

CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

M&A Mid-Year Update – July 2010

Guest Speaker - Microsoft

Thursday, July 8, 2010
10:00 am PT

Agenda

- Market Overview
- Leading Valuation Methods Today
- Corum Mid-Year M&A Update (26 Sectors)
- China Update
- Microsoft Live Report – Mike Wetter, Corp. Dev.
- Closing Comments - Q&A

Presenters



Bruce Milne
CEO
Corum Group Ltd.



Nat Burgess
President
Corum Group Ltd.



Ward Carter
Chairman
Corum Group Ltd.



Dougan Milne
Director of Research
Corum Group Ltd.



Yuan Cecilia Yuan
袁媛
Research Analyst, China
Corum Group Ltd.



Jon Scott
Vice President
Corum Group Ltd.



Mike Wetter
Director,
Corporate Development
Microsoft

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 July 15, 12:30am PT, or 8:00am PT
 - See “Conferences and Events” at MergersAndAcquisitions.webex.com
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 - Dial +1.408.792.6300
 - Enter meeting event number: 664 860 433

>> 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

- GM's First-half China Sales Surge Past the U.S.
- China Manufacturing Slows Again amid Growth Concerns
- China's Agribank IPO May Be World's Largest
- India Needs "Contingency Plan" for Inflation
- Demand Outpaces Car Production in Thailand

International

- TD Sees Euro Parity
- European Banks' Hidden Losses May Undermine Stress Test
- Dollar Advances as Economic Recovery Outlook Dims
- Investors Flock to Haven: Looney, Aussie
- Chavez Crackdown on Brokerage "Thieves"
 - Bolivar loses 18%

United States

- Dow Slides 10% in Volatile Second Quarter
- U.S. Payrolls Grew Less Than Forecasted in June
- 8 Million Loans in Delinquency (100k Defaults/mo.)
- Retail Sales Rise Most in 4 Years
- Confidence Unexpectedly Drops (62% - 52%)
- Mortgage Rates on 30-Year Fall to Record Low
- Nobel Economist Krugman says, “U.S. in for Long Siege”

Who's Right?

- Obama: “Cutting Debt Will Be Our Project”
- Obama: “We Need More Stimulus”
- Merkel: “Germany Must Cut Government Expenditures”

Technology

- Apple's iPhone 4 Debut Floods eBay
 - (3x Expectations)
- Samsung Posts Record \$4.1b Profit
- China Is Still Reviewing Google's License
- Microsoft's Online Xbox Sales Probably Top \$1b

Leading Valuation Methods Today



Jon Scott
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 State University.

Valuation – Common Methods

- Market-Based Methods
 - Public peer-group analysis
 - Comparable M&A transaction analysis
- Income-Based Methods
 - Discounted cash flow
- Cost-Based Methods
 - Replacement cost analysis
- Seldom Used Methods
 - Liquidation value
 - Book value
 - Internal transaction price

Leading Method Today

- Sales Multiple
 - Enterprise Value/Sales
 - Example: $\$50,000,000 / \$25,000,000 = 2.0X$

- Ranges from the trailing 12 months (TTM)
 - Horizontal Software: **1.35 – 2.12x**
 - Vertical Software: **1.40 – 2.10x**
 - Consumer Software: **0.50 – 0.93x**
 - Infrastructure Software: **1.50 – 2.50x**
 - Internet: **2.19 – 2.70x**
 - IT & BPO: **0.61 – 0.74x**

Corum M&A Update



Dougan Milne
Director of Research
Corum Group Ltd.

Dougan is Director of Research at the Corum Group, Ltd in Seattle, WA. Previously, he spent 3 years based out of Corum's European headquarters in Zürich, Switzerland. Prior to joining Corum's team in 2005, Dougan spent 3 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 an advertising company serving the motorcycle industry, Modo Marketing. Dougan has a Bachelors degree in Business Economics from the University of San Diego (USA).

