

FOCUS Information Technology Group

Fall 2014 Report

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FOCUS Information Technology Group

By George M. Shea, Partner and Information Technology Team Leader, FOCUS Investment Banking LLC

Our IT Team has been extremely busy as 2014 is turning out to be an exceptional year for M&A.

One of the key drivers behind the flurry of activity in our space is business transformational change, particularly the paradigm shift to cloud computing and the emergence of the Managed Service Provider as a cost-efficient vehicle for converting companies' in-house infrastructure and applications to the cloud and maintaining them.

This Fall 2014 Report features the MSP market, and explains why its recurring revenue model is increasingly attractive to both buyers and investors. We hope you enjoy it and the rest of our IT Report.

The FOCUS IT team consists of six former software and services CEOs and experienced professionals who leverage years of experience in Information Technology—both domestically and abroad—to personally manage your transaction from inception to a successful close.

The FOCUS IT team is uniquely qualified to help you meet your objectives because, unlike most information technology groups, we:

- Employ a proven transaction methodology which delivers results
- Devote senior C-level resources with operating expertise in the IT sector who advise CEOs and boards
- Deliver precise, comprehensive research to close transactions, deploying a team of professionals dedicated to producing results
- Leverage years of experience in the middle market to maximize opportunities for successful transactions
- Have a national presence with global reach—regional offices ensure that all clients receive personalized service throughout every phase of a transaction
- Offer strategic advisory services that enhance shareholder value

Members of the FOCUS IT team attend conferences and meetings in the U.S. and internationally. We are always delighted to receive introductions to innovative companies in the industry. We hope to see you at one of these events, and look forward to exploring your capital market needs as you continue to grow your enterprise.

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The Managed Services Market Today

By George M. Shea, Partner and Information Technology Team Leader, FOCUS Investment Banking LLC

A Managed Services Provider (MSP) is an Information Technology (IT) services provider that delivers and manages enterprise network services and applications for businesses, consumers, and other service providers.

An MSP takes over the day-to-day IT management responsibilities of the services and applications. The MSP also functions as a strategic partner for improving operations and cutting expenses.

Here is a breakdown of the current MSP market and the potential attractions for buyers and investors:

MSP Offerings

The traditional MSP role started out with remote monitoring, patch management, and basic PC and server maintenance.

A January 29, 2014 post entitled *Five Drivers of Change for MSPs in 2014* on MSPMentor, a cloud industry-focused blog, cites five change agents for MSPs including:

- New competitors/convergence,
- Rapid commodization,
- Mobile computing,
- IT Anywhere, and
- The fact the cloud is here to stay.

MSPs keep pace with the latest technology trends and their services now include cloud-based monitoring and applications management services.

Currently, a major MSP play is integrating cloud solutions and managed services through converting in-house infrastructure and applications to an MSP model. Some examples of this play include:

- Software as a Service (SaaS) including web conferencing, collaboration, and project management applications;
- Platform as a Service (PaaS) including data management systems, application middleware, and application development; and
- Infrastructure as a Service (IaaS) including compute and storage solutions.

Security offerings also are starting to grow in the MSP market, including:

- Managed security
- Secure Wi-Fi
- End-point security
- Web server security
- Email security
- Secure branch office connectivity

Another hot area for MSPs is enterprise mobility with the addition of Mobile Device Management (MDM), Enterprise Mobility Management (EMM), and mobile security product offerings.

These offerings target businesses and government organizations with a mobile workforce that lacks the security expertise in-house to secure a Bring Your Own Device (BYOD) or other mobile initiative.

Typical MSP Pricing Structure

The typical MSP pricing structure is an upfront setup fee and ongoing flat monthly fee, often under multi-year contract arrangements, thereby providing customers with predictable IT support costs. Bundled solutions and support are the norm.

There has been a lot written about the challenges of MSP pricing structure. However, the MSP industry body of knowledge around pricing to achieve profitability per contract has grown significantly in recent years. *Pricing Managed Services Like Pros* by Rich Freeman on the Channel Pro Network website cites two MSP industry-pricing methods:

- Top Down—an intuitive assessment of how much customers are willing to pay
- Bottom Up—focusing on an analysis of what services cost to deliver

MSP Market Conditions

The MSP market continues to be a very fragmented market with many smaller players, very few “pure play” MSPs, many Value Added Resellers (VARs), Interconnects, and project-based IT services firms transitioning to the MSP model.

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There is an element of “friendly competition” in the MSP market with organized peer-to-peer networking groups to share MSP best practices and industry trends. The sharing of MSP best practices and trends in this manner can only benefit the MSP market as a whole.

Threatening Skies: Cloud Computing and the Managed Service Provider, published on CloudTweaks, a cloud industry website, gives an optimistic view of an MSP market growth. The post cites a recent Gartner, Inc. analysis estimating that global spending on public cloud services will almost double in size from 2012 to 2016 reaching \$210B in 2016. The analysis also projects Infrastructure as a Service (IaaS) to grow at over 40 percent CAGR. Much of the market growth is due to come from small to medium businesses.

Value Drivers

MSP value drivers for investors include:

- Recurring revenue
- Contract length
- Growth rate and vertical market focus (especially healthcare IT and financial services)
- Total devices managed
- Revenue per employee

Conclusion

The MSP market while ever changing offers attractive acquisition and investment opportunities as MSP providers mature their service portfolios and pricing as businesses and government organizations move infrastructure and applications increasingly to the cloud.

