

# CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

## M&A Monthly – March 2011

Thursday, March 3, 2011  
10:00 am PT

# 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.

# Agenda

- Market Overview
- Corum Index – M&A Metrics
- Private Equity Overview – Pitchbook.com
- Private Equity Panel
  - **Rob Arditi – Norwest Venture Partners**
  - **Alex King – HgCapital**
  - **Ian Blasco – Riverside Partners**
  - **Doug Alexander – ICG**
- Closing Comments – Q&A

# Presenters



**Ward Carter**  
Chairman  
Corum Group Ltd.



**Bruce Milne**  
CEO  
Corum Group Ltd.



**Dougan Milne**  
VP of Research  
Corum Group Ltd.



**Nat Burgess**  
President  
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 February 10, 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: 669 419 978

>> 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.

# Asia

- Japan's Economy Shrank Less Than Expected
- China's Inflation Exceeds Target, Adding Rates Pressure
- Huawei Rejects U.S. Recommendation to Sell Assets
- Japan Consumer Prices Fall at Slowest Pace Since 2009, as Oil and Food Climb

# Europe and International

- European Economy Expands Less Than Forecast
- U.K. Economy Shrank More Than Estimated in Q4
- U.K. Consumer Confidence Stays Near Lowest Since 2009
- Ford Rush to Russian Deals before Tax Incentive Deadline
- Telefonica Profit Drops 45% on Spanish Economic Woes
- Canadian Currency Rallies to Strongest in Three Years



# United States

- U.S. Initial Jobless Claims Fall to 368,000, Lowest Since 2008
- Liberty Mutual CEO Says U.S. Policymakers 'Debase the Dollar'
- Economy: Factory Production Increases, Housing Stagnates
- Geithner: Debt-to-GDP Cost Poised to Increase to Record
- Economy: Retail Sales Climb Less Than Forecast
- Airline Passenger Growth Accelerates as Economy Gains

# Commodities

- U.S. Consumer Prices, Jobless Claims Exceed Forecasts
- Cotton Tops \$2 for the First Time in New York
- U.S. Crop Values Jump 22% to Record on 2010 Price Gain
- Farmland Boom Provides Bright Spot for Real Estate
- Roubini's Next Crisis is Scary Food for Thought
- World Food Prices Increase to a Record, United Nations Says

# Real Estate

- U.S. Loans in Foreclosure Tie Record; Lenders Delay Seizures
- New Home Sales Hit New Low
- U.S. Housing Starts Rose 15% in January, Above Forecast
- Distressed Homes Sold at 28% Discount – Bloated U.S. Supply
- Sales of Existing Homes Climb to Eight-Month High

# Finance

- Confidence in Equities at Record – Says Bank of America
- Cash Hoards Shrinking at S&P 500 – First Time Since 2009
- Zynga Talks to Raise Funds From T. Rowe Price, Fidelity
- JPMorgan to Acquire 10% Twitter Stake for \$450 Million
- Groupon Starts China Service; Tencent, Jack Ma among Investors
- Buffett ‘Trigger Finger Itchy’ to Buy, \$38 Billion in Wallet

# Technology





- WP7 – Boost in App Developer Activity after Nokia Deal
- Intel Sees Growth for MeeGo System after Nokia/MS Deal
- Apple Starts Subscription Payment Service for Music, Movies, Apps
- Google Starts OnePass Subscription Service
- Apple Unveils iPad 2 as Rival Step Up – Jobs on the Scene
- Microsoft's Bing Gains on Google in U.S. Internet Search

# Corum M&A Update



Dougan Milne  
VP of Research  
Corum Group Ltd.

Contact:

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-  in/douganmilne
-  douganmilne
-  douganm@corumgroup.com




Dougan is Vice President of Research at the Corum Group, Ltd in Seattle, WA. Prior, he spent 3 years based out of Corum's European headquarters in Zürich, Switzerland. Previously, 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 a vertical advertising company serving the motorcycle industry, Modo Marketing. Dougan has a Bachelors degree in Economics from the University of San Diego.



Tomoki Yasuda  
Sr. Analyst  
Corum Group Ltd.

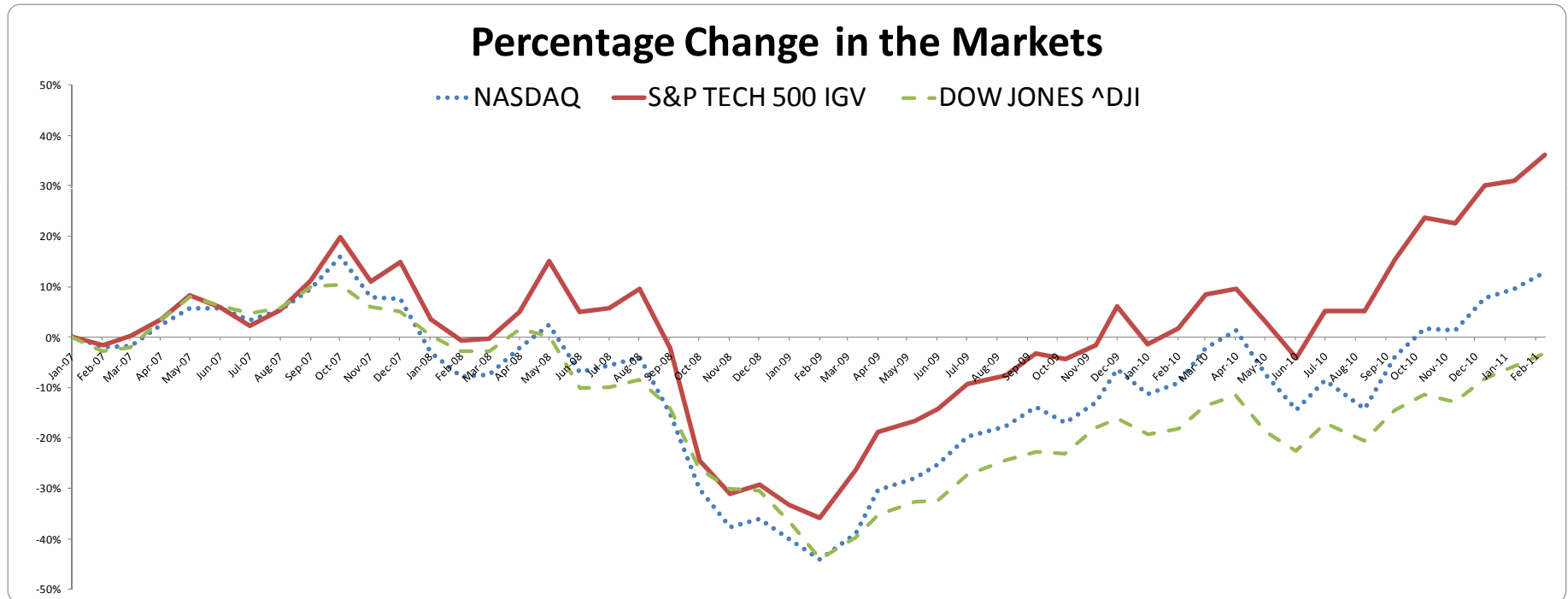
Contact:

-  in/tomoki-yasuda
-  tomoki.yasuda
-  tomokiy@corumgroup.com

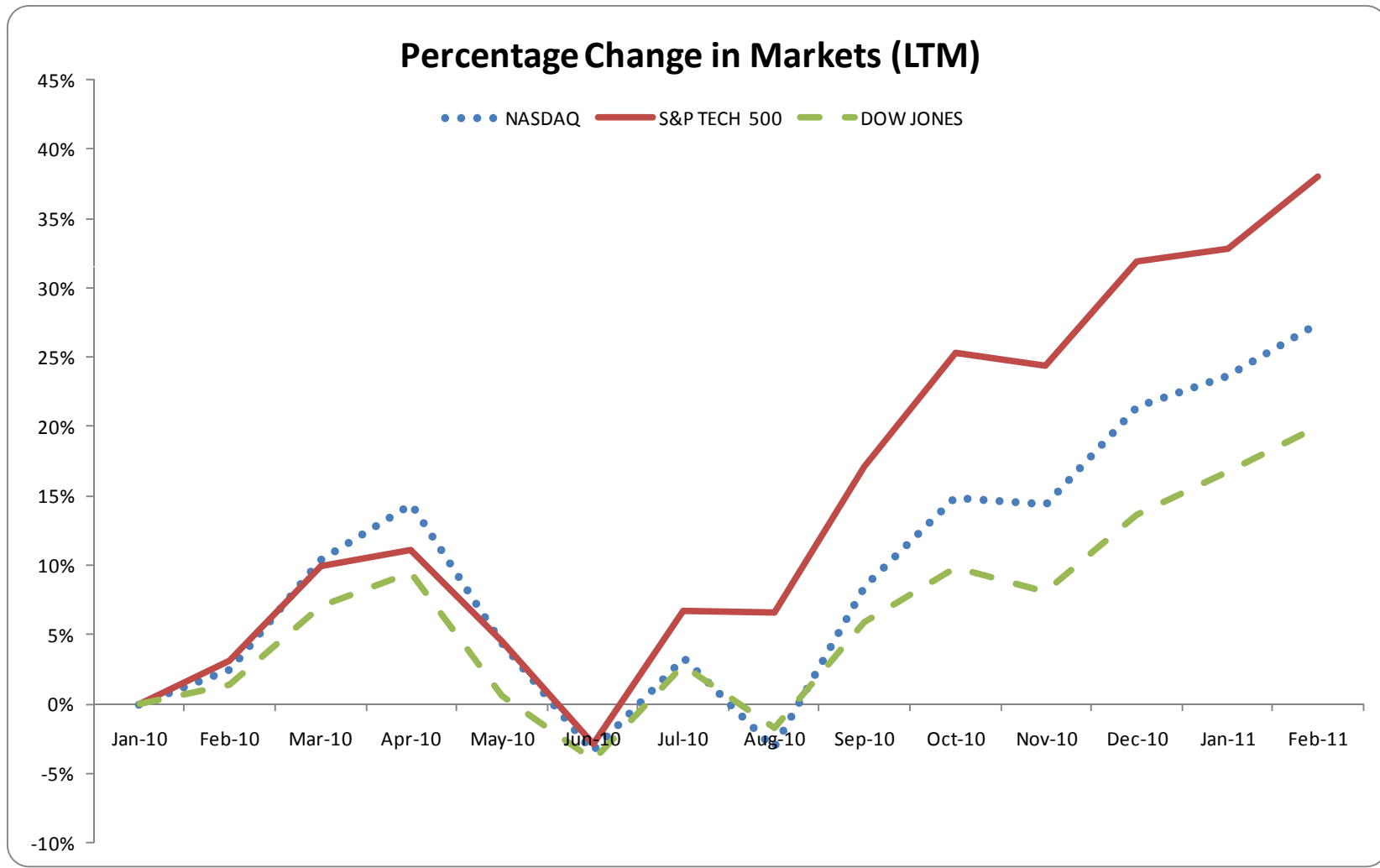
Tomoki joined the Corum Group in 2008, operating out of the Research Department at its Seattle area headquarters. Prior to this, he served in Business Development at CTED of Washington State where he monitored US and Japanese business trends, handled document translation and market research. He specialized in 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 Market Performance



