

# Street Wise

*Business Process Management  
Enterprise Service Management  
IT Virtualization*



Summer 2011

## Mergers and Acquisitions

Simply put, this is our specialty. Our M&A experience and expertise allows the owners and executives of middle-market companies to achieve their financial and business objectives from the sale or recapitalization of their company. Clients of Tobin & Company work directly with senior dealmakers with years of M&A experience. We are skilled at working confidentially and discreetly, and we have the experience, focus and ability to execute the most challenging M&A transactions.

### SELL SIDE ADVISORY

- **Business review:** our process begins with a thorough analysis of the company, competitive environment and the market in which it operates. Tobin & Co. then identifies potential marketing opportunities to best realize client objectives.
- **Marketing materials:** we develop comprehensive, acclaimed marketing materials, including an Information Memorandum and an Executive Summary, depicting company strengths and investment highlights.
- **Identification of qualified buyers:** we resourcefully create a broad list of targeted buyers through our extensive knowledge and our database of strategic and financial acquirers worldwide.
- **Sale:** To execute the final closing, Tobin & Co. works closely with our client to evaluate all viable offers. We represent our client's best interest from the initiation of negotiations, through due diligence and finally to consummation of a transaction.

### BUY SIDE ADVISORY

Through extensive industry research, broad customized technology and a systematic approach to outbound communication, we effectively complement our clients' corporate development efforts. We identify acquisition candidates in several industry verticals, access their decision makers, qualify their suitability as compelling targets and manage the transaction process. Our comprehensive, resourceful and innovative approach provides considerable value to clients desiring to increase growth and profitability and to build on existing corporate strengths and capabilities.

## JUSTINE E. TOBIN Managing Partner

Justine Tobin offers clients nearly three decades of experience in mergers and acquisitions and corporate finance and has led Tobin & Company since its founding ten years ago. With extensive financial, analytical and deal making experience within bulge-bracket firms on Wall Street and one of the country's largest banks, Justine provides advice, guidance and success to clients in planning and executing their financial strategies.



# [Street Wise]

## Industry Sectors Overview

[www.tobinandco.com](http://www.tobinandco.com)

Tobin & Company Investment Banking Group LLC (Tobin & Co) provides a range of investment banking services tailored to the needs of small and middle market businesses, their investors and their executives. Our firm is dedicated to providing successful solutions in each of our engagements, effectively assessing market conditions and imparting our knowledge of strategy, innovative business models and technology to maximize our client's return.

This volume of our StreetWise presents an overview of the M&A trends in some of the technology sectors that our firm follows – but not all. We will address more in a future issue. In the pages that follow we present trends in the following areas:

- **Business Process Management**
- **Enterprise Service Management**
- **IT Virtualization**

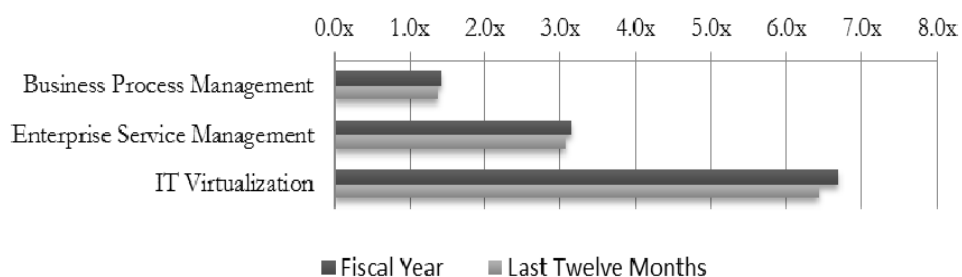
## Tobin Point

In this issue we review three new technology sectors. All three of these sectors have seen a good bit of volatility in financial performance of member companies. Each of these sectors is a critical part of the process of moving to the cloud.

