

Mobile Mid-Year M&A Update 2011



PEACHTREE
CAPITAL ADVISORS

Discussion

- I. Market Trends
- II. Select M&A Transactions
- III. Public Market Company Valuations
- IV. Valuation and Positioning
- V. Peachtree Sale Process
- VI. About Peachtree

Economic and Industry Trends

- Economic conditions are rebounding from the recession
 - » US economy is once again growing – real GDP increased 2.9% in 2010
 - » IT spending – a driver of the enterprise software market – is forecast to grow 5.1% in 2011
- Profits rose in 2010 primarily due to cuts in 2009
 - » Limited spending and job cuts led to higher earnings for IT and enterprise software companies
 - » “Wait and see” approach is still rampant in software sectors with companies hoarding cash
- Companies now flush with cash *must* make a growth decision: organic vs. acquisition
 - » Debt markets have loosened up significantly for larger players with low interest rates
 - » Balance sheets are much stronger for making acquisitions
 - » Further consolidation likely – economic conditions are not favorable for corporate investment
- Mobile is not just a buzzword but a furiously developing market
 - » The global mobile devices market continues growing, with 20% growth in the past year (IDC)
 - » Debate between mobile applications and mobile web irrelevant as both are finding success
 - » Mobile applications market expected to surpass \$15B in 2011 (Gartner)
 - » Mobile marketing spend projected to exceed \$1B in 2011 (Forrester)
 - » Mobile payments is the hottest sector right now

Technology M&A Trends

- Technology M&A is clearly on the rise
 - » Peachtree's internal data shows 426 transactions announced for a reported \$44.9 billion in 2010, up from 414 and \$36.8 billion in 2009
 - » Mobile transactions are being driven by smart phone proliferation and enterprise growth
 - » More devices in the workplace increases the need for security, software and services
 - » Example: SAP acquiring Sybase
- 2011 M&A is being driven by the need to grow
 - » Tech firms are lean and cash heavy
 - » Use it or lose it – pay a cash dividend to shareholders or make an acquisition
 - » Scale up: adding complementary technologies to product line
 - » Expand offerings to capture additional customer budget
 - » Networking tools, management software, and business intelligence tools
 - » Incorporate premium or service offerings
 - » Diversify into rapidly growing markets adjacent to core business
 - » Mobile, cloud computing, and virtualization are the hottest acquisition sectors now
 - » A significant number of companies are expanding globally as well as into emerging markets

Select M&A Transactions

- VIVOftech (mobile payments start-up) raised \$24 million in July 2011
- Paydian (mobile payments start-up) raised \$7.5 million in July 2011
- Square (mobile payments start-up) raised \$100 million in June 2011
- Intuit acquires Mobile Monkey Ventures (mobile banking software) in June 2011
- Nuance communications acquired Noterize (mobile notation app provider) in June 2011
- Visa acquired Fundamo (mobile payment processing software) for \$110M in June 2011
- ValueClick acquired Greystripe (mobile ad network) for \$70M in April 2011
- eBay acquired WHERE (location-aware mobile ad network) for \$135M in April 2011
- CommerceTel Corporation acquired Mobivity (mobile marketing) for \$4M in April 2011
- nSphere acquired Peekaboo Mobile (mobile coupons) in March 2011
- OpenText acquired WeComm (UK-based mobile application development) in March 2011
- AT&T acquired T-Mobile USA (wireless carrier) for \$39B in March 2011
- Facebook acquired Snaptu (UK-based mobile application platform) in March 2011
- HTC acquired Saffron Digital (UK-based mobile content delivery) for \$48.5M in February 2011

Financial terms were not disclosed for transactions without a listed acquisition price.

Source: Peachtree internal database; 451 M&A Knowledgebase.

