

CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

M&A Flash Report – June 2009 **Software and IT Industry Market Update**

Market Turbulence

Thursday, June 4, 2009
10:00 am PT



Bruce Milne
CEO & Chairman
Corum Group Ltd.

Bruce Milne, the founder of Corum, is one of the true leaders in the software industry. He built the largest vertical market software company in the world before founding Corum, where he has overseen more mergers than anyone in history, generating over \$6 Billion in wealth for the owners of privately held firms. Along the way, in addition to publishing extensively, he has owned three other software companies (Rosesoft, Dataword, Insider Edition) and been a seed investor in some of the leaders in our industry (Blue Coat, Bright Star, Sabaki). He founded the largest regional tech association (Washington Software Association) and, as a recognized leader, has served on numerous advisory boards including Comdex, DEC, Apple, IBM, and personally advised Bill Gates at Microsoft. He has been a tech cabinet advisor to two Governors, a Congressman and U.S. Senator on issues related to the future of the software industry. For his expertise, he was commissioned by the U.S. government to write the definitive high tech business guide for the SBA. The Canadian Government had him conduct research which led to the establishment of SoftWorld, and he was recently voted one of the most influential people in the European software community for his work during the last market decline.

>> For today's presentation or more information, contact Jessica Eastman
(jessicae@corumgroup.com, +1 425-455-8281)



Mark Reed
Executive Vice President
Corum Group Ltd.



Ryan Blakely
Vice President, Research
Corum Group Ltd.

Relay For Life



Agenda

- Overview of current market
- Headlines
- May trend – IPO's
- Cisco field update
- Market and valuation analysis
- Report from WFS & conference profiles
- Closing comments - Q&A

Headlines

- Bernanke warns U.S. budget deficits threaten nations financial stability
- U.S. may lose triple A rating
- Korea completes nuclear test
- GM files for bankruptcy

Currencies

- Dollar continues slide
- Euro rises to 7 month high
- Yen drops to 7 month low
- Rupee climbs to 7 months high
- Yuan drops most in 4 months – China halting gains

Consumer Confidence up!

- U.S. consumer sentiment rose to 8 month high
- U.K. consumer confidence at 11 month high
- Europe confidence at 6 month high
- French consumer confidence hits 13 month high
- Italy consumer confidence highest in more than a year

Commodities Up!

- Materials prices continue advance
- Oil trades near 7 month high
- Silver rises most since '87
- Copper soaring

Stock Markets Up!

- U.S. stocks cap 3 month gain
- Brazil stocks jump to 8 month high
- India stocks rise – best month in 17 years
- China stocks rise to 10 month high
- DAX rises 39% from low

Business Conditions – U.S.?

- ADP reports mounting job losses
- Home refinancing in U.S. tumbles as rate window closes
- U.S. automakers fall 35%
- U.S housing hasn't found bottom yet
- Commercial mortgage may need \$1 trillion!
- Schiller says U.S. confidence a “puzzle”

Business Conditions – International?

- Toyota sales fall 41%
- Europe price outlook slumps
- Europe May retail sales fall
- German, Italy economies shrank at record pace
- China reduces output estimates
- Japan Companies Cut Spending by Record; Profits Slump

Equity Concerns?

- China stocks in “bubble territory”
- Russian stocks a “leap of faith”
- U.S. stock values outpace earnings

Other Concerns / Opportunities

Ballmer says tax would move Microsoft Jobs offshore

PE firms holding \$400 billion in powder (most ever!)

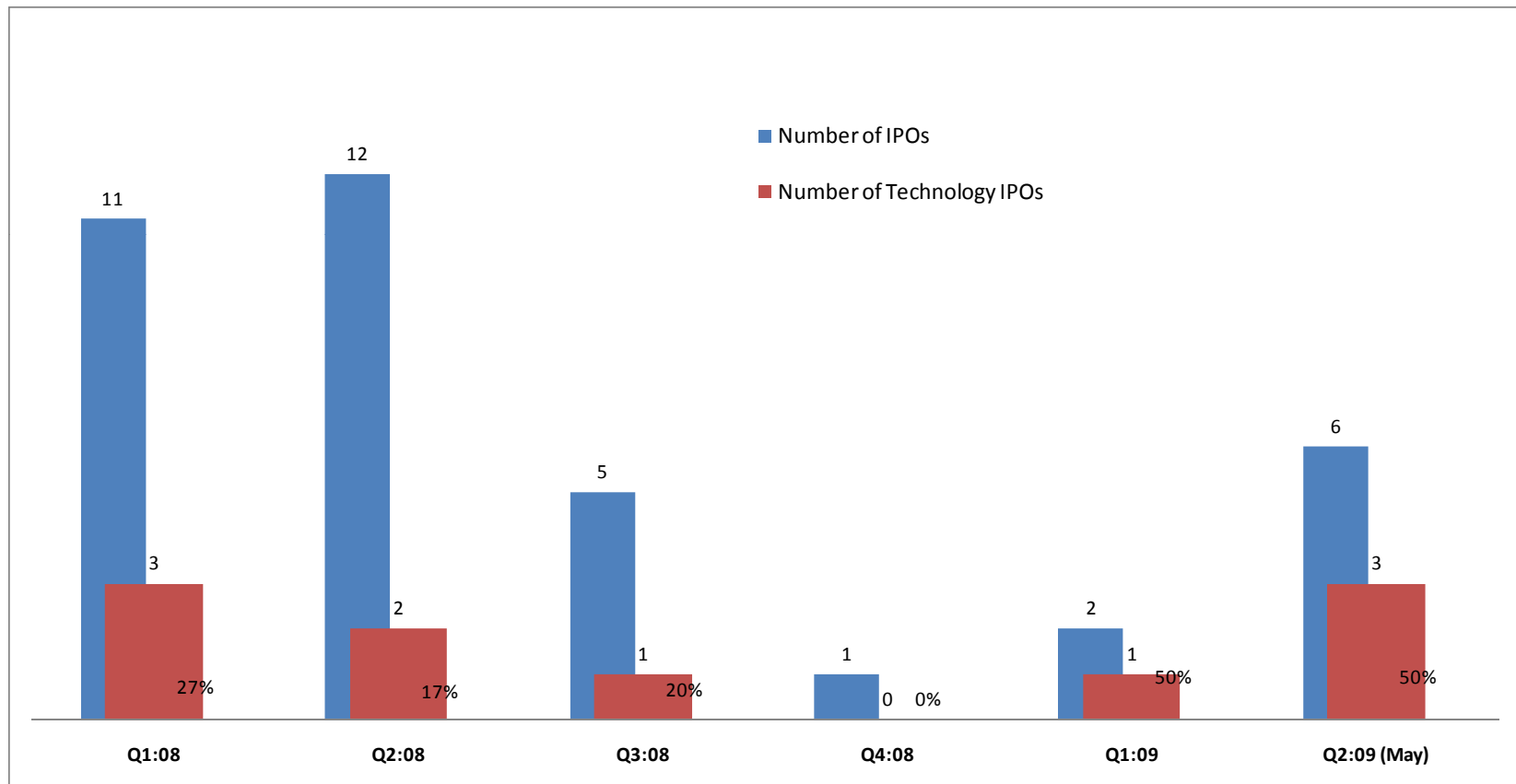
Valuations Up!

