

Street Wise

Information Technology

Software and Services

Technical Review



Winter 2013

Another of our Services

Street Wise

Managing Broker-Dealer Operations

Tobin & Company offers exacting managing broker-dealer services for private placement offerings. In our role as managing broker-dealer, Tobin & Company works closely with the issuer's management team in the structuring, document preparation and process management for the offering. Once engaged in the process, Tobin & Company performs the following tasks:

- **Due Diligence:** we conduct an investigation and perform due diligence and analysis with respect to the business and operations of the issuer.
- **Offering Materials:** we structure, prepare and/or review financial models and analysis, private placement memoranda, subscription documents, investor questionnaires, organizational documents and other documents pertaining to the securities offering by the issuer.
- **Broker-Dealer Agreements:** we enter into soliciting broker-dealer agreements with broker-dealers willing and able to market and sell the securities of the issuer.
- **Documentation:** we assist with the processing of all subscription documents, offering documents and other documents necessary for finalizing the sale of securities of the issuer.
- **Investor-Relation Services:** we provide investor-relation services for the issuer on a case-by-case basis.

JUSTINE E. TOBIN Managing Partner

Justine Tobin offers clients three decades of experience in mergers and acquisitions and corporate finance and has led Tobin & Company since its founding twelve 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 and the entire Tobin & Company team provide advice, guidance and success to clients in planning and executing their financial strategies.



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Industry Sectors Overview

www.tobinandco.com

Tobin & Company Investment Banking Group LLC (“Tobin & Co”) provides a range of investment banking services tailored to the needs of 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 StreetWise presents an overview of the M&A trends in a few more of the technology sectors that our firm follows. In the pages that follow we present trends in the following areas:

- **Healthcare Revenue Cycle Management**
- **Contact Center Software**
- **Staffing Solutions**
- **Human Capital Management**

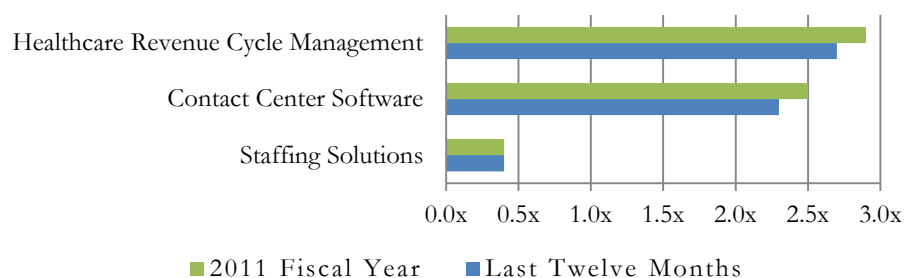
Tobin Point

In this issue of our newsletter, we review three new technology sectors that we follow at our firm. These sectors are active segments where both large established companies and smaller entrepreneurial players are making an impact.

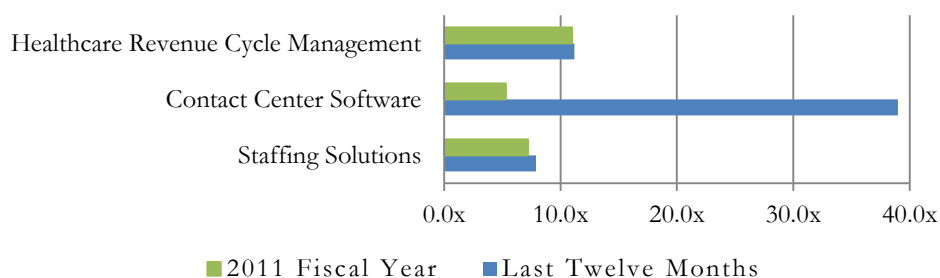
Revenue and EBITDA Multiples by Sector

- Healthcare Revenue Management Cycle
- Contact Center Software
- Staffing Solutions

FY 2011/LTM 2012 Revenue Multiples



FY 2011/LTM 2012 EBITDA Multiples



Sector Valuation Comparison Summary (medians for each sector)

