

CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

M&A Monthly – May 2011

Cloud Strategy, “Patent Power”, Nimbus Sellers

Thursday, May 5, 2011
10:00 am PT

Introduction



Ward Carter
Chairman
Corum Group Ltd.

Corum's former President and now Chairman, Ward Carter's technology background includes a variety of management positions with the Burroughs Corporation (later Unisys). Then, as vice president of a Wall Street investment firm and as principal in a regional venture firm, he raised capital for ventures in computer hardware, software, and biotechnology. As an executive for a Seattle-based archival storage software company, he attracted venture capital and assisted with the eventual acquisition of the company by a larger competitor. As president of InfoMatrix, and later Discovery Sales + Marketing, Ward provided strategic consulting support to emerging software companies.

He joined Corum in 1997, has successfully managed numerous software company mergers and acquisitions worldwide, was appointed President in 2006 and Chairman in 2010. He graduated with Honors from Seattle University with a B.A. in Business.

Agenda

- Market Overview
- “Patent Power”
- Corum Index
- William Fellows – 451 Group – Cloudscape
- Cloud Valuations
- Nigel Thompson – CloudSync
- Jeff Hook – Fellowship Technologies
- Q&A

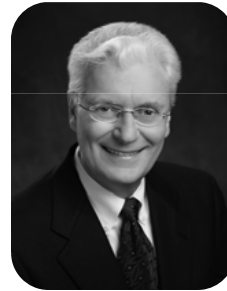
Presenters



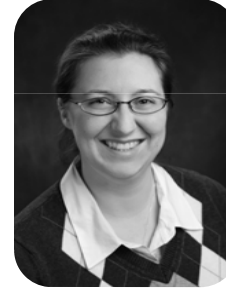
Ward Carter
Chairman
Corum Group Ltd.



Bruce Milne
CEO
Corum Group Ltd.



Elon Gasper
Director
World Technology Council



Amber Stoner
Senior Analyst
Corum Group Ltd.



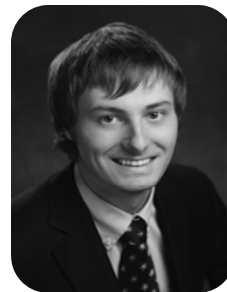
Alina Soltys
Analyst
Corum Group Ltd.



John Melotte
Chairman
"Cloud in Europe"



William Fellows
VP Research EMEA
451 Group



Dougan Milne
Vice President of Research
Corum Group Ltd.



Nigel Thompson
Founder & CEO
CloudSync



Jeff Hook
CEO
Fellowship Technologies

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 May 12, 12:30am PT, and 8:00am PT
 - See “Conferences and Events” at MergersAndAcquisitions.webex.com
- If any audio problems today
 - Dial +1.408.792.6300
 - Enter meeting event number: 669 419 978

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

Market Overview



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.

Asia

- China Inflation 'Somewhat Out of Control' – George Soros
- Asia Seeks to Diversify Record Foreign Exchange as Dollar Falls
- China Growth May Moderate as Manufacturing Index Slips
- Huawei \$30B China Credit to Open Doors in Brazil, Mexico
- Industrial Output in India Unexpectedly Slows to 3.6%

International

- Euro Approaches 18-Month High vs. Dollar
- Germany Reignites Debt Concerns With Greek Warning as Portugal Seeks Aid
- Russia's Manufacturing Has Biggest Drop Since 2008 as Ruble Strength Hits Exports

United States

- Standard & Poor's Puts 'Negative' Outlook on U.S. AAA Rating
- U.S. Economy Rises for 21st Straight Month – Gain Fueled by Lower Dollar
- U.S. Consumer Confidence Rises As Job Market Recovers
- U.S. Deficit Will Expand to Largest Among Major Economies, IMF Says
- IMF Cuts U.S. Growth Forecast on Oil, 'Lackluster' Jobs Pace
- Industrial Production in U.S. Up 0.8% in March, More Than Estimated

Real Estate

- Houses Prices Ebb Further as Industry Struggles
- U.S. New-Home Sales Rose 11.1% in March
- April Builder Sentiment Lower
- Homebuilder Confidence Fell This Month on Sales Outlook – NAHB
- Foreclosure Activity Up – Mess Will Last for Years

Commodities/Currencies

- Forecasters: Dollar Weakness to Persist as Fed Stimulates
- Venezuela Raises Some Food Costs 48% Amid Inflation Surge
- Inflation Cooled in March Outside of Food, Fuel
- Canada Seen Rebounding as Currency of Choice
- Silver, Gold Futures Dropping as Soros Reported to Have Sold
- Pimco Bets on Weaker Euro, Stronger Won, Aussie, Singapore Dollar

Technology

- Cisco to Close Flip Video-Camera Business as Part of Revamp
- Microsoft Needs to Accelerate Product Development, Co- Founder Allen Says
- Apple iPad to Dominate Tablet Market through 2015, Gartner Says
- Renren IPO yields 122x Sales Value vs. Facebook at 25x
- Google Faces Android Antitrust Complaints in South Korea

Webinar Headline News

- Amazon Meltdown Underscores Cloud Concerns
- Cisco Told to Pay \$63.8 Million in Commil Patent Verdict
- Google Offers \$900 Million for Nortel's Wireless Patents as Lead Bidder
- Samsung Sues Apple as Patent Dispute Deepens
- SAP Says Amazon Crash Hampers Its Late Push into the Cloud
- RPX Considering Bid for Nortel's 'Nuclear Weapon' of Technology Patents

“Patent Power”



Elon Gasper
Director
World Technology Council

Elon Gasper holds 9 patents for his software innovations and was a finalist for the Fleugelman Award, the only personal achievement award given by the Software Publishers Association. He has also won a Traditional Game of the Year, a Best Practices for Product Innovation, a COMDEX Envision and a Codie, the retail software 'Oscar'. His background also includes faculty, staff and appointed positions at UCLA, MSU, UW, and Cal. State; Chief Technologist and VP Engineering for Sierra Online; Systems Programmer at DataPoint's Advanced Technology Center; contributions to enzymology and other biomedical research.

Elon has participated in several startups, including as sole Founder of animation pioneer Bright Star Technology, Inc., where he was Chairman and CEO until its acquisition by leading game developer Sierra OnLine in the early '90s. Besides active engagements with patent matters and M&A, Elon's other interests also include Web and mobile app design and development, domain strategies, search engine marketing. He also serves on Advisory Boards of the University of Washington. Elon earned his MS in Computer Science and BS in Biochemistry from Michigan State University.

Patents as an Asset

- Patents now a business asset
 - Nortel, Google PageRank, Amazon One-Click
- Increasingly driving midrange M&A
- Affecting all phases:
 - Valuation
 - Negotiation
 - Due Diligence
- International increasingly important
- Costs

Patent Value in Transactions

- Recent examples
 - Google – Zetawire: pending e-wallet patent
 - Google – WideVine: 60+, mostly video patents
 - Facebook – Friendster: 18, with social media
 - Microsoft – Canesta: 44+, 3D/Kinect/Xbox
- Anticipate areas of strategic value
- Impose barriers to entry
- Win markets with products first, not suits

Patents in Negotiations

- Lack of patents not just a blank line item
- Evidence of innovation and value
- Burden shifting to seller to justify if none

Patents Due Diligence

- Must support, not undermine, business utility
- Plus usual documentation:
 - Contracts
 - Invention assignments, in hand & filed
 - Maintenance fees current and shown that way at all patent offices
- Ready support for claims challenges

International Patent Issues

- Increasing importance
- Europe moving toward a unified court system
- PACE program provides accelerated examination in a way the U.S. does not address
- Chinese patent enforcement becoming more consistent
- Little chance of BRIC patents impacting M&A
- Increased expense

Corum M&A Update



Alina Soltys
Analyst
Corum Group Ltd.

Contact:



in/soltysa



alina.soltys



alinas@corumgroup.com

Alina joined Corum Group in 2010, located out of their Seattle headquarters. Prior to this, she worked as an Acquisitions Specialist at a real estate development firm specializing in acquiring multi-family properties. Alina analyzed specific target markets for opportunities, valued apartment buildings, presented offers to owners, participated throughout the negotiations as well as analyzed current and pro-forma figures. She also served as an intern at the newly formed Mergers and Acquisitions Group within Colliers International where she contributed in marketing, finance as well as strategic growth and positioning.

Alina graduated with Honors from the Foster School of Business at the University of Washington, specializing in Finance and Entrepreneurship.



Amber Stoner
Sr. Analyst
Corum Group Ltd.

Contact:



in/amber-stoner

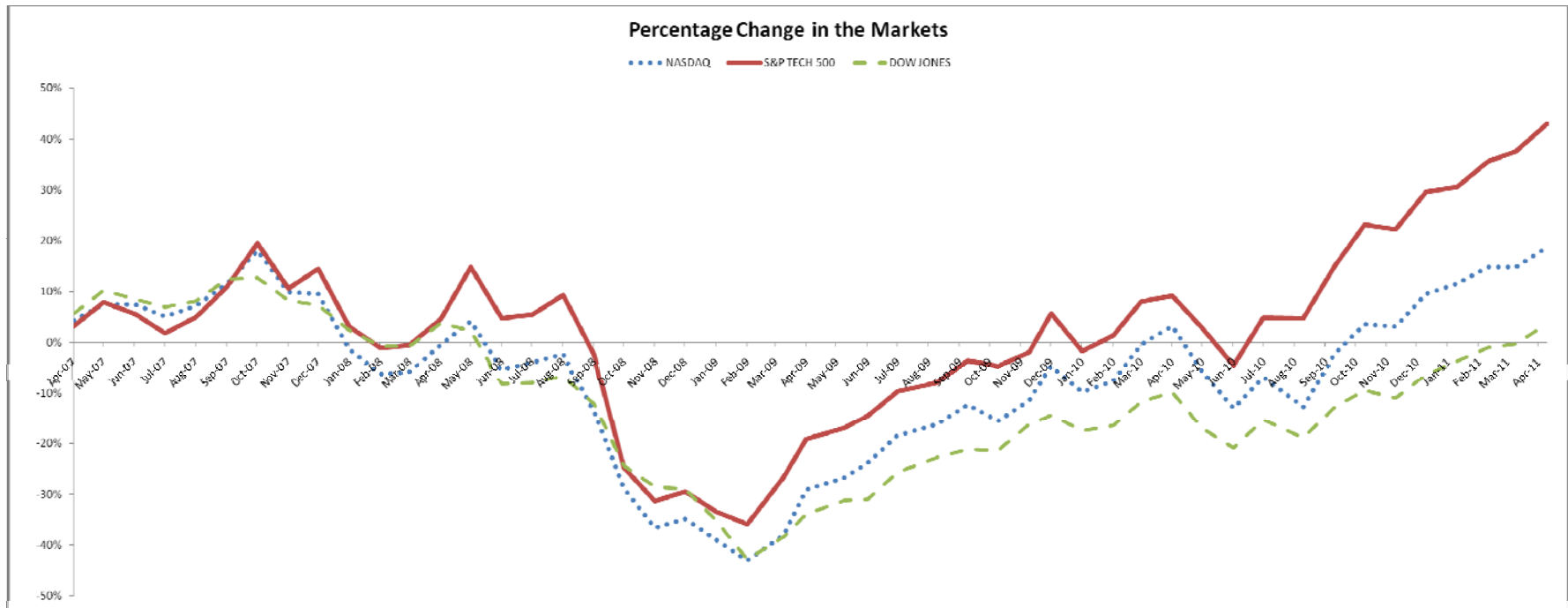


ambers@corumgroup.com

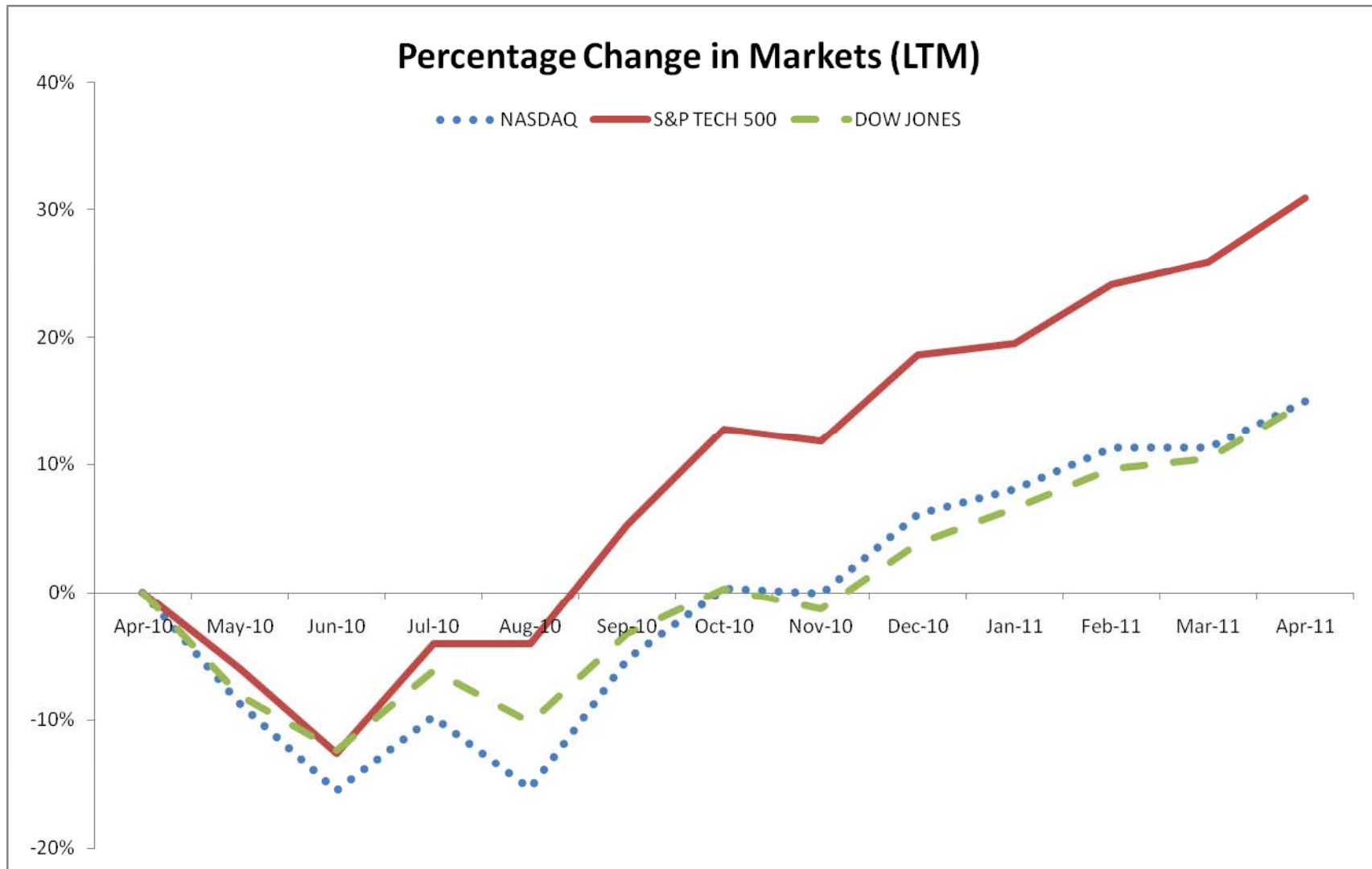
Amber joined Corum in 2005 and serves as one of Corum's Research Analysts. She is primarily focused on building target buyer lists for clients, both domestic and international.

Prior to joining Corum, Amber was an Assistant Manager of a regional sales office for a direct sales company. She also worked in the research department of the Evergreen Aviation Museum in McMinnville, OR while attending Linfield College where she earned a B.A. in History.

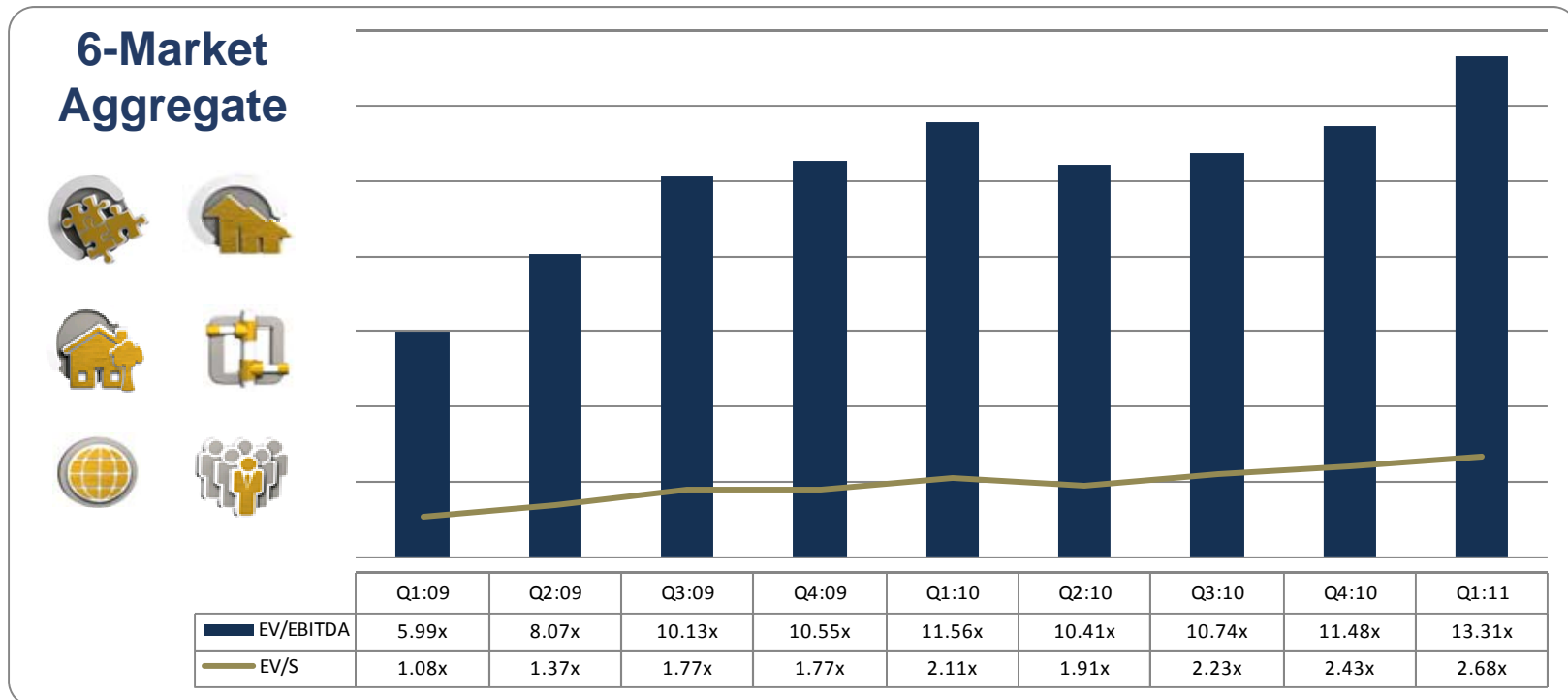
Public Market Performance



Public Market Performance



6-Market Aggregate



Horizontal, Vertical, Consumer, Internet, Infrastructure, IT Services

Corum Index

Corum Index

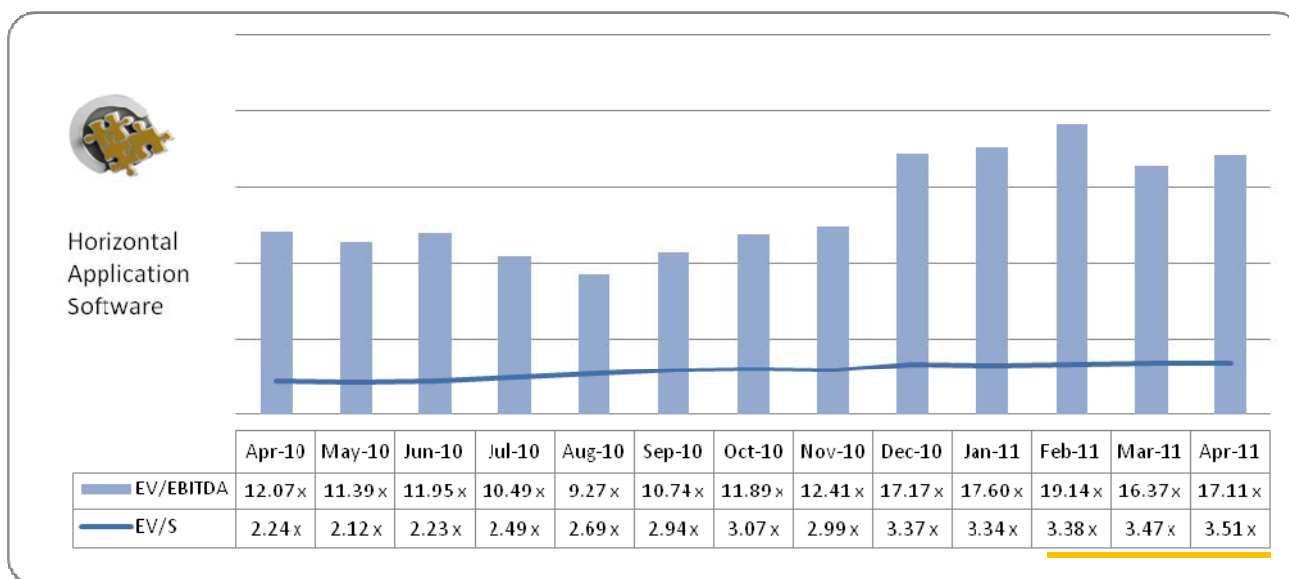
	April 2010	April 2011
# of Transactions	253	282
# of Mega Deals	4	7
Largest Deal	\$2,000	\$6,500
% Sub-\$100m	64%	59%
Private Equity Deals	6	13
Private Equity Value	\$863	\$6,716
# VC backed Exits	36	52
All Cash (announced)	59%	61%
% Targets were Public	13%	15%
% Public Buyers	50%	53%