Company	Stock Price 03/03/2009	Stock Price 05/06/2009	% Change	
Sun	\$4.54	\$9.11	100.66%	↑
Nokia	\$9.25	\$15.18	64.11%	↑
Apple	\$87.71	\$132.50	51.07%	↑
Cisco	\$14.50	\$19.61	35.24%	↑
Symantec	\$13.15	\$17.59	33.76%	↑
HP	\$28.30	\$36.33	28.37%	↑
Oracle	\$15.06	\$19.06	26.56%	↑
EMC	\$10.13	\$12.78	26.16%	↑
Google	\$326.67	\$403.47	23.51%	↑
Microsoft	\$16.03	\$19.79	23.46%	↑
IBM	\$88.01	\$104.62	18.87%	↑
SAP	\$32.28	\$38.23	18.43%	↑
Yahoo	\$12.58	\$14.85	18.04%	↑

Cash Up!

Company	Year Ago Cash	Current Period Cash	
SAP	\$3,151	n/a	↔
Yahoo	\$2,341	\$3,450	↑
Microsoft	\$10,339	\$23,900	↑
Oracle	\$8,409	\$11,290	↑
Nokia	\$3,130	n/a	↔
Google	\$6,081	\$17,780	↑
Apple	\$9,352	\$25,010	↑
IBM	\$10,786	\$12,300	↑
EMC	\$4,482	\$7,250	↑
Sun	\$2,363	\$2,700	↑
Cisco	\$5,191	\$33,550	↑
HP	\$11,591	\$12,920	↑
Symantec	\$1,890	\$1,990	↑

IPO's Volume - Last 18 Months



IPO – Encouraging Signs



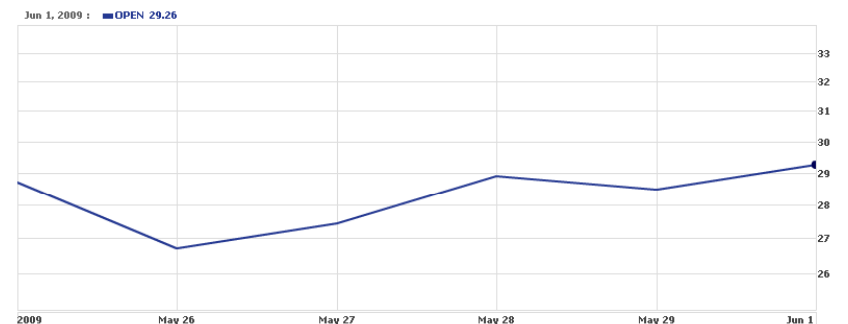
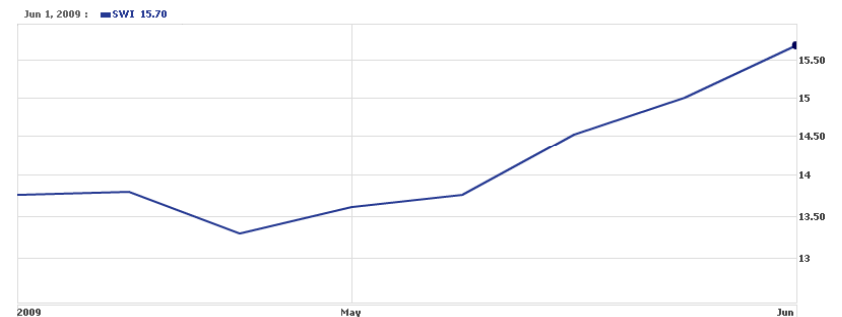
- Offering Date: April 2
- Online gaming



- Offering Date: May 20
- Network Management



- Offering Date: May 21
- Internet restaurant reservation site



IPO Rumors

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a dark blue rectangular background.The LinkedIn logo, featuring the word "Linked" in black and "in" in white lowercase letters inside a blue square.The NetQoS logo, with "NetQoS" in a large, bold, black serif font and "Performance Experts" in a smaller, black sans-serif font below it.The Barracuda Networks logo, featuring a stylized blue fish icon to the left of the word "BARRACUDA" in a bold, blue, sans-serif font, with "NETWORKS" in a smaller, black, sans-serif font below it.

Field Update – Cisco Review



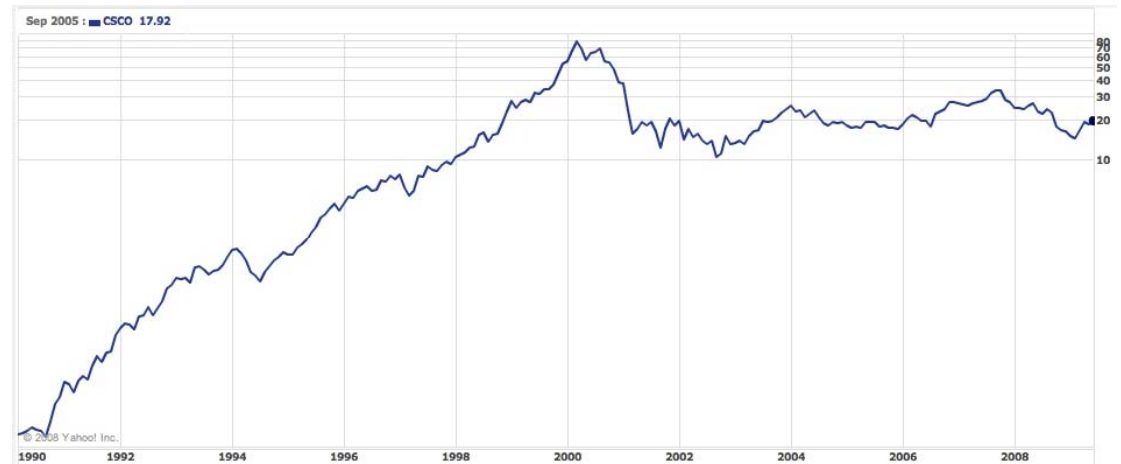
Dougan Milne
Research Analyst Int'l,
Switzerland

Buyer Profile: Cisco



Current Vitals:

- Revenue: \$37.95 billion
- EBITDA: \$10 billion
- Cash: \$33.5 billion
- Market Cap: \$112.5 billion
- Broad product portfolio



M&A Stats:

- 137 acquisitions to date
- Averaging almost a deal a month in previous years
- Spent nearly \$20B on M&A transactions since 2002
- Transaction range from market convergence to vertical expansion

