

# CORUM

USA Switzerland Germany France United Kingdom Canada Sweden Brazil

## M&A Monthly – June 2012

### Field Report + Casual Games Asia + Retail Wars

Thursday, June 14, 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
- Q&A – CEO of Vitruve
- International Field Reports
- Corum Index
- Conference Report: Casual Games Asia
- Special Report: Retail Wars
- Q&A – CEO of Zeacom
- Conferences
- 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.



**Miro Parizek**  
Managing Director  
Corum Group  
International



**Elon Gasper**  
VP, Research



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



**Jason Steblay**  
Research Analyst  
Corum Group Ltd.



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

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## Guest Speakers



Reggie Bradford  
CEO, Vitruve



Miles Valentine  
CEO, Zeacom

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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 May 17, 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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## 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 April Home Sales Fall 16% as Property Curbs Remain
- China Car Dealerships Struggle as Stockpiles Increase
- China Banks May Miss Loan Target for 2012, Officials Say
- China's Cotton Planting Drops 10% as Labor Costs Increase
- China's economy suffers 'sharp slowdown'
- China lowers interest rates - first since 08

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## Europe/International

- Italian economy contracts most in 3 years
- U.K. Retail Sales Fall Most in Two Years on Rain Effects
- European Banks Unprepared for Greek Exit From Euro
- Carlos Slim Sees European Crisis as Good Time to Invest
- Cameron Urged to Prepare New Growth Push as Slump Deepens
- Italy now in debt-crisis crosshairs after Spain
- Will \$125 billion be enough for Spanish bailout?

## United States

- NY region Manufacturing exceeds forecast
- Houses for sale low as sellers await higher prices
- US Industrial Production exceeds forecasts
- Confidence Sinks as U.S. Job Market Progress Stalls
- Consumer Sentiment in U.S. Climbs to Highest Since 2007
- S&P 500 Tumbles to Four-Month Low Amid Economic Reports

## Commodities/Real Estate

- Producer Prices U.S. Decrease for First Time in Four Months
- Homebuilder confidence climbs to 5 year high in May
- April New Home construction up
- Oil Falls to Six-Month Low on Europe
- Oil has most weekly declines in 13 years
- Home refinancing boosts Florida, Nevada economies

## Technology

- Facebook Raises \$16 Billion in Record Technology Offering
- Hewlett-Packard Said to Consider Cutting Up to 25,000 Jobs
- Alibaba buys back 20% stake for \$7bn from
- Yahoo Wipro to spend \$1bn on acquisitions
- SAP to Acquire Ariba for \$4.3 Billion in Push Into Cloud
- Dell Profit, Forecast Miss Estimates on Slumping PC Sales

## Facebook

- Facebook Audience Growth Slows To 5%, ComScore Reports
- Facebook Marketing, Ads Lead Users to Buy, ComScore Says
- Angry investors seek money from Facebook lawsuits
- Samsung plans to launch Facebook competitor next year
- A Billion-Dollar Bet on Facebook's Future from Oracle and Salesforce.com

## Special Guest Q&A



Jon Scott  
Senior Vice President  
Corum Group Ltd.

Jon joined Corum in 2010 out of their Seattle headquarters. He has close to 30 years experience serving high technology companies with the last 20 mainly in chief operating and chief executive roles. During this time Jon has become known for his ability to successfully integrate strategies and tactics into well executed operating plans, building strong teams and achieving excellent results.

Jon has served as President and CEO of The PowerTech Group, a security and compliance software company sold to Help/Systems in 2008, and Microserv Technology Services, a nationwide tech services company which was acquired by Halifax Corporation in 2003. Earlier he served as President and COO of Traveling Software, a leading developer of communications software in Seattle. Prior to his operating roles Jon held vice president roles in sales, marketing and business development for technology companies.

Jon has taught in the software product management program at the University of Washington and holds a business administration degree from San Francisco.

## Special Guest



Reggie Bradford  
CEO at Vitruue



Veteran technology and management executive Reggie Bradford is founder and CEO of Vitruue. Founded in 2006, Bradford, armed with over 20 years of experience across technology, Internet and marketing sectors, has developed Vitruue into the leading provider of social marketing publishing software for global brands and agencies. Prior to founding Vitruue, Bradford served as President and board member of TANDBERG Television, which was acquired by Ericsson. Bradford also served as the President and CEO of N2 Broadband, and served as Chief Marketing Officer at WebMD from 1998 to 2000. Bradford received a BBA in Finance from the University of Georgia and an MBA from Emory University. He serves on numerous advisory and non-profit boards including BrightWhistle, Solo Health and The Brandery. Bradford resides in Atlanta, Georgia, with his wife Holly and their six children.



