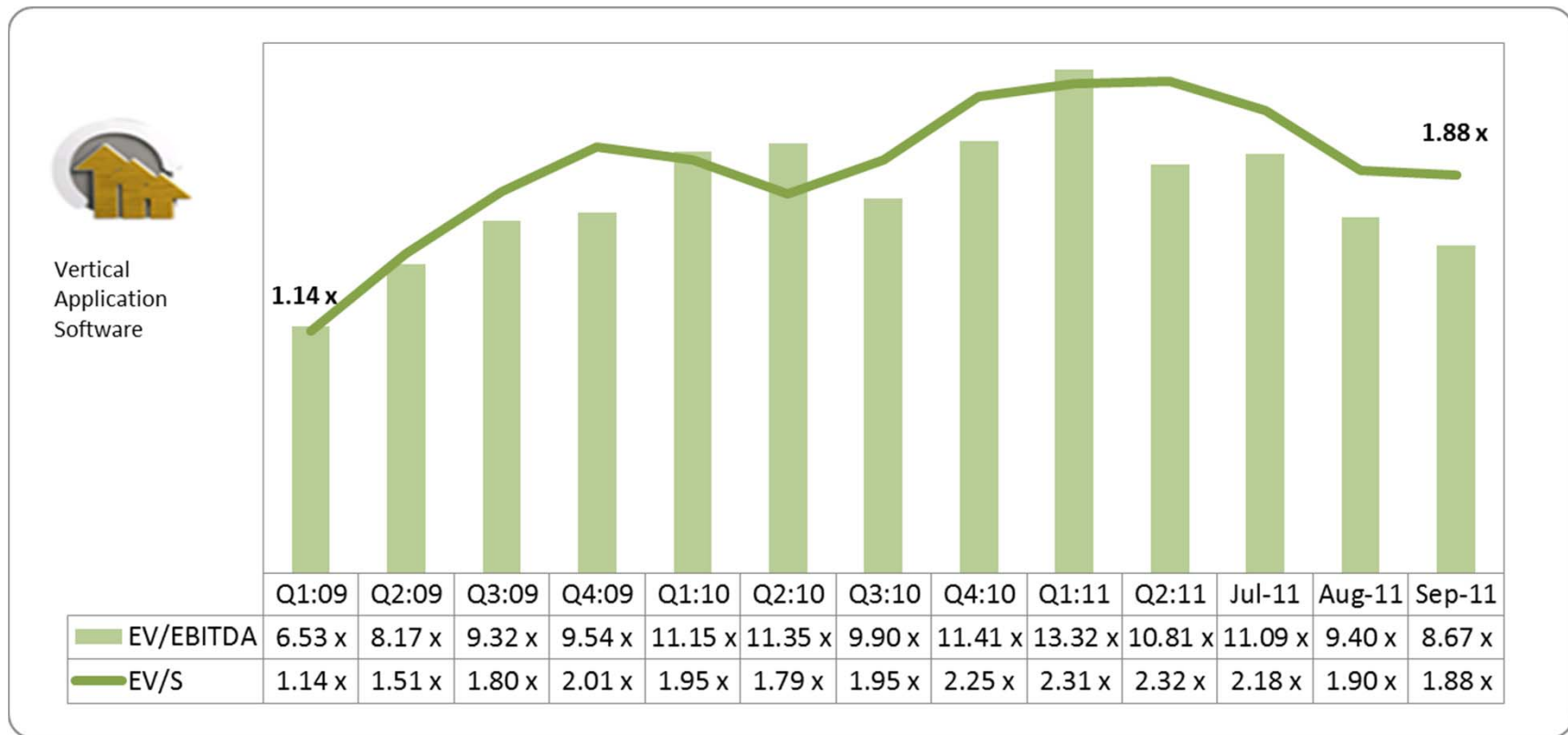
- RightNow Technologies Inc.
- Salesforce.com

Horizontal Other	
EV/S	2.89 x
EV/EBITDA	19.16 x

- Trimble Navigation Ltd.
- Concur Technologies Inc.

# Vertical Application Software Market

## Public Valuations



# Vertical Application Software Market

A/E/C	
EV/S	2.38 x
EV/EBITDA	11.43 x

- Autodesk Inc.
- Parametric Technology

Government	
EV/S	0.59 x
EV/EBITDA	4.94 x

- Harris Corp.
- Lockheed Martin Corp.

Healthcare	
EV/S	1.79 x
EV/EBITDA	8.35 x

- Cerner Corp.
- AllScripts Healthcare Inc.

Financial Services	
EV/S	2.43 x
EV/EBITDA	8.93 x

- Advent Software Inc.
- Fiserv Inc.

Energy & Environment	
EV/S	1.64 x
EV/EBITDA	10.15 x

- Itron Inc.
- Schlumberger Ltd.