# Public Market Performance





# Corum Index

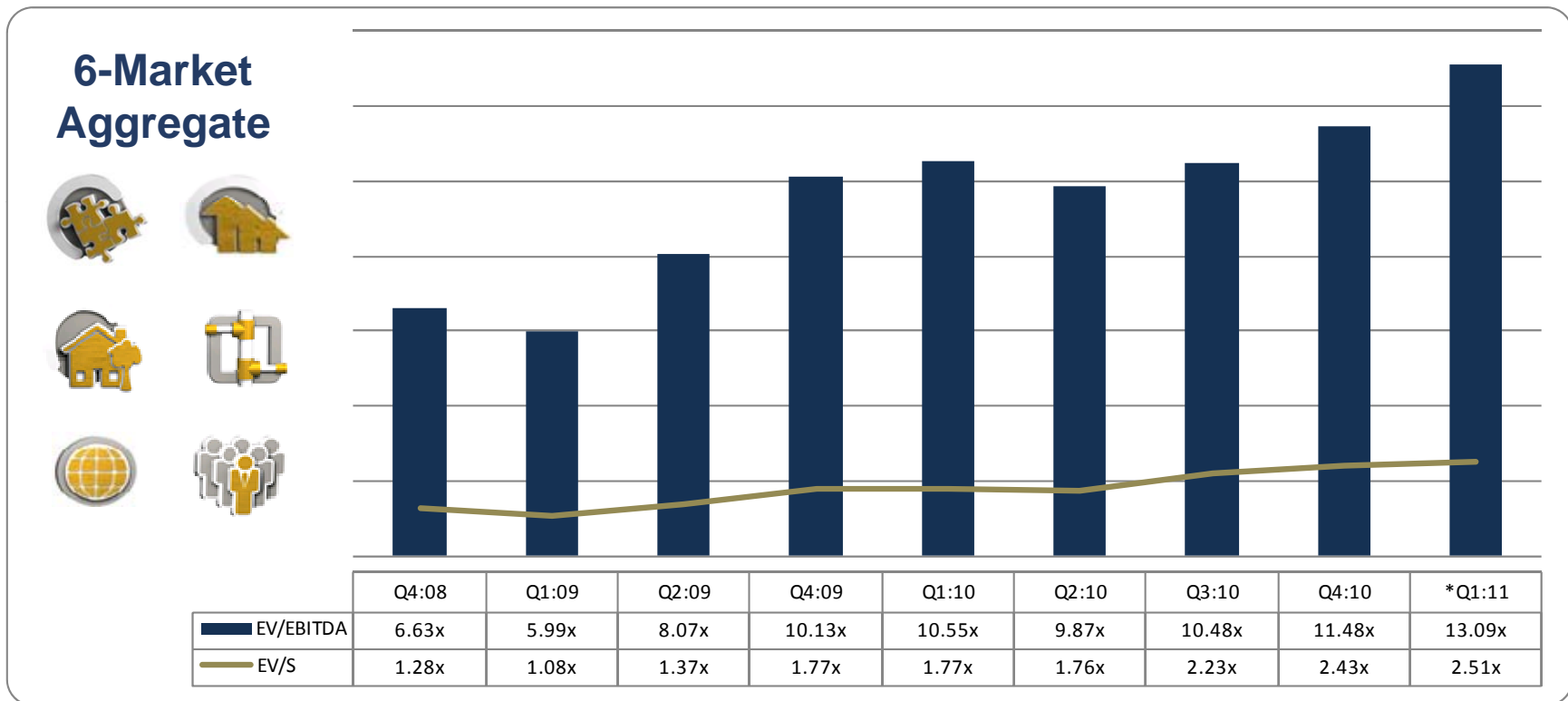
## Corum Index

	Feb-10	Feb-11
# of Transactions	280	261
# of Mega Deals	3	3
Largest Deal	\$2,300	\$1,555
% Sub-\$100m	67%	72%
Private Equity Deals	7	11
Private Equity Value	\$1,200	\$924
# VC backed Exits	37	48
All Cash (announced)	67%	58%
% Targets were Public	11%	16%
% Public Buyers	49%	48%

Buyer	Seller	Price
Carl Icahn	Mentor Graphics	\$1.55b
EchoStar	Hughes Comms.	\$1.48b
DISH Networks	ICO N.A.	\$1b

\*\$ values in millions

# 6-Market Aggregate



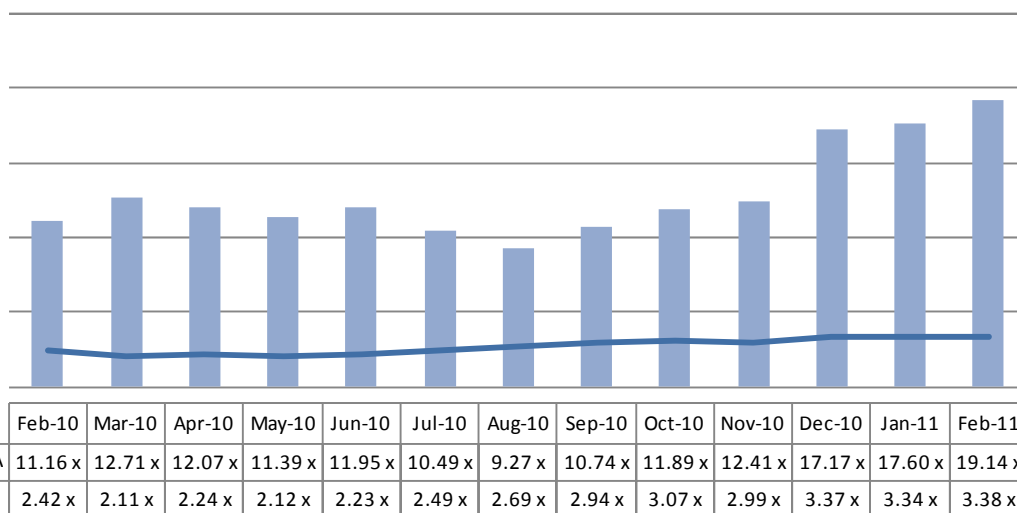
*Horizontal, Vertical, Consumer, Internet, Infrastructure, IT Services*

