

PEACHTREE CAPITAL ADVISORS, INC.

Software, Internet & IT Infrastructure M&A Report: 2011

Peachtree Capital Advisors, Inc. is a Pasadena, CA-based investment bank providing M&A advisory services to growth and middle market software, Internet and IT infrastructure companies both in the U.S. and abroad. With 15 years of experience, Managing Director and founder John Doyle has closed and structured over twenty-five deals and possesses a strong knowledgebase of financial and strategic buyers in these sectors. If you are interested in learning more about valuation, positioning, preparation, or the merger and acquisition process, please visit www.peachtreecapitaladvisors.com or contact John Doyle at 626-204-4047.

Software, Internet & IT Infrastructure M&A Report: 2011

This report does not seek to prove that volume or the deal value of M&A has increased, primarily because that is a near impossible statistic to obtain on a congruent basis, but to discuss valuation multiples, M&A trends and transaction rationale in the Software, Internet & IT Infrastructure sectors.

In this year of cautious optimism and grinding economic growth, it is safe to say that buying won in the proverbial buy versus build question. In 2010, many companies slashed costs and hoarded cash. However, in Q1 2011, the economy began to grow and growth expectations in the market elevated; as a result, equity investors favored growth companies. Faced with the decision to invest in organic growth (risky corporate finance projects or internal R&D), grow through acquisition, or distribute funds back to investors, CEOs overwhelmingly decided to make small strategic hyper-growth acquisitions of companies they were familiar with. One example was Teradata's acquisition of Aster Data, in which they were already a strategic investor.

M&A that occurred in 2011 was healthy M&A, meaning that companies were making strategic acquisitions in growth markets as opposed to mergers or consolidation plays in mature markets. Particularly hot areas of investment included cloud, virtualization, and mobile; each of these sectors fetched extremely high valuations, although the next step is to translate hype into customer growth.

Major takeaways from 2011:

- Private equity firms have returned to the market and increased their appetite for acquisitions
- M&A was driven by the need to grow, and valuation and the perception of growth were highly correlated
- Desktop management, asset management, and security M&A were driven by consolidation and performance enhancement
- Vendors acquired solid 'tuck-in' technologies that enhanced existing offerings
- Buyers acquired complementary technologies to their existing product line in order to capture additional customer budget
- Enterprise vendors sought to expand into adjacent markets such as marketing automation and HR to capture more budget
- Cloud and virtualization solutions played an increasing role in mainstream IT solutions, and as a result garnered substantial investment

For the most part, the primary driver of M&A was growth. But in order to complete transactions, buyers and sellers must agree on value. In 2011, valuations ended the year where they started, but there was a substantial amount of volatility in the public markets. This volatility did not appear to affect private market transactions as much as it did the IPO market. More importantly, sellers opted to be acquired by buyers that understood their businesses and provided access to customers rather than endure the scrutiny of the equity markets.

Software, Internet & IT Infrastructure M&A Report: 2011

There were a substantial number of transactions in the virtualization and cloud sectors. If there was an acquisition theme in 2011, it would have to be the quest to solve the big data paradigm that is confronting medium and large enterprises. Private cloud and virtual storage are the front-running solutions to the big data paradigm and vendors are positioning themselves to offer these wares to their Fortune 500 and Russell 2000 enterprise client bases. Public cloud adoption also gained significant momentum with small-to-medium enterprises and operators, which motivated operators such as Verizon and Time Warner to make significant acquisitions in cloud infrastructure. Many others are sure to follow in 2012.

Below are some of the more notable transactions in 2011.

| <u>Virtualization and Cloud Infrastructure</u> |
|--|
| Akamai Acquires Contendo (cloud-based CDN) for \$268M in Dec 2011 |
| Cisco acquired newScale (self-service cloud provider) in March 2011 |
| Citrix acquired Cloud.com (open source cloud platform) for over \$200M in July 2011 |
| Citrix acquired Kaviza (VDI) in May 2011 |
| Citrix acquired RingCube (virtual desktop provider) in August 2011 |
| ClearCube Technology acquired Network Elites (cloud computing provider) in September 2011 |
| Coraid acquired Yunteq (cloud orchestration software) in October 2011 |
| EMC acquired Netwitness (network monitoring platform) for \$540M+ in Sep 2011 |
| IBM acquired Platform Computing (cluster, grid and cloud management software) in Oct |
| NetApp acquired Akorri Networks (virtualization software) in January 2011 |
| Quantum acquired Pancetera Software (virtual storage optimization) for \$12M in June 2011 |
| Quest Software acquired BakBone Software (data protection software) in Jan 2011 |
| Quest Software acquired Vkernel (performance capacity management software) in Nov |
| SourceFire acquired Immunit (cloud-based anti-malware) for \$21M in January 2011 |
| Time Warner acquires NaviSite (cloud computing and hosting) for \$230M in February 2011 |
| Vensi acquired Nediso (service business management software) in July 2011 |
| Verizon acquired Cloudswitch (cloud migration software) in August 2011 |
| Verizon acquires Terremark (cloud data center) for \$1.4B in Jan 2011 |
| Virsto Software raised \$12M and acquired EvoStor (storage virtualization) in June 2011 |
| VMware acquired Digital Fuel (SaaS IT financial management) in June 2011 |
| VMware acquired PacketMotion (context-aware security) in August 2011 |
| VMware acquired Shavlik Technologies (cloud-based IT management) , SlideRocket (online presentation tools), and WaveMaker (open source Java development) in the spring of 2011 |

Software, Internet & IT Infrastructure M&A Report: 2011

The primary goal of enterprise software is to streamline business operations, increase productivity, and lower costs. In 2011, the primary drivers of M&A were decreasing total cost of ownership, reducing latency, and increasing insight. Cloud and virtualization allowed companies to reduce the upfront costs of infrastructure, as exemplified by Oracle's acquisition of RightNow and Hitachi's acquisition of BlueArc.

