

# CORUM

USA Switzerland Germany France United Kingdom Canada Sweden Brazil

## Forecast 2012, Part III Private Equity Panel The “Facebook Effect”

Thursday, January 12, 2012  
10:00 am PT

[www.corumgroup.com](http://www.corumgroup.com)

## 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.

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## Agenda

- Global Market Overview
- The “Facebook Effect”
- Five Headlines That May Kill Valuations
- Research Report
- Special Report: Private Equity
- Private Equity Panel
- Q&A

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## Presenters



**Bruce Milne**  
CEO  
Corum Group Ltd.



**Ward Carter**  
Chairman  
Corum Group Ltd.



**Nat Burgess**  
President  
Corum Group Ltd.



**Jon Scott**  
Senior Vice President  
Corum Group Ltd.



**Elon Gasper**  
Vice President,  
Director of Research  
Corum Group Ltd.



**Alina Soltys**  
Senior Analyst  
Corum Group Ltd.



**Amber Stoner**  
Sr. Research Analyst  
Corum Group Ltd.



**Timothy Goddard**  
Conference Director  
Corum Group Ltd.

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## Private Equity Roundtable



Michael Wand  
Carlyle Group



Dean Jacobson  
Accel-KKR



Ryan Ziegler  
Edison Ventures



Javier Rojas  
Kennet Partners

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## 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 February 9, 12:30am PT, and 8:00am PT
  - See “Conferences and Events” at [MergersAndAcquisitions.webex.com](http://MergersAndAcquisitions.webex.com)
- If any audio problems today
  - Dial +1.408.792.6300
  - Enter meeting event number: 660 630 846

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

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## Moderator



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.



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## 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.



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## China

- China's Stocks Rise to 2-Month High as Consumer, Property Stocks Advance
- China's Growth May Slip to 8.6% This Year as Europe Slows, Report Says

## Europe

- U.K. Economy Shrank in Fourth Quarter as Companies Scaled Back Investment
- German Economy Contracted in Fourth Quarter as Exports Fell on Debt Crisis
- U.K. Pound Rises Against Dollar as Factory Index Climbs to Six-Month High
- Euro-Region Economy Poised to Shrink in 2012 as Italy Contracts With Spain
- Greek Rescue Leaves Europe Default Risk Alive

## Europe

- IMF: Global Economy Still Facing Major Risk From Europe
- Germany Confidence Defies Euro-Area Recession as Italy Contracts
- Spain Sinks Deeper Into Periphery on Debt Rise
- U.K. January Producer Prices Climb Faster Than Expected on Raw Materials
- U.K. Factory Output Jump Exceeds Forecasts as Trade Gap Shrinks

## United States

- Consumer Sentiment in U.S. Reaches 1-Year High
- Jobless Claims Improving – at 4 year low
- Consumer Comfort Highest in Almost Four Years
- U.S. Michigan Consumer Sentiment Index Falls

## United States

- Labor-Market Gains Boost U.S. Consumer Confidence
- S&P 500 Rises to Highest Level Since 2008
- Best U.S. Auto Sales Streak Since '08 Helped by Toyota
- U.S. Consumer Confidence Holds Near Four-Year High, Bloomberg Index Shows

## Real Estate/Commodities

- Home Prices Declined 2.4% in Fourth Quarter
- Foreclosures to Climb in U.S. Before Bank Deal Helps Housing Market Heal
- Housing Declines May Have Cost a Generation of Buyers, Fed's Bullard Says
- Oil Rises to Almost \$110 as S&P 500 Closes at Highest Level Since June '08
- New Home Sales Exceeded Forecasts in January

## Technology

- Facebook Value Declines to \$93 Billion in SharesPost Auction Ahead of IPO
- Yelp Files for IPO, bolstering “Social” trend
- Facebook files for IPO

## Facebook Effect – the new “Public/Private” company



**Jon Scott**  
Senior Vice President

- Close to 30 years experience in high technology companies, with the last 20 mainly in chief operating and chief executive roles
- President/CEO of The PowerTech Group
- President/CEO of Microserv
- President/COO of Traveling Software



## Facebook Moves in 2011

- Massive new private funding in early January '11 of \$550M from Goldman Sachs and Digital Sky Technologies
- Follow-on Private Funding for a total of \$1.5B in late January '11 at a \$50B valuation
- Where is it Used?
  - 12 acquisitions in 2011 including Beluga, rel8tion, and Sofa

