

# CORUM

USA Switzerland Germany France United Kingdom Canada Norway Brazil

## **M&A Flash Report – February 2010**

### **Software and IT Industry Market Update**

Thursday, February 4<sup>th</sup>, 2010  
10:00 am PT

# Presenters



**Bruce Milne**  
CEO  
Corum Group Ltd.

Bruce Milne, CEO and founder of Corum, has overseen more M&A transactions than anyone in the world over the past 25 years, generating over \$6 Billion in wealth for clients in 24 countries.

He has founded or owned four software companies, including AMI, the world's largest vertical market software firm, and was a founding investor in some of the most innovative firms in their field, including Blue Coat, Bright Star and Sabaki.

A recognized industry expert, he has served as a personal advisor to Bill Gates on operating systems, Apple on the development of the Mac, and as one of top 10 industry advisors to IBM. He has served on the board of Washington Technology Center at the University of Washington, and is the founder of the WTIA, the nation's leading regional technology trade association.

Outside the U.S. 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 is also the only juror from North America for the Tornado 100 Awards in Europe's.

A Deans List graduate in International Business from the UW, and a graduate "With Distinction" from Harvard Business School, Mr. Milne has written three books, including "Power Planning, How To Structure Your Software Company For Success".

>> 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.



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



**Rob Adams**  
Sr. Director  
Corporate Development  


# Agenda

- Overview of Current Global Market
- Market and Valuation Analysis
- Rob Adams - Cisco
- Closing Comments - Q&A

# Asia

- Asian Stocks Extend January Slump
- China's January Manufacturing Expands
- China's Regulations Curtail 3<sup>rd</sup> Mortgages
- Japan Companies Raise 2.96 Trillion Yen – Biggest in Decade

# Euro Zone

- Possibility of Greece Defaulting on Debt
- Euro zone Issues Record 110 Billion Euros in Bonds
- Spain's Official Jobless Tops 4 Million
- BP Sees "Slow" Recovery After Missing Numbers
- Euro Proving No Reserve Alternative

# U.S. – Deficits and Taxes

- Record \$1.6 Trillion Deficit This Year
- Geitner – Long Term Deficits Pose “Corrosive Threat”
- Obama Has \$1.9 Trillion Tax Rise For Rich
- Obama Strikes out at Foreign “Tax Harbors”
- Obama Plans \$30bn Small Business Aid

# U.S. – Economic Expansion

- U.S. Manufacturing Expands More Than Expected
- Corporate Spending Rises Most Since 2006
- Ford U.S. Sales Rise 25%
- Pending Sales U.S. Homes Increase 1%
- US Cut 22,000 Jobs in January – Lowest in Two Years (ADP)

# Commodities

- Commodities Rally – Real, Rand Strengthen
- Rubber Prices Reach 56 Year High
- Oil Holds Steady
- Gold Back to \$1100 Ounce



# Growth, But...

- Roubini sees very 'Dismal' U.S. Growth
- El Arian says Retreat in Stocks will Worsen US Joblessness, Economy
- Worst yet to come for Commercial Real Estate
- Service Industry Grows at Slower Pace than Expected
- Summers talks of "Human Recession"

# Technology

- Google Plans Store for Business Software / Launch of Google Phone
- Apple Releases iPad
- Cisco Profits Exceed Estimates
- Microsoft Bing Gains Ground
- Comcast Beats Estimates
- Cisco to hire 3000

# Corum Deals - 3 Closings in Last 45 Days

- Vertical – Medical
  - SaaS – medical staffing space
- Vertical – Education
  - Software focused on secondary educational institutions
- Infrastructure – Network Management
  - Network management and event logging technology

# Corum - LOI and Offers

- Corum - Current LOI's
  - Vertical – Financial Services
  - Vertical – Retailing and Distribution
- Corum - Offers being negotiated
  - Vertical – Insurance / Financial
  - Horizontal – Content Management
  - Horizontal – Business Intelligence

