

CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

M&A Monthly – October 2010

Selling to Google

Thursday, October 7, 2010
10:00 am PT

Agenda

- Market Overview
- Corum Index – M&A Metrics
- Buyer Analysis: Google
- SOLD to Google – Interviews with CEOs who did
- Closing Comments – Q&A

Presenters



Ward Carter
Chairman
Corum Group Ltd.



Miro Parizek
Managing Director
Corum Group International



Dougan Milne
Vice President, Research
Corum Group Ltd.



Tomoki Yasuda
Sr. Analyst
Corum Group Ltd.

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 October 14, 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: 664 460 677

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

Market Overview



Miro Parizek
Managing Director
Corum Group International, S.à.r.l.

Miro joined Corum in 1998 and has since advised clients in over a dozen countries on three continents. He was appointed Managing Director of Corum Group International S.à.r.l. at the end of 2005 and is responsible for Corum's international business.

Miro has 25 years of experience in the software and IT industry, and prior to Corum had founded and run three software and IT related firms in the '80s and '90s, including a leading software distributor, North American Software. He was a founding member of the German Software Association (VSI), since merged with the local Multi-Media Association (dmmv) to form the National Association for Digital Economy (BVDW), where he served as a board member for over a decade.

Miro is a graduate of the University of Pennsylvania's Management and Technology Dual Degree Program, with degrees in International Finance from the Wharton School and Computer Science from the Moore School of Engineering.

Asia

- Yen Still at High to Dollar
- China's 'Solid' Demand May Weaken Case for Holding Back Yuan
- China Reducing U.S. Holdings 10% – Concerned over Dollar/Debt
- Asian IPO Volume Now 69% of Global IPO Market
- Technology-related Growth Stories and Chinese ADRs Drive U.S. Performance

Europe

- Europe Debt Crisis Abates as Traders See Yield Spreads Narrow
- Basel Capital Rules Set 'Reasonable' Balance
- German Industrial Orders Surge 3.4%
- EU Lifts Europe Growth Forecast, Sees Moderate Second Half
- Europe Inflation Rises to Highest in Two Years

United States

- Recession Over, but Weakness Remains
- Inventories in U.S. Rise at Fastest Pace in Two Years
- Retail Sales in U.S. Increase for a Second Month
- Home Seizures Reach Record for Third Time in Five Months
- Home Prices Face 3-Year Drop as Inventory Surge Looms

Technology

- Nokia says Preorders for N8 Smartphone are Strongest Ever Seen
- Microsoft Tests Super-Size Wireless Hot Spot in TV Gaps
- Best Buy to Start Selling Apple's iPad Tablet
- Android Overtakes iPhone for Mobile Internet Usage
- RIM Unveils Tablet as BlackBerry Maker Chases Apple's iPad

Tech Finance

- Cisco Initiating Dividend, May Have Yield of 1% to 2%
- Microsoft Said to Plan Debt Sale to Pay for Dividends, Buybacks
- HP to Buy ArcSight for \$1.5 Billion to Gain Security Software
- IBM to Buy Blade Network to Gain Data-Center Switches
- Apple Buys Polar Rose
- M&A Snaps Back as Intel Drives Busiest Quarter in 2 Years