Select M&A Transactions

- Motricity acquired Adenyo (mobile marketing platform and ad network) for up to \$150M in January 2011
- Facebook acquired Rel8tion (mobile advertising software) in January 2011
- Skype acquired Qik (mobile video software) for \$121M in January 2011
- eBay acquired Critical Path Software (mobile application development) in December 2010
- Expedia acquired Mobiata (mobile travel software) for \$14.1M in November 2010
- Velti acquired Mobclix (mobile ad exchange) in October 2010
- NCR Corporation acquired Mobiqua (UK-based mobile content optimization) in October 2010
- Alcatel-Lucent acquired OpenPlug (mobile applications development) in September 2010
- Marketron Broadcast Solutions acquired mSnap (mobile ad network) in September 2010
- McAfee acquired tenCube (mobile security) for \$10.6M in July 2010
- Juniper Networks acquired SMobile Systems (mobile security) for \$70M in July 2010
- Synchronoss Technologies acquired FusionOne (mobile content sync) for \$40M in July 2010
- Akamai Technologies acquired Velocitude (mobile services platform) for \$12M in June 2010

Financial terms were not disclosed for transactions without a listed acquisition price.

Source: Peachtree internal database; 451 M&A Knowledgebase.

Public Market Public Comps – Enterprise

Public Company Valuations (\$M)										
Sector	Company		Market Cap	Total Debt	Cash	Enterprise Value	LTM Revenue	LTM EBITDA	REV Multiple	EBITDA Multiple
Application Software	ADBE	Adobe	16,020	1,520	2,640	14,900	3,970	1,420	3.8x	10.5x
	INTU	Intuit	15,260	998	1,830	14,428	3,800	1,240	3.8x	11.6x
	OTEX	Open Text	3,350	299	238	3,411	988	297	3.5x	11.5x
	PEGA	Pegasystems	1,350	0	77	1,273	364	21	3.5x	59.5x
	TIBX	TIBCO	4,040	40	262	3,818	784	176	4.9x	21.7x
								MEAN		3.9x
Diversified Computer Systems	AAPL	Apple	301,930	0	29,230	272,700	87,450	26,730	3.1x	10.2x
	DELL	Dell	29,420	7,610	14,480	22,550	61,640	5,180	0.4x	4.4x
	HPQ	Hewlett Packard	72,510	22,980	12,740	82,750	127,940	18,350	0.6x	4.5x
	IBM	IBM	197,990	30,260	13,280	214,970	101,620	25,090	2.1x	8.6x
								MEAN		1.6x
IT Services, Outsourcing & Training	CTSH	Cognizant Technology	21,910	0	2,170	19,740	5,000	1,060	3.9x	18.6x
	MSTR	MicroStrategy	1,500	0	203	1,297	483	51	2.7x	25.5x
	PRFT	Perficient, Inc.	308	0	20	288	222	19	1.3x	14.9x
	NSTC	Ness Technologies Inc.	291	70	35	326	576	41	0.6x	8.1x
	UIS	Unisys	1,050	619	833	836	3,950	432	0.2x	1.9x
								MEAN		2.6x

Public Market Public Comps – Enterprise

Public Company Valuations (\$M)										
Sector	Company	Market Cap	Total Debt	Cash	Enterprise Value	LTM Revenue	LTM EBITDA	REV Multiple	EBITDA Multiple	
Enterprise Software & Services	BMC	BMC Software	9,220	360	1,690	7,890	2,070	661	3.8x	11.9x
	CA	CA Technologies	10,850	1,550	3,140	9,260	4,430	1,540	2.1x	6.0x
	CTXS	Citrix	14,840	0	930	13,910	1,950	492	7.1x	28.2x
	CPWR	Compuware	2,070	0	180	1,890	929	201	2.0x	9.4x
	EMC	EMC	53,990	3,450	5,590	51,850	17,730	3,860	2.9x	13.4x
	JDAS	JDA Software	1,280	273	226	1,327	649	162	2.0x	8.2x
	LWSN	Lawson	1,830	233	302	1,760	755	134	2.3x	13.1x
	MSFT	Microsoft	201,900	13,160	48,720	166,340	68,620	30,140	2.4x	5.5x
	ORCL	Oracle	159,560	14,750	24,360	149,950	34,350	13,630	4.4x	11.0x
	QSFT	Quest Software	1,860	33	357	1,536	784	146	2.0x	10.5x
	RAX	Rackspace Hosting, Inc.	5,190	135	134	5,191	832	232	6.2x	22.4x
	SWI	SolarWinds	1,760	0	143	1,617	161	74	10.0x	21.8x
	LOGM	LogMeIn	907	0	176	731	107	20	6.8x	36.2x
	RHT	Red Hat	7,980	0	861	7,119	909	194	7.8x	36.8x
	RVBD	Riverbed Technology	5,180	0	472	4,708	603	93	7.8x	50.6x
VMW	VM Ware	39,210	450	3,660	36,000	3,070	663	11.7x	54.3x	
								MEAN	3.9x	13.5x