*\$ values in millions

Buyer	Seller	Price
Texas Instruments	Ntn'l Semicond.	\$6.5b
CenturyLink	Savvis	\$2.5b
Level 3	Global Crossing	\$1.9b
Providence Equity	SRA Int'l	\$1.8b
Apax	Activant	\$1.0b

Horizontal Application Software Market

Public Valuations



Deal Spotlight:

Sector: Human Resources

Target: Plateau

Buyer: SuccessFactors

Transaction Value: \$290m

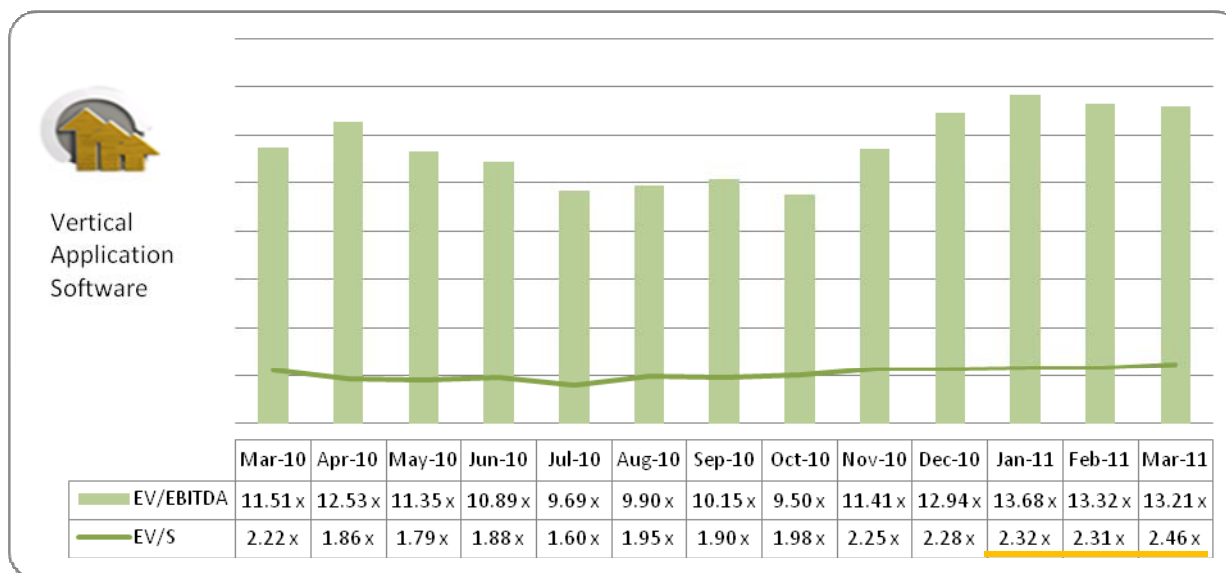
Structure: 50% cash, 50% stock, 4.8x EV/S

Comments:

- Leading learning management system
- Positioned to be leader in HCM cloud-based SaaS market
- Builds on core BizX solution

Vertical Application Software Market

Public Valuations



Deal Spotlight:

Sector: Education

Target: SchoolNet

Buyer: Pearson

Transaction Value: \$230m

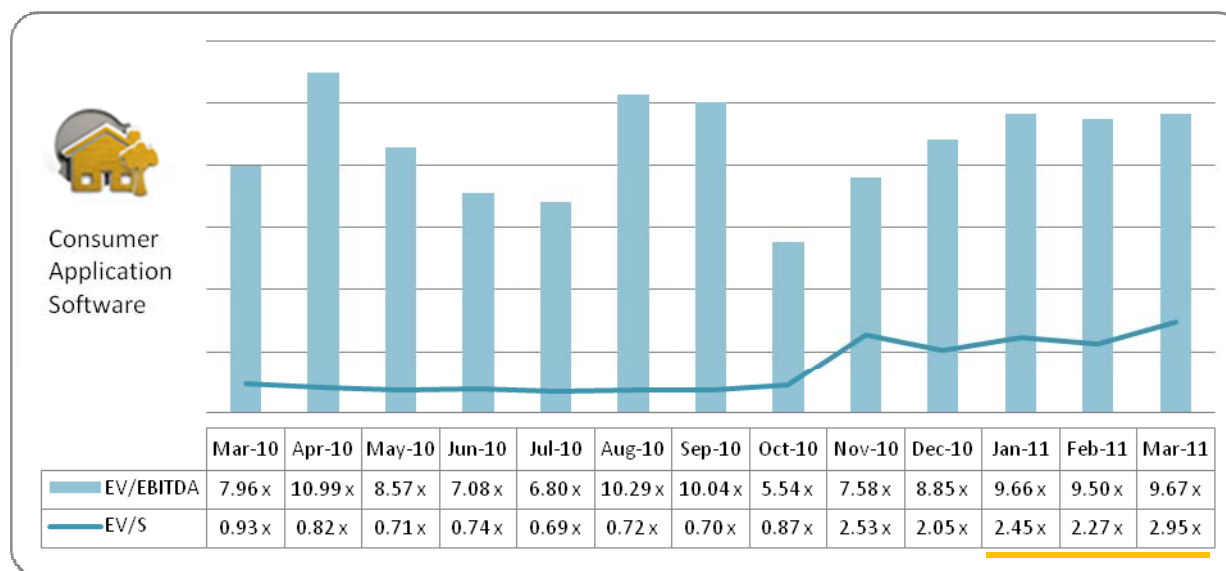
Structure: Cash, 3.1x EV/S

Comments:

- Focus on online tools to allow more personalized learning
- SchoolNet serves 5m+ U.S. preK-12 students, one-third of America's largest urban cities

Consumer Application Software Market

Public Valuations



Deal Spotlight:

Sector: Mobile Gaming

Target: OpenFeint

Buyer: GREE

Transaction Value: \$104m

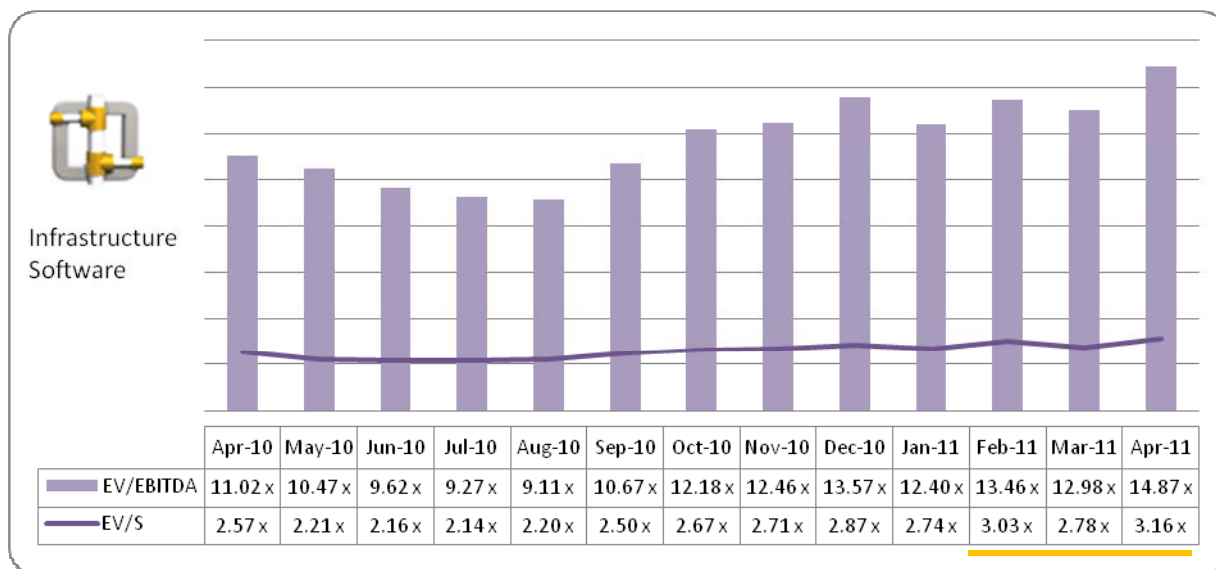
Structure: \$104m in Stock

Comments:

- Mobile Gaming Network: Strong user base spread over Android & iOS with top developer studios represented
- Next Gen of Gaming: Video chat during real-time game play; Virtual currency

Infrastructure Market

Public Valuations



Deal Spotlight:

Sector: App Performance Mgmt

Target: Coradiant

Buyer: BMC

Transaction Value: \$120m*

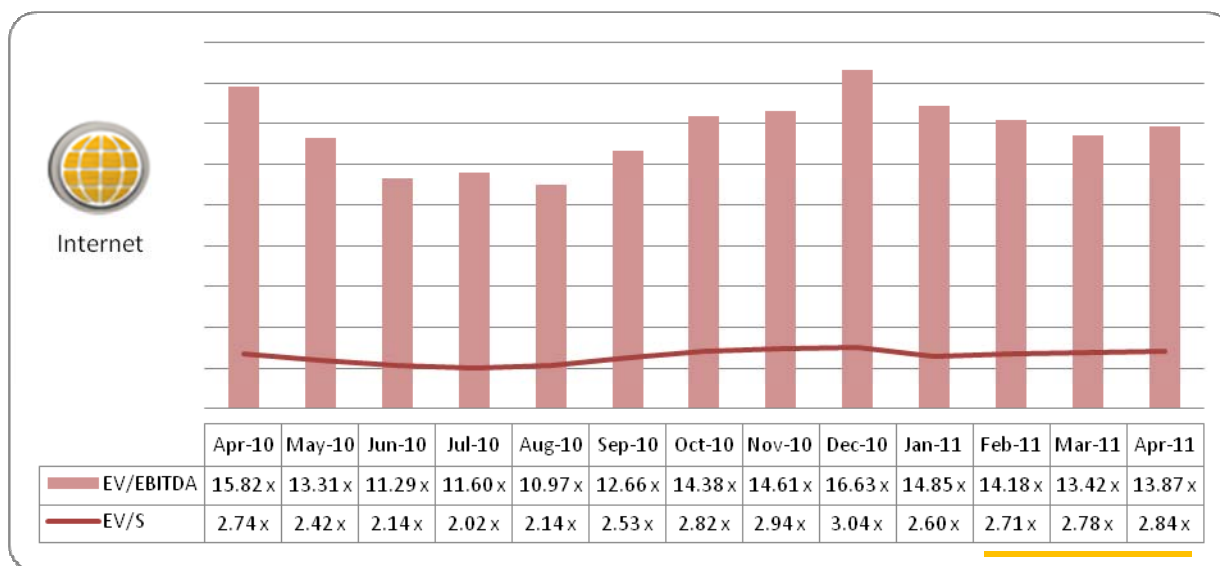
Metrics: 4.8x EV/S – \$25m Rev

Comments:

- SaaS Based
- 360° view of end user monitoring
- Strengthens competitive position for BMC

Internet Market

Public Valuations



Deal Spotlight:

Sector: Real Estate Listings

Target: LoopNet

Buyer: CoStar

Transaction Value: \$860m

EV/Sales: 9.5x

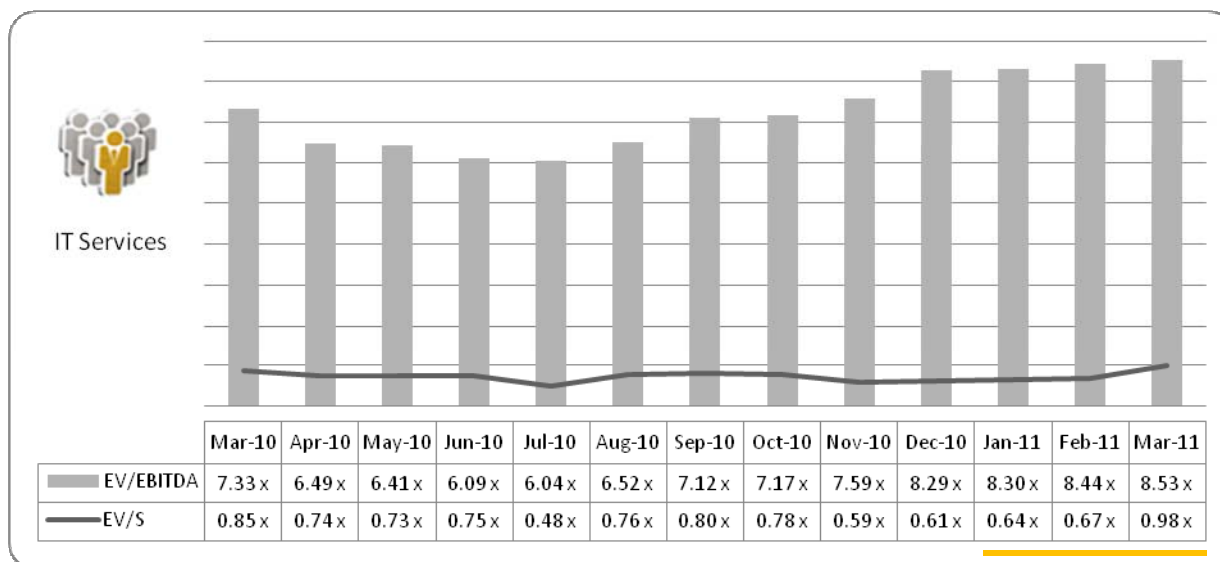
EV/EBITDA: 35.4x

Comments:

- Adds 4.8m Registered; 6m unique
- Combo of marketing and information leaders
- 31% premium to share price

IT Services Market

Public Valuations



China & India IT Services	
EV/EBITDA	EV/S
23.61x	5.06x

Deal Spotlight:

Sector: IT Services

Target: Headstrong

Buyer: Genpact

Transaction Value: \$550m

Structure: Cash, 2.5x EV/S

Comments:

- Enhances domain expertise in capital markets and healthcare verticals
- Helps expand U.S. operations by adding 3,700 employees

Cloud in Europe – Chairman’s Report



John Melotte
Chairman
“Cloud in Europe”

John joined Corum in 2008 as Regional Director based out of London, having previously worked with Corum both as a buyer and a seller of companies. John started in IT and software services in the late ‘70s at Oxford University, where he was awarded an MA in Mathematics. John gained a solid foundation in large project software development with the UK’s leading IT services company Logica.

In the mid ‘80s John joined Process Computing Limited (PCL), and was responsible for the innovative development of a paperless (RF) warehouse management system using the emerging PC technology. John sold PCL (including a successfully completed earn out) to the LSE listed mid-market ERP company, Kewill Systems plc. As Group Technology Development Manager, John was closely involved as Kewill acquired a number of Logistics software companies in Europe and the U.S.

In the late ‘90s John became a Partner at MTI, one of the UK’s leading early-stage technology VCs with over £150m of active investments.

Overview of the Cloud



William Fellows
VP Research EMEA
451 Group



As VP Research EMEA, William created and drives 451's early adopter research program with end users and innovators across a range of vertical markets for the CloudScape service. He has identified and tracked early adopter markets including grid and virtualization among enterprise users from 2000 and since 2007 the program has been principally focused on cloud computing. As well as the end user constituency, William covers the suppliers - vendors, integrators and service providers – in the cloud market. William's team also leads 451's activities within the European Commission and numerous EC research projects. William is a co-founder of 451, a member of the EC Cloud Expert Group, and co-author of "The Future of Cloud Computing – Opportunities for European Cloud Computing Beyond 2010," a regular speaker at industry and 451 conferences and participates in numerous advisory boards and planning committees for UK and international industry bodies.

451 CloudScape – Service Overview

- An interdisciplinary approach
- A comprehensive, coherent conceptual framework, the Cloud Codex
- Cloud marketplace surveillance and analysis – vendors, service providers
- Market sizing, surveys
- End users: best practices, vendor selection, peer events
- Actionable advice to improve opportunity for success



Let's pinch ourselves



Cloud computing is IT as a Service

THE CLOUD

Utility
Computing

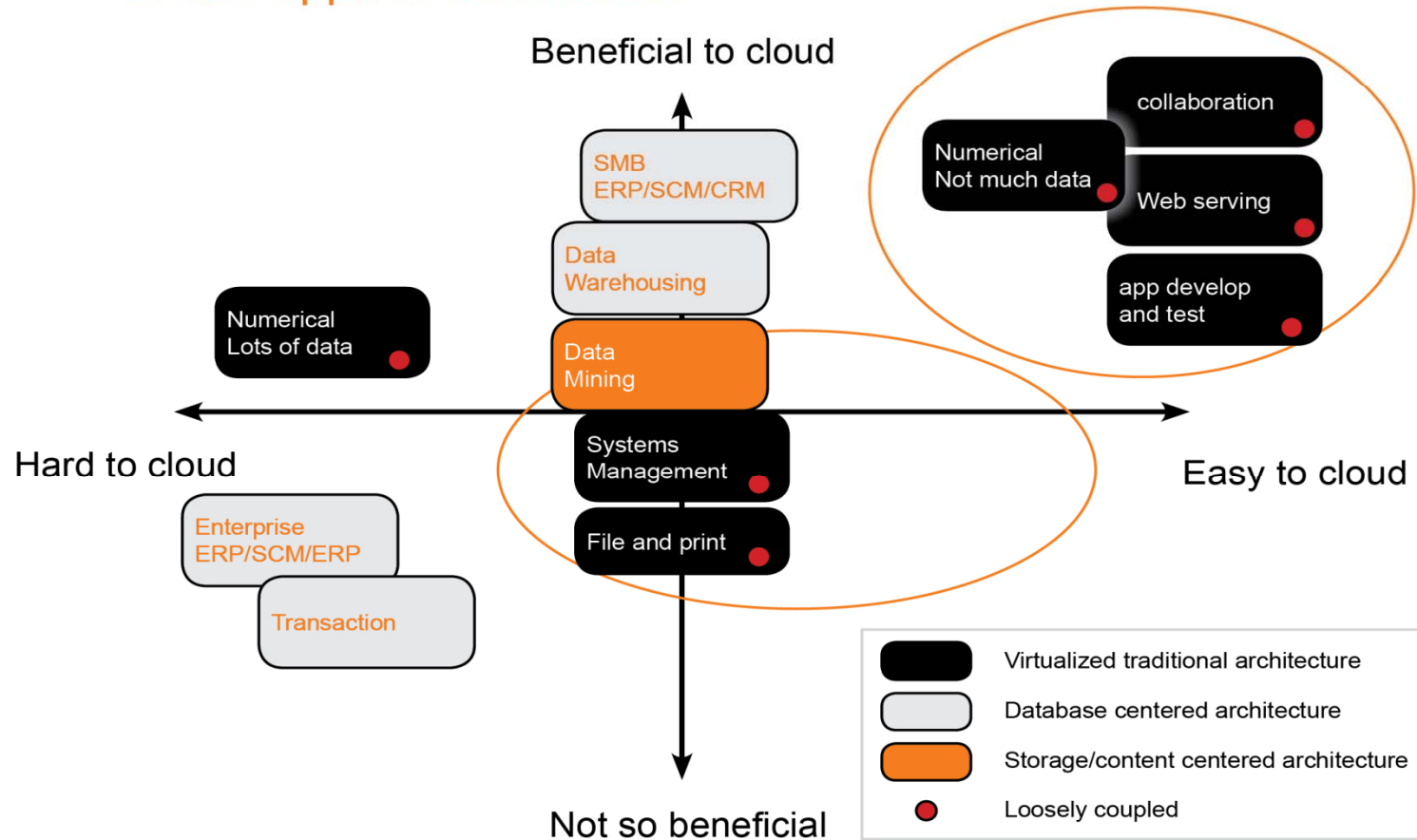
What End Users See

What IT/Service
Providers See

Chargeback/Billing
Runbook/Process Automation
Application Lifecycle Management
Workload Management
Configuration Management
Application Streaming
Automation
OS Provisioning
Virtualization
GRID/HPC/clusters