Valuation

Chart 1: Company Comparables Managed Service Providers

Company Name	Total Enterprise Value Latest (\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest
Melbourne IT Ltd. (ASX:MLB)	\$61.50	\$95.90	\$8.50	0.6X	7.2X
Infinite Group Inc. (OTCPK:IMCI)	\$3.10	\$8.60	\$0.30	0.4X	10.3X
SMS Management & Technology Ltd. (ASX:SMX)	\$260.40	\$266.40	\$19.30	1.0X	13.5X
AGC Networks Limited (BSE:500463)	\$50.20	\$126.30	\$(27.10)	0.4X	N/A
Tieto Oyj (HLSE:TIE1V)	\$1,920.80	\$2,142.10	\$284.60	0.9X	6.7X
Synectics plc (AIM:SNX)	\$101.90	\$123.80	\$4.00	0.8X	25.5X
PCS Technology Limited (BSE:517119)	\$9.90	\$16.40	\$1.60	0.6X	6.2X
Glodyne Technoserve Limited (BSE:532672)	\$151.30	\$200.00	\$(34.60)	0.8X	N/A
Mykris Limited (NZSE:MYK)	\$6.80	\$6.20	\$1.20	1.1X	5.7X
Summary Statistics					
High	\$1,920.8	\$2,142.1	\$284.6	1.1X	25.5X
Low	\$3.1	\$6.2	-\$34.6	0.4X	5.7X
Mean	\$285.1	\$331.7	\$28.6	0.7X	10.7X
Median	\$61.5	\$123.8	\$1.6	0.8X	7.2X

Source: Capital IQ

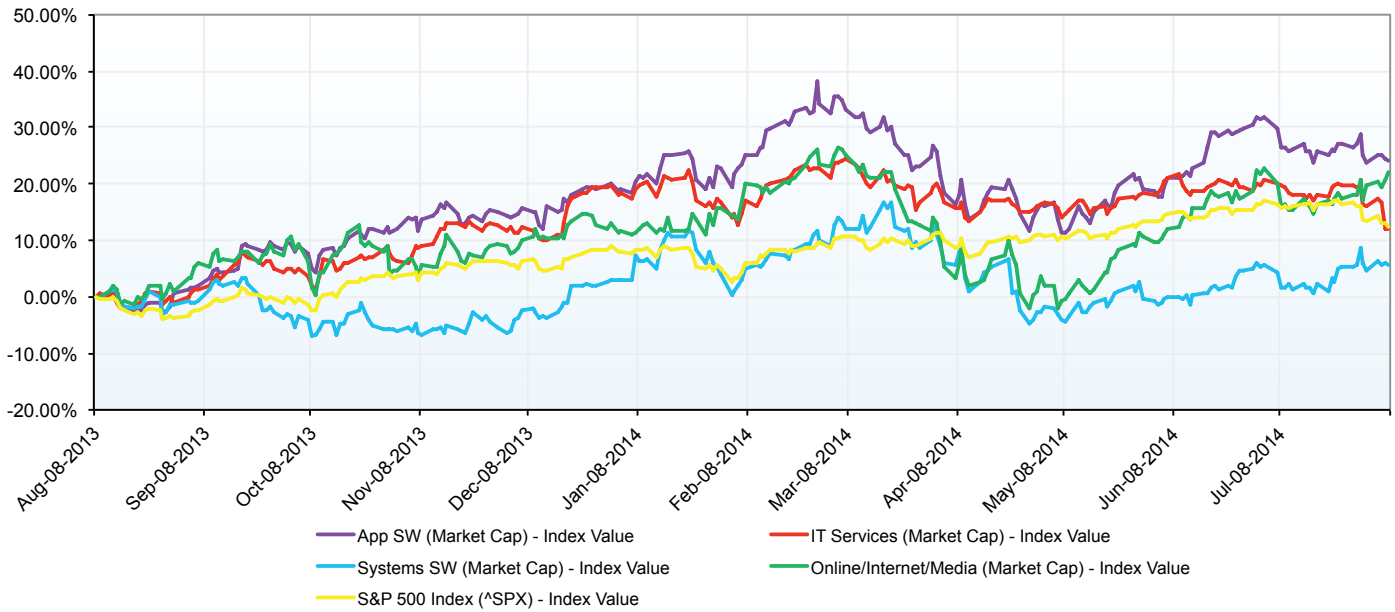
Chart 2: Trailing Three-Year Managed Service Providers M&A Activity

Date	Target	Buyer	Brief Description	Enterprise Value	EV/Revenue	EV/EBITDA
Jul-22-2014	JCurve Solutions Ltd.	—	JCurve Solutions Limited offers managed services from administration and reporting to outsourced options. Jcurve Solutions Limited is based in St Leonards, Australia.	\$11.70	1.2x	61.3x
Apr-28-2014	I-Cubed, Inc.	KPIT Technologies Limited	I-Cubed, Inc. focuses on consulting, Web experience management, and managed services. The company is based in Raleigh, NC.	\$24.20	2.4x	—
Apr-08-2014	Groupe Steria SCA	Sopra Group	Groupe Steria S.C.A. provides managed services, including supervision/administration and network infrastructures. Groupe Steria S.C.A. is headquartered in Issy-les-Moulineaux, France.	\$1,328.80	0.5x	8.4x
Dec-09-2013	Accel Frontline Ltd.	CAC Corporation	Accel Frontline Limited provides managed IT services to small, medium, and large enterprises. The company is headquartered in Chennai, India.	\$36.00	0.6x	8.5x
Nov-18-2013	InTechnology Managed Services Ltd.	Redcentric plc	InTechnology Managed Services Limited provides infrastructure services, data backup/recovery, data hosting, and voice over IP services. The company is based in Harrogate, UK.	\$104.70	1.6x	7.8x
Nov-04-2013	Know Technology, LLC	Enables IT, Inc.	Know Technology, LLC provides managed services, including monitoring, maintenance, and support. The company is based in Camden, ME.	\$1.50	0.5x	—
Sep-25-2013	The Birchman Group Asia Pacific Pty Ltd	SMS Management & Technology Ltd.	The Birchman Group Asia Pacific Pty Ltd. provides SAP managed services and applications support. The company is based in Sydney, Australia.	\$28.10	0.9x	—
Aug-23-2013	Hexaware Technologies Ltd.	Canada Pension Plan, Baring PE Asia, Baring Asia PE Fund V	Hexaware Technologies Limited provides managed services from security to network administration. The company is headquartered in Navi Mumbai, India.	\$548.90	1.7x	8.3x
Aug-23-2013	Hexaware Technologies Ltd.	HT Global IT Solutions Holdings Ltd.	Hexaware Technologies Limited provides managed services from security to network administration. The company is headquartered in Navi Mumbai, India.	\$557.40	1.6x	7.6x
Aug-19-2013	Spacenet, Inc.	SageNet, Inc.	Spacenet, Inc. designs, implements, and manages communications networks. The company is based in Tulsa, OK.	\$16.00	0.2x	8.0x
Jul-17-2013	A-HOST Company Ltd.	Arcadia Asia Company Ltd.	A-HOST Company Limited provides managed services for Oracle E-Business Applications and is based in Bangkok, Thailand.	\$3.80	0.2x	—
Jul-08-2013	Shougang Concord Technology Holdings Ltd.	HNA Group Co., Ltd.	Shougang Concord Technology Holdings Limited provides management services and system design services. The company is based in North Point, Hong Kong.	\$343.20	8.8x	—
Apr-17-2013	BLACKIRON Data ULC	Rogers Business Solutions, Inc.	BLACKIRON Data ULC offers managed services from server administration/monitoring to managed network services. The company is based in Etobicoke, Canada.	\$194.90	5.9x	15.4x
Sep-17-2012	Maxima Holdings plc	Redstone plc	Maxima Holdings plc provides infrastructure services, such as security, networks, and database administration. Maxima Holdings plc is based in Cheltenham, the UK.	\$18.90	0.4x	5.8x
Sep-05-2012	24Tech Corporation	VRDT Corporation	24Tech Corporation provides custom managed services plans for clients with IT and network needs. The company is based in Rancho Cucamonga, CA.	\$0.60	2.0x	—
Aug-16-2012	Melbourne Server Hosting Ltd.	iomart Group plc	Melbourne Server Hosting Ltd. provides services, from server OS management to backup/DR services. The company is based in Melbourne, UK.	\$10.50	2.3x	10.6x
Aug-21-2011	Attenda Ltd.	Darwin PE LLP, Darwin PE Fund I	Attenda Limited provides managed services and cloud platforms for business critical applications. The company is based in Staines, UK.	\$82.80	1.8x	—
Summary Statistics						
High				\$1,328.80	8.8X	61.3X
Low				\$0.60	0.2X	5.8X
Mean				\$194.82	1.9X	14.2X
Median				\$28.10	1.6X	8.4X