Corum M&A Update



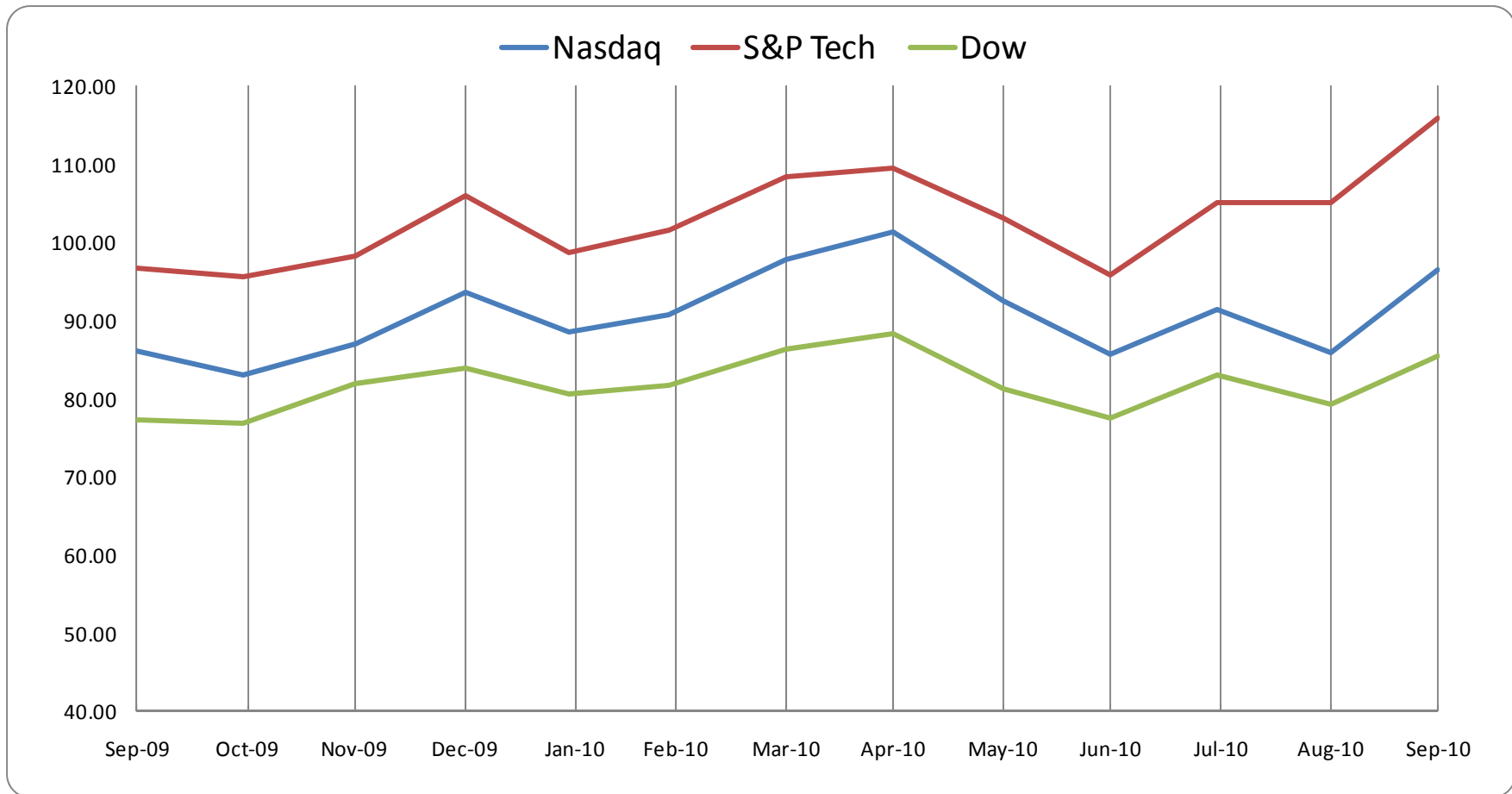
Tomoki Yasuda
Sr. Analyst
Corum Group Ltd.

Tomoki helps clients realize their liquidity objectives through financial memorandum preparation, buyer database research and monthly Market Update presentations at Corum's Software M&A Webinar. His specialties also include expertise in the consumer software and mobility space, international economics, valuation research, and the science software market.

Tomoki joined Corum Group in 2008, operating out of the Research Department at its Seattle area headquarters. Prior to this, he served in Business Development at CTED (Community, Trade and Economic Development) of Washington State where he studied US and Japanese business trends, handled document translation and performed other market research. He specialized in life sciences industry exports, connecting Japanese businesses to Washington State companies in fields such as biotechnology, medical devices and related scientific products.

