

FOCUS Information Technology Group

Fall 2013 Report

Vol. 5, No. 2

FOCUS

Investment Banking

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FOCUS Investment Banking LLC is a leading investment bank with specialized software and information technology services expertise, concentrating on providing three highly-tailored services to emerging middle market and larger organizations in this sector:

Sellside Assignments

Buy Engagements

Capital Formation

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FOCUS Information Technology Group

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

The current year continues to be an active period for the FOCUS Information Technology Group, as we are executing significant mandates in the Information Security, Google Apps, Managed Services, Application Development, IT Outsourcing, and Retail Software areas. We are seeing three important trends:

1. **Major uptick in both domestic and foreign buy-side activity**—especially active are middle market U.S. firms in the \$50M-\$200M revenue range looking to deploy excess cash to make acquisitions in order to scale their business toward a liquidity event, and large foreign corporations—especially European firms—looking to execute platform acquisitions in the United States in high-growth areas such as Information Security.
2. **Emergence of Private Equity Groups as a major buying force**, especially in software, and also in IT Services firms with strong, recurring, and predictable revenue streams in areas such as Managed Services and Google Apps. Tech-savvy PEGS are now ahead of the knowledge curve in certain emerging markets, and are making offers that are often comparable, and sometimes superior, to those made by strategic buyers.
3. **Buyer due diligence is more invasive and time-consuming than ever**, presenting a real time management problem for smaller sellers with limited resources. Advanced preparation, electronic data rooms, and audited financials all go a long way toward easing the burden here.

This Fall 2013 edition of the *FOCUS Information Technology Group Report* features three articles examining various aspects of managing a business in a Governance, Risk, and Compliance regulatory world (see pages 3-6). The report also provides in-depth market analysis and

an inventory of transactions across the Information Technology sector during the second quarter of 2013.

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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Develop a GRC Framework

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

Large companies in regulated industries such as financial services and healthcare generate and consume reams of data about their customers, business operations, and the markets at large. Traditionally, these companies capture data in “information silos,” often with different legacy systems and formats leading to security issues. Improving data security requires major process changes, and automatically moves data management into the top of the priority list for IT spending.

The Governance and Risk Compliance market is fragmented and growing quickly so the selection of the right solutions partner can be difficult. A number of key players have entered the market or augmented their service offerings through acquisitions. These include:

- IBM, through its acquisition of Open Pages and its business analytics capabilities
- Thomson Reuters, by acquiring WeComply, a compliance e-learning provider
- EMC’s acquisition of software leader Archer
- SAI Global’s acquisition of Compliance 360
- British-based Wilmington Group’s acquisition of information services provider Compliance Week thereby entering the Enterprise GRC market in the United States.

GRC as a Data Security Solution

To secure their data, companies must adopt their own Governance and Risk Compliance (GRC) Framework that clearly defines their governance, risk management, and compliance processes.

Having a GRC Framework in place enables corporate executives to respond to regulators, customers, and investors who want details about how their company identifies, manages, and controls risks to their business operations.

In today’s era of Big Data and the coincident rise of data regulation, the importance of protecting sensitive data and delivering better customer experiences grows every day. For companies in regulated industries, the treatment of data is not a strategic choice; rather it’s a mandated requirement. Myriad complex compliance and reporting issues require major process changes, and moves data management into the top of IT spending priorities.

Developing a GRC Framework involves internal corporate stakeholders including Chief Risk Officers, Chief Compliance Officers, Chief Information Security Officers, GRC domain-specific consultants, and even your internal auditors.

Here is an overview of industry best practices for developing a GRC Framework for your company:

Define Governance Processes

Governance processes specify the management approach over an entire company. The processes dictate how senior management directs and controls day-to-day business operations through preset management information and control structures. These governance steps ensure that senior management receives the most accurate business information from which to make appropriate management decisions.

Here is a typical set of governance processes:

1. Document current governance processes and risks inherent to the business operations and even their industry as a whole.
2. Define and document Internal Controls that insure the accuracy of the company’s accounting and financial data.
3. Assess the effectiveness of Internal Controls using an internal management assessment and an outside auditor for a follow up assessment.
4. Certify governance processes using an internal auditor, GRC consulting firm, or outside auditor.
5. Remediate any issues found during the assessment of the governance processes.

Governance processes must be formally documented, approved, and placed into a secure document management system for version control purposes.

Define Risk Management Processes

Risk management processes govern how companies identify, manage, and contain risks that are inherent to their business operations. This is a major concern for any company that operates in a regulated market. Defining risk management processes requires input from internal departments and most often from a GRC specialty consulting firm and/or an auditor.

Here is a high-level process for defining risk management processes:

1. Identify and categorize risk through upfront and ongoing analysis. Risks are specific to a company and include such things as workplace accidents, legal risks, project risks, and financial risks.

2. Assessing risk is often loosely defined and focuses on the expected consequences of such risks to business operations and the company's fiscal health.
3. Mitigate risk by focusing on how the business can reduce risks in their business operations.
4. Contain risk by focusing on changes in technology and processes that can remove a risk item from being a concern to the business.

Companies need to document, approve, and place Risk Management processes into a secure document management system for version control purposes.