Source: Capital IQ

IT Market Analysis

Chart 1: Performance: S&P 500 vs. IT



Source: Capital IQ

Chart 2: Company Comparables Systems Software (Larger Cap)

Company Name	Total Enterprise Value Latest (\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
Fortinet Inc. (NasdaqGS:FTNT)	\$3,422.4	\$685.1	\$84.9	5.0X	40.3X	Mar-31-2014
Red Hat, Inc. (NYSE:RHT)	\$10,279.7	\$1,595.1	\$306.2	6.4X	33.6X	May-31-2014
Splunk, Inc. (NasdaqGS:SPLK)	\$4,556.0	\$331.3	(\$103.7)	13.8X	N/A	Apr-30-2014
Symantec Corporation (NasdaqGS:SYMC)	\$14,330.3	\$6,676.0	\$1,944.0	2.1X	7.4X	Mar-28-2014
VMware, Inc. (NYSE:VMW)	\$37,874.2	\$5,589.0	\$1,457.0	6.8X	26.0X	Mar-31-2014
Summary Statistics						
High	\$37,874.2	\$6,676.0	\$1,944.0	13.8X	40.3X	
Low	\$3,422.4	\$331.3	(\$103.7)	2.1X	7.4X	
Mean	\$14,092.5	\$2,975.3	\$737.7	6.8X	26.8X	
Median	\$10,279.7	\$1,595.1	\$306.2	6.4X	29.8X	

Chart 3: Company Comparables Systems Software (Smaller Cap)

Company Name	Total Enterprise Value Latest w(\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
Falconstor Software Inc. (NasdaqGM:FALC)	\$42.3	\$52.7	(\$4.8)	0.8X	N/A	Jun-30-2014
Imperva Inc. (NYSE:IMPV)	\$608.0	\$147.8	(\$42.3)	4.1X	N/A	Mar-31-2014
Infoblox Inc. (NYSE:BLOX)	\$408.6	\$248.5	(\$3.7)	1.6X	N/A	Apr-30-2014
NetScout Systems, Inc. (NasdaqGS:NTCT)	\$1,628.8	\$422.7	\$103.9	3.9X	15.7X	Jun-30-2014
Proofpoint, Inc. (NasdaqGM:PFPT)	\$1,235.9	\$164.4	(\$24.8)	7.5X	N/A	Mar-31-2014
VASCO Data Security International Inc. (NasdaqCM:VDSI)	\$435.1	\$168.9	\$22.0	2.6X	19.8X	Mar-31-2014
Summary Statistics						
High	\$1,628.8	\$422.7	\$103.9	7.5X	19.8X	
Low	\$42.3	\$52.7	(\$42.3)	0.8X	15.7X	
Mean	\$726.5	\$200.8	\$8.4	3.4X	17.7X	
Median	\$521.6	\$166.7	(\$4.3)	3.2X	17.7X	

Source: Capital IQ; stock prices as of 08/04/14

Note: TEV/EBITDA LTM multiples with N/A values indicate negative LTM EBITDA values and were not used for the Summary Statistics

Chart 4: Company Comparables Application Software (Larger Cap)