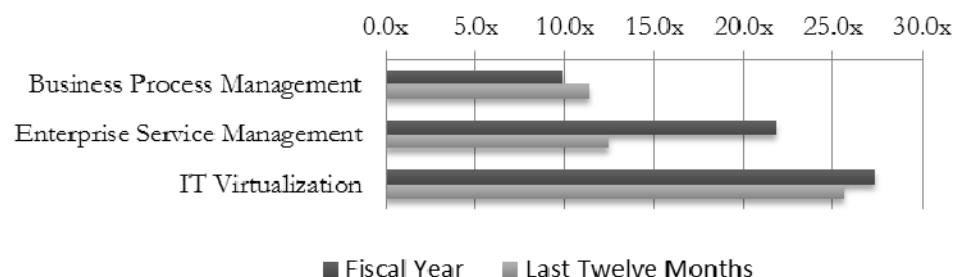
## Software & Services Sector Universe

### Revenue and EBITDA Multiples by Sector

#### Median Revenue Multiples



#### Median EBITDA Multiples



### Sector Valuation Comparison Summary

IT Sector	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenue (\$ mm)	Median Multiples			
				EV/Revenue		EV/EBITDA	
				FY	LTM	FY	LTM
Business Process Management	1,452.8	1,319.6	602.2	1.4x	1.4x	9.9x	11.4x
Enterprise Service Management	726.8	716.1	149.6	3.1x	3.1x	21.9x	12.5x
IT Virtualization	13,076.2	12,560.9	1,951.3	6.7x	6.4x	27.3x	25.6x
<b>Mean</b>				3.8x	3.6x	19.7x	16.5x
<b>Median</b>				3.1x	3.1x	21.9x	12.5x

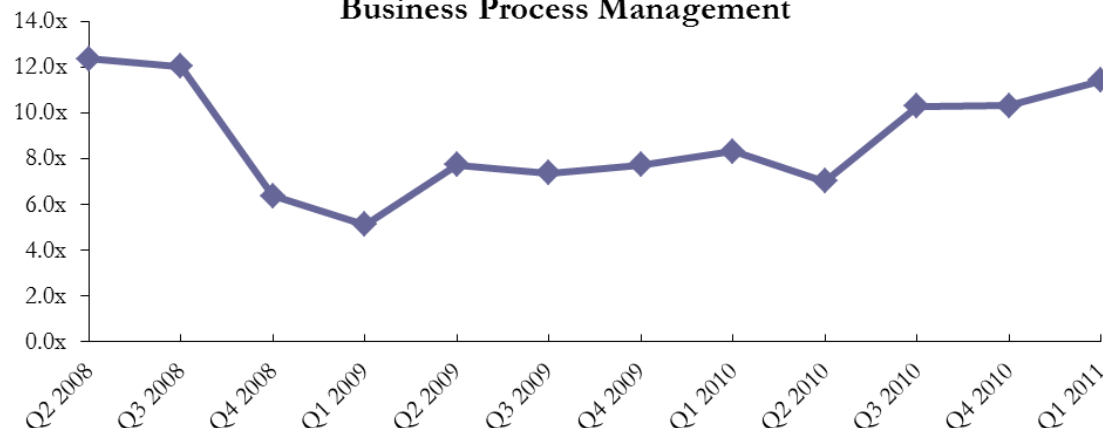
Company financial information sourced from financial statements filed at the Securities and Exchange Commission (SEC)

## Tobin Point

- Business Process Management (BPM) companies are among the workhorses of modern IT companies.
- While definition can be up for debate, we think of BPM companies as the vendors who help companies automate business processes, whether it's document management, billing management, customer management, e-marketing or any other business process.
- All of the companies we selected are profitable, but there are many unprofitable companies in the sector. Multiples trade all over the place, often as a result of weak margins for some companies in the sector.