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## Corum Field Reports



Nat Burgess  
President  
Corum Group Ltd.



Miro Parizek  
Regional Director  
Corum Group International



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## Recent Corum Transactions



Estere is a critical embedded systems and software development company

Ansys - US  
Estere - France



Zeacom provides unified communication software globally.

Zeacom: New Zealand  
Enghouse: Canada



Olaworks creates embedded software for mobile devices

Intel - US  
Olaworks - South Korea

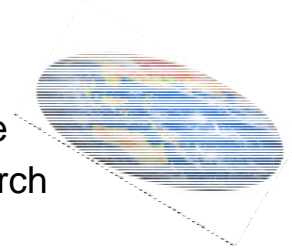


Ciklum is a leading Central European IT outsourcing services company.

Horizon Capital: Ukraine  
Ciklum: Ukraine/Denmark

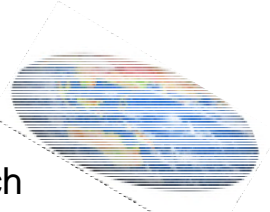
## Lessons from Recent Deals

- The world is flat
  - Buyers are everywhere
  - You need a global search



## Lessons from Recent Deals

- The world is flat
  - Buyers are everywhere
  - You need a global search
- Despite turmoil, there's opportunity in Europe
  - For both strategic and financial
  - For both buyers and sellers



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## Corum Research Presenters



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

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 [alinas@corumgroup.com](mailto:alinas@corumgroup.com)



**Jason Steblay**  
Analyst  
Corum Group Ltd.

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# Corum Index

## Corum Index

	May 2011	May 2012
# of Transactions	309	305
# of Mega Deals	4	2
Largest Deal	\$8,500	\$4,500
% Sub-\$100m	67%	62%
Private Equity Deals	14	10
Private Equity Value	\$785	\$333
# VC backed Exits	57	69
All Cash (announced)	52%	62%
% Targets were Public	11%	11%
% Public Buyers	48%	47%

\*\$ values in millions

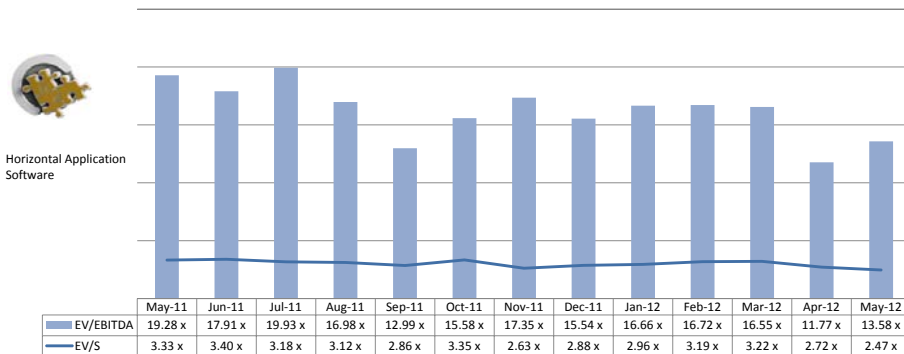
Buyer	Seller	Price
SAP AG	Ariba	\$4.5B
CGI Group	Logica	\$2.7B

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# Horizontal Application Software Market

## Public Valuations



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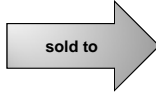
## Horizontal Application Software Market

### Deal Spotlight:



Horizontal Ap  
Software

tealeaf



IBM

**Sector:** Social Media Marketing  
**Target:** Tealeaf  
**Acquirer:** IBM  
**Transaction Value:** Undisclosed

- Tealeaf provides a full suite of customer experience management software
- IBM extends its Smarter Commerce initiative by adding qualitative analytics capabilities
- *Estimated \$1B* in deal value done by Oracle, Adobe and IBM in the month of May