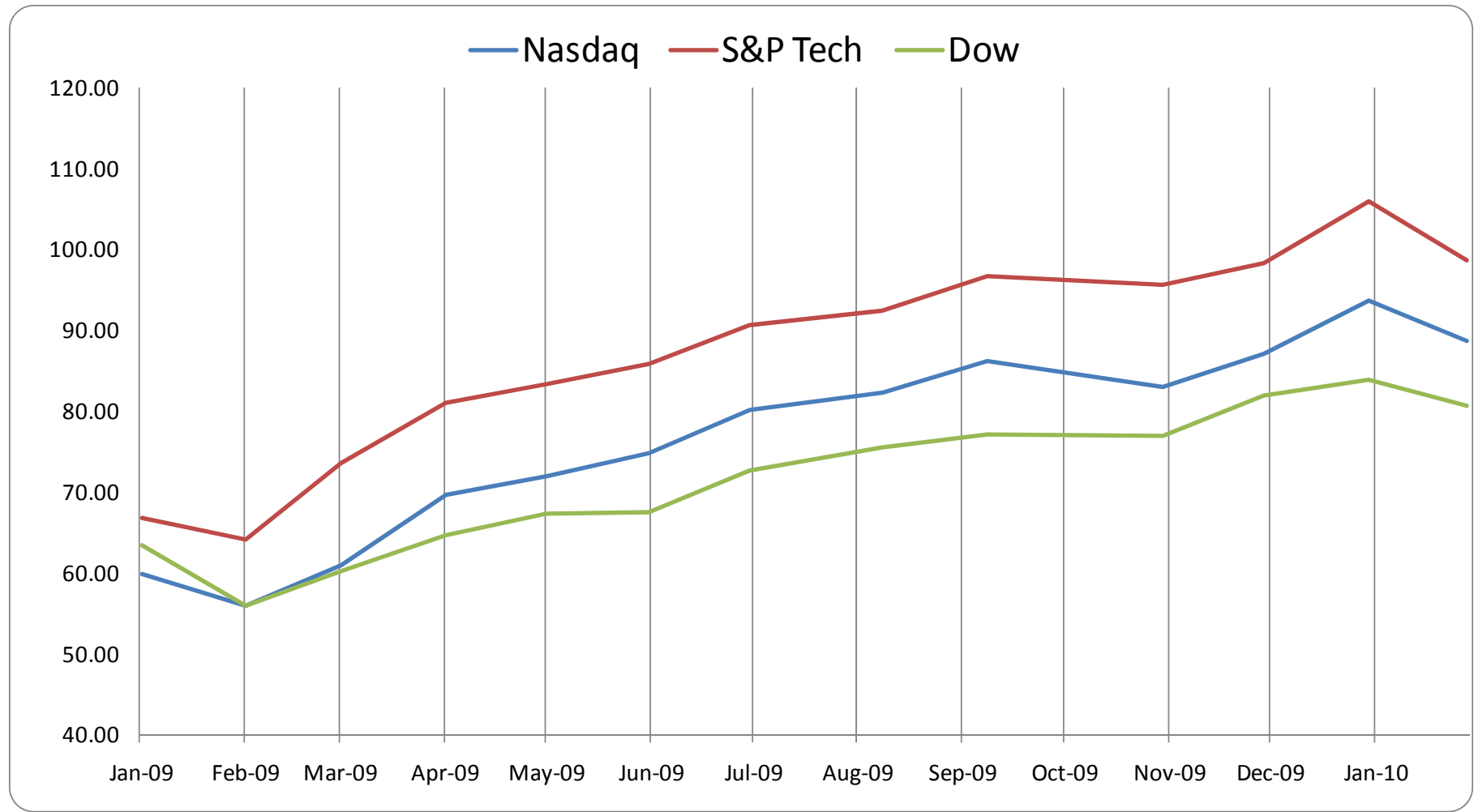
# Market Valuation Analysis



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

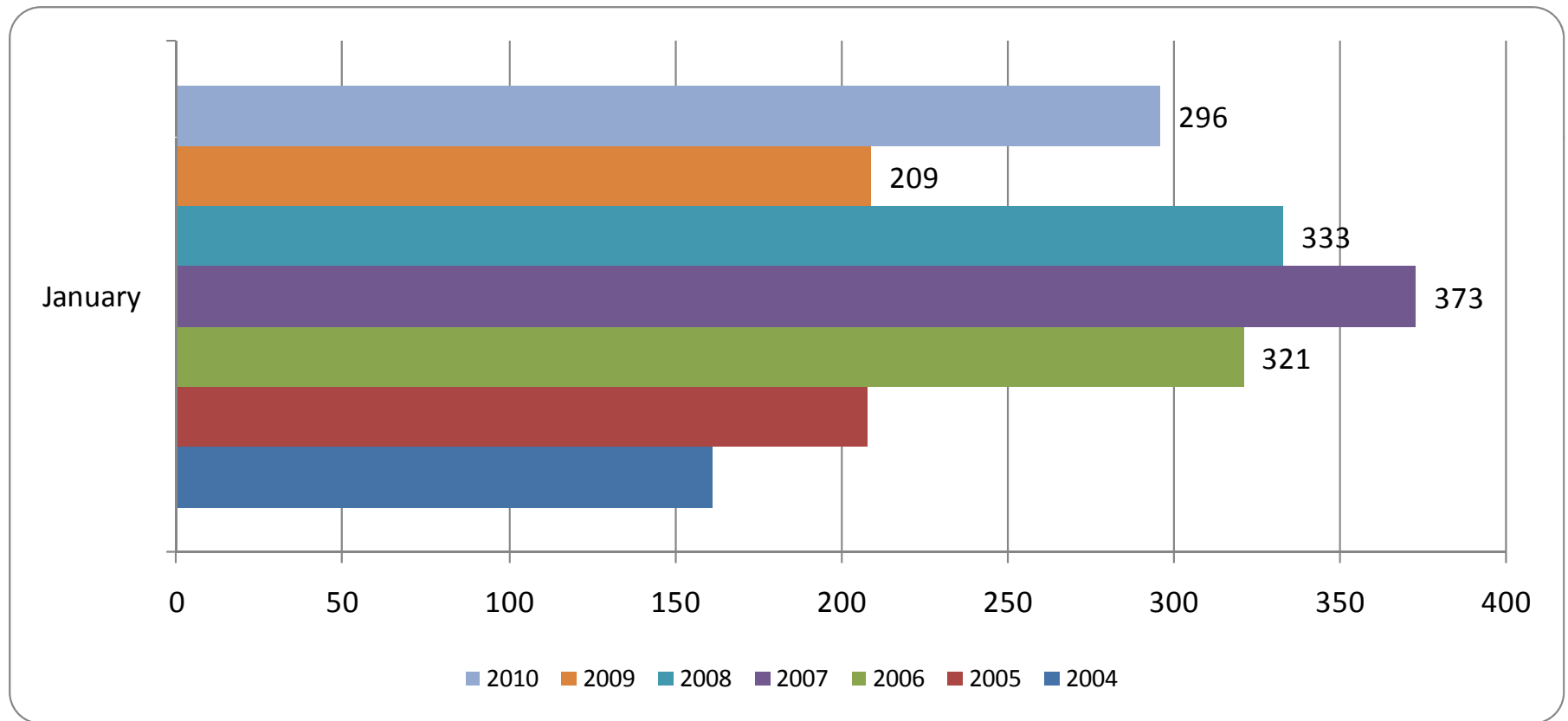
Dougan is the head of Corum's research team serving as the Director of Research. During his time with Corum, Dougan spent three years working with Corum's international group headquartered in Zürich, Switzerland. Prior to joining Corum's team in 2005, Dougan spent three years working in the banking industry 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 and the advertising firm, Modo Marketing. Dougan has a Bachelors degree in Business Economics from the University of San Diego.

# Public Markets



# M&A Activity – January

## Number of Software and IT M&A Transactions



# Corum Index – M&A Statistics

## Corum Index

	Jan-08	Jan-09	Jan-10
# of Transactions	333	214	296
# of Mega Deals	3	0	1
Largest Deal	\$8,500	\$775	\$2,000
Average Deal Size	\$134	\$62	\$73
Median Seller Size	\$29	\$15	\$25
# VC backed Exits	40	23	37
% Terms Undisclosed	60%	84%	79%
All Cash (announced)	45%	56%	55%
% Targets were Public	13%	12%	13%
% Public Buyers	61%	43%	48%