Vertical Other	
EV/S	1.97 x
EV/EBITDA	10.48 x

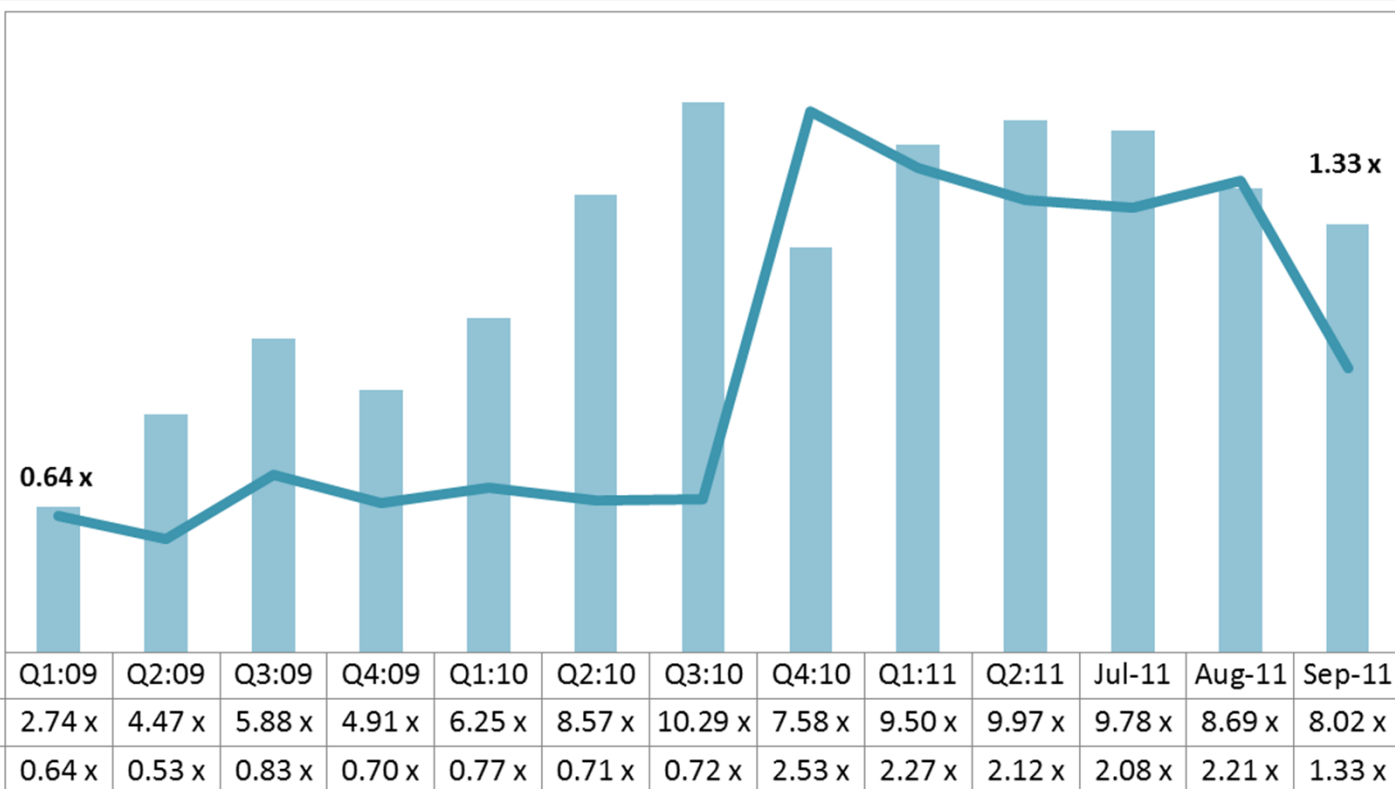
- *BlackBoard Inc.*
- Rockwell Automation Inc.

# Consumer Market

## Public Valuations



Consumer Application Software



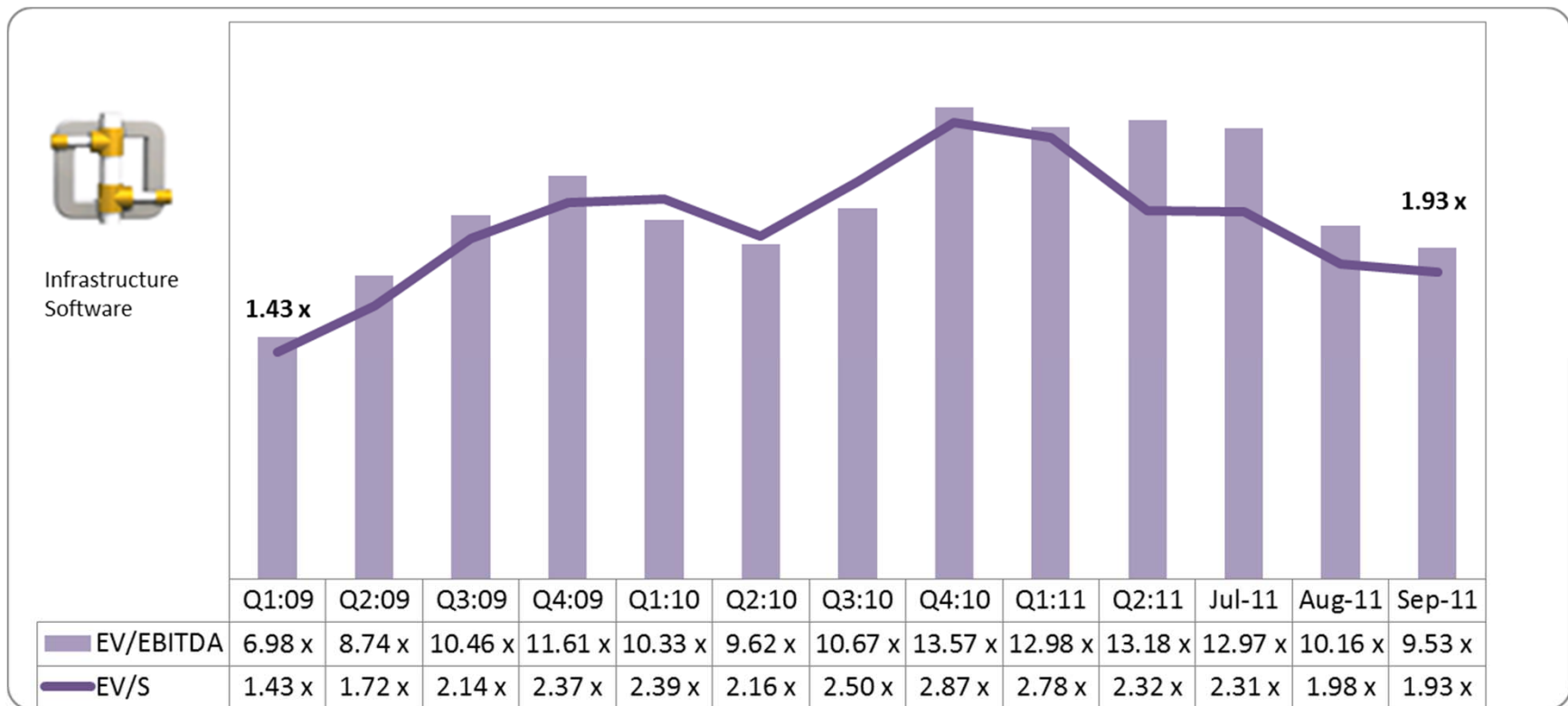
Digital Content	
EV/S	2.46 x
EV/EBITDA	11.89 x