Public Market Public Comps – Enterprise

Public Company Valuations (\$M)										
Sector	Company	Market Cap	Total Debt	Cash	Enterprise Value	LTM Revenue	LTM EBITDA	REV Multiple	EBITDA Multiple	
Internet Software & Marketing Services	DRIV	Digital River	1,190	354	723	821	363	46	2.3x	17.7x
	GSIC	GSI Commerce	2,150	327	110	2,367	1,410	102	1.7x	23.1x
	GOOG	Google	162,850	5,100	36,680	131,270	31,120	12,160	4.2x	10.8x
	KEYN	Keynote Systems, Inc.	305	0	86	220	89	13	2.5x	17.0x
	LPSN	LivePerson	596	0	67	529	115	24	4.6x	22.3x
	RNOW	Rightnow Technologies	973	175	250	899	196	21	4.6x	42.2x
	VRSN	Verisign	5,570	584	1,950	4,204	701	326	6.0x	12.9x
	CRM	Salesforce.com	18,500	480	497	18,483	1,660	160	11.1x	115.4x
								MEAN	3.7x	20.9x
Networking Services	AKAM	Akamai Technologies Inc.	5,440	0	564	4,876	1,060	399	4.6x	12.2x
	CSCO	Cisco Systems	83,650	16,750	43,370	57,030	42,860	11,140	1.3x	5.1x
	FFIV	F5 Networks	8,550	0	475	8,075	1,030	321	7.8x	25.1x
	INAP	Internap Network Services	387	48	46	389	240	34	1.6x	11.4x
	JNPR	Juniper Networks	16,230	999	3,440	13,789	4,280	959	3.2x	14.4x
									MEAN	3.7x
								OVERALL MEAN	3.5x	16.0x
								OVERALL MEDIAN	3.2x	12.6x

Stock prices as of 6/13/11. Companies in grey removed from mean. Sources: CapitalIQ; Company SEC Filings.