Applications in the cloud

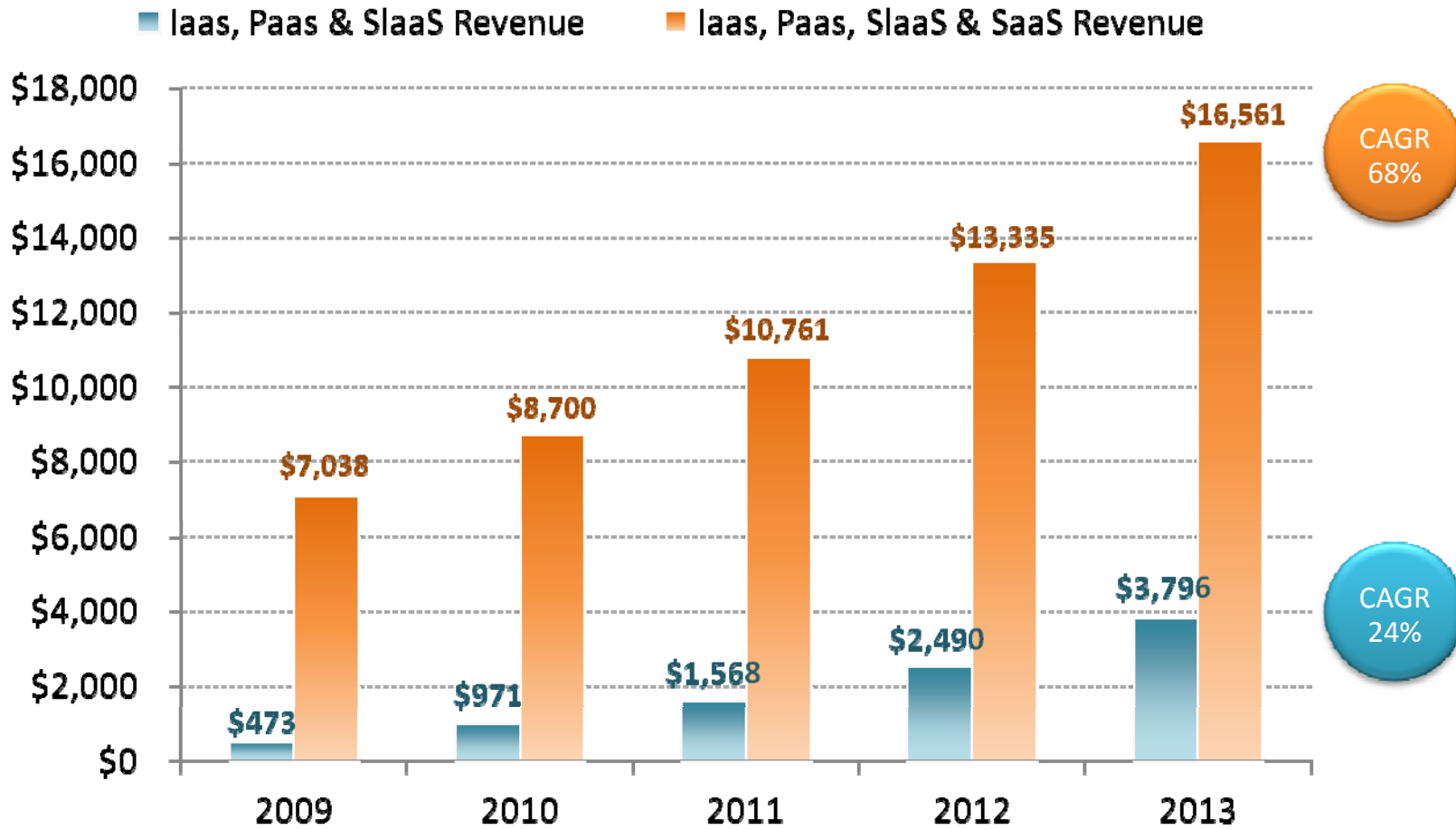
Which apps fit cloud best?



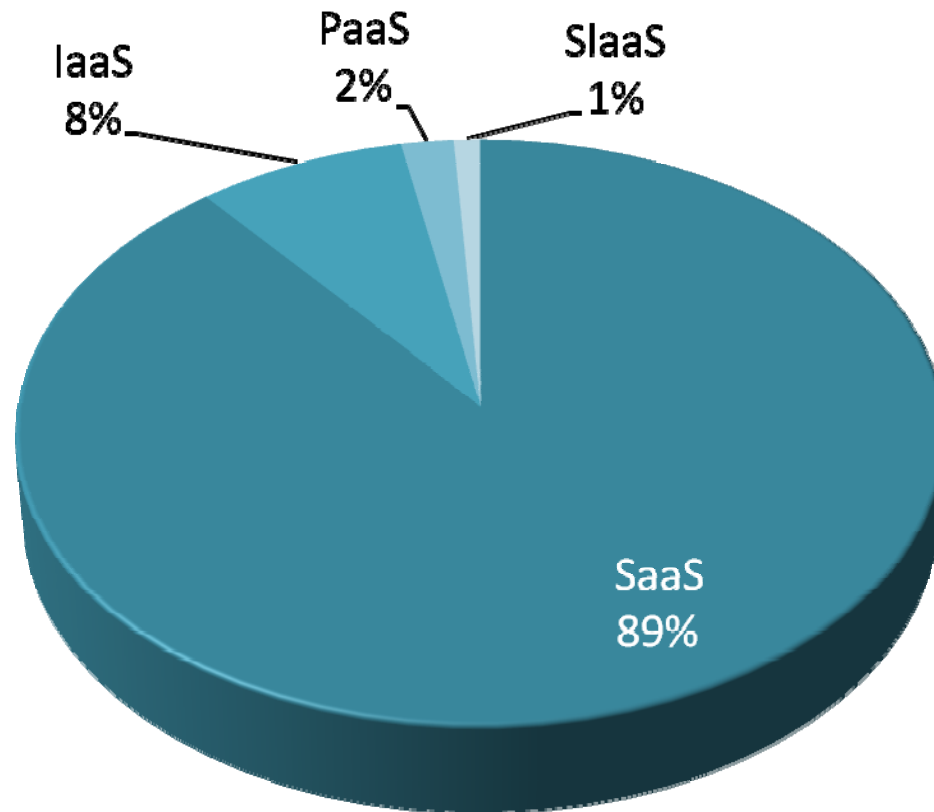


How real is it?
Growth trends, market forecast

Cloud Market Overview (\$m)