## Zynga Moves

- Between February 2008 and February 2011 they raised \$845M, including \$490M from SoftBank and Google in 2011
- Where is it Used?
  - 13 Acquisitions in 2011 including Newtoy, Page44 Studios and Gamedoctors

## What's Driving This Phenomenon?

- Secondary markets are establishing valuations for private companies
  - SharesPost – founded 2009, \$625M in transactions in 2011
  - Second Market – Founded 2005, \$1B in private company trades in past 3 years
- Investment firms are raising significant funds for Mezzanine capital used for working capital and acquisitions

## SharesPost from May 2011

**SHARESPOST** THE PRIVATE CAPITAL MARKETS SOLUTION [LOGIN / REGISTER WITH SHARESPOST](#)

HOME OVERVIEW COMPANIES AUCTIONS & OFFERINGS MY SHARESPOST

**THE PRIVATE CAPITAL MARKETS SOLUTION**

DEDICATING OVER \$200B IN CAPITAL TO THE LEADING PRIVATE COMPANIES

SharesPost connects leading private companies with their current and future investors and provides the data, analysis and assistance they need to support their capital markets needs

<b>SOLARCITY</b> \$12.50 / SH \$403MM	<b>LINKEDIN</b> \$30.79 / SH \$2.88	<b>TWITTER</b> \$30.00 / SH \$7.38	<b>ETSY</b> \$14.00 / SH
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VENTURE-BACKED INDEX

INDEX VALUE: **275.87** WEEK TO WEEK CHANGE: **-0.45%**

**MOST ACTIVE**

COMPANY	IMPLIED VALUE	EMAIL / SCREENNAME
<b>FACEBOOK</b>	<b>\$79.4B</b>	

**LOGIN TO BUY/SELL**

EMAIL / SCREENNAME:

20

## SharesPost from March 7, 2012

SHARESPOST THE PRIVATE CAPITAL MARKETS SOLUTION LOGIN / REGISTER WITH SHARESPOST

HOME OVERVIEW COMPANIES AUCTIONS & OFFERINGS MY SHARESPOST FIND A COMPANY GO

A NETWORK OF OVER **95,000** INSTITUTIONAL & ANGEL INVESTORS

THE PRIVATE CAPITAL MARKETS SOLUTION

SharesPost connects leading private companies with their investors and provides the data and assistance to support their capital markets needs

SIGNUP NOW AND GET STARTED

FIND A COMPANY GO

REDFIN \$1.55 / SH \$201MM

ETSY \$1.55 / SH \$307MM

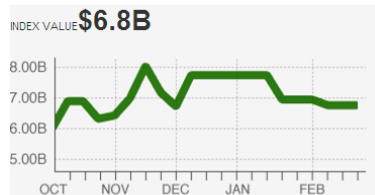
FACEBOOK \$43.50 / SH \$101.4B

BLOOMBERG \$19.00 / SH

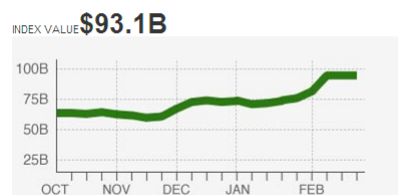
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## Historical Values - Sharespost

🐦 TWITTER INDEX VALUE



📘 FACEBOOK INDEX VALUE



- Who might follow this public/private trend for additional capital?  
FourSquare, Twitter, DropBox...

## Five Headlines That May Kill Valuations

1. China growth rates false
2. Interest Rates Rocket
3. Oil Rises \$40
4. Inflated Dollar Crashes
5. Real Estate Posts Sharp Drop

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## Presenters



**Elon Gasper**  
VP, Director of Research  
Corum Group Ltd.

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**Amber Stoner**  
Sr. Analyst, Markets  
Corum Group Ltd.

