

# CORUM

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USA Switzerland Germany France United Kingdom Canada Norway Brazil

## **M&A Monthly – November 2010**

Thursday, November 4, 2010  
10:00 am PT

# Introduction



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.

# Agenda

- Market Overview
- Field Report: 360 Scheduling acquired by IFS
- Structuring the Deal
- Cloud Update
- Corum Index – M&A Metrics
- “Selling to IBM”
- 451 Group Buyer Analysis: IBM
- Closing Comments – Q&A

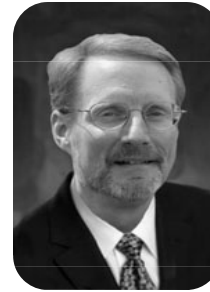
# Presenters



Bruce Milne  
CEO  
Corum Group Ltd.



Jeff Brown  
Regional Vice President  
Corum Group Ltd.



Jon Scott  
Vice President  
Corum Group Ltd.



John Melotte  
Regional Director  
Corum Group International



Dougan Milne  
Vice President of Research  
Corum Group Ltd.



Tomoki Yasuda  
Senior Analyst  
Corum Group Ltd.



John Abbott  
Chief Analyst  
The 451 Group  
the 451 group

# 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 November 11, 12:30am PT, and 8:00am PT
  - See “Conferences and Events” at [MergersAndAcquisitions.webex.com](https://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](mailto: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.

# International

- Tata Profits Up 32% as N. American Revenues Set Record
- China Raises Benchmark Rates for First Time Since 2007
- European Economic Confidence Improves More Than Forecast
- European Inflation Jumps; Jobless at 12-Year High
- German Investor Confidence Fell to 21-Month Low in October
- U.K. Manufacturing Growth Accelerates as Exports Strengthen

# United States

- U.S. Economy Grew 2% as Spending Rises
- Economic Indicators Rise for 3<sup>rd</sup> Straight Month
- Fed's Fisher Sees U.S. Economy Expanding Near 'Stall Speed'
- Fed's Dudley Says U.S. Economy's Status 'Wholly Unsatisfactory'
- U.S. Service Industries Probably Grew at Faster Pace
- ISM U.S. Factory Index Rises in October to Five-Month High



# United States

- U.S. Michigan Consumer Sentiment Index Decreased in October
- Jobless Claims in U.S. Unexpectedly Drop to Three-Month Low
- ADP Estimates U.S. Companies Added 43,000 Workers to Payrolls
- Orders for U.S. Capital Goods Fall, Signalling Less Investment
- Companies in U.S. Plan to Raise Capital Spending, Survey Shows
- Cash Hoard Shows Borrowers' Angst over Economic Growth

# Finance / Real Estate

- Largest Cash Stockpiles with Tech Companies – MSFT, CSCO, GOOG
- Sales of U.S. New Homes Increased Again in September
- U.S. Existing Home Sales Rose 10% to 4.53 Million Rate
- Dow Hits 2010 High on Strong Earnings
- eBay Plans \$1.5bn of Debt in Debut Offering
- U.S. Homeownership at Decade Low as Foreclosures Rise

# Technology

- Apple Opens Stores in China to Boost Sales
- Apple Enlists Unisys to Help with Corporate + Government Deals
- Google China Share Falls to Lowest in Three Years
- Verizon to Sell Samsung Tablet for \$599 Next Month
- Sprint Undercuts Apple iPad, Verizon with Samsung Tablet
- Oracle Seeks \$2.3bn in SAP Download 'Humiliation' Trial

# Tech Finance

- Microsoft Beats Street (profits up 51%) – Knocks Down Apple Worry
- EMC Third-Quarter Profit Climbs 58% on Storage Demand
- Apple Joins Top Five Handset Makers Worldwide as Nokia Slips
- Intel to Spend up to \$8bn on Factory Upgrades
- Steve Jobs Keeping Apple Cash ‘Powder Dry’ for Future Bets
- Oracle to Acquire Art Technology Group for \$1bn, Add e-Commerce

# Field Report



John Melotte  
Regional Director, UK  
Corum Group International

John is Regional Director in London, having previously used Corum Group both as buyer and seller of companies.

A graduate from Oxford, with an MA in Mathematics, John progressed from large project software development at Logica to being a co-founder and Managing Director at Process Computing Ltd (PCL), which was later sold to Kewill Systems, a mid-market public ERP company. There, John was involved in a number of acquisitions in Europe and the U.S., including Exeter Software, a firm represented by Corum Group.

In the late '90s, John became a Partner at MTI, one of the UK's leading early-stage technology Venture Capital firms. There he invested in and served as an advisor and Board member for non-IT firms including Eleksen and Hunter-Fleming, as well as Software / IT Service companies Simulus, iOra, Danum Group, AmourSoft and IntelliQ. John joined Corum in 2008.