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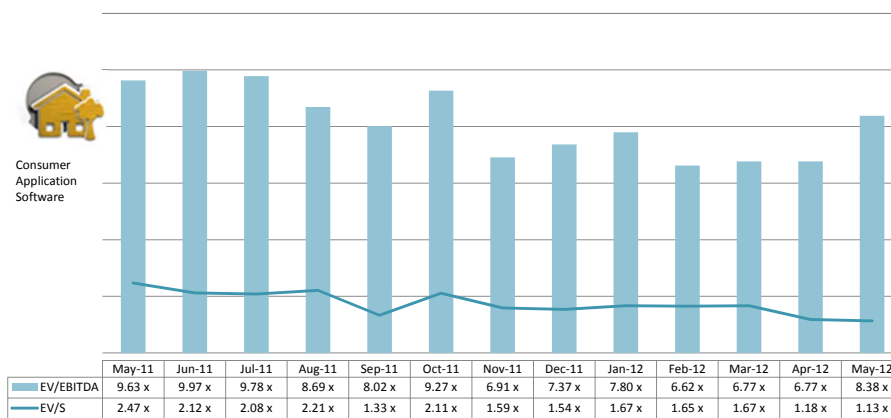
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## Consumer Application Software Market

### Public Valuations



Consumer  
Application  
Software



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# Consumer Application Software Market

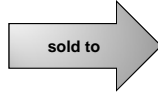
## Deal Spotlight:



Consumer Application Software



**FUNZIO**



**GREE**

**Sector:** Gaming  
**Target:** Funzio  
**Acquirer:** GREE  
**Transaction Value:** \$210 million in cash

- Latest step in GREE's effort to grow beyond its native market in Japan
- Funzio allows GREE to plug existing popular titles into its new mobile gaming platform which will launch later this quarter
- Mobile gaming promises to be a hot sector as North American competition heats up between GREE, its Japanese archrival DeNA, and Zynga

EV/EBITDA  
EV/S

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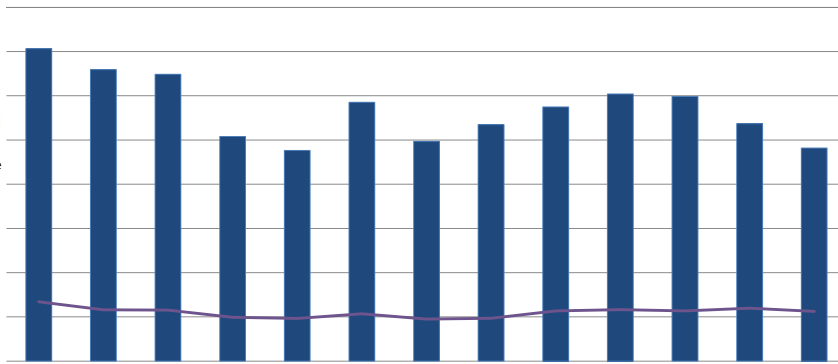
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# Infrastructure Market

## Public Valuations



Infrastructure Software



	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
EV/EBITDA	14.13 x	13.18 x	12.97 x	10.16 x	9.53 x	11.71 x	9.94 x	10.69 x	11.50 x	12.08 x	11.97 x	10.74 x	9.64 x
EV/S	2.68 x	2.32 x	2.31 x	1.98 x	1.93 x	2.14 x	1.90 x	1.94 x	2.27 x	2.33 x	2.27 x	2.39 x	2.25 x

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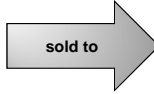
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# Infrastructure Market

## Deal Spotlight:



Infrastructure Software



Sector: Flash Storage  
 Target: XtremIO  
 Acquirer: EMC  
 Transaction Value: \$430 million in cash

- Gives EMC a plethora of flash storage options to offer customers
- Complements the range of EMC's flash-based systems and software

EV/EBITDA  
 EV/S

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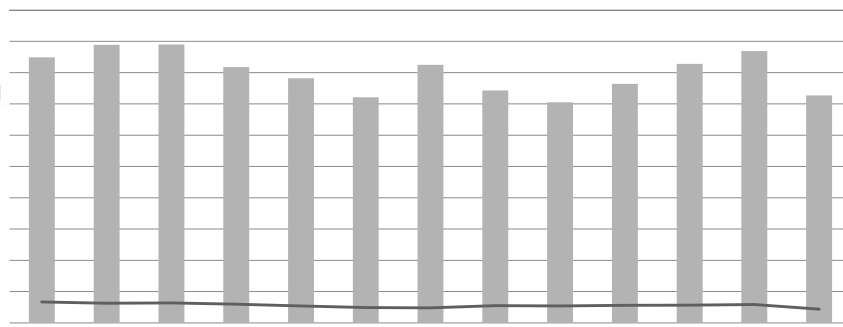
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# IT Services Market