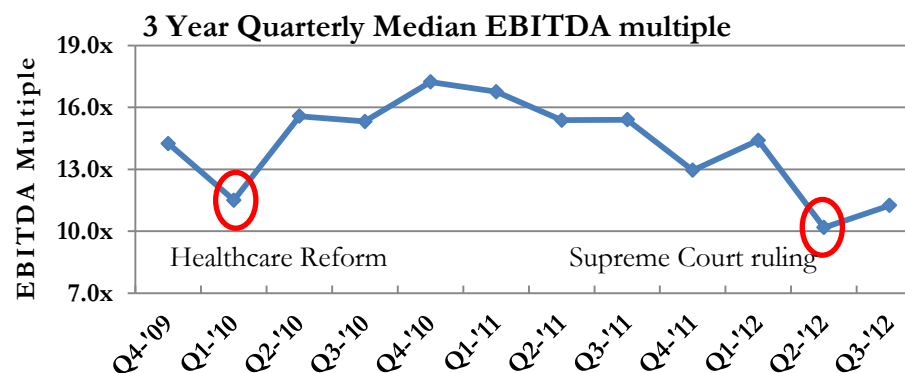
Industry	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenue (\$ mm)	Multiples			
				EV/Revenue		EV/EBITDA	
				FY 2011	LTM 2012	FY 2011	LTM 2012
Healthcare Revenue Cycle Management	1,067.1	1,456.1	544.7	2.9x	2.7x	11.0x	11.2x
Contact Center Software	586.9	557.4	224.5	2.5x	2.3x	5.3x	39.0x
Staffing Solutions	550.7	497.4	1,140.3	0.4x	0.4x	7.2x	7.9x

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

Tobin Point

- Check out the dips in Q1 of 2010 and Q2 of 2012, which are circled in red. The first dip coincided with the passage of the Patient Protection and Affordable Care Act. The second dip coincided with the Supreme Court upholding the law. Interesting.
- The underlying fundamentals of these companies have seen little growth as Medicare and Medicaid continue to decrease reimbursements, shrinking the margins between gross income and net income.

Healthcare Revenue Cycle Management companies are trading at 2.7x Revenue and 11.2x EBITDA



Sector Valuation Comparison

<i>Healthcare Revenue Cycle Management</i>		*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$mm)		EBITDA Margin		Multiples			
Company Name	Ticker				FY	LTM	FY	LTM	FY	LTM	FY	LTM
Merge Healthcare Inc.	MRGE	2.69	358.8	579.6	232.4	248.3	23.3%	18.5%	2.5x	2.3x	10.7x	12.6x
Computer Programs & Systems, Inc.	CPSI	50.97	608.7	602.9	173.5	177.6	25.2%	23.9%	3.5x	3.4x	13.8x	14.2x
Quality Systems, Inc.	QSII	18.64	1,102.8	980.8	429.8	456.2	31.2%	27.5%	2.3x	2.1x	7.3x	7.8x
MedAssets, Inc.	MDAS	18.64	1,031.4	1,931.4	578.3	633.1	29.6%	30.9%	3.3x	3.1x	11.3x	9.9x
Allscripts Healthcare Solutions, Inc.	MDRX	10.84	1,894.9	2,261.0	1,444.1	1,483.6	18.6%	16.3%	2.5x	1.5x	8.4x	9.3x
Cerner Corporation	CERN	83.52	12,537.9	12,446.4	2,203.2	2,570.7	30.5%	29.8%	3.5x	4.8x	18.5x	16.2x