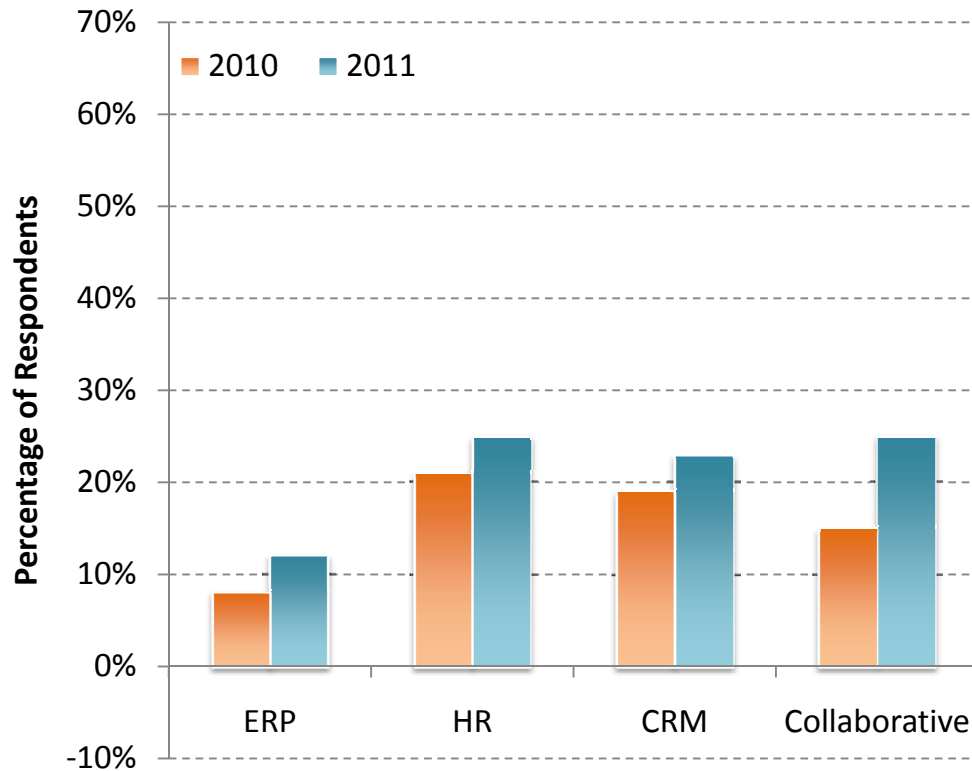


Estimated 2010 cloud revenue breakdown, including SaaS

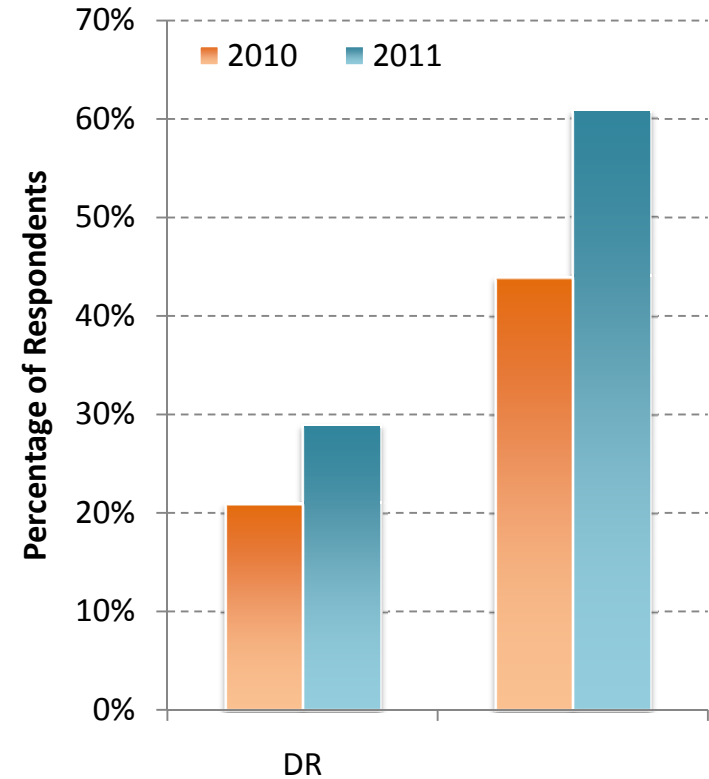


Workload Adoption

Cloud Adoption Enterprise Applications

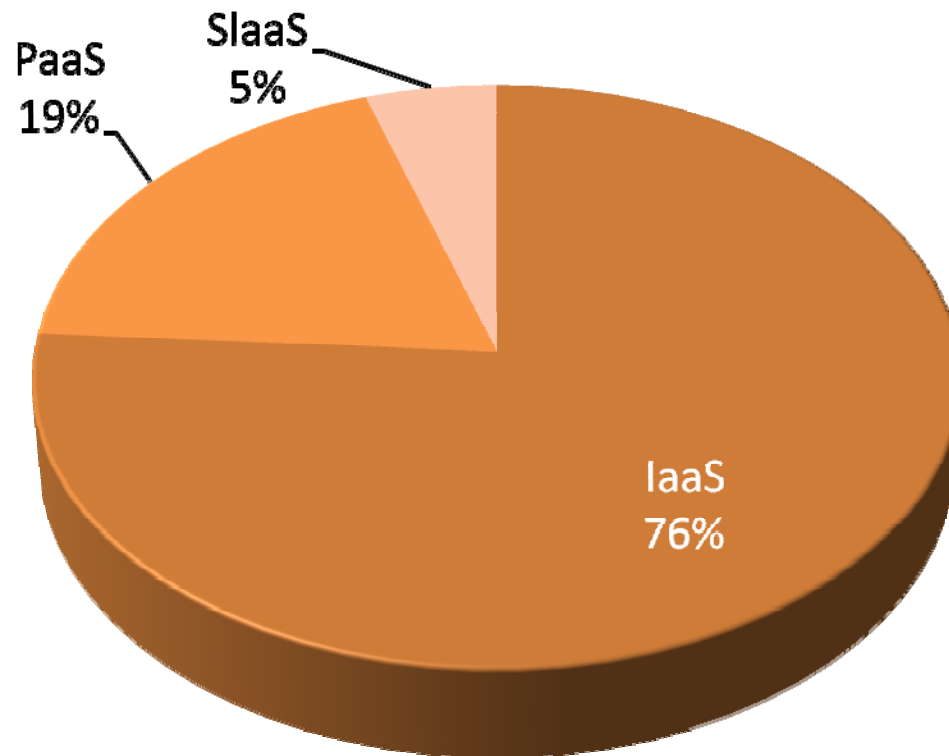


Cloud Adoption Infrastructure Applications



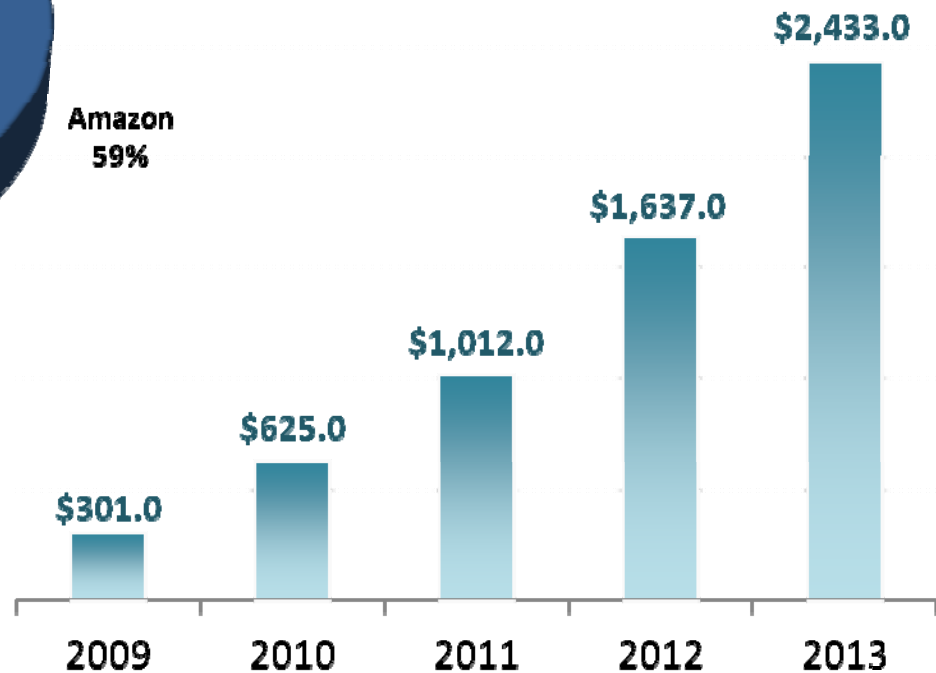
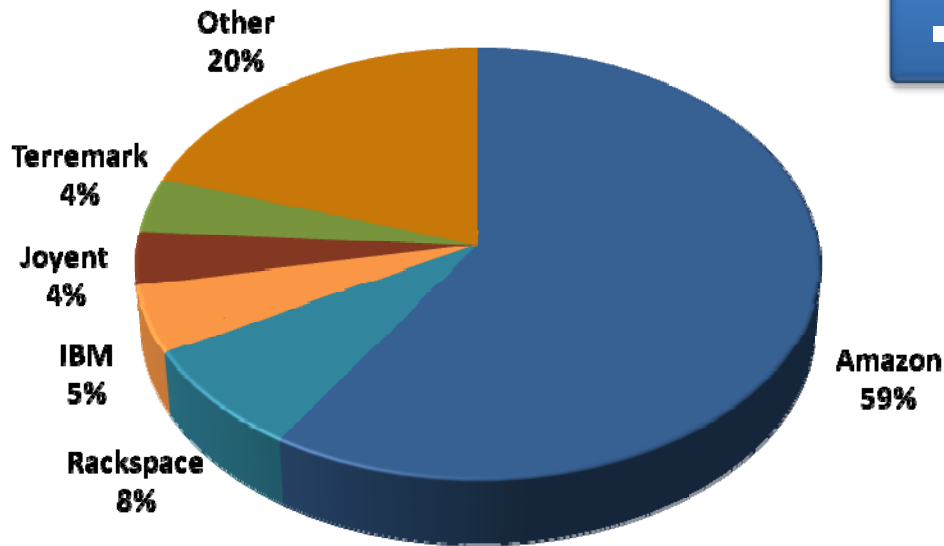
Source: The 451 Group Cloud Adoption Survey 2010

Estimated 2010 cloud revenue breakdown by subsector – total \$944m

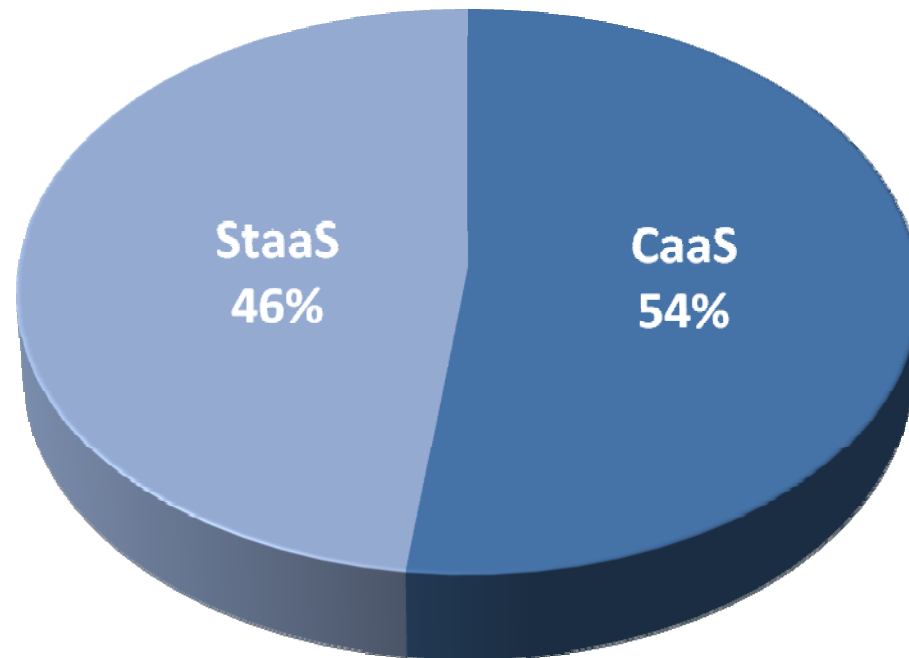


IaaS Market Overview

- Amazon's market to lose
- 2009-2013 CAGR: 69%



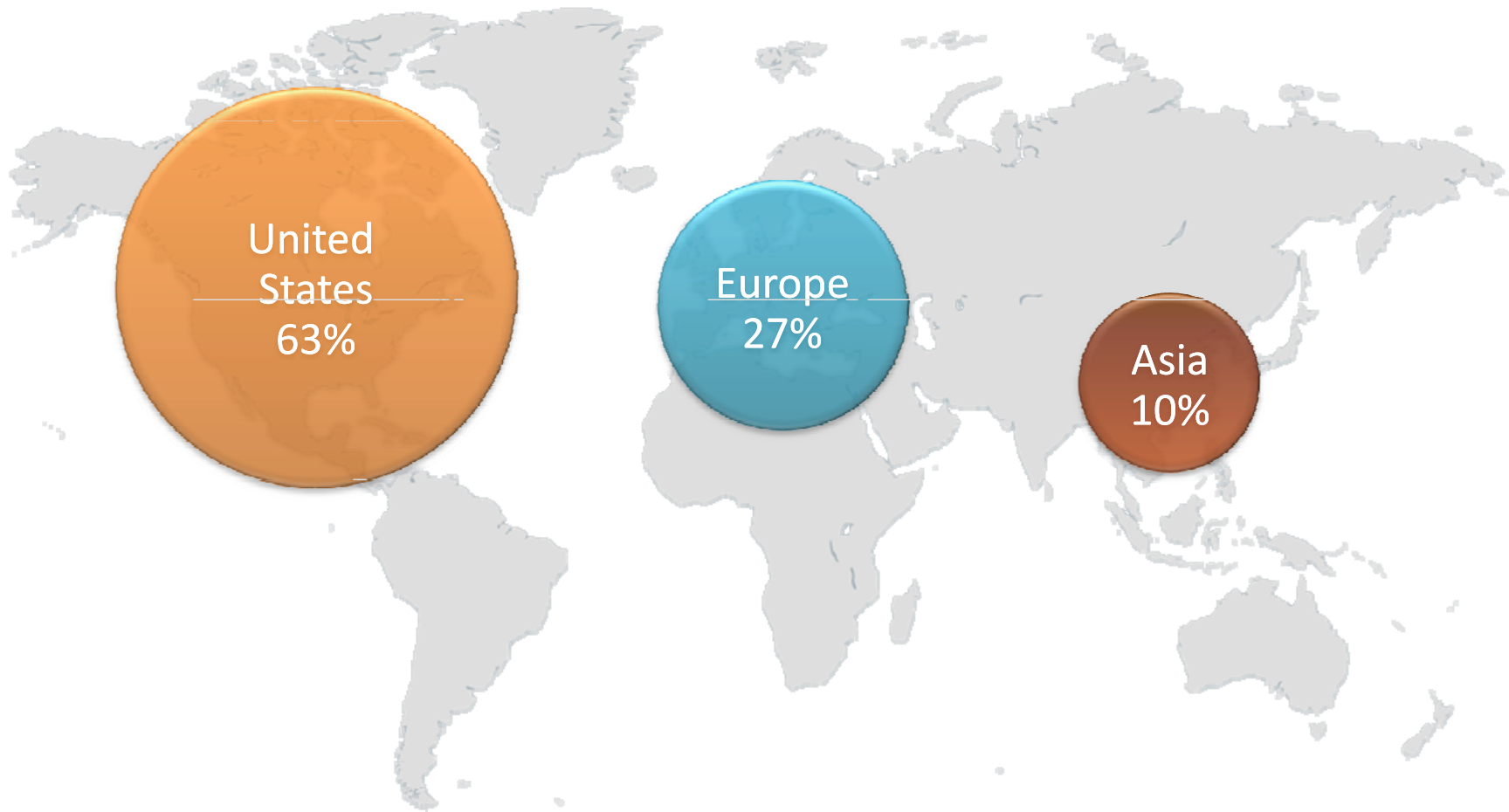
Estimated 2010 IaaS revenue breakdown by subsector – total \$944m