\$ values in millions

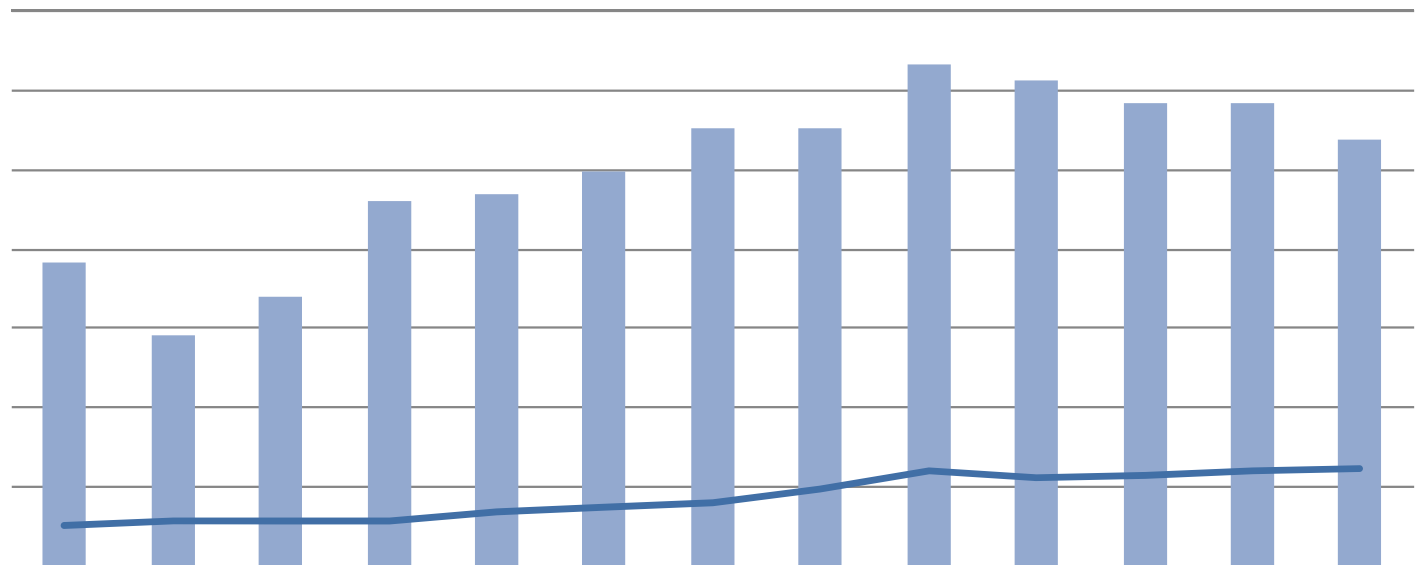


# Horizontal Application Software Market

## Public Valuations



Horizontal  
Application  
Software



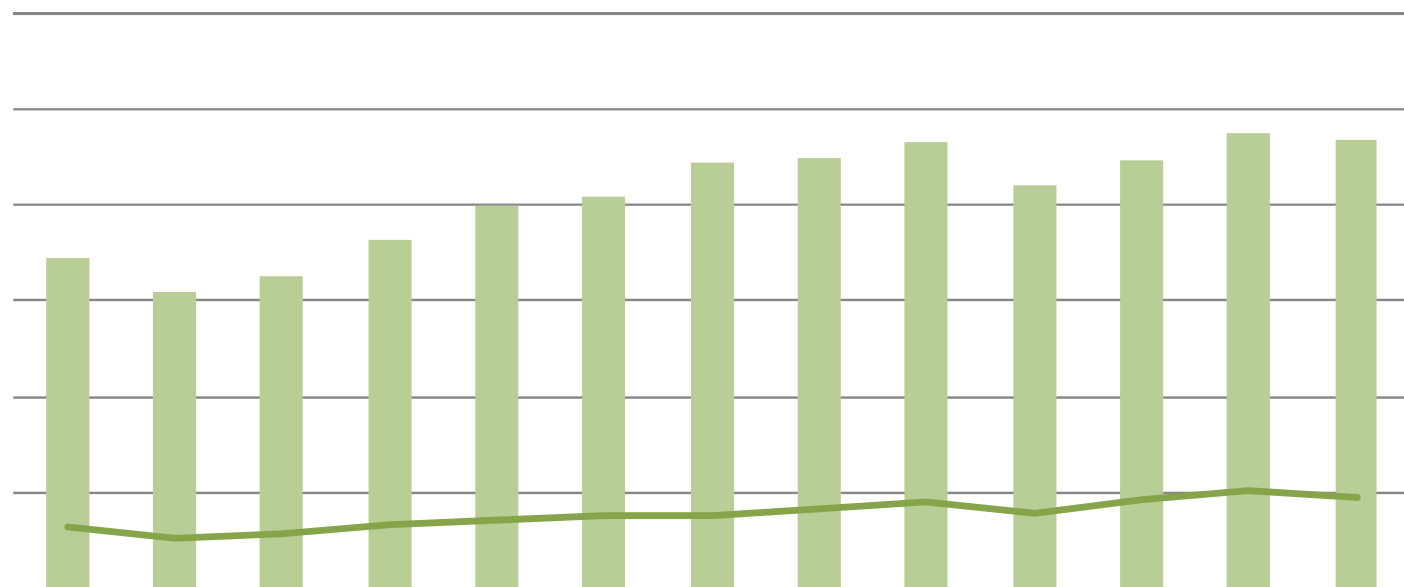
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
EV/EBITDA	7.69 x	5.85 x	6.82 x	9.23 x	9.39 x	9.99 x	11.06 x	11.06 x	12.67 x	12.26 x	11.66 x	11.67 x	10.76 x
EV/S	1.04 x	1.12 x	1.12 x	1.16 x	1.35 x	1.50 x	1.58 x	1.93 x	2.41 x	2.21 x	2.29 x	2.41 x	2.48 x