*Share price is 10 day average share price as of February 7, 2013

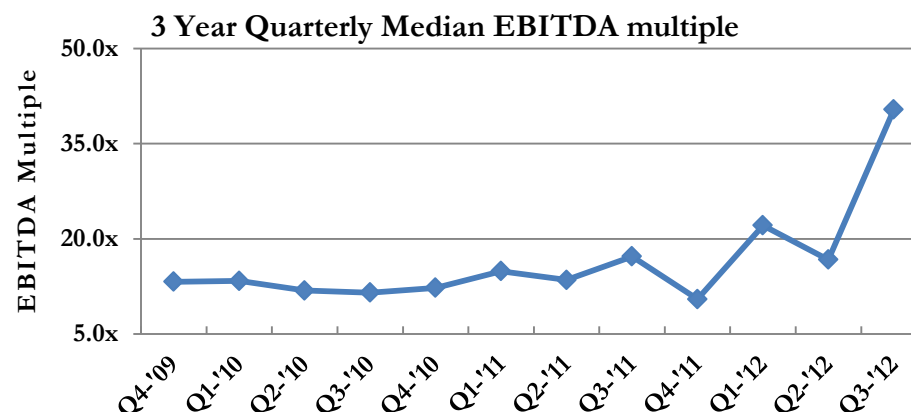
Source: Securities and Exchange Commission (SEC)

Mean	26.4%	24.5%	2.9x	2.9x	11.7x	11.7x
Median	27.4%	25.7%	2.9x	2.7x	11.0x	11.2x

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- Take notice of the huge growth in EBITDA multiples in Q3 of 2012. This growth is due to the upfront costs contact centers are incurring while incorporating social media into the services offered to clients.
- These upfront costs are shrinking EBITDA but the market has continued to invest in these companies, upholding their enterprise value. The market sees the long-term benefits of these strategic investments.

Contact Center Software companies
are trading at 2.3x Revenue and 39.0x EBITDA



Sector Valuation Comparison

<i>Contact Center Software</i>		*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$ mm)		EBITDA Margin		Multiples			
Company Name	Ticker				FY	LTM	FY	LTM	FY	LTM	FY	LTM
Cicero Inc.	CICN	0.07	6.2	10.1	3.3	6.0	(60.0)%	1.7%	3.1x	1.7x	(5.2)x	98.4x
eGain Corporation	EGAN	7.37	109.9	108.2	43.4	43.7	(5.3)%	(13.1)%	2.5x	2.5x	(47.4)x	(18.9)x
Interactive Intelligence, Inc.	ININ	40.96	586.9	557.4	209.5	224.5	13.6%	5.9%	2.7x	2.5x	19.5x	41.8x
Pegasystems Inc.	PEGA	23.78	1,116.0	1,004.7	416.7	433.2	6.7%	5.9%	2.4x	2.3x	35.9x	39.0x
Cisco Systems, Inc.	CSCO	20.91	96,007.1	68,531.1	46,061.1	46,681.0	28.2%	28.5%	2.5x	1.5x	5.3x	5.2x

*Share price is 10 day average share price as of February 7, 2013

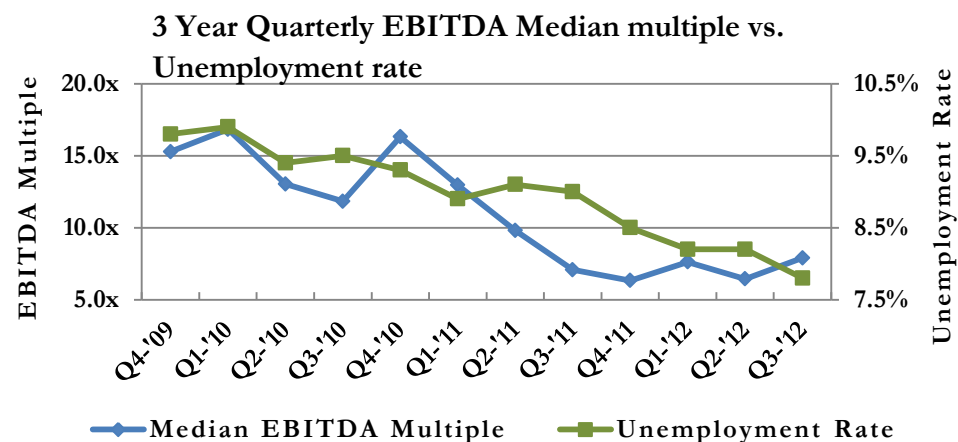
Source: Securities and Exchange Commission (SEC)

Mean	(3.3)%	5.8%	2.6x	2.1x	1.6x	33.1x
Median	6.7%	5.9%	2.5x	2.3x	5.3x	39.0x

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- EBITDA multiples have coincided directly with the unemployment rate. This correlation is due to rising, and normalizing, EBITDA as the economy recovers.
- Revenue multiples have stayed constant over the past three years as has the market value of equity, albeit, with some volatility.
- EBITDA has grown as industry participants have undergone corporate restructuring to streamline operations.