# Horizontal Application Software Market

## Public Valuations



Horizontal Application Software



## Deal Spotlight:

**Sector:** BPM

**Target:** Metastorm

**Buyer:** OpenText

**Transaction Value:** \$182m

**Target Revenues:** \$75m

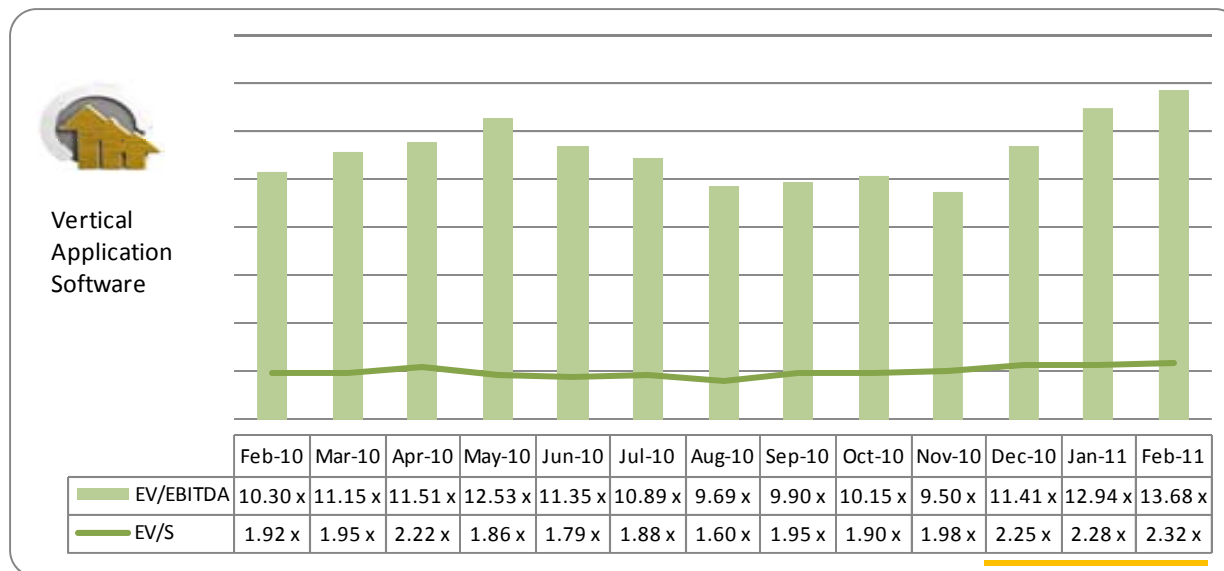
**Structure:** Cash, 2.4x EV/S

## Comments:

- Strong BPM position
- SAP reseller, bumps revs
- Broad integration relationships

# Vertical Application Software Market

## Public Valuations



## Deal Spotlight:

**Sector:** Mobile Finance

**Target:** M-Com

**Buyer:** Fiserv, Inc.

**Transaction Value:** N/A

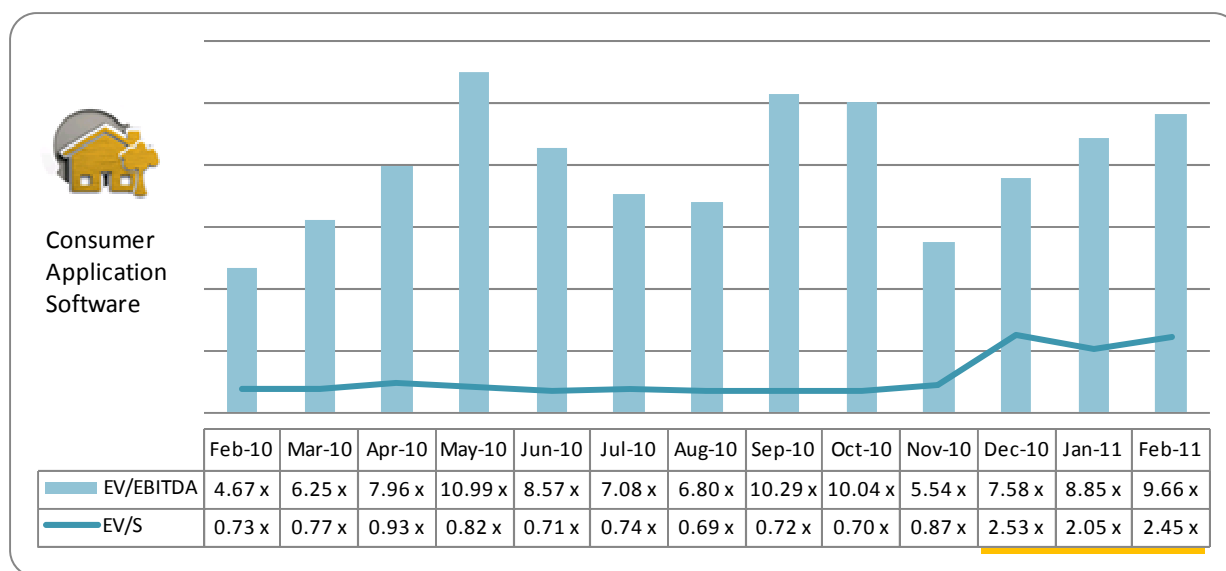
**Structure:** N/A

## Comments:

- “Finance at a Fingertip”
- Expanded product reach
- Competitive advantage

# Consumer Application Software Market

## Public Valuations



## Deal Spotlight:

**Sector:** Discount

**Target:** HauteLook

**Buyer:** Nordstrom Inc.

**Transaction Value:** \$180m

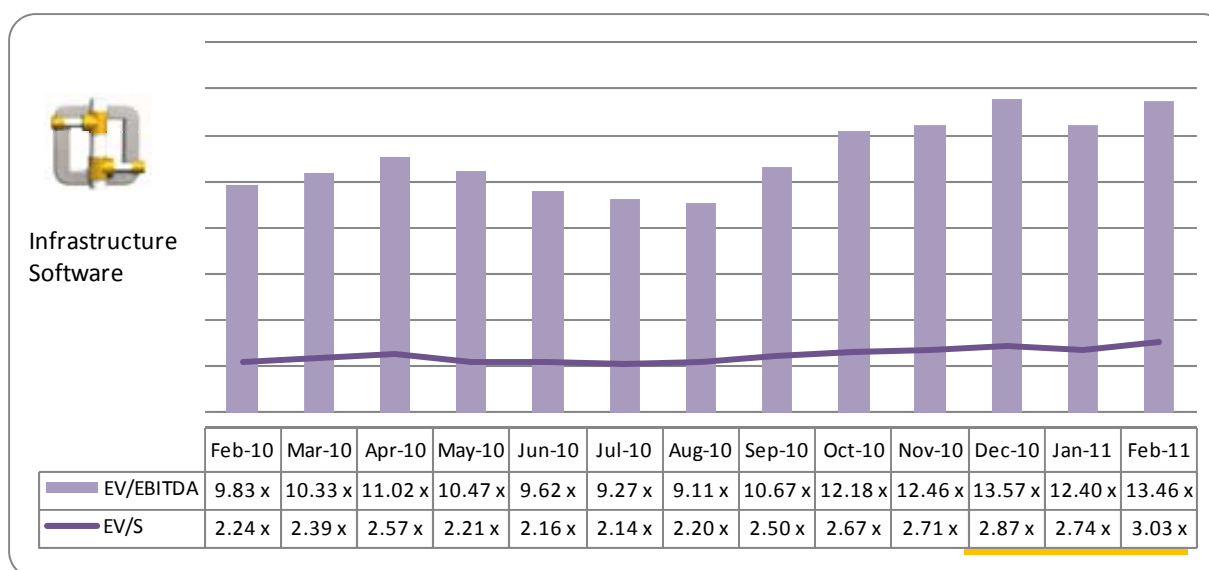
**Structure:** All Stock + up to \$90m stock in earn-out

## Comments:

- Gilt Group meets Groupon meets LVHM
- Excellent entry into internet sales & marketing for Nordstrom

# Infrastructure Market

## Public Valuations



## Deal Spotlight:

**Sector:** Data Warehousing

**Target:** Vertica

**Buyer:** HP

**Transaction Value:** \$275m

**Target Revenue:** \$25m

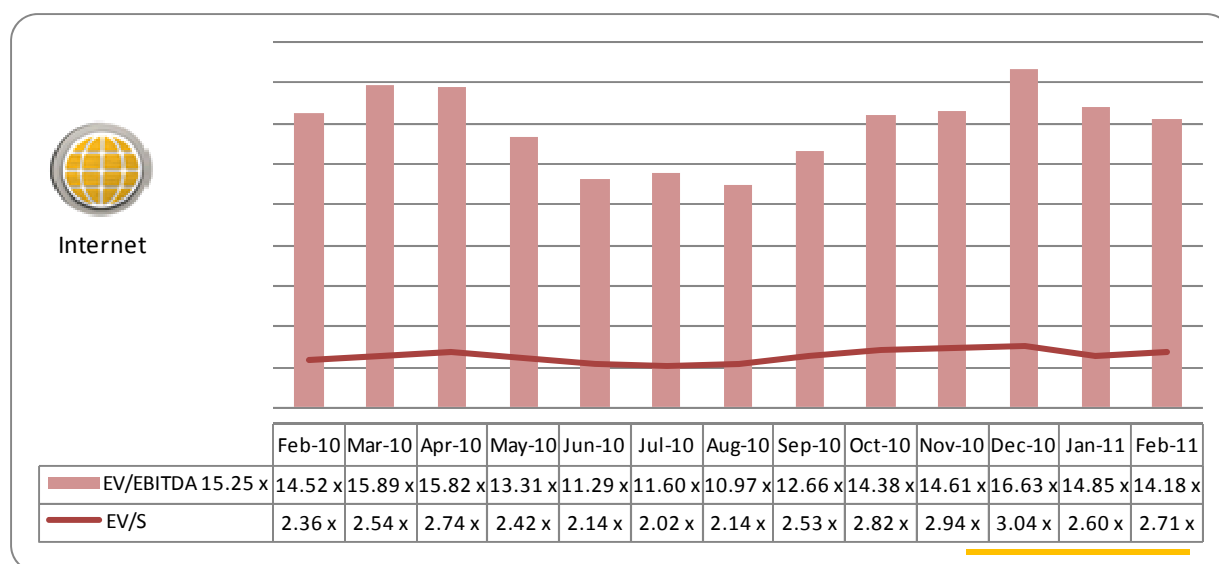
**Structure:** Cash, 11x EV/S

## Comments:

- Replace Neoview
- Apotheker serious about data
- Direct competition with Oracle, IBM, EMC, SAP
- Huge revenue potential in a market of \$13bn