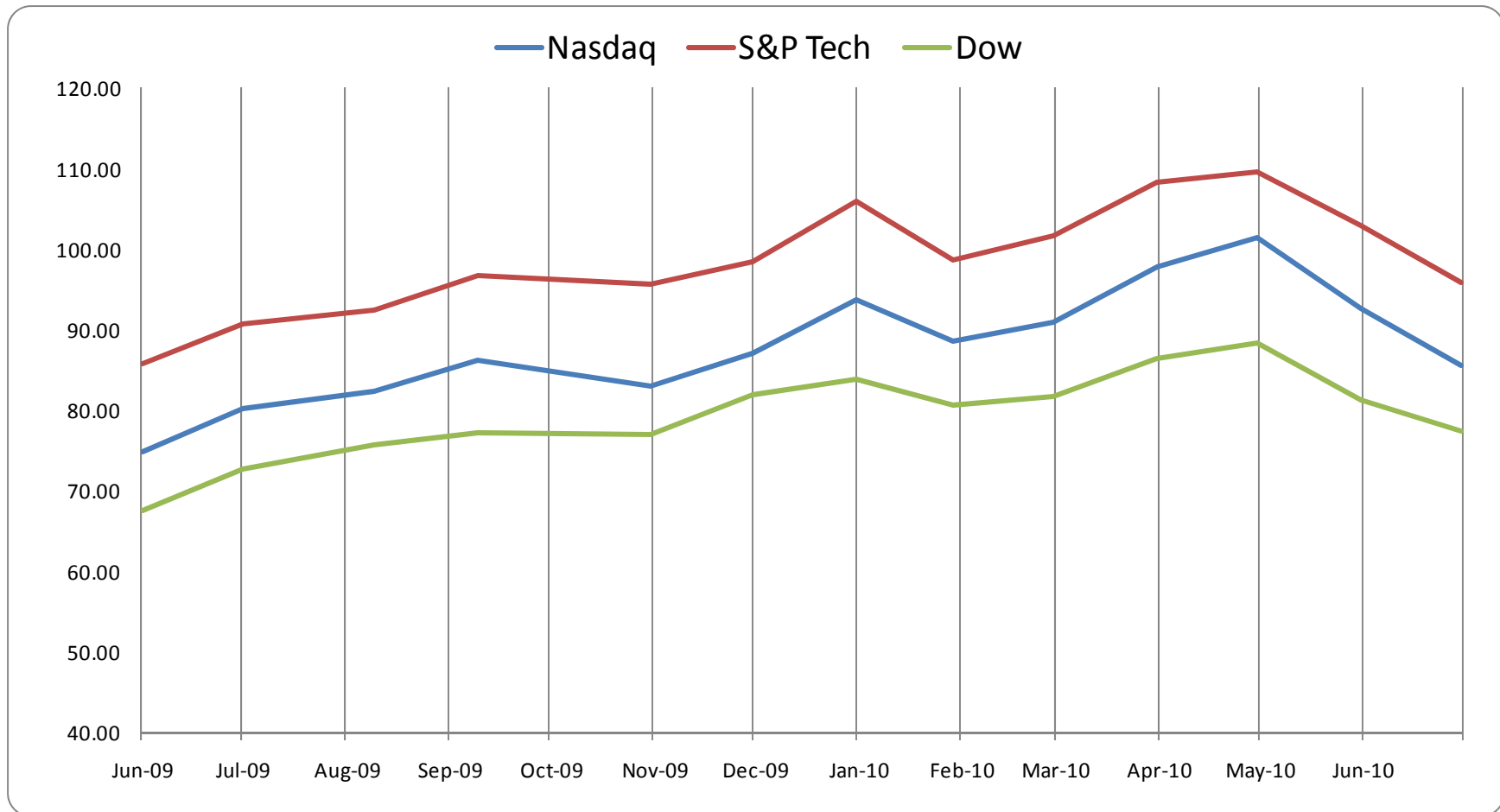
M&A Activity

Number of Software, IT and Internet M&A Transactions

Period	Deal Volume	Deal Value
Q2 2010	773	\$62b
Q1 2010	847	\$30b
Q4 2009	818	\$55b
Q3 2009	758	\$38b
Q2 2009	777	\$49b
Q1 2009	622	\$10b
Q4 2008	724	\$38b
Q3 2008	733	\$32b

Data collected from The 451 Group

Public Markets



M&A vs. Equity

Public Market Performance vs. Tech M&A

Month	NASDAQ	Deal Volume	Deal Value
June	(5.5%)	252	\$21.2b
May	(8%)	269	\$19.7b
April	2%	252	\$21.1b
March	8%	273	\$17b
February	4%	278	\$8.3b
January	(5%)	296	\$5b

Data collected from The 451 Group

Corum Index – M&A Statistics

Corum Index

	Q2:09	Q2:10
# of Transactions	777	773
# of Mega Deals	10	15
Largest Deal	\$7,400	\$6,100
# VC-backed Exits	103	99
% Terms Undisclosed	72%	78%
All Cash (announced)	51%	43%
% Targets were Public	19.8%	15.5%
% Public Buyers	45%	51%