# IFS Acquires 360 Scheduling



has acquired



<b>Target</b>	360 Scheduling Ltd.
<b>Stock Symbol</b>	Private
<b>Year Founded</b>	2002
<b>Headquarters</b>	Nottingham, UK
<b>Primary Category</b>	Mobile Workforce Scheduling
<b>Primary Market</b>	Field Workforce Management
<b>Revenue Model</b>	License / Software-as-a-Service
<b>Advisor</b>	Corum Group International, Sàrl

**John Melotte**  
Regional Director, UK  
Corum Group Int'l, Sàrl

# Structure Success



**Jeff Brown**  
Vice President  
Corum Group Ltd.

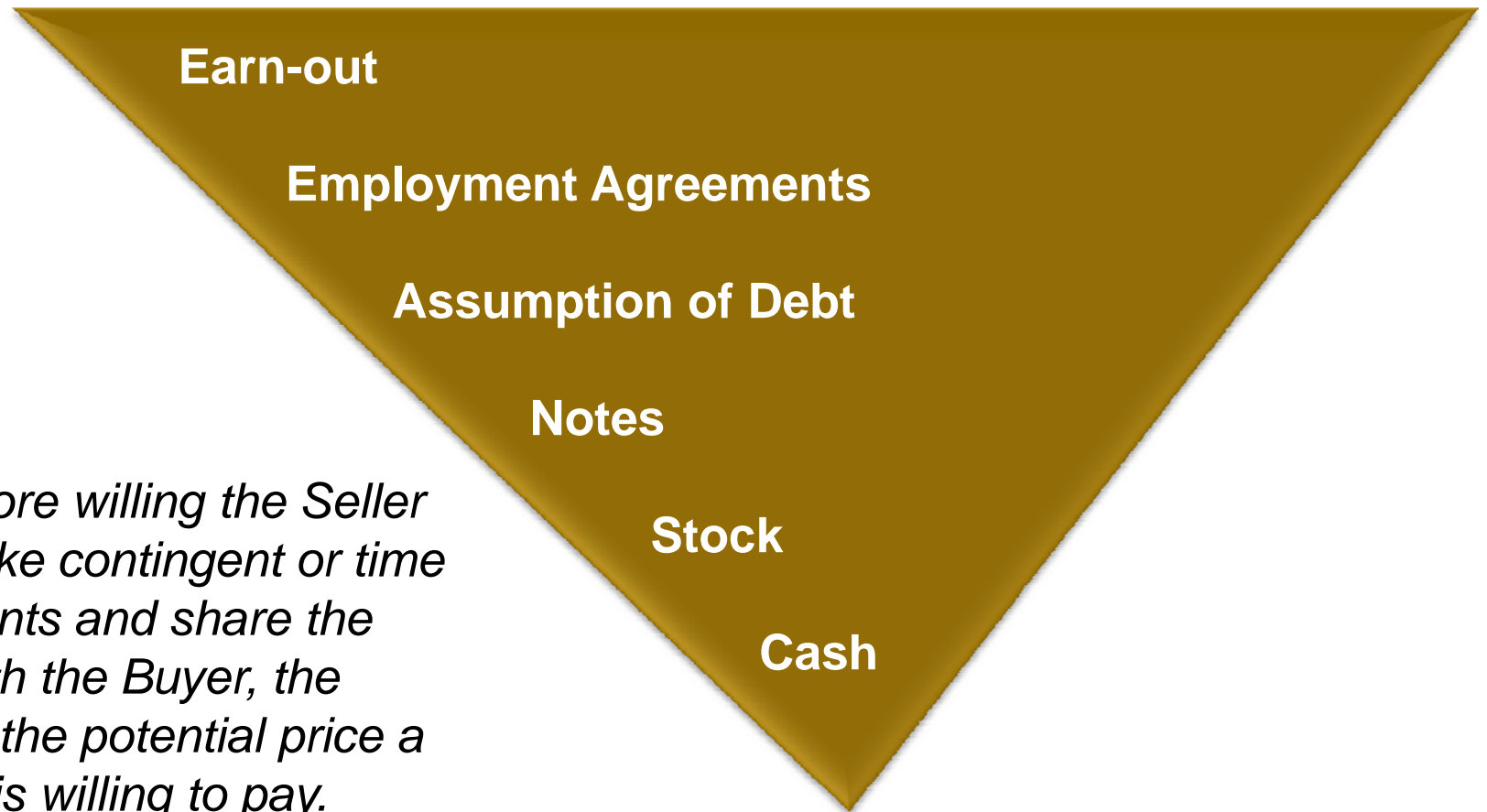
Jeff joined Corum in 2007 as Regional Director in Houston, Texas. He has over 25 years of entrepreneurial and consulting experience building software and business services companies. He specializes in information technology for engineering, scientific and business applications. He also understands the energy industry and multinational operations.