Public Market Public Comps – Digital Media

Public Company Valuations (\$M)									
Sector	Company	Market Cap	Total Debt	Cash	Enterprise Value	LTM Revenue	LTM EBITDA	REV Multiple	EBITDA Multiple
Consumer, Advertising, Search	Google Inc.	153,870	5,100	36,680	122,290	31,120	12,160	3.9x	10.1x
	IAC/InterActiveCorp	3,290	96	1,320	2,066	1,720	195	1.2x	10.6x
	Netflix	13,010	236	343	12,903	2,390	365	5.4x	35.4x
	SN Interactive, Inc.	7,900	884	794	7,991	2,130	920	3.8x	8.7x
	The Knot, Inc.	304	0	101	204	113	11	1.8x	19.1x
	WebMD Health Corp	2,650	124	1,070	1,704	558	142	3.1x	12.0x
	Yahoo! Inc.	19,230	40	2,790	16,480	5,940	1,420	2.8x	11.6x
	AOL Inc.	2,110	99	382	1,827	2,300	580	0.8x	3.2x
	LinkedIn Corporation	6,320	0	106	6,214	292	38	21.3x	164.1x
							MEAN	3.1x	15.3x
Diversified Agency	Interpublic Group of Cos.	5,590	1,730	1,850	5,470	6,670	714	0.8x	7.7x
	Omnicom Group	12,780	3,210	1,520	14,470	12,770	1,890	1.1x	7.7x
							MEAN	1.0x	7.7x
E-Commerce	Amazon.com Inc.	85,390	0	6,880	78,510	36,930	1,790	2.1x	43.9x
	eBay Inc.	37,610	1,790	6,760	32,640	9,510	2,910	3.4x	11.2x
	Expedia	7,590	1,650	1,820	7,420	3,450	828	2.2x	9.0x
	Monster Worldwide	1,660	120	191	1,589	960	88	1.7x	18.1x
	Move, Inc.	324	0	85	239	198	12	1.2x	20.7x
	Ancestry.com	1,770	0	102	1,668	328	105	5.1x	15.9x
	Priceline	23,790	575	1,750	22,615	3,310	908	6.8x	24.9x
	OpenTable	1,820	0	55	1,765	111	28	15.8x	62.8x
							MEAN	3.2x	20.5x

Public Market Public Comps – Digital Media

Public Company Valuations (\$M)									
Sector	Company	Market Cap	Total Debt	Cash	Enterprise Value	LTM Revenue	LTM EBITDA	REV Multiple	EBITDA Multiple
Interactive Marketing Services	Digital River Inc.	1,230	354	723	861	363	46	2.4x	18.5x
	Inuvo, Inc.	18	4	2	20	51	2	0.4x	11.3x
	LivePerson Inc.	669	0	67	602	115	24	5.2x	25.4x
	QuinStreet, Inc.	564	111	150	525	397	74	1.3x	7.1x
	ValueClick Inc.	1,300	0	200	1,100	452	127	2.4x	8.6x
	Constant Contact	706	0	114	592	185	12	3.2x	48.6x
	Marchex Inc.	274	0	40	234	103	(3)	2.3x	n/m
							MEAN	2.4x	14.2x
Online B2B Content	Forrester Research	763	0	231	532	257	35	2.1x	15.2x
	Gartner Inc.	3,700	259	109	3,850	1,320	198	2.9x	19.5x
	TechTarget	264	0	44	220	97	11	2.3x	19.2x
	comScore Inc.	811	12	41	782	192	14	4.1x	55.6x
	TheStreet.com Inc.	100	0	52	48	58	(5)	0.8x	n/m
	WebMediaBrands Inc.	47	6	11	42	9	(4)	4.5x	n/m
								MEAN	2.4x

Public Market Public Comps – Digital Media

Public Company Valuations (\$M)

Sector	Company	Market Cap	Total Debt	Cash	Enterprise Value	LTM Revenue	LTM EBITDA	REV Multiple	EBITDA Multiple
Diversified Media	CBS	17,290	5,990	972	22,308	14,040	2,680	1.6x	8.3x
	Comcast Corp	65,140	40,430	190	105,380	40,860	15,160	2.6x	7.0x
	Entravision Communications	155	396	66	485	201	64	2.4x	7.6x
	Gannett Co., Inc.	3,220	2,190	142	5,268	5,390	1,230	1.0x	4.3x
	HSN, Inc.	1,810	309	344	1,775	3,040	224	0.6x	7.9x
	McGraw–Hill	12,030	1,200	1,300	11,930	6,260	1,610	1.9x	7.4x
	Media General	97	663	19	741	668	114	1.1x	6.5x
	New York Times	1,180	999	352	1,826	2,370	362	0.8x	5.1x
	NewsCorp	42,950	15,490	11,780	46,660	32,550	6,190	1.4x	7.5x
	Time Warner	37,160	16,560	3,030	50,690	27,250	6,340	1.9x	8.0x
	Washington Post	3,260	400	811	2,848	4,650	804	0.6x	3.5x
	Discovery Communications	16,330	3,610	529	19,411	3,860	1,590	5.0x	12.2x
								MEAN	1.4x
							OVERALL MEAN	2.3x	13.3x
							OVERALL MEDIAN	2.1x	10.1x

Companies in grey removed from mean. Stock Prices as of June 23, 2011. Sources: CapitalIQ; Company SEC Filings.