Transaction History

<u>Announced</u>	<u>Target</u>	<u>Total Deal Amount</u>
2009-04-09	Tidal Software Inc.	\$105,000,000
2009-03-19	Pure Digital Technologies Inc.	\$590,000,000
2009-01-27	Richards Zeta Building Intelligence Inc	
2008-09-19	Jabber, Inc.	
2008-08-27	PostPath, Inc.	\$215,000,000
2008-07-23	Pure Networks	\$120,000,000
2008-06-10	DiviTech A/S	
2007-11-01	Securent Inc.	\$100,000,000
2007-10-23	Navini Networks, Inc.	\$330,000,000
2007-09-27	Latigent LLC.	
2007-09-18	Cognio, Inc.	
2007-07-23	GlooLabs	
2007-05-21	BroadWare Technologies, Inc.	
2007-03-28	SpansLogic Inc	
2007-03-15	WebEx Communications	\$3,200,000,000
2007-03-13	NeoPath Networks, Inc.	\$60,000,000

Transaction History

<u>Announced</u>	<u>Target</u>	<u>Total Deal Amount</u>
2007-03-05	Utah Street Networks, Inc	
2007-02-26	Qovia, Inc.	
2007-02-21	Reactivity, Inc.	\$135,000,000
2007-02-09	Five Across Inc	
2007-01-04	IronPort Systems	\$830,000,000
2006-12-15	Tivella, Inc	
2006-11-13	Greenfield Networks, Inc	
2006-10-25	Orative Corporation	\$31,000,000
2006-10-10	Ashley Laurent (selected assets)	
2006-08-22	Arroyo Video Solutions, Inc	\$92,000,000
2006-08-10	Nuova Systems	\$50,000,000
2006-07-06	Meetinghouse Data Inc.	\$43,700,000
2006-06-09	Metreos	\$28,000,000
2006-06-09	Audium	\$19,800,000
2006-03-07	SyPixx Networks, Inc.	\$51,000,000
2005-11-29	Cybertrust	\$14,000,000

Transaction History

<u>Announced</u>	<u>Target</u>	<u>Total Deal Amount</u>
2005-11-21	Digital Fairway	\$15,250,000
2005-11-18	Scientific-Atlanta, Inc.	\$6,900,000,000
2005-09-30	Nemo Systems, Inc.	\$12,500,000
2005-07-26	Sheer Networks	\$97,000,000
2005-07-22	KiSS Technology A/S	\$61,000,000
2005-06-27	NetSift Inc.	\$30,000,000
2005-06-14	M. I. Secure Corporation	\$1,000,000
2005-05-26	FineGround Networks, Inc.	\$70,000,000
2005-04-26	Sipura Technology, Inc.	\$68,000,000
2005-04-14	Topspin Communications Inc.	\$250,000,000
2005-02-22	Vihana, Inc.	\$30,000,000
2005-01-12	Airespace Inc.	\$450,000,000
2004-12-20	Protego Networks Inc.	\$65,000,000
2004-12-09	BCN Systems Inc.	\$34,000,000
2004-11-17	Jahi Networks	\$16,000,000
2004-10-21	Perfigo Inc.	\$74,000,000
2004-09-13	dynamicSoft, Inc.	\$55,000,000

Transaction History

<u>Announced</u>	<u>Target</u>	<u>Total Deal Amount</u>
2004-09-09	NetSolve Inc.	\$128,500,000
2004-08-24	P-Cube Inc.	\$200,000,000
2004-07-08	Parc Technologies Ltd.	\$9,000,000
2004-06-29	Actona Technologies Inc.	\$82,000,000
2004-06-16	Procket Networks	\$89,000,000
2004-03-22	Riverhead Networks	\$39,000,000
2004-03-12	Twingo Systems	\$5,000,000
2003-11-12	Latitude Communications, Inc.	\$80,000,000
2003-03-20	Linksys Group Inc.	\$500,000,000
2003-03-19	SignalWorks, Inc.	\$13,500,000
2003-01-27	Okena, Inc.	\$154,000,000
2002-10-22	Psionic Software, Inc.	\$12,000,000
2002-08-20	Andiamo Systems, Inc.	\$750,000,000
2002-07-25	AYR Networks, Inc.	\$113,000,000
2002-05-01	Hammerhead Networks, Inc.	\$173,000,000
2002-05-01	Navarro Networks	\$85,000,000

Acquisition Strategies...



- Joined Dow on Monday
 - IBM, Microsoft, HP
- Previous acquisition strategy focused on Enterprise Communications
 - WebEx, PostPath, Jabber - Software and Services
- New strategy focuses on Unified Computing and Application Management
 - Tidal Software - Yes, more Software and Services
 - Moving to the Cloud
 - Directly competing with HP and IBM