\$ values in millions

Private Equity Activity

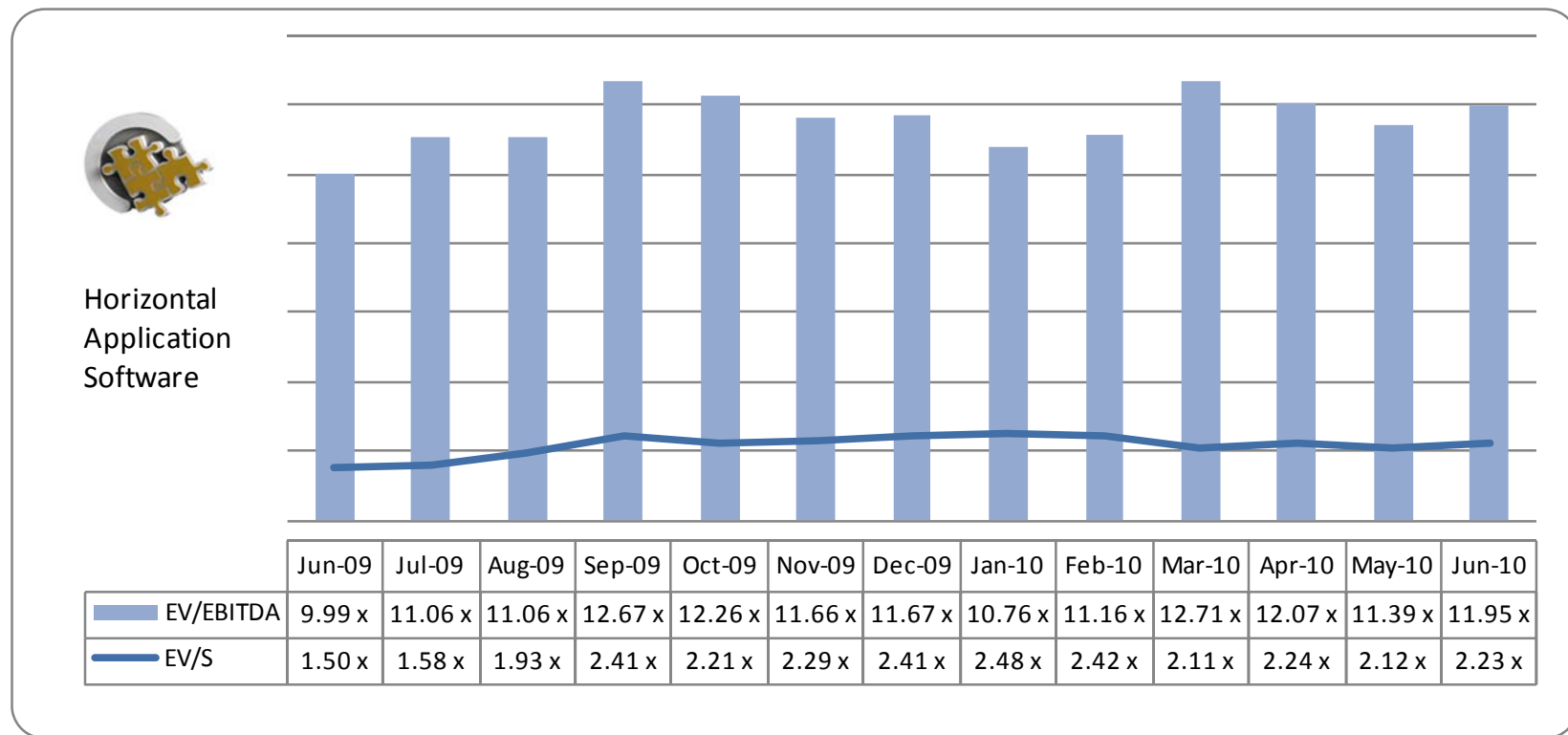
Number of Private Equity-backed Deals

Period	Deal Volume	Deal Value
Q2 2010	69	\$8.7
Q1 2010	64	\$5.5
Q4 2009	92	\$9.9b
Q3 2009	83	\$8b
Q2 2009	75	\$1b

**Data collected from The 451 Group*

Horizontal Application Software Market

Public Valuations



Horizontal Application Software Market

Business Intelligence	
EV/S	2.90 x
EV/EBITDA	12.86 x

- Informatica Corp.
- MicroStrategy Inc.

Human Resources	
EV/S	4.00 x
EV/EBITDA	29.06 x

- Kenexa Corp.
- Ultimate Software

SCM	
EV/S	2.08 x
EV/EBITDA	10.05 x

- American Software Inc.
- Manhattan Associates Inc.

Communications	
EV/S	2.10 x
EV/EBITDA	48.03 x

- Amdocs Ltd.
- Palm Inc.

ERP	
EV/S	2.42 x
EV/EBITDA	9.00 x

- Lawson Software Inc.
- Microsoft Corp.