Jeff helped form and was President of Severn Trent Worksuite, a FTSE 100 subsidiary, which became the leading provider of enterprise and wireless workflow management software. Jeff was Vice President at IntelliGIS, a pioneer in geographic information systems and wireless computing. Additionally, he launched Western Hemisphere operations for Simon Petroleum Technology, a provider of petroleum reservoir management software, and was a member of the initial management team at GeoQuest Systems, which became the leader in petroleum decision support systems.

Jeff began his career on the research staff at Columbia University and is a published author. He holds a degree in Geology from the State University of NY.

# Structure – More Important Than Price!

**Highest Potential Price**



*The more willing the Seller is to take contingent or time payments and share the risk with the Buyer, the higher the potential price a Buyer is willing to pay.*

**Lowest Price**  
(least risk to seller)



# Desires: Buyers vs. Sellers

Buyer



Seller

- Low Price
- Wants Assets, Not Liabilities
- Lengthy Due Diligence
- Contingency Payments
- Minimal Tax Exposure
- Significant Escrow
- Full Liability Post Close
- Extended Agreements

- High Price
- Wants Stock Sale
- Short Due Diligence
- No Contingencies
- Cap Gains Tax
- Minimal Escrow
- No Post Close Liability
- Shorter Agreements

# Forms of Payment – Structure Analysis

## Five Representative Transactions (\$10 Million+ in Trailing Revenue)

In USD millions	A	B	C	D	E
Value (Est.)	6.0	21.0	115.0	52.0	35.0
Cash	6.0	16.0	50.0	42.0	35.0
Public Stock	No	No	No	No	No
Private Stock	No	Yes	No	No	No
Employment Agreement	No	Yes	Yes	Yes	Yes
Consulting Agreement	Yes	Yes	No	Yes	No
Non-Compete	Yes	Yes	Yes	Yes	Yes
Earnout	No	Yes	Yes	Yes	No
Employee Bonus	No	No	Yes	Yes	No
Escrow & Adj.	Yes	Yes	Yes	Yes	Yes

# Five Keys to Structure Success

- Know what you want/Options before negotiating
- Don't let Buyer "serial negotiate"
- Understand liability/tax "gotchas"
- Use all options to bridge valuation "gap"
- Get good counsel!

# Cloud Update



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).

# Cloud Expo 2010 – Santa Clara

- Enterprise is starting to “realistically” embrace the cloud
- Vendors forced to give enterprises a choice
  - Cloud or Appliance-based?
- Scale finally reaching the SMBs
- The changing role of IT administrators
- Infrastructure still dominated by the Giants
  - Amazon, Rackspace, Microsoft, Oracle, Cisco, VMware, IBM



# Corum M&A Update



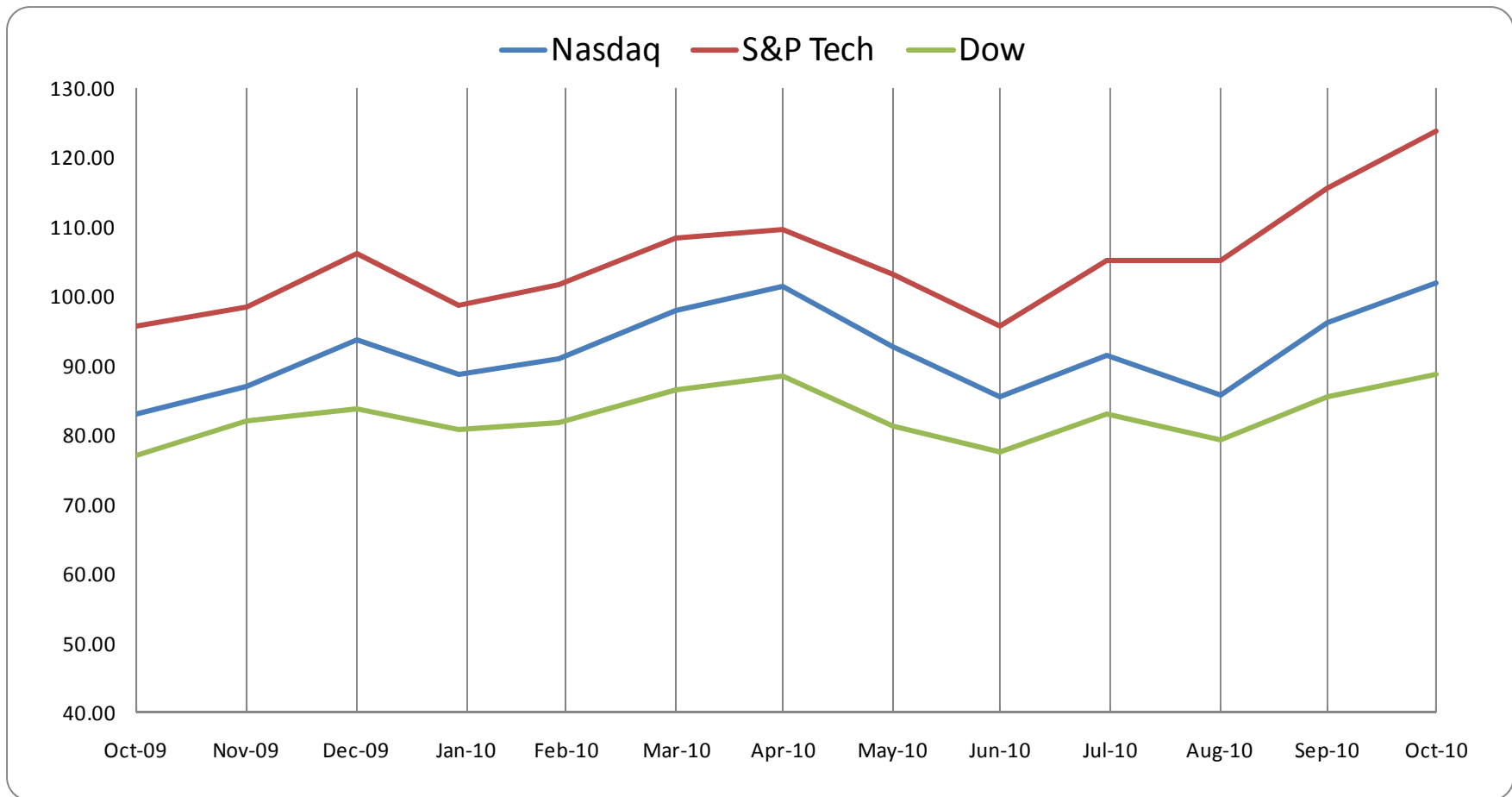
Tomoki Yasuda  
Sr. Analyst  
Corum Group Ltd.