Staffing Solutions companies are trading at 0.4x Revenue and 7.9x EBITDA



Sector Valuation Comparison

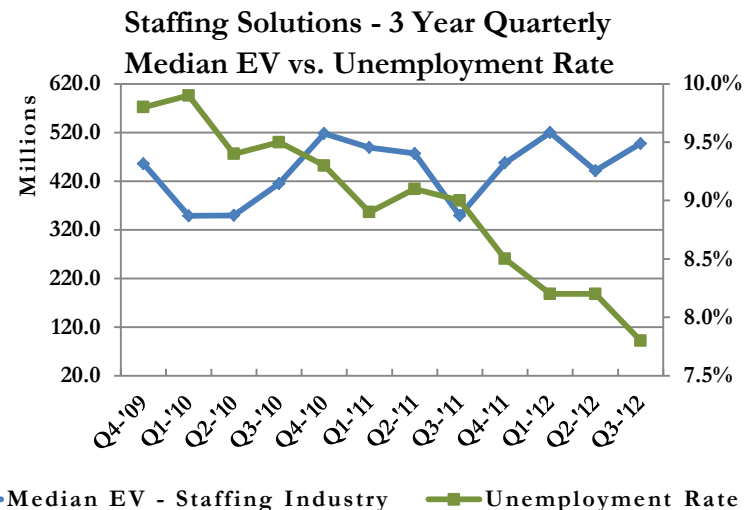
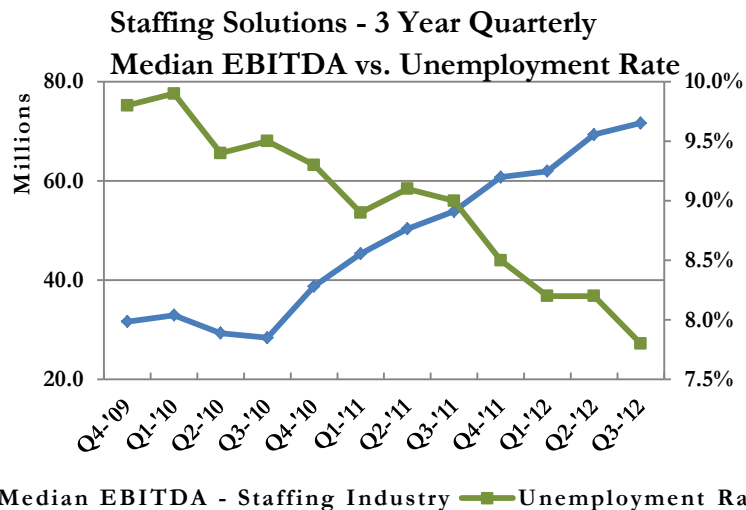
<i>Staffing Solutions</i>		*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$ mm)		EBITDA Margin		Multiples			
Company Name	Ticker				FY	LTM	FY	LTM	EV/Revenue		EV/EBITDA	
									FY	LTM	FY	LTM
CDI Corp.	CDI	16.98	334.6	323.4	1,059.8	1,102.4	4.5%	4.3%	0.3x	0.3x	6.8x	6.8x
Insperty, Inc.	NSP	33.48	659.6	405.7	1,976.2	2,121.5	3.7%	4.0%	0.2x	0.2x	5.6x	4.7x
Kforce Inc.	KFRC	13.95	441.7	437.5	1,110.9	1,178.2	5.2%	2.9%	0.4x	0.4x	7.6x	12.7x
TrueBlue, Inc.	TBI	17.26	664.9	557.3	1,316.0	1,395.1	4.9%	5.1%	0.4x	0.4x	8.7x	7.8x
AMN Healthcare Services, Inc.	AHS	12.26	404.9	574.6	887.5	928.2	10.5%	7.7%	0.6x	0.6x	6.2x	8.0x
On Assignment, Inc.	ASGN	24.20	1,053.2	1,526.3	597.3	999.8	9.0%	10.2%	2.6x	1.5x	28.4x	14.9x

