

CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

2011 Mid-Year Tech M&A Report



Thursday, July 7, 2011
10:00 am PT

Introduction



Ward Carter
Chairman
Corum Group Ltd.

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 wardc@corumgroup.com

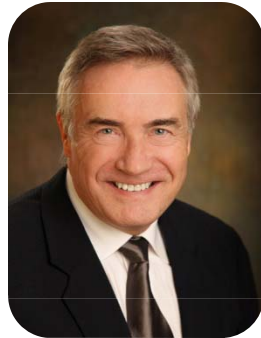
Corum's former President and now Chairman, Ward Carter's technology background includes a variety of management positions with the Burroughs Corporation (later Unisys). Then, as vice president of a Wall Street investment firm and as principal in a regional venture firm, he raised capital for ventures 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.

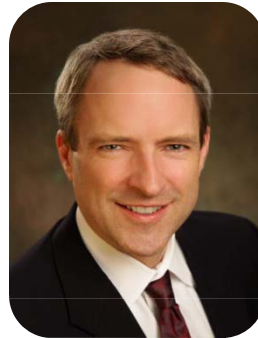
Agenda

- Global Market Overview
- Mid-Year Tech Presentation
- Corum Index – Mid-Year M&A Metrics
- M&A Sellers' Panel – War Stories and Predictions
 - **Aletha Ling**, COO Fundamo (*Acquired by Visa*)
 - **Terry Boyle**, COO HauteLook (*Acquired by Nordstrom*)
 - **Majid Abai**, CEO Pringo (*Merged with MobileBits*)
 - **T. A. McCann**, Founder and CEO Gist (*Acquired by RIM*)
- Closing Comments – Q&A

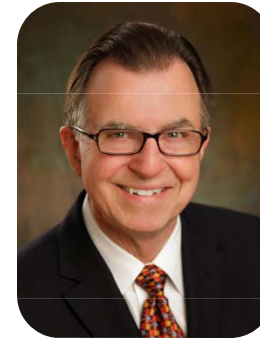
Presenters



Bruce Milne
CEO
Corum Group Ltd.



Nat Burgess
President
Corum Group Ltd.



Ward Carter
Chairman
Corum Group Ltd.



Dougan Milne
Vice President of Research
Corum Group Ltd.



Tomoki Yasuda
Senior Analyst
Corum Group Ltd.



Alina Soltys
Analyst
Corum Group Ltd.



Amber Stoner
Senior 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 July 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: 934 613 277



>> 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.

Contact:

 [in/Bruce-Milne](https://www.linkedin.com/in/Bruce-Milne)
 brucem@corumgroup.com

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

- India's Inflation Accelerates to 9.06%
- China's Inflation Accelerates to 5.5%
- China's May Home Sales Value Rises 17% – New Projects
- Manufacturing from Asia to Europe Cools, Posing Dilemma as Prices Increase
- China Raises Interest Rates amid Inflation Fight
- Soros Says China Missed Windows – Now Risks Inflation 'Hard Landing'

Europe

- Ireland May Be Engulfed by Fallout from Greece
- Switzerland Lowers 2012 Growth Due to Franc Rise
- Greece Receives Lowest Credit Rating by S&P
- Portuguese Downgrade Darkens Euro Zone Rescue Hopes
- Euro Exit Plan Is 'Probably Inevitable': Soros

United States

- U.S. Economy Expanded at 1.9% Pace in First Quarter
- U.S. Retail Sales Fall on Weak Auto Demand
- Employers Tweak Benefits to Keep Older Workers
- U.S. Manufacturing up .08% – Faster, But Below Forecast
- U.S. Services Industries Likely Grew More Slowly
- Consumer Spending in U.S. Slowest Pace in 11 Months

Finance

- Longest Losing Streak Since 2008 Ending for Commodities
- Treasuries Advance, Yields Fall to 2011 Low
- Indebted Illinois Stiffs Creditors – Funeral Homes to Xerox

Real Estate / Commodities

- Home Prices in 20 U.S. Cities Declined from Year Earlier
- Housing Starts Grew More Than Forecast
- New Homes Sales Increase 5% – May over April
- Commodities Tumble to Five-Month Low
- Crude Oil Falls in New York, Four-Month Low in London
- Home Prices Should Rise by Year End

Patents

- Samsung, AT&T Sued Over Flat-Panel LCD Patents
- Nokia, Apple Reach Patent Deal, Settle All Lawsuits
- Apple-Led Group to Buy Nortel Patents for \$4.5 Billion
- Google Searching for Patents After Nortel Loss

Technology / IPOs

- Tech Spending up 5.6% – Outpacing U.S. Growth
- Go Daddy in Buyout Talks with KKR, Silver Lake
- Google Says FTC Starts Review of Practices
- Pandora Rises in Biggest Internet IPO Boom Since 2000
- HomeAway Seeks as Much as \$216 Million in IPO
- Web IPO Boom Splits VC Haves from Have-Nots

Technology / IPOs

- LivingSocial in Talks for \$1 Billion IPO
- Zynga Files for IPO – to Raise \$1 Billion
- Twitter Is Said to Be Valued at \$7 Billion

Market Overview



Nat Burgess
President
Corum Group Ltd.

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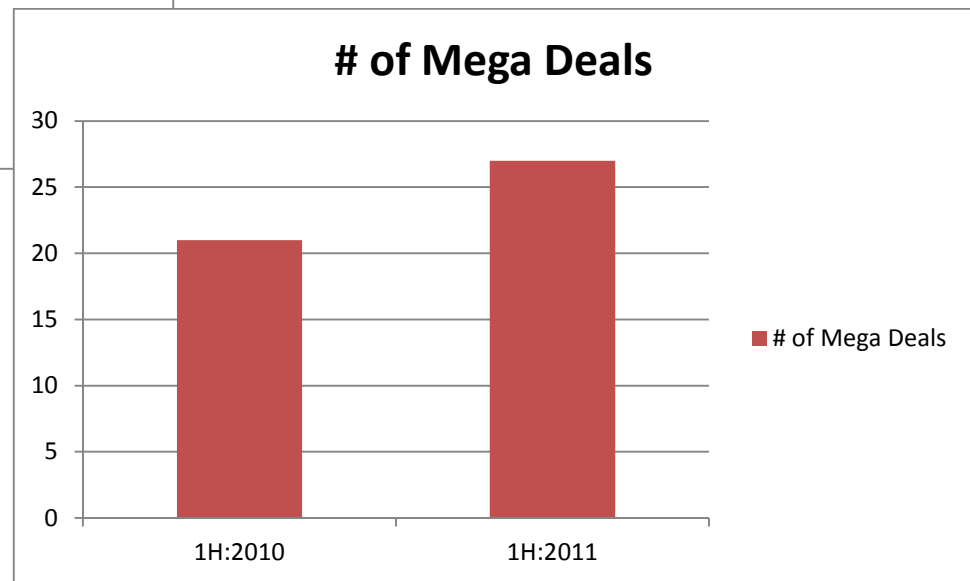
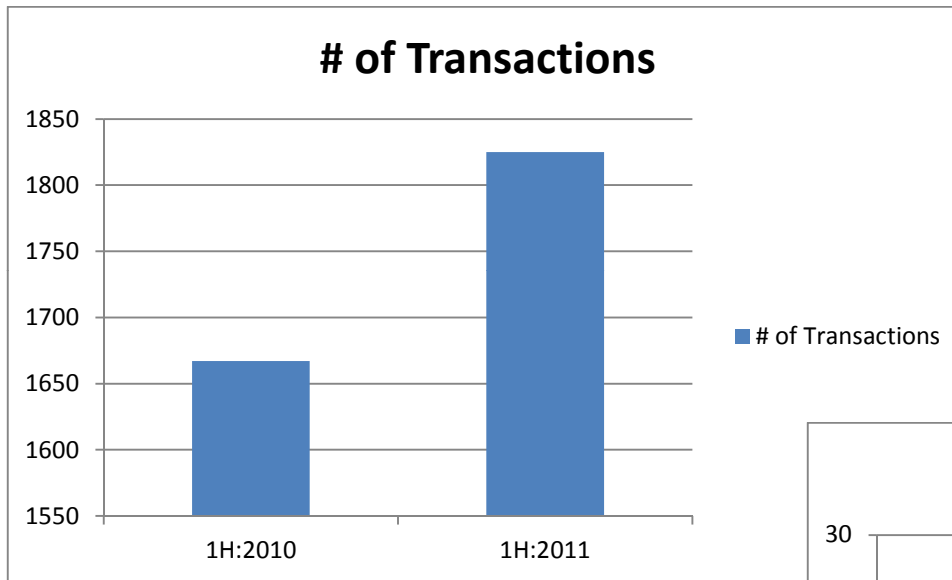
 natb@corumgroup.com

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.