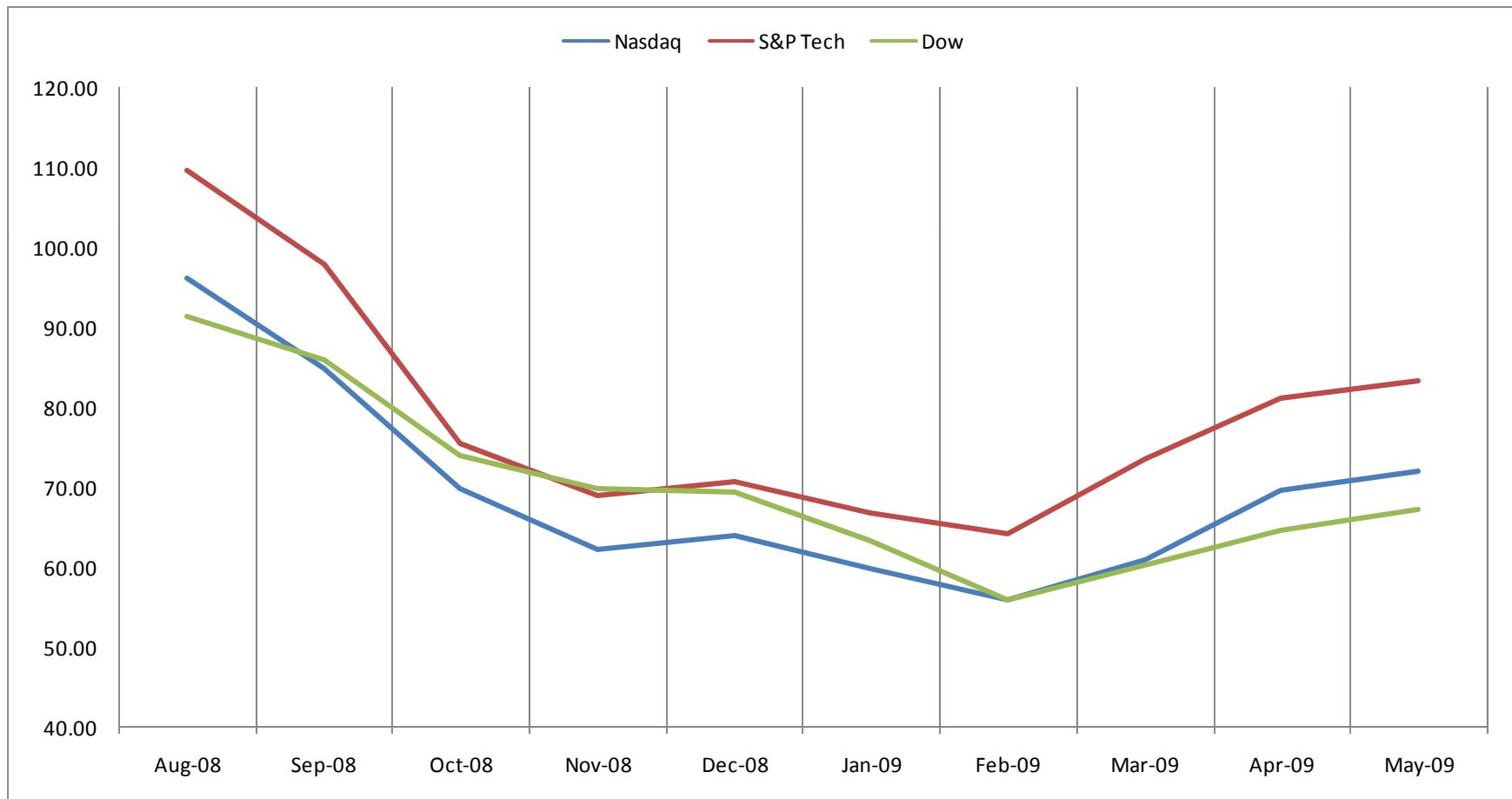
Valuation & Transaction Update



Ryan Blakely
Vice President, Research
Corum Group Ltd.

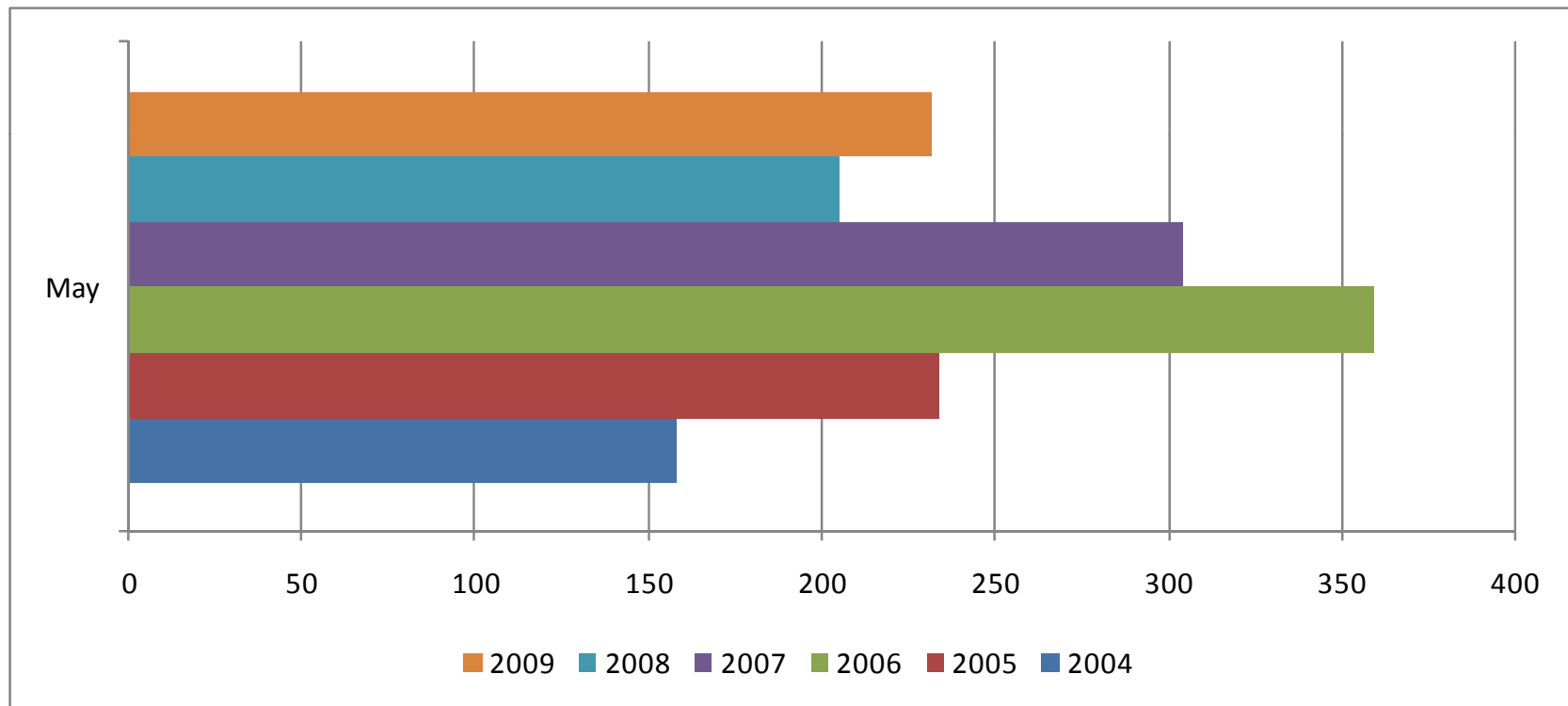
Ryan joined Corum in 1998 and has held a number of roles central to research and market analysis in the software and technology space. With over ten years experience in the software M&A environment, Ryan has an intimate understanding of the software industry as a whole, especially as it relates to mergers and acquisitions. As the Vice President of Research, Ryan directs Corum's research group in both North America and Europe, and has played a direct role in developing buyer relationships during his tenure with Corum. He also is a major contributor to Corum's research reports. Ryan graduated from Washington State University with a B.A. in Business Management, with a focus on Entrepreneurial Studies.