Business Process Management companies are trading at 1.4x Revenue and 11.4x EBITDA

3-year EV/EBITDA Multiple Medians  
Business Process Management



## Sector Valuation Comparison

<i>Business Process Management</i>		*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$ mm)		EBITDA Margin		Median Multiples				
Company Name	Ticker				FY	LTM	FY	LTM	EV/Revenue		EV/EBITDA		
Adobe Systems Inc.	ADBE	34.39	17,346.3	16,229.9	3,800.0	3,969.0	34.4%	35.8%	4.3x	4.1x	12.4x	11.4x	
Advent Software, Inc.	ADVS	27.71	1,452.8	1,319.6	245.1	252.3	18.6%	13.9%	5.4x	5.2x	29.0x	37.6x	
Bridgeline Digital, Inc.	BLIN	1.10	13.5	10.4	23.6	25.8	4.4%	2.0%	0.4x	0.4x	9.9x	20.1x	
Amdocs Ltd.	DOX	28.99	5,381.2	4,224.7	2,984.2	3,079.6	20.3%	19.3%	1.4x	1.4x	7.0x	7.1x	
CSG Systems International Inc.	CSGS	19.45	673.0	521.1	549.4	602.2	25.6%	25.8%	0.9x	0.9x	3.7x	3.3x	
		<b>Mean</b>	4,973.4	4,461.1	1,520.5	1,585.8	20.7%	19.4%	2.5x	2.4x	12.4x	15.9x	
		<b>Median</b>	1,452.8	1,319.6	549.4	602.2	20.3%	19.3%	1.4x	1.4x	9.9x	11.4x	

\*Share price is 10 day average share price as of March 31, 2011

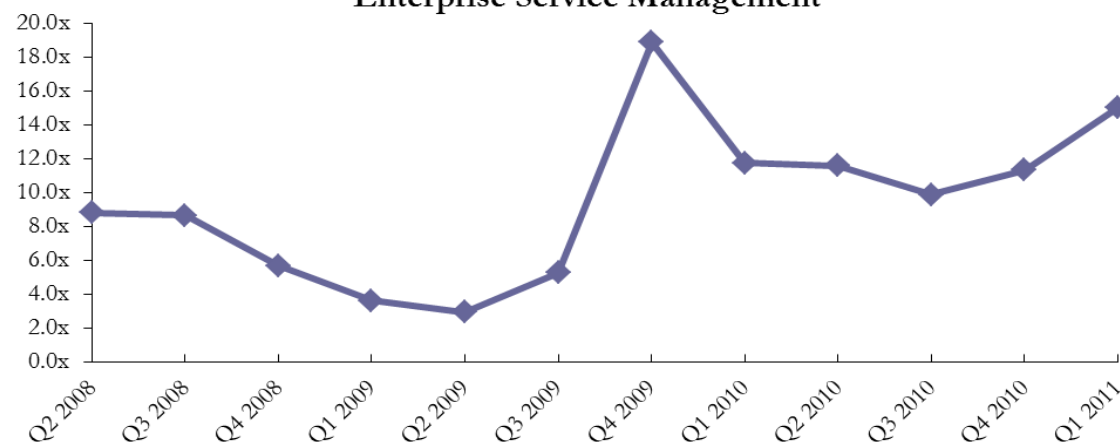
Source: Securities and Exchange Commission (SEC)

## Tobin Point

- Enterprise Service Management (ESM) companies (a.k.a Enterprise **Systems** Management companies) align the entire IT organization to common business goals and operating rules using software and services that standardize IT across the enterprise.
- ESM and BPM can be difficult to differentiate and segment, but we've taken a stab at it in this newsletter. Not without a lot of consternation, we assure you.
- Many ESM have begun losing money or showing volatility in earnings, making this sector difficult to graph for our 3-year EV/EBITDA multiples.

Enterprise Service Management companies are trading at 3.1x Revenue and 12.5x EBITDA