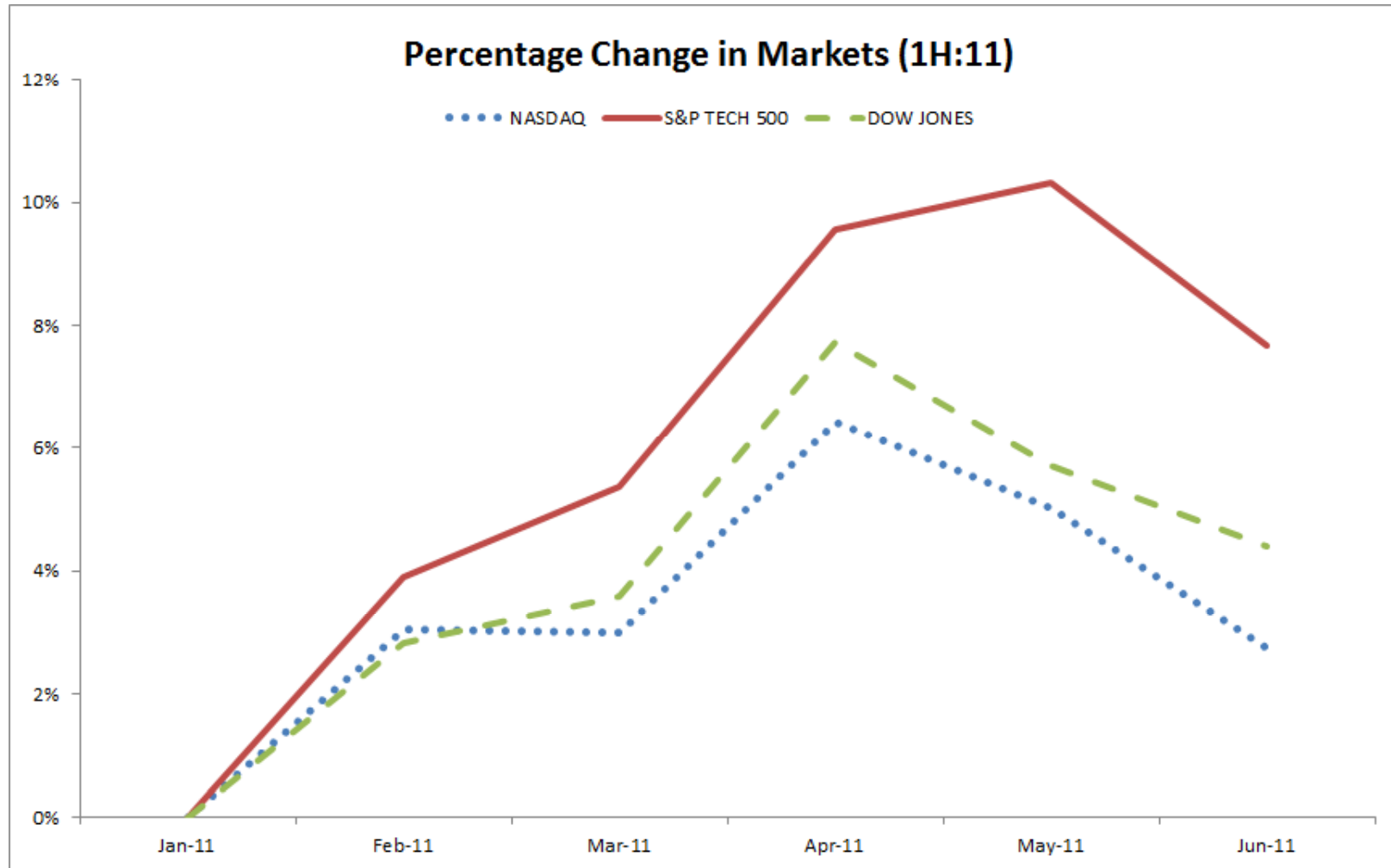
After Morgan Stanley, Nat co-founded Postcard Software, a creator of advertiser-driven bilingual (English and Japanese) Internet content. At Activision, Nat led the company's online business development.

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.

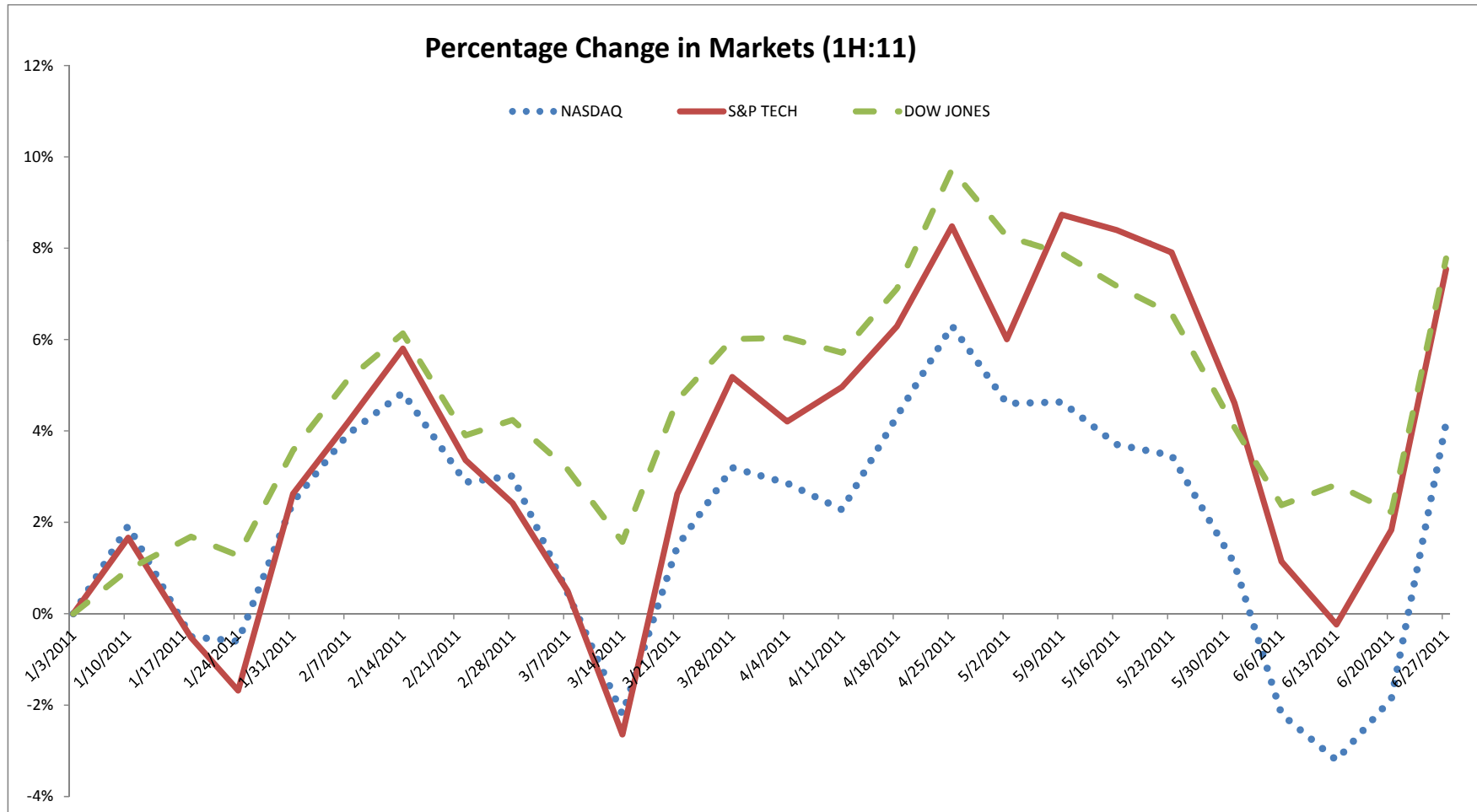
Deal Comparison



Public Markets (1H:11 – Monthly)



Public Markets (1H:11 – Weekly)