CRM	
EV/S	2.20 x
EV/EBITDA	29.77 x

- RightNow Technologies Inc.
- Salesforce.com

Content Mgmt.	
EV/S	2.48 x
EV/EBITDA	8.96 x

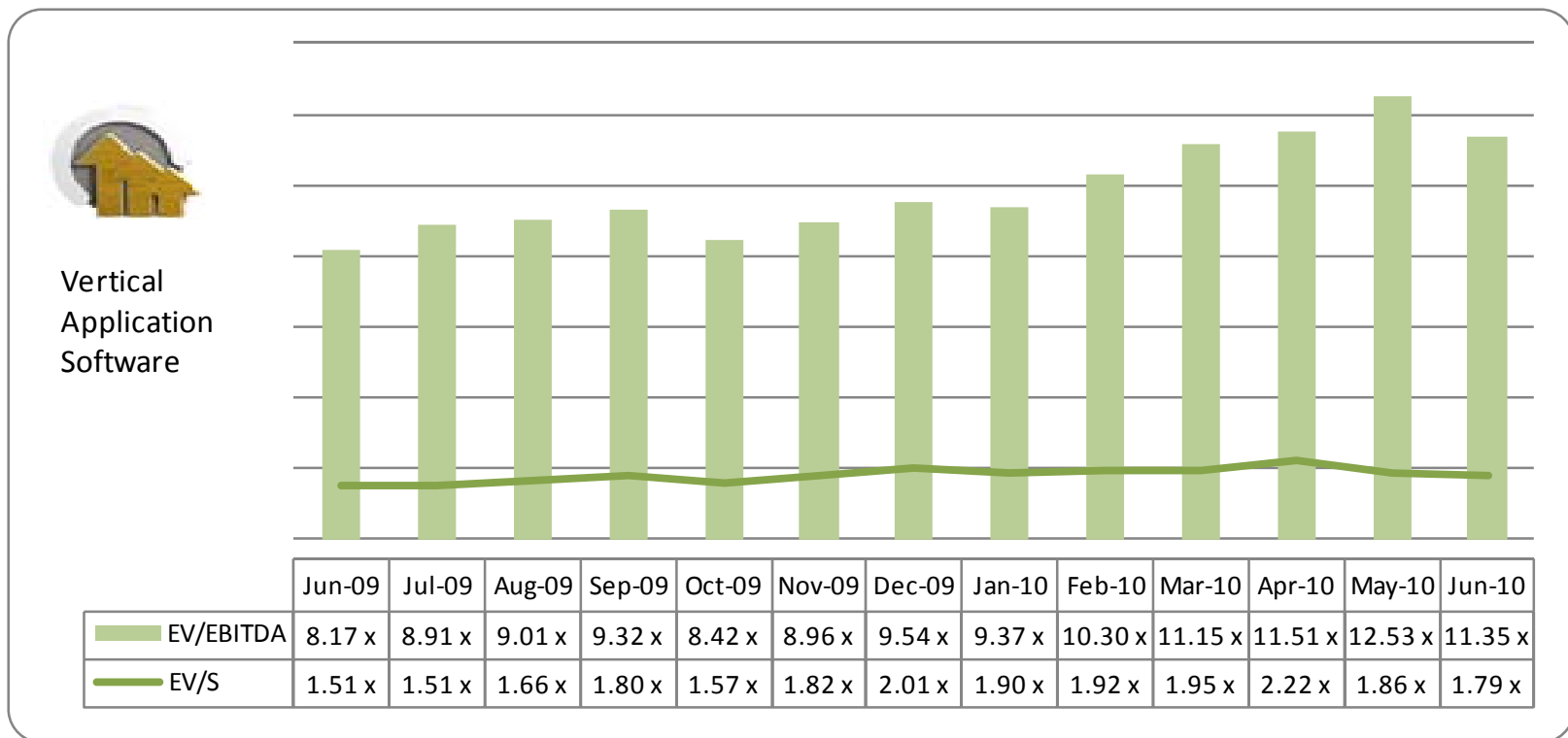
- Open Text Corp.

Horizontal Other	
EV/S	2.82 x
EV/EBITDA	27.84 x

- Trimble Navigation Ltd.
- Unica Corp.

Vertical Application Software Market

Public Valuations



Vertical Application Software Market

A/E/C	
EV/S	1.78 x
EV/EBITDA	14.69 x

- Autodesk Inc.
- Parametric Technology

Financial Services	
EV/S	2.30 x
EV/EBITDA	8.66 x

- Advent Software Inc.
- Fiserv Inc.

Government	
EV/S	0.75 x
EV/EBITDA	6.31 x

- Harris Corp.
- Lockheed Martin Corp.

Energy & Environment	
EV/S	2.51 x
EV/EBITDA	14.30 x

- Itron Inc.
- Schlumberger Ltd.

Healthcare	
EV/S	2.27 x
EV/EBITDA	12.03 x

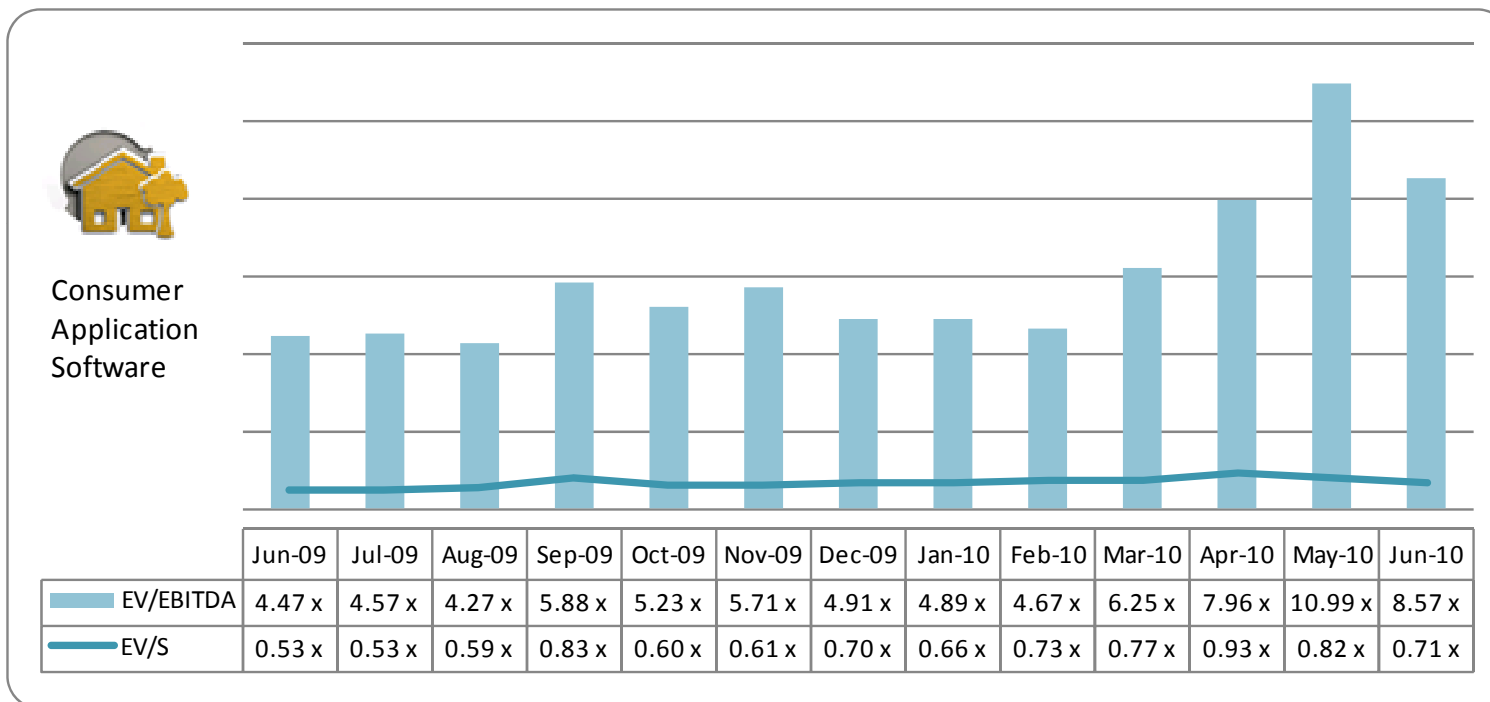
- Cerner Corp.
- AllScripts Solutions Inc.