Company Name	Total Enterprise Value Latest (\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
Adobe Systems Inc. (NasdaqGS:ADBE)	\$32,380.6	\$4,105.1	\$747.8	7.9X	43.3X	May-30-2014
Ansys, Inc. (NasdaqGS:ANSS)	\$6,239.5	\$878.8	\$411.4	7.1X	15.2X	Mar-31-2014
Aspen Technology, Inc. (NasdaqGS:AZPN)	\$3,765.8	\$373.2	\$112.3	10.1X	33.5X	Mar-31-2014
Intuit Inc. (NasdaqGS:INTU)	\$20,866.5	\$4,426.0	\$1,499.0	4.7X	13.9X	Apr-30-2014
Manhattan Associates, Inc. (NasdaqGS:MANH)	\$2,162.7	\$451.5	\$123.8	4.8X	17.5X	Jun-30-2014
MICROS Systems, Inc. (NasdaqGS:MCRS)	\$4,405.4	\$1,337.9	\$262.4	3.3X	16.8X	Mar-31-2014
MicroStrategy Inc. (NasdaqGS:MSTR)	\$1,258.5	\$587.6	\$29.9	2.1X	42.1X	Jun-30-2014
PTC Inc. (NasdaqGS:PTC)	\$4,354.6	\$1,335.1	\$314.4	3.3X	13.9X	Mar-29-2014
salesforce.com, inc (NYSE:CRM)	\$35,122.4	\$4,405.1	(\$32.8)	8.0X	N/A	Apr-30-2014
Workday, Inc. (NYSE:WDAY)	\$13,908.3	\$537.0	(\$132.1)	25.9X	N/A	Apr-30-2014
Summary Statistics						
High	\$35,122.4	\$4,426.0	\$1,499.0	25.9X	43.3X	
Low	\$1,258.5	\$373.2	(\$132.1)	2.1X	13.9X	
Mean	\$12,446.4	\$1,843.7	\$333.6	7.7X	24.5X	
Median	\$5,322.5	\$1,107.0	\$193.1	5.9X	17.1X	

Chart 5: Company Comparables Application Software (Smaller Cap)

Company Name	Total Enterprise Value Latest (\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
American Software, Inc. (NasdaqGS:AMSWA)	\$200.1	\$100.6	\$16.3	2.0X	12.3X	Apr-30-2014
Exa Corporation (NasdaqGM:EXA)	\$95.7	\$55.8	\$1.1	1.7X	87.0X	Apr-30-2014
GSE Systems Inc. (AMEX:GVP)	\$7.5	\$43.9	(\$3.9)	0.2X	N/A	Mar-31-2014
Interactive Intelligence Group Inc. (NasdaqGS:ININ)	\$802.2	\$324.4	\$20.8	2.5X	38.6X	Mar-31-2014
NetSol Technologies, Inc. (NasdaqCM:NTWK)	\$41.4	\$42.8	\$4.1	1.0X	10.1X	Mar-31-2014
PROS Holdings, Inc. (NYSE:PRO)	\$685.1	\$152.1	\$3.3	4.5X	N/M	Mar-31-2014
QAD Inc. (NasdaqGS:QADA)	\$231.2	\$272.9	\$15.5	0.8X	14.9X	Apr-30-2014
Summary Statistics						
High	\$802.2	\$324.4	\$20.8	4.5X	87.0X	
Low	\$7.5	\$42.8	(\$3.9)	0.2X	10.1X	
Mean	\$294.7	\$141.8	\$8.2	1.8X	32.6X	
Median	\$200.1	\$100.6	\$4.1	1.7X	14.9X	

Source: Capital IQ; stock prices as of 08/04/14

Note: TEV/EBITDA LTM multiples with N/A values indicate negative LTM EBITDA values and were not used for the Summary Statistics

Note: TEV/EBITDA LTM multiples with N/M values indicate statistically irrelevant values and were not used for the Summary Statistics

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Chart 6: Company Comparables IT Services (Larger Cap)

Company Name	Total Enterprise Value Latest (\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
Accenture plc (NYSE:ACN)	\$46,605.8	\$29,311.7	\$4,529.5	1.6X	10.3X	May-31-2014
Cognizant Technology Solutions Corporation (NasdaqGS:CTSH)	\$26,582.0	\$9,244.8	\$1,955.0	2.9X	13.6X	Mar-31-2014
Computer Sciences Corporation (NYSE:CSC)	\$9,615.7	\$12,998.0	\$1,969.0	0.7X	4.9X	Mar-28-2014
Convergys Corporation (NYSE:CVG)	\$2,438.9	\$2,158.3	\$272.6	1.1X	8.9X	Mar-31-2014
DST Systems Inc. (NYSE:DST)	\$4,197.5	\$2,682.4	\$420.4	1.6X	10.0X	Mar-31-2014
iGATE Corporation (NasdaqGS:IGTE)	\$2,961.3	\$1,206.7	\$275.3	2.5X	10.8X	Jun-30-2014
Sapient Corp. (NasdaqGS:SAPE)	\$1,823.4	\$1,308.3	\$168.0	1.4X	10.9X	Mar-31-2014
Syntel, Inc. (NasdaqGS:SYNT)	\$3,017.4	\$880.9	\$290.5	3.4X	10.4X	Mar-31-2014
Sapient Corp. (NasdaqGS:SAPE)						
Syntel, Inc. (NasdaqGS:SYNT)	\$46,605.8	\$29,311.7	\$4,529.5	3.4X	13.6X	
Low	\$1,823.4	\$880.9	\$168.0	0.7X	4.9X	
Mean	\$12,155.3	\$7,473.9	\$1,235.0	1.9X	10.0X	
Median	\$3,607.5	\$2,420.4	\$355.5	1.6X	10.3X	

Chart 7: Company Comparables IT Services (Smaller Cap)

Company Name	Total Enterprise Value Latest w(\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
Ciber, Inc. (NYSE:CBR)	\$269.3	\$870.0	\$20.7	0.3X	13.0X	Mar-31-2014
Computer Task Group Inc. (NasdaqGS:CTG)	\$234.1	\$401.7	\$24.9	0.6X	9.4X	Jun-27-2014
Edgewater Technology Inc. (NasdaqGM:EDGW)	\$45.9	\$101.2	\$8.1	0.5X	5.7X	Jun-30-2014
EPAM Systems, Inc. (NYSE:EPAM)	\$1,662.9	\$632.8	\$98.0	2.6X	17.0X	Mar-31-2014
Internap Network Services Corp. (NasdaqGS:INAP)	\$707.5	\$309.7	\$49.0	2.3X	14.4X	Jun-30-2014
ManTech International Corporation (NasdaqGS:MANT)	\$1,029.7	\$1,974.3	\$141.2	0.5X	7.3X	Jun-30-2014
Perficient Inc. (NasdaqGS:PRFT)	\$648.2	\$391.0	\$52.3	1.7X	12.4X	Jun-30-2014
The Hackett Group, Inc. (NasdaqGM:HCKT)	\$191.5	\$200.9	\$17.2	1.0X	11.1X	Mar-28-2014
Summary Statistics						
High	\$1,662.9	\$1,974.3	\$141.2	2.6X	17.0X	
Low	\$45.9	\$101.2	\$8.1	0.3X	5.7X	
Mean	\$598.6	\$610.2	\$51.4	1.2X	11.3X	
Median	\$458.8	\$396.4	\$37.0	0.8X	11.8X	

