

# CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

## **M&A Flash Report – August 2009** **Software and IT Industry Market Update:** ***SOLD!* Four companies who just did.**

Thursday, August 6, 2009  
10:00 am PT



**Bruce Milne**  
CEO & Chairman  
Corum Group Ltd.

Bruce Milne, the founder of Corum, is one of the true leaders in the software industry. He built the largest vertical market software company in the world before founding Corum, where he has overseen more mergers than anyone in history, generating over \$6 Billion in wealth for the owners of privately held firms. Along the way, in addition to publishing extensively, he has owned three other software companies (Rosesoft, Dataword, Insider Edition) and been a seed investor in some of the leaders in our industry (Blue Coat, Bright Star, Sabaki). He founded the largest regional tech association (Washington Software Association), and, as a recognized leader, has served on numerous advisory boards including Comdex, DEC, Apple, IBM, and personally advised Bill Gates at Microsoft. He has been a tech cabinet advisor to two Governors, a Congressman and U.S. Senator on issues related to the future of the software industry. For his expertise, he was commissioned by the U.S. government to write the definitive high tech business guide for the SBA. The Canadian Government had him conduct research which led to the establishment of SoftWorld, and he was recently voted one of the most influential people in the European software community for his work during the last market decline.

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



**Mark Reed**  
Executive Vice President  
Corum Group Ltd.



**Ward Carter**  
President  
Corum Group Ltd.



**Ryan Blakely**  
Vice President, Research  
Corum Group Ltd.

# Agenda

- Overview of Current Market
- Market and Valuation Analysis
- SOLD! Sellers who just did it
- Closing Comments - Q&A



## August 2009 – Synopsis

- We continue to climb that “wall of worry”
- Improvement, but still mixed messages



## Data not universally good...

“Job losses worse than expected”

“Stimulus slow to flow”

“China’s growth statistics don’t add up”

“U.S. consumer confidence unexpectedly falls”

“European retail sales fall 14<sup>th</sup> month in a row”



But, stocks continue to climb...

“German stocks highest since October”

“European confidence highest in a year”

“U.S. stocks have record July run up”

“Stocks hit nine month high”

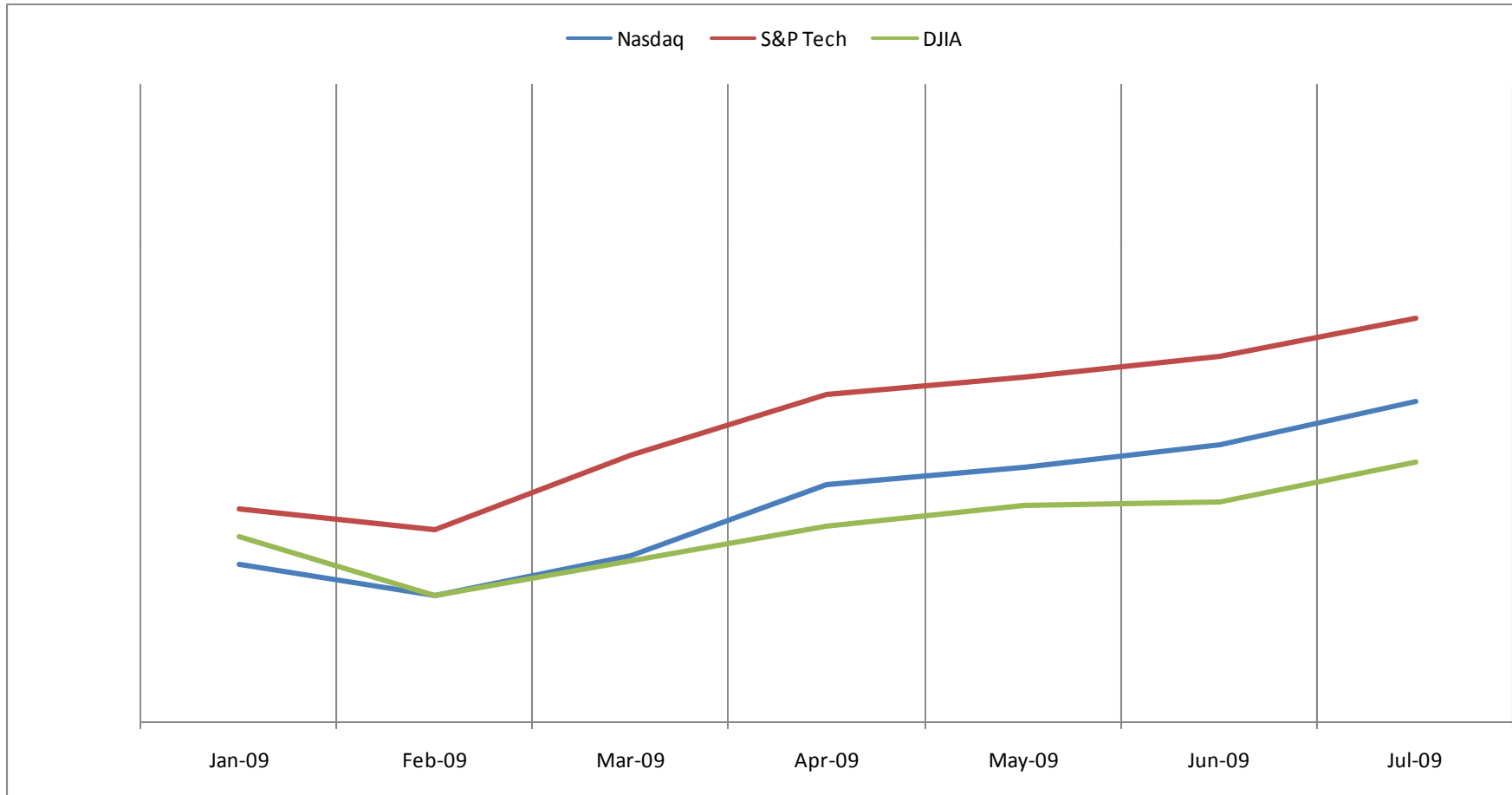
“Cisco beats expectations”