Vertical Other	
EV/S	1.91 x
EV/EBITDA	12.27 x

- JDA Software Group Inc.
- Rockwell Automation Inc.

Consumer Application Software Market

Public Valuations



Digital Content	
EV/S	1.48 x
EV/EBITDA	13.05 x

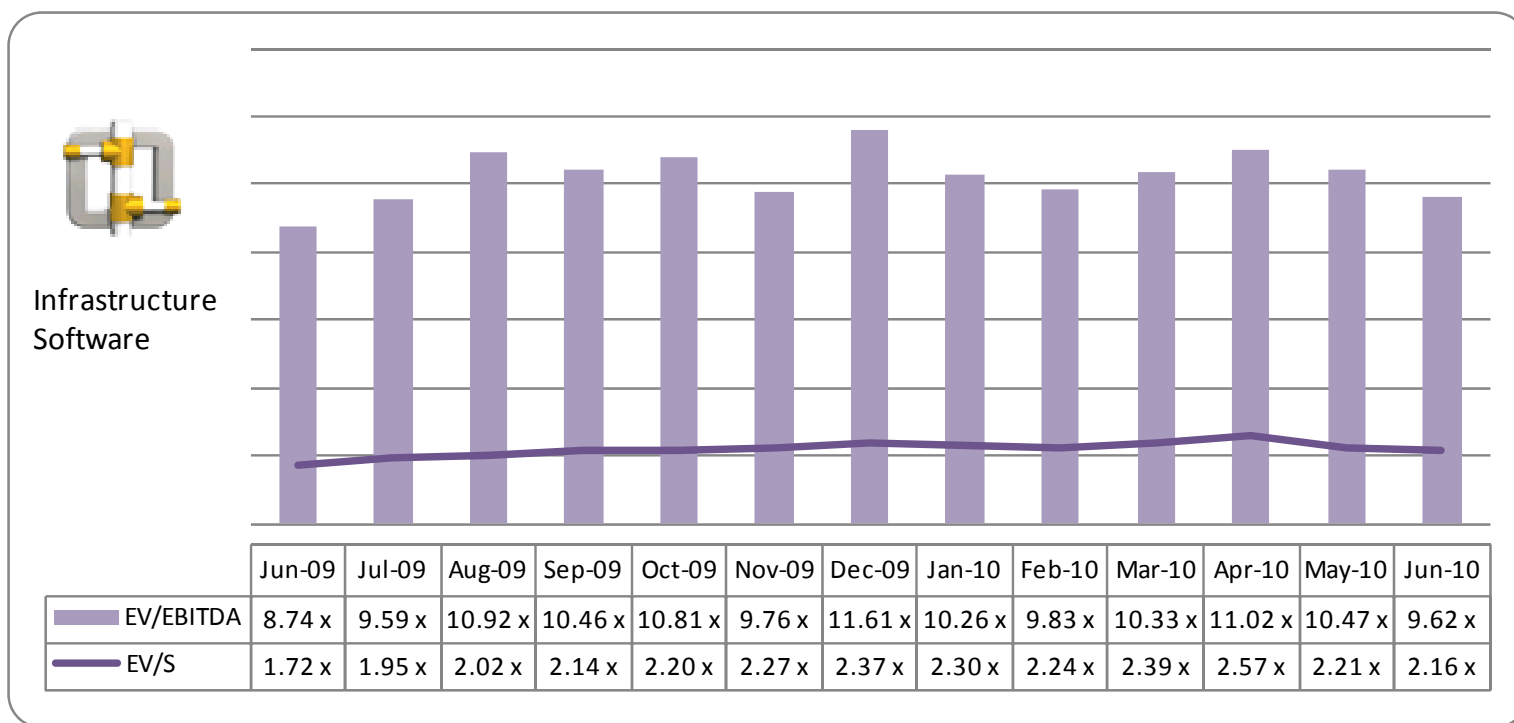
- Apple Computer Inc.
- Adobe Systems Inc.