Define Compliance Processes

Compliance processes within an overall GRC Framework ensure that business operations comply with program regulations. Defining compliance processes can take on many forms and requires cooperation and collaboration among the company's process owners.

Here is a high level process for defining compliance processes:

1. Define and document current Internal Controls to keep the business in compliance with outside regulations.
2. Assess the effectiveness of Internal Controls through

internal testing that involves an internal auditor, outside GRC consulting firm, and an internal team.

3. Define and certify compliance processes.
4. Remediate Issues that the team discovers when defining and certifying compliance processes.

Compliance processes should be formally documented, approved, and placed into a secure document management system for version control purposes.

Value of an Integrated GRC Approach

It's possible to support multiple compliance programs with a minimum of redundancy through using an integrated GRC approach to achieve compliance. An integrated GRC approach includes standard GRC and technologies with control through an information technology framework. Typical technologies in an integrated GRC approach include business intelligence, real time analytics, and Enterprise Resource Planning (ERP) systems.

Conclusion

Developing an effective GRC Framework for your company requires the marshaling of multiple internal corporate resources and most often an outside GRC domain-specific consulting firm and a third party auditor.

Use Data Masking as a GRC Solution

By Manan K. Shah, Partner and Co-Leader Information Technology Team, FOCUS Investment Banking LLC

Data masking, sometimes called de-identification, obfuscation, or redaction, is data security technology that is an ideal fit into an overall Governance, Risk Management, and Compliance (GRC) strategy. It's an economical method for creating an inauthentic but structurally similar version of business data for use in user training or software testing, thus reducing risk. The data masked version of the data is a completely functional substitute for corporate data and protects live production data.

Data security is a major element of many leading regulatory and compliance programs. Security breaches targeting customer data have made negative news headlines for Twitter (technology company), Central Hudson Gas & Electric (utility company), and Lucile Packard Children's Hospital at Stanford in 2013. Data is increasingly being viewed as an asset, and data masking has become a strong tool for decision-making purposes and an emerging GRC solution.

The analyst firm Gartner began covering the data masking market in 2012 with a Magic Quadrant Analysis. They estimate the current size of the static data masking market to be \$130 million (2012) with 50 percent of the target market adopting it by 2016.

Regulations calling for the protection of sensitive financial and personal data include:

- Health Insurance Portability and Accountability Act (HIPAA)
- Gramm-Leach-Bliley
- Sarbanes-Oxley
- Various state privacy laws
- Privacy laws outside the United States (a concern for multinational corporations)

Data Masking Techniques

Data masking as a security solution for GRC can take multiple approaches including static (masking production data in advance of its use) or dynamic (masking production data in real time).

While security controls are in place over production data residing in enterprise storage or in backend systems, data in use for operations can be less secure. This is doubly true if operations are outsourced to an offshore or onshore third party.

A data masking solution de-identifies specific data elements:

- Character substitution
- Word substitution
- Encryption
- Secure lookup
- Segmented mapping

Hackers *cannot* reverse-engineer changes made by a data masking solution to corporate data.

Typical Data Masking Solution Features

Data masking solutions are an emerging market right now. Here are some considerations when seeking a data masking solution for your company:

- Automated identification of sensitive data
- Automated creation of masked test data
- Enables data sharing amongst partners and outside vendors
- Support for rapid implementation
- Scalability for the enterprise
- Pre-populated profiles to get your data masking solution live within your enterprise quickly
- Platform-agnostic technology such as Java and XML conforming to your data refresh processes

- Integration with network security platforms such as LDAP, Microsoft Active Directory, Kerberos, and Siteminder

Support for your company's data types means seeking a data masking solution that supports the major relational databases your company has in place (Oracle, DB2, Microsoft SQL Server, MySQL, and Teradata), binary files such as Excel spreadsheets, and ASCII files (fixed width, delimited, .csv).

Data Masking and the Cloud

With more companies seeking to cut infrastructure costs by moving more of their systems to the cloud, data masking technologies should be in place to mask confidential corporate data used for testing purposes in the cloud because of the potential security risks involved in transferring such data off the corporate enterprise network to the public cloud.

Data Masking as Part of an Overall GRC Solution

Data masking technologies and the related expertise should become a requirement when selecting a GRC-specific consulting company to support your company's compliance efforts.

The combination of a data masking technology and related consulting services means support through all aspects of designing and implementing data masking programs tailored to a client's particular requirements. These include data masking solution integration with custom software, metadata applications, and Extract Transform Load (ETL) tools.

Conclusion

Data masking is an emerging technology that helps you enforce your data security on the information you classify as confidential corporate and financial data.

Manage BYOD in a GRC World

By John T. Bradshaw, Partner, FOCUS Investment Banking LLC

Bring Your Own Device (BYOD) has been a catalyst for a new IT revolution. CNET TechRepublic's BYOD Business Strategy Survey reveals that 62 percent of companies either allow Bring Your Own Device, or plan to by the end of 2013. However, the prospect of employees using their personal mobile devices to access corporate resources might seem contrary to existing Governance, Risk, and Compliance regulations.

Some regulated environments can be ideal for BYOD. For example, the Health Insurance Portability Accessibility Act (HIPAA), Sarbanes Oxley (SOX), and other governance and compliance programs set security standards and policies to protect confidential corporate and financial data.

