



# Signal Hill

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## Enterprise Application Software: Q2 2012 M&A Review

Enterprise Application Software saw an exciting quarter in Q2 2012. Despite ongoing uncertainty surrounding the economy, the number of deals, total enterprise value and median announced deal size all increased over the prior year period. Social enterprise and collaboration applications are two areas that continue to drive deal activity, as reflected in several of the notable transactions highlighted below. We expect M&A activity in these segments to steadily increase as more vendors adopt social functionality to meet enterprise needs for collaboration and communication. The increase in Q2 2012 deal volume was largely due to tuck-in acquisitions, combined with increased deal activity from mid-sized buyers and financial sponsors. In particular, the ERP and SCM segments have seen significant interest from financial sponsors (Vista/CDC, Francisco Partners/Kewill, Francisco Partners/Plex, etc.), which may not signal a shift in the market, but does provide evidence that sponsors continue to be hungry for deals and will pay fair value.

**Figure 1:** Quarterly Enterprise Application Software M&A Deal Analysis, Q2 2011 – Q2 2012

Enterprise Application Software					
	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Number of Deals	111	108	126	141	162
<i>% change from prior quarter</i>	24.7%	-2.7%	16.7%	11.9%	14.9%
Total Enterprise Value (\$M)	\$8,084.7	\$22,084.3	\$9,873.1	\$16,342.7	\$12,025.4
<i>% change from prior quarter</i>	238.7%	173.2%	-55.3%	65.5%	-26.4%
Median Announced Deal Size (\$M)	\$60.0	\$76.4	\$23.5	\$27.4	\$77.8
<i>% change from prior quarter</i>	70.0%	27.3%	-69.2%	16.6%	183.9%
Median EV/TTM Revenue Multiple	4.0x	2.9x	3.7x	3.5x	3.9x
<i>% change from prior quarter</i>	29.0%	-27.5%	27.6%	-5.4%	11.4%

**Figure 2:** Enterprise Application Software Public Company Valuation Metrics, Q2 2012

Enterprise Application Software	Financial Data						Enterprise Value /					
	% of 52 Week	Q/Q Rev Growth		LTM Margins		Revenues			EBITDA			
		Hi	YoY	Seq.	Gross	EBITDA	LTM	CY12E	CY13E	LTM	CY12E	CY13E
<i>Median Metrics</i>												
SaaS	80%	28%	6%	68%	11%	5.5x	4.9x	4.0x	36.7x	19.5x	17.7x	
CRM	72%	21%	8%	56%	11%	3.2x	2.8x	2.4x	22.4x	13.1x	18.9x	
ERP	87%	4%	9%	63%	19%	3.1x	2.7x	2.5x	11.6x	10.7x	9.5x	
HCM	67%	23%	4%	60%	11%	2.1x	1.9x	3.8x	40.8x	21.0x	23.8x	
Information Management	79%	11%	2%	70%	16%	2.5x	2.2x	2.0x	16.8x	12.5x	9.5x	
PLM	94%	15%	3%	79%	21%	2.8x	2.7x	2.3x	13.2x	8.8x	9.8x	
SCM	89%	11%	1%	56%	13%	2.4x	2.3x	2.0x	12.3x	12.4x	10.6x	
Social Enterprise Applications	68%	51%	14%	66%	4%	7.0x	5.7x	4.5x	NM	32.0x	25.8x	
Vertical	85%	12%	4%	53%	21%	2.9x	2.7x	2.5x	13.6x	11.1x	10.1x	
All Enterprise Apps Companies	82%	14%	5%	65%	15%	3.0x	2.7x	2.4x	15.2x	11.3x	10.1x	



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Figure 3: Enterprise Application Software Last Twelve Months Relative Stock Price Performance, Q2 2012