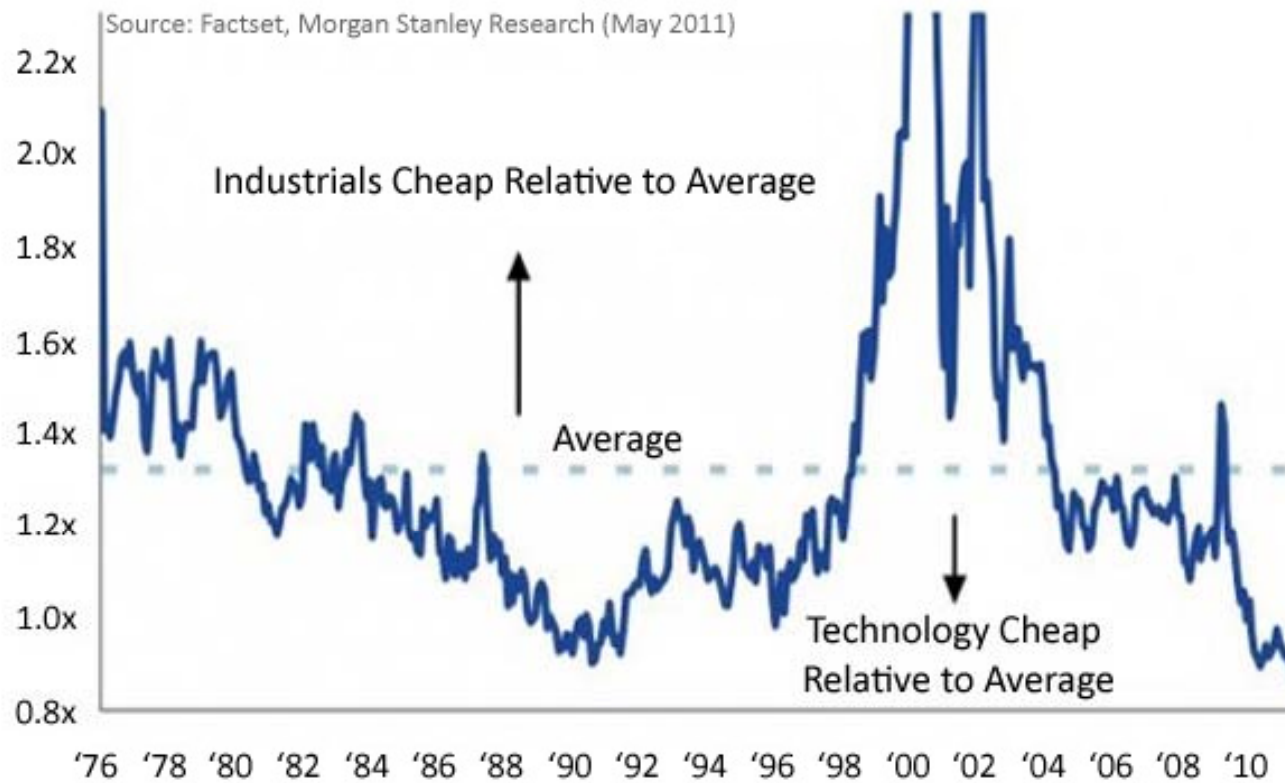


2011 IPOs

| Company | IPO Date | Offer Price | Amount Raised | Closing Price as of July 1 |
|--|----------|-------------|---------------|----------------------------|
|  LinkedIn | May 19 | \$45.00 | \$352.8 | \$94.54 |
|  Яндекс | May 24 | \$25.00 | \$1304.4 | \$35.69 |
|  PANDORA internet radio | June 15 | \$16.00 | \$234.9 | \$20.04 |
|  FUSION-io | June 9 | \$19.00 | \$233.7 | \$31.19 |
|  Bankrate, Inc. | June 17 | \$15.00 | \$300.0 | \$17.13 |
|  HomeAway | June 29 | \$27.00 | \$216.0 | \$38.42 |
|  renren | May 4 | \$14.00 | \$1743.4 | \$9.25 |

Price-To-Forward Earnings

Top 1500 Tech Vs. Industrials: Price-To-Forward Earnings Through May 2011






Corum M&A Update



Dougan Milne
VP, Research
Corum Group Ltd.




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Tomoki Yasuda
Sr. Analyst, Financial
Corum Group Ltd.



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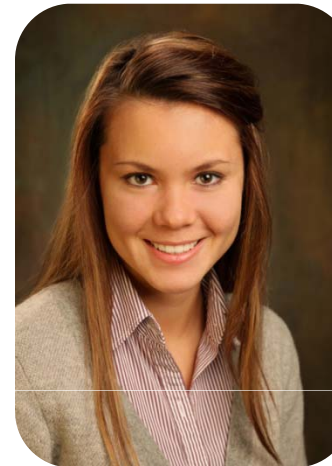
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Amber Stoner
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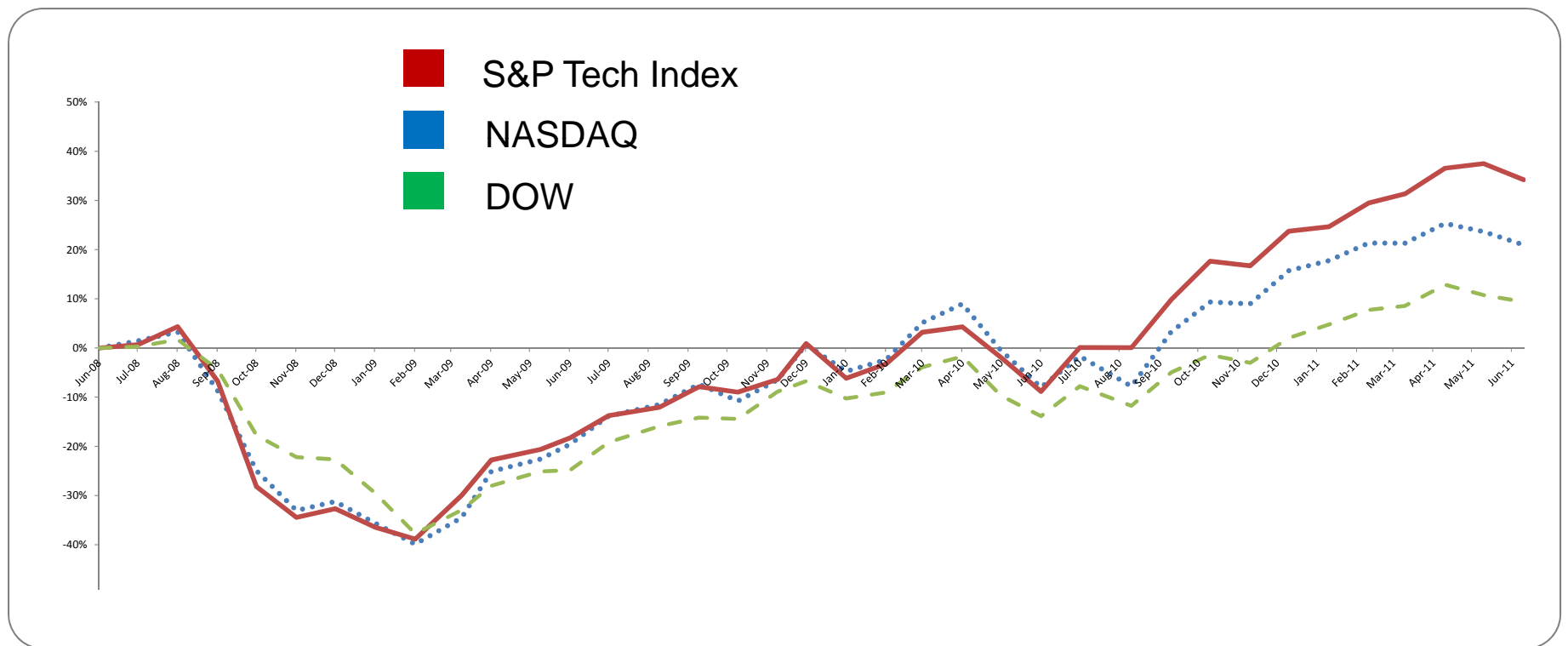


Alina Soltys
Analyst
Corum Group Ltd.

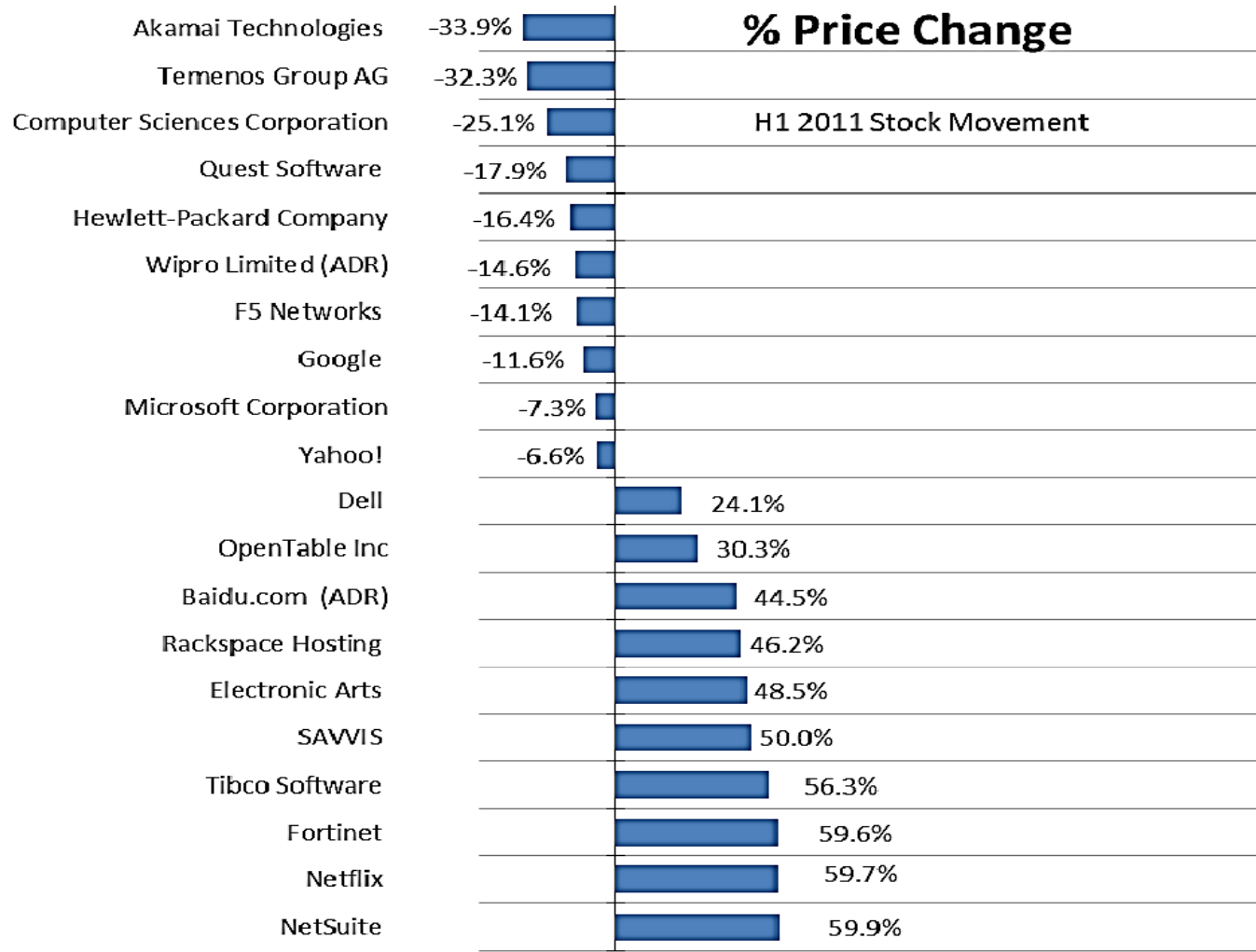
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-  alinas@corumgroup.com