How Corporate Compliance and Governance Accommodates BYOD

BYOD raises potential security and compliance concerns in a number of ways. Here is an overview of how BYOD factors into major compliance programs:

HIPAA

BYOD and HIPAA are possible through appropriate technology choices including:

- Virtual Desktop Infrastructure (VDI), which creates a secure encrypted tunnel to a secure PC desktop residing on a server
- Two-level security on enterprise applications storing patient data
- Mobile Device Management (MDM) solution for the remote wiping of data off mobile devices

BYOD in a HIPAA-compliant environment requires ongoing audits of mobile device and network security. No patient data resides on mobile devices in a HIPAA compliant environment.

Payment Card Industry Data Security Standard (PCI-DSS)

BYOD compliance with PCI-DSS is a bit tougher because of the mandate that cardholder data never contact an employee's personal device. If there is even a slim chance of cardholder data contacting employee personal devices, then strict PCI compliance must be enforced on the employee's mobile device. In fact, PCI compliance must extend from the employee's device to the corporate server.

SOX

For SOX and BYOD to coexist, a solution to secure corporate data and keep it off personal devices is necessary. The concept of the "data less tablet" or smartphone that can meet SOX security requirements is now possible. For example, VMware is now offering a mobile Hypervisor virtualization solution as part of their VMware Horizon product line that keeps all corporate data and access points inside a secure virtual container. An administrator can wipe that virtual container remotely if the device is lost/stolen, or the employee leaves the company.

Such technology solutions still require a documented BYOD user policy and suitable network security to complete a SOX-compliant BYOD solution.

BASEL III

Financial services firms who are BASEL III compliant should work with a third party risk management firm or auditor to determine the right mobile and network security solution compliant with their industry regulations. There are stiff penalties for falling out of compliance with BASEL III.

Dodd-Frank

A July 3, 2013 article by Greg Buckles on eDiscovery-Journal.com states, "Essentially, Dodd-Frank 'could' blow the lid off of the BYOD/cloud Pandora's box. Too many litigants rely on a Don't-Ask-For-Mine quid pro quo strategy to ignore these new, complicated data sources." Later on in the article, Buckles reminds us that only 37 percent of the Dodd-Frank rules had been finalized when the article was published.

Gramm-Leach-Bliley (GLBA)

Conducting a technical and financial feasibility study of BYOD in your financial services organization to set a secure technology, policy, and management strategy is necessary for GLBA compliance.

Being GLBA-compliant brings with it a strict reporting process if a BYOD device containing customer information is lost or stolen. The reporting chain includes:

- Office of the Comptroller of the Currency
- Federal Reserve Board
- Federal Deposit Insurance Corporation
- Office of Thrift Supervision

Successful Management of BYOD for GRC

Having a thriving BYOD initiative and adhering to a compliance program requires the right mix of technology, security, policy, and management. This means real time reporting of device activity inside the network combined with documented acceptable use policies are the most common requirements for BYOD devices to be compliant with these programs.

Regardless of the compliance program, BYOD education is imperative to teach employees about BYOD security to ensure that any corporate interactions they make using their personal devices avoid the risk of exposing sensitive corporate data.

MDM solutions, providing security policy control, remote location, and remote wiping of corporate data off personal devices constitute a key security element for ensuring that BYOD meets compliance regulations.

The traditional BYOD program framework including preplanning, documented BYOD policy in place, data governance, and ongoing mobile and network endpoint security also take on added importance in meeting regulatory compliance.

COPE vs. BYOD for Compliance

Corporate Owned Personally Enabled (COPE) is another option to have your mobile users adhere to compliance regulations while giving them some choices in the devices they use for work. With COPE, a company owns the device, but the employees can choose their device from a list of supported devices and then configure it for themselves.