3-year EV/EBITDA Multiple Medians  
Enterprise Service Management



## Sector Valuation Comparison

<i>Enterprise Service Management</i>		*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$ mm)		EBITDA Margin		Median Multiples				
Company Name	Ticker				FY	LTM	FY	LTM	EV/Revenue		EV/EBITDA		
ClickSoftware Technologies Ltd.	CKSW	8.11	248.4	223.6	71.0	72.8	14.4%	13.5%	3.1x	3.1x	21.9x	22.8x	
BMC Software Inc.	BMC	49.06	8,676.5	7,370.5	1,911.2	2,065.3	35.8%	35.7%	3.9x	3.6x	10.8x	10.0x	
Ultimate Software Group	ULTI	28.72	1,214.9	1,261.6	617.2	649.2	7.5%	15.6%	2.0x	1.9x	27.2x	12.5x	
Versant Corp.	VSNT	13.27	42.3	17.0	15.8	15.9	16.6%	15.2%	1.1x	1.1x	6.5x	7.0x	
Radware Ltd.	RDWR	35.52	726.8	716.1	144.1	149.6	12.1%	13.4%	5.0x	4.8x	40.9x	35.8x	

\*Share price is 10 day average share price as of March 31, 2011

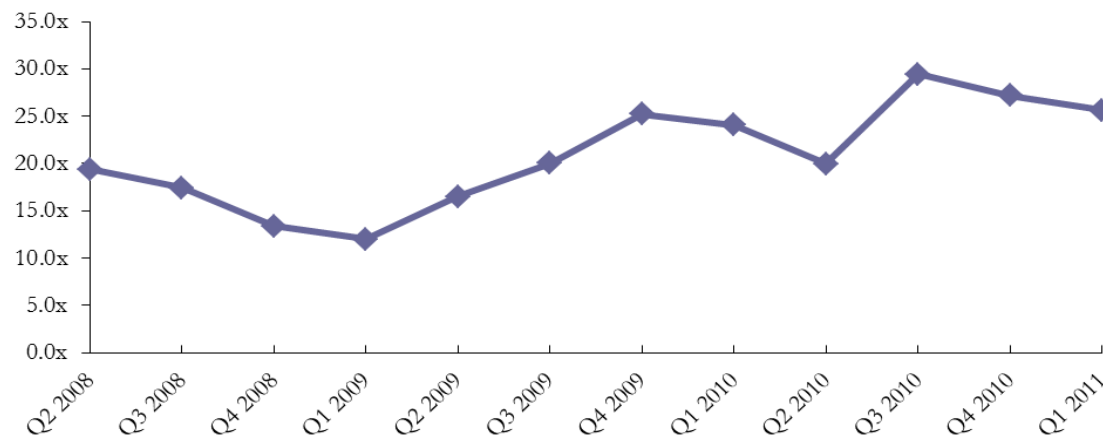
<b>Mean</b>	2181.8	1917.8	551.9	590.6	17.3%	18.7%	3.0x	2.9x	21.4x	17.6x
<b>Median</b>	726.8	716.1	144.1	149.6	14.4%	15.2%	3.1x	3.1x	21.9x	12.5x

## Tobin Point

- The IT Virtualization (ITV) sector is trading at astounding multiples due to the fact that the industry is nascent and very popular with investors.
- ITV is part of an overall trend in enterprise IT that includes making our physical IT resources virtual rather than physical and to allowing us to only access processing power when we need it. This, in turn, improves our scalability and workloads.
- ITV is hot right now. The VCs like the new up-and-comers and we are seeing IPO activity in the sector.