Video Games	
EV/S	1.12 x
EV/EBITDA	5.50 x



# Infrastructure Market

## Public Valuations



# Infrastructure Market

Infrastructure Comm.	
EV/S	1.39 x
EV/EBITDA	6.65 x

- BroadSoft Inc.
- Openwave Systems Inc.

Network Management	
EV/S	1.37 x
EV/EBITDA	5.95 x

- Cisco Systems Inc.
- NetScout Systems Inc.

Storage	
EV/S	1.38 x
EV/EBITDA	9.69 x

- EMC Corp.
- Qlogic Corp.

Development Tools	
EV/S	1.63 x
EV/EBITDA	5.10 x

- Compuware Corp.
- Progress Software Corp.

Security	
EV/S	3.48 x
EV/EBITDA	13.45 x

- Symantec Corp.
- Verisign Inc.

Virtualization	
EV/S	5.18 x
EV/EBITDA	30.30 x

- Citrix Systems Inc.
- VMware Inc.

Legacy/SOA	
EV/S	0.40 x
EV/EBITDA	17.88 x

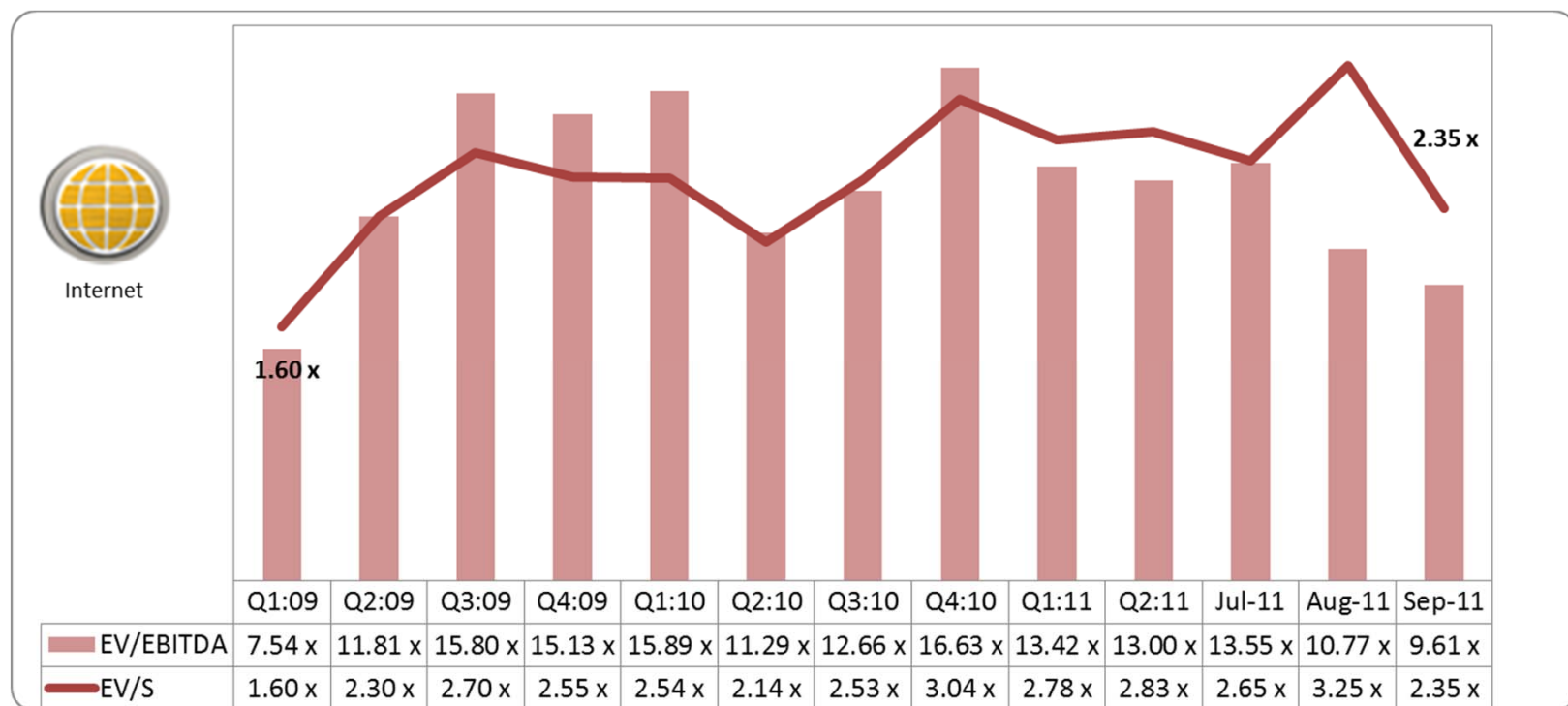
- BluePhoenix Solutions Ltd.
- Tibco Software Inc.