*Share price is 10 day average share price as of February 7, 2013

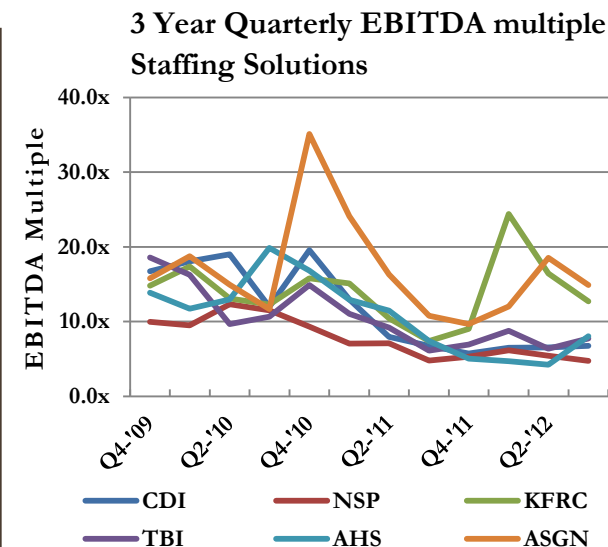
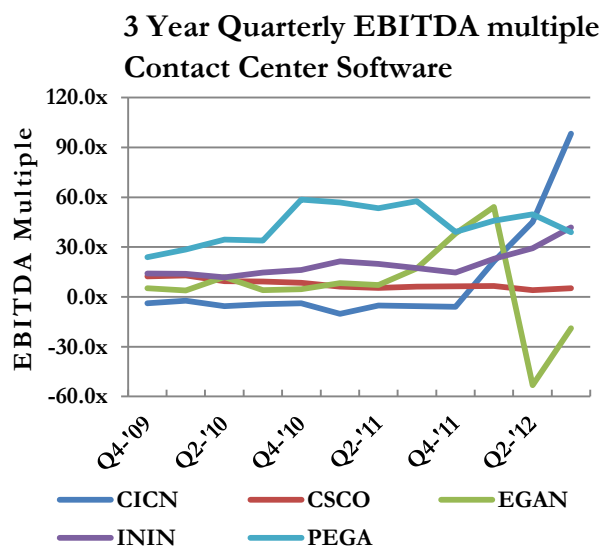
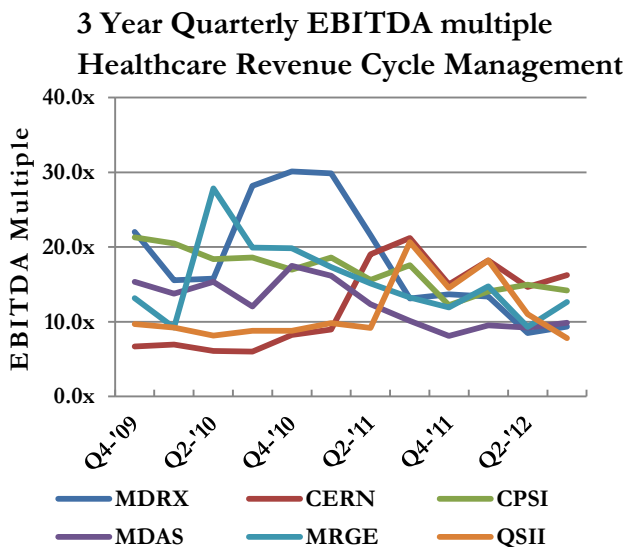
Source: Securities and Exchange Commission (SEC), Bureau of Labor Statistics

