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Enterprise Application Software: Q3 2012 M&A Review

The Enterprise Application Software ("EAS") market saw mixed results for Q3 2012. While the number of deals rose from 162 to 195, an increase of 20.4 percent, total enterprise value (EV), median announced deal size and median revenue multiples decreased. The downward trends may be partially attributed to the lack of "mega" deal announcements this quarter compared to Q2 2012 (e.g., Ariba/SAP; Yammer/Microsoft; Buddy Media/Salesforce.com). This quarter, we saw continued interest in the social enterprise and human capital management (HCM) sectors (e.g., Kenexa/IBM; Wildfire/Google; SelectMinds/Oracle) as large software companies seek turnkey solutions to build out their capabilities. Financial sponsor-led activity (e.g., Deltek/Thoma Bravo; M*Modal/One Equity partners) remains high, including activity from hybrid-buyers (i.e., sponsor-backed private companies) as they attempt to grow their portfolio companies through tuck-in acquisitions (e.g., Consona/CDC; Ciboodle/Kana).

Figure 1: Quarterly Enterprise Application Software M&A Deal Analysis, Q3 2011 – Q3 2012

Source: Signal Hill					
	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Number of Deals	108	126	141	162	195
% change from prior quarter	-2.7%	16.7%	11.9%	14.9%	20.4%
Total Enterprise Value (\$M)	\$22,084.3	\$9,873.1	\$16,342.7	\$12,025.4	\$8,544.3
% change from prior quarter	173.2%	-55.3%	65.5%	-26.4%	-28.9%
Median Announced Deal Size (\$M)	\$76.4	\$23.5	\$27.4	\$77.8	\$30.0
% change from prior quarter	27.3%	-69.2%	16.6%	183.9%	-61.4%
Median EV/TTM Revenue Multiple	2.9x	3.7x	3.5x	3.9x	2.5x
% change from prior quarter	-27.5%	27.6%	-5.4%	11.4%	-35.5%

Figure 2: Enterprise Application Software Public Company Valuation Metrics, Q3 2012

Source: Signal Hill		Financial Data				Valuation Data					
Pricing Date: 9/28/12	% of 52	Q/Q Rev Growth		LTM Margins		EV/Revenues			EV/EBITDA		
Median Metrics	Week Hi	YoY	Seq.	Gross	EBITDA	LTM	CY12E	CY13E	LTM	CY12E	CY13E
Signal Hill's EAS Sub-sectors											
CRM	83%	21%	5%	62%	11%	3.3x	2.7x	2.3x	17.1x	14.1x	13.0x
ERP	94%	0%	4%	67%	19%	3.4x	2.9x	2.8x	13.6x	12.6x	11.2x
HCM	86%	20%	5%	58%	1%	3.1x	2.7x	2.9x	30.9x	19.6x	26.2x
Information Management	89%	9%	4%	70%	16%	2.7x	2.5x	2.2x	20.0x	14.7x	13.6x
PLM	97%	15%	4%	79%	21%	3.4x	2.7x	3.0x	13.6x	11.4x	11.0x
SCM	94%	9%	2%	56%	13%	3.0x	3.5x	3.1x	14.6x	14.2x	12.2x
Social Enterprise Applications	72%	51%	13%	65%	3%	7.8x	7.0x	5.4x	36.4x	40.5x	30.8x
Vertical	95%	11%	5%	53%	21%	3.3x	2.9x	2.6x	15.6x	12.9x	11.0x
EAS Sub-sectors Median	92%	13%	5%	63%	14%	3.3x	2.8x	2.8x	16.3x	14.1x	12.6x
Signal Hill's SaaS Universe ⁽¹⁾	91%	28%	6%	68%	11%	5.9x	5.2x	4.5x	30.9x	22.1x	16.2x
All EAS Companies Median	92%	14%	4%	65%	16%	3.4x	3.1x	2.7x	17.0x	13.3x	11.4x



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(1) Includes 35 enterprise-focused SaaS providers including 23 companies extracted from the sub-segments above.

Figure 3: Enterprise Application Software LTM Relative Stock Price Performance, Q3 2012