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



# Transactions / Valuations Are Up

## Corum Index

	Oct-09	Oct-10
# of Transactions	286	244
# of Mega Deals	4	2
Largest Deal	\$3,000	\$3,900
Average Deal Size	\$230	\$236
Median Seller Size	\$63	\$47
# VC backed Exits	36	40
% Terms Undisclosed	72%	77%
All Cash (announced)	46%	58%
% Targets were Public	18%	9%
% Public Buyers	46%	50%

Buyer	Seller	Price
Carlyle	CommScope	\$3.9b
Carlyle	Syniverse	\$2.6b

\*\$ values in millions

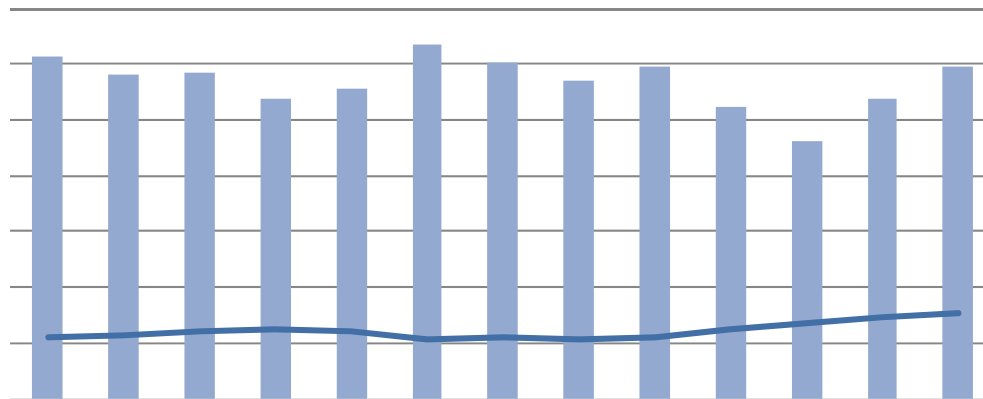


# Horizontal Application Software Market

## Public Valuations



Horizontal  
Application  
Software



	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Series2	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	11.89 x
Series1	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	3.07 x

### Deal Spotlight:

**Sector:** Business Intelligence

**Target:** YouCalc

**Buyer:** Success Factors

**Transaction Value:** N/A

**Structure:** Cash, Stock

### Comments:

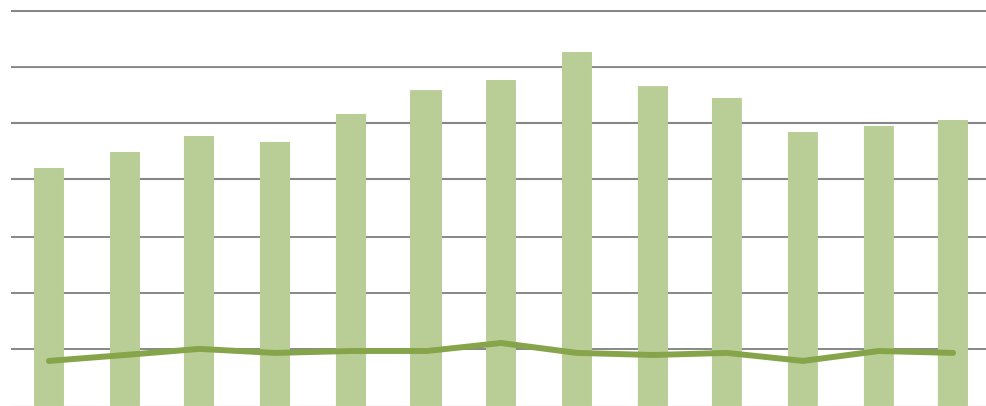
- Competitiveness for real-time data
- Surpasses the difficulties of traditional application analytics
- Consolidator of analytics