Public Markets (3-Year Historical)



Stock Price Changes



Proposed IPOs



Filing Date: June 10
Raise: \$80 Million



Filing Date: June 2
Raise: \$750 Million
Valuation Range: \$15-\$30 Billion



Filing Date: April 18
Raise: \$52 Million

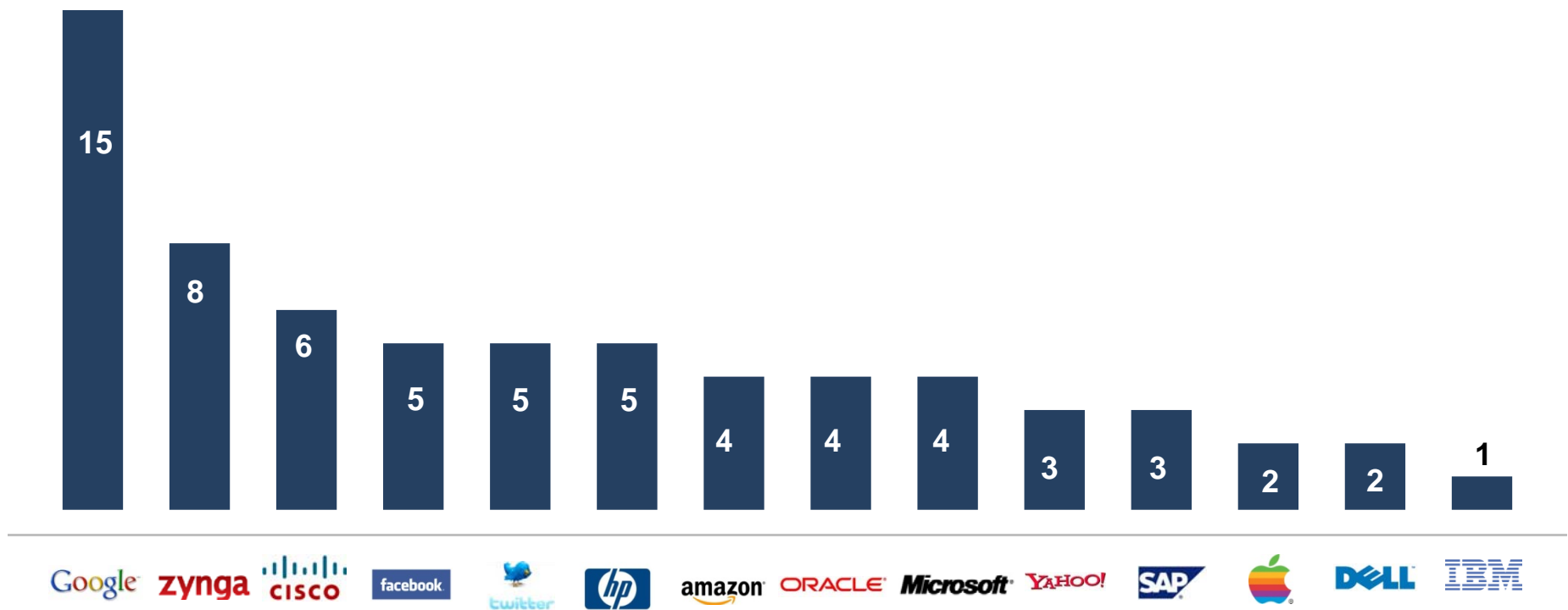


Filing Date: July 1
Raise: \$1 Billion
Valuation Range: \$10 -\$20 Billion

Cash Is King

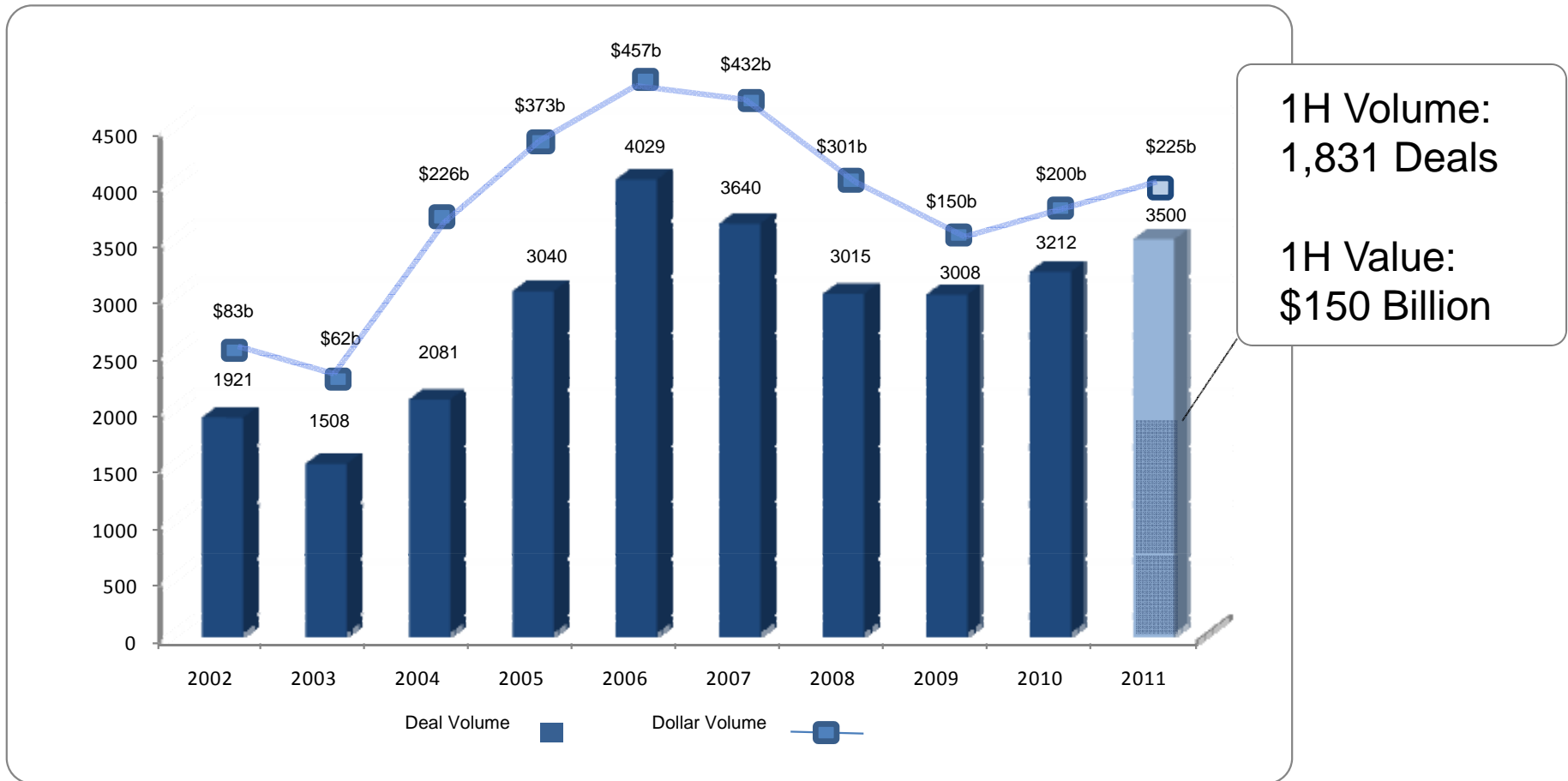
| Company | Year Ago Cash (in millions) | Current Cash (in millions) | % Change |
|---------|--------------------------------|-------------------------------|----------|
| MSFT | \$29,910 | \$48,720 | 62.9% |
| CSCO | \$35,000 | \$43,370 | 23.9% |
| GOOG | \$19,340 | \$36,680 | 89.7% |
| AAPL | \$24,220 | \$29,230 | 20.7% |
| ORCL | \$12,620 | \$24,630 | 95.2% |
| IBM | \$12,530 | \$13,280 | 6.0% |
| HPQ | \$13,590 | \$12,740 | -6.3% |
| SAP | \$2,703 | \$6,420 | 137.5% |
| EMC | \$7,260 | \$5,590 | -23.0% |
| CA | \$1,275 | \$3,140 | 146.3% |
| SYMC | \$2,220 | \$2,960 | 33.3% |
| YHOO | \$3,880 | \$2,790 | -28.1% |