Systems Management	
EV/S	2.06 x
EV/EBITDA	8.73 x

- BMC Software Inc.
- CA Inc.

# Internet Market

## Public Valuations



Internet Infrastructure	
EV/S	1.38 x
EV/EBITDA	8.01 x

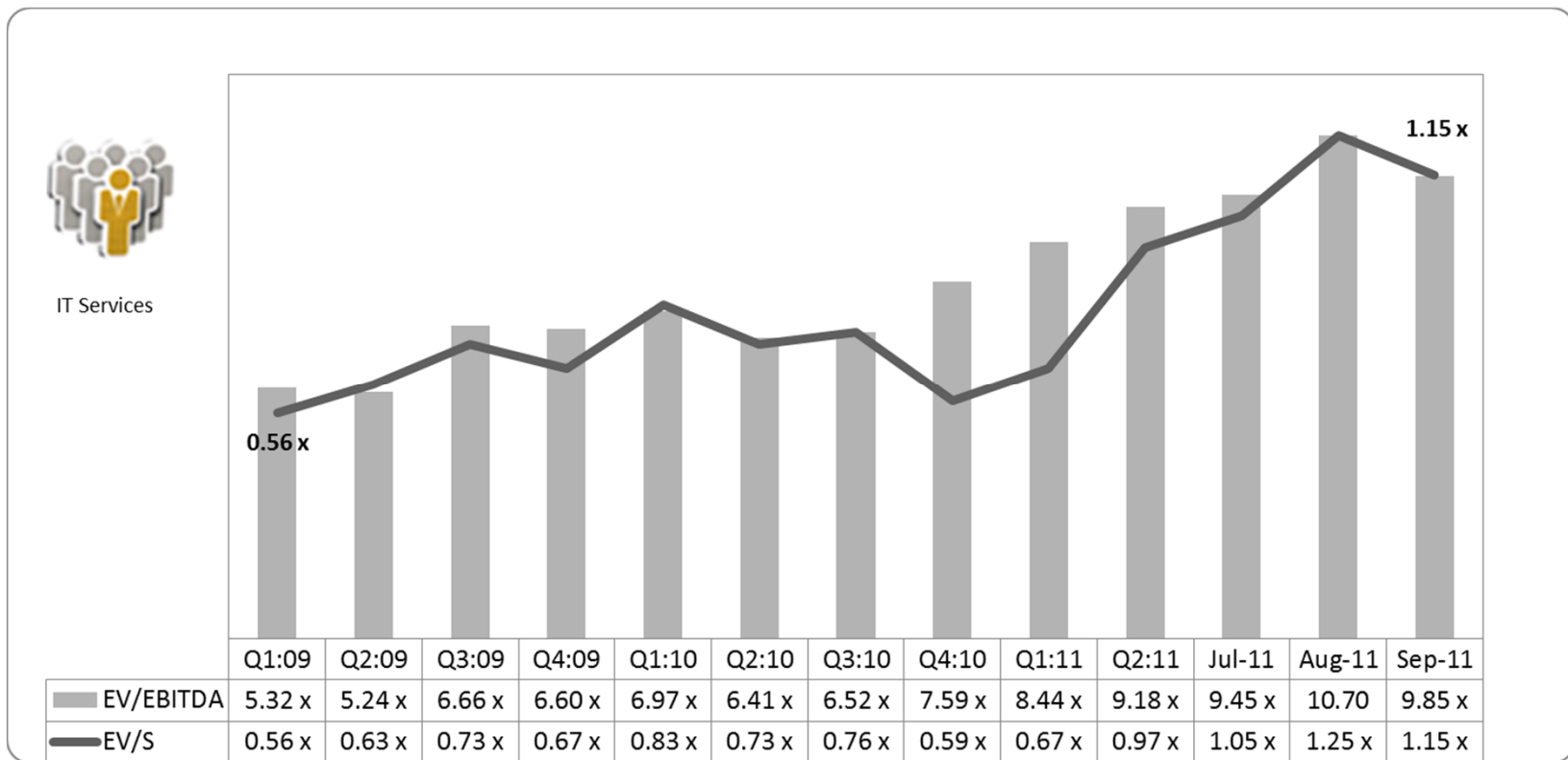
- Akami Technologies Inc.
- Juniper Networks Inc.

Internet Pure Play	
EV/S	2.75 x
EV/EBITDA	10.75 x

- Amazon.com
- Google Inc.

# IT Services Market

## Public Valuations



# Special Report – Amazon



Rob Schram  
Director  
Corum Group Ltd.

Rob has over 30 years of executive and entrepreneurial experience in multiple technologies: integrated circuit testing, industrial process automation and control, communications software, security software, and energy software and services.

Rob founded and sold several companies and engaged in two IPOs. He was most recently CEO of Evergreen Fuel Technologies, Inc. in the energy sector. Rob is a broadly skilled strategic development professional with a proven reputation for targeting, negotiating and developing profitable ventures and a demonstrated ability to successfully analyze an organization's critical business requirements, identify deficiencies and opportunities, and develop innovative and cost-effective solutions for enhancing competitiveness, increasing revenues, and improving customer relationships.

