

Street Wise

Information Technology

Software and Services

Technical Review



Winter 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.



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Industry Sectors Overview

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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 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:

- Software as a Service (SaaS)
- Data Storage Solutions
- Payment Processing & Services