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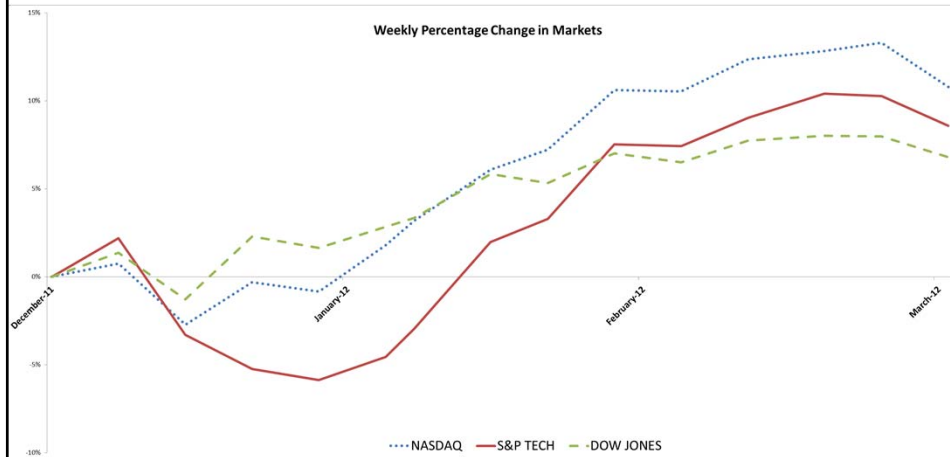
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## Public Markets – Dec 2011-Present



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## Corum Index

### Corum Index

	February 2011	February 2012
# of Transactions	261	262
# of Mega Deals	3	4
Largest Deal	\$1,555	\$2,016
% Sub-\$100m	72%	65%
Private Equity Deals	11	4
Private Equity Value	\$924	\$1,716
# VC backed Exits	48	70
All Cash (announced)	58%	51%
% Targets were Public	16%	8%
% Public Buyers	48%	47%

\*\$ values in millions

Buyer	Seller	Price
Oracle	Taleo	\$2.0b
Hutchison 3G Austria	Orange Austria	\$1.7b
Advent Int'l/IGS Capital Partners	TransUnion	\$1.7b
SBA Communications	Mobilite	\$1.1b

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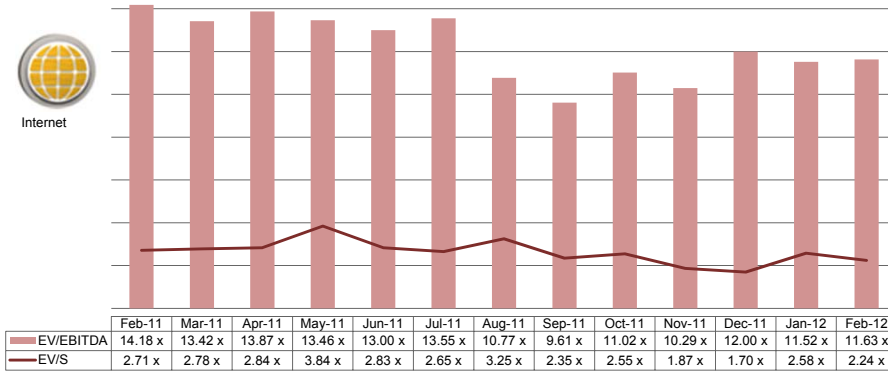
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# Internet Market

## Public Valuations



Internet



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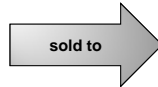
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# Internet Market

## Public Valuations



Internet



**Sector:** Internet Pureplay  
**Target:** Chomp  
**Buyer:** Apple  
**Transaction Value:** \$50 million reported

- Apple acquired Chomp to improve the process of searching for apps
- Will Chomp's Android deal with Verizon continue?

EV/EBITDA  
EV/S

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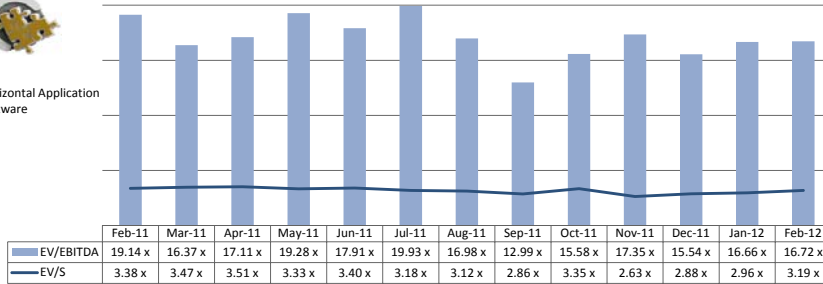
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# Horizontal Application Software Market

## Public Valuations



Horizontal Application Software



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# Horizontal Application Software Market