# Special Guest



Raju Gulabani  
VP and General Manager  
Amazon Web Services



Raju Gulabani is Vice President and General Manager at Amazon and part of the AWS leadership team. Prior to joining Amazon in early 2010, Raju was Director of Product Management at Google, where he started and built the Google Apps business – offering Gmail and other cloud-based services to Fortune 500, universities, ISP partners and startup businesses.

Before driving the cloud business at Google, Raju was the CEO and Co-Founder of TeleSym, a Wi-Fi VoIP company, funded by Intel and Siemens. Prior to TeleSym, Raju was with Microsoft, responsible for building new and emerging businesses. Raju has an Executive MBA from the University of Washington, a Masters in Computer Science and a B.S. in Electrical Engineering.

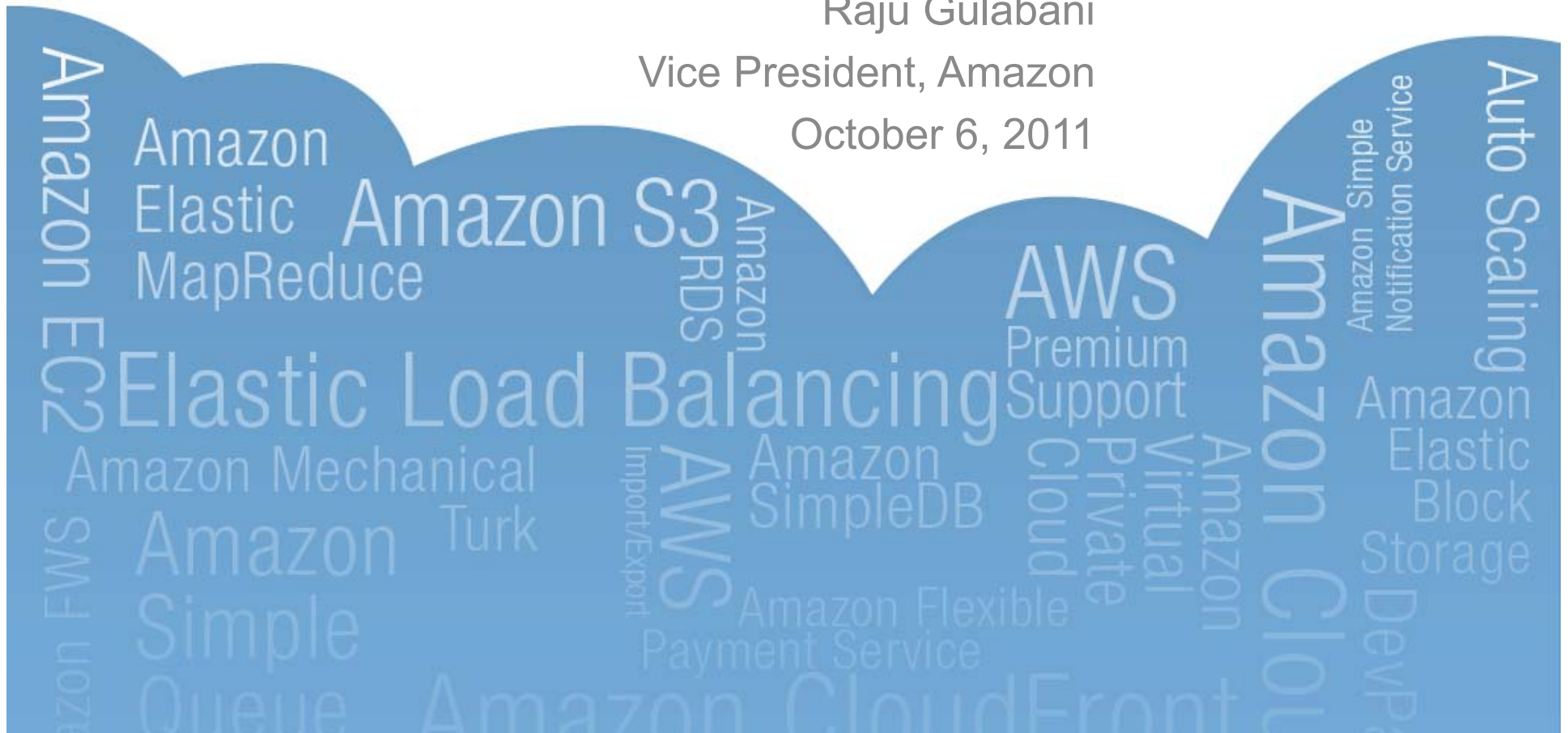


# AWS Overview

Raju Gulabani

Vice President, Amazon

October 6, 2011



# The Cost & Complexity of Infrastructure Slows Down IT

Purchase decisions

Heterogeneous hardware

Server hosting

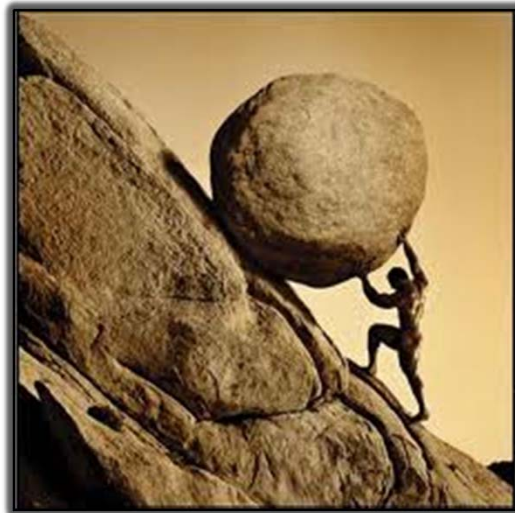
Coordinating large teams

Moving facilities

Legacy software

Contract negotiation

Scaling infrastructure



Bandwidth management

Managing physical growth

**Gartner**

“IT spends 80% of its time and resources keeping the lights on”