IT Virtualization companies are trading at 6.4x Revenue and 25.6x EBITDA

3-year EV/EBITDA Multiple Medians  
IT Virtualization



## Sector Valuation Comparison

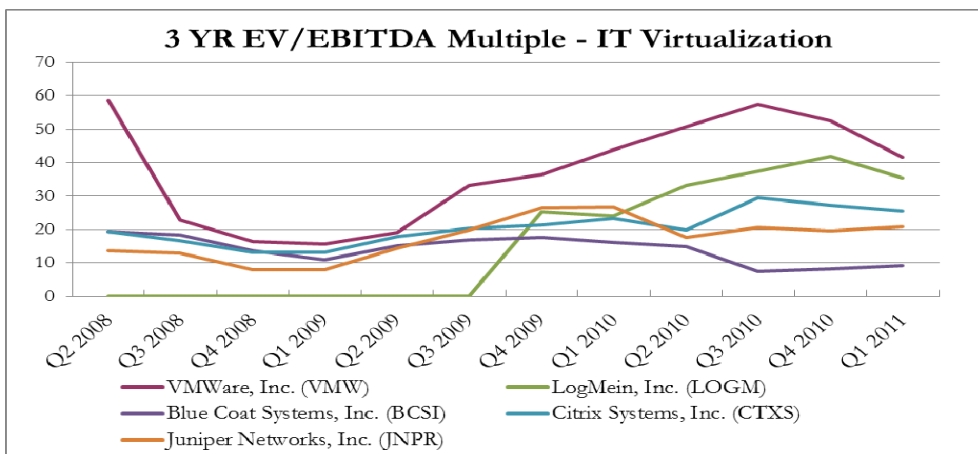
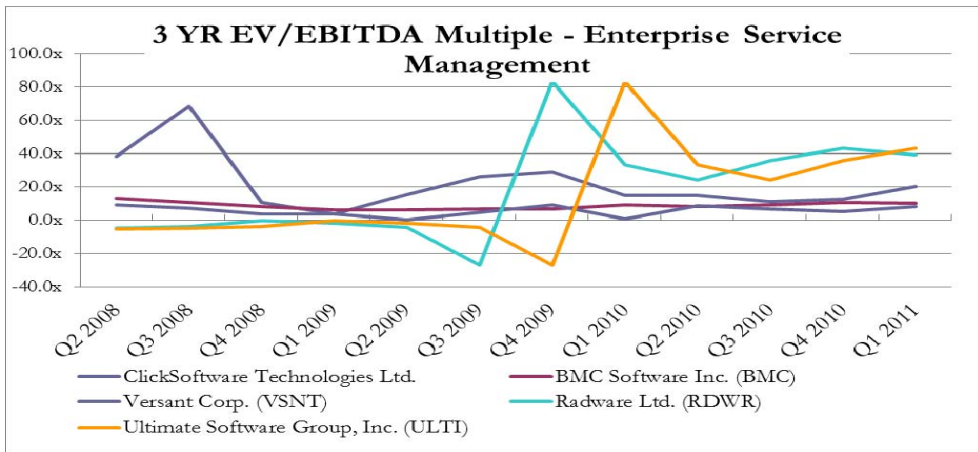
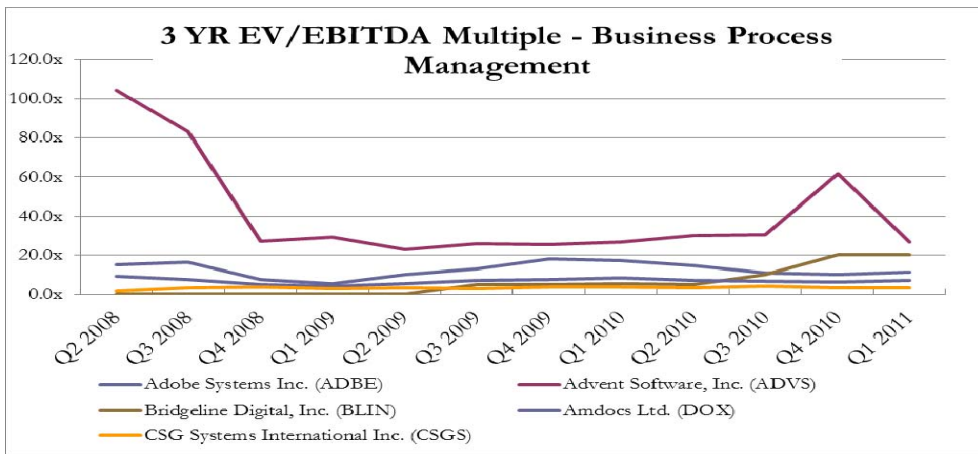
### IT Virtualization