Top Acquirers: 2011



Software M&A Activity 2002-2011

Total Deal Volume vs. Total Deal Value



Corum Index

Corum Index

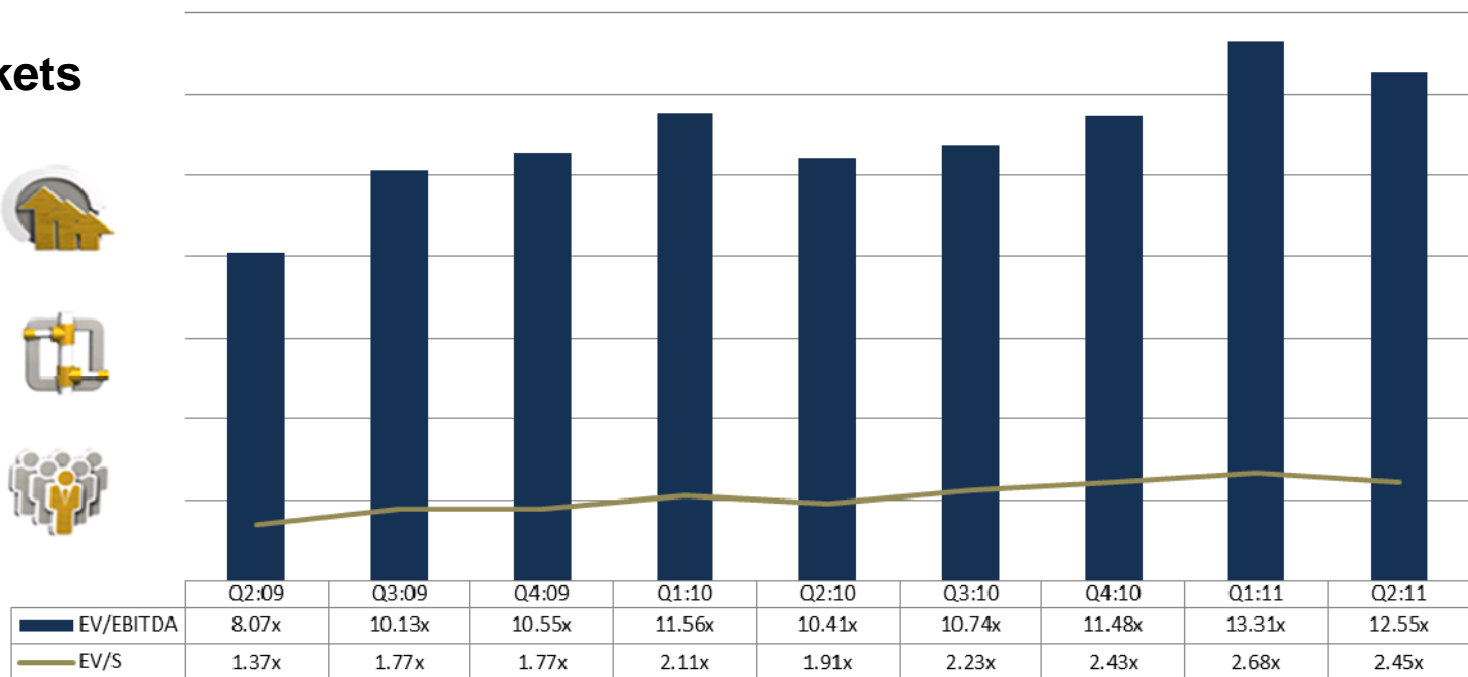
| | 1H:2010 | 1H:2011 |
|-----------------------|----------|----------|
| # of Transactions | 1,667 | 1,825 |
| # of Mega Deals | 21 | 27 |
| Largest Deal | \$11,000 | \$39,000 |
| % Sub-\$100m | 68% | 69% |
| Private Equity Deals | 20 | 30 |
| Private Equity Value | \$10,675 | \$10,339 |
| # VC backed Exits | 92 | 119 |
| All Cash (announced) | 53% | 56% |
| % Targets were Public | 13% | 15% |
| % Public Buyers | 62% | 64% |

*\$ values in millions

| Buyer | Seller | Price |
|-------------------|--------------------|--------|
| AT&T | T-Mobile | \$39b |
| Microsoft | Skype | \$8.5b |
| Texas Inst. | National Semicond. | \$6.5b |
| Applied Materials | Varian | \$4.9b |

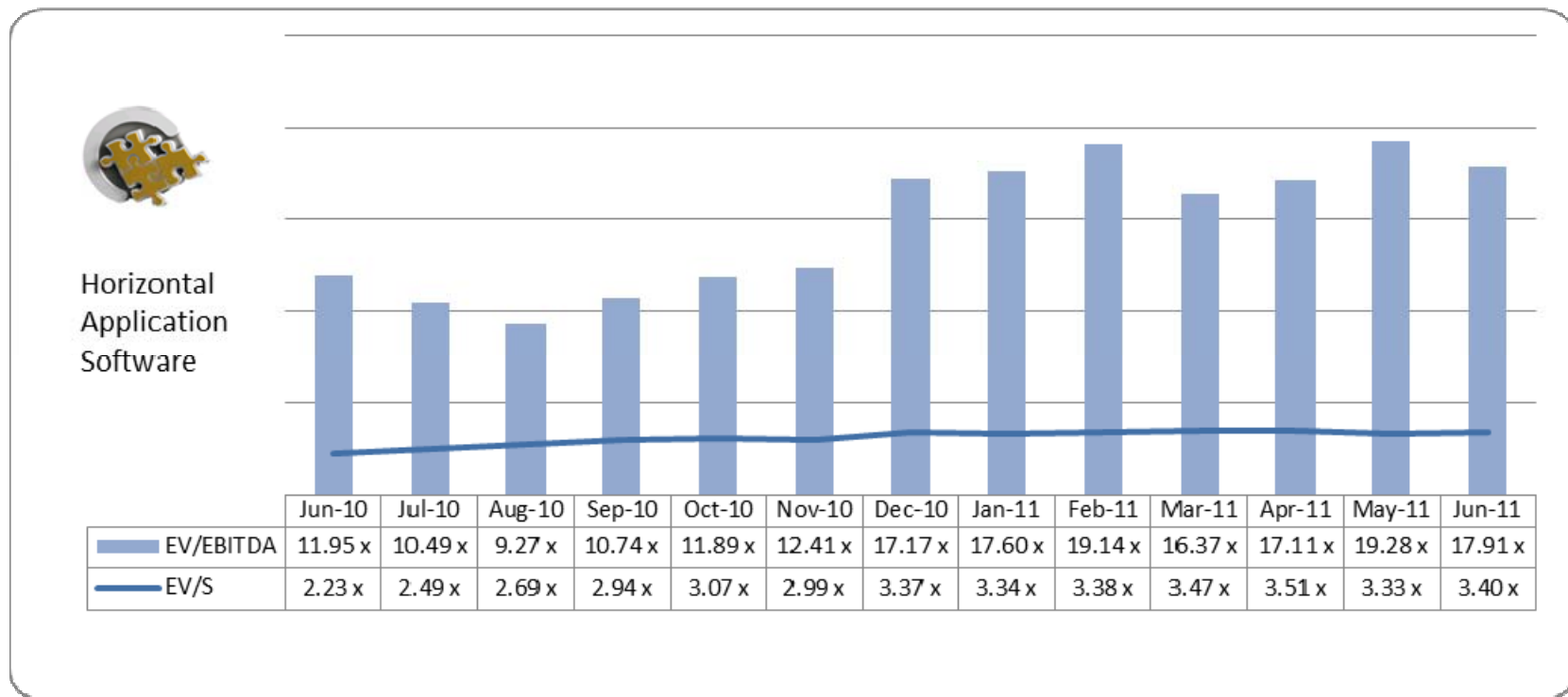
Corum 6 Markets

6 markets



Horizontal Application Software Market

Public Valuations



Horizontal Application Software Market

| Business Intelligence | |
|-----------------------|--------|
| EV/S | 5.71x |
| EV/EBITDA | 30.51x |

- Informatica Corp.
- MicroStrategy Inc.

| Communications | |
|----------------|--------|
| EV/S | 1.44 x |
| EV/EBITDA | 7.48 x |

- Amdocs Ltd.
- Nuance Communications

| Content Mgmt. | |
|---------------|--------|
| EV/S | 3.69 x |
| EV/EBITDA | 12.28x |

- Open Text Corp.

| Human Resources | |
|-----------------|---------|
| EV/S | 5.36 x |
| EV/EBITDA | 43.78 x |

- Kenexa Corp.
- Taleo Corp.

| ERP | |
|-----------|--------|
| EV/S | 2.63 x |
| EV/EBITDA | 7.87 x |

- Lawson Software Inc.
- Oracle Corp.

| SCM | |
|-----------|---------|
| EV/S | 2.79 x |
| EV/EBITDA | 14.47 x |

- SPS Commerce Inc.
- Manhattan Associates Inc.

| CRM | |
|-----------|---------|
| EV/S | 5.37 x |
| EV/EBITDA | 27.55 x |

- RightNow Technologies Inc.
- Salesforce.com

| Horizontal Other | |
|------------------|---------|
| EV/S | 3.4 x |
| EV/EBITDA | 23.52 x |