Video Games	
EV/S	0.71 x
EV/EBITDA	3.10 x

- Electronic Arts Inc.
- THQ Inc.

Infrastructure Market

Public Valuations



Infrastructure Market

Infrastructure Comm.	
EV/S	1.02 x
EV/EBITDA	10.80 x

- Nokia Corp.
- Openwave Systems Inc.

Development Tools	
EV/S	1.95 x
EV/EBITDA	8.70 x

- Compuware Corp.
- Progress Software Corp.

SOA	
EV/S	2.66 x
EV/EBITDA	12.13 x

- BluePhoenix Solutions Ltd.
- Tibco Software Inc.

Network Mgmt.	
EV/S	2.16 x
EV/EBITDA	9.44 x

- Cisco Systems Inc.
- Novell Inc.

Security	
EV/S	2.80 x
EV/EBITDA	9.61 x

- Symantec Corp.
- Verisign Inc.

Systems Mgmt.	
EV/S	2.05 x
EV/EBITDA	8.70 x

- BMC Software Inc.
- CA Inc.

Storage	
EV/S	2.40 x
EV/EBITDA	10.84 x

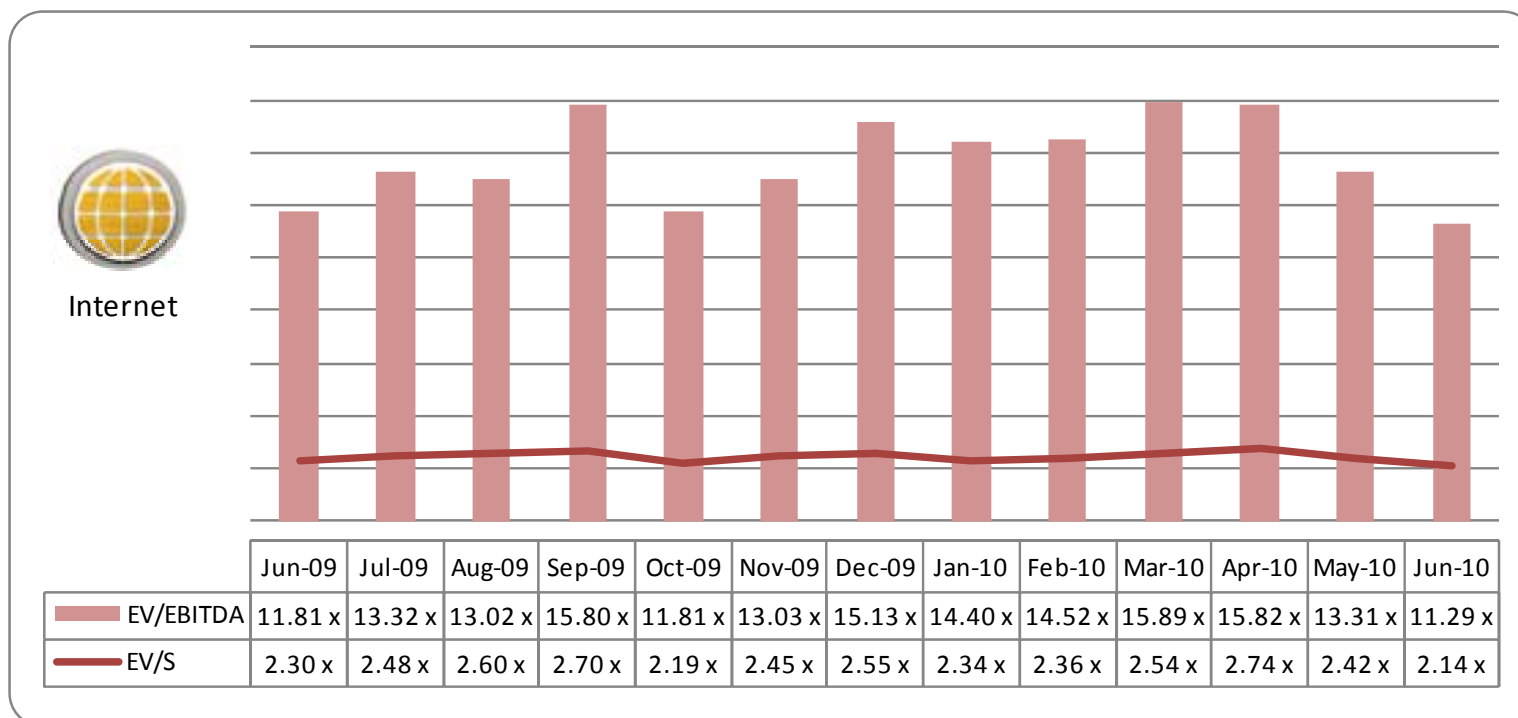
- EMC Corp.
- Qlogic Corp.