# Cloud Computing is a Better Way

No Up-Front  
Capital Expense



Low Variable  
Pricing



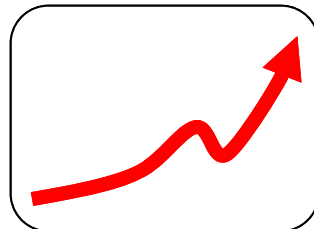
Pay Only for  
What You Use



Self-Service  
Infrastructure



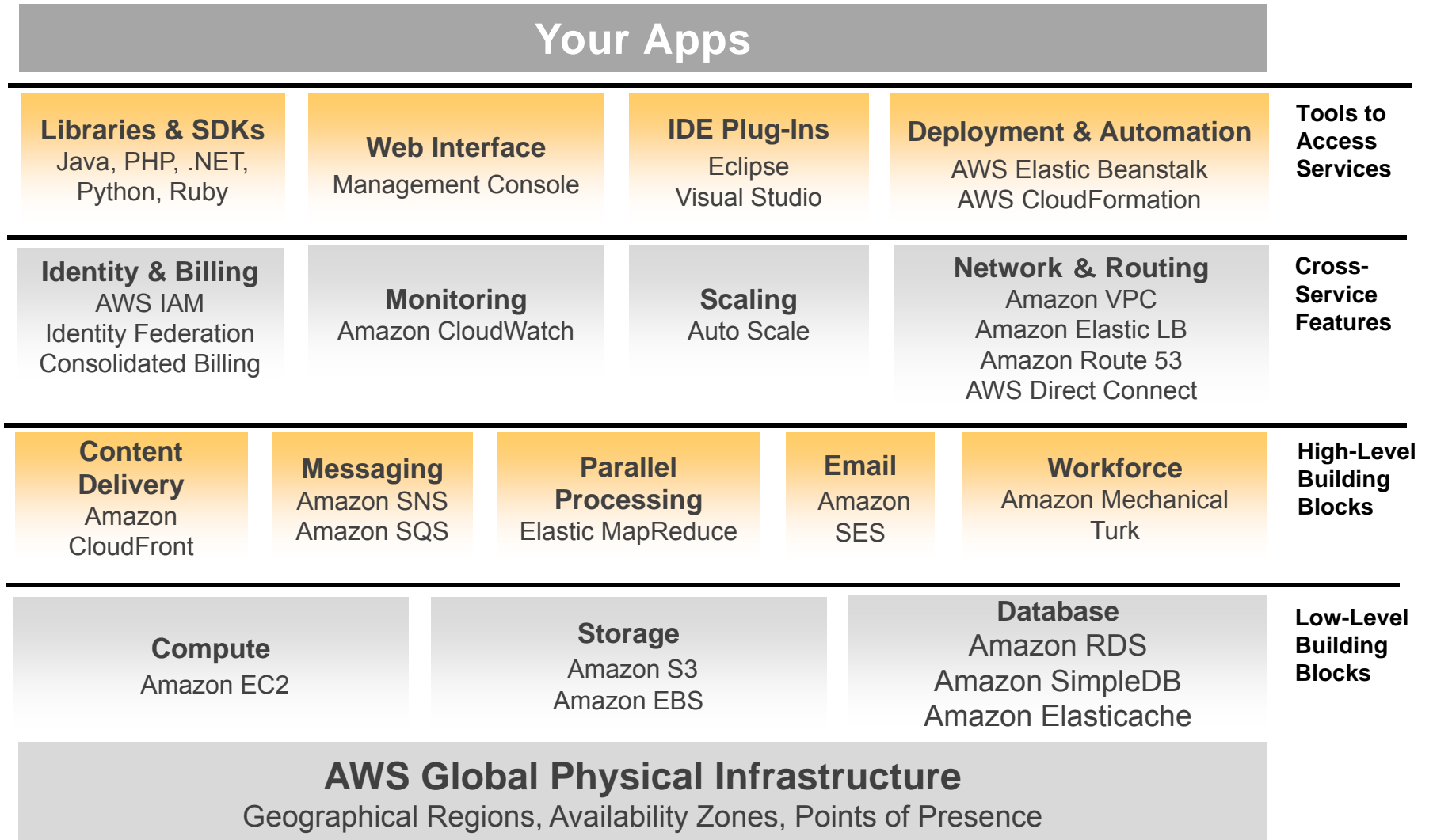
Easily Scale Up  
and Down



Improve Agility &  
Time to Market

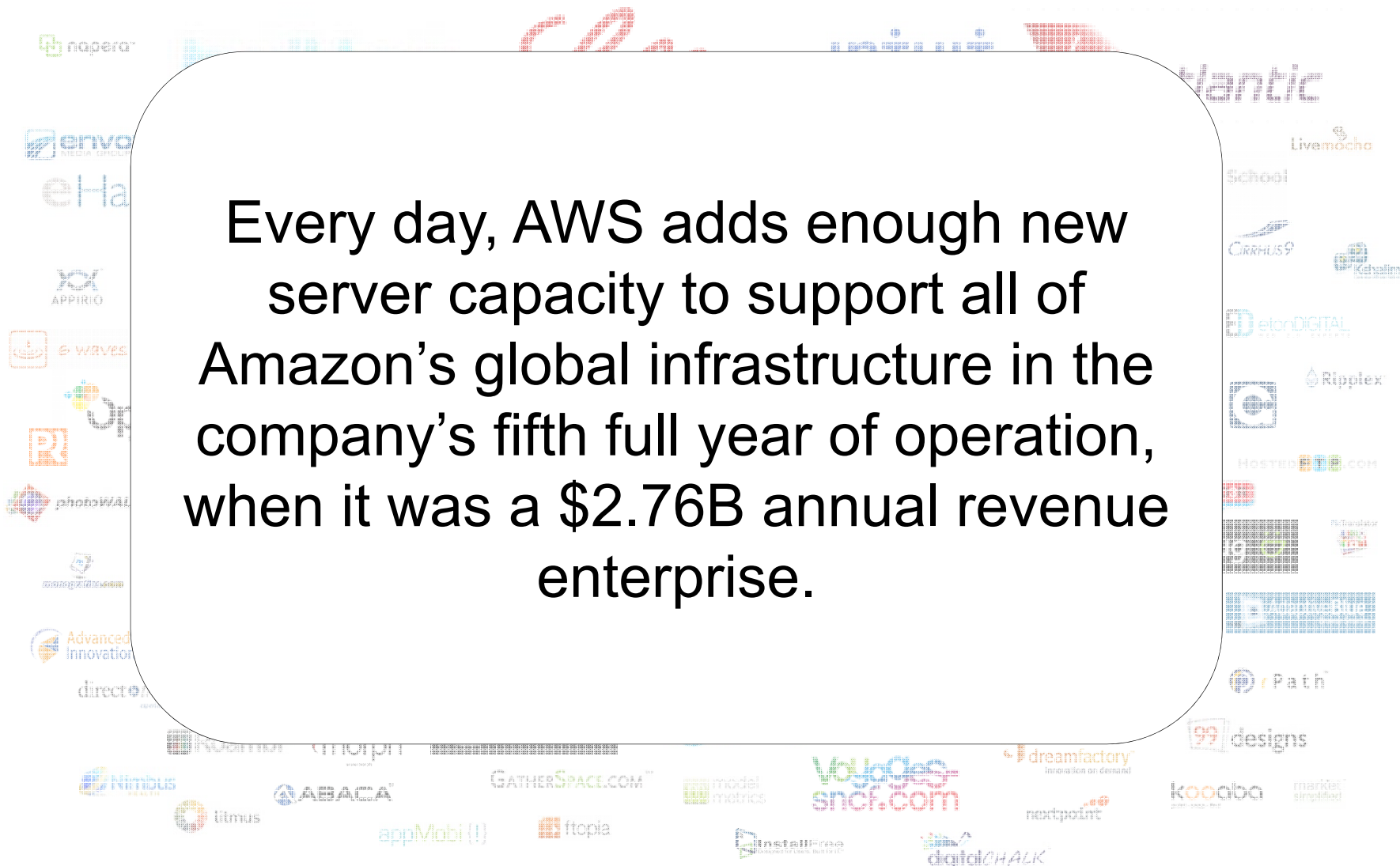


# AWS Platform Services



# The Scale of AWS

Every day, AWS adds enough new server capacity to support all of Amazon's global infrastructure in the company's fifth full year of operation, when it was a \$2.76B annual revenue enterprise.



# Amazon Web Services is the Cloud Computing Leader

Proven at Hundreds of Thousands of Customers in 190 Countries



# AWS Enables New Mobile Architectures



*"Kindle Fire introduces a revolutionary new web browser called Amazon Silk. We refactored and rebuilt the browser software stack and now push pieces of the computation into the AWS cloud. When you use Silk - without thinking about it or doing anything explicit - you're calling on the raw computational horsepower of Amazon EC2 to accelerate your web browsing."*

*- Jeff Bezos, Amazon.com Founder and CEO*



**kindle fire**  
Web, movies, apps,  
games, reading and more



# Thank You!



[gulabani@amazon.com](mailto:gulabani@amazon.com)

twitter: rajugulabani

more info @ aws.amazon.com



# Amazon's Historical Strategy

## Mission Statement

*"We seek to be Earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online."*



# Kindle Fire – Not a “Me-Too” Tablet

The Fire tablet is optimized for the consumption of media from Amazon’s Android App Store



- *Silk* – new proprietary Amazon browser
- Tablet-centric redesign of Amazon web site
- *Amazon Prime* – personalized portal and unlimited FREE storage