Public Markets



M&A Activity

Number of Software and IT M&A Transactions



Corum Index – M&A Statistics

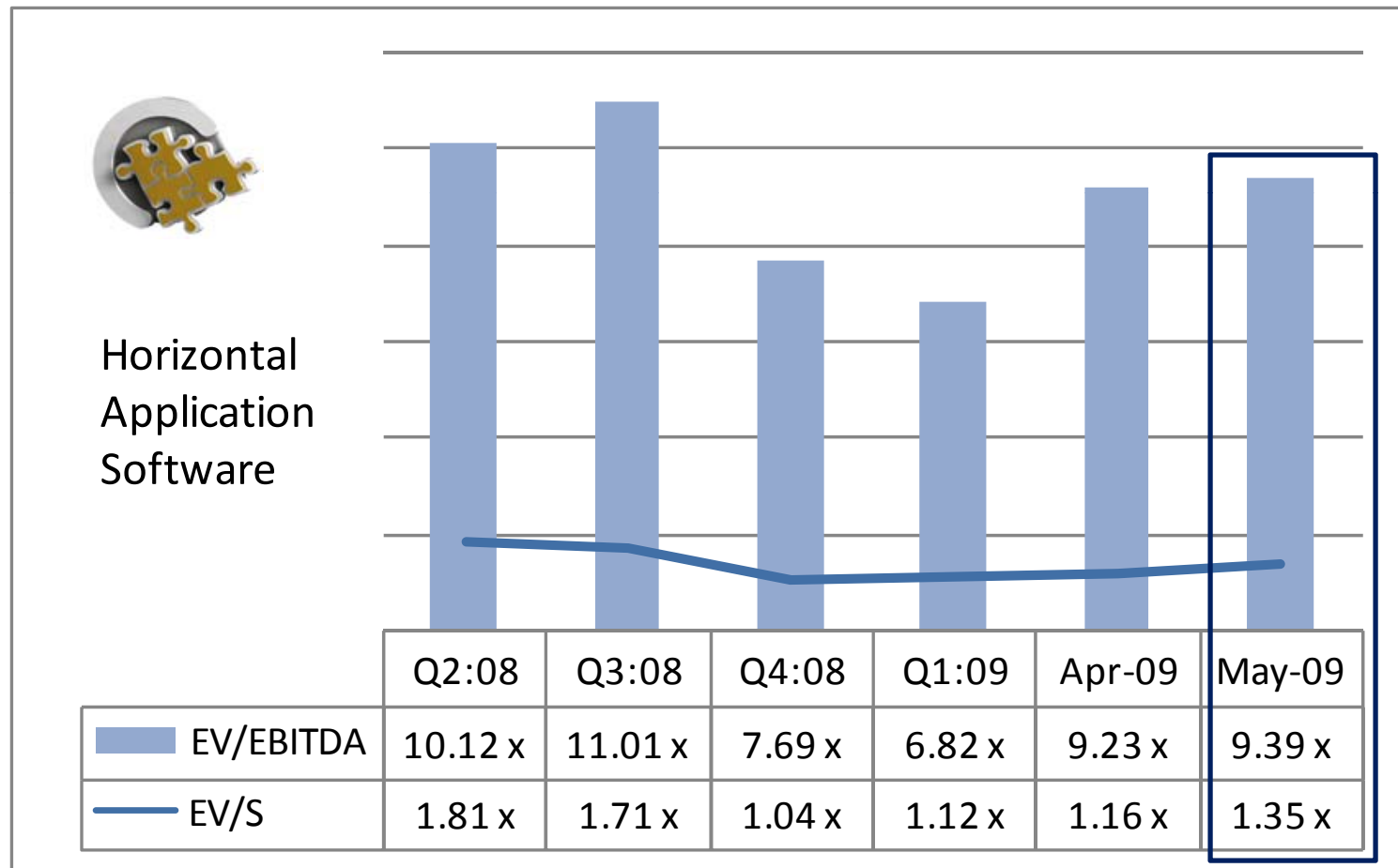
	May-08	May-09
# of Transactions	204	232
# of Mega Deals	5	4
Largest Deal	\$14,500	\$8,500
Average Deal Size	\$609	\$319
Median Seller Size	\$20	\$37
# VC backed Exits	25	31
% Terms Undisclosed	63%	72%
All Cash (announced)	43%	51%
% Targets were Public	16%	19%
% Public Buyers	50%	45%

\$ values in millions

- Public markets, IPO's, PE all drivers
- Private buyers remain active
- Cash still dominant form of consideration
- International expansion

Horizontal Application Software Market

Public Valuations



Horizontal Application Software Market

Notable Transactions

Target	Buyer
CodeGlide	Intalio
Vignette Corp	OpenText
Highdeal SA	SAP
Search Intelligence	Domain7

Spotlight:

Sector: Content Management

Target: Vignette

Buyer: Open Text

Date: May 2009

Transaction Value: \$310 million

Structure: Cash & stock

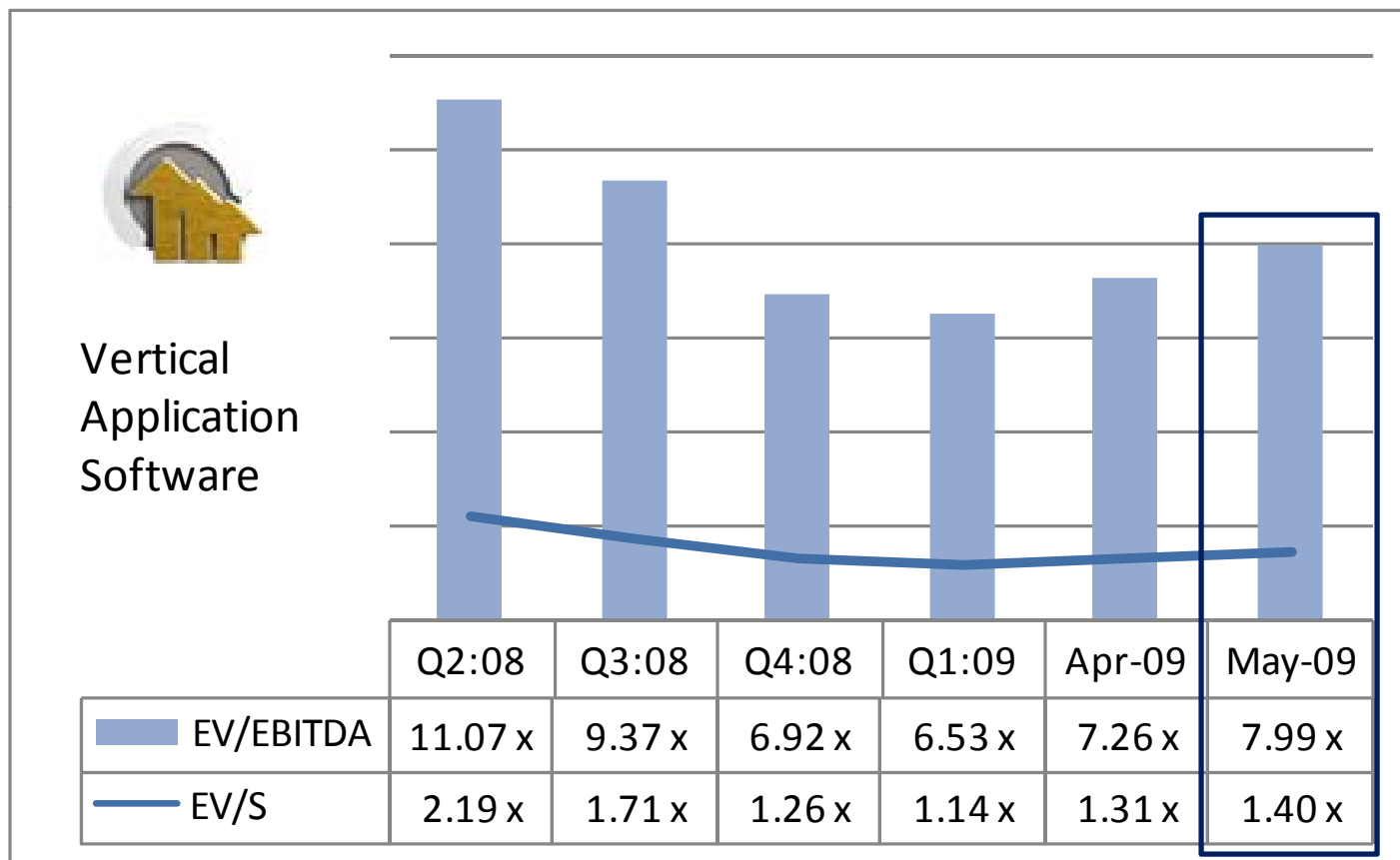
Transaction Multiple: 1.3x

Comments:

- Market leader bulking up
- Sector consolidation
- Market expansion

Vertical Application Software Market

Public Valuations



Vertical Application Software Market

Notable Transactions

Target	Buyer
Access Data Corp	Broadridge Financial Solutions
Tisya SA	Ultra Electronics Holdings
Techsia	Schlumberger
Informance International	CDC Software

Spotlight:

Sector: Financial Services

Target: Access Data Corp

Buyer: Broadridge Financial

Date: May 2009

Transaction Value: \$45 million

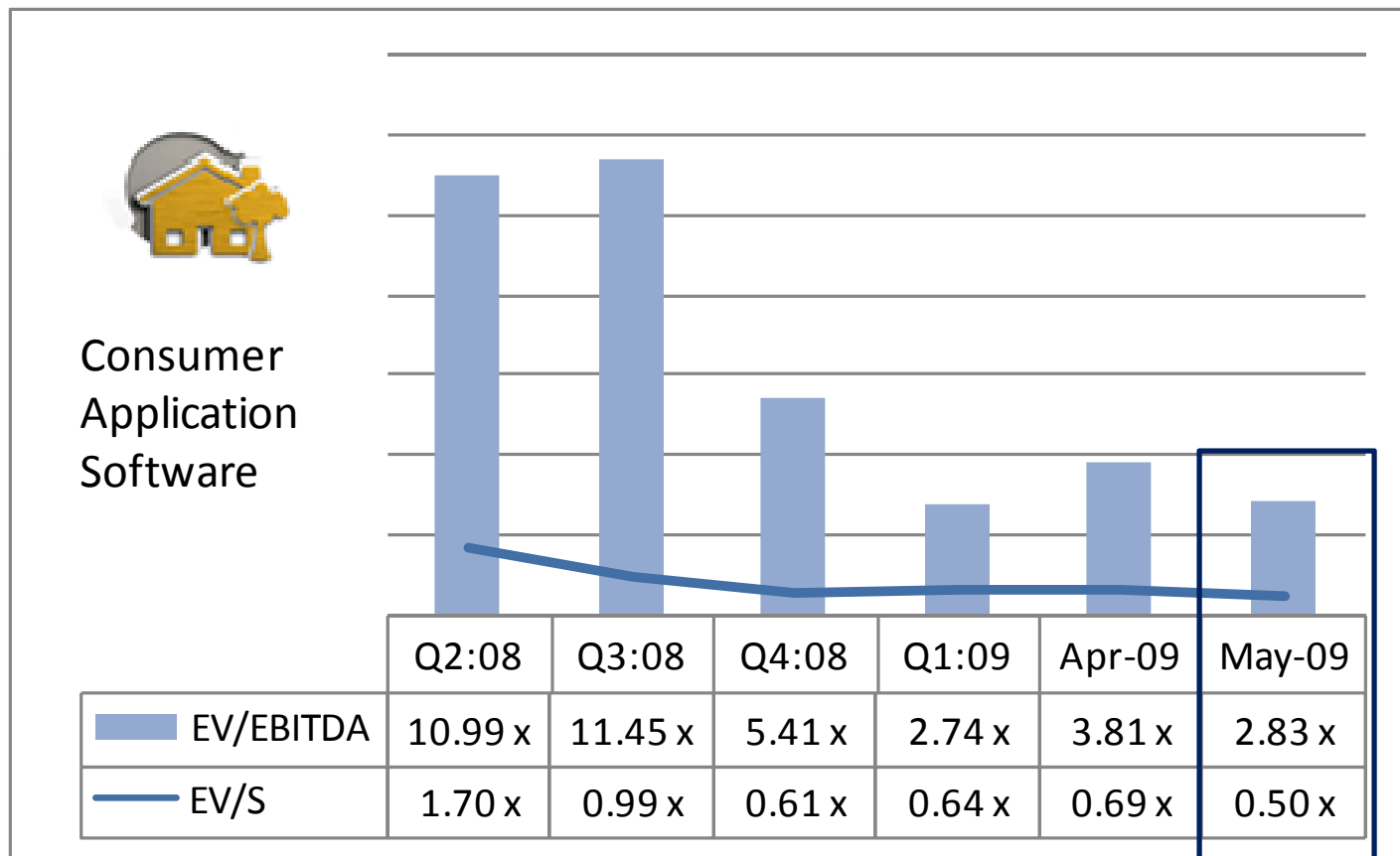
Structure: Cash

Comments:

- Buyer a BPO
- All cash
- Sector play

Consumer Application Software Market

Public Valuations



Consumer Application Software Market

Notable Transactions

Target	Buyer
Midway Games	Warner Bros
Big Huge Games	38 Studios LLC
ProTech Diagnostics	K Alliance

Spotlight:

Sector: Gaming

Target: Big Huge Games

Buyer: 38 Studios LLC

Date: May 2009

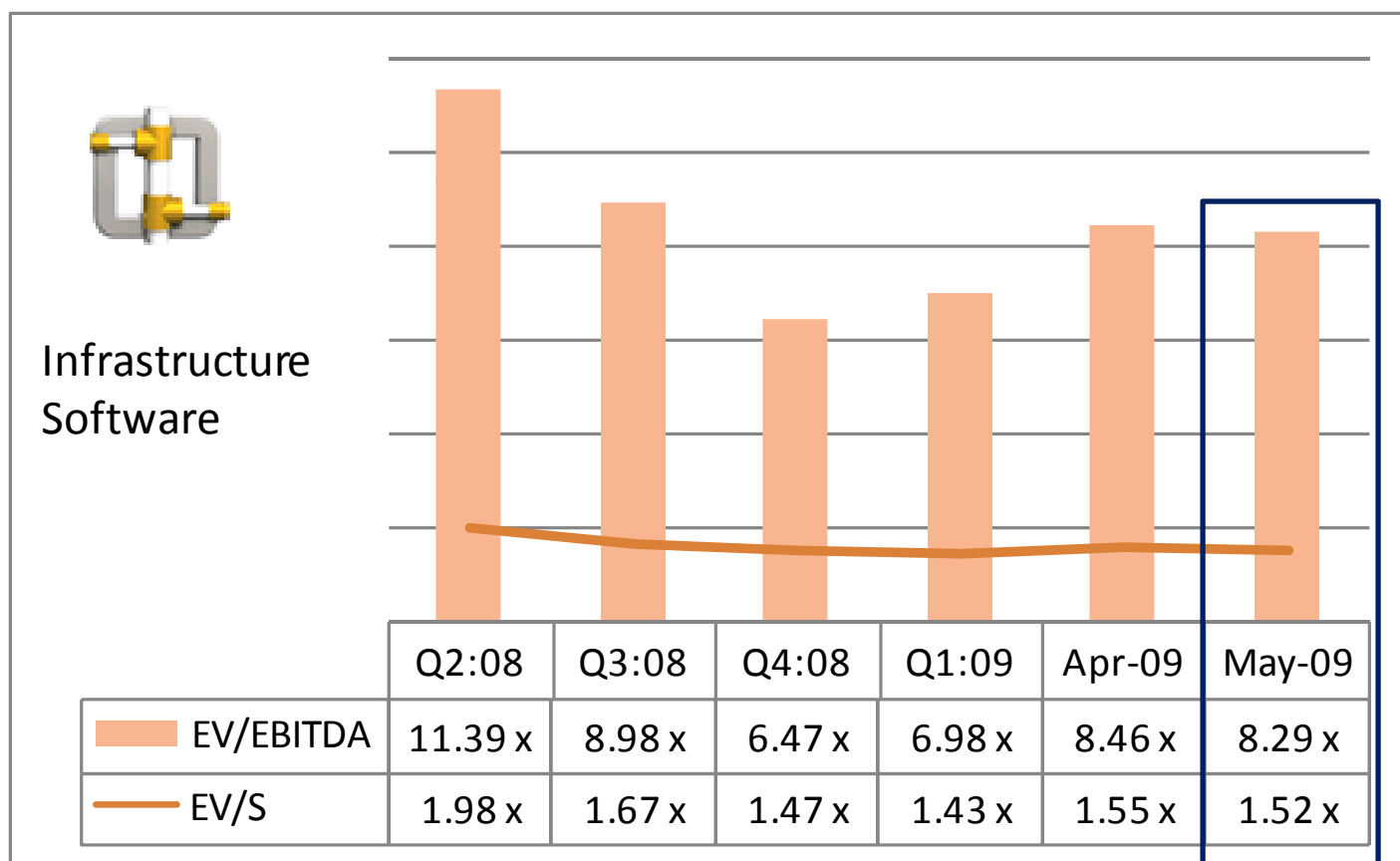
Transaction Value: Undisclosed

Comments:

- Divestiture
- Private buyer
- Buyer expanding presence

Infrastructure Market

Public Valuations



Infrastructure Market

Notable Transactions

Target	Buyer
Configuresoft	EMC
O3SIS AG	Gemalto NV
Data Domain	()
Cyveillance	QinetiQ

Spotlight:

Sector: Storage

Target: Data Domain

Buyer: ()

Date: May 2009

Transaction Value Range*:

\$1.75B to \$2.10B million

Structure: Cash and stock

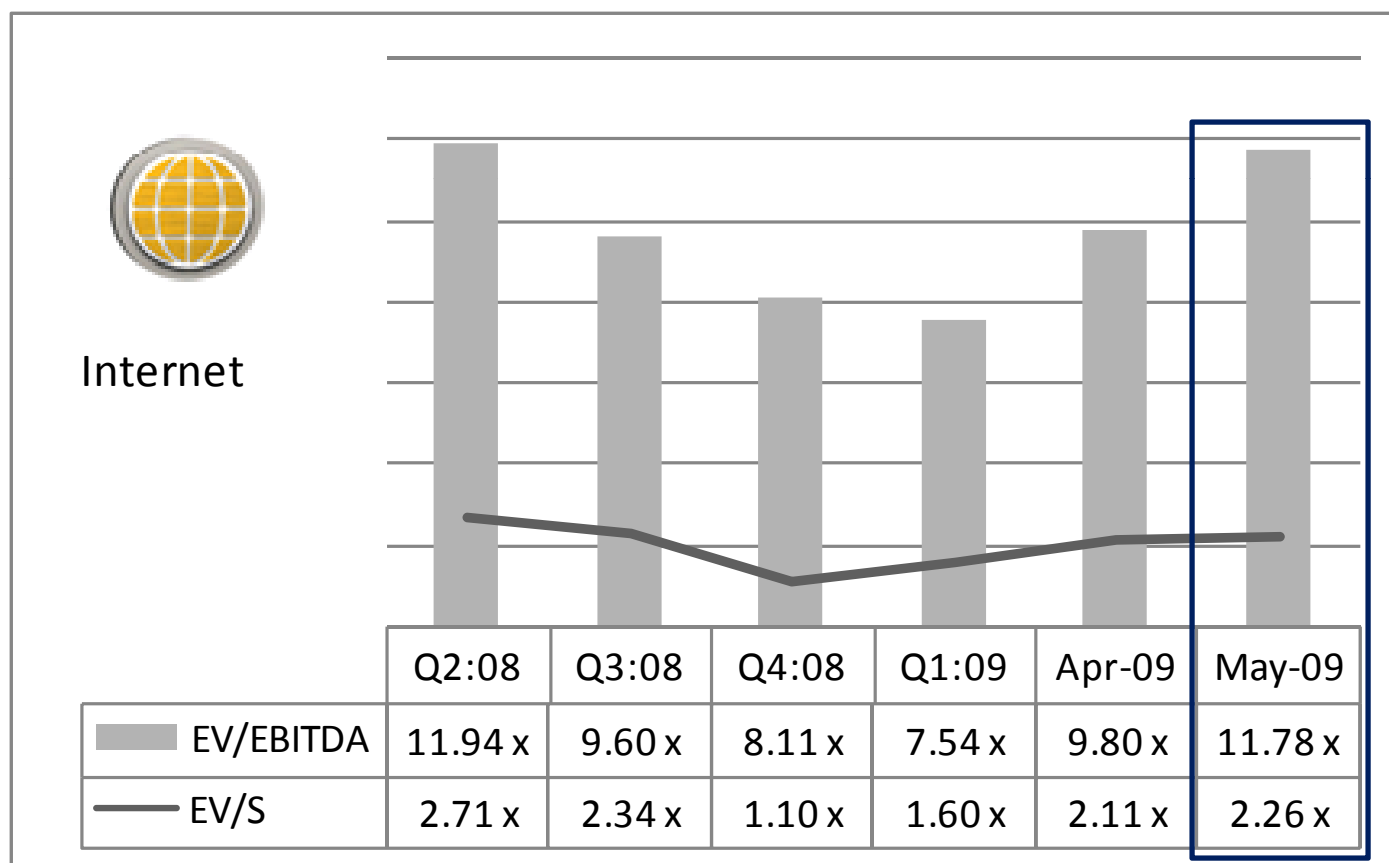
Transaction Multiple: 6.3x to 7.2x

Comments:

- Auction
- Strategic acquisitions worth more than cash

Internet Market

Public Valuations



Internet Market

Notable Transactions

Target	Buyer
VeriSign MSSP	SecureWorks
Avinity Systems BV	Active Video Networks
Kiptronic	Limelight Networks

Spotlight:

Sector: Advertising

Target: Kiptronic

Buyer: Limelight Networks

Date: May 2009

Transaction Value: \$10 million est.