# Internet Market

## Public Valuations



## Deal Spotlight:

**Sector:** Online Travel

**Target:** Opodo Ltd.

**Buyer:** ASA Private Equity

**Transaction Value:** €450m

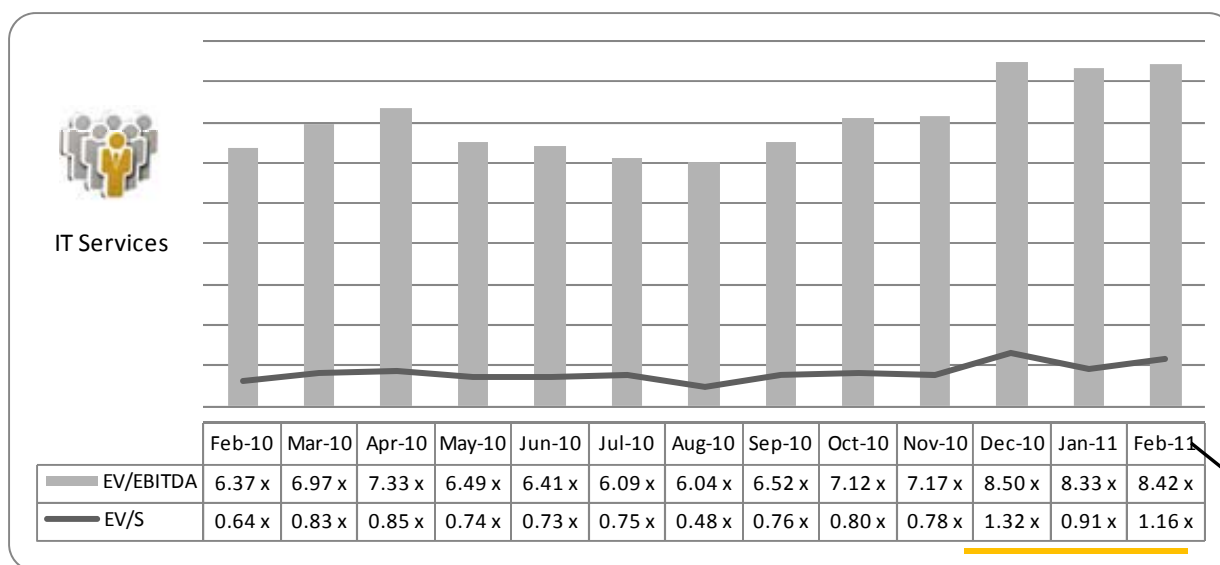
**Structure:** N/A

## Comments:

- One of Europe's largest consumer travel portals
- Permira Funds and ASA Private Equity look to squeeze efficiency out of the model and build the brand

# IT Services Market

## Public Valuations



## Deal Spotlight:

**Sector:** BPO + Hosting

**Target:** ALOG Data

**Buyer:** Equinix, Inc / Riverwood Capital, LLC

**Transaction Value:** \$127m

**Structure:** Cash, 90% stake

## Comments:

- Rapidly growing market
- South American presence

## China & India IT Services

**EV/EBITDA**

**EV/S**

**39.13x**

**5.68x**



# Private Equity Update



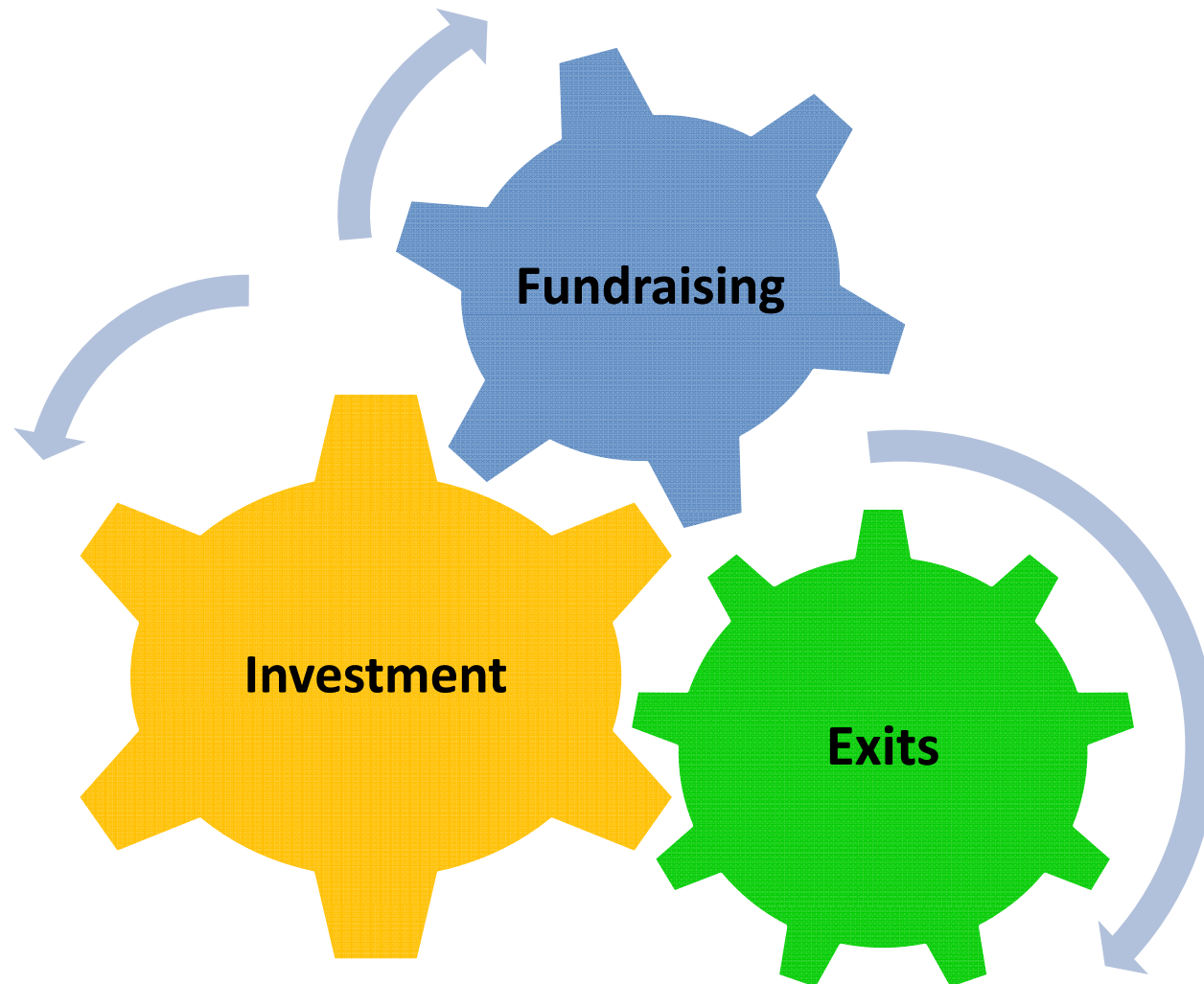
John Gabbert  
Founder & CEO  
Pitchbook Data, Inc.



PitchBook CEO and Founder John Gabbert has more than ten years of experience in building venture capital and private equity database products. Previously, John was the Managing Director of Private Markets for a large information provider and the Vice President of Worldwide Research for a leading venture capital and private equity research firm.