Enterprise Software

Apax Partners acquired Epicor (business software) \$976M and Activant (business management software) for combined \$2B in Apr 2011

Best Buy acquired mindShift (managed service provider) for \$167M in Nov

BMC Software acquired Coradiant (end-user experience monitoring) in April 2011

Cornerstone OnDemand IPO for \$136M in March

Dell acquired RNA (cloud based virtual memory solution startup) in June 2011

Dell acquired SecureWorks (IT security services) in Jan 2011

Fusion-io acquired IO Turbine (caching solutions for virtual environments) for \$95M in Aug 2011

Hitachi Data Systems acquired BlueArc (clustered NAS systems for storage) in Sep 2011

HP acquired Autonomy (ECM) for \$10.3B in Oct 2011

HP acquired Vertica (cloud based business analytics) in February 2011

IBM acquired Emptoris (supply chain risk and compliance management software) in Dec

IBM acquired i2 (big data analytics software for smarter cities) in Oct 2011

IBM acquired Q1 Labs (network security management) in Oct

Infor acquired Lawson Software (ERP software solutions) for \$2B in April 2011

Jive acquired Proximal Labs (data mining software) in April 2011

Lawson Software (subsidiary of Infor) acquired Approva (continuous controls monitoring) in September 2011

McAfee acquired NitroSecurity (enterprise security and event mgt co) in Oct

Opentext acquired Global 360 Holding (BPM software) for \$259M in July 2011

Opentext acquired Metastorm (business process management) for \$182M in February 2011

With debt markets thawed and almost three years taken off the duration off the time horizon for these funds, private equity also played a major role, making several acquisitions in the enterprise sector. Infor, backed by Golden Gate Capital, acquired Lawson, Apax Partners acquired Epicor, and Thoma Bravo acquired Blue Coat.

Software, Internet & IT Infrastructure M&A Report: 2011

M&A in the storage sector in 2011 was mainly driven by consolidation and performance enhancement, with companies looking to cut costs as data requirements grow. Dealing with increased data scales, vendors sought to acquire innovative technology that reduced latency versus building—for example, BMC acquired Coradant and Oracle acquired Pillar Data Systems. Constant real-time data loads remain an industry-wide concern.

Enterprise Software (con't)

| |
|---|
| Oracle acquired ATG (eCommerce software) for \$1B in Jan 2011 |
| Oracle acquired Pillar Data Systems (enterprise storage system) for \$565M+ in July |
| Oracle acquired RightNow (cloud-based customer service software) for \$1.5B (cloud customer service company) in Oct |
| Oracle buys Endeca (business intelligence software) in Oct |
| Polycom acquired HP's visual collaboration business in June 2011 |
| RIM acquires Tungle (cloud-based calendar) in Apr 2011 |
| Salesforce acquired Assistly (customer service software) for \$50M in Sep |
| SAP acquired Germany-based Crossgate (business integration software) in September 2011 |
| Software AG acquired Terracotta (data caching and performance mgt software) in May 2011 |
| Sourcefire acquired Immunit (cloud based anti-malware software) in January 2011 |
| SuccessFactors acquired Plateau Systems (enterprise learning management) for \$290M in April 2011 |
| Teradata acquired Aster Data Systems (large data analytics) for \$263M in March 2011 |
| Thoma Bravo acquired BlueCoat for \$1.3B in Dec 2011 |
| Trubiquity acquired the assets of NexPrise (cloud ECM solution) in April 2011 |
| Workday (enterprise business management) raised \$85M in October 2011 |
| Zuora (SaaS billing and payment) raised \$36M in November 2011 |

According to Gartner, the DBMS market is undergoing a transformation as vendors adapt to modern BI and analytic workloads. Business analytics and intelligence companies were highly sought after acquisition targets. HP's acquisition of Vertica and Teradata's acquisition of Aster Data were testaments to the growing demand for insight from customers.