Mean	6.3%	5.7%	0.8x	0.6x	10.5x	9.2x
Median	5.0%	4.7%	0.4x	0.4x	7.2x	7.9x

More insight on Staffing Solutions



3 Year EBITDA Multiples by Sector



Source: Securities and Exchange Commission (SEC), Bureau of Labor Statistics

Human Capital Management Industry Overview

Introduction

2012 was a busy year for human capital management (“HCM”) companies. A wave of key mergers began after SAP AG (NYSE: SAP) [bought](#) SuccessFactors, Inc. (NYSE: SFSF), a Web-based enterprise software company, for \$3.4 billion. The deal triggered a reactionary response from Oracle Corporation (NASDAQ: ORCL), who [purchased](#) Taleo Corporation (NASDAQ: TLEO), a maker of online human resources software, two months later for \$1.9 billion. International Business Machine (NYSE: IBM) acquired Kenexa for \$1.3 billion in August.

These acquisitions have helped transform the outlook for many companies within the HCM industry. High premiums are being paid for HCM companies because of the compatibility between their services and the cloud strategies of the large technology companies. For example, SuccessFactors and [Kenexa](#) were paid premiums of 52% and 42%, respectively, by their acquirers.

Why are large technology companies paying such high premiums?

There are two reasons why large technology companies are paying such high premiums.

First, HCM companies are helping their clients meet their talent needs better than ever before. HCM companies have capitalized on social networking and mobile technology to create a single, global database that offers its clients various services, including: talent acquisition, compensation management, performance management and learning and development.

These tools provide HR departments with a holistic view of their talent position. Because of HCM companies, HR departments can evaluate the dollar value of an individual talent in real-time, and evaluate compensation levels to retain talent for as long as possible.

Moreover, the companies can identify talent that needs to be let go and offers HR departments the resources necessary to find more productive talent. Companies of all sizes are benefiting from this transformation, especially the large ones, who find HCM services [essential](#).

Second, Silicon Valley giants have been in a race over the past year to establish their niches within cloud computing. HCM services are a major contributor to the SaaS strategies of large technology companies who wish to be a one-stop-shop for all their clients’ cloud computing needs.

HCM Industry in 2013

2013 will be another busy year for the HCM industry. Large technology companies who are looking to build their cloud services by adding HCM services or strengthening their existing HCM services will be looking for acquisitions.

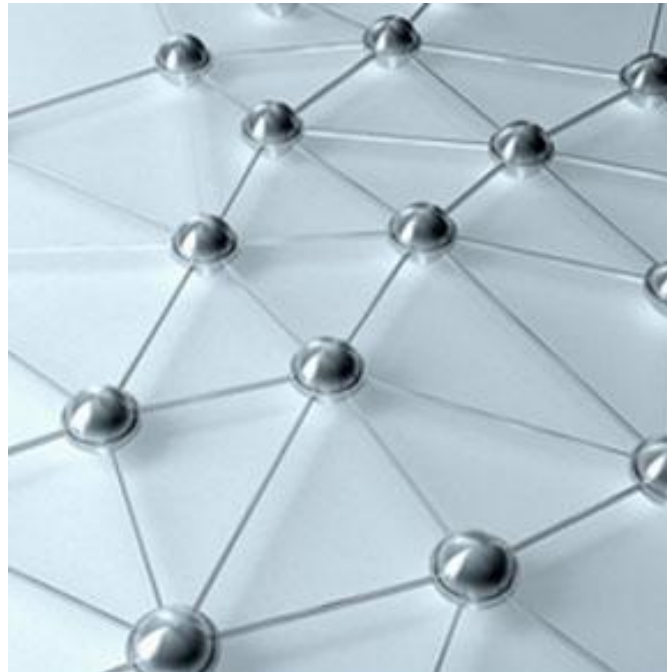
There are several HCM companies who would be good targets. These companies include Jobapp Network, Workday, Ceridian and Infor, all of which offer sourcing, recruitment, management and training solutions. These companies, who are dominating key market niches, are the companies to watch in 2013.



Tobin & Company is an established 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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<http://tobinandco.com/newsletters/>

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*We welcome your inquiries about our services.
Please contact us.*

**201 SOUTH COLLEGE STREET
SUITE 1610
CHARLOTTE, NC 28244**

P: 704-334-2772

E: justine@tobinandco.com