# Amazon & Apple



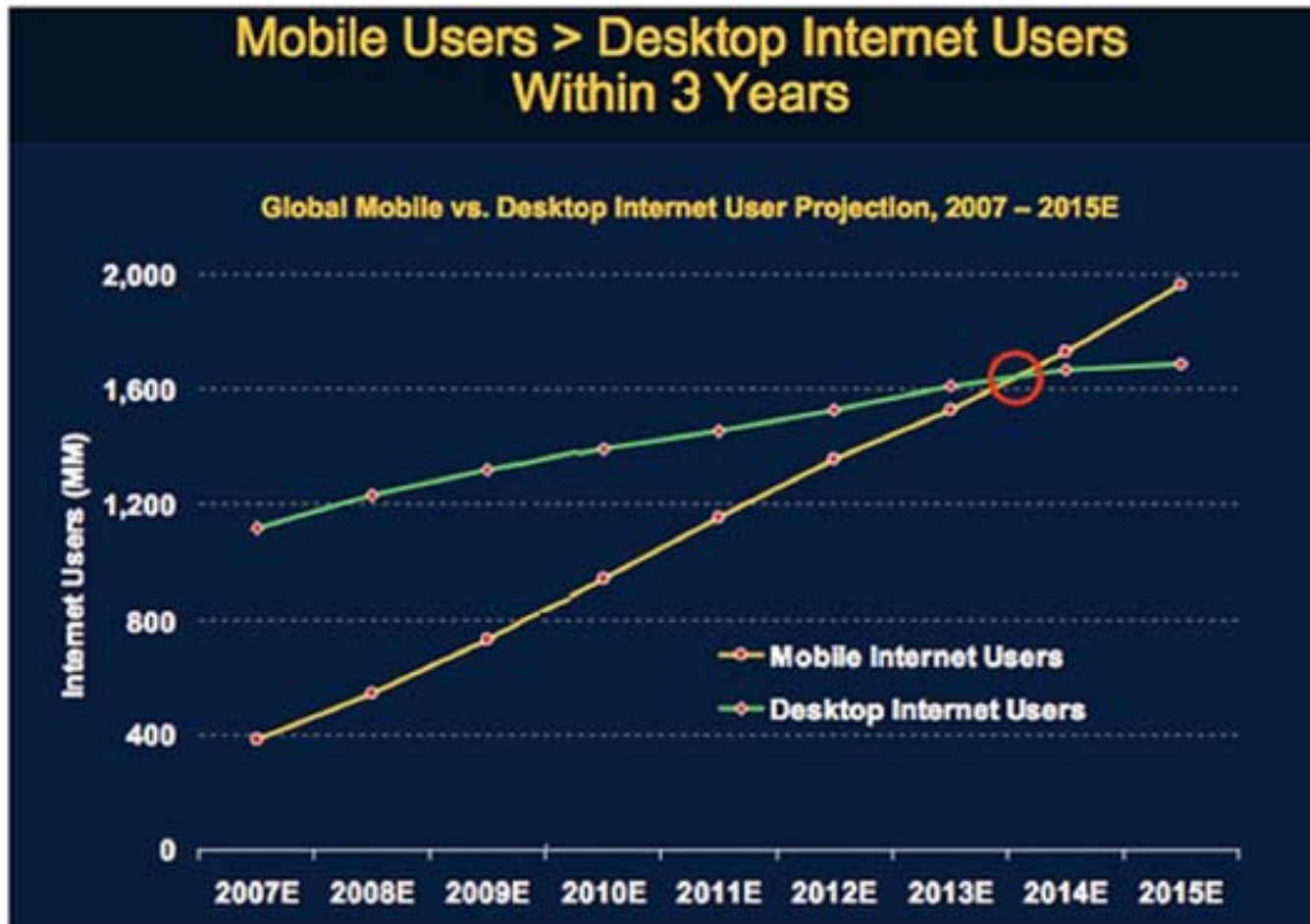
# Platform for Content



# Training Consumers (again)



# Implications: 5bn Connected Devices



# Special Guest



Mark Johnson  
CEO  
Zite

**ZITE**  
INTELLIGENT MAGAZINE



Mark Johnson is CEO of Zite. Mark was an advisor to Zite for almost two years prior to taking the CEO role. He was instrumental in the pivot from Worio to Zite. He brings a strong product and technology background with experience at several successful search startups: Powerset (natural language search, acquired by Microsoft), Kosmix (categorized search, acquired by Walmart), and SideStep (travel search, acquired by Kayak). Most recently, he led product at Bing in San Francisco. Mark's passion and mission at Zite is to change the way people discover and browse content.

# Special Guest



Mansour Salame  
Chairman  
Contactual



Mansour Salame is Chairman of Contactual, formerly CEO. Mansour founded Contactual (then named White Pajama) in 2000 and raised \$40M+ within the first year. Mansour bought back White Pajama and renamed it Contactual, grew the company to profitability through direct sales and channels/partner sales. Contactual was acquired by 8x8, the leading provider of Cloud solutions with over 26,000 business as customers. The phenomenal combination provided a successful exit and a huge upside as 8x8 executes its Cloud/SaaS strategy.

# Upcoming Corum Events

- |          |  |          |   |
|----------|--|----------|---|
| Oct. 7:  | <b>London</b> – MB                     | Oct. 25: | <b>Boston</b> – SUSO                    |
| Oct. 13: | <b>October Webinar<br/>Rebroadcast</b> | Nov. 3:  | <b>Tech M&amp;A Monthly<br/>Webinar</b> |
| Oct. 18: | <b>Tampa Bay</b> – MB                  | Nov. 10: | <b>Edinburgh</b> – MB                   |
| Oct. 19: | <b>Raleigh, N.C.</b> – MB              | Nov. 17: | <b>London</b> – SUSO                    |
| Oct. 20: | <b>Washington, DC</b> – MB             | Nov. 17: | <b>Seattle</b> – SUSO                   |
| Oct. 20: | <b>Copenhagen</b> – SUSO               | Nov. 23: | <b>Oslo</b> – MB                        |

**Merge Briefing (MB)** - Regional update and overview of tech M&A

**Selling Up Selling Out (SUSO)** - The definitive educational conference on how to prepare, position, research, value and negotiate for the sale or merger of your company

[www.CorumGroup.com/Events.aspx](http://www.CorumGroup.com/Events.aspx)

# November 3 – Tech M&A Quarterly Report

- Market Update
- Cash Flood!
- Corum Index
- “Mobile Madness”
- Japan’s Buying
- Patents
- Sellers Panel
- Q&A

<https://mergersandacquisitions.webex.com>



**Steve Jobs**  
1955-2011