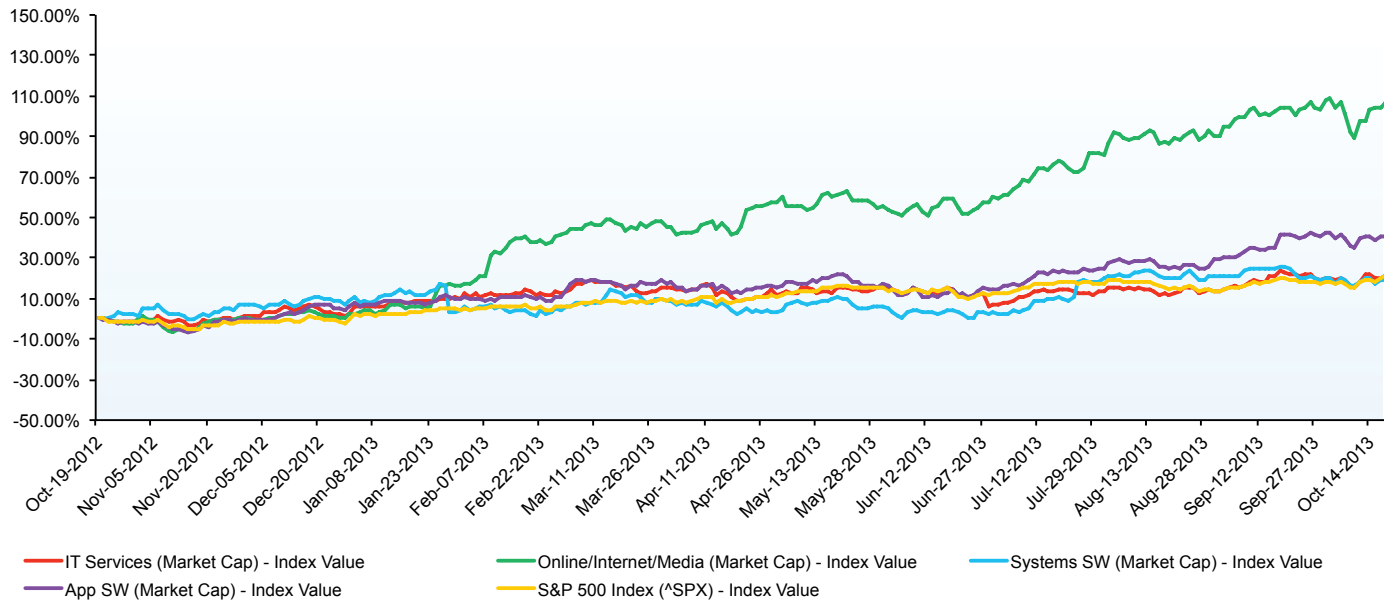
COPE is a compromise for enterprises that don't want to go with BYOD. Going with COPE removes such security concerns as jail-broken Android phones, diverse operating system versions, and side loaded apps. In fact, some analysts see COPE overtaking BYOD in highly regulated industries such as healthcare or financial services (PCI-DSS in particular).

Conclusion

Regulatory and compliance programs contribute to a more secure and robust BYOD initiative because they offer strict guidelines over corporate data security.

IT Market Analysis

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



Source: Capital IQ

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Chart 2: Company Comparables IT Services (Larger 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)
Accenture plc (NYSE:ACN)	\$41,210.5	\$28,562.8	\$4,659.7	1.4X	8.8X	May-31-2013
Cognizant Technology Solutions Corporation (NasdaqGS:CTSH)	\$22,947.8	\$8,021.9	\$1,674.3	2.9X	13.7X	June-30-2013
Computer Sciences Corporation (NYSE:CSC)	\$8,555.0	\$14,620.0	\$2,125.5	0.6X	4.0X	June-28-2013
Convergys Corporation (NYSE:CVG)	\$1,496.6	\$2,014.2	\$231.8	0.7X	6.5X	June-30-2013
DST Systems Inc. (NYSE:DST)	\$3,860.5	\$2,630.1	\$390.8	1.5X	9.9X	June-30-2013
iGATE Corporation (NasdaqGS:IGTE)	\$2,656.0	\$1,123.2	\$254.7	2.4X	10.4X	Sept-30-2013
Sapient Corp. (NasdaqGS:SAPE)	\$1,955.5	\$1,188.6	\$152.8	1.6X	12.8X	June-30-2013
Syntel, Inc. (NasdaqGS:SYNT)	\$3,216.4	\$789.3	\$262.1	4.1X	12.3X	Sept-30-2013
Summary Statistics						
High	\$41,210.5	\$28,562.8	\$4,659.7	4.1X	13.7X	
Low	\$1,496.6	\$789.3	\$152.8	0.6X	4.0X	
Mean	\$10,737.3	\$7,368.8	\$1,219.0	1.9X	9.8X	
Median	\$3,538.5	\$2,322.2	\$326.5	1.6X	10.2X	

Chart 3: 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)	\$243.7	\$889.5	\$28.0	0.3X	8.7X	June-30-2013
Computer Task Group Inc. (NasdaqGS:CTGX)	\$305.1	\$430.0	\$26.6	0.7X	11.5X	June-28-2013
Edgewater Technology Inc. (NasdaqGM:EDGW)	\$51.8	\$92.5	\$3.5	0.6X	14.8X	June-30-2013
EPAM Systems, Inc. (NYSE:EPAM)	\$1,675.3	\$493.0	\$84.7	3.4X	19.8X	June-30-2013
Internap Network Services Corp. (NasdaqGS:INAP)	\$503.1	\$277.6	\$49.4	1.8X	10.2X	June-30-2013
ManTech International Corporation (NasdaqGS:MANT)	\$1,084.0	\$2,518.0	\$186.6	0.4X	5.8X	June-30-2013
Perficient Inc. (NasdaqGS:PRFT)	\$685.5	\$334.7	\$39.9	2.0X	17.2X	June-30-2013
The Hackett Group, Inc. (NasdaqGM:HCKT)	\$231.2	\$210.0	\$19.3	1.1X	12.0X	June-28-2013
Summary Statistics						
High	\$1,675.3	\$2,518.0	\$186.6	3.4X	19.8X	
Low	\$51.8	\$92.5	\$3.5	0.3X	5.8X	
Mean	\$597.5	\$655.7	\$54.8	1.3X	12.5X	
Median	\$404.1	\$382.4	\$34.0	0.9X	11.7X	