Ryan Blakely  
Vice President, Research  
Corum Group Ltd.

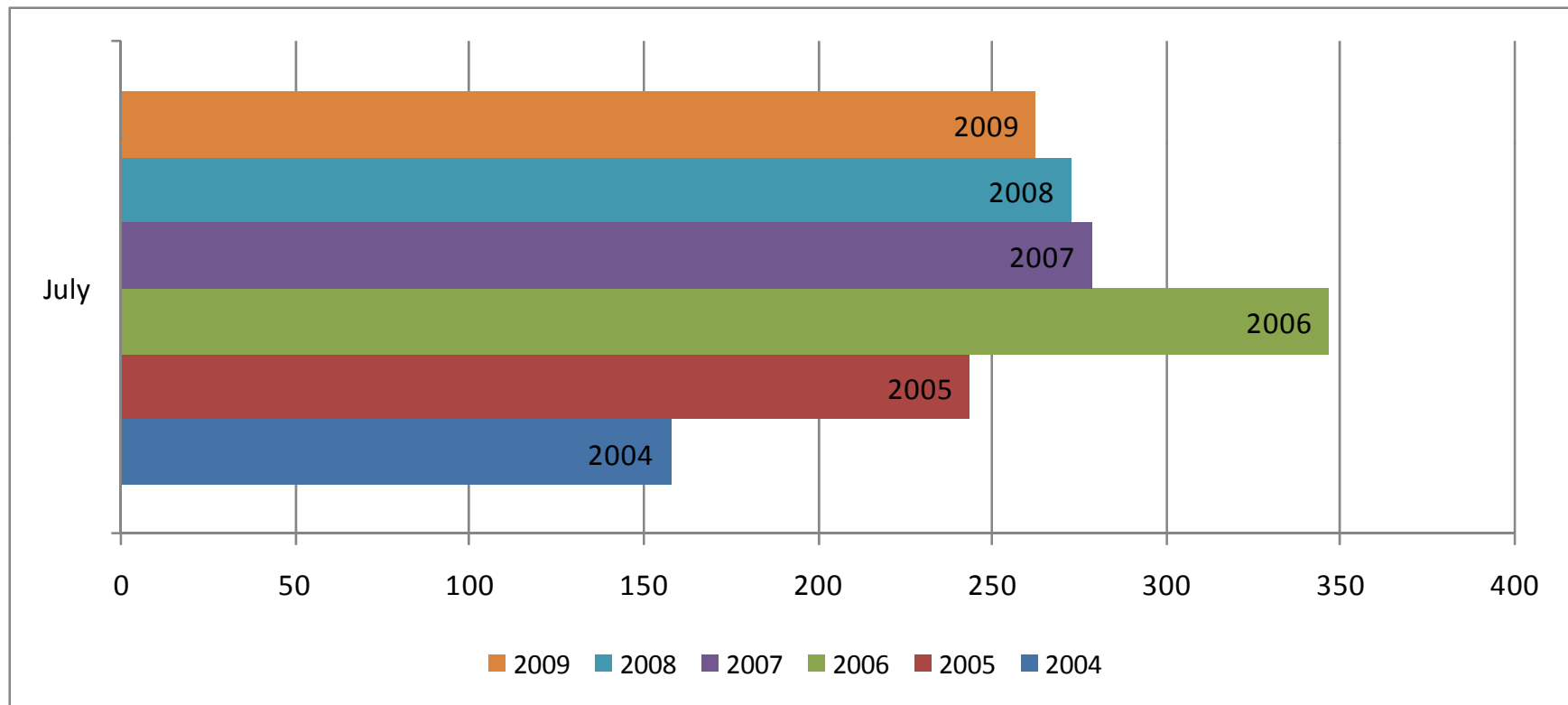
Ryan joined Corum in 1998 and has held a number of roles central to research and market analysis in the software and technology space. With over ten years experience in the software M&A environment, Ryan has an intimate understanding of the software industry as a whole, especially as it relates to mergers and acquisitions. As the Vice President of Research, Ryan directs Corum's research group in both North America and Europe, and has played a direct role in developing buyer relationships during his tenure with Corum. He also is a major contributor to Corum's research reports. Ryan graduated from Washington State University with a B.A. in Business Management, with a focus on Entrepreneurial Studies.