## Deal Spotlight:



Horizontal A Software



**Sector:** Human Resources

**Target:** Concerro

**Buyer:** API Healthcare

**Transaction Value:** Undisclosed

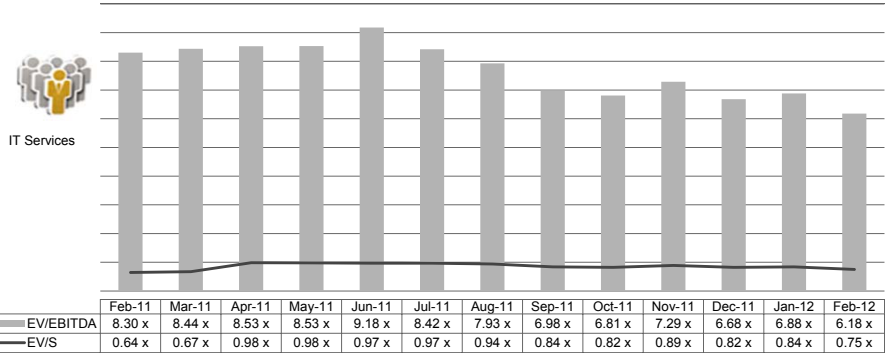
- The acquisition will accelerate the path to SaaS for API's workforce management technology
- The acquisition enables API Healthcare to significantly increase its ability to deliver workforce management solutions

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# IT Services Market

## Public Valuations



# IT Services Market

## Public Valuations



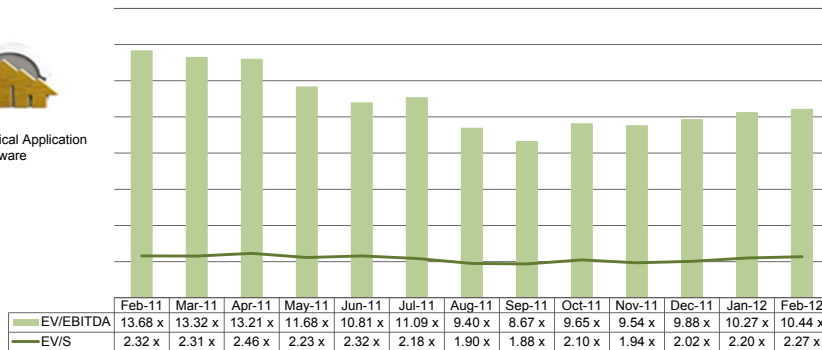


# Vertical Application Software Market

## Public Valuations



Vertical Application Software



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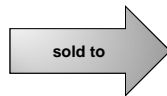
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# Vertical Application Software Market

## Deal Spotlight:



Vertical Appli Software



**Sector:** Financial Services  
**Target:** PORTIA  
**Buyer:** SS&C Technologies  
**Transaction Value:** \$170 million

- PORTIA is a business unit of Thomas Reuters
- SS&C is a portfolio company of PE firm Carlyle Group
- The acquisition is expected to significantly add to SS&C's offerings in the portfolio management software industry

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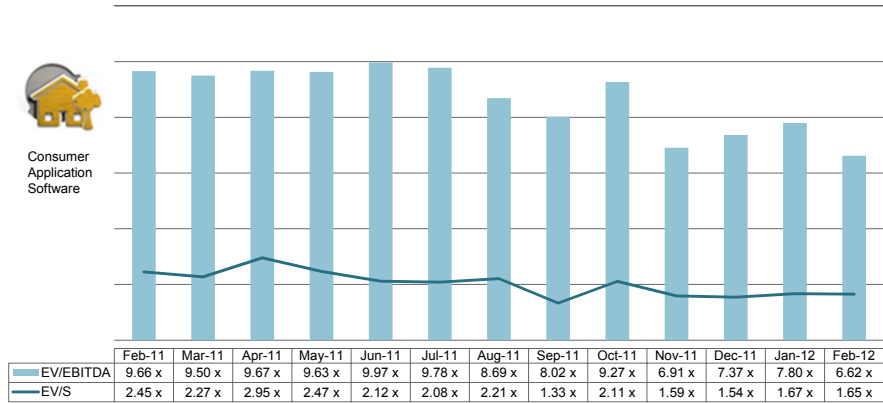
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# Consumer Application Software Market

## Public Valuations



Consumer Application Software



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# Consumer Application Software Market

## Public Valuations



Consumer Application Software



**Little Text People**



**Sector:** Gaming  
**Target:** Little Text People  
**Buyer:** Linden Labs (Second Life)  
**Transaction Value:** Undisclosed

- Little Text People, specializes in emotional AI algorithms for interactive fiction.
- First acquisition for Linden Lab since Rod Humble became CEO in 2010
- Kickstarts new strategy of developing products beyond Second Life.