# Vertical Application Software Market

## Public Valuations



Vertical Application Software



	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
EV/EBITDA	8.42 x	8.96 x	9.54 x	9.37 x	10.30 x	11.15 x	11.51 x	12.53 x	11.35 x	10.89 x	9.69 x	9.90 x	10.15 x
EV/S	1.57 x	1.82 x	2.01 x	1.90 x	1.92 x	1.95 x	2.22 x	1.86 x	1.79 x	1.88 x	1.60 x	1.95 x	1.90 x

## Deal Spotlight:

**Sector:** Healthcare

**Target:** Clinical Health/Integrated Voice Solutions

**Buyer:** Vocera Communications

**Transaction Value:** N/A

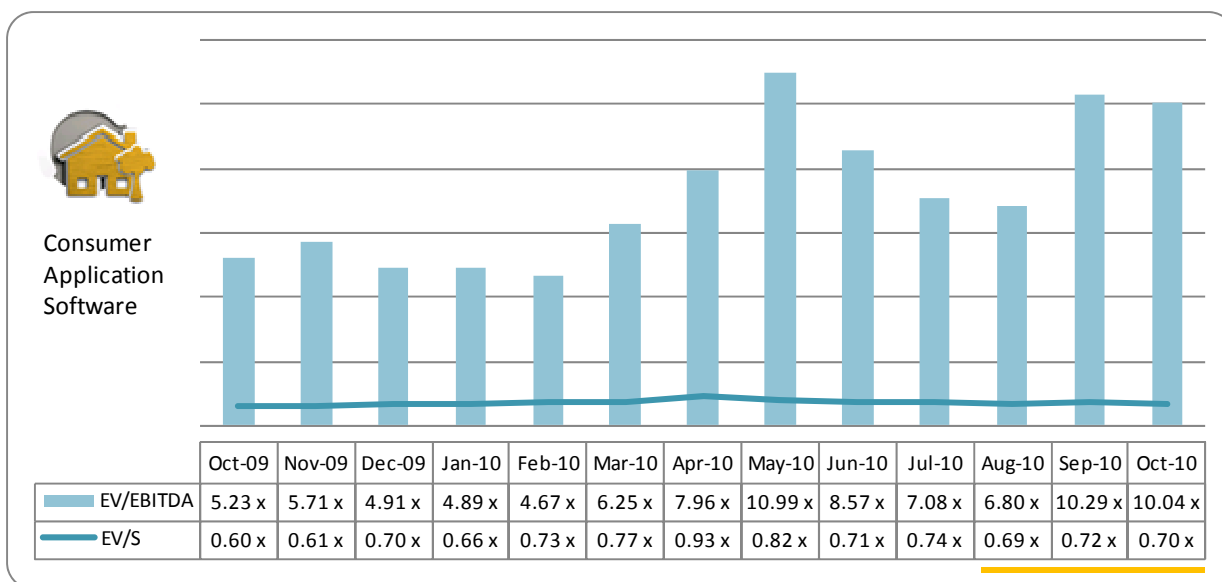
**Structure:** N/A

## Comments:

- Healthcare vertical continues activity
- More web-based offerings and social applications