Preliminary Valuation

- **Preliminary valuation range: 4.5x – 7.5x revenue**
 - » Based on generic revenue numbers
 - » Enterprise sector comps trading much higher than digital media
 - » *Consumer, advertising, and search* sector trading at 3.1x revenue and 15.3x EBITDA
 - » Mobile acquisitions commanding a premium valuation
 - » Acquisitions of mobile software platforms have ranged from 4.6x – 7.5x revenue
 - » Saffron Digital was acquired in February for \$48.5M at an estimated 4.6x revenue
 - » Adenyo was acquired in January for \$100M plus a \$50M earn-out, which valued the company at 5.0 – 7.5x revenue
 - » Acquisitions of mobile advertising networks have ranged from 2.3x – 18.8x revenue
 - » WHERE was acquired in April for \$135M at an estimated 7.9x revenue
 - » Greystripe was acquired in April for \$70M at an estimated 2.3x – 2.8x revenue
 - » Quattro was acquired in January 2010 for \$275M at an estimated 13.1x revenue
 - » AdMob was acquired in November 2009 for \$750M at an estimated 18.8x revenue
- **Preliminary valuation based on limited financial information**
 - » Discounts for limited scale, volume, revenue, and profits
 - » Highly competitive market

Positioning

How and where we can maximize value

- The right positioning will help achieve a higher valuation (examples below)
 - » Compelling growth story
 - » Explosive traffic increase in mobile data plans
 - » More consumers are visiting websites through their phones
 - » Capitalizing upon mainstream smart phone adoption – global smart phone market grew 80% in the past year (IDC)
 - » Mobile advertising optimization space is developing in size and importance as smart phone usage rises (as well as user expectations)
 - » Mobile security will be a big growth area as the number of devices continues to grow in the enterprise
 - » As consumers begin to realize that their smart phones are not safe from malware or viruses, this sector will explode
 - » Global marquee client base
 - » Attractive verticals
 - » Scalable technology/software
 - » Experienced and proven management team with strong record of success

Preliminary Steps to Ensure Success

- **Information memorandum**
 - » Highlighting investment merits and strengths
 - » Compelling growth story emphasizing growth potential
 - » Emphasizing barriers to entry
 - » Experienced and proven management team with favorable industry relationships
- **Solid reporting and statistics**
 - » Revenue and EBITDA numbers (or clean financials)
 - » Conversion of revenue to EBITDA
 - » Monthly operating statistics, such as usage, renewal rates, repeat customers, marketing conversion rates and other measurements that show customer utilization
 - » Existing customer agreements and marketing
 - » Customer pipeline
- **Targeting the right strategic buyer or investor groups**
- **Peachtree Capital Advisors, Inc. is a highly focused M&A advisory firm with the experience, work-ethic, and patience to manage the M&A process in the middle market**

Standard Engagement and Fee Structure

- Four to six month transaction time horizon
 - » Information memorandum
 - » Marketing and expressions of interest
 - » Management presentations
 - » Final negotiations, letter of Intent and due diligence
 - » Close

- Success fee at close

- Retainer deductible from success fee
 - » Monthly non-refundable retainer

- Exclusivity

- Peachtree only advises companies with a revenue and EBITDA track record

About Peachtree

Peachtree provides investment banking services for middle market transactions in the technology, greentech, and digital information industries

- Full-service investment bank whose services include:
 - » Capital raises
 - » Mergers and acquisitions
 - » Sales and divestitures
 - » Valuations
 - » Strategic partnerships and business development
- Over 25 completed transactions
- Focus on maximizing value at each stage of the process
- Substantial insight in core industry markets
- Senior level access to leading industry executives, investors, and entrepreneurs
- In-depth technical and financial skills for value-enhancing deal structuring

Why Peachtree?