## Public Valuations



IT Services



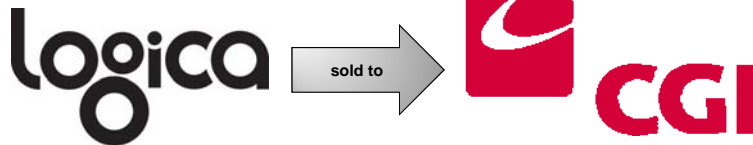
	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
EV/EBITDA	8.49 x	8.89 x	8.90 x	8.18 x	7.82 x	7.21 x	8.25 x	7.43 x	7.05 x	7.64 x	8.28 x	8.69 x	7.27 x
EV/S	0.67 x	0.63 x	0.64 x	0.60 x	0.54 x	0.49 x	0.48 x	0.55 x	0.54 x	0.56 x	0.57 x	0.59 x	0.44 x

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## IT Services Market

### Deal Spotlight:



Sector: Global Systems Integration  
Target: Logica  
Acquirer: CGI  
Transaction Value: \$2.6 billion

- Combined entity will become the world's sixth largest IT Services provider
- The deal will allow CGI to expand in Europe, where it has a minimal presence
- North American companies are taking advantage of the European debt crisis that has lowered the value of many of the continent's premier Tech companies

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## Spotlight Report – Gaming



**Jim Perkins**  
Regional Director, Digital Media Specialist  
Corum Group, Ltd.

Entertainment software entrepreneur Jim Perkins is directly responsible for publishing some of the industry's biggest franchises, including Unreal, Duke Nukem, Wolfenstein, Doom, Hunting Unlimited, and Driver. A well-known senior executive with a 22-year track record of publishing such bestselling hits, he founded and grew two highly successful software publishing companies (FormGen and ARUSH) from start-ups to multi-million dollar enterprises.

Jim also launched Radar Group, the first Transmedia Incubation Company to monetize entertainment franchises across all media, including film and television. His success and extensive experience in software production, marketing and public relations, packaging, online and retail distribution and software M&A, uniquely qualify him as an expert in building value and realizing wealth. Jim joined Corum Group, the world's leading software M&A firm, with a specific focus on educating and helping prospective sellers maximize the value of their digital media companies.

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## Southeast Asia

- 11 Countries
- 600M People
- Largest:  
Indonesia with 240M
- Computing dominated  
by the Internet
- The Internet dominated  
by Facebook
- Gaming dominated by  
mobile platforms



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## By the Numbers

**50%**  
**20x**  
**\$20B**

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## By the Numbers

Online & social gaming will make up

**50%**

of all game revenue by 2014

**20x**

**\$20B**

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## By the Numbers

Online & social gaming will make up

**50%**

of all game revenue by 2014

In the last two years, gaming on smartphones has increased

**20x**

**\$20B**

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## By the Numbers

Online & social gaming will make up **50%** of all game revenue by 2014

In the last two years, gaming on smartphones has increased **20x**

In 2015, the virtual goods market should exceed **\$20B**

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## Asian Gaming Giants Buying



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## Upcoming Events

- World Financial Symposiums  
Market Spotlight Webcast  
“Act Casual: M&A in Casual Games”  

  - June 26, 1 PM (NYC)
  - Register at [wfs.webex.com](http://wfs.webex.com)
- Casual Connect Seattle 
  - July 24-26
  - Register at [seattle.casualconnect.org](http://seattle.casualconnect.org)

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## Special Impact Report: Retail Wars



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

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 [elong@corumgroup.com](mailto:elong@corumgroup.com)



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

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## Retail Wars

- Major tech companies moving into retail
- Retailers moving into tech
- It's a war



*What will the next big move be?*

## 2012: Microsoft buys into Barnes & Noble

**BARNES & NOBLE**  
BOOKSELLERS

Sells parts to

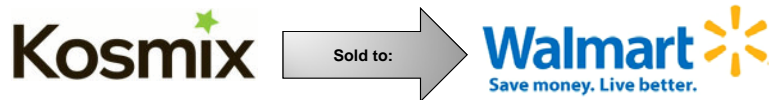


**Microsoft**

Target: Barnes & Noble  
Investor: Microsoft  
Transaction Value: \$300 million

- Predicted by Corum on CNBC and Tech M&A Monthly webinar
- Microsoft bought stake in spinout company with Nook and 641 bookstores
- Not just e-reader: A move against Apple and others at retail

## 2011: Walmart buys Kosmix



Target: Kosmix  
Investor: Walmart  
Transaction Value: Reported at over \$300 million

- Example of traditional retail entering online businesses
- Building up its WalmartLabs venture
- Supports Walmart's global multi-channel strategy

## Bricks and clicks: Setting the stage

- Cast of characters:



## The Retail Matrix

Online Retail	Physical Retail
	
 <b>Microsoft</b>	<b>BARNES &amp; NOBLE</b> BOOKSELLERS  Microsoft Store
@WalmartLabs Kosmix	<b>Walmart</b>  Save money. Live better.
<b>amazon.com</b>	

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## Possible Future Acquisition?