# Public Markets



# M&A Activity – July

## Number of Software and IT M&A Transactions



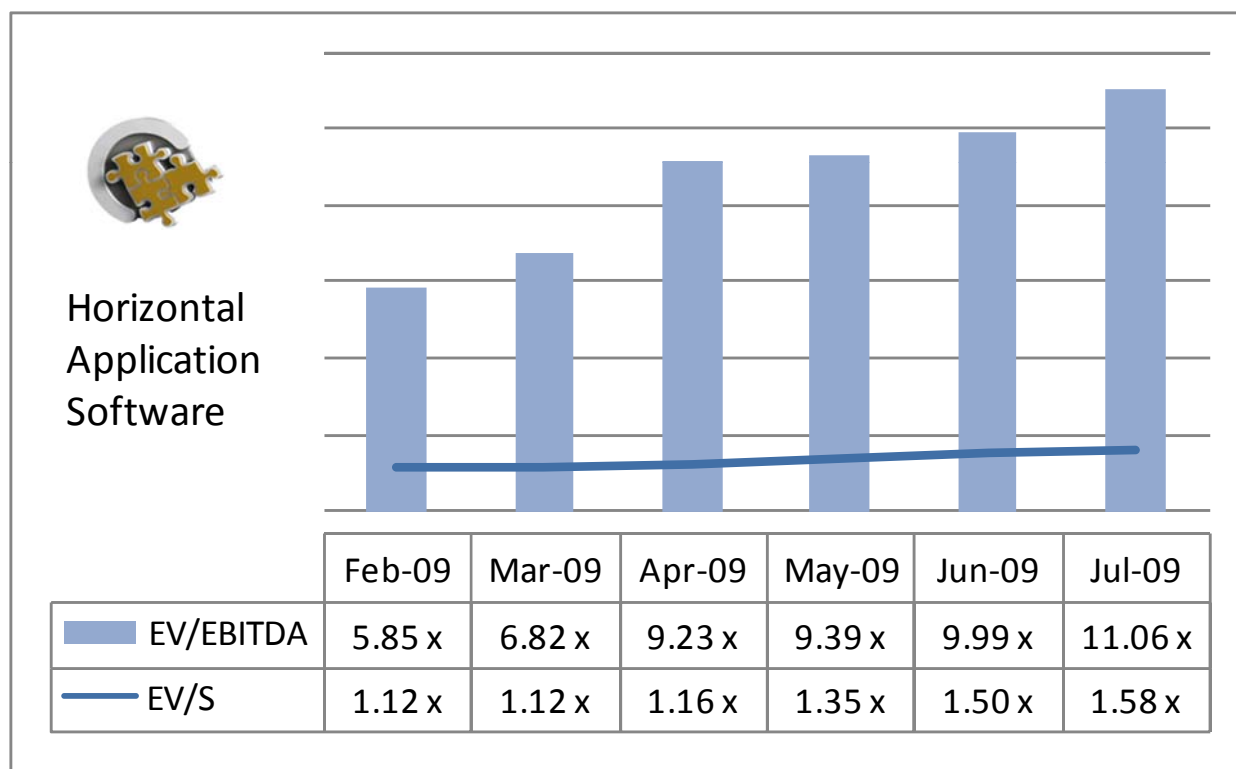
# Corum Index – M&A Statistics

|                       | Jul-08  | Jun-09 | Jul-09  |
|-----------------------|---------|--------|---------|
| # of Transactions     | 275     | 230    | 263     |
| # of Mega Deals >\$1B | 2       | 0      | 2       |
| Largest Deal          | \$2,600 | \$855  | \$1,170 |
| Average Deal Value    | \$146   | \$148  | \$121   |
| Median Seller Revenue | \$40    | \$14   | \$19    |
| # VC backed Exits     | 25      | 25     | 31      |
| % Terms Undisclosed   | 55%     | 75%    | 73%     |
| All Cash (announced)  | 56%     | 34%    | 55%     |
| % Targets Public      | 19%     | 21%    | 16%     |
| % Buyers Public       | 55%     | 43%    | 48%     |

\$ values in millions

# Horizontal Application Software Market

## Public Valuations



### Sub-Sectors:

- Business Intelligence
- Communications
- Content Management
- CRM
- ERP
- Human Resources
- Other
- Supply Chain