Source: Capital IQ; stock prices as of 10/19/2013

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 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)	\$15,217.1	\$4,984.0	\$1,876.0	3.1X	8.1X	June-30-2013
IAC/InterActiveCorp (NasdaqGS:IACI)	\$4,516.9	\$3,021.4	\$478.9	1.5X	9.4X	June-30-2013
LinkedIn Corporation (NYSE:LNKD)	\$28,521.4	\$1,244.0	\$158.7	22.9X	179.7X	June-30-2013
Netflix, Inc. (NasdaqGS:NFLX)	\$19,070.5	\$3,943.7	\$171.9	4.8X	110.9X	June-30-2013
Shutterstock, Inc. (NYSE:SSTK)	\$2,382.2	\$199.3	\$43.4	12.0X	54.9X	June-30-2013
ValueClick, Inc. (NasdaqGS:VCLK)	\$1,453.2	\$685.7	\$217.9	2.1X	6.7X	June-30-2013
Web.com Group, Inc. (NasdaqGS:WWW)	\$2,124.6	\$453.2	\$81.3	4.7X	26.1X	June-30-2013
Yelp, Inc. (NYSE:YELP)	\$4,787.4	\$178.7	-\$2.1	26.8X	N/A	June-30-2013
Summary Statistics						
High	\$28,521.4	\$4,984.0	\$1,876.0	26.8X	179.7X	
Low	\$1,453.2	\$178.7	-\$2.1	1.5X	7.5X	
Mean	\$9,759.2	\$1,838.8	\$378.3	9.7X	56.6X	
Median	\$4,652.2	\$964.9	\$165.3	4.8X	26.1X	

Chart 5: 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)	\$849.5	\$199.6	(\$34.3)	4.3X	N/A	June-30-2013
Blue Nile Inc. (NasdaqGS:NILE)	\$444.2	\$431.1	\$15.5	1.0X	28.7X	June-30-2013
Callidus Software Inc. (NasdaqGM:CALD)	\$437.2	\$100.6	(\$14.5)	4.3X	N/A	June-30-2013
comScore, Inc. (NasdaqGS:SCOR)	\$956.7	\$271.4	\$21.7	3.5X	44.1X	June-30-2013
Demandware, Inc. (NYSE:DWRE)	\$1,453.5	\$88.7	(\$12.0)	16.4X	N/A	June-30-2013
Dice Holdings, Inc. (NYSE:DHX)	\$493.8	\$203.2	\$66.6	2.4X	7.4X	June-30-2013
IntraLinks Holdings, Inc. (NYSE:IL)	\$539.6	\$224.9	\$2.7	2.4X	199.9X	June-30-2013
LivePerson Inc. (NasdaqGM:LPSN)	\$447.0	\$167.9	\$12.5	2.7X	35.8X	June-30-2013
Responsys, Inc. (NasdaqGS:MKTG)	\$748.5	\$183.2	\$16.8	4.1X	44.6X	June-30-2013
WebMD Health Corp. (NasdaqGS:WBMD)	\$1,364.4	\$488.3	\$53.4	2.8X	25.6X	June-30-2013
Summary Statistics						
High	\$1,453.5	\$488.3	\$66.6	16.4X	199.9X	
Low	\$437.2	\$88.7	(\$34.3)	1.0X	7.4X	
Mean	\$773.4	\$235.9	\$12.8	4.4X	55.1X	
Median	\$644.1	\$201.4	\$14.0	3.2X	35.8X	

Source: Capital IQ; stock prices as of 10/19/2013

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

Chart 6: Company Comparables Systems Software (Larger 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)
Check Point Software Technologies Ltd. (NasdaqGS:CHKP)	\$10,233.3	\$1,363.8	\$765.2	7.5X	13.4X	June-30-2013
Fortinet Inc. (NasdaqGS:FTNT)	\$2,781.6	\$570.7	\$103.2	4.9X	27.0X	June-30-2013
Red Hat, Inc. (NYSE:RHT)	\$7,339.8	\$1,429.2	\$289.0	5.1X	25.4X	Aug-31-2013
Splunk, Inc. (NasdaqGS:SPLK)	\$6,200.0	\$241.4	(\$34.8)	25.7X	N/A	July-31-2013
Symantec Corporation (NasdaqGS:SYMC)	\$16,068.7	\$6,947.0	\$1,904.0	2.3X	8.4X	June-28-2013
VMware, Inc. (NYSE:VMW)	\$30,102.6	\$4,861.4	\$1,228.1	6.2X	24.5X	June-30-2013
Summary Statistics						
High	\$30,102.6	\$6,947.0	\$1,904.0	25.7X	27.0X	
Low	\$2,781.6	\$241.4	(\$34.8)	2.3X	8.4X	
Mean	\$12,121.0	\$2,568.9	\$709.1	8.6X	19.7X	
Median	\$8,786.6	\$1,396.5	\$527.1	5.7X	24.5X	