Company Name	Ticker	*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$ mm)		EBITDA Margin		Median Multiples			
					FY	LTM	FY	LTM	EV/Revenue		EV/EBITDA	
							FY	LTM	FY	LTM	FY	LTM
VMWare, Inc.	VMW	79.03	33,150.6	31,891.7	2,857.3	3,067.5	24.1%	25.0%	11.2x	10.4x	46.3x	41.6x
LogMein, Inc.	LOGM	39.74	955.8	779.5	101.1	108.3	22.0%	20.4%	7.7x	7.2x	35.0x	35.4x
Blue Coat Systems, Inc.	BCSI	28.83	1,254.0	982.1	496.1	499.0	17.6%	21.6%	2.0x	2.0x	11.3x	9.1x
Citrix Systems, Inc.	CTXS	69.56	13,076.2	12,560.9	1,874.7	1,951.3	24.5%	25.1%	6.7x	6.4x	27.3x	25.6x
Juniper Networks, Inc.	JNPR	40.68	21,687.4	19,691.9	4,093.3	4,282.3	22.5%	22.1%	4.8x	4.6x	21.3x	20.8x

\*Share price is 10 day average share price as of March 31, 2011

<b>Mean</b>	14,024.8	13,181.2	1,573.0	1,654.0	21.2%	21.6%	5.6x	5.3x	24.6x	23.2x
<b>Median</b>	13,076.2	12,560.9	1,874.7	1,951.3	22.5%	22.1%	6.7x	6.4x	27.3x	25.6x





## Tobin Point

- At left, we illustrate each of the components of the combined charts, above.
- We create these charts in order to evaluate multiple expansion and contraction. All of the sectors we are reviewing in this volume of our newsletter saw declines in multiples with the Great Financial Crisis in the Autumn of 2008. BPM swooned. ITV held its own, relatively.
- Since then, like almost all IT sector multiples, these three sectors have seen multiples expand. Except for IT Virtualization, which has seen some contraction over the past two quarters. In ITV, income growth has slowed or even declined. Share prices have pulled back even more.
- BPM valuation has finally recovered to pre-recession levels. ITV multiples have maybe leveled off. A bit of a correction the markets get a little shy.
- Overall, multiples are pretty full at this point – we would be surprised to see any further expansion post-recovery. But then again, nothing surprises us anymore.

*Company financial information sourced from financial statements filed at the Securities and Exchange Commission (SEC)*

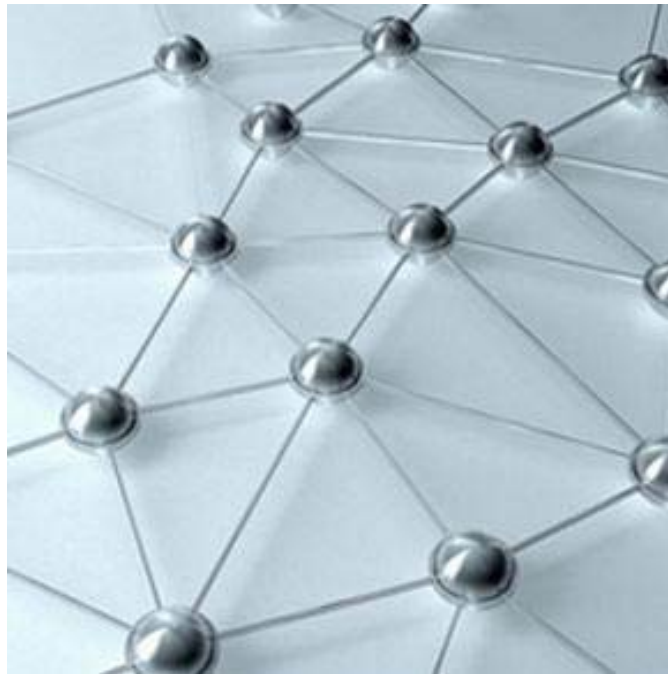




Tobin & Company is an established, ten-year-old investment banking company, founded in 2001.

We founded Tobin & Company because we are devoted to serving our clients. We believe that leading and guiding our clients is an extremely motivating and satisfying trade. We also enjoy the industry of investment banking – the profession of advising clients about matters, financial and strategic, regarding the creation of capital.

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