# Horizontal Application Software Market

## Notable Transactions

| Target             | Buyer                  |
|--------------------|------------------------|
| QuickArrow         | NetSuite               |
| SAF Simulation AG  | SAP AG                 |
| TP Corporation     | VanceInfo Technologies |
| Exense Software AS | Amesto Group AG        |

## Spotlight:

**Sector:** BI/Analytics

**Target:** SPSS Inc.

**Buyer:** IBM

**Date:** July 2009

**Transaction Value:** \$1.17 Billion

**Structure:** Cash

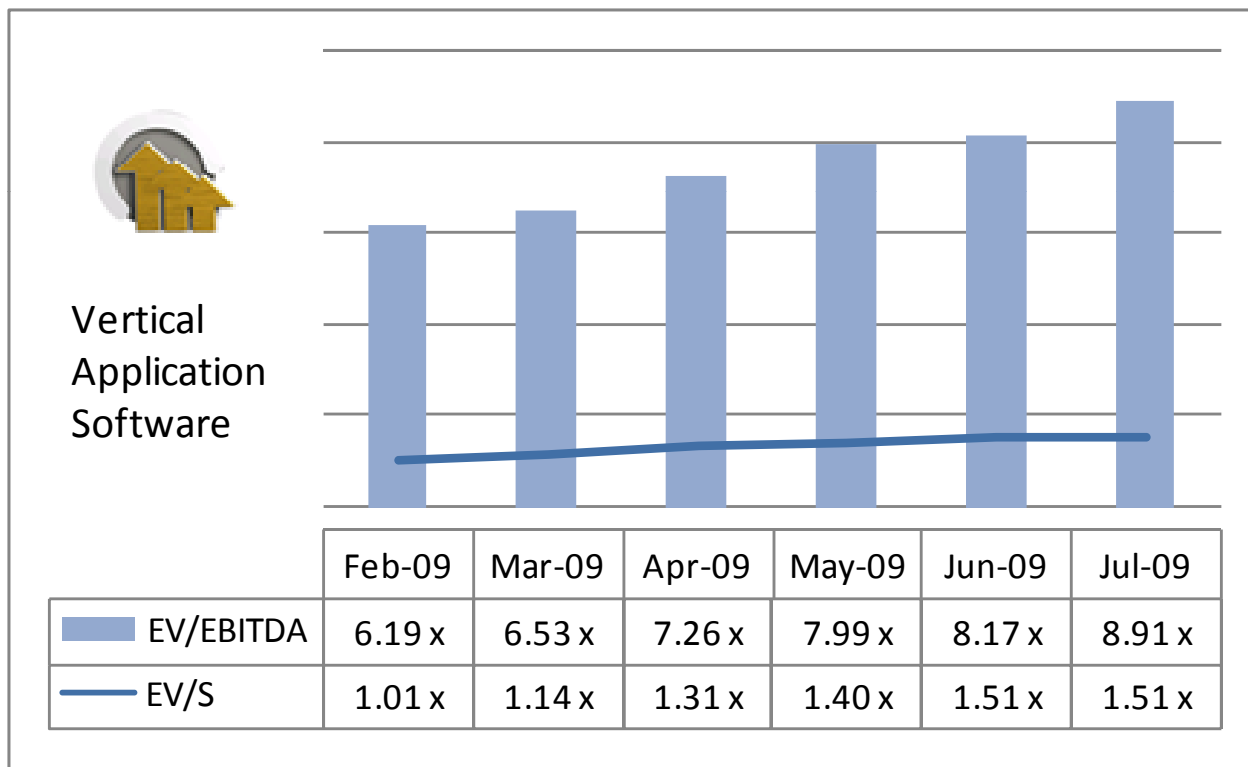
**Revenue Multiple:** 2.9x

## Comments:

- Continues to expand software offering
- Deepens analytics portfolio
- SPSS key asset to IBM's new Smart Analytics System

# Vertical Application Software Market

## Public Valuations



### Sub-Sectors:

- A/E/C
- Energy & Environment
- Financial Services
- Government
- Healthcare
- Other

# Vertical Application Software Market

## Notable Transactions

| Target          | Buyer                 |
|-----------------|-----------------------|
| MicroEdge, Inc. | Vista Equity Partners |
| Maaguzi LLC     | Phase Forward         |
| BVR Systems     | Elbit Systems         |
| Medem Inc.      | MedFusion             |