# Vertical Application Software Market

## Public Valuations



Vertical  
Application  
Software



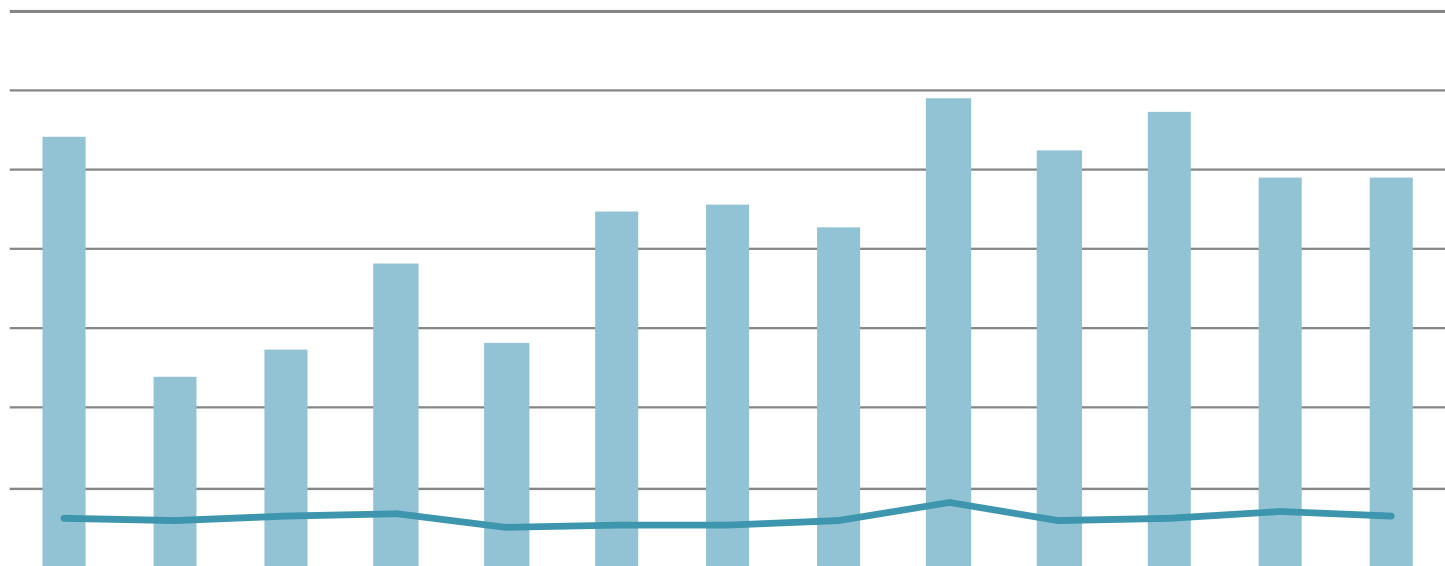
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
EV/EBITDA	6.92 x	6.19 x	6.53 x	7.26 x	7.99 x	8.17 x	8.91 x	9.01 x	9.32 x	8.42 x	8.96 x	9.54 x	9.37 x
EV/S	1.26 x	1.01 x	1.14 x	1.31 x	1.40 x	1.51 x	1.51 x	1.66 x	1.80 x	1.57 x	1.82 x	2.01 x	1.90 x