Software, Internet & IT Infrastructure M&A Report: 2011

The web conferencing and online collaboration industries are rapidly becoming integral parts of the corporate sales and product development operations. In 2011, CRM and marketing management, automation, demand, and email continued to consolidate. Companies continued their efforts to offer end-to-end suites to their customers, as exemplified through Cisco's acquisition of Versly, Adobe's acquisition of Efficient Frontier to complement its Omniture end users, and Salesforce's acquisition of DimDim. More importantly, Microsoft's Skype acquisition will draw attention to this sector from larger enterprise players who have yet to take notice of web conferencing, demand generation and collaboration. In 2012, we expect increased M&A and continued consolidation in this space.

| <u>Application, Internet Marketing Services, Collaboration and Web Conferencing</u> |
|---|
| Adobe acquired Efficient Frontier (search engine marketing) for \$400M (est), Nov |
| Cisco acquired BNI Video (video and CDN analytics) in Oct 2011 |
| Cisco acquired Versly (Microsoft Office collaboration software) in Aug |
| ContextWeb acquire Datran Media (digital marketing services) in Sep |
| eBay acquires Hunch (recommendation engine) in Nov |
| Gilte Group acquires BuyWithMe (online deals and promotions) in Nov |
| InterCall acquires Unisfair (virtual events) for (\$n.a.), Mar 2011 |
| Microsoft acquires Skype (online video conferencing) for \$8.5 billion, Mar 2011 |
| Polycom acquired ViVu (video conferencing and collaboration) in Oct |
| Salesforce acquires Rypple (social performance management platform) in Dec 2011 |
| Salesforce acquired DimDim (web conferencing) for \$31M in January 2011 |
| Salesforce acquired Radian6 (real-time social media monitoring and engagement) for \$326M in March 2011 |
| SurveyMonkey acquired MarketTools (online research tools and panel software) Dec 2011 |
| Teradata acquired Arpimo (integrated marketing software solutions) for \$525M+ in Jan 2011 |
| VMWare acquires Socialcast in Mar 2011 |
| West/InterCall acquires POSTcti (audio/video web conferencing), Feb 2011 |

Software, Internet & IT Infrastructure M&A Report: 2011

This explosive growth in mobile devices was the primary driver of M&A in 2011. No longer simply a buzzword, mobile is a furiously developing market. The global mobile devices market continues to grow rapidly, with 20% growth in the past year (IDC). The debate between mobile applications and mobile web is becoming 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 |
|---|
| Augme acquires HipCricket (mobile advertising and promotion agency) for \$44.5M |
| eBay acquired WHERE (location-aware mobile ad network) for \$135M in April 2011 |
| Facebook acquired Snaptu (UK-based mobile application platform) in March 2011 |
| Google acquired Clever Sense (recommendation engine for mobile phones) in Dec |
| HTC acquired Dashwire (mobile cloud sync platform) in Aug |
| HTC acquired Saffron Digital (UK-based mobile content delivery) for \$48.5M in February 2011 |
| Keynote acquired DeviceAnywhere (mobile app lifecycle management) for \$60M in Oct 2011 |
| Lenco Acquired iLoop Mobile (mobile advertising content distribution network) for \$42M in Nov |
| Motricity acquired Adenyo (mobile marketing platform and ad network) for up to \$150M in January 2011 |
| nSphere acquired Peekaboo Mobile (mobile coupons) in March 2011 |
| Nuance Communications acquired Swype (mobile keypad software) for \$102M in Oct |
| OpenText acquired WeComm (UK-based mobile application development) in March 2011 |
| RIM acquires Gist (mobile social CRM/online contact mgt) in Feb 2011 |
| Skype acquires GroupMe (mobile organization and communication) in Aug |
| ValueClick acquired Greystripe (mobile ad network) for \$70M in April 2011 |

Software, Internet & IT Infrastructure M&A Report: 2011

With the exception of TIBCO, the application software sector ended the year flat-to-down. It is also likely that TIBCO has acquisition speculation baked into its valuation multiple. The company's stock price increased 20% in 2011 versus 2010.

| Application Software | | | | | | | | |
|----------------------|------------|------------|-------|------------------|-------------|------------|-------------|-----------------|
| Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Mutiple | EBITDA Multiple |
| Intuit | 15,800 | 999 | 1,050 | 15,749 | 3,910 | 1,300 | 4.0x | 12.1x |
| TIBCO | 3,940 | 68 | 308 | 3,700 | 920 | 197 | 4.0x | 18.7x |
| Adobe | 14,010 | 1,510 | 2,910 | 12,610 | 4,220 | 1,460 | 3.0x | 8.6x |
| | | | | | | MEAN | 3.7x | 13.2x |



Software, Internet & IT Infrastructure M&A Report: 2011

In the high-growth enterprise cloud sector, Rackspace and SolarWinds ended the year with substantial stock price gains while most of the companies ended the year flat to slightly down.

| Enterprise Cloud | | | | | | | | | |
|-------------------------|------------|------------|-------|------------------|-------------|------------|--------------|-----------------|-------|
| Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Multiple | EBITDA Multiple | |
| SolarWinds | 2,050 | 0 | 163 | 1,887 | 184 | 87 | 10.2x | 21.6x | |
| VMware, Inc. | 35,200 | 450 | 3,980 | 31,670 | 3,540 | 867 | 8.9x | 36.5x | |
| Red Hat | 7,990 | 0 | 808 | 7,182 | 1,080 | 242 | 6.6x | 29.7x | |
| Rackspace Hosting, Inc. | 5,640 | 144 | 125 | 5,659 | 957 | 271 | 5.9x | 20.9x | |
| Citrix | 11,560 | 0 | 775 | 10,785 | 2,120 | 553 | 5.1x | 19.5x | |
| Quest Software | 1,560 | 33 | 231 | 1,362 | 828 | 128 | 1.6x | 10.7x | |
| EMC | 4,414 | 3,430 | 4,760 | 3,084 | 1,932 | 4,460 | 1.6x | 0.7x | |
| | | | | | | | MEAN | 5.7x | 19.9x |