Source: Capital IQ; stock prices as of 08/04/14

Chart 8: Company Comparables Online/ Internet/ Media (Larger Cap)

Company Name	Total Enterprise Value Latest (\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
Activision Blizzard, Inc. (NasdaqGS:ATVI)	\$16,215.6	\$4,370.0	\$1,289.0	3.7X	12.6X	Mar-31-2014
Conversant, Inc. (NasdaqGS:CNVR)	\$1,672.0	\$584.6	\$203.9	2.9X	8.2X	Mar-31-2014
IAC/InterActiveCorp (NasdaqGS:IACI)	\$5,558.1	\$2,977.9	\$510.8	1.9X	10.9X	Jun-30-2014
LinkedIn Corporation (NYSE:LNKD)	\$22,527.5	\$1,847.2	\$196.4	12.2X	114.7X	Jun-30-2014
Netflix, Inc. (NasdaqGS:NFLX)	\$24,586.1	\$4,891.7	\$416.3	5.0X	59.1X	Jun-30-2014
Shutterstock, Inc. (NYSE:SSTK)	\$2,584.1	\$257.2	\$46.9	10.0X	55.1X	Mar-31-2014
Web.com Group, Inc. (NasdaqGS:WWW)	\$1,536.8	\$528.3	\$106.2	2.9X	14.5X	Jun-30-2014
Yelp, Inc. (NYSE:YELP)	\$4,591.8	\$297.0	\$6.5	15.5X	N/M	Jun-30-2014
Summary Statistics						
High	\$24,586.1	\$4,891.7	\$1,289.0	15.5X	114.7X	
Low	\$1,536.8	\$257.2	\$6.5	1.9X	8.2X	
Mean	\$9,909.0	\$1,969.2	\$347.0	6.8X	39.3X	
Median	\$5,075.0	\$1,215.9	\$200.2	4.4X	14.5X	

Chart 9: Company Comparables Online/ Internet/ Media (Smaller Cap)

Company Name	Total Enterprise Value Latest (\$ million)	LTM Total Revenue (\$ million)	LTM EBITDA (\$ million)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date (Used for LTM Figures)
Angie's List, Inc. (NasdaqGM:ANGI)	\$427.8	\$285.8	(\$23.5)	1.5X	N/A	Jun-30-2014
Blue Nile Inc. (NasdaqGS:NILE)	\$252.4	\$456.6	\$16.4	0.6X	15.4X	Mar-30-2014
Callidus Software Inc. (NasdaqGM:CALD)	\$485.0	\$124.4	(\$0.3)	3.9X	N/A	Jun-30-2014
comScore, Inc. (NasdaqGS:SCOR)	\$1,269.5	\$294.9	\$25.3	4.3X	50.2X	Mar-31-2014
Demandware, Inc. (NYSE:DWRE)	\$1,967.2	\$115.4	(\$17.1)	17.0X	N/A	Mar-31-2014
Dice Holdings, Inc. (NYSE:DHX)	\$565.8	\$238.3	\$67.1	2.4X	8.4X	Jun-30-2014
IntraLinks Holdings, Inc. (NYSE:IL)	\$456.4	\$238.7	\$11.3	1.9X	40.4X	Mar-31-2014
LivePerson Inc. (NasdaqGM:LPSN)	\$601.5	\$191.0	\$8.2	3.1X	73.4X	Jun-30-2014
WebMD Health Corp. (NasdaqGS:WBMD)	\$2,013.9	\$536.4	\$86.8	3.8X	23.2X	Mar-31-2014
Summary Statistics						
High	\$2,013.9	\$536.4	\$86.8	17.0X	73.4X	
Low	\$252.4	\$115.4	(\$23.5)	0.6X	8.4X	
Mean	\$893.3	\$275.7	\$19.4	4.3X	35.2X	
Median	\$565.8	\$238.7	\$11.3	3.1X	31.8X	

Source: Capital IQ; stock prices as of 08/04/14

Note: TEV/EBITDA LTM multiples with N/A values indicate negative LTM EBITDA values and were not used for the Summary Statistics