Virtualization	
EV/S	4.59 x
EV/EBITDA	20.57 x

- Citrix Systems Inc.
- VMware

Internet Market

Public Valuations



Internet Infrastructure	
EV/S	2.63 x
EV/EBITDA	14.04 x

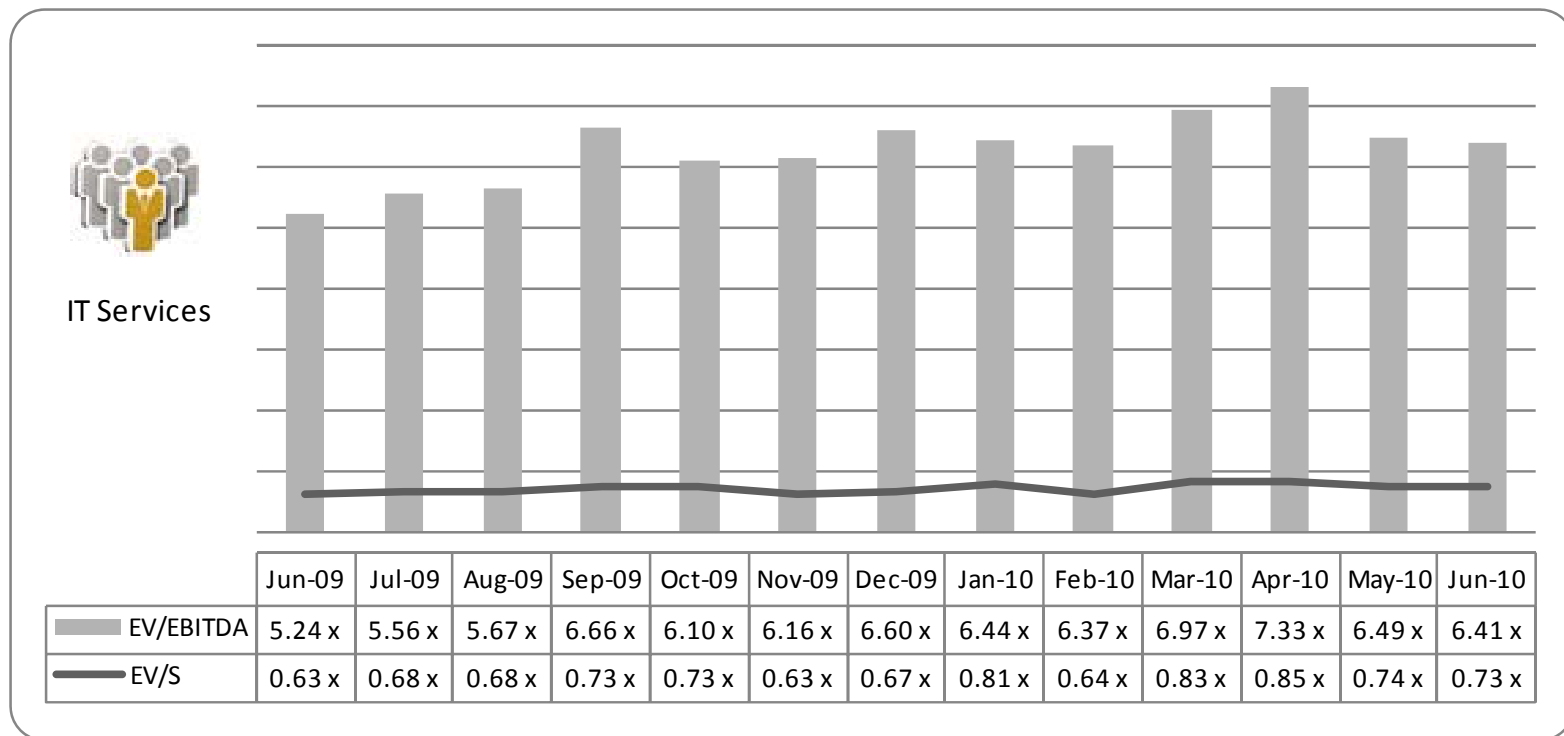
- Akami Technologies Inc.
- Juniper Networks Inc.

Internet Pure Play	
EV/S	1.61 x
EV/EBITDA	10.87 x

- Amazon.com
- Google Inc.

IT Services Market

Public Valuations



China Snapshot



Yuan Cecilia Yuan
袁媛
Research Analyst, China
Corum Group Ltd.