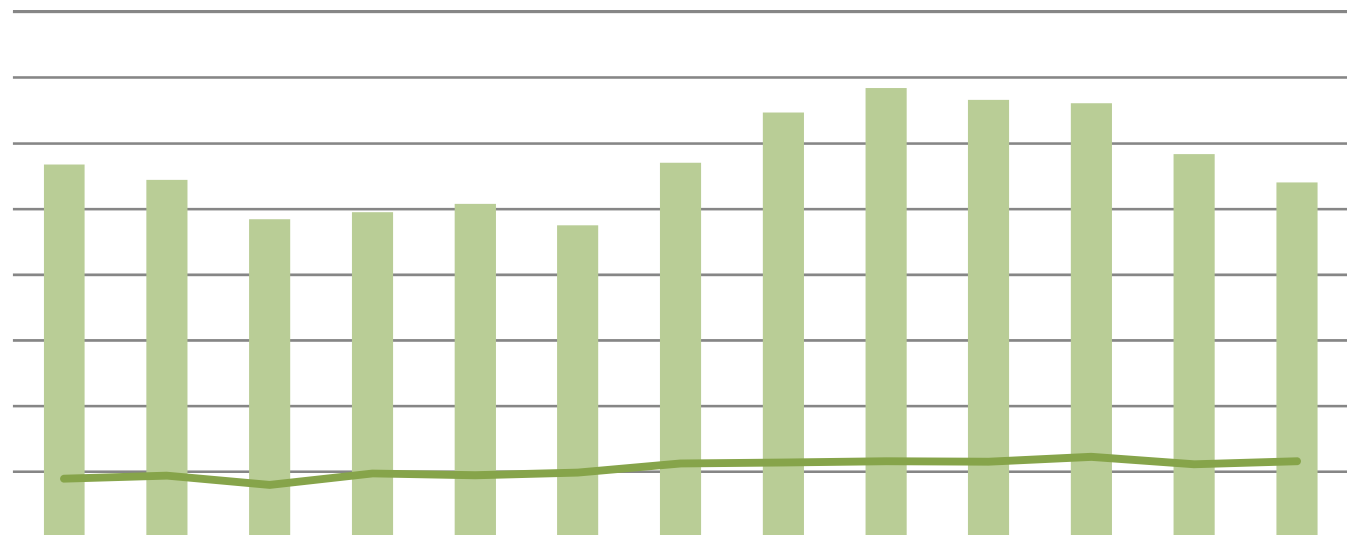
- Trimble Navigation Ltd.
- Concur Technologies Inc.

Vertical Application Software Market

Public Valuations



Vertical
Application
Software



| | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 |
|-----------|---------|---------|--------|--------|---------|--------|---------|---------|---------|---------|---------|---------|---------|
| EV/EBITDA | 11.35 x | 10.89 x | 9.69 x | 9.90 x | 10.15 x | 9.50 x | 11.41 x | 12.94 x | 13.68 x | 13.32 x | 13.21 x | 11.68 x | 10.81 x |
| EV/S | 1.79 x | 1.88 x | 1.60 x | 1.95 x | 1.90 x | 1.98 x | 2.25 x | 2.28 x | 2.32 x | 2.31 x | 2.46 x | 2.23 x | 2.32 x |

Vertical Application Software Market

| A/E/C (Architecture / Engineering / Construction) | |
|---|---------|
| EV/S | 2.82 x |
| EV/EBITDA | 15.86 x |

- Autodesk Inc.
- Parametric Technology

| Financial Services | |
|--------------------|---------|
| EV/S | 2.81 x |
| EV/EBITDA | 11.38 x |

- Advent Software Inc.
- Fiserv Inc.

| Government | |
|------------|--------|
| EV/S | 0.73 x |
| EV/EBITDA | 6.49 x |

- Harris Corp.
- Lockheed Martin Corp.

| Energy & Environment | |
|----------------------|---------|
| EV/S | 2.47 x |
| EV/EBITDA | 15.26 x |

- Itron Inc.
- Schlumberger Ltd.

| Healthcare | |
|------------|---------|
| EV/S | 2.83 x |
| EV/EBITDA | 14.78 x |

- Cerner Corp.
- AllScripts Healthcare Inc.

| Vertical Other | |
|----------------|---------|
| EV/S | 2.36 x |
| EV/EBITDA | 13.03 x |

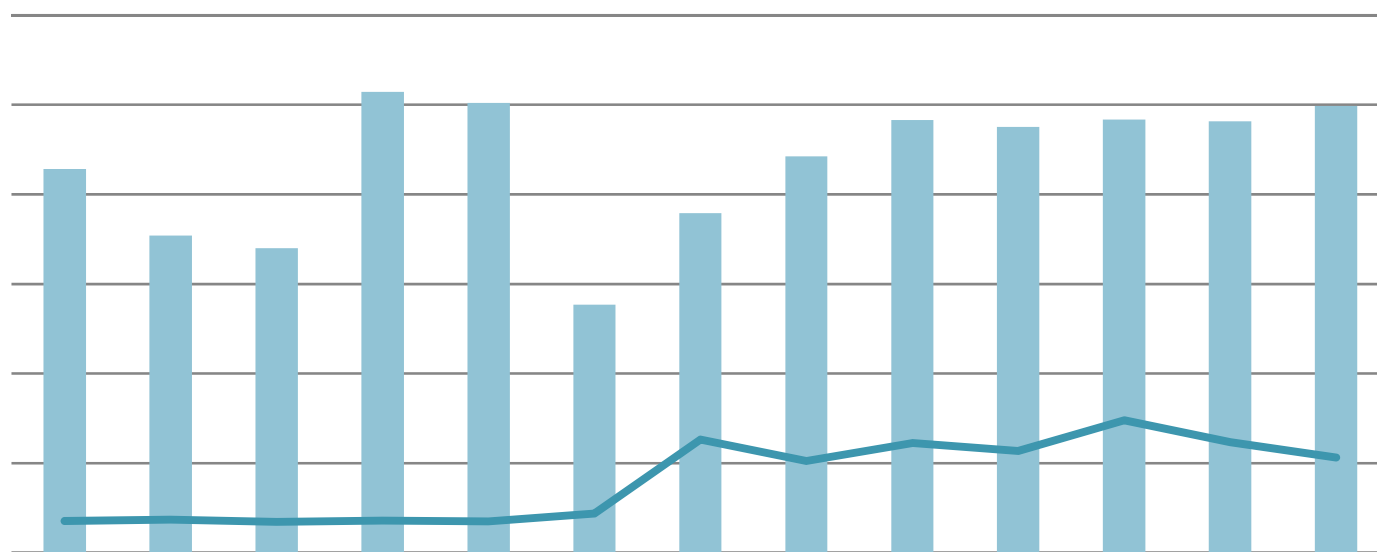
- ~~BlackBoard Inc.~~
- Rockwell Automation Inc.

Consumer Market

Public Valuations



Consumer Application Software



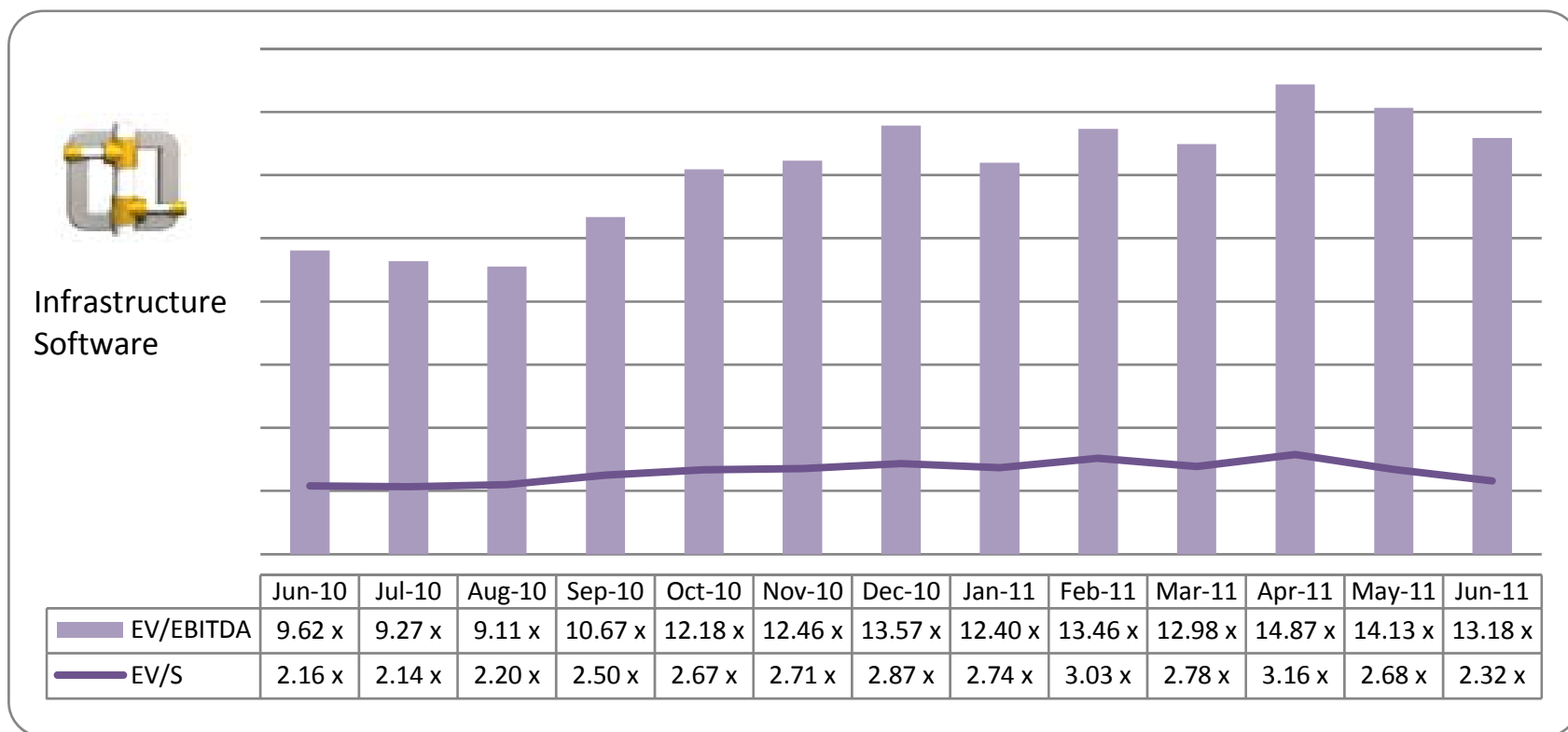
| | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 |
|-----------|--------|--------|--------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| EV/EBITDA | 8.57 x | 7.08 x | 6.80 x | 10.29 x | 10.04 x | 5.54 x | 7.58 x | 8.85 x | 9.66 x | 9.50 x | 9.67 x | 9.63 x | 9.97 x |
| EV/S | 0.71 x | 0.74 x | 0.69 x | 0.72 x | 0.70 x | 0.87 x | 2.53 x | 2.05 x | 2.45 x | 2.27 x | 2.95 x | 2.47 x | 2.12 x |

| Digital Content | |
|-----------------|---------|
| EV/S | 3.20 x |
| EV/EBITDA | 29.11 x |

| Video Games | |
|-------------|--------|
| EV/S | 2.05 x |
| EV/EBITDA | 8.23 x |