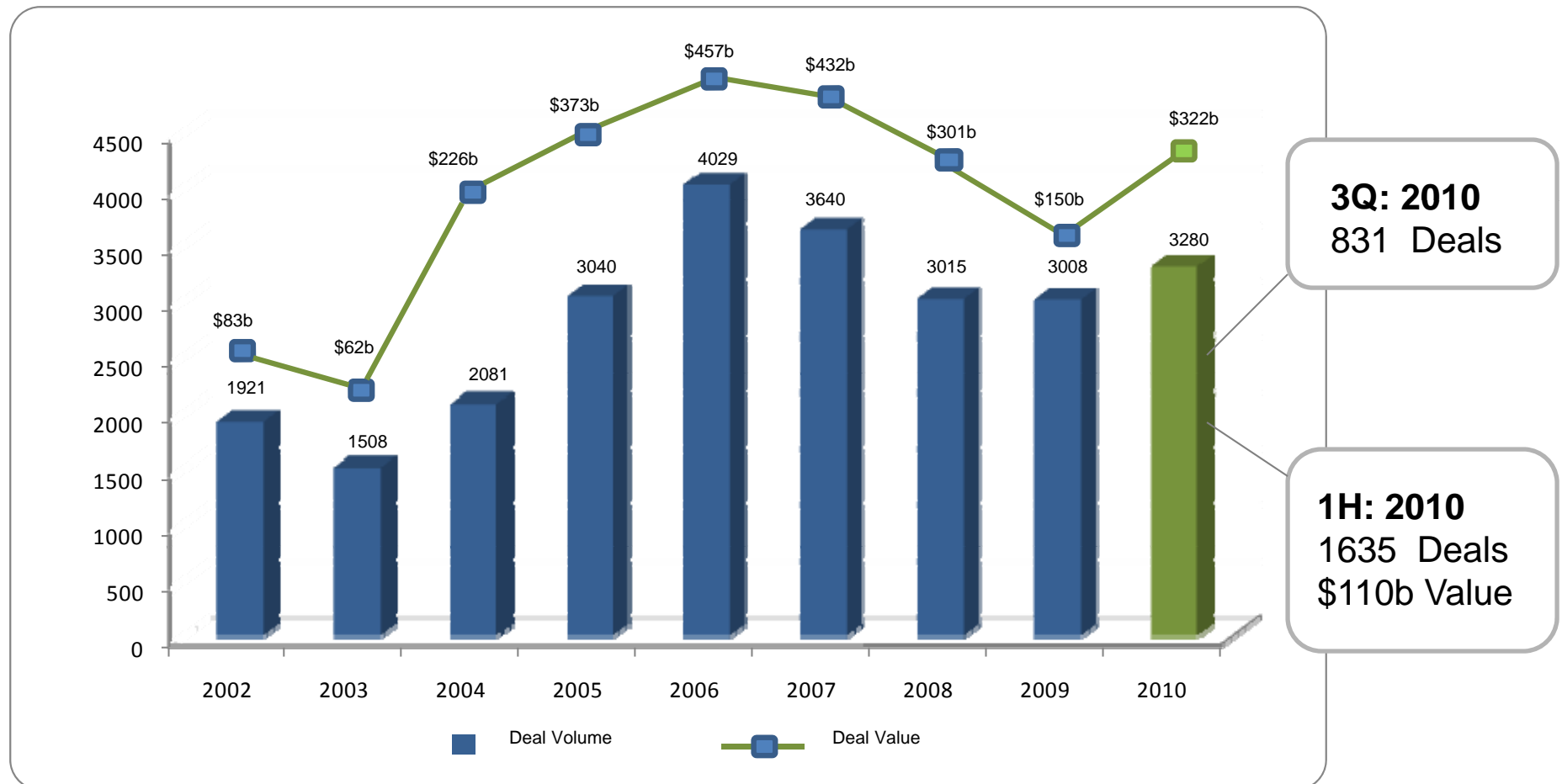
Tomoki earned his B.A. with a double major in International Studies and Economics from the University of Washington.

Public Markets



Software M&A Activity 2002-2010

Total Deal Volume vs. Total Deal Value



Transactions / Valuations Are Up

Corum Index

	Q3-09	Q3-10	Sept-10
# of Transactions	776	837	284
# of Mega Deals	10	13	5
Largest Deal	\$6,400	\$7,680	\$1,836
Average Deal Size	\$82	\$145	\$224
Median Seller Size	\$42	\$58	\$63
# VC backed Exits	79	87	27
% Terms Undisclosed	76%	76%	77%
All Cash (announced)	43%	51%	49%
% Targets were Public	19%	14%	15%
% Public Buyers	46%	50%	51%