Chart 7: 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)	\$45.1	\$68.8	(\$10.0)	0.7X	N/A	June-30-2013
Imperva Inc. (NYSE:IMPV)	\$918.2	\$118.1	(\$12.0)	7.8X	N/A	June-30-2013
Infoblox Inc. (NYSE:BLOX)	\$2,231.4	\$225.0	\$3.5	9.9X	637.5X	April-30-2013
NetScout Systems, Inc. (NasdaqGS:NTCT)	\$1,076.0	\$363.5	\$80.9	3.0X	13.3X	June-30-2013
Proofpoint, Inc. (NasdaqGM:PFPT)	\$996.6	\$118.3	(\$14.4)	8.4X	N/A	June-30-2013
VASCO Data Security International Inc. (NasdaqCM:VDSI)	\$205.5	\$147.8	\$18.2	1.4X	11.3X	June-30-2013
Summary Statistics						
High	\$2,231.4	\$363.5	\$80.9	9.9X	637.5X	
Low	\$45.1	\$68.8	(\$14.4)	0.7X	11.3X	
Mean	\$912.1	\$173.6	\$11.0	5.2X	220.7X	
Median	\$957.4	\$133.1	(\$3.3)	5.4X	13.3X	

Source: Capital IQ; stock prices as of 10/19/2013

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

Chart 8: 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)	\$24,664.9	\$4,167.0	\$970.1	5.9X	25.4X	Aug-30-2013
Ansys, Inc. (NasdaqGS:ANSS)	\$7,351.4	\$830.2	\$388.0	8.9X	18.9X	June-30-2013
Aspen Technology, Inc. (NasdaqGS:AZPN)	\$3,069.8	\$311.4	\$59.7	9.9X	51.4X	June-30-2013
Intuit Inc. (NasdaqGS:INTU)	\$18,271.7	\$4,171.0	\$1,465.0	4.4X	12.5X	July-31-2013
Manhattan Associates, Inc. (NasdaqGS:MANH)	\$1,728.7	\$390.3	\$92.5	4.4X	18.7X	June-30-2013
MICROS Systems, Inc. (NasdaqGS:MCRS)	\$3,271.5	\$1,268.1	\$252.4	2.6X	13.0X	June-30-2013
MicroStrategy Inc. (NasdaqGS:MSTR)	\$814.4	\$589.0	\$29.3	1.4X	27.8X	June-30-2013
PTC Inc. (NasdaqGS:PMTC)	\$3,311.2	\$1,274.0	\$252.9	2.6X	13.1X	June-29-2013
salesforce.com, inc (NYSE:CRM)	\$34,059.9	\$3,472.8	\$72.4	9.8X	470.4X	July-31-2013
Workday, Inc. (NYSE:WDAY)	\$13,119.1	\$353.3	(\$100.3)	37.1X	N/A	July-31-2013
Summary Statistics						
High	\$34,059.9	\$4,171.0	\$1,465.0	37.1X	470.4X	
Low	\$814.4	\$311.4	(\$100.3)	1.4X	12.5X	
Mean	\$10,966.3	\$1,682.7	\$348.2	8.7X	72.4X	
Median	\$5,331.3	\$1,049.2	\$172.5	5.2X	18.9X	

Chart 9: 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)
Accelrys Inc. (NasdaqGS:ACCL)	\$404.7	\$165.9	\$9.6	2.4X	42.2X	June-30-2013
American Software, Inc. (NasdaqGS:AMSW.A)	\$189.1	\$97.9	\$14.0	1.9X	13.5X	July-31-2013
Exa Corporation (NasdaqGM:EXA)	\$169.8	\$50.9	\$2.3	3.3X	73.8X	July-31-2013
GSE Systems Inc. (AMEX:GVP)	\$8.7	\$49.1	(\$0.2)	0.2X	N/A	June-30-2013
Interactive Intelligence Group Inc. (NasdaqGS:ININ)	\$1,163.0	\$279.3	\$19.3	4.2X	60.3X	June-30-2013
NetSol Technologies, Inc. (NasdaqCM:NTWK)	\$82.7	\$50.8	\$17.4	1.6X	4.8X	June-30-2013
PROS Holdings, Inc. (NYSE:PRO)	\$839.8	\$131.8	\$8.6	6.4X	97.7X	June-30-2013
QAD Inc. (NasdaqGS:QADA)	\$156.8	\$254.6	\$10.7	0.6X	14.7X	July-31-2013
Saba Software, Inc. (OTCPK:SABA)	\$299.8	\$121.3	(\$9.8)	2.5X	N/A	May-31-2013
The Active Network, Inc. (NYSE:ACTV)	\$805.7	\$441.3	\$13.2	1.8X	61.0X	June-30-2013
Summary Statistics						
High	\$1,163.0	\$441.3	\$19.3	6.4X	97.7X	
Low	\$8.7	\$49.1	(\$9.8)	0.2X	4.8X	
Mean	\$412.0	\$164.3	\$8.5	2.5X	46.0X	
Median	\$244.5	\$126.6	\$10.2	2.2X	51.2X	

Source: Capital IQ; stock prices as of 10/19/2013

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

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Information Technology Transaction Volume