Infrastructure Market

Public Valuations



Infrastructure Market

| Infrastructure Communications | |
|-------------------------------|---------|
| EV/S | 1.89 x |
| EV/EBITDA | 11.56 x |

- BroadSoft Inc.
- Openwave Systems Inc.

| Development Tools | |
|-------------------|--------|
| EV/S | 0.66 x |
| EV/EBITDA | 7.75 x |

- Compuware Corp.
- Progress Software Corp.

| Legacy/SOA | |
|------------|--------|
| EV/S | 0.66 x |
| EV/EBITDA | 7.54x |

- BluePhoenix Solutions Ltd.
- Tibco Software Inc.

| Network Management | |
|--------------------|---------|
| EV/S | 2.60 x |
| EV/EBITDA | 10.52 x |

- Cisco Systems Inc.
- NetScout Systems Inc.

| Security | |
|-----------|---------|
| EV/S | 5.11 x |
| EV/EBITDA | 19.24 x |

- Symantec Corp.
- Verisign Inc.

| Systems Management | |
|--------------------|---------|
| EV/S | 2.21 x |
| EV/EBITDA | 10.92 x |

- BMC Software Inc.
- CA Inc.

| Storage | |
|-----------|---------|
| EV/S | 1.85 x |
| EV/EBITDA | 13.27 x |

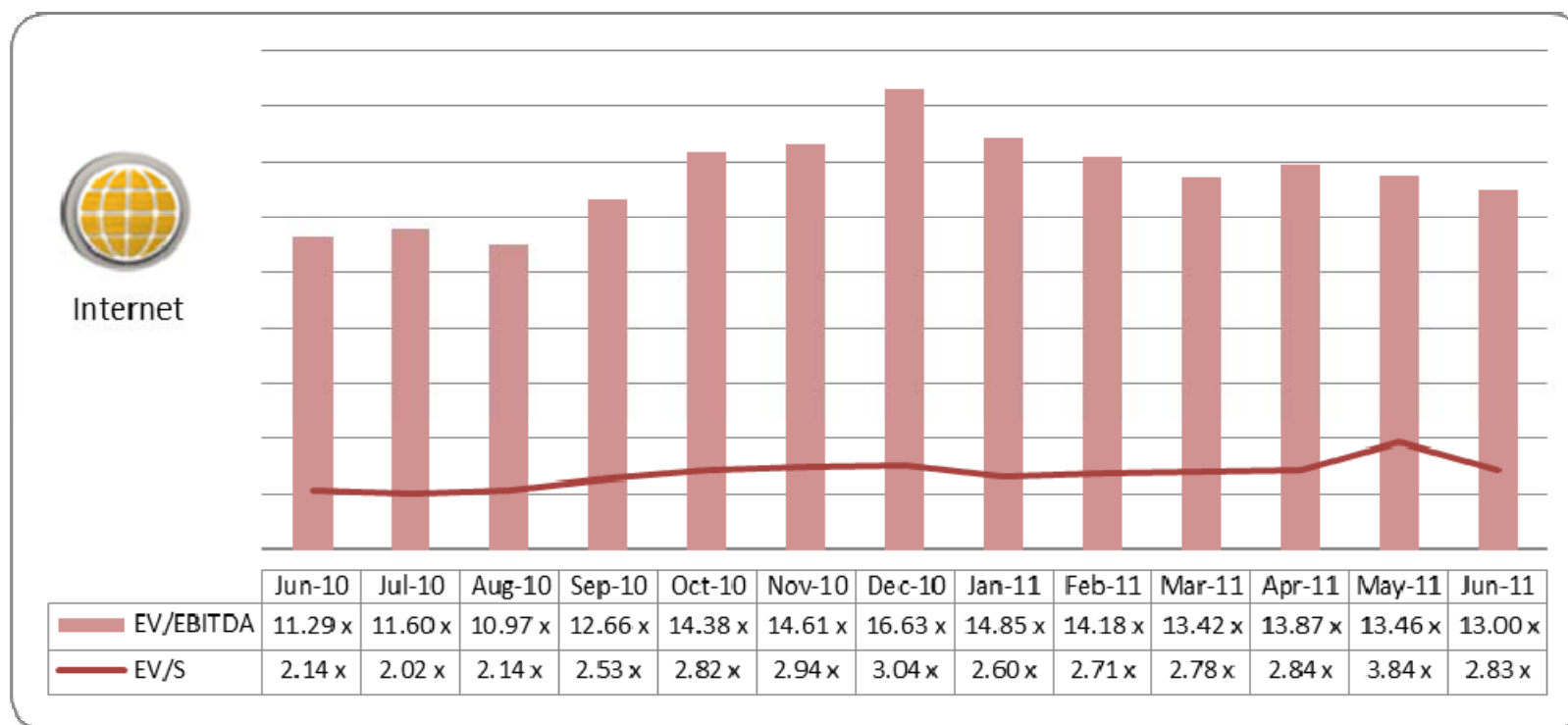
- EMC Corp.
- Qlogic Corp.

| Virtualization | |
|----------------|---------|
| EV/S | 6.97 x |
| EV/EBITDA | 36.31 x |

- Citrix Systems Inc.
- VMware Inc.

Internet Market

Public Valuations



| Internet Infrastructure | |
|-------------------------|---------|
| EV/S | 2.42 x |
| EV/EBITDA | 13.00 x |

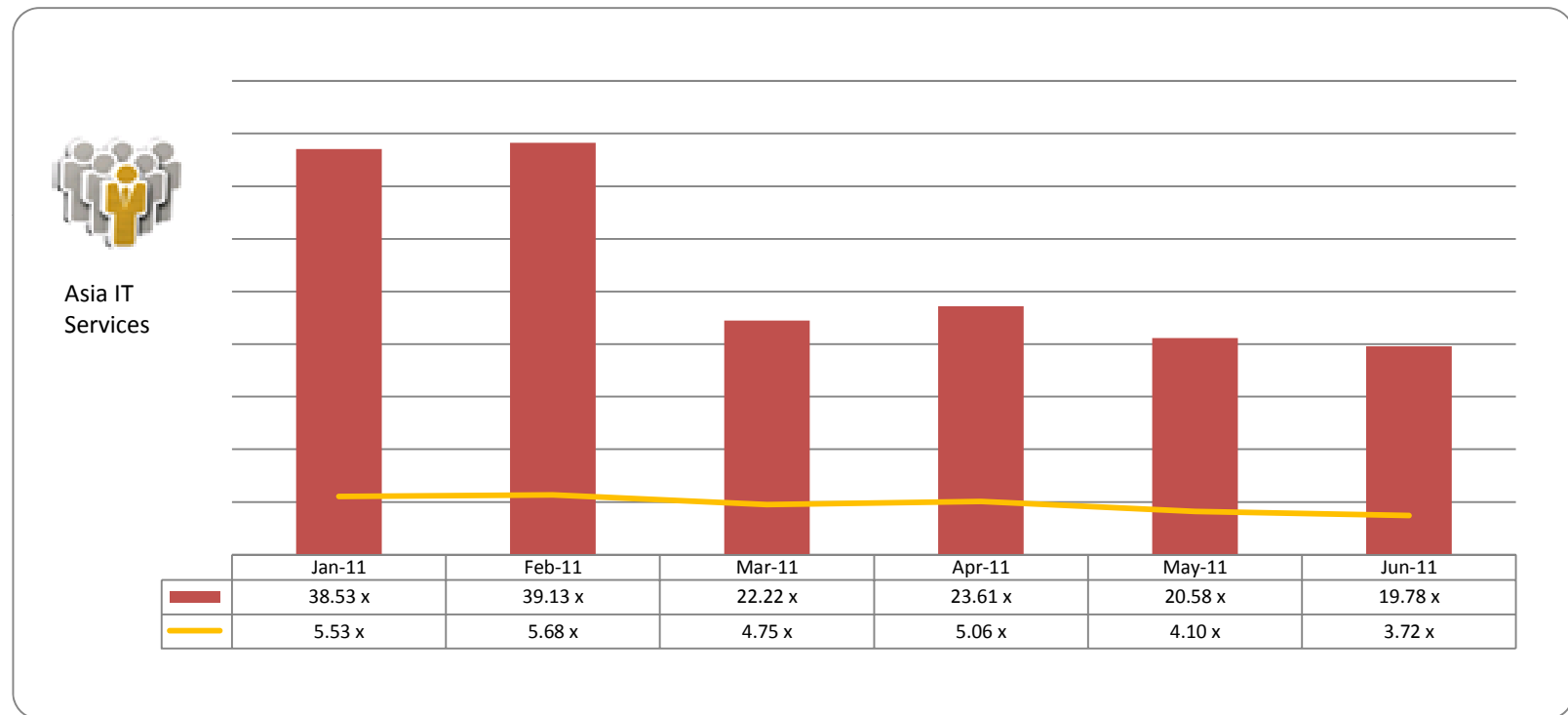
- Akami Technologies Inc.
- Juniper Networks Inc.

| Internet Pure Play | |
|--------------------|---------|
| EV/S | 2.86 x |
| EV/EBITDA | 12.75 x |

- Amazon.com
- Google Inc.