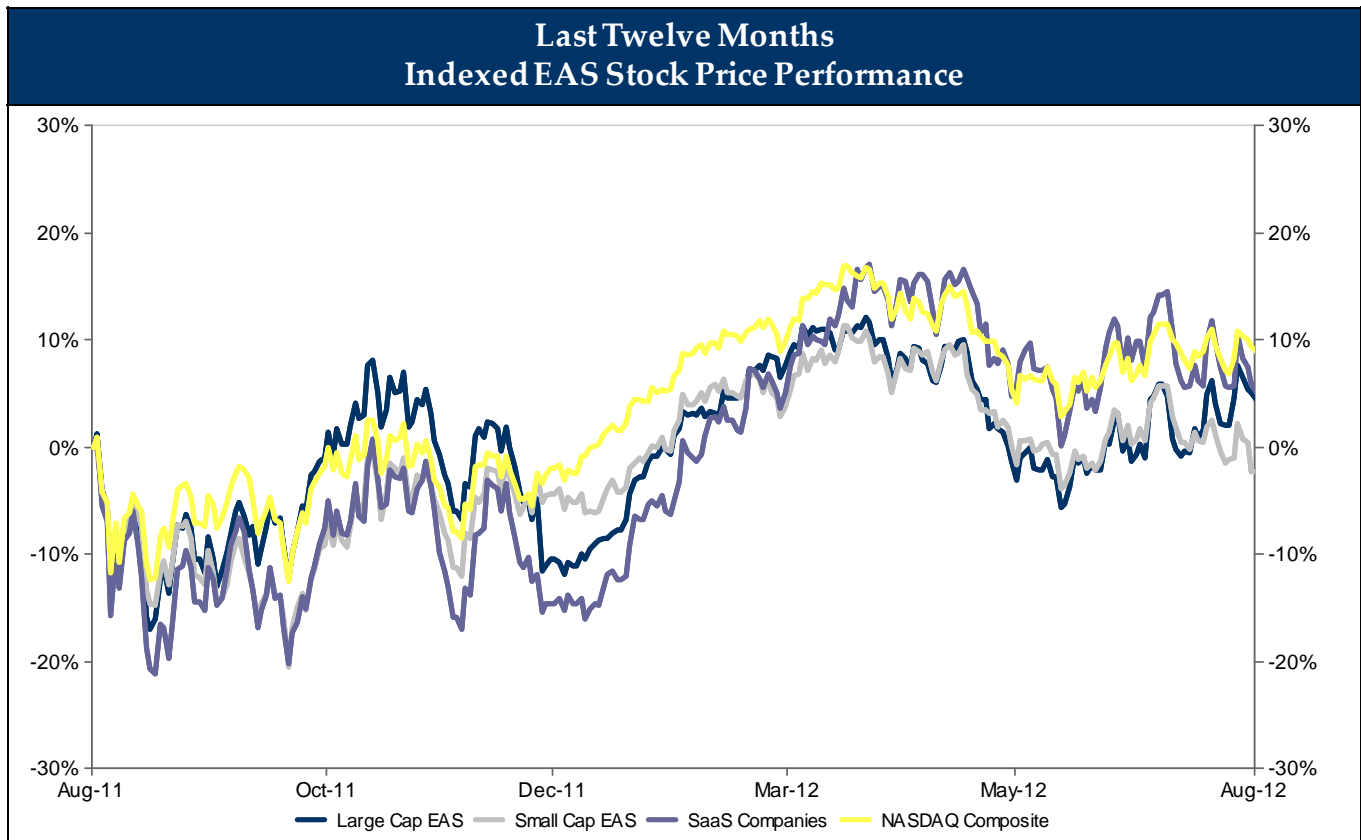


Figure 4: Largest Enterprise Application Software Revenue Multiples, Q2 2012

Target	Buyer	Revenue Multiple
Vitrue, Inc.	Oracle Corporation	16.3x
PowerReviews, Inc.	Bazaarvoice	13.2x
Demandforce, Inc.	Intuit Inc.	11.4x
Ariba, Inc.	SAP America	8.6x
Folhamatic Group	Sage Group	4.8x



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### Selected Enterprise Application Software Transactions Q2 2012

<b>Ariba acquired by SAP America</b>  EV: \$4,303.6M LTM Revenue Multiple: 8.6x	Ariba, the leader in cloud-based collaborative business commerce, focuses on business procurement, spend management and supplier discovery. SAP America, a subsidiary of SAP, is the market leader of business process software. The acquisition establishes SAP as the leading business network, adding B2B collaboration to its existing suite of solutions.
<b>Yammer acquired by Microsoft Corporation</b>  EV: \$1,200.0M	Yammer, or “Facebook for the workplace” as it is often called, is a social networking tool for enterprises, allowing companies to create internal private social networks. Computing giant Microsoft reportedly intercepted Yammer on its way to a potential IPO. As part of the deal, Microsoft will include Yammer in its next version of Office as a default part of the productivity suite.
<b>BuddyMedia acquired by Salesforce.com</b>  EV: \$745.0M	BuddyMedia, a social media marketing platform, enables brands and advertisers to connect with customers across all social media channels, including Facebook, Google, LinkedIn, Twitter and YouTube. Salesforce.com, a leader in enterprise cloud computing, expects the acquisition to deliver a comprehensive Marketing Cloud that will allow customers to listen, engage, gain insight, publish, advertise and measure social marketing programs.
<b>Demandforce, Inc. acquired by Intuit Inc.</b>  EV: \$423.5M LTM Revenue Multiple: 11.4x	Demandforce’s SaaS application automates internet marketing and communications, allowing customers to focus on day-to-day operations, helping companies grow revenue, retain clients and maintain online reputations. Intuit is a leading provider of business and financial management solutions for small and mid-sized businesses. The terms of the acquisition stipulate that Demandforce will become a division of Intuit’s Small Business Group.
<b>EasyLink Services acquired by OpenText Corporation</b>  EV: \$310.0M LTM Revenue Multiple: 1.7x	EasyLink Services is a recognized leader in cloud-based secure information exchange, offering a comprehensive portfolio of “any-to-any” business messaging and transaction services. OpenText, the largest independent provider of enterprise content management (ECM) software, asserts that the acquisition will allow the company to connect mutual customers and partners.
<b>Plex Systems, Inc. acquired by Francisco Partners</b>  EV: \$160.0M LTM Revenue Multiple: 4.0x	Plex Systems, a leading provider of cloud enterprise resource planning (ERP) software for manufacturers, has been acquired by Francisco Partners, a technology-focused private equity firm.