# Consumer Application Software Market

## Public Valuations



Consumer  
Application  
Software



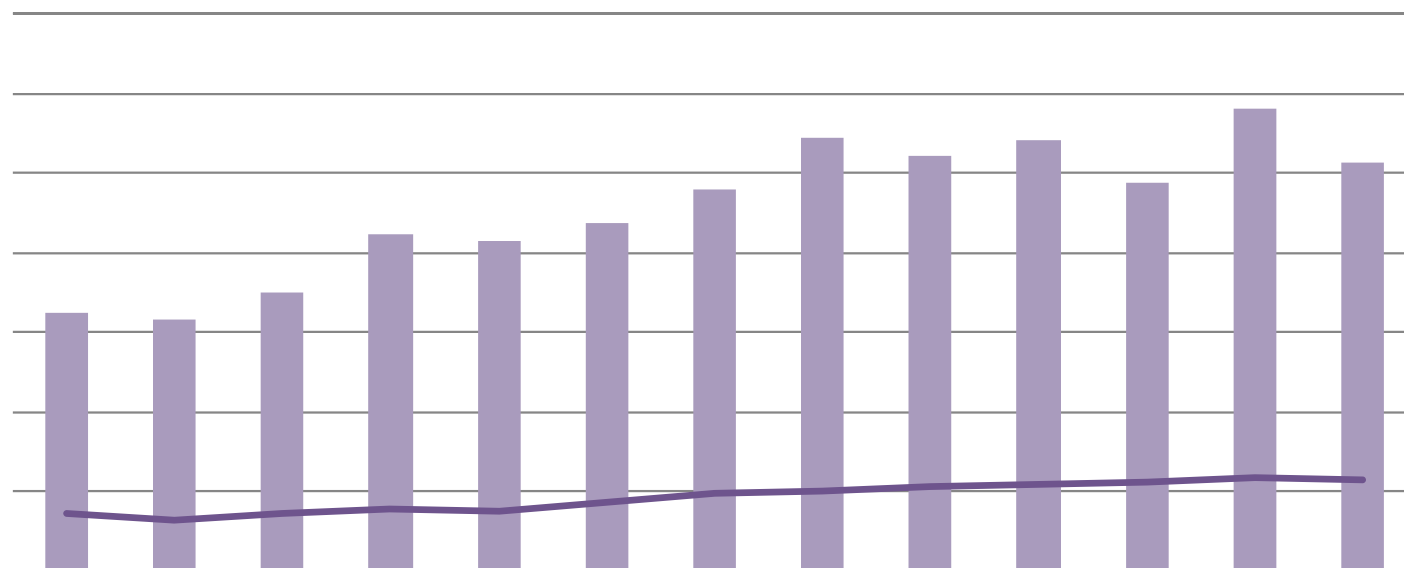
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
EV/EBITDA	5.41 x	2.40 x	2.74 x	3.81 x	2.83 x	4.47 x	4.57 x	4.27 x	5.88 x	5.23 x	5.71 x	4.91 x	4.89 x
EV/S	0.61 x	0.58 x	0.64 x	0.69 x	0.50 x	0.53 x	0.53 x	0.59 x	0.83 x	0.60 x	0.61 x	0.70 x	0.66 x

# Infrastructure Market

## Public Valuations



Infrastructure  
Software



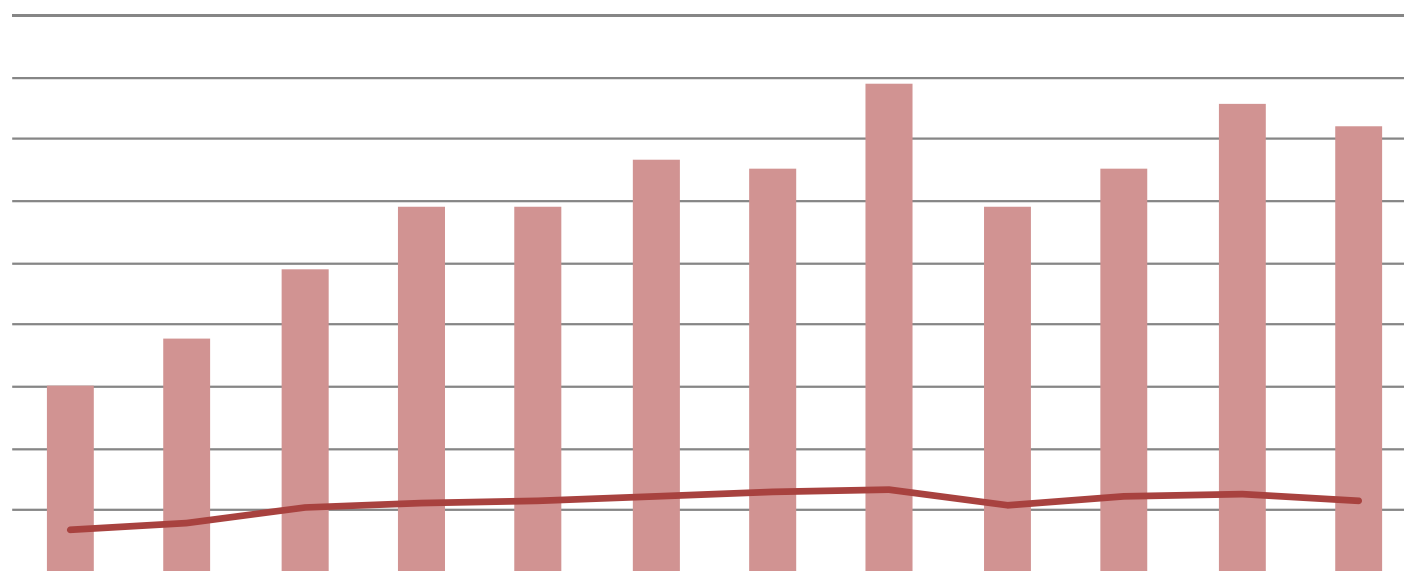
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
EV/EBITDA	6.47 x	6.32 x	6.98 x	8.46 x	8.29 x	8.74 x	9.59 x	10.92 x	10.46 x	10.81 x	9.76 x	11.61 x	10.26 x
EV/S	1.47 x	1.31 x	1.43 x	1.55 x	1.52 x	1.72 x	1.95 x	2.02 x	2.14 x	2.20 x	2.27 x	2.37 x	2.30 x