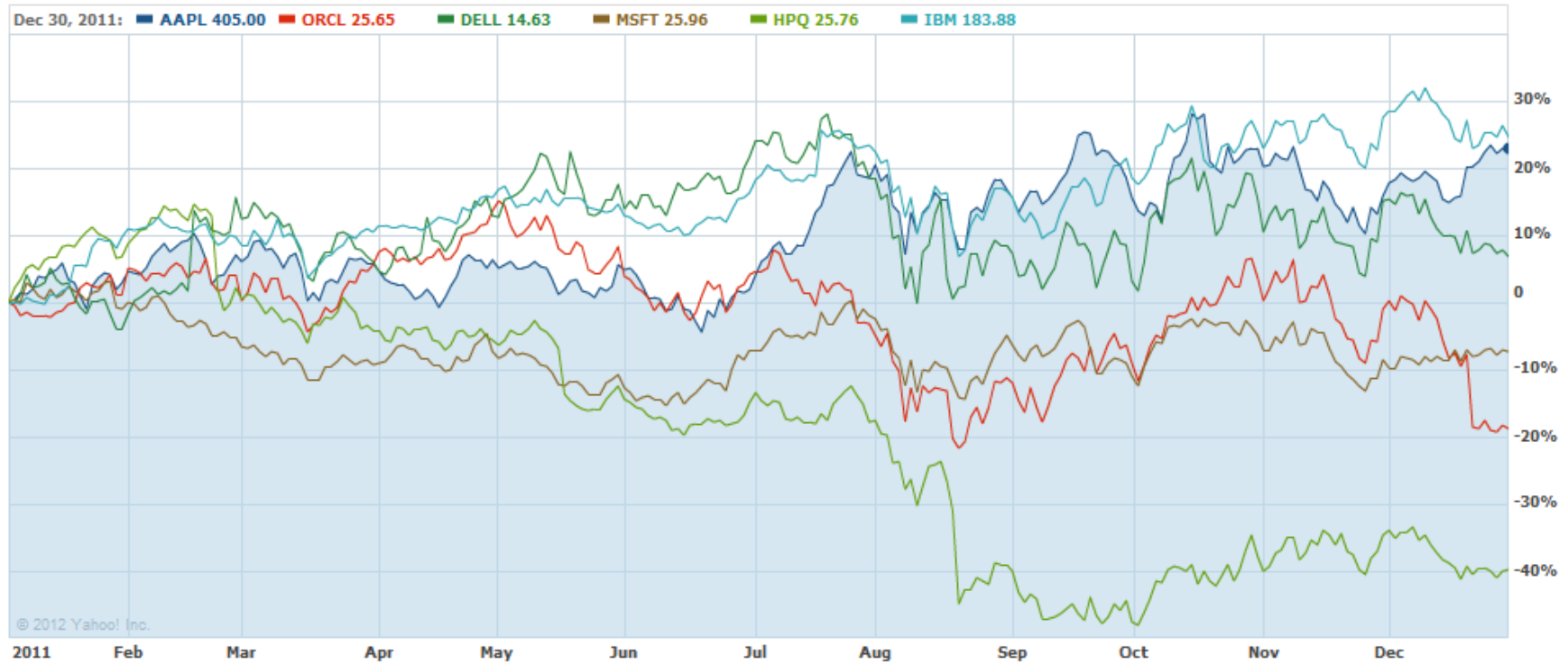


Software, Internet & IT Infrastructure M&A Report: 2011

In the large-cap sector, IBM and Apple managed to increase their stock price valuations in 2011. But these companies as a whole are trading well-below the Enterprise Cloud sector based on anticipated growth.

Large-Cap Diversified Computer Systems

| Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Multiple | EBITDA Multiple |
|-----------------|------------|------------|--------|------------------|-------------|------------|--------------|-----------------|
| Apple | 376,410 | 0 | 25,950 | 350,460 | 108,250 | 35,570 | 3.2x | 9.9x |
| Oracle | 129,100 | 14,780 | 31,010 | 112,870 | 36,700 | 15,440 | 3.1x | 7.3x |
| Microsoft | 218,460 | 13,100 | 55,940 | 175,620 | 71,120 | 30,150 | 2.5x | 5.8x |
| IBM | 216,720 | 30,160 | 11,330 | 235,550 | 106,450 | 26,380 | 2.2x | 8.9x |
| Hewlett Packard | 51,110 | 30,630 | 8,070 | 73,670 | 127,240 | 16,990 | 0.6x | 4.3x |
| Dell | 26,280 | 8,270 | 13,840 | 20,710 | 61,730 | 5,720 | 0.3x | 3.6x |
| | | | | | | MEAN | 2.0x | 6.6x |



Software, Internet & IT Infrastructure M&A Report: 2011

Although there was a significant amount of volatility in the Internet Marketing Services and SaaS group, these companies ended the year flat (with the exception of Salesforce). Revenue multiples are still relatively high, especially since these companies serve the small-to-medium enterprise, who are more flexible and value-oriented. The SME market is more inclined to become early adopters of newer business models.