# Three Aspects of Private Equity

*Fundraising, Investment & Exits Trends*

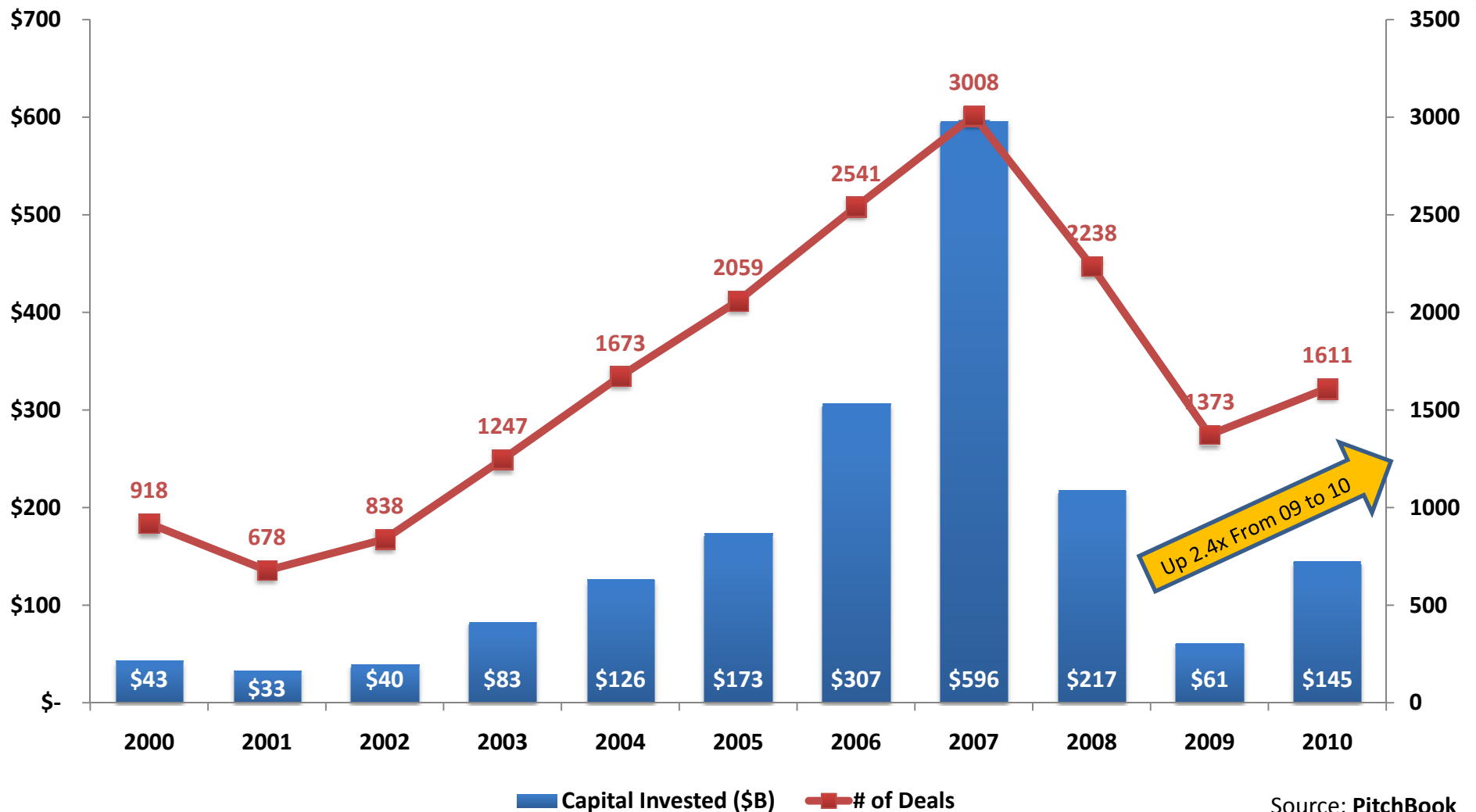




# Private Equity IT & Software Investment

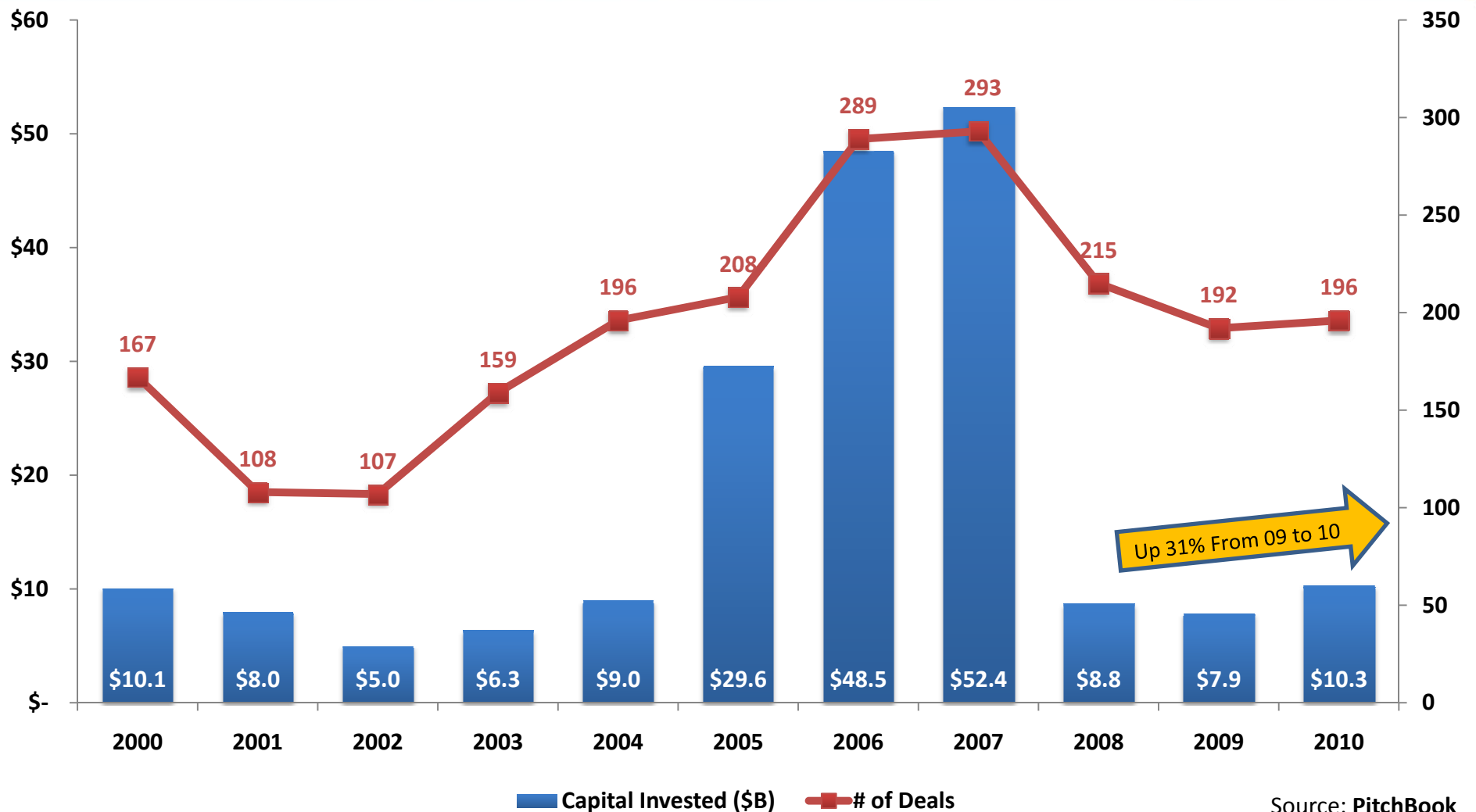
# Private Equity Investment Recovers in 2010

*Number of Deals Closed and Total Capital Invested by Year  
All Private Equity*



# Private Equity IT Investment Holds Steady

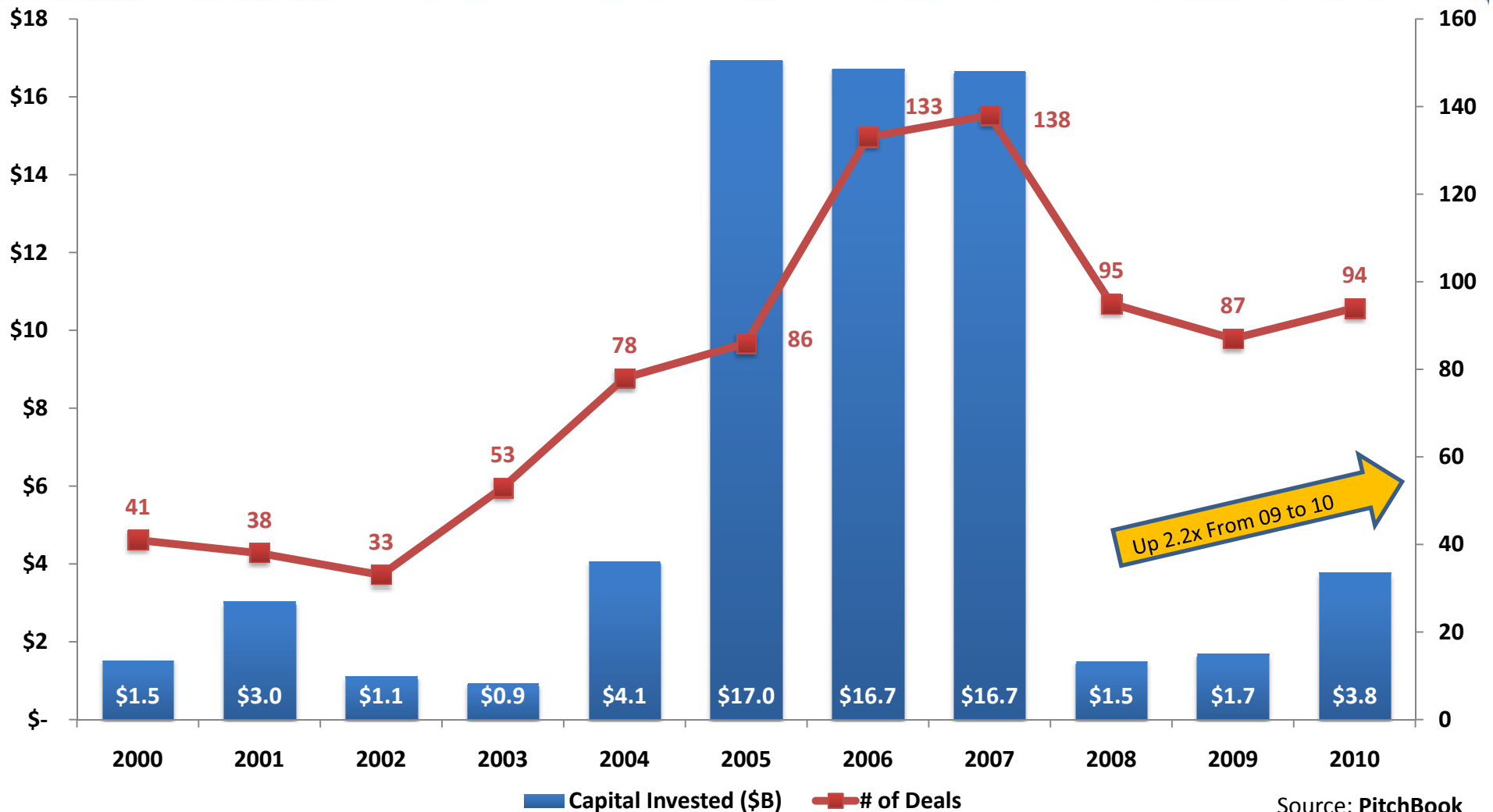
*Number of Deals Closed and Total Capital Invested by Year  
Information Technology Industry*