## Spotlight:

**Sector:** Financial Services

**Target:** Bankrate, Inc.

**Buyer:** Apax Partners

**Date:** July 2009

**Transaction Value:** \$571 million

**Structure:** Cash

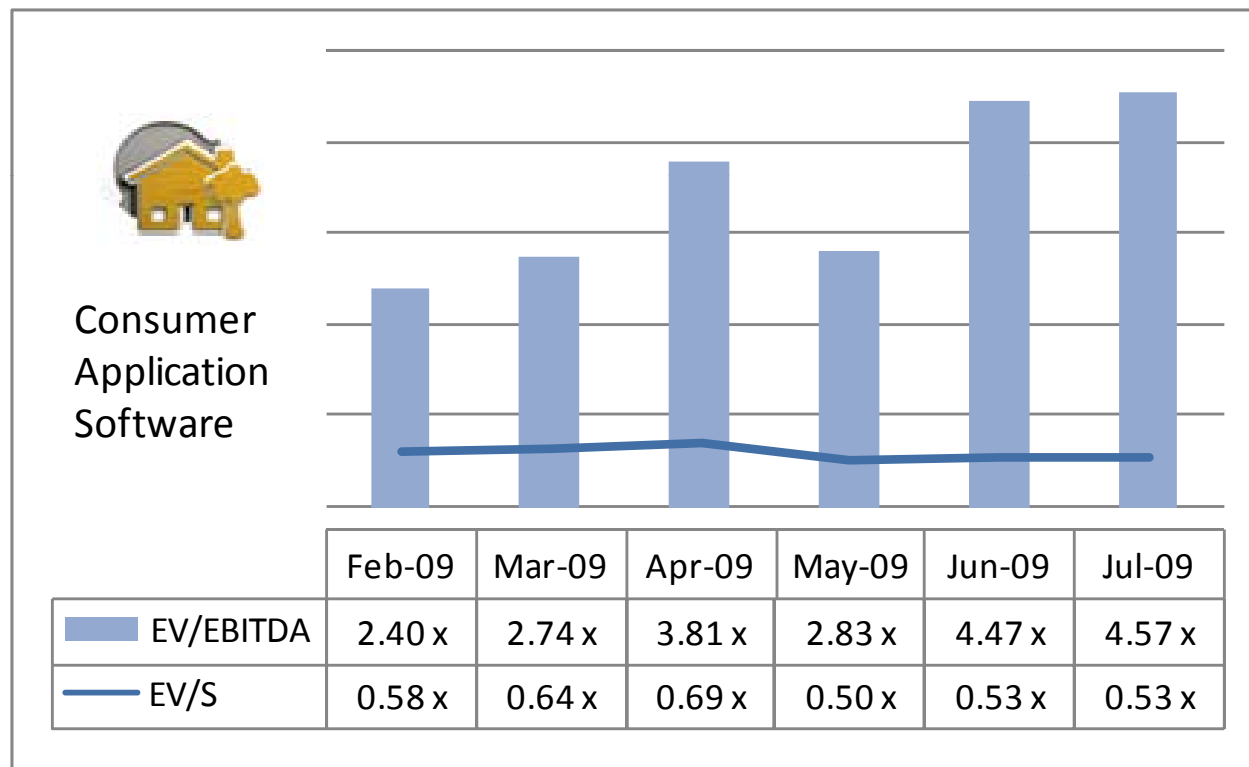
**Revenue Multiple:** 3.5x

## Comments:

- Private Equity
- Built via M&A
- Converging sectors

# Consumer Application Software Market

## Public Valuations



### Sub-Sectors:

- Digital Media
- Gaming

# Consumer Application Software Market

## Notable Transactions

| Target             | Buyer                       |
|--------------------|-----------------------------|
| Xuelang Software   | Giant Interactive           |
| Cashcade Ltd       | PartyGaming plc             |
| NetTravel.cz       | Invia.cz                    |
| Tangram Innovation | Shanghai Allied Cement Ltd. |