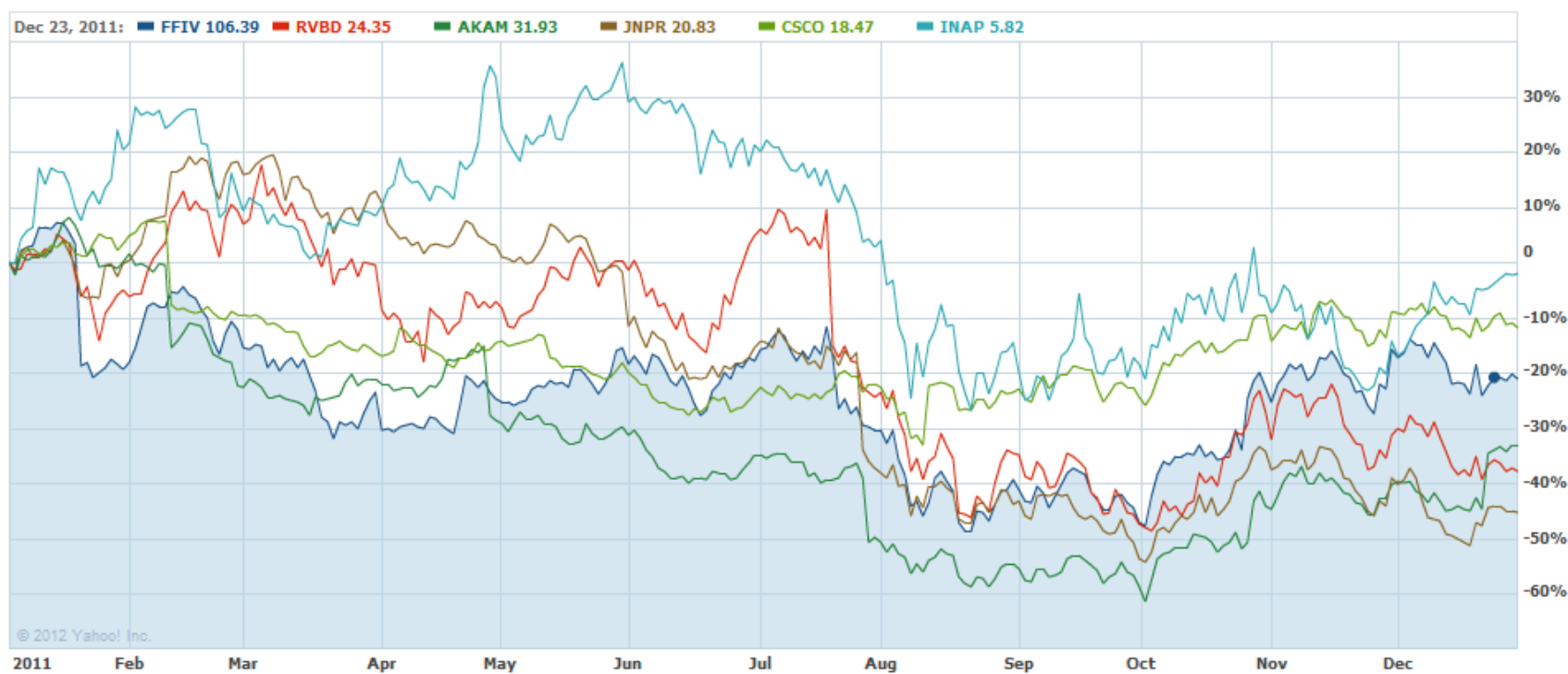
| Internet Marketing Services & Enterprise SaaS | | | | | | | | | |
|---|------------|------------|--------|------------------|-------------|------------|--------------|-----------------|-------|
| Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Multiple | EBITDA Multiple | |
| Cornerstone OnDemand | 884 | 4 | 81 | 806 | 62 | (19) | 13.0x | n/m | |
| Jive Software | 945 | 33 | 73 | 905 | 69 | (34) | 13.0x | n/m | |
| Verisign | 5,680 | 587 | 1,230 | 5,037 | 747 | 349 | 6.7x | 14.4x | |
| Salesforce.com | 13,800 | 543 | 646 | 13,697 | 2,090 | 91 | 6.6x | 150.6x | |
| Google | 209,200 | 7,260 | 42,560 | 173,900 | 35,760 | 13,450 | 4.9x | 12.9x | |
| LivePerson | 668 | 0 | 81 | 588 | 127 | 26 | 4.6x | 22.8x | |
| | | | | | | | MEAN | 8.1x | 50.2x |



Software, Internet & IT Infrastructure M&A Report: 2011

The networking sector was clearly flat-to-down as it relates to stock price value for 2011. Economic instability (or at least the perception of it) took a toll on the valuations of these companies. Even though the economy grew, the market cooled on near-term growth prospects for these businesses.