# Internet Market

## Public Valuations



Internet



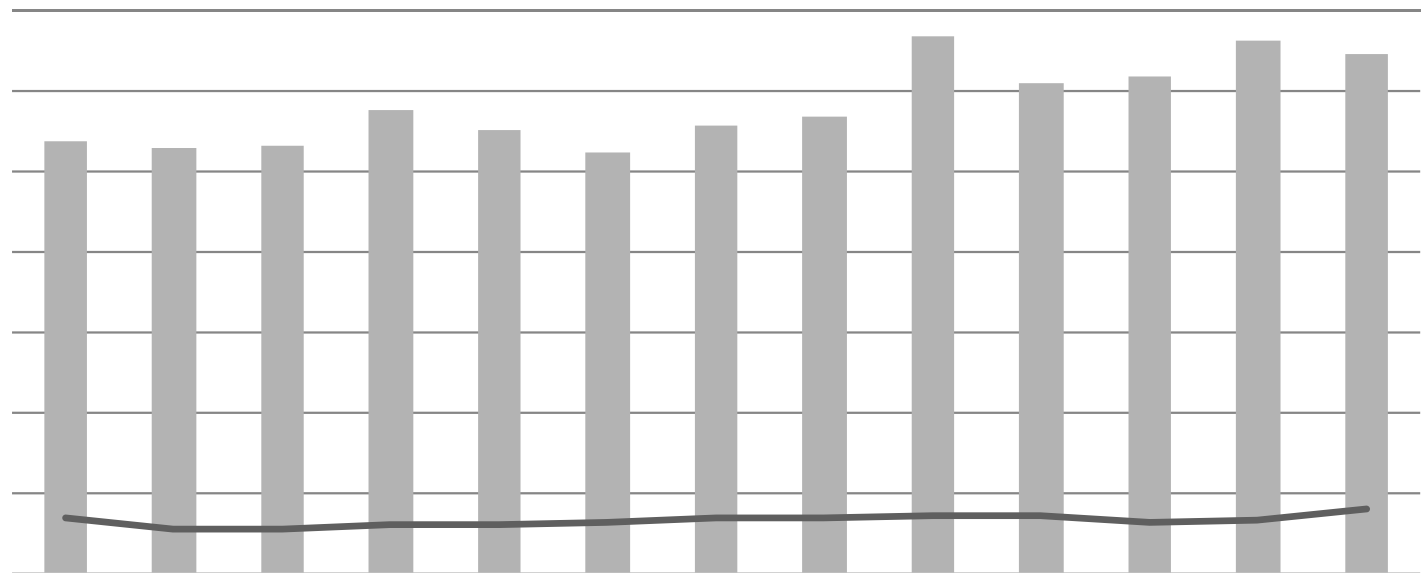
	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
EV/EBITDA	6.05 x	7.54 x	9.80 x	11.78 x	11.81 x	13.32 x	13.02 x	15.80 x	11.81 x	13.03 x	15.13 x	14.40 x
EV/S	1.36 x	1.60 x	2.11 x	2.26 x	2.30 x	2.48 x	2.60 x	2.70 x	2.19 x	2.45 x	2.55 x	2.34 x

# IT Services Market

## Public Valuations



IT Services



	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
EV/EBITDA	5.36 x	5.27 x	5.32 x	5.76 x	5.51 x	5.24 x	5.56 x	5.67 x	6.66 x	6.10 x	6.16 x	6.60 x	6.44 x
EV/S	0.70 x	0.55 x	0.56 x	0.60 x	0.61 x	0.63 x	0.68 x	0.68 x	0.73 x	0.73 x	0.63 x	0.67 x	0.81 x

# Deal Spotlight – January 2010



## Horizontal

### Deal Spotlight:

**Sector:** ERP

**Target:** Jiama Info Systems

**Buyer:** Kingdee Software Group

**Date:** January 2010

**Transaction Value:** \$2.95m

#### Comments:

- Verticalization – Real Estate
- Continued Consolidation
- Hot Buyer!

#### Others:

- EMC → Archer Technology
- Authoria → PeopleClick.com
- ATG → InstantService, Inc.