## Spotlight:

**Sector:** Content Delivery

**Target:** Velocix

**Buyer:** Alcatel-Lucent

**Date:** July 2009

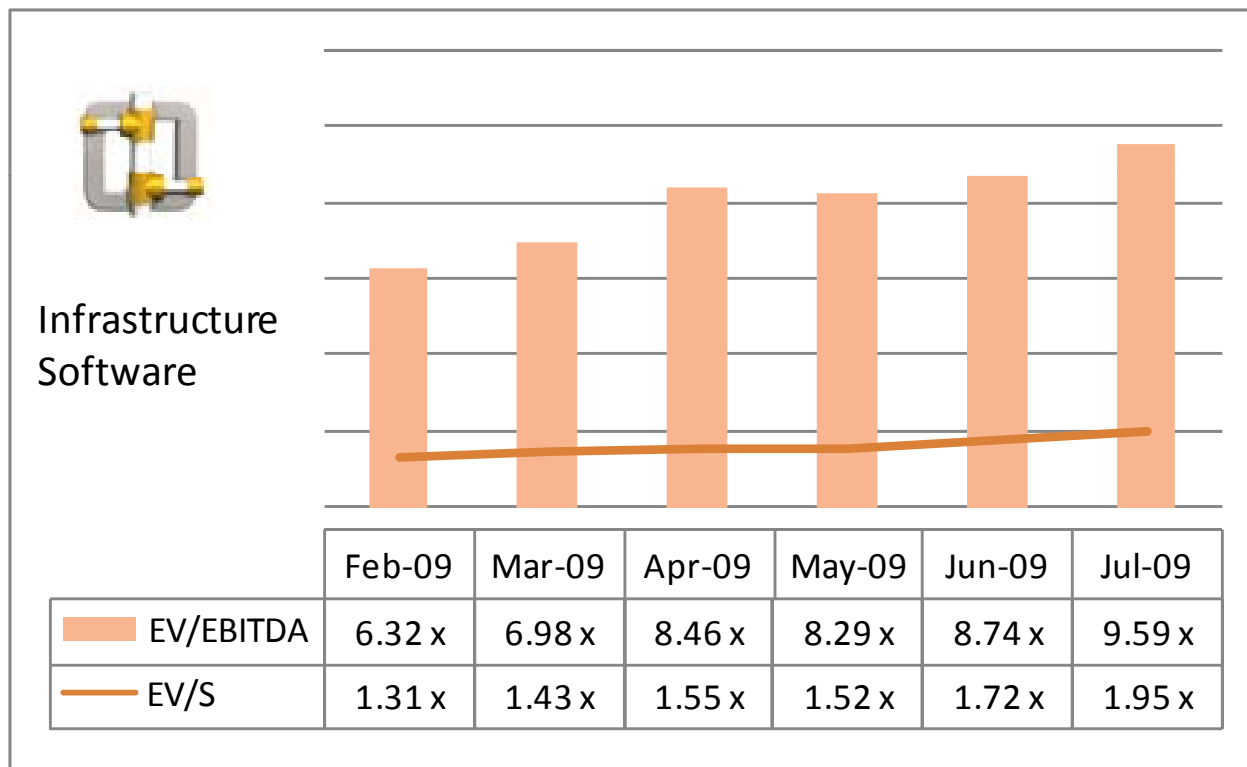
**Transaction Value:** Undisclosed

### Comments:

- CDN heats up as consumer demand for rich content continues
- Cross border
- Complementary to ALU's current infrastructure technology

# Infrastructure Market

## Public Valuations



### Sub-Sectors:

- Communications
- Development Tools
- Legacy Extension / SOA
- Network Management
- Security
- Storage
- Systems Management
- Virtualization

# Infrastructure Market

## Notable Transactions

| Target                  | Buyer                  |
|-------------------------|------------------------|
| MX Logic                | McAfee Inc.            |
| Ounce Labs Inc.         | IBM                    |
| NTRU<br>Cryptosystems   | Security<br>Innovation |
| Golden Gate<br>Software | Oracle                 |