**amazon.com**

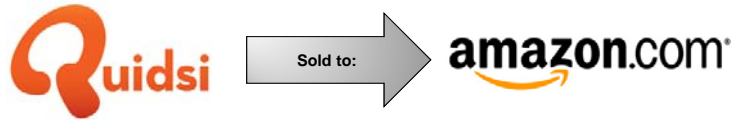
should acquire



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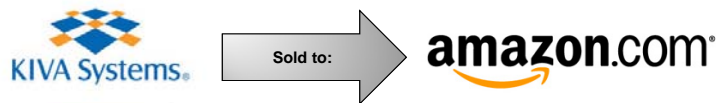
## 2010: Amazon Acquisition



Transaction Value: \$500 million  
Transaction Date: November 2010

- Acquires parent of online retail sites - Diapers.com, Soap.com, and BeautyBar.Com

## 2012: Amazon Acquires Kiva Systems



Target: Kiva Systems  
Buyer: Amazon  
Transaction Value: \$775 million in cash

- Provides robot based warehouse fulfillment systems
- Amazon was not even a customer of Kiva

## Possible Future Acquisition?



## Coinstar Kiosks

- One company that has already replaced human contact at retail





## And High Traffic Locations



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## Possible Future Acquisition?



amazon.com<sup>®</sup>

should acquire



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## Special Guest Q&A



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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## Special Guest



Miles Valentine  
CEO at Zeacom



**Enghouse Systems**  
Software engineered for results

Miles founded Zeacom in 1994 with a vision of creating Computer Telephony Integration software for the then untapped small to medium market. Two decades on, Zeacom's continues to grow strongly, reporting an increase on revenue of 36% for the financial year ending March 2011. He has extensive US business experience, leading Zeacom's expansion into North America and relocating his family to the company's Irvine, California base from 2000 to 2007. He is Chairman of YouMail, a Zeacom spinoff company also headquartered in California. Miles' track record in establishing Zeacom and five earlier companies was recognized in 2008 when he received the Ernst & Young New Zealand Technology Entrepreneur Of The Year Award. Miles actively fosters business ties between New Zealand companies and US business graduates, has lectured at US business schools and advised New Zealand Trade and Enterprise on market entry strategies.



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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."

June 20: <b>Zurich</b> – MB	Aug. 14: <b>Omaha</b> – MB
June 22: <b>Nice</b> – MB	Aug. 15: <b>Silicon Valley</b> – SUSO
June 28: <b>Boston</b> – MB	Aug. 15: <b>St. Louis</b> – MB
July 5: <b>London</b> – MB	Sep. 6: <b>Seattle</b> – SUSO
July 10: <b>Salt Lake City</b> – SUSO	Sep. 11: <b>Portland</b> – MB
July 17: <b>Los Angeles</b> – MB	Sep. 12: <b>Toronto</b> – MB
July 18: <b>Seattle</b> – SUSO	Sep. 18: <b>Paris</b> – MB
July 26: <b>Atlanta</b> – SUSO	Sep. 20: <b>Copenhagen</b> – MB
Aug. 7: <b>Nashua</b> – MB	Sep. 25: <b>Reading</b> – MB
Aug. 7: <b>Tel Aviv</b> – SUSO	Sep. 26: <b>Edinburgh</b> – MB

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

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## July 12 – Mid-year Report

- Introduction
- Market Overview
- Corum Index – Mid-year M&A Metrics
- Patent Wars
- Closing Comments
- Q&A

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## Upcoming Conference Schedule

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June 20: **Zurich** – MB

June 22: **Nice** – MB

June 28: **Boston** – MB

July 5: **London** – MB

July 10: **Salt Lake City** – SUSO

July 17: **Los Angeles** – MB

July 18: **Seattle** – SUSO

July 26: **Atlanta** – SUSO

Aug. 7: **Nashua** – MB

Aug. 7: **Tel Aviv** – SUSO

Aug. 14: **Omaha** – MB

Aug. 15: **Silicon Valley** – SUSO

Aug. 15: **St. Louis** – MB

Sep. 6: **Seattle** – SUSO

Sep. 11: **Portland** – MB

Sep. 12: **Toronto** – MB

Sep. 18: **Paris** – MB

Sep. 20: **Copenhagen** – MB

Sep. 25: **Reading** – MB

Sep. 26: **Edinburgh** – MB

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