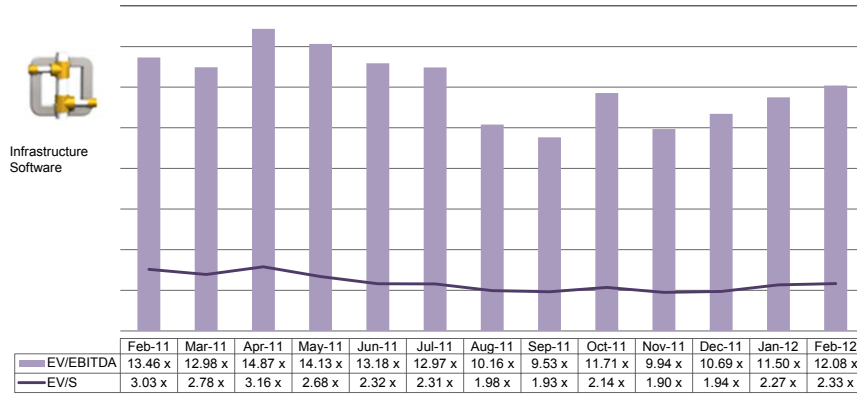
	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12
EV/EBITDA	9.66 x	9.50 x	9.67 x	9.63 x	9.97 x	9.78 x	8.69 x	8.02 x	9.27 x	6.91 x	7.37 x	7.80 x	6.62 x
EV/S	2.45 x	2.27 x	2.95 x	2.47 x	2.12 x	2.08 x	2.21 x	1.33 x	2.11 x	1.59 x	1.54 x	1.67 x	1.65 x

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# Infrastructure Market

## Public Valuations



# Infrastructure Market

## Public Valuations

**Sector:** Security  
**Target:** Mykonos Software  
**Buyer:** Juniper  
**Transaction Value:** \$80 million  
**Structure:** Cash

- Mykonos Software provides intrusion deception systems that protect websites and web applications, which are expected to benefit Juniper's security portfolio
- Extends Juniper's aims to provide security options across a range of environments, including the cloud arena

## Special Report: Private Equity



**Alina Soltys**  
Senior Analyst, Financial  
Corum Group Ltd

**Contact:**

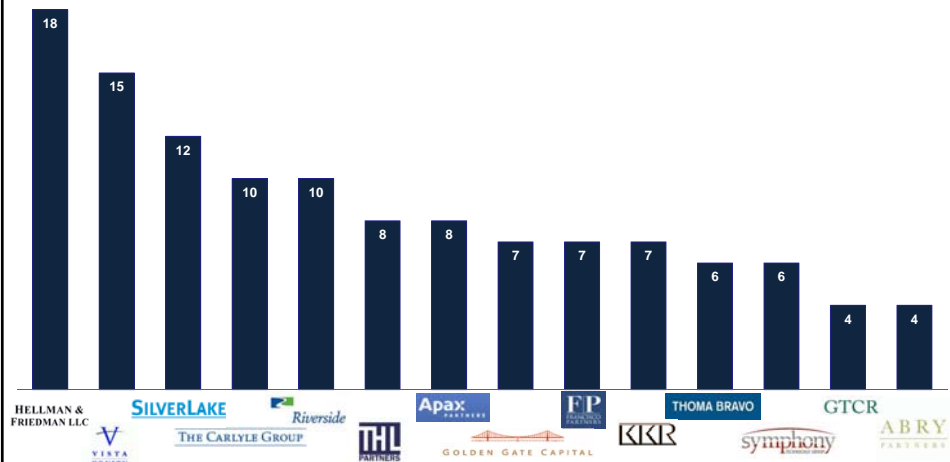
[in/soltysa](#)  
[alinas@corumgroup.com](mailto:alinas@corumgroup.com)

Alina Soltys 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 throughout the Pacific Northwest. 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.