Information Technology Transaction Volume

Chart 10: Application And Systems Software Transactions

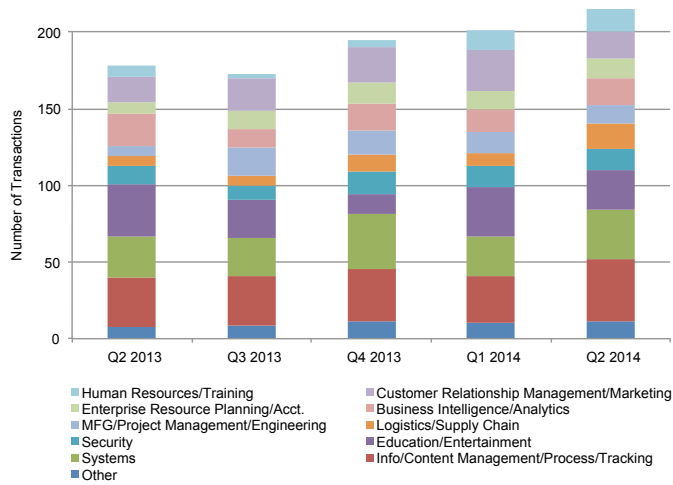


Chart 11: IT Services Transactions

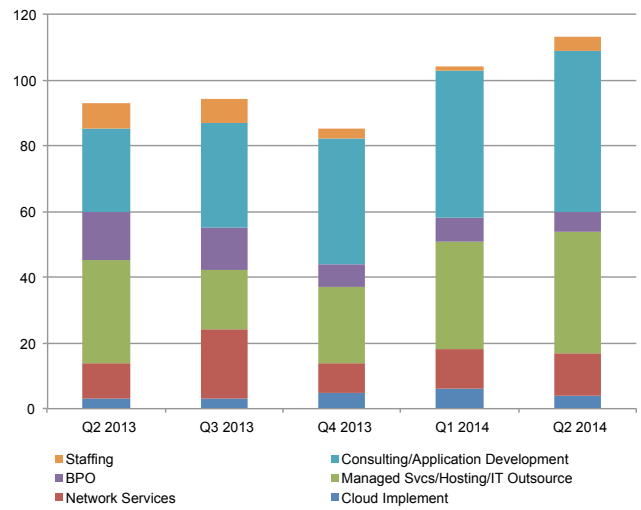


Chart 12: Internet Software and Services Transactions

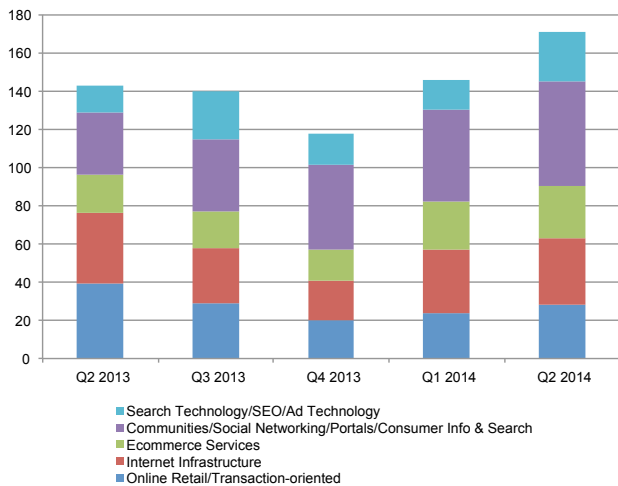


Chart 13: Software Deployment Channels

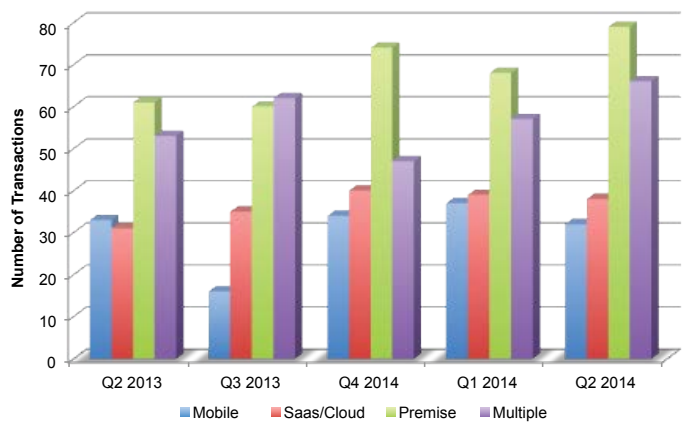
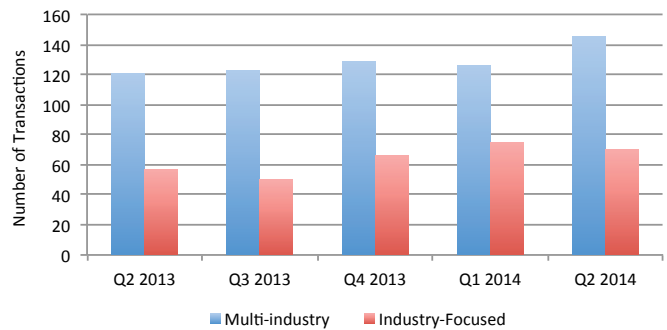


Chart 14: Industry Focus



Source: Capital IQ

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M&A Activity in the IT Sector

*Selected IT Transactions**

Software

Algorithmic Implementation, Inc. Acquires GW Micro, Inc.

Algorithmic Implementation, Inc. has acquired GW Micro, Inc. for an undisclosed amount. GW Micro, Inc. develops software and hardware solutions for blind and visually impaired individuals providing portable digital audio book players that allow people to access information for education and entertainment purposes. (May 1, 2014)

Numerex Corp. Acquires Omnilink Systems, Inc.

Numerex Corp. has acquired Omnilink Systems, Inc. for \$37.5m. Omnilink Systems, Inc. provides a Software-as-a-Service location-based services platform to track and monitor the location, safety, and condition of offenders, assets, vehicles, loved ones, fleets, and employees. It primarily serves the construction, consumer products, criminal justice, education, financial services, healthcare, insurance, manufacturing, retail, security, government, and transportation and logistics industries. (April 29, 2014)

Spire Capital Partners, LLC Acquires Accuship, Inc.

Spire Capital Partners, LLC has acquired Accuship, Inc. for an undisclosed amount. Accuship, Inc. provides transportation spend management solutions focusing on contract management, shipment management, and payment management solutions. Accuship, Inc. serves in the retail, telecommunications, pharmaceutical, distribution, and banking industries. (March 28, 2014)

ClickSoftware Technologies Ltd. Acquires Xora, Inc.

ClickSoftware Technologies Ltd. has acquired Xora, Inc., for \$14.7m. Xora Inc. is a provider of GPA Mobile Enterprise Applications offering simplification for the construction, field services, public sector, health care, transportation and distribution, and communications and utilities industries. (February 18, 2014)

Court Square Capital Partners Acquires AFS Technologies, Inc.

Court Square Capital Partners has acquired AFS Technologies, Inc. for an undisclosed amount. AFS Technologies, Inc. provides integrated business enterprise and on-demand software solutions designed to optimize the order-to-cash flow cycle and improve efficiencies across the supply chains of consumer packaged goods, food and beverage, and financial segments in the United States and internationally. (February 18, 2014)

Zaio Corporation Acquires Valuation Vision, LLC

Zaio Corporation has acquired Valuation Vision, LLC for \$1.91m. Valuation Vision, LLC provides alternative valuation products and solutions for the mortgage and investment industries offering desktop solutions for valuation and data elements for real estate professionals and broker price-opinions. (February 14, 2014)

Cadence Design Systems, Inc. Acquires C2 Design Automation, Inc.