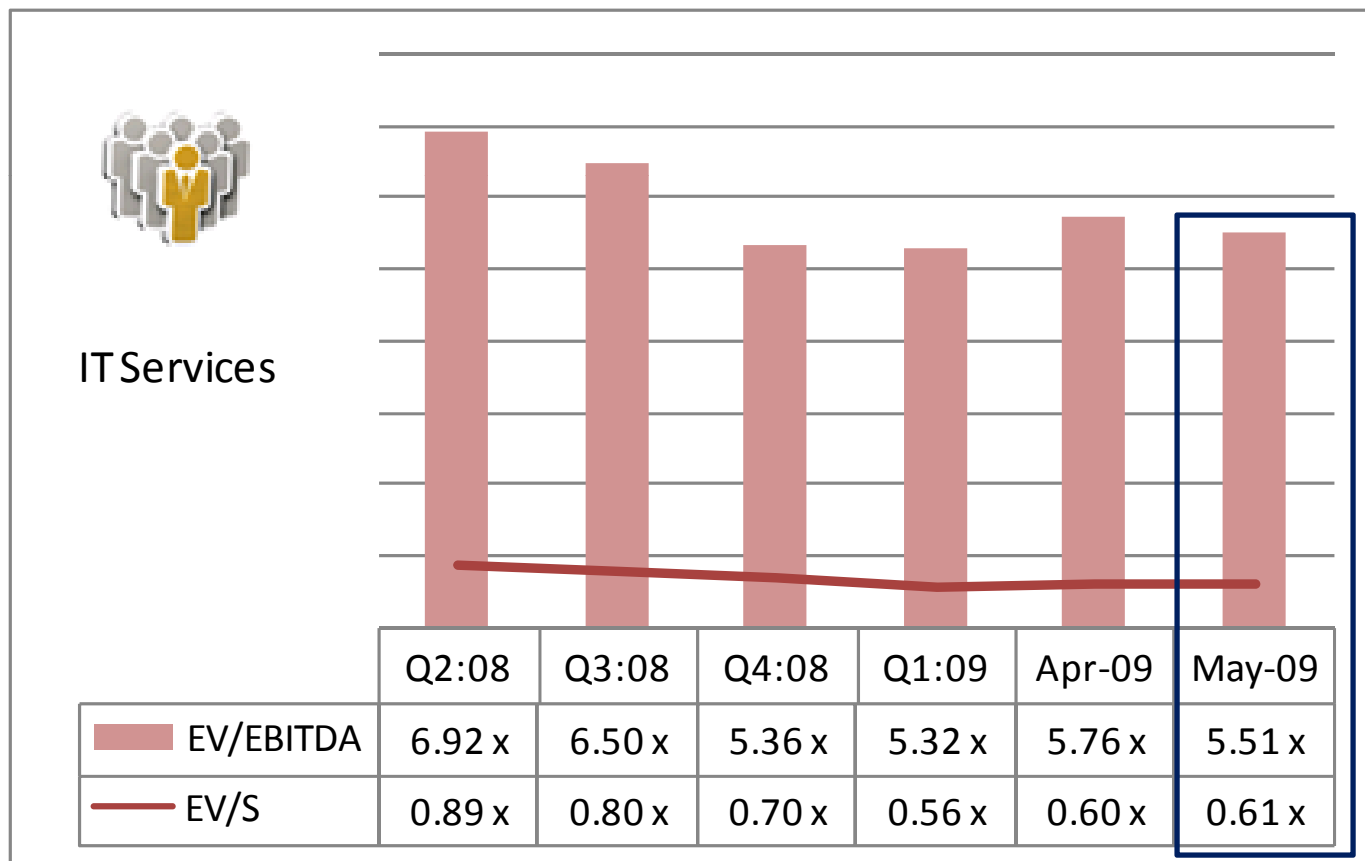
Structure: Cash & stock

Comments:

- Hot sector
- Seller monetizes complex problem

IT Services Market

Public Valuations



IT Services Market

Notable Transactions

Target	Buyer
Shanghai Covics	Atos Origin
SBO	Medasys
Repton plc	Kelway
Metrolico SA	T-Systems

Spotlight:

Sector: Servies

Target: Shanghai Covics

Buyer: Atos Origin

Date: May 2009

Transaction Value: Undisclosed

Comments:

- Expansion east
- SAP Consulting



Nat Burgess
Executive Vice President
Corum Group Ltd.

Chairman
World Financial Symposiums

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 lead 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. Nat is frequently quoted in industry publications, a highly sought speaker at industry conferences, and Chairman of the World Financial Symposiums.



WORLD FINANCIAL SYMPOSIUMS
Educating Technology Leaders

UPDATE

May 14, San Jose – email info@worldfinancialsymposiums.com



Peter Coffee,
salesforce.com



Paul Kwan,
Morgan Stanley



Roman Ormandy,
Microsoft



Marc Chiang,
Grant Thornton



Brenon Daly,
451 Group



Vivian Wu,
TA Associates



Matt Picciano,
Alpine Investors



Kevin Werner,
VeriSign



Don Helt, HRMS



Dale Quick, Identiprise

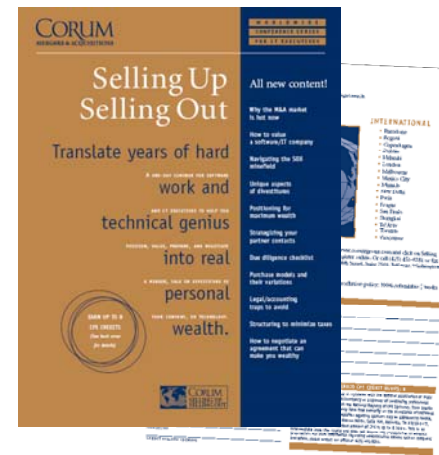
Corum Conferences

Selling Up Selling Out

The definitive one-day executive conference on how to prepare, position, value, structure and negotiate the sale or merger of a software/IT company.

Merge Briefing

A 90-minute M&A market update with a brief overview of the elements of a sale or merger.



Conference Schedule

June

4	Web	M&A Flash Report
11	San Francisco	Selling Up Selling Out
17	Web	Merge Briefing - German
18	Web	Merge Briefing - Nordic
23	Paris	Selling Up Selling Out
24	Los Angeles	Merge Briefing
24	Salt Lake City	Merge Briefing
24	Salt Lake City	Selling Up Selling Out
25	Denver	Merge Briefing
25	Denver	Selling Up Selling Out



>> Visit www.corumgroup.com to register

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