# Consumer Application Software Market

## Public Valuations



### Deal Spotlight:

**Sector:** Mobile Gaming

**Target:** Ngcomco

**Buyer:** DeNA

**Transaction Value:** \$300m

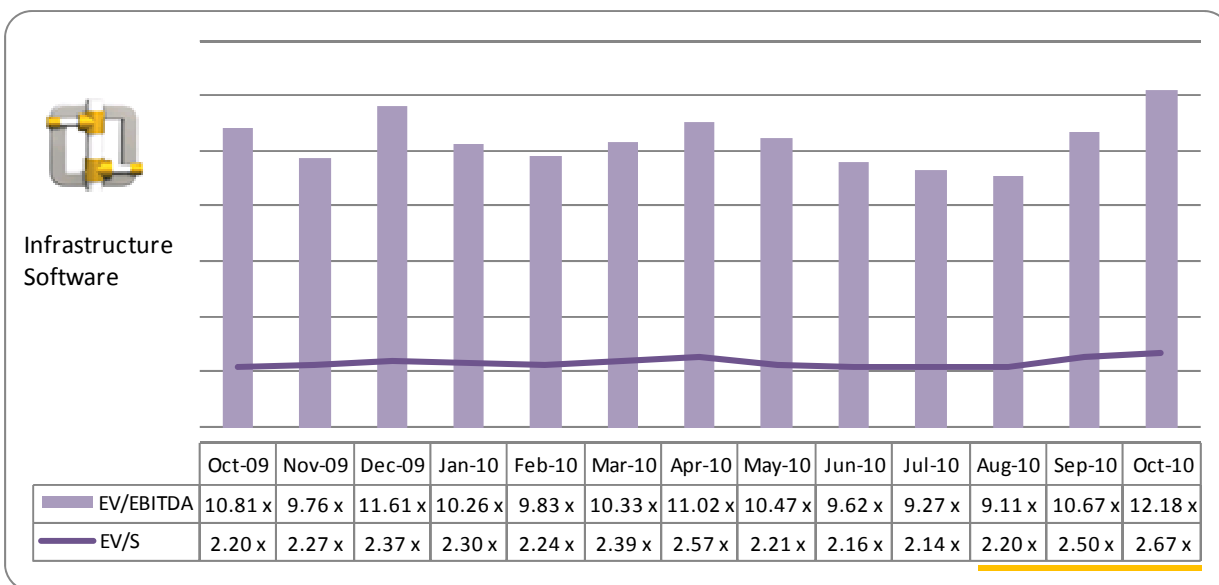
**Structure:** Cash and Stock

### Comments:

- Social Gaming leading real-time data usage
- Deals continue to happen in this space

# Infrastructure Market

## Public Valuations



### Deal Spotlight:

**Sector:** Carrier Infrastructure

**Target:** Carlyle Group

**Buyer:** Syniverse

**Transaction Value:** \$2.6bn

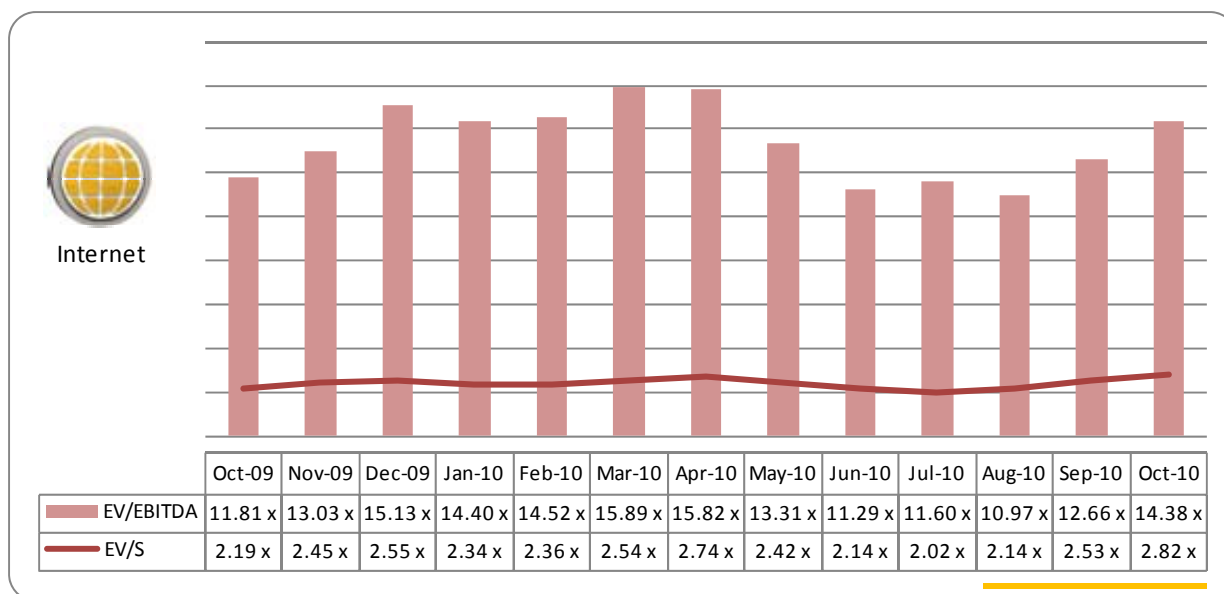
**Structure:** Cash, 4.6xx TTM rev.