# Software Investment Rebounds from 2009

*Number of Deals Closed and Total Capital Invested by Year*

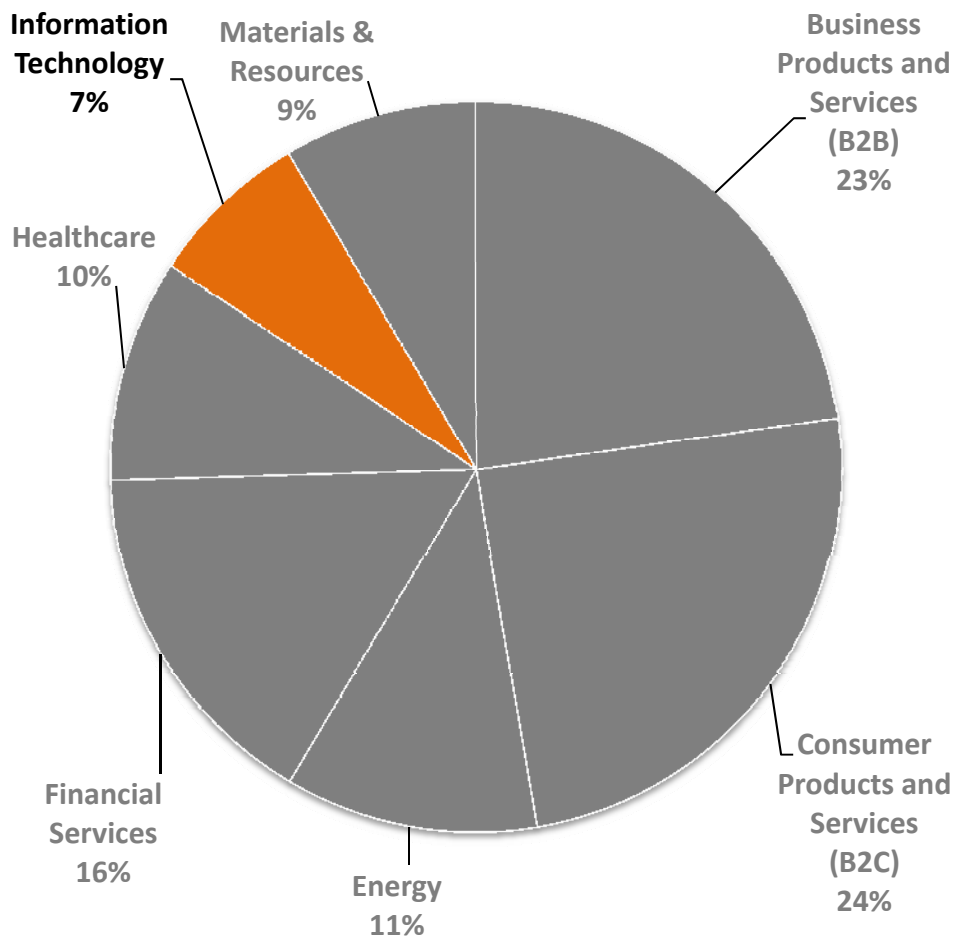
*IT Software Sector*



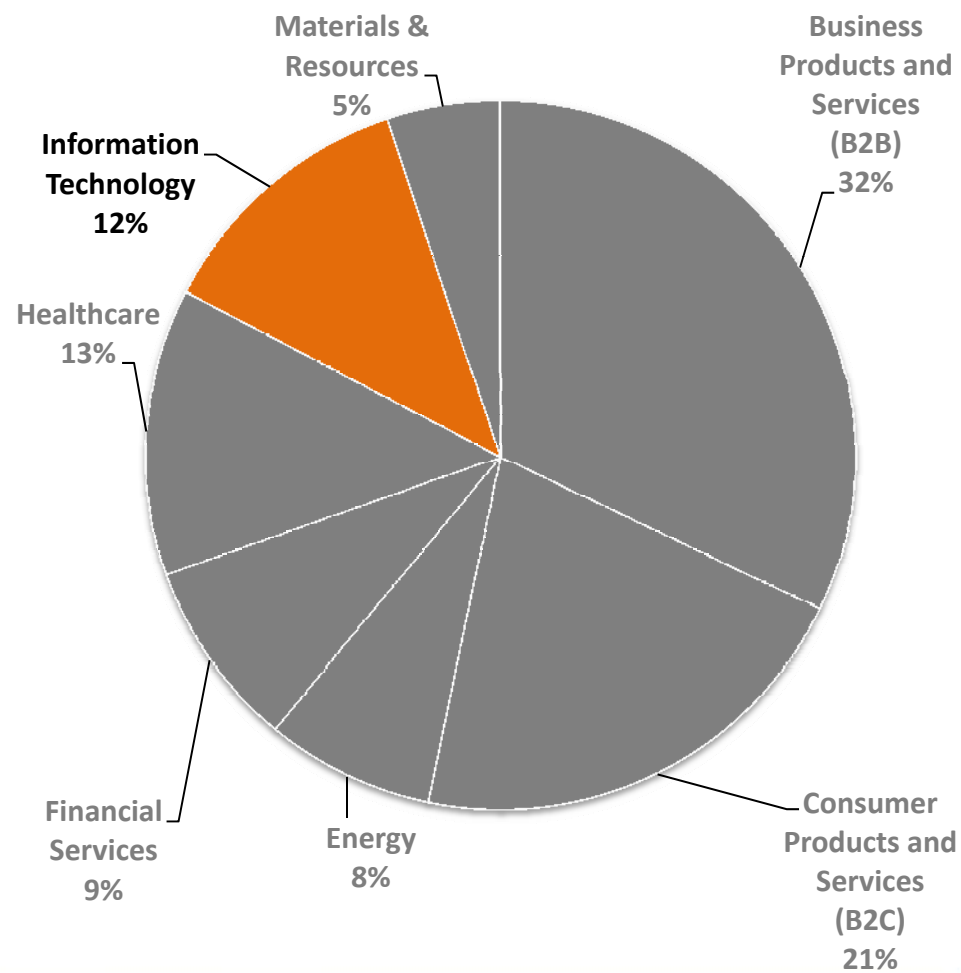
# IT is 4<sup>th</sup> Most Active Industry by # of Deals Closed