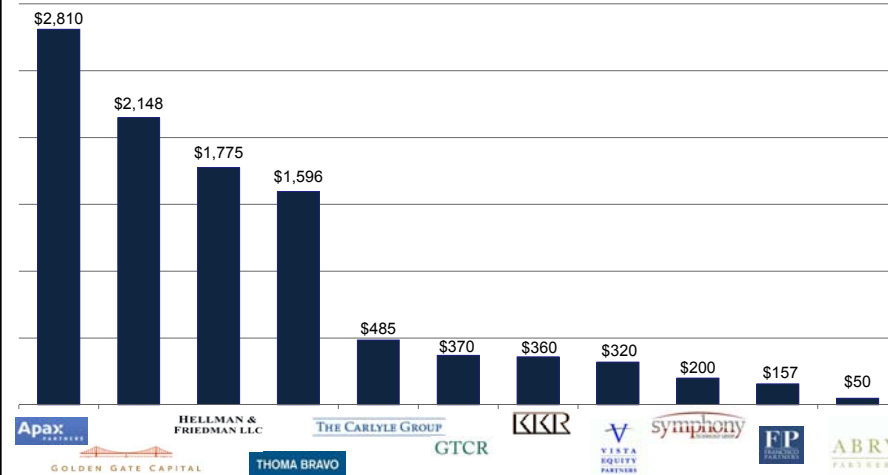
Alina graduated from the Foster School of Business at the University of Washington with Honors, in fields of Finance and Entrepreneurship.



## Top 2011 Private Equity Acquirers - Volume



## Top 2011 Private Equity Acquirers - Value



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## Investing Philosophy

- Consolidation of Industry
  - ERP consolidation
    - Epicor & Activant → Apax Partners
    - Lawson → Infor (Golden Gate)
- Themes
  - Francisco Partners' focus on Web Experience Management
- Industry Focus
  - GTCR acquisitions in Financial Services

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## Private Equity Roundtable



Michael Wand  
Carlyle Group



Dean Jacobson  
Accel-KKR



Ryan Ziegler  
Edison Ventures



Javier Rojas  
Kennet Partners

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## Upcoming Conference Schedule

**Selling Up Selling Out (SUSO)** - Ready to go to market? During this half-day workshop, learn to prepare, position, research, value, negotiate, and execute due diligence for maximum price and structure. This is the most attended Tech M&A event ever – participants have done over \$1 trillion in transaction value.

**Merge Briefing (MB)** - The Merge Briefing is a 90-minute executive briefing providing a current M&A market update (trends, valuations, etc.), as well as a brief overview of the Tech M&A process: "8 Steps To An Optimal Outcome."

Mar. 08: **Stockholm** – MB

Apr. 16: **Kansas City** – MB

Mar. 14: **Seattle** – SUSO

Apr. 17: **Indianapolis** – MB

Mar. 15: **Tech M&A Monthly** – Rebroadcasts

Apr. 17: **St. Louis** – MB

Mar. 20: **Stuttgart** – MB

Apr. 17: **London** – SUSO

Mar. 20: **Tampa Bay** – MB

Apr. 18: **Cleveland** – MB

Mar. 22: **Ft. Lauderdale** – SUSO

Apr. 18: **Detroit** – MB

Mar. 27: **Minneapolis** – MB

Apr. 19: **Chicago** – MB

Apr. 10: **Atlanta** – MB

Apr. 19: **Vancouver** – SUSO

Apr. 10: **Ottawa** – SUSO

Apr. 19: **Stockholm** – SUSO

Apr. 11: **Montreal** – SUSO

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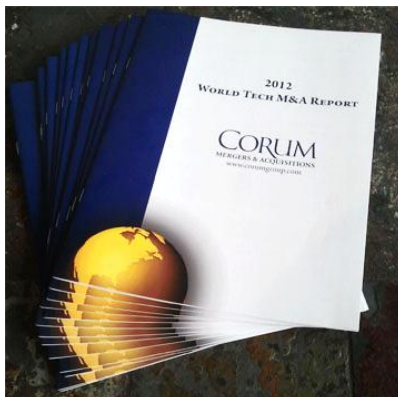
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## April 12 – 8 Steps To M&A Success

- Market Update
- How to Increase Value
- Field Report
- Research Report
- Special Report: Yelp
- 8 Steps To M&A Success
- Q&A

## 2012 World Tech M&A Report



- Have you received your copy?
- Request yours at [www.corumgroup.com](http://www.corumgroup.com)