Better service, lower fees

- **Expert M&A advisory practice for mid-size technology companies**
 - » A committed investment banking partner that navigates you through each phase of the transaction—with no surprises—in order to maximize value
 - » Dedicated focus on and extensive knowledgebase of each of the technology sectors
 - » Broad network of strategic investor relationships and comprehensive tracking of industry M&A transactions
- **Peachtree maximizes valuation through a sale process built on precision and discipline**
 - » Peachtree drives home your investment merits with a diverse group of US-based and international buyers
 - » Peachtree casts a wide but confidential net to identify and energize X-factor buyers
 - » Most investment banks rely too heavily on press releases to drive the sale process, while Peachtree utilizes a multifaceted approach and network of relationships to reach all buyers
- **A reputable and exceptionally focused firm that outworks any other investment bank**

Peachtree Team



John Doyle *Managing Director* » Mr. Doyle is the founder and Managing Director of Peachtree Capital Advisors. He brings fifteen years of investment banking experience and has closed over twenty M&A transactions.



Jeff Jensen *Managing Director* » Mr. Jensen is a seasoned advertising executive who joined Peachtree from Vesta Green Marketing Solutions, where he was President and CEO of the leading provider of sustainable marketing solutions in the U.S.



Tom Homola *Vice President* » Mr. Homola is an experienced operating executive who has worked with technology companies across multiple verticals. Prior to joining Peachtree, Mr. Homola was President of Hospital Broadcast Network, an in-hospital advertising network.



Joshua Feng *Associate* » Mr. Feng joined Peachtree from MDT Advisers, where he managed the daily trading process for quantitative equity strategies. Previously, he worked in the commodities and healthcare private equity divisions at Roundstone Advisors.

Select Peachtree Transactions

Seller	Buyer	Description
Focused Energy	Baywa AG	Largest independent solar distributor in the U.S.
BuzzDash	Tribune Interactive	Social media and polling platform for digital media companies
Govloop	GovDelivery	Professional social network for government employees
Dipity.com	Strategic Partnership Advisory	API search platform that monetizes archived publisher content
M&A Advisory Services	Publishers Clearing House (PCH.com)	Very large player in the sweepstakes and prizes arena
AdSpace Networks	The Walnut Group and current investors	\$20 million equity raise series E; alternative digital out-of-home advertising
The Governance Institute	National Research Corp.	Best practices research and peer-to-peer benchmarking data
AdSpace Networks	Steelpoint Capital and current investors	\$20 million equity raise series D; alternative digital out-of-home advertising
Spin Magazine	McEvoy Group	Consumer lifestyle magazine, alternative, youth, music, early adopter
Vibe Magazine	The Wicks Group of Companies	Consumer lifestyle magazine, urban, youth, music, early adopter
iMedia Communications	dmg world media	Interactive advertising conference and online content provider
INFORMEX	United Business Media/CMP	Chemicals industry tradeshow
Blood-Horse Publications	Valuation	Enthusiast publishing – thoroughbred racing industry
ASI (Advertising Specialty Institute)	Valuation	Marketing and advertising promotional services
Sundance Publishing	Hights Cross Communications	Educational publishing
StockVal	Automatic Data Processing	Fundamental historical stock pricing data
Strategic Legal Resources	Staff Mark	Professional legal temporary and permanent staffing agency
The Practice Builder Organization	Medical World Communications	Business information services and medical professional education
i-traffic	Agency.com	Internet direct marketing/advertising agency
Entertainment Publications (a Cendant subsidiary)	The Carlyle Group	Marketing and information service (local coupon books)
HCIA Datis	VSS Communications Partners	Benchmarking healthcare clinical information data
* Clients in blue.		

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Industry Relationships