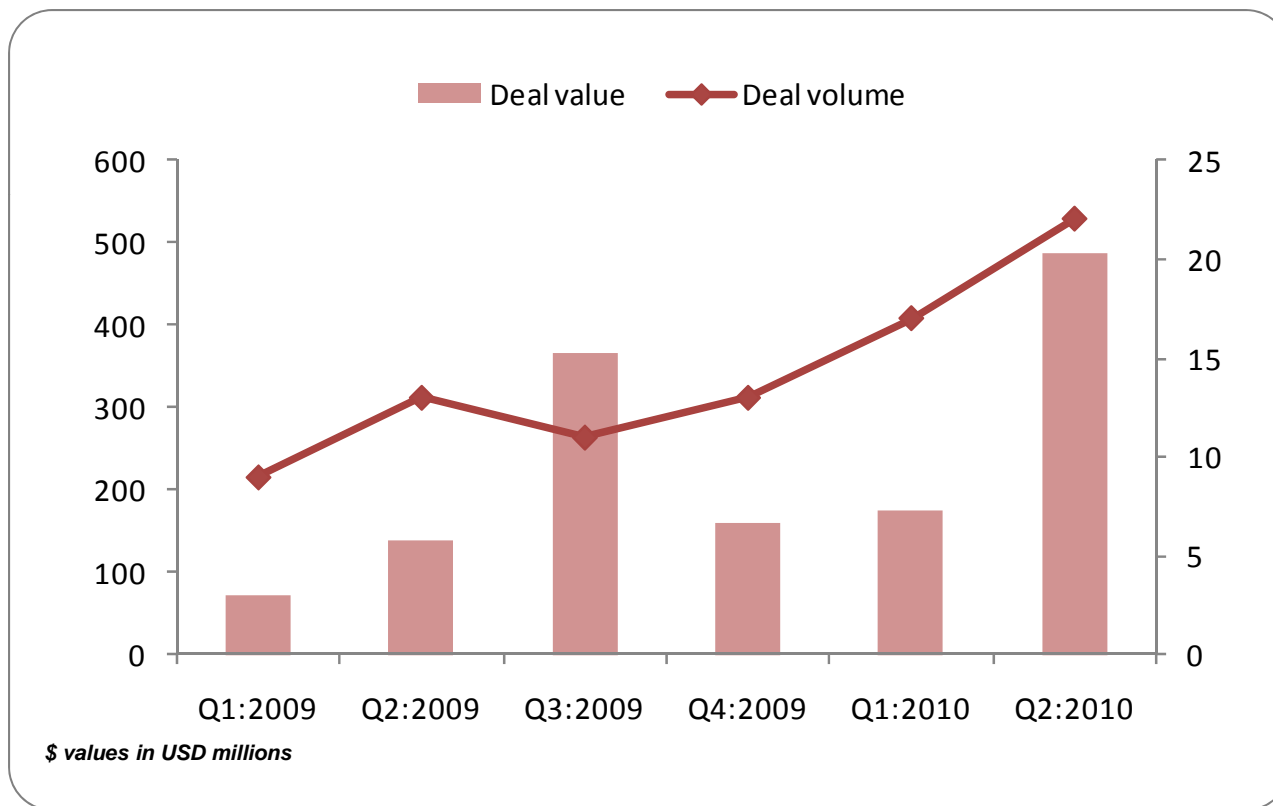
Cecilia Yuan is a research analyst at the Corum Group. Ltd. Prior to this, she worked as a consulting manager for Frost & Sullivan, Greater China, managing competitive bidding, recruiting new analysts, monitoring project quality, and working directly with clients.

Before that, Cecilia was a chief analyst and project manager in the strategy development department of Tele Atlas - the global map provider of Google Maps. She has also spent time working in investment banking with Shanghai International Trust Co., Ltd.

Cecilia is currently an MBA Candidate for the class of 2011 at the Simon Graduate School of Business, University of Rochester.

China Software M&A

70% Growth for Year-on-Year Deal Volume



Source: Some values are estimates based on Chinese domestic filings.

China Mid-Year M&A Highlights



- Acquires Mochi Media, \$80m USD
- 5 acquisitions in 18 months
- Exporting games in 2H:2010



- Acquires Vendio – San Mateo, CA.
- First major U.S. acquisition



- Makes 3rd acquisition of 2010
- 8 acquisitions in 18 months
- Planning on 1-2 more for 2H:2010



- Acquires Echo Lance – San Francisco, CA
- Salesforce.com integration and consulting

Recent Corum Transactions



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.

As Corum's President and also the Chairman of World Financial Symposiums, Nat is frequently quoted in industry publications and in other technology business news.

Microsoft Live Report



Mike Wetter
Director, Corporate Development
Microsoft

Michael Wetter is a Director in the Corporate Development group at Microsoft, responsible for execution of Acquisitions, Joint-Ventures, and Equity Investment transactions.

Michael joined Microsoft's Corporate Development group in 2007 and currently focuses on opportunities for Microsoft's Entertainment & Devices Division, including the Mobile, Embedded and Interactive Entertainment businesses.

Prior to joining Microsoft, Michael was an investment banker in JPMorgan's Mergers & Acquisitions group, focused on technology transactions.



Upcoming Corum Events

July 8: **M&A Update Webinar**

July 15: **M&A Update Webinar**
Rebroadcast

July 17: **Special Event** (SIIA Conference
– Dallas)

July 19: **Special Event** (Casual Connect
Games – Seattle)

July 21: **Special Event** (Softletter SaaS
University – Washington DC)

July 27: **Singapore** – SUSO

Aug. 1: **M&A Update Webinar**

Aug. 12: **Seattle** - SUSO

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

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Upcoming Corum Events

August 28-31: Langara Fishing Retreat