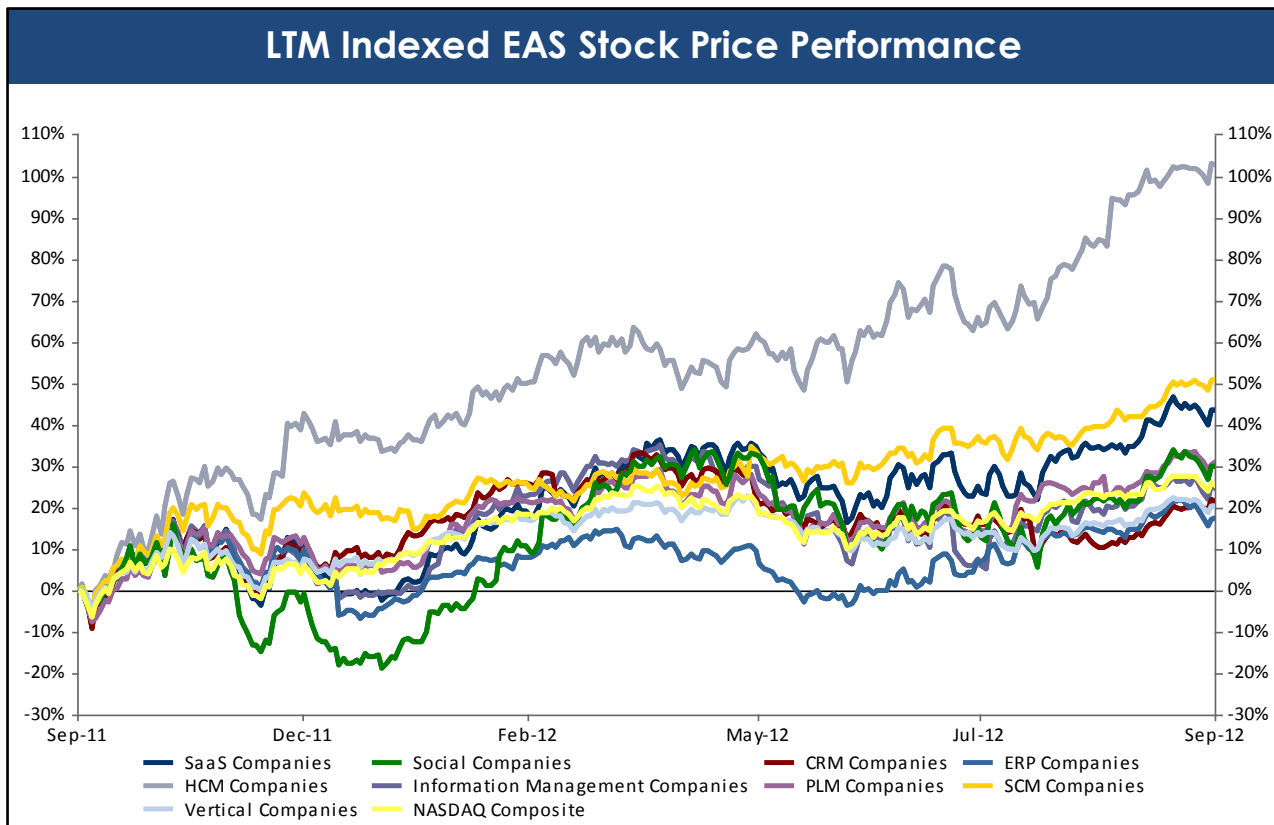


Figure 4: Largest Enterprise Application Software Revenue Multiples, Q3 2012

Target	Buyer	Enterprise Value	Revenue Multiple
Kenexa Corporation	IBM Corporation	\$1,300.0M	4.1x
RentMineOnline	RealPage	\$6.0M	4.0x
TMW Systems	Trimble Navigation	\$335.0M	3.5x
Deltek, Inc.	Thoma Bravo	\$1,100.0M	3.2x
SHL	The Corporate Executive Board	\$660.0M	3.1x



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Selected Enterprise Application Software Transactions Q3 2012

<p>Kenexa acquired by IBM</p> <p>EV: \$1,300.0M Revenue Multiple: 4.1x</p>	<p>Kenexa provides software-as-a-service, human capital management solutions that enable organizations to recruit, retain and develop employees. The acquisition bolsters IBM's social enterprise capabilities for its clients. IBM's acquisition of Kenexa follows Microsoft's acquisition of Yammer and Salesforce.com's acquisition of Buddy Media as large enterprise software companies continue to seek software solutions with a social spin.</p>
<p>Deltek acquired by Thoma Bravo</p> <p>EV \$1,100.0M Revenue Multiple: 3.2x</p>	<p>Deltek is a leading provider of enterprise software and information solutions that specializes in offering project management solutions for government contractors and professional services firms. Thoma Bravo, a technology-focused private equity firm, paid \$13 a share representing a 7 percent discount to Deltek's closing price on August 24th, the day of the deal announcement, and a 24 percent premium over Deltek's stock price on June 11th, the day before Deltek disseminated information on the sales process to interested parties.</p>
<p>TMW Systems acquired by Trimble Navigation</p> <p>EV \$335.0M Revenue Multiple: 3.5x</p>	<p>TMW Systems offers enterprise software solutions to transportation and logistics (T&L) companies. The acquisition helps Trimble gain important market share in the T&L sector as well as an end-to-end transportation software platform. Trimble expects TMW to be "highly synergistic" as it moves into its Mobile Solutions segment.</p>
<p>Consona acquired by CDC Software</p> <p>EV: \$250.0M Revenue Multiple: 2.0x</p>	<p>Consona provides enterprise software solutions in ERP, CRM, knowledge management, eService, network management and product configuration. CDC Software, backed by Vista Equity Partners, acquired Consona to consolidate its position in core manufacturing and process industry verticals. The two companies have merged to form Aptean.</p>
<p>Wildfire Interactive acquired by Google</p> <p>EV: \$250.0M</p>	<p>Wildfire Interactive develops social media marketing software that enables organizations to engage various users of social network sites. The acquisition will strengthen Google's advertising stack as large software players continue to increase their offerings around social.</p>