### Comments:

- Major changes happening
- Mobile carriers to spend \$117bn by 2014
- Strong demand fosters M&A environment

# Internet Market

## Public Valuations



### Deal Spotlight:

**Sector:** Collaboration Content

**Targets:** drop.io

**Buyer:** Facebook

**Transaction Value:** N/A

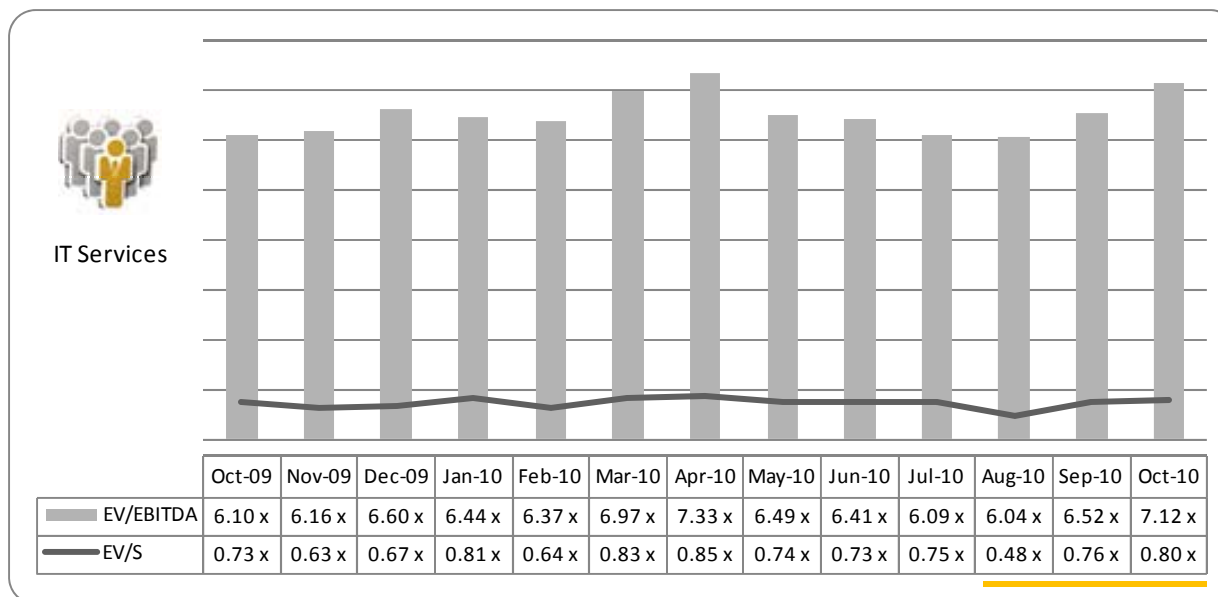
**Structure:** N/A

### Comments:

- Talent acquisition
- Entrance into file sharing and storage
- More M&A?

# IT Services Market

## Public Valuations



## Deal Spotlight:

**Sector:** IT Services

**Target:** Nokia Siemens Network

**Buyer:** IRIS Telecommunication and Engineering Services

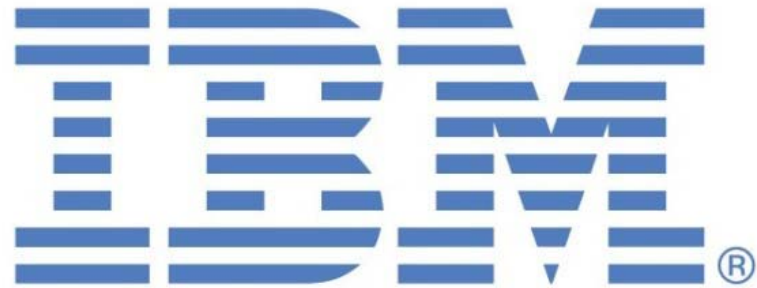
**Transaction Value:** N/A

**Structure:** N/A

## Comments:

- Increasing service delivery model in Eastern Europe and Asia
- Greater use of 3G and mobile broadband stimulating more activity

# IBM Report



*Overview, Recent Transactions and Analyst Opinions*

# IBM History

- Founded in 1896 – Tabulating Machine Company
- Revenues \$100bn; 400,000 employees; 200 countries
- Second most valuable global brand (Coca-Cola #1)
- Holds more patents than any other U.S. company
- Stock at recent all-time high: mkt cap \$180bn





# IBM Milestones

- Largest computer company – still is
- Meteoric growth, based on 360 – ‘60s, ‘70s
- Founding player in PC – early 1980s
- Reinvented to IT, under Gerstner – ‘90s
- Largest technology acquirer in history
- Largest anti-trust target in modern history



# “Selling to IBM”

- They can move very fast
- Their process is highly refined
- Due diligence is very thorough
- Thrive on the in-flow of talent
- Will support your technology / ideas
- Well thought-out integration



# “Selling to IBM”

- Strong leadership teams
- Tight operational model
- Keep highly detailed financials
- Invest aggressively in sales
- Plan early for exit
- Get good M&A counsel



# IBM's M&A Model

Dow Chemical CEO admires IBM's M&A Model:

“I love the IBM model,” Andrew Liveris told Reuters. “They got to a certain size and from that moment on, they did bolt-on technology M&A, which they scaled up around the world.”