| Networking | | | | | | | | | |
|---------------------------|------------|------------|--------|------------------|-------------|------------|--------------|-----------------|-------|
| Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Multiple | EBITDA Multiple | |
| F5 Networks | 8,430 | 0 | 543 | 7,887 | 1,150 | 372 | 6.9x | 21.2x | |
| Riverbed Technology | 3,640 | 0 | 476 | 3,164 | 689 | 113 | 4.6x | 28.1x | |
| Akamai Technologies Inc. | 5,790 | 0 | 688 | 5,102 | 1,120 | 432 | 4.6x | 11.8x | |
| Juniper Networks | 10,740 | 999 | 3,350 | 8,389 | 4,520 | 912 | 1.9x | 9.2x | |
| Cisco Systems | 97,200 | 16,850 | 44,390 | 69,660 | 43,720 | 11,210 | 1.6x | 6.2x | |
| Internap Network Services | 298 | 30 | 34 | 294 | 242 | 37 | 1.2x | 8.0x | |
| | | | | | | | MEAN | 3.4x | 14.1x |



Software, Internet & IT Infrastructure M&A Report: 2011

There were a significant number of capital raises in the enterprise software sector in 2011 and below is a chart of my bookmarks for the year. It would be nearly impossible to track every single software transaction and this is a representative sample of the capital raise transactions in growth companies. The two takeaways were that (a) if you were a cloud-based company, it was much easier for you to raise capital, and b) there were significantly less new [Series A] investments than follow-on raises for pre-selected thoroughbreds (five of eighty to be exact).

| Enterprise Capital Raises in 2011 (My Bookmarks) | | |
|---|--|--|
| 10gen Receives \$20M Series D Funding | CloudTalk Lands \$3.8M Series A Financing | PowerCloud Systems Garners \$6M Series B Funding |
| 4INFO Secures \$14M New Funding | CloudTrigger Garners \$0.7M New Funding | Puppet Labs Receives \$8.5M Series C Round |
| 6fusion Lands \$7M Series B Funding | Cloudwords Secures \$3M New Financing | RadiumOne Garners \$21M Series B Financing Round |
| Accellion Receives \$12M New Funding | DeskTone Receives \$1.6M New Funding Round | Rally Receives \$20M New Round |
| Alpine Data Labs Lands \$7.5M New Financing | Dropbox Lands \$250M in Series B Financing | Rumble Secures \$15M Series A Funding |
| Appcelerator Secures \$15M Series C Round | Firehost Secures \$10M in Series B Financing | ScaleArc Receives \$5.3M Series B Round |
| Appconomy Receives \$10M Series A Round | GoodData Garners \$15M Series B Funding | ServiceMax Garners \$14M Series C Financing |
| Appistry Obtains \$12M Series D Funding | GraphEffect Garners \$2M New Financing | Silver Tail Systems Garners \$20M Series B Funding Round |
| Apprenda Lands \$10M Series B Round | GridPoint Receives \$23.7M New Funding Round | Smaato Receives \$7M New Financing |
| AppSense Receives \$70M New Round | Guardian Analytics Receives \$3M New Financing Round | Soasta Lands \$8M New Financing Round |
| Appssavvy Secures \$7.1M Series A Round | Intacct (cloud financial management) raised \$12.3M | Socialware Obtains \$7M Series C Round |
| Aria Systems Obtains \$20M Series C Funding | Jive Software IPO \$161M | Sociocast Receives \$1.5M New Round |
| Baynote Receives \$13M Series C Financing Round | JouleX Lands \$17M New Funding Round | Solar Power Technologies Garners \$6M New Funding |
| Bill.com Receives \$15.5M Series D Funding Round | Kabbage Garners \$12M New Round | Square Lands \$100M Series C Financing |
| Black Duck Software Garners \$12M New Funding | Logicworks Lands \$7.6M New Financing | SustainX Lands \$14.4M New Funding |
| BlueSprig Secures \$10M Series A Funding Round | LogiXML Garners \$10M New Funding | TaskRabbit Obtains \$17.8M Series B Funding Round |
| box.net raises \$48M | MATRIX Software Obtains \$12M New Round | Univa (data center optimization) raised \$7M |
| Burstly Lands \$5.5M Series B Funding Round | mBlox Obtains \$13.8M New Funding Round | uTest Lands \$17M Series D Financing Round |
| Cedexis Secures \$6M Series A Funding | mFoundry Garners \$18M New Funding Round | Verdasys Lands \$15M New Financing Round |
| ChoiceStream Secures \$8.7M New Funding Round | MoboTap Garners \$10M Series A Funding Round | Virsto Software Obtains \$12M Series B Financing |
| Cloudant Obtains \$2.1M New Funding | Morphlabs Lands \$5M Series C Financing | Virtify Obtains \$5.5M Series B Financing Round |
| Cloudera Secures \$40M Series D Funding | Mu Sigma Secures \$25M Series C Funding | Virtual Instruments Secures \$21.9M New Financing |
| CloudFlare raises \$20M in Series B | Nutanix Lands \$13.2M Series A Funding | Virtustream Garners \$10M Series B Financing Round |
| CloudOn Obtains \$7.7M Series A Funding Round | Payfone Lands \$19M New Round | WhiteHat Security Obtains \$8M New Funding Round |
| CloudOne Secures \$1.9M New Round | Ping Identity Obtains \$21M New Financing Round | WorkForce Software Lands \$17M Series A Round |
| CloudPassage Obtains Series A Funding | Piston Cloud Computing raised \$5M | Yammer Obtains \$17M Series D Financing Round |
| CloudShare Obtains \$10M Series C Financing Round | Pontiflex Receives \$6M New Financing | Zenprise Obtains \$30M New Funding Round |