## Spotlight:

**Sector:** Storage

**Target:** OnStor

**Buyer:** LSI Corporation

**Date:** July 2009

**Transaction Value:** \$25 million

**Structure:** Cash

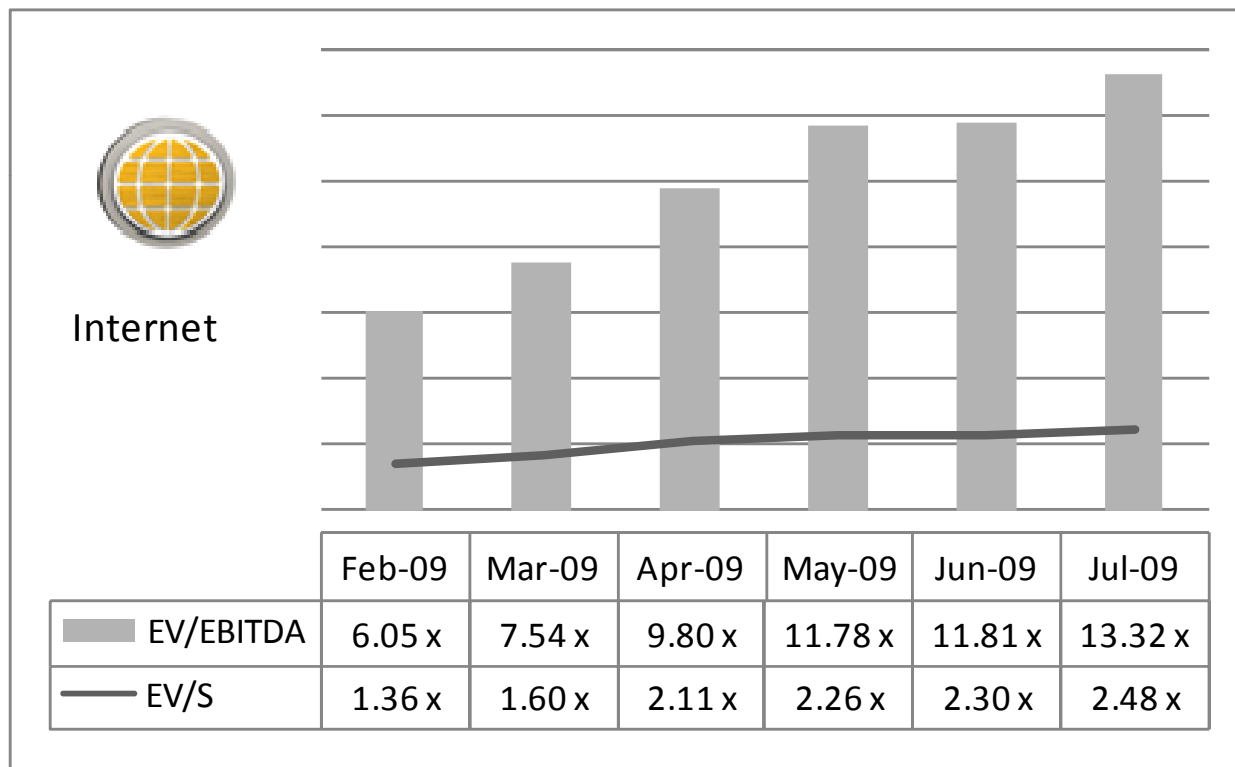
**Revenue Multiple:** 1.7x

### Comments:

- Expands LSI storage offering
- Unstructured data
- Continued consolidation in broad storage sector

# Internet Market

## Public Valuations



### Sub-Sectors:

- Infrastructure
- Pure Plays

# Internet Market

## Notable Transactions

| Target           | Buyer                      |
|------------------|----------------------------|
| Widemile         | WebTrends                  |
| Friends Reunited | Oakley Capital Investments |
| Cityside Tickets | The UpTurn                 |
| Netravel.cz      | Invia.cz                   |

## Spotlight:

**Sector:** Email/Social Networking

**Target:** Xoopit

**Buyer:** Yahoo!

**Date:** July 2009

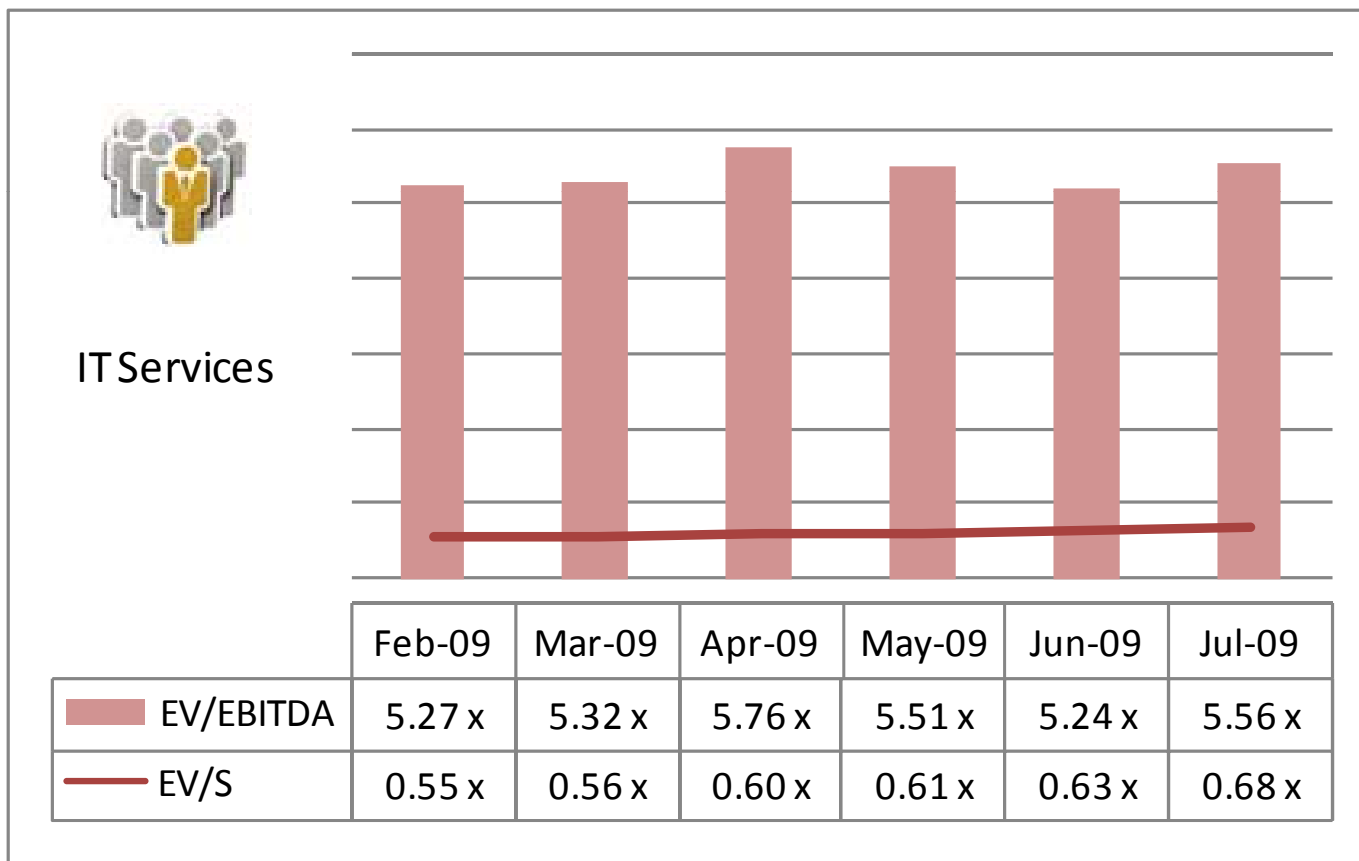
**Transaction Value:** Est. \$20 million