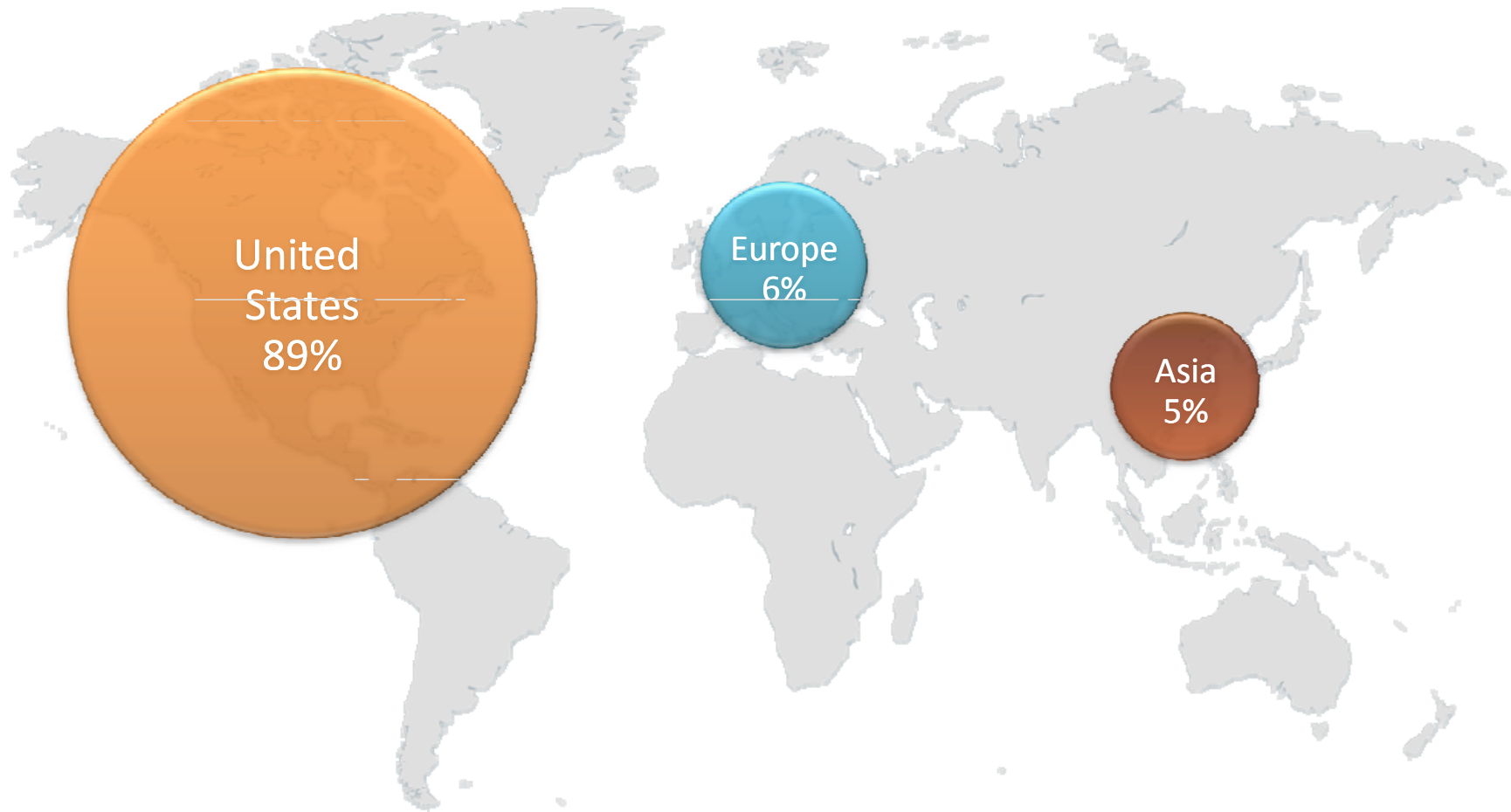
Cloud As-a-Service: 160 vendors

Cloud: As-a-Service	2009	2010	2011	2012	2013	2014
NORTH AMERICA						
Total NA Cloud Revenue	\$418.2	\$811.8	\$1,243.0	\$1,917.1	\$2,830.6	\$3,901.2
EMEA						
Total EMEA Cloud Revenue	\$32.9	\$108.7	\$222.2	\$399.7	\$631.2	\$959.6
APAC						
Total APAC Cloud Revenue	\$10.2	\$47.4	\$118.8	\$245.6	\$428.8	\$652.4

62 IaaS Vendors - by Geography



62 IaaS Vendors - by Revenue



Cloud Valuations

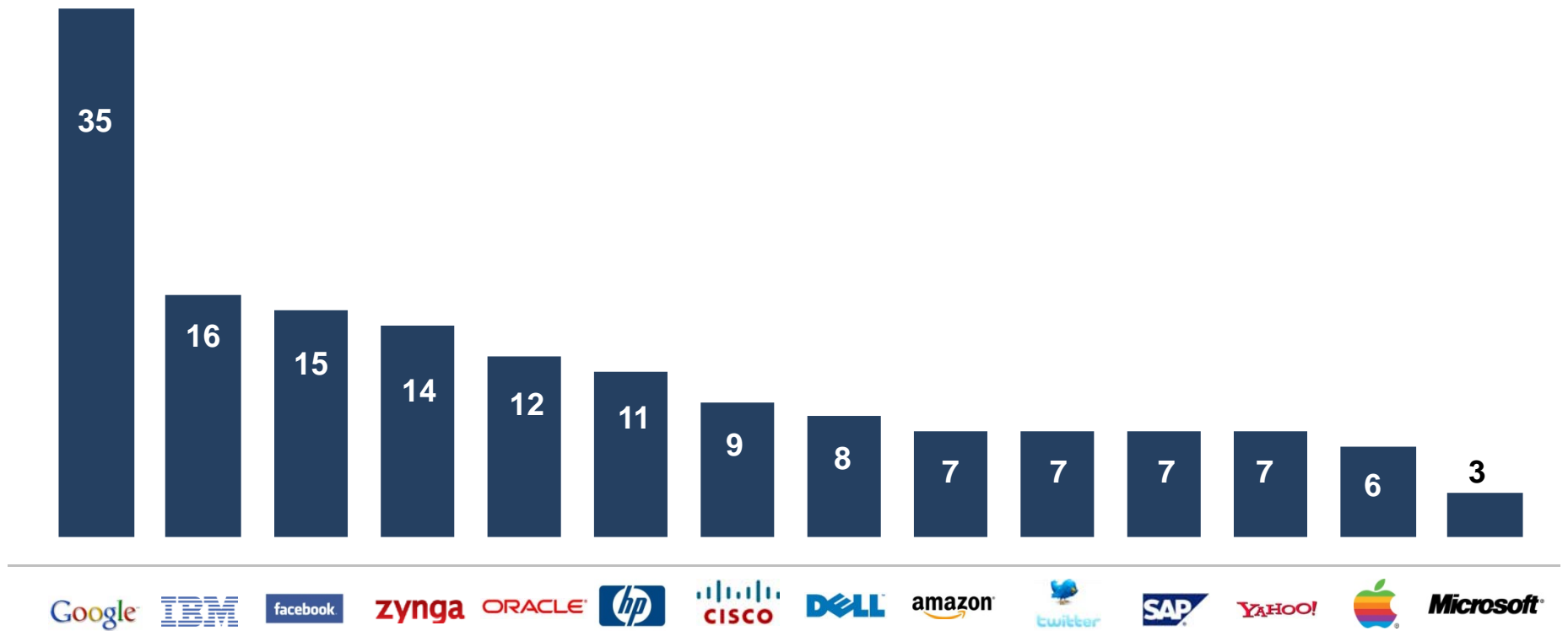


Dougan Milne
Vice President of Research
Corum Group Ltd.

Dougan is Vice President of Research at Corum Group, Ltd in Seattle, WA. Previously, he spent three years based out of Corum's European headquarters in Zürich, Switzerland. Prior to joining Corum's team in 2005, Dougan spent three years working in the banking industry with Bank of America, and Citigroup's Private Wealth business unit.

Before entering finance and investment banking, Dougan founded the successful garment distribution business, Billions Apparel. In 2006, he started a vertical advertising company serving the motorcycle industry, Modo Marketing. Dougan has a Bachelors degree in Business Economics from the University of San Diego (USA).

Top Acquirers Since 2010



Cloud Acquisitions Since 2010

Google

IBM

ORACLE

hp

CISCO

Apple

amazon

SAP

DELL

SayNow

plannr

Quiksee^{BETA}
Just like being there.

SOCIAL
GOLD

DocVerse

picnik

Others...

CORE METRICS

Sterling Commerce

CAST IRON SYSTEMS
An IBM Company

unica

Others...

atg

PHASE•FORWARD

AMBERPOINT

passlogix

Others...

VERTICA

3PAR

FORTIFY

motionbox™

melodeo

Others...

rohati

EXTEND»MEDIA®

Pari Networks
Comply Secure Mitigate Manage

poly

Quattro
WIRELESS

Siri

Polar Rose*

AMIE ST

Quidsi

woot!

SYBASE | 365™

SecureWorks®

InSiteone

BOOM!®

SCALENT™

Others...