Cadence Design Systems, Inc. has acquired C2 Design Automation, Inc. for an undisclosed amount. C2 Design Automation, Inc. provides electronic system-level (ESL) synthesis software primarily for semiconductor companies worldwide serving customers in consumer electronics, digital media, wireless communications and infrastructure, security, and other industries. (February 5, 2014)

Microsoft Dynamics, Inc. Acquires Parature, Inc.

Microsoft Dynamics, Inc. has acquired Parature, Inc. for \$100m. Parature, Inc. provides Software-as-a-Service based social and customer engagement software solutions for mid-market and enterprise businesses, and end users worldwide. (January 6, 2014)

IT Services

LogMeIn, Inc. Acquires Ionia Corporation

LogMeIn, Inc. has acquired Ionia Corporation for \$7.5m. Ionia Corporation operates as a system integrator specializing in connected solutions offering business services that help users in designing connected solutions; IoT Platform-as-a-Service that provides services and tools to create products and solutions on the Internet of Things, and life-cycle management services to developers; and systems integration services. (April 30, 2014)

Velocity Technology Solutions, Inc. Acquires TITAN Technology Partners Ltd.

Velocity Technology Solutions, Inc. has acquired TITAN Technology Partners Ltd. for \$80m. TITAN Technology Partners Ltd. operates as a consulting, technology services, and outsourcing company in the United States and internationally. It provides cloud-based hosting, application managed services, and business process outsourcing for human resources/payroll, enterprise performance management (EPM), and enterprise resource planning (ERP) solutions for Oracle and SAP platforms serving the financial services, retail and leisure, healthcare and life sciences, manufacturing, energy, business services, and engineering and construction industries. (April 1, 2014)

ICF International, Inc. Acquires CITYTECH, Inc.

ICF International, Inc. has acquired CITYTECH, Inc. for an undisclosed amount. CITYTECH, Inc. operates in enterprise application development, Web experience management, mobile application development, e-commerce, and cloud managed services in the healthcare, consumer product goods, green energy, insurance/risk management, legal, telecommunications, broadcast and media, sports, manufacturing, media and publishing, government, finance, education, pharmaceuticals, creative, and public sectors. (February 26, 2014)

Boston Financial Data Services, Inc. Acquires The Colbent Corporation

Boston Financial Data Services, Inc. has acquired The Colbent Corporation for an undisclosed amount. The Colbent Corporation provides transaction processing, data management, shareholder reporting, and other backroom services for transfer agents, corporate issuers, mutual funds, insurance companies, and other organizations. (February 3, 2014)

Internet Software and Services

Tech Mahindra Ltd. Acquires FixStream Network, Inc.

Tech Mahindra Ltd. has acquired FixStream Network, Inc. for \$10m. FixStream Network, Inc. offers a technology platform that manages data and correlates application instances, storage, flows, paths, and network services which visualizes and analyzes the physical and logical infrastructure for each individual application in a data-center. (April 21, 2014)

Blucora, Inc. Acquires HowStuffWorks, LLC

Blucora, Inc. has acquired HowStuffWorks, LLC for \$45m. HowStuffWorks, LLC publishes online information on auto, consumer guide automotive, consumer guide products, computers, electronics, entertainment, health, money, people, science, travel, videos, adventure, culture, home and garden, lifestyle, and technology. (April 21, 2014)

Mobivity Holdings Corp. Acquires SmartReceipt, Inc.

Mobivity Holdings Corp. has acquired SmartReceipt, Inc. for \$3.42m. SmartReceipt, Inc. provides customer engagement solutions for the retail and foodservice industries by enabling retailers to create, manage, and execute targeted promotional programs as well as providing installation services. (January 21, 2014)

Permira Advisers Ltd. Acquires LegalZoom.com, Inc.

Permira Advisers Ltd. has acquired LegalZoom.com, Inc. for \$215.6m. LegalZoom.com, Inc. provides personalized online legal solutions for families and small businesses in the United States offering services for starting businesses, trademarks, website terms and conditions, corporate changes/filings, patents, copyrights, bankruptcy, divorce, name change, wills, pre-nuptial agreements, etc. (January 6, 2014)

Source: Transaction material sourced from S&P Capital IQ Database

Recently Closed Transactions

This announcement appears as a matter of record only




has been sold to




The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to Forgentum.




This announcement appears as a matter of record only



has made a Growth Equity Investment in



The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to LbGlobalLaw, LLC.



“Through its disciplined process FOCUS leveraged its database of prospective mezzanine and growth equity investors and obtained multiple investment proposals ranging from mezzanine debt structures to control acquisitions.

Their assistance preparing a comprehensive information memorandum describing our unique business model and helping us manage the negotiations and due diligence process was invaluable.” **Steve French, CEO, LbGlobalLaw**

“We are very excited about this new chapter. Fulcrum’s culture and history of performance in DoD application development, integration and operational support are well known. Joining Fulcrum will open additional opportunities for our employees and will allow us to expand our solutions. We are thankful for FOCUS’ advice and support in making this transition run as smoothly as it did.” **Lyn Hurd, CEO and Co-Founder, Forgentum**

This announcement appears as a matter of record only



has acquired



The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to TÜV Rheinland.



This announcement appears as a matter of record only



has completed acquisition of



The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to Software Paradigms International Group, LLC.



This announcement appears as a matter of record only.



has acquired



The undersigned assisted in the negotiations and acted as financial advisor to NAVIS.



This announcement appears as a matter of record only.



has acquired



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Telesis Corporation.



This announcement appears as a matter of record only.



has acquired certain assets of



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Digital Intelligence Systems Corporation.



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Recently Closed Transactions

This announcement appears as a matter of record only.



has been acquired by



The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to SBC Systems Company, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.




has been acquired by



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Emerging Solutions.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has acquired




The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Omnitech Infosolutions, Ltd.