## Comments:

- Carol Bartz continues deal making
- SaaS
- Xoopit will drive more content to Yahoo! properties

# IT Services Market

## Public Valuations



# IT Services Market

## Notable Transactions

| Target                   | Buyer                    |
|--------------------------|--------------------------|
| BNI Systems              | NTT Data Corp            |
| IQ Sys Ltd               | SCH Distribution         |
| Nokia (Symbian Services) | Accenture Ltd            |
| Paragon Solutions Group  | Forsythe Solutions Group |

## Spotlight:

**Sector:** Services

**Target:** Quintec SA

**Buyer:** Sonda SA

**Date:** July 2009

**Transaction Value:** \$43.3 million

**Structure:** Cash

**Revenue Multiple:** 0.4x

## Comments:

- Regional consolidation (Chile)

# Market and Valuation Summary

- Continue to see month on month increases in public valuations
- Good valuations to be had for strategic opportunities
- Gaining momentum in transaction volumes
- Active buyer universe
- Private equity putting dollars to work

# SOLD! Hear from four companies who just did.



Bill Montgomery  
Senior Vice President  
Corum Group Ltd.



Jeff Brown  
Regional Director, Gulf Coast  
Corum Group Ltd.



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Regional Director, Gulf Coast  
Corum Group Ltd.



Mark Reed  
Executive Vice President  
Corum Group Ltd.

Corum advised the seller in each of these transactions.



*Rudolph Technologies acquires Adventa Control Technologies in a bid to significantly expand Rudolph's process control software portfolio.*

**Date Announced:** August 4, 2009

**Deal Highlights**

- U.S. Seller (Plano, Texas) U.S. Buyer (Flanders, NJ)
- Adventa , a Global Equity Capital, LLC affiliate company and a leading provider of a wide range of Advanced Process Control (APC) technologies for semiconductor manufacturing tool automation, Run-to-Run control, and fault detection and classification
- The acquisition will expand Rudolph Technologies' process control software portfolio with the complementary products from Adventa. Rudolph Technologies intends to introduce Adventa solutions by leveraging Rudolph's worldwide sales and support organization.
- Cash deal - terms confidential



*Geoservices Group, a leader in oilfield services worldwide, acquires Petrospec Technologies, a specialist in petroleum drilling engineering software*

**Date Announced:** July 10, 2009

### **Deal Highlights**

- Cross border transaction: U.S. seller (Houston, Texas), French buyer (Paris, France)
- Vertical Application Software - Energy & Environment sector
- Petrospec, an innovator in seismic and real-time pore pressure and rock property analysis, acquired by Geoservices, a worldwide leader in oilfield services
- Petrospec brand preserved as a new Geoservices division
- Petrospec Founder & CEO, Mark Herkommer, joins Geoservices as CEO of Petrospec Division. Mark is tapped to push the frontier in drilling technology
- Deal terms confidential



*Allegiance, Inc. consolidates the Enterprise Feedback Management market by acquiring Inquisite, Inc.*

**Date Announced:** July 13, 2009

### **Deal Highlights**

- U.S. seller (Austin, Texas), U.S. buyer (Salt Lake City, Utah)
- Horizontal Application Software - Enterprise Feedback Management (EFM) sector
- Inquisite, a market leader in online survey software, acquired by Allegiance, a leading provider of voice-of-the-customer solutions in EFM market consolidation
- Inquisite brand preserved as an Allegiance company
- Inquisite founders, Jim Martin and David Jacobson, transition to Allegiance in leadership roles
- Deal terms confidential



*“The new entity will combine Wenco's leading expertise in fleet management systems and software development with Hitachi's long experience in the manufacturing and maintenance of mining equipment. The mining industry continues to need evolving technology solutions to improve operating efficiencies and manage costs. I believe the new Wenco/Hitachi team will be a key player in delivering those solutions in years to come.”*

**Date Announced:** July 7, 2009

### **Deal Highlights**

- Cross-border transaction: Canadian seller, Japanese buyer
- Vertical Market Application – Mining Sector
- Global leader in Mine Management Solutions
- Key strategic position in mining industry that is moving toward more automation
- Deal terms confidential



## Anatomy of a Successful Transaction in the Downturn

- Target multiple independent strategic categories
- Refine the message
- Reach global audience
- Actively manage the M&A process
- Stay flexible and nimble

# Contact Information

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