## Vertical

### Deal Spotlight:

**Sector:** Healthcare

**Target:** Unisys – HIM Division

**Buyer:** Molina Healthcare

**Date:** January 2010

**Transaction Value:** \$135m

**Metrics:** 1.2x, cash

#### Comments:

- Unisys Sell-Off
- Complementary Solution
- New Revenue Stream

#### Others:

- Lawson → Healthvision
- Orc Software → Neonet AB
- Educomp → StudyPlace.com



## Consumer

### Deal Spotlight:

**Sector:** Gaming

**Target:** nedplay

**Buyer:** 32Red Plc

**Date:** January 2010

**Transaction Value:** N/A

#### Comments:

- Market Consolidation
- UK → UK

#### Others:

- Shandi → MochiMedia
- Time Inc. → Stylefeeder
- Lace Group → Mamba Games

# Deal Spotlight – January 2010



## Infrastructure

### Deal Spotlight:

**Sector:** BPM

**Target:** Savvion

**Buyer:** Progress Software

**Date:** January 2010

**Transaction Value:** \$49m (cash)

**Metrics:** 2.3x TTM Revenues

#### Comments:

- BPM expertise
- 150+ employees
- 300+ enterprise clients

#### Others:

- Good Technology → CloudSync
- Aonix → Artisan Software Tools
- 



## Internet

### Deal Spotlight:

**Sector:** SEO / Marketing

**Target:** Innovation Interactive

**Buyer:** Dentsu

**Date:** January 2010

**Transaction Value:** N/A

#### Comments:

- Traditional Advertising
- Multi-National

#### Others:

- LivePerson → Nuconomy
- StockTwits → Abnormal Return
- Mobixell → 724 Solutions



## IT Services

### Deal Spotlight:

**Sector:** Integration Services

**Target:** Cimac

**Buyer:** Schneider Electric

**Date:** January 2010

**Transaction Value:** N/A

#### Comments:

- Geographic expansion
- Domain expertise

#### Others:

- Emdeon → FutureVision
- Cicero → SOAdesk
-



# The Cisco Perspective



Rob Adams  
Sr. Director, Corporate Development



Rob Adams is the Senior Director of Corporate Development at Cisco Systems. He joined Cisco in 1999, serving various roles over the years, including a Software Engineer, Technology Strategist, and Director of Strategic Alliances. Prior to joining Cisco, Rob was a Software Engineer for TGV, Inc., Progress Software, and Digital Equipment Corporation.

Rob has an undergraduate degree in Computer Science from Penn State University and an Executive MBA from Harvard Business School.

# Upcoming Corum Events

February 18:	<b>Bothell</b> – SUSO	March 16:	<b>Lyon</b> – MB
March 2:	<b>Houston</b> – MB	March 16:	<b>Denver</b> – SUSO
March 3:	<b>PE Breakfast</b> – Stockholm	March 18:	<b>SLC</b> – MB
March 4:	<b>Flash Webinar</b> – (Int'l)	March 23:	<b>Dublin</b> – SUSO
March 9:	<b>Dallas</b> – SUSO	March 25:	<b>Santa Rosa</b> – MB

Merge Briefing (MB)  
Selling Up Selling Out (SUSO)  
World Financial Symposium (WFS)

# SUSO Agenda

- Selling Up / Selling Out: Overview
- Preparation: Internal Due Diligence
- Valuations: Methodologies
- Structure: Letter of Intent
- Negotiation: LOI to Closing

# February 18 – SUSO in Bothell, WA

- Cost: Regularly \$199 - **Special Pricing of \$49.00 for WTIA members.** (Complimentary to past attendees of Corum's Webinars or Conferences).
- **OPEN HOUSE:** Immediately following this conference, Corum will be hosting an **Open House** event at our new facility in Bothell, WA. Whether you attend the conference or not, plan to drop by the Open House to meet our staff and network with other local technology executives.
- Time: SUSO Conference 1-5 PM, Open House 5-7 PM
- Location: Corum Group Ltd., 19805 North Creek Parkway, Suite 300, Bothell, WA 98011
- Registration: Go to <http://www.corumgroup.com/Events.aspx>

# Contact Information

## Corum Group Ltd.

Bruce Milne, CEO  
brucem@corumgroup.com

Dougan Milne, Director Research  
douganm@corumgroup.com

**19805 North Creek Parkway  
Suite 300  
Bothell, WA 98011  
USA**

**+1 425-455-8281**

## Corum Group International S.à.r.l.

**Buechenstr. 9  
CH-8185 Winkel  
Switzerland**

**+41 43 888 7590**

Research and Conferences:  
[www.corumgroup.com](http://www.corumgroup.com)