Chart 10: Application And Systems Software Transactions

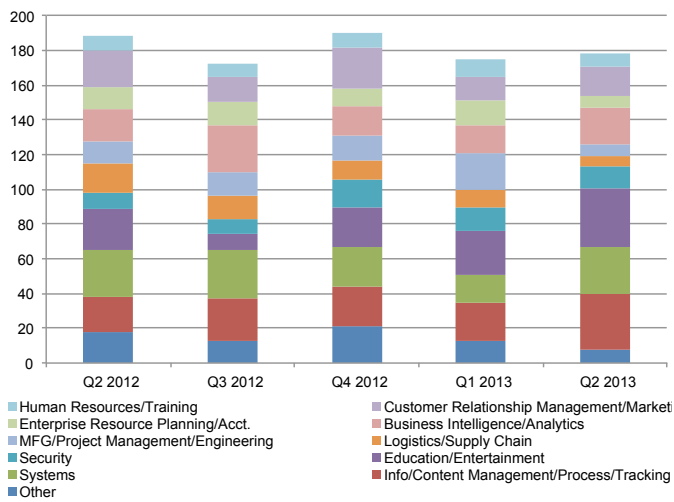


Chart 11: IT Services Transactions

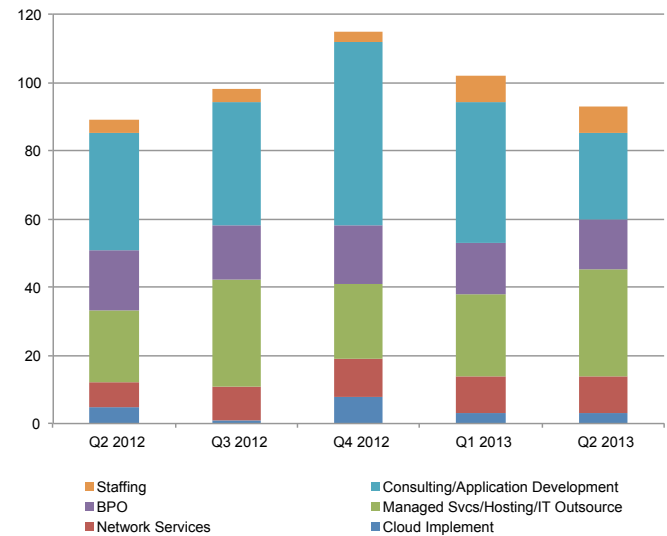


Chart 12: Internet Software and Services Transactions

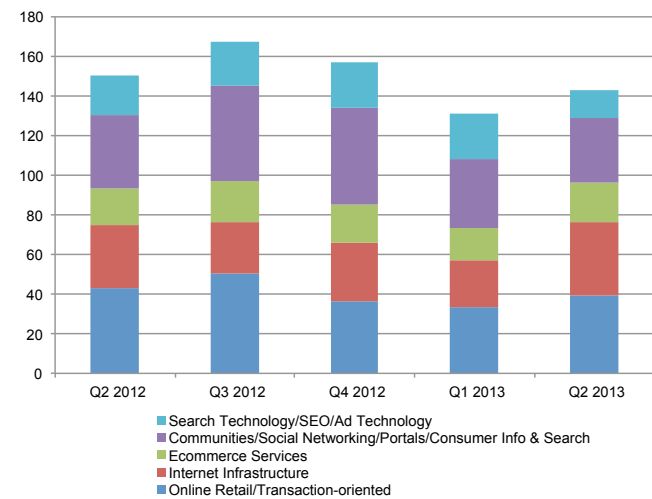
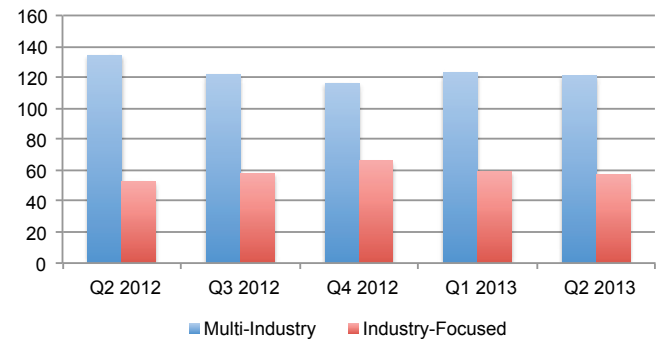