*Percentage of PE Deal Volume by Industry - 2010*

**% by Capital Invested**



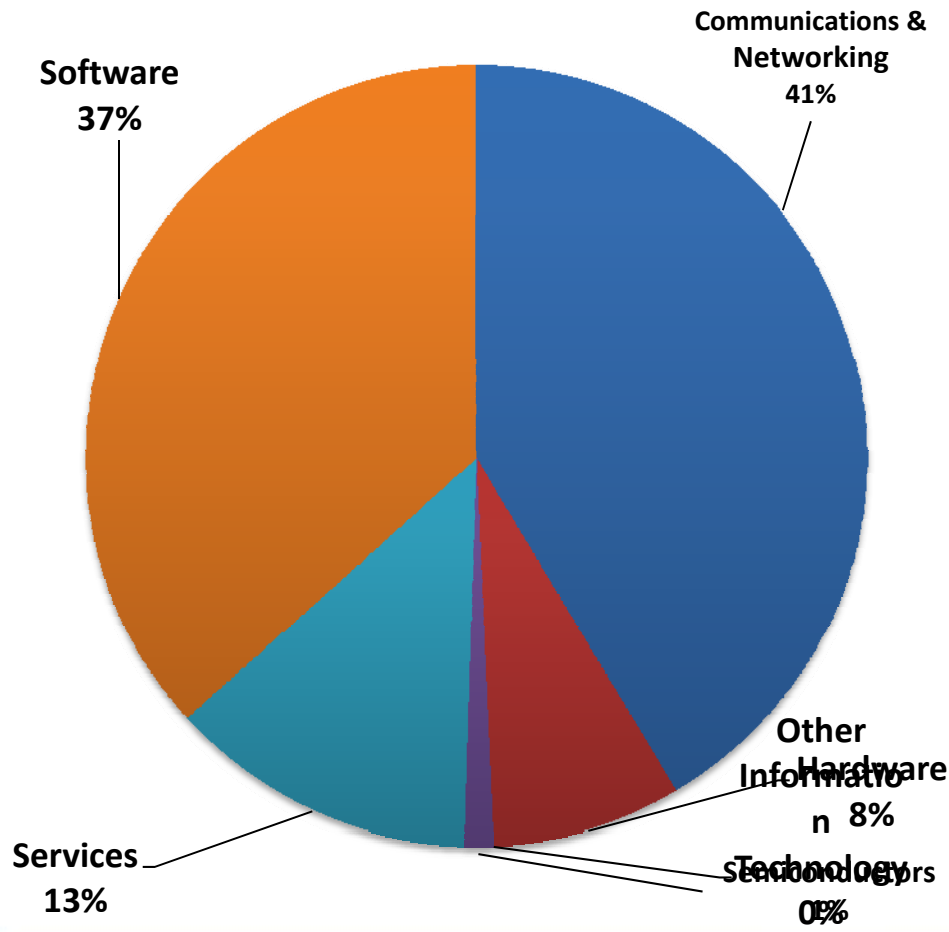
**% by Number of Deals**



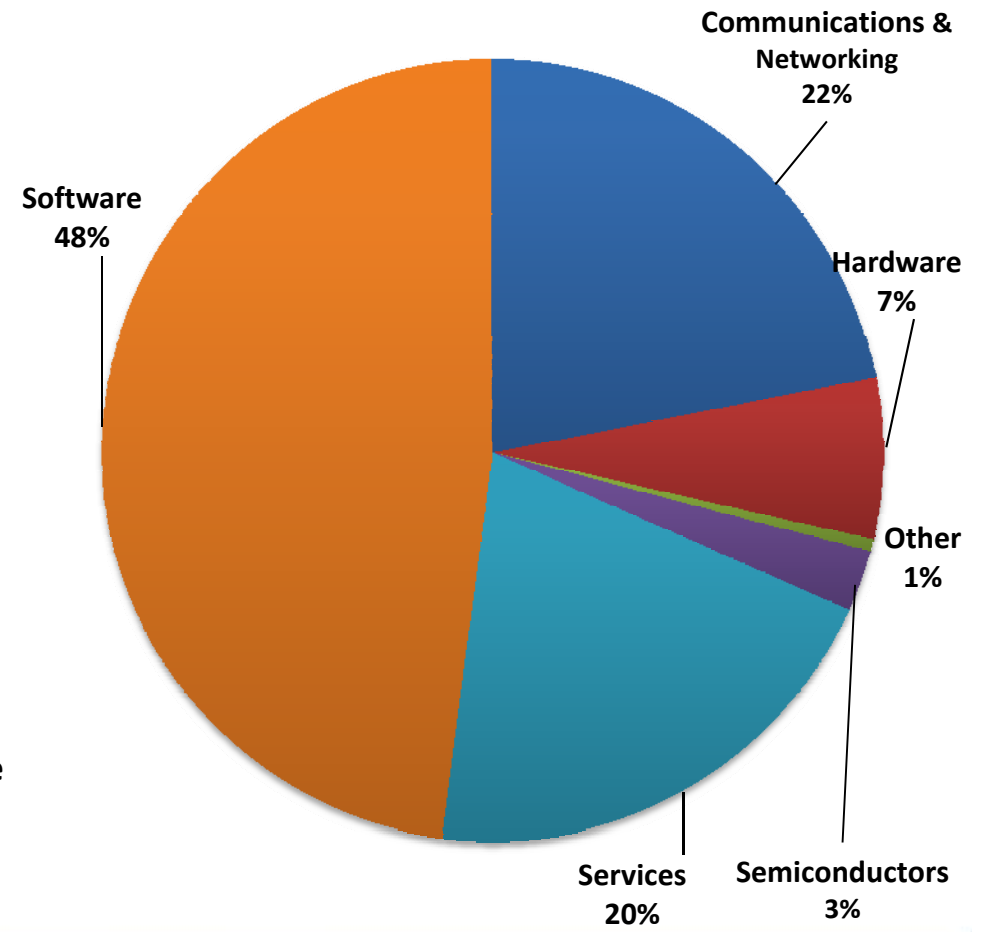
# Software Leads in # of Deals and 2<sup>nd</sup> in Capital Invested

## Percentage of Deal Volume by Sector - Information Technology - 2010

% by Capital Invested



% by Number of Deals

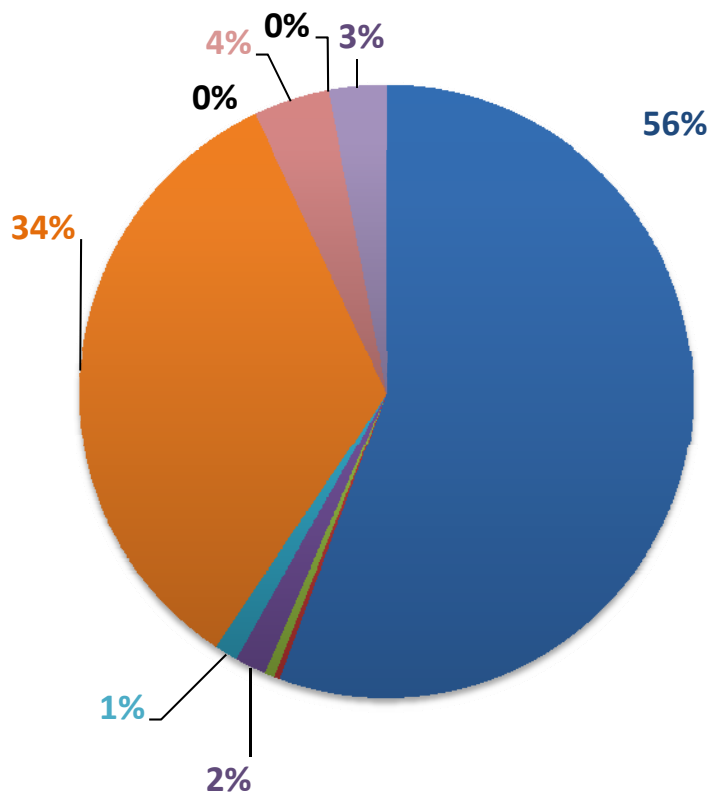




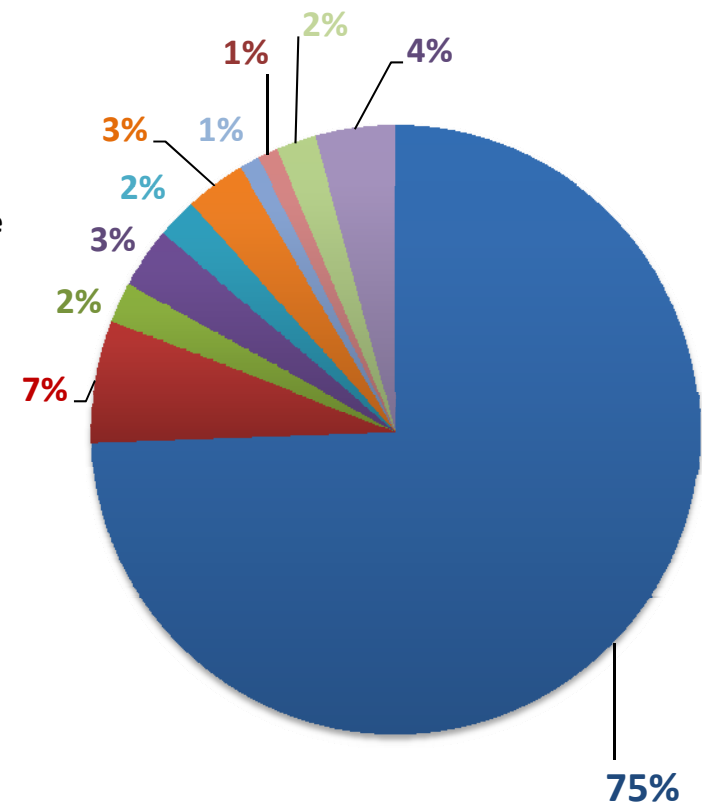
# Application Software Leads in Capital and Count