Buyer	Seller	Price
IBM	Netezza	\$1.8b
HP	ArcSight	\$1.65b
KKR	Visma	\$1.45b

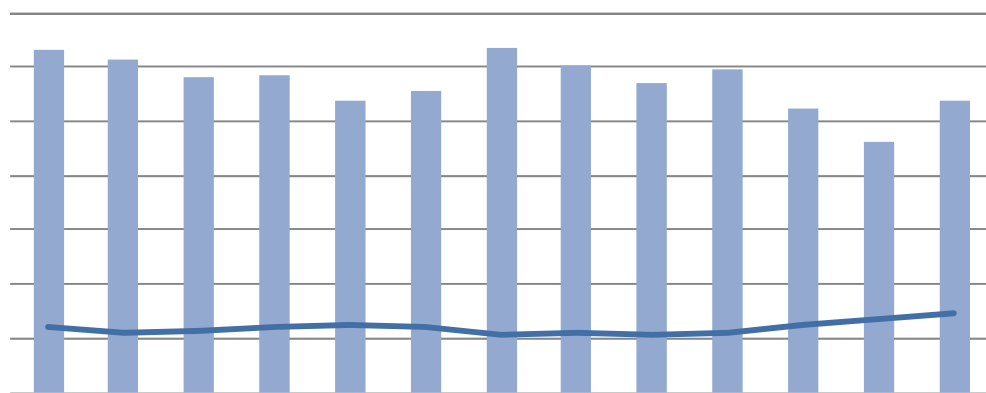
*\$ values in millions

Horizontal Application Software Market

Public Valuations



Horizontal Application Software



	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
EV/EBITDA	12.67 x	12.26 x	11.66 x	11.67 x	10.76 x	11.16 x	12.71 x	12.07 x	11.39 x	11.95 x	10.49 x	9.27 x	10.74 x
EV/S	2.41 x	2.21 x	2.29 x	2.41 x	2.48 x	2.42 x	2.11 x	2.24 x	2.12 x	2.23 x	2.49 x	2.69 x	2.94 x

Deal Spotlight:

Sector: Human Resources

Target: Salary.com

Buyer: Kenexa

Transaction Value: \$80m

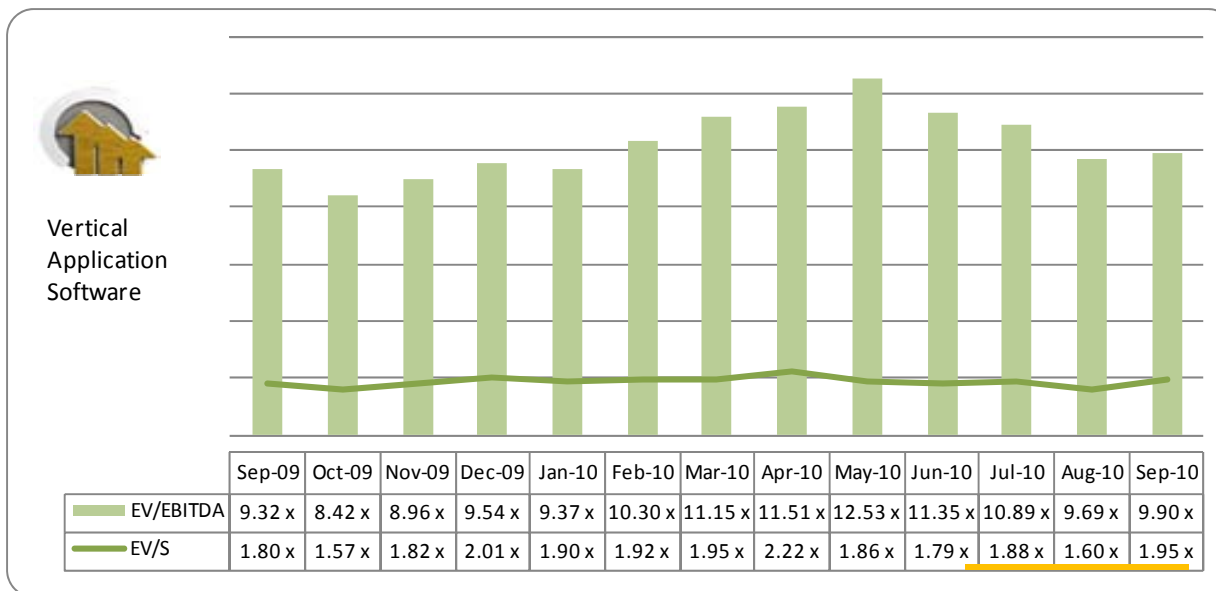
Structure: Cash, 1.6x EV/S

Comments:

- Filling strategic gap
- IPO to M&A in 3 years

Vertical Application Software Market

Public Valuations



Deal Spotlight:

Sector: Financial Services

Target: Odyssey Group SA

Buyer: Temenos SA

Transaction Value: \$81m

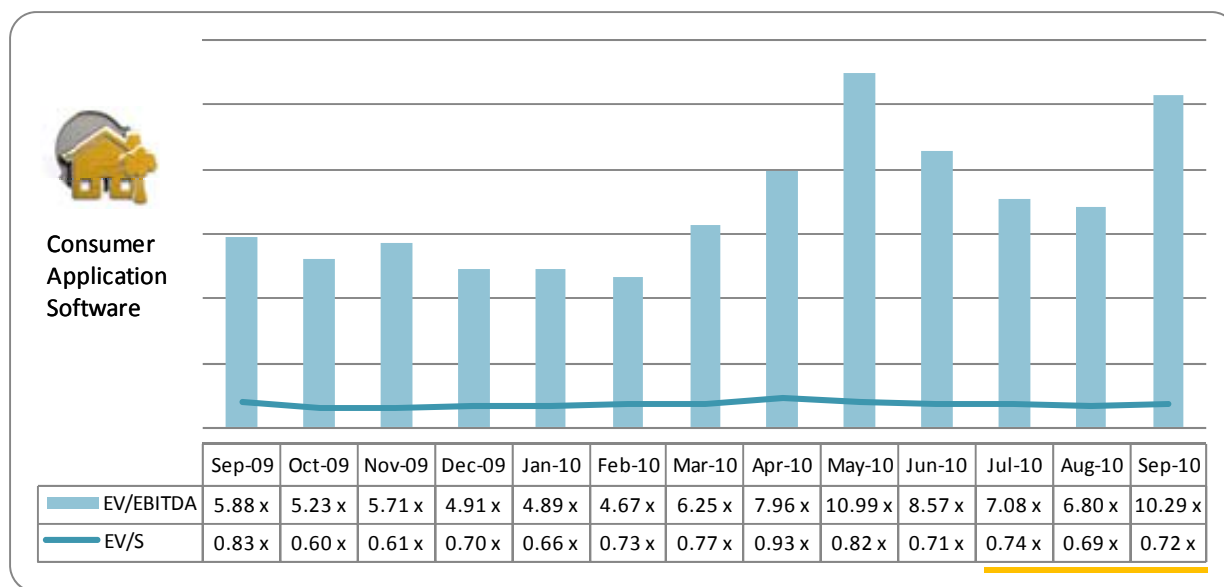
Structure: Cash, 1.4x Projected Revenues

Comments:

- Vertical acquisition
- Consolidation in the Private, Wealth Management markets (PWM)

Consumer Application Software Market

Public Valuations



Deal Spotlight:

Sector: Consumer Content

Target: toptable.co.uk Ltd.

Buyer: OpenTable, Inc.

Transaction Value: \$55m

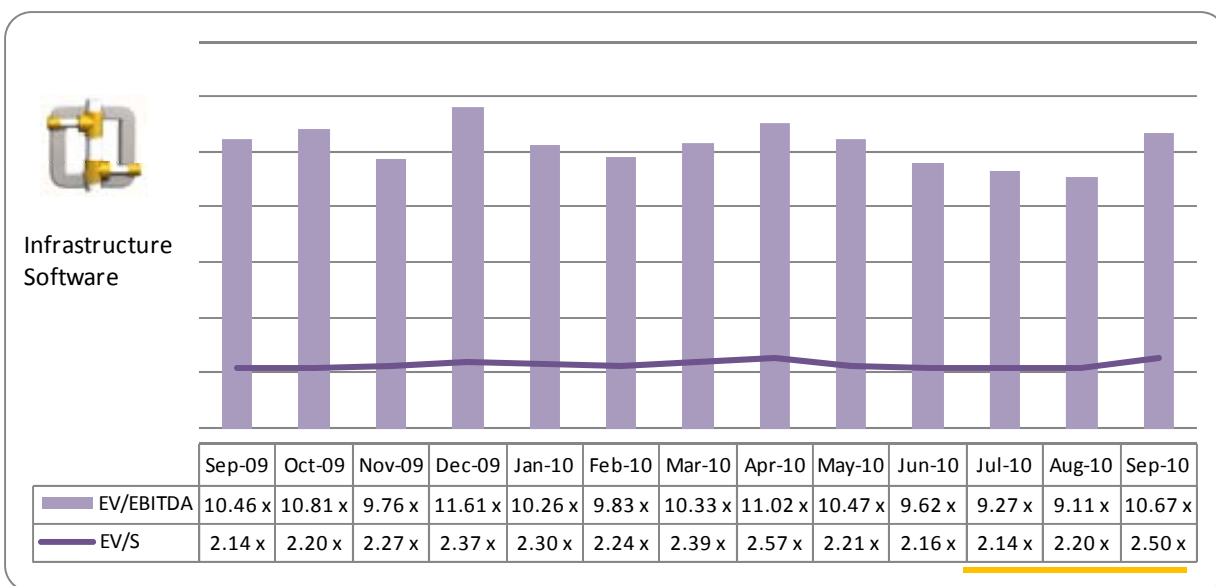
Structure: Cash

Comments:

- Accelerate growth in UK
- First acquisition
- Global outlook

Infrastructure Market

Public Valuations



Deal Spotlight:

Sector: Data Management

Target: Netezza

Buyer: IBM

Transaction Value: \$1.8bn

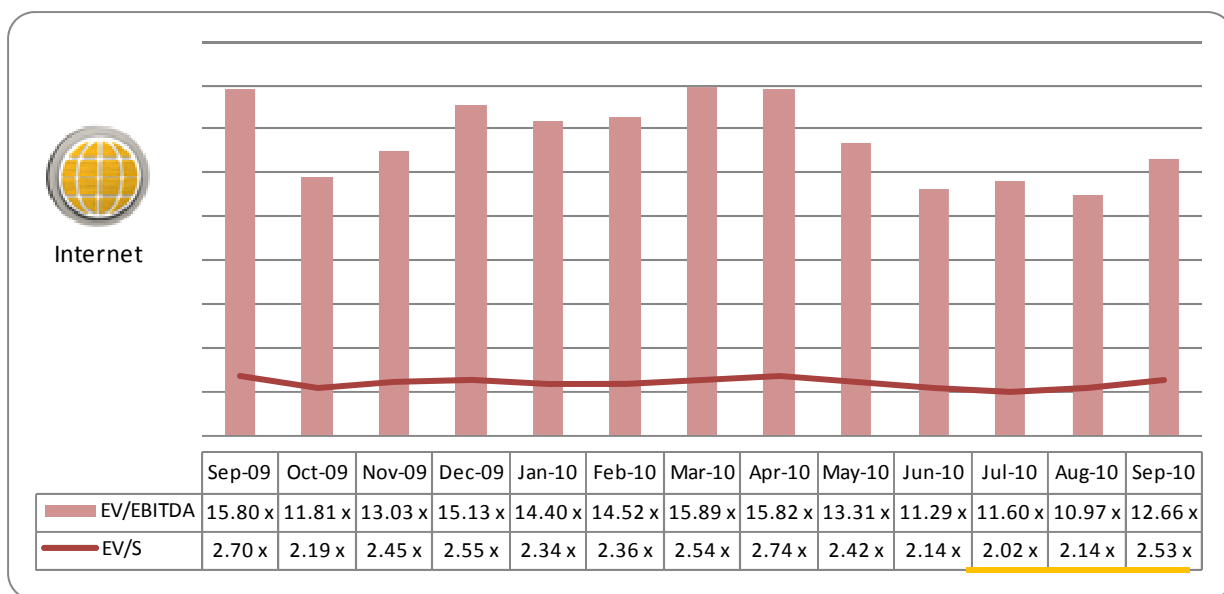
Structure: Cash, 7.6xx TTM rev.

Comments:

- Adding to InfoSphere portfolio
- Long-term initiatives

Internet Market

Public Valuations



Deal Spotlight:

Sector: Internet Content

Targets: TechCrunch

Buyer: AOL

Transaction Value: N/A

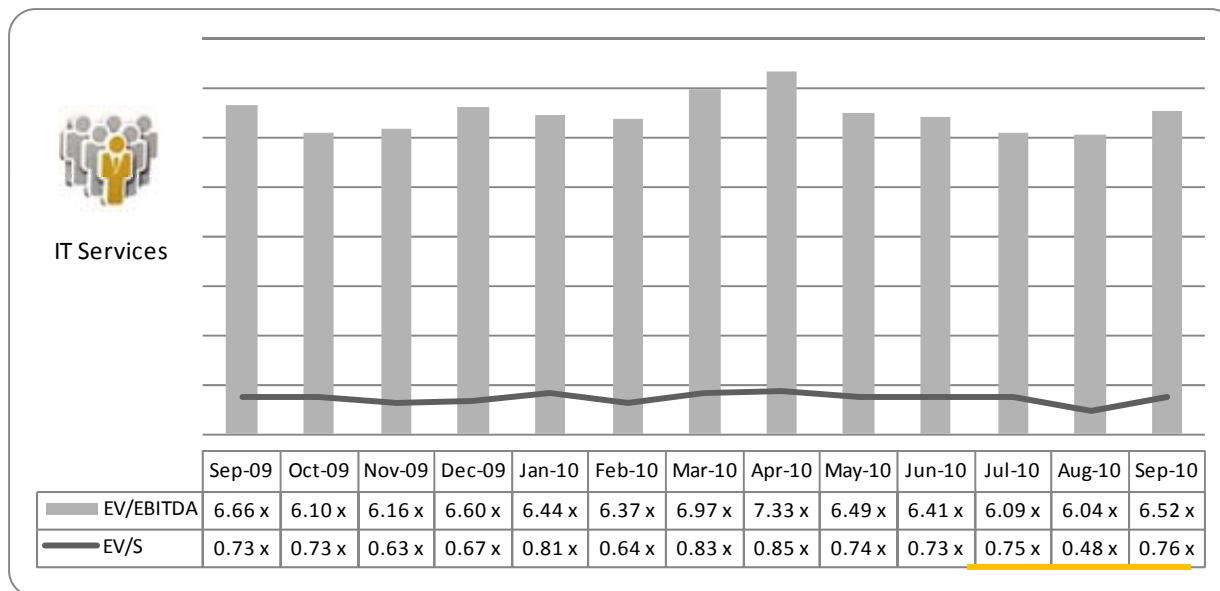
Structure: N/A

Comments:

- Brands and Platforms
- Two-Tier Company
- More M&A?

IT Services Market

Public Valuations



Deal Spotlight:

Sector: IT Services

Target: CPM Braxis

Buyer: Capgemini Group

Transaction Value: \$293m

Structure: Cash, 55% stake, for an EV of \$551

Comments:

- Landing in new markets: Brazil
- Increasing FDI in BRIC countries

Google Analysis

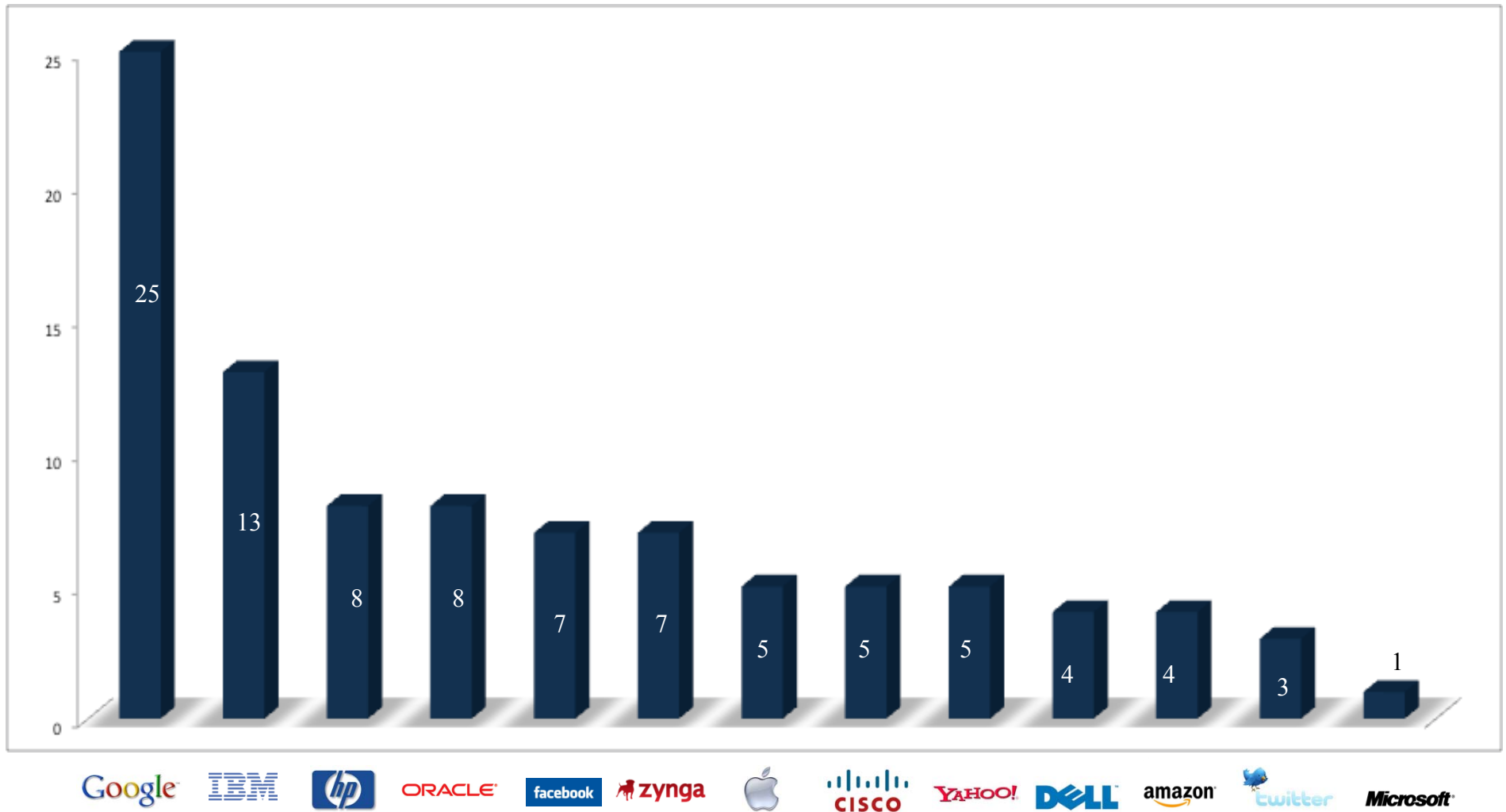


Dougan Milne
Vice President of Research
Corum Group Ltd.

Dougan is Director 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 an advertising company serving the motorcycle industry, Modo Marketing. Dougan has a Bachelors degree in Business Economics from the University of San Diego (USA).

Big Buyers... 2010



Historical Acquisitions...

Google™



admob⁽⁽⁾⁾

November 2009



GrandCentral
The New Way to Use Your Phones

July 2007



double
click

April 2007



You Tube

October 2006



ANDROID

August 2005



October 2004



Picasa™

July 2004



APPLIED
SEMANTICS

April 2003



Blogger

February 2003

Interesting Investments



July 2004

In 2004, Google invested \$10m USD for a 3% stake in Baidu, China. Baidu is the largest search engine in China with a current market cap of \$34b USD, having gone public in August of 2005.



January 2007

Google carries a 4% stake in Xunlei, the Shenzhen-based file sharing and social site. Google powers Xunlei's search engine which is primarily tailored to support BitTorrent, FTP, eDonkey, etc.



December 2005

While still owned by TimeWarner, Google paid nearly \$1b for a 5% share in AOL. The deal further allowed Google to power AOL's search engine, and cover some of the advertising through the portal.



July 2010

Earlier this year, Google reportedly invested \$100m into the "the fastest growing company on the planet", Zynga. The investment also helped shape a foundation for a social/casual gaming partnership between the two companies.

Acquisitions 2010

Google™



picnik DocVerse



invite^{media}



slide

SOCIAL
GOLD

like.com

Ängströ



Quiksee™

plannr



Corum announces...



Google™

has acquired



instantiations®

(Java and Ajax development tools division)

Corum Group advised the seller

Buyer Interview: Google



Tom Duterme
Corporate Development
Google



Questions:

- With over 20 deals so far in 2010, how is Google's Corp Dev group able to keep the pace?
- Is Google focused solely on Talent and Team acquisitions?
- How "creative" is Google's Corp Dev group? Is there a "Google Formula", or a standard M&A structure?
- Who originates deals within Google? Are deals proposed by the product groups, or does Corp Dev *bring* the deals to the product groups?

Seller Interview: Instantiations



Mike Taylor
CEO
Instantiations



Questions:

- With multiple bidders for Instantiations, what made Google stand out as an acquirer?
- Instantiations' core product line was immediately made FREE by Google after the acquisition... was this a surprise? Were there any other surprises?
- What are your opinions about the Pacific Northwest as a location for building a software or internet technology startup?

Seller Interview: Jambool



Reza Hussein
Co-Founder and CTO
Jambool (now SocialGold)



Questions:

- What was the structuring of your deal? What were the incentives to sell?
- What were the key drivers for Google? Why did they want to buy Jambool?
- Do you have any words of wisdom for other entrepreneurs who are anticipating an exit strategy in the near future?

Upcoming Corum Events

Oct. 8 : **Munich** – PE Breakfast

Oct. 12: **Paris** – AFDEL Event

Oct. 13: **London** – Merge Briefing

Oct. 14: **Webinar** – Rebroadcast

Oct. 20: **Copenhagen** – Merge Briefing

Oct. 21: **Oslo** – Merge Briefing

Nov. 3: **Florida** – Merge Briefing

Nov. 4: **M&A Update Webinar**

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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