Software, Internet & IT Infrastructure M&A Report: 2011

Below are the public market multiples for the application software and enterprise software sectors. The average revenue multiples for these two sectors were approximately 4x revenue at the end of 2011. The closer the companies are to virtualization and the cloud, the higher the valuation multiples. This is due to the perception of growth in the marketplace for these types of companies. There is also some acquisition noise, but the majority of the market feels that virtual and cloud-based companies are the next growth frontiers in Software, Internet & IT Infrastructure.

| Public Company Valuations (\$M) | | | | | | | | | | |
|---------------------------------|-------------------------|------------|------------|--------|------------------|-------------|------------|--------------|-----------------|-------|
| Sector | Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Multiple | EBITDA Multiple | |
| Application Software | Adobe | 14,010 | 1,510 | 2,910 | 12,610 | 4,220 | 1,460 | 3.0x | 8.6x | |
| | Intuit | 15,800 | 999 | 1,050 | 15,749 | 3,910 | 1,300 | 4.0x | 12.1x | |
| | LogMeIn | 954 | 0 | 186 | 769 | 118 | 18 | 6.5x | 42.7x | |
| | Open Text | 2,930 | 345 | 119 | 3,155 | 1,100 | 304 | 2.9x | 10.4x | |
| | TIBCO | 3,940 | 68 | 308 | 3,700 | 920 | 197 | 4.0x | 18.7x | |
| | Pegasystems | 1,130 | 0 | 98 | 1,032 | 391 | 22 | 2.6x | 46.3x | |
| | | | | | | | | MEAN | 4.1x | 18.5x |
| Enterprise Software | BMC Software | 5,620 | 360 | 1,490 | 4,490 | 2,160 | 705 | 2.1x | 6.4x | |
| | CA Technologies | 10,040 | 1,370 | 2,300 | 9,110 | 4,640 | 1,640 | 2.0x | 5.6x | |
| | Citrix | 11,560 | 0 | 775 | 10,785 | 2,120 | 553 | 5.1x | 19.5x | |
| | Compuware | 1,850 | 0 | 64 | 1,786 | 987 | 202 | 1.8x | 8.8x | |
| | EMC | 4,414 | 3,430 | 4,760 | 3,084 | 1,932 | 4,460 | 1.6x | 0.7x | |
| | JDA Software | 1,400 | 273 | 290 | 1,383 | 666 | 170 | 2.1x | 8.1x | |
| | Microsoft | 218,460 | 13,100 | 55,940 | 175,620 | 71,120 | 30,150 | 2.5x | 5.8x | |
| | Oracle | 129,100 | 14,780 | 31,010 | 112,870 | 36,700 | 15,440 | 3.1x | 7.3x | |
| | Quest Software | 1,560 | 33 | 231 | 1,362 | 828 | 128 | 1.6x | 10.7x | |
| | Rackspace Hosting, Inc. | 5,640 | 144 | 125 | 5,659 | 957 | 271 | 5.9x | 20.9x | |
| | Red Hat | 7,990 | 0 | 808 | 7,182 | 1,080 | 242 | 6.6x | 29.7x | |
| | SolarWinds | 2,050 | 0 | 163 | 1,887 | 184 | 87 | 10.2x | 21.6x | |
| | Symantec | 11,540 | 2,010 | 2,250 | 11,300 | 6,610 | 1,790 | 1.7x | 6.3x | |
| | VMware, Inc. | 35,200 | 450 | 3,980 | 31,670 | 3,540 | 867 | 8.9x | 36.5x | |
| | Fusion-io | 1,990 | 0 | 202 | 1,788 | 245 | 13 | 7.3x | 136.1x | |
| | | | | | | | MEAN | 3.7x | 12.1x | |

Software, Internet & IT Infrastructure M&A Report: 2011

The average revenue multiples for the large cap diversified computer system companies averaged 1.6x revenue at the end of 2011. These multiples are lower primarily because the market anticipates less growth from this sector. Although many of the large cap companies below are acquiring services businesses, the services acquisitions are still only growing at eight to ten percent per year. Perceived growth is the primary driver of valuation.

| Public Company Valuations (\$M) | | | | | | | | | |
|--|---------------------------------|------------|------------|--------|------------------|-------------|------------|--------------|-----------------|
| Sector | Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Multiple | EBITDA Multiple |
| Diversified Computer Systems | Apple | 376,410 | 0 | 25,950 | 350,460 | 108,250 | 35,570 | 3.2x | 9.9x |
| | Dell | 26,280 | 8,270 | 13,840 | 20,710 | 61,730 | 5,720 | 0.3x | 3.6x |
| | Hewlett Packard | 51,110 | 30,630 | 8,070 | 73,670 | 127,240 | 16,990 | 0.6x | 4.3x |
| | IBM | 216,720 | 30,160 | 11,330 | 235,550 | 106,450 | 26,380 | 2.2x | 8.9x |
| | | | | | | | | MEAN | 1.6x |
| Internet Software & Marketing Services | Digital River | 561 | 354 | 664 | 250 | 384 | 54 | 0.7x | 4.6x |
| | Google | 209,200 | 7,260 | 42,560 | 173,900 | 35,760 | 13,450 | 4.9x | 12.9x |
| | Keynote Systems, Inc. | 355 | 0 | 101 | 254 | 103 | 22 | 2.5x | 11.5x |
| | LivePerson | 668 | 0 | 81 | 588 | 127 | 26 | 4.6x | 22.8x |
| | Verisign | 5,680 | 587 | 1,230 | 5,037 | 747 | 349 | 6.7x | 14.4x |
| | Jive Software | 945 | 33 | 73 | 905 | 69 | (34) | 13.0x | n/m |
| | Salesforce.com | 13,800 | 543 | 646 | 13,697 | 2,090 | 91 | 6.6x | 150.6x |
| | | | | | | | MEAN | 3.9x | 13.3x |
| IT Services, Outsourcing & Training | Cognizant Technology Solutions | 19,430 | 0 | 2,290 | 17,140 | 5,770 | 1,190 | 3.0x | 14.4x |
| | MicroStrategy | 1,170 | 0 | 186 | 984 | 541 | 34 | 1.8x | 29.0x |
| | Perficient, Inc. | 306 | 0 | 2 | 304 | 248 | 27 | 1.2x | 11.5x |
| | Unisys | 854 | 445 | 667 | 632 | 3,910 | 406 | 0.2x | 1.6x |
| | | | | | | | | MEAN | 2.0x |
| Healthcare | Cerner | 10,380 | 134 | 755 | 9,759 | 2,090 | 556 | 4.7x | 17.6x |
| | Allscripts Healthcare Solutions | 3,570 | 380 | 116 | 3,835 | 1,370 | 246 | 2.8x | 15.6x |
| | Quality Systems | 2,180 | 0 | 127 | 2,053 | 397 | 123 | 5.2x | 16.7x |
| | | | | | | | | MEAN | 4.2x |

Software, Internet & IT Infrastructure M&A Report: 2011

Overall, the enterprise software and services sector averaged 3.3x Revenue and 13x EBITDA at the end of 2011. Although these valuation multiples are high relative to other sectors that are more mature, the multiples are trading lower than pre-recession levels.

| Public Company Valuations (\$M) | | | | | | | | | |
|---------------------------------|---------------------------------|------------|------------|--------|------------------|-------------|----------------|-------------|-----------------|
| | Company | Market Cap | Total Debt | Cash | Enterprise Value | LTM Revenue | LTM EBITDA | REV Mutiple | EBITDA Multiple |
| Networking Services | Akamai Technologies Inc. | 5,790 | 0 | 688 | 5,102 | 1,120 | 432 | 4.6x | 11.8x |
| | Cisco Systems | 97,200 | 16,850 | 44,390 | 69,660 | 43,720 | 11,210 | 1.6x | 6.2x |
| | F5 Networks | 8,430 | 0 | 543 | 7,887 | 1,150 | 372 | 6.9x | 21.2x |
| | Internap Network Services Corp. | 298 | 30 | 34 | 294 | 242 | 37 | 1.2x | 8.0x |
| | Juniper Networks | 10,740 | 999 | 3,350 | 8,389 | 4,520 | 912 | 1.9x | 9.2x |
| | Riverbed Technology | 3,640 | 0 | 476 | 3,164 | 689 | 113 | 4.6x | 28.1x |
| | | | | | | | MEAN | 3.4x | 14.1x |
| Semiconductor & Chips | Broadcom | 15,830 | 698 | 3,060 | 13,468 | 7,310 | 1,110 | 1.8x | 12.1x |
| | Cirrus Logic | 1,010 | 0 | 139 | 871 | 381 | 78 | 2.3x | 11.2x |
| | Integrated Device Technology | 776 | 0 | 320 | 455 | 600 | 58 | 0.8x | 7.9x |
| | Intel | 123,480 | 7,270 | 15,200 | 115,550 | 51,570 | 22,580 | 2.2x | 5.1x |
| | Marvell Technology | 8,080 | 0 | 2,420 | 5,660 | 3,550 | 893 | 1.6x | 6.3x |
| | Microchip Technology Inc. | 7,000 | 351 | 1,420 | 5,931 | 1,460 | 561 | 4.1x | 10.6x |
| | Qualcomm | 91,950 | 1,160 | 11,650 | 81,460 | 14,960 | 6,360 | 5.4x | 12.8x |
| | Silicon Laboratories | 1,820 | 3 | 283 | 1,539 | 477 | 74 | 3.2x | 20.7x |
| | | | | | | | MEAN | 2.7x | 10.8x |
| | | | | | | | OVERALL MEAN | 3.3x | 13.0x |
| | | | | | | | OVERALL MEDIAN | 2.8x | 11.2x |