## Percentage of Deal Volume by Sub-Sector – Software - 2010

% by Capital Invested



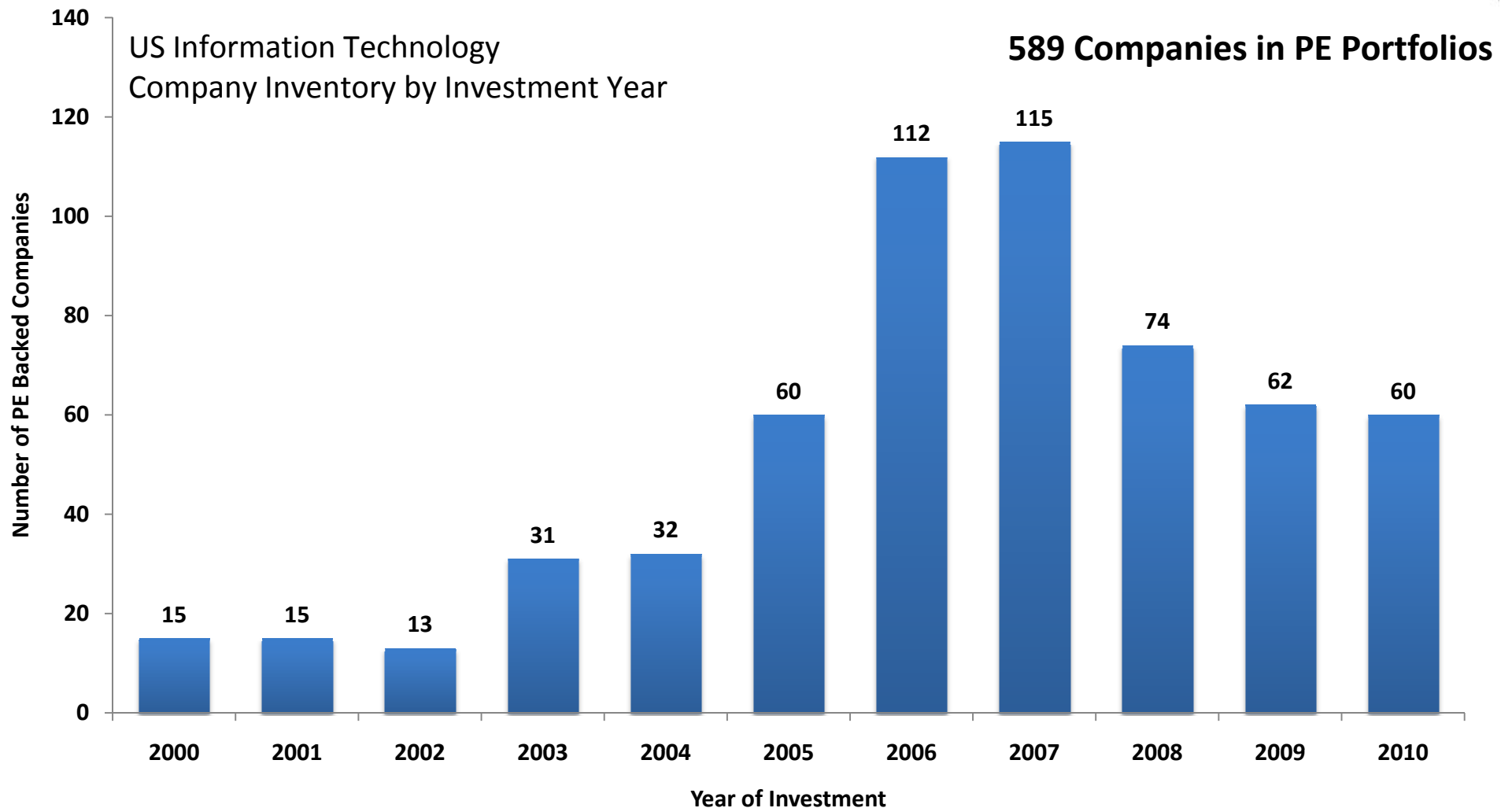
% by Number of Deals



- Application Software
- Automation/Workflow Software
- Communication Software
- Database Software
- Educational Software
- Internet Software
- Multimedia & Design Software
- Operating Systems Software
- Other Software

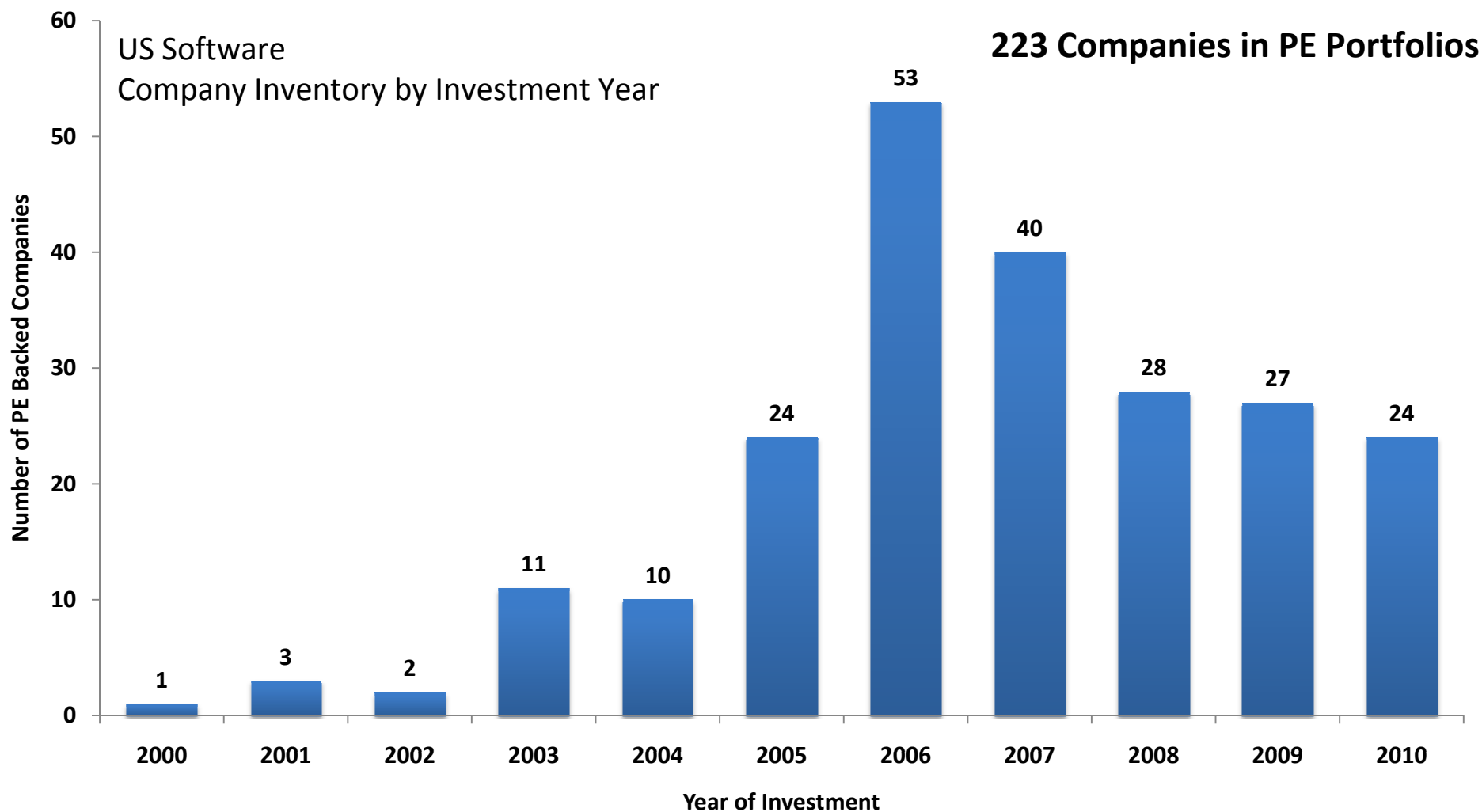
# IT Portfolio Company Inventory Keeps Building with 270+ PE Investments Now 5-Years or Older

*Number of Private Equity-Owned Companies - IT*



# 100+ PE Software Company Investments 5-Years or Older

*Number of Private Equity-Owned Companies - Software*



# Most Active Investors List

*Most Active Investors from 2006 to 2010 by AUM- IT*

AUM \$5B+	Number of Deals	AUM \$ 250M - \$500M	Number of Deals
Francisco Partners	24	Riverside Partners	8
Silver Lake Partners	24	Milestone Partners	5
Warburg Pincus	24	Thompson Street Capital Partners	5
American Capital	21	Garnett & Helfrich Capital	4
Golden Gate Capital	21	Seaport Capital	4
AUM \$1B - \$5B	Number of Deals	AUM \$100M - \$250M	Number of Deals
Thoma Bravo	39	Frontier Capital	6
ABRY Partners	20	Enhanced Equity Fund	5
Insight Venture Partners	17	Tonka Bay Equity Partners	4
Battery Ventures	16	Inverness Graham Investments	3
JMI Equity	15	Talisman Capital Partners	3
AUM \$500M - \$1B	Number of Deals	AUM Under \$100M	Number of Deals
WestView Capital Partners	9	Croft & Bender	2
Spire Capital Partners	7	Huntington Capital	2
GE Capital	5	Metropolitan Equity Partners	2
BB&T Capital Partners	4	NewWest Capital Partners	2
CapitalSouth Partners	4	Symphony Technology Group	2

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Or for additional slides and analysis

Research

Email: [research@pitchbook.com](mailto:research@pitchbook.com)




Phone: 1-877-636-3496

# Sellers' Panel



Nat Burgess  
President  
Corum Group Ltd.

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 @natburgess  
 in/natburgess  
 nburgess@corumgroup.com

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.

# Presenters



Doug Alexander  
President  
Internet Capital Group  
(ICG)



Ian Blasco  
Principal  
Riverside Partners



Rob Arditi  
Associate  
Norwest Venture Partners



Alex King  
Head of Technology Practice  
Hg Capital



# Upcoming Corum Events

Mar 10: **Webinar Rebroadcast**

Mar 16: **Seattle** – SUSO

Mar 23: **Los Angeles** – MB

Mar 24: **Palo Alto** – MB  
**WFS** – European Cloud

Apr 7: **Webinar** – April M&A Update

Apr 14: **Toronto** – SUSO

Apr 15: **Waterloo** – SUSO

Apr 18: **Helsinki** – MB

Apr 20: **Stockholm** -- MB

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



# APRIL - M&A Monthly

- Market Update
- “Mega Mergers”
- Corum Index
- Oracle
- Q&A

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