*Reuters - November 3, 2010*



# 2010 Acquisitions...

Announced	Target	Total Deal	Value
Oct. 21	Clarity Systems	\$230,000,000*	3.8x
Oct. 13	PSS Systems	\$65,000,000*	4.1x
Sept. 27	BLADE Network		
Sept. 20	Netezza	\$1,836,344,000	7.6x
Sept. 15	OpenPages	\$160,000,000*	4.6x
Aug. 13	Unica	\$532,102,000	4.4x
Aug. 10	Datacap		
July 29	Storwize	\$140,000,000*	
July 1	BigFix	\$400,000,000*	7.0x
June 5	Coremetrics		
May 24	Sterling Commerce	\$1,400,000,000	2.5x
May 3	Cast Iron	\$200,000,000*	6.7x
Feb. 16	Intelliden		
Feb. 3	Initiate Systems	\$425,000,000*	5.3x
Jan. 20	National Interest Security		

\*As Estimated

# 451 Analyst Update: IBM



John Abbott  
Chief Analyst  
The 451 Group



John covers systems, storage and software infrastructure topics for The 451 Group, and over a 25+-year career has pioneered specialist technology coverage in such areas as Unix, supercomputing, system architecture, software development and storage.

One of the cofounders of The 451 Group in October 1999, John ran analyst operations in the company's San Francisco office. He has been a principal author on many 451 Special Reports, including those on storage virtualization and blade servers – the first comprehensive surveys of either subject to be published. John began covering the technology sector in 1984, building on his previous experience as a technical author and direct involvement using mainframes, early PCs and Unix workstations. As a freelance journalist, he contributed to publications including Computing, Computer Weekly, The Financial Times and The Times. In 1987, he was appointed Editor of ComputerWire's weekly Unix newsletter, Unigram.X, and later became Editor of the company's daily Computergram International service.

John has a BA in Music and an MA in Modern English Literature from the University of London.

# The 451 Group: Who we are

- Founded in 1999
- Three operating divisions:
  - 451 Research - analyzing the business of enterprise IT innovation
  - Tier 1 Research – datacenter, hosting & IT services
  - The Uptime Institute – Datacenter Tier System, Uptime Network, IT Symposium
- Offices in New York (HQ), Boston, London, San Francisco, Santa Fe, Washington DC
- 125 employees with 50+ analysts



# IBM: large deals 2002-2009

- **2002**
  - **Rational**     **\$2.1bn**     **software development/lifecycle management**
- **2004**
  - **Candle**     **\$435m**     **systems management/mainframe utilities**
- **2005**
  - **Ascential**     **\$1.1bn**     **services**
  - **Micromuse**     **\$865m**     **network management**
- **2006**
  - **MRO**     **\$740m**     **systems management**
  - **Filenet**     **\$1.6bn**     **document management**
  - **ISS**     **\$1.3bn**     **security**
- **2007**
  - **Telelogic**     **\$745m**     **systems management**
  - **Cognos**     **\$5bn**     **business intelligence**
- **2009**
  - **SPSS**     **\$1.2bn**     **analytics**



# IBM: M&A in 2010

- **Clarity Systems**      \$230m\*      data governance/performance mgt
- **PSS Systems**      \$65m\*      data governance/ediscovey
- **Blade Network**      \$360m\*      datacenter blade and TOTR switches
- **Netezza**      \$1.8bn      data warehouse appliances
- **OpenPages**      \$160m\*      governance, risk and compliance
- **Unica**      \$523m      marketing automation
- **Datacap**      N/A      content mgt/data capture
- **Storwize**      \$140m\*      real-time data compression
- **BigFix**      \$400m\*      endpoint security/power management
- **Coremetrics**      N/A      marketing automation/retail analytics
- **Sterling Commere**      \$1.4bn      B2B, logistics, supply chain
- **Cast Iron**      \$200m      Cloud/on premise integration
- **Intelliden**      N/A      network change & config. Mgt
- **Initiate**      \$425m      healthcare master data management

# **Some trends and predictions**

- **Industry reactions**
- **Consolidation and integration**
- **Towards applications?**
- **Verticals become mainstream**
- **Smarter planet**
- **What next?**

# Upcoming Corum Events

Nov. 11: **Webinar** – Rebroadcast

Dec. 2: **M&A Update Webinar**

Dec. 9: **Webinar** – Rebroadcast

Dec. 14: **Montreal** – Merge Briefing

Dec. 15: **YPO-WPO IT Network**  
– Global Conference Call

Jan. 6: **M&A Update Webinar**

Jan. 13: **Webinar** – Rebroadcast

Mid-February:

**Beijing** – SUSO

**New Delhi** – 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

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

# Growth and Exit Strategies for Software and IT Companies - 8th Annual



WORLD FINANCIAL SYMPOSIUMS

- December 7 in London
- Speakers from Carlyle, Cisco, Google, HgCapital, Silicon Valley Bank, UBS ... and many more

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