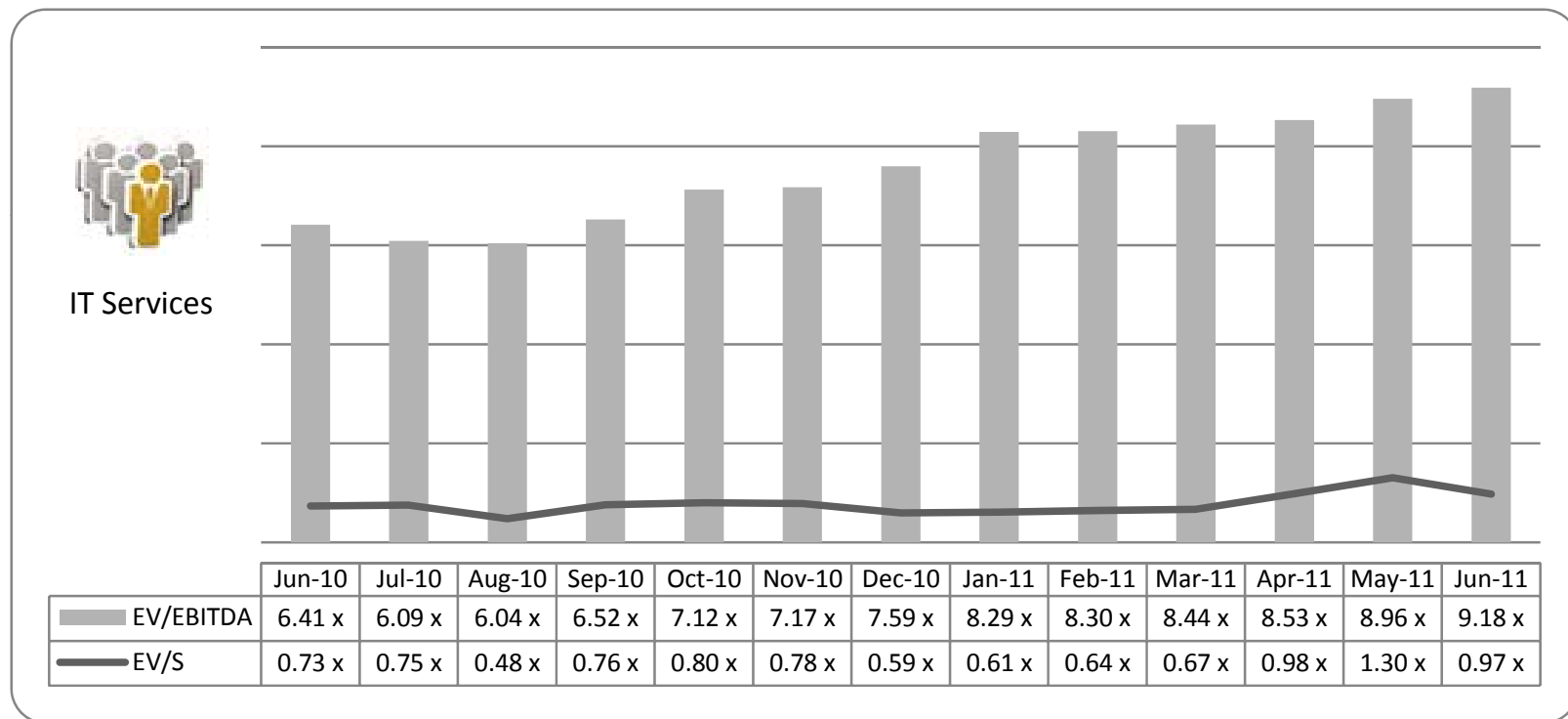
Asia IT Services Market

Public Valuations



IT Services Market

Public Valuations



Special Guest



Aletha Ling
COO
Fundamo
Acquired by Visa



Aletha Ling is Executive Director of Fundamo, responsible for global business development. Aletha has pursued a successful career in the IT industry for the past 30 years, and has a thorough grounding, experience and insight in technology, sales, marketing, and general management.

After heading up IBM's Software Business, she left in 1993 to start the very successful and respected technology company Software Futures, growing it to a 300 person software and services business in three years. After selling it to the JSE listed company, Computer Configurations Holdings (CCH), she stayed on as a board director. Aletha was ultimately appointed as the CEO of CCH, and upon its merger with MGX, served in various executive positions.

Special Guest



Terry Boyle
COO
HauteLook
Acquired by Nordstrom

HAUTELOOK → **NORDSTROM**

Terry Boyle is the Chief Operating Officer of HauteLook, a premium online retailer that offers limited time, private sale events on top brands for women, men, kids, home, beauty, and travel. Before joining HauteLook, Terry was Vice President of Operations and a founding member of the executive team at the wireless startup, Helio. At Helio, Terry helped guide the company from launch, through growth of over \$200M in revenue, to its eventual sale to Virgin Mobile.

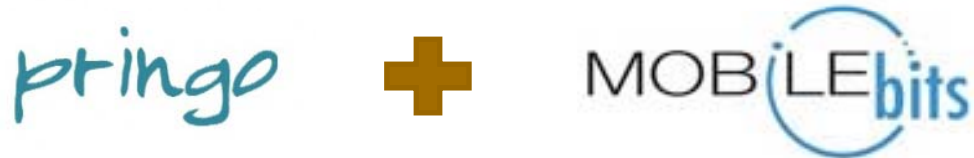
Prior to Helio, Terry was the Vice-President of Operations at EarthLink/PeoplePC, helping to grow the People PC business from 50,000 to over one million subscribers in under two years. He was also instrumental in the sale of People PC to Earthlink, where he partnered closely with the executive team on key strategic priorities including VoIP, wireless, and corporate acquisitions .

Terry began his career with Ernst & Young Consulting ,where he helped start the Customer Relationship Management Team. He graduated magna cum laude from Harvard.

Special Guest



Majid Abai
CEO
Pringo
Merged with MobileBits



For the past 27 years, Majid has founded, led, turned-around and merged several technology based organizations which have catered to Fortune 2000 organizations, Small-Medium sized enterprises, and government offices.

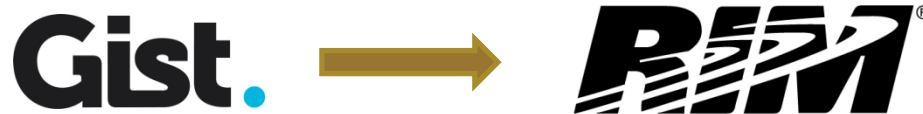
Prior to Pringo, Majid was founder and CEO of Seena Technologies Corporation, a consulting organization focused on Data Management, Enterprise Architecture, and Software Quality Assurance.

Majid's technical background is in the areas of business intelligence & knowledge management resulted in coauthoring "Data Strategy", a book designed to help streamline the management of information within organizations. Majid was an adjunct professor of Computer Science at UCLA for 9 years, is a frequent contributor to various online publications, and is requested to speak at various conferences globally regarding technology, online marketing and social media.

Special Guest



T. A. McCann
Founder and CEO
Gist
Acquired by Research in Motion
(RIM)



T.A. McCann serves as founder and CEO of Gist. His past experience includes Vulcan Capital and Polaris Venture Partners where he was an entrepreneur-in-residence.

Prior to Polaris, he held senior positions at Microsoft, leading future strategy and product planning for the Exchange Server Group and developing the Mobile Service Delivery Platforms group. In addition, he is a founder of Jump2Go - providing innovative solutions for the radio industry, HelpShare - a web Q&A company and Soft Labour, a web design and development consultancy.

He currently serves as an advisor to Wishpot and, Zooppa and is an active mentor in the Seattle tech community. In addition to his deep technology background, T.A. has won sailing's America's Cup and sailed around the world as a professional sailor.

Upcoming Corum Events

- July 14: **Webinar Rebroadcasts for Europe and Asia**
- July 21: **Seattle** – Casual Connect Conference
- August 4: **Tech M&A Monthly Webinar – “Optimal Outcomes” + “Deal Disasters”**
- August 11: **Webinar Rebroadcasts for Europe and Asia**
- August 24: **Los Angeles** – Merge Briefing
- August 25: **Bay Area** – Selling Up, Selling Out
- August 25: **Portland, OR** – Merge Briefing
- August 30: **Austin** – Selling Up, Selling Out

Merge Briefing (MB)

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