Cloud Infrastructure Transactions



January 2011

Transaction valued at \$1.4bn (Cash)

5.8x Revs
24.7x EBITDA



June 2010

Transaction valued at \$125m (Cash)

2.6x revs
10.4x EBITDA



December 2010

Transaction valued at \$29m (Cash, plus undisclosed earn out)



February 2010

Transaction valued at \$100m (Cash)

33.3x Revs

Cloud Application Transactions



March 2011

Transaction valued at \$32.3m (Cash)

84% Share Premium



January 2011

Transaction valued at \$150m (Cash)

**3.8x revs
Venture Funding \$31m**



May 2010

Transaction estimated at \$20m (Cash)

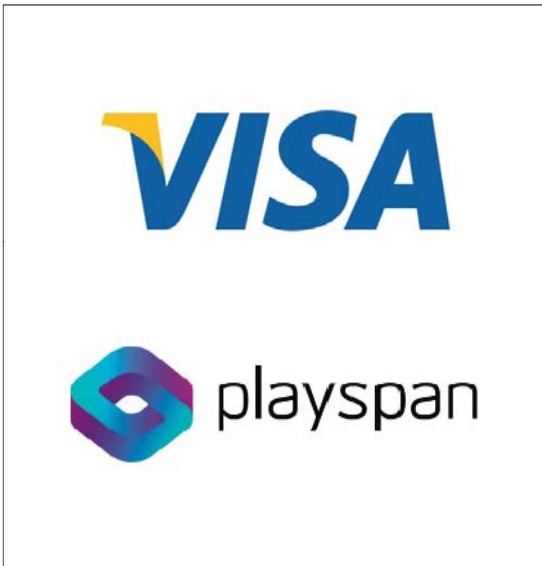
2.2x Revs



September 2010

Transaction value undisclosed (Cash)

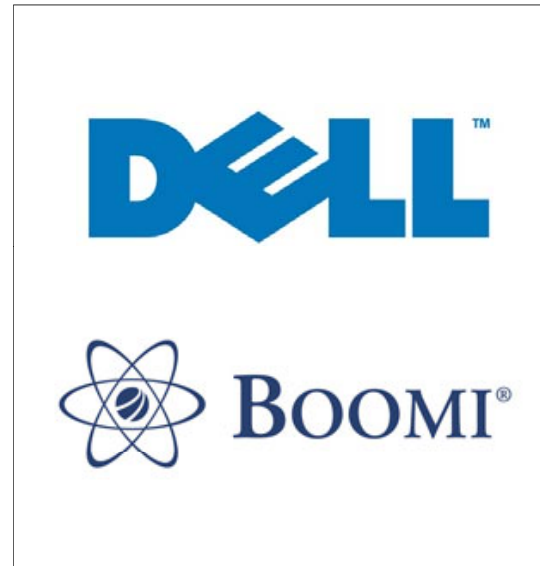
Disruptive Recent Cloud Transactions



February 2011

**Transaction valued at \$190m
(Cash + unspecified earnout)**

Venture Funding: \$41.3m



November 2010

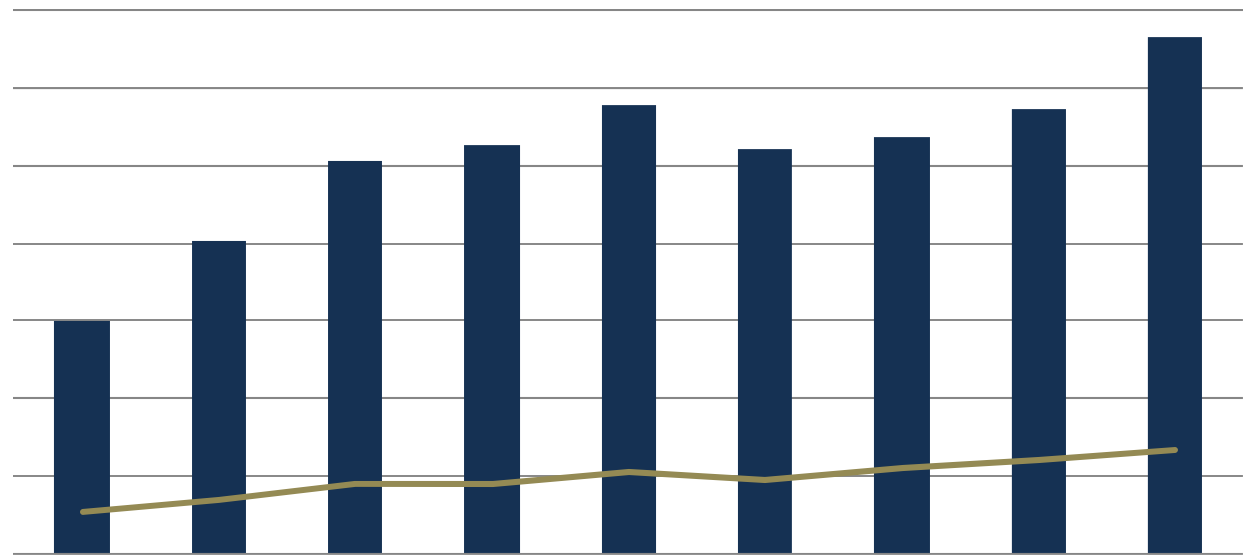
**Transaction valued at \$60m
(Cash)**

20x TTM Revenues

Venture Funding: \$4m

Market Metrics

6-Market Aggregate



	Q1:09	Q2:09	Q3:09	Q4:09	Q1:10	Q2:10	Q3:10	Q4:10	Q1:11
EV/EBITDA	5.99x	8.07x	10.13x	10.55x	11.56x	10.41x	10.74x	11.48x	13.31x
EV/S	1.08x	1.37x	1.77x	1.77x	2.11x	1.91x	2.23x	2.43x	2.68x



EV/EBITDA	31.9x
EV/S	6.13x

*Cloud metrics based on M&A transactions

Special Guest



Nigel Thompson
Founder/CEO
CloudSync

Nigel Thompson is currently VP of Cloud Services for Good Technology in Redwood City, CA. Before joining Good via acquisition, Nigel founded the mobile device management company CloudSync, in Denver, Colorado. Cloudsync was a bootstrapped company, debt-free, with minimal investors.

Special Guest



Jeff Hook
CEO
Fellowship Technologies
Acquired by The Active Network

Jeff Hook is the General Manager of Active Faith, a division of The Active Network, Inc. Active Faith was created when The Active Network bought Fellowship Technologies, LP in February 2011. Jeff was the Founder, President and CEO of Fellowship Technologies. He started the company with four developers and a network engineer from Fellowship Church in January 2004.

Active Faith provides its product, Fellowship One, to churches as a Software as a Service (SaaS) through the Internet. Fellowship One is a hosted, multi-tenant solution providing membership, congregational relationships, groups, ministry and contributions management capabilities allowing churches to better engage and communicate with its constituency. Fellowship Technologies serves over 1,800 churches in 12 countries.

Corum Tech M&A iPhone App

M&A

Corum Group

Main Transactions

Representative Transactions

The Corum Team

- Bruce D. Milne**
CEO
- Ward Carter**
Chairman
- Miro S. Parizek**
Managing Director
- Nat Burgess**
President
- Mark S. Reed**
Executive Vice President
- William D. Montgomery**
Senior Vice President

CORUM
MERGERS & ACQUISITIONS

THE GLOBAL LEADER IN SOFTWARE M&A



CORUM

MERGERS & ACQUISITIONS

THE GLOBAL LEADER IN SOFTWARE M&A

Slides Asia Rising

1 of 49

CORUM

M&A Monthly – May 2010
Global Update – "Asia Rising"

Presenters

Slides Asia Rising

Asia Market Numbers

Global Field Update

Slides Asia Rising

M&A Activity – April

Number of Software and IT M&A Transactions

Corum Index – M&A Statistics

Corum Index	April 2010	April 2009
# of Transactions	262	260
# of Mega Deals	7	7
Corporate Deal	\$7,460	\$1,660
Average Deal Size	\$28	\$20
Median Deal Size	\$7.1	\$5.1
# of Cash Deals	28	30
% of Cash Deals	10%	8%
# of Cash (leveraged)	42%	52%
% Target were Public	22%	12%
% Public Buyers	48%	47%

Resources Expert Article

2009

- Specialists in Software & IT Merge...
- Healthcare Technology and Recession
- Will You Be Acquired, and Then What Happens?
- But M&A activity in a downturn isn't just about bargain-hunting, observ...
- What vendors will need to examine as they look to shed assets
- Software M&A - should you be a player?
- Tech Takeovers

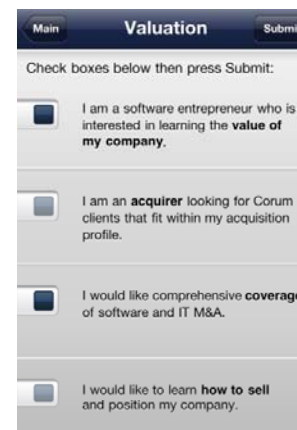
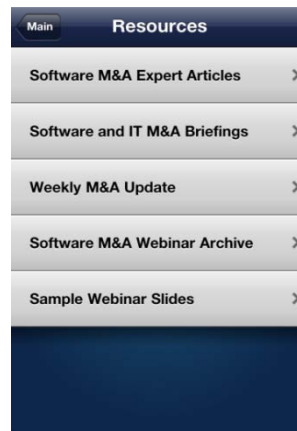
About The Corum Team

- Bruce D. Milne
CEO
- Ward Carter
Chairman
- Miro S. Parizek
Managing Director
- Nat Burgess
President
- Mark S. Reed
Executive Vice President
- William D. Montgomery
Senior Vice President

Main Transactions

Representative Transactions

Videos and More...



Upcoming Corum Events

May 10: **Toronto** – SUSO

May 12: **Webinar Rebroadcast**

May 25: **New York** – SUSO

May 26: **Boston** – Merge Briefing

June 2: **Webinar**

June 9: **Vancouver** – SUSO

Webinar Rebroadcast

June 14: **Austin** – SUSO

June 15: **Montreal** – SUSO

June 16: **Dublin** – SUSO

Los Angeles – Merge Briefing

June 23: **Atlanta** – SUSO

June 29: **Oslo** – SUSO

June 30: **Stockholm** – SUSO

Merge Briefing (MB)

Regional update and overview of tech M&A

Selling Up Selling Out (SUSO)

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JUNE 2 – M&A Monthly

- Market Update
- “Social Wars”
- PIPEs
- Social Network Sellers
- Q&A

www.CorumGroup.com/Webinar-Signup.aspx