FOCUS
Investment Banking

This announcement appears as a matter of record only.




has received a revolving line of credit from




The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to GCP, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been recapitalized by



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Tribridge.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been recapitalized by



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to FutureTech Holding Company.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has acquired



a portfolio company of

CERBERUS


The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Glodyne Technoserve, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has executed an exclusive software license with




for the technology to be used in

NextTrack

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Crossroads RMC.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has sold certain assets to



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to TouchStar Software.

FOCUS
Investment Banking

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Recently Closed Transactions

This announcement appears as a matter of record only.



has sold its assets to



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Pepperweed Advisors.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been acquired by



a division of



Listed: CSU TorontoStock Exchange

The undersigned initiated the transaction, assisted in the negotiations and acted as financial advisor to Global Software.

FOCUS
Investment Banking

This announcement appears as a matter of record only.

The Microsoft Business of



has been acquired by

Dell Corporation

The undersigned represented, assisted in the negotiations and acted as financial advisor to Allin Corporation.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been recapitalized by



\$8,000,000 Series A Preferred Stock

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Agentek, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been sold to



The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Vertex Solutions.

FOCUS
Investment Banking

This announcement appears as a matter of record only.




has acquired




The undersigned initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Pradot.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been acquired by



We acted as financial advisor to and assisted with the negotiations as the representative of Advanced Control Systems.

FOCUS
Investment Banking

This announcement appears as a matter of record only.

Dunn Solutions Group

has been sold to



Cranes Software International, Inc.

We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Dunn Solutions Group.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been sold to



We acted as financial advisor to and assisted with the negotiations as the representative of Apply Yourself Recruiting Solutions


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Recently Closed Transactions

This announcement appears as a matter of record only.

 **COMM-WORKS®**
A portfolio company of Morgenthaler


M
MORGENTHAUER

has acquired



We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Intellex.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has acquired certain ownership interests in



We acted as financial advisor to, and assisted with the negotiations as the representative of Blue Canopy.

FOCUS
Investment Banking

This announcement appears as a matter of record only.


We won't rest.

Diebold, Inc. (NYSE: DBD)

has acquired certain ownership interests in




Eras JV

We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Diebold, Inc.


FOCUS
Investment Banking

This announcement appears as a matter of record only.



Computer Networks and Software, Inc.

has been sold to



Strategic Defense Alliance Corp.

We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Computer Networks and Software, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has acquired



We originated this transaction, acted as financial advisor to and assisted with the negotiations as the representative of Cambridge Systems, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been sold to




TouchStar Software


We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Digisoft Computers, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



has been sold to



APPLIED DIGITAL

We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of eXI Wireless Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



Global Science & Technology, Inc.

has acquired



TMC TECHNOLOGIES, INC.

We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Global Science & Technology, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.


Our Success Follows Yours

has acquired

Strategic Management Initiatives, Inc.

We initiated the transaction, acted as financial advisor to and assisted with the negotiations as the representative of CALIBRE Systems, Inc.

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Recently Closed Transactions

This announcement appears as a matter of record only.

Versient, Inc.

has been sold to

The Shamrock Companies

We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as representative of Versient, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.



Sigmaworx, Inc.

has been sold to

TouchStar 

We initiated negotiations and acted as financial advisor to Sigmaworx, Inc.

FOCUS
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This announcement appears as a matter of record only.



has been sold to

GUIDEMORE, INC.

We initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of Topaz Technologies, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.

TouchStar 

has acquired



The undersigned initiated the transaction, acted as financial advisor to, and assisted with the negotiations as the representative of TouchStar Software.

FOCUS
Investment Banking

FOCUS Information Technology Team



George M. Shea

Partner and Information Technology Team Leader, Jacksonville, FL
George.Shea@focusbankers.com
404-963-8253

Mr. Shea has over 30 years of broad IT industry experience in acquisitions and divestitures, corporate finance, business development, strategic planning, marketing, sales, and operations.



Manan K. Shah

Partner and Co-Leader, Information Technology Team, Washington, DC
mshah@focusbankers.com
202-470-1980

Mr. Shah has over 20 years of consulting, management and M&A advisory experience in the government, aerospace, defense, business process outsourcing, software and information technology sectors.



John T. Bradshaw

Partner, Bend, OR
John.Bradshaw@focusbankers.com
541-306-6451

Mr. Bradshaw has over 30 years of experience in manufacturing, finance and systems engineering with corporations specializing in technology-driven business products and services.



David M. Braitsch

Senior Advisor, Rochester, NY
braitsch@rochester.rr.com
585-507-2212

Prior to joining FOCUS, Senior Advisor David Braitsch was the former Director of Intellectual Property Asset Management for the Eastman Kodak Company, a (founding) member of Kodak's Licensing Group, and previously served as Manager for Intellectual Property for R&D.



Richard C. Cook

Senior Advisor, Atlanta
dickcook51@bellsouth.net
404-409-7909

Prior to joining FOCUS, Mr. Cook was Director, President and Chief Executive Officer of MAPICS, Inc. following a 25-year career with IBM.



John Slater

Partner and Capital Financing Team Leader, Memphis, TN
901-684-1274
john.slater@focusbankers.com

John Slater has 28 years of M&A and capital raising experience. Mr. Slater has served clients in industries ranging from information technology and software based services, telecom, broadband distribution, digital media, and business services to manufacturing, health care, and distribution logistics.

About FOCUS Investment Banking LLC

FOCUS Investment Banking LLC provides a range of middle market investment banking services with an emphasis on mergers, acquisitions, divestitures and corporate finance. FOCUS is a national firm serving clients from offices in major cities across the United States. FOCUS specializes in business units with transactions or revenues in the \$5-300 million range, serving entrepreneurs, corporate owners and various types of investors across a broad range of industries, throughout the U.S. and worldwide. FOCUS bankers are seasoned operating and financial executives with extensive transaction experience. Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker/Dealer and member FINRA/SIPC. For more information on FOCUS, visit www.focusbankers.com.

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