Chart 13: Industry Focus

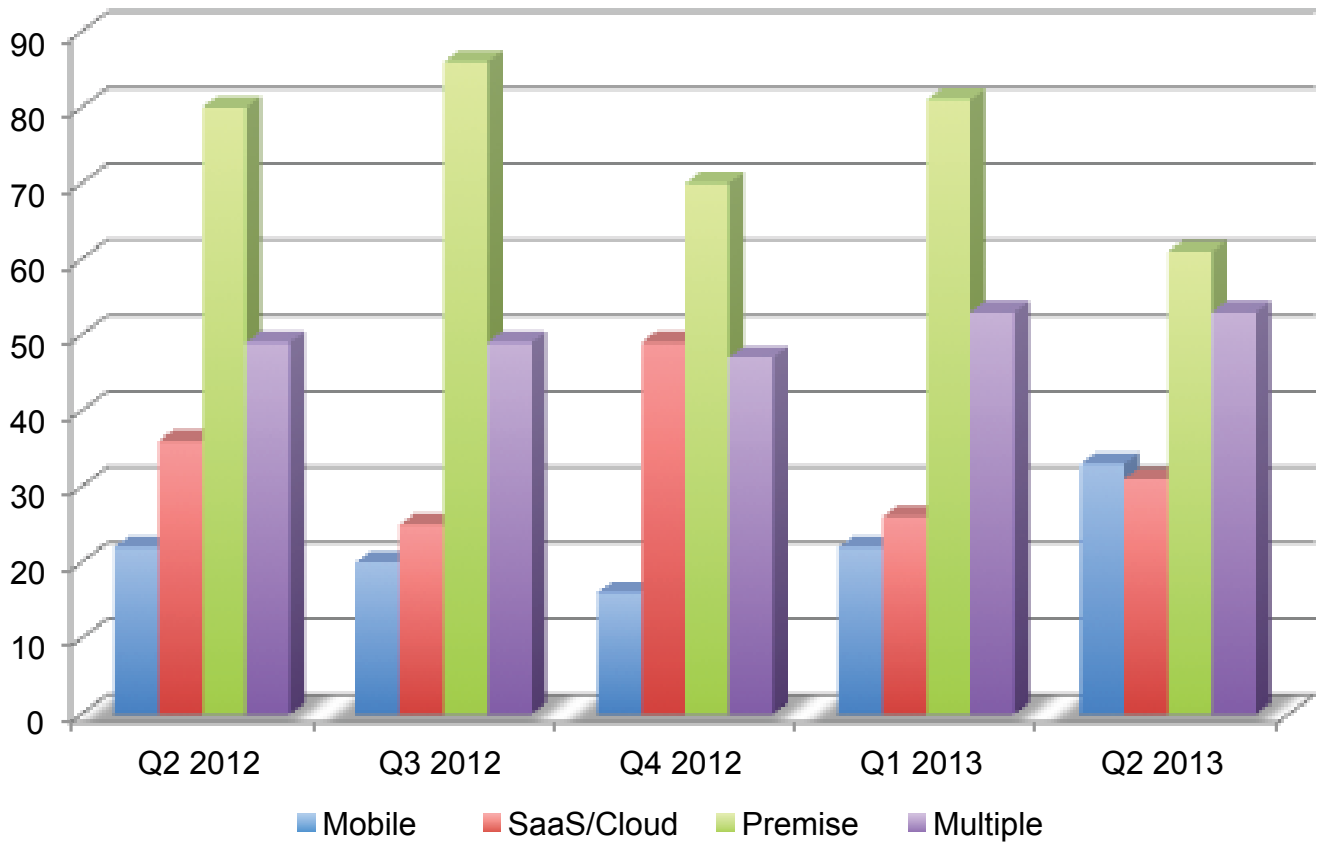


Source: Capital IQ

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Chart 14: Software Deployment Channels



Source: Capital IQ

Recently Closed Transactions

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.




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.



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.



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.




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.




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.



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Recently Closed Transactions

This announcement appears as a matter of record only.

FUTURE TECH
HOLDING COMPANY

has been recapitalized by

 **PEACHTREE II**

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.

 **Glodyne**

has acquired

 **DecisionOne®**

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.

 **CROSSROADS RMC**

has executed an exclusive software license with

 **flexware**
INNOVATION

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, Inc.

FOCUS
Investment Banking

This announcement appears as a matter of record only.

TouchStar 


has sold certain assets to

 **NOBLE SYSTEMS**


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

FOCUS
Investment Banking

This announcement appears as a matter of record only.

 **Pepperweed**
ADVISORS

has sold its assets to

 **Cognizant**

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.

 **Global**
SOFTWARE

has been acquired by

HARRIS

a division of

 **CONSTELLATION**
SOFTWARE
INC.

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

 **ALLIN**
Corporation

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.

 **AGENTEK**

has been recapitalized by


 **Edison**
VENTURE FUND

\$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.

 **VERTEX**
SOLUTIONS

has been sold to

 **ADAYANA®**
Performance Through Learning

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


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Recently Closed Transactions

This announcement appears as a matter of record only.



Pradot®
Affirming Excellence

has acquired




GROUP ONE
healthsource


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.



Apply Yourself Recruiting Solutions

has been sold to




hobsons.


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

FOCUS
Investment Banking

This announcement appears as a matter of record only.




COMM-WORKS®
A portfolio company of Morgenthaler



M
MORGENTHAUER

has acquired



intelix.

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

FOCUS
Investment Banking

This announcement appears as a matter of record only.



CareTek, LLC

has acquired certain ownership interests in




Blue Canopy
IT Management for Business.

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.



Diebold, Inc. (NYSE: DBD)
We won't rest.

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.



CAMBRIDGE SYSTEMS, INC.

has acquired



SSI Business Solutions

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

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Recently Closed Transactions

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has been sold to




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

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This announcement appears as a matter of record only.



has been sold to



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



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.



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.

FOCUS
Investment Banking

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.

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This announcement appears as a matter of record only.



Sigmaworx, Inc.
has been sold to



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

FOCUS
Investment Banking

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.



has acquired



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

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“The expertise and guidance that we received from FOCUS and John Bradshaw throughout the entire process of our first acquisition was invaluable to me and NAVIS. Not only did John help maximize our results, he was able to streamline the process and help us avoid the land mines.” Kyle Buehner, CEO, NAVIS

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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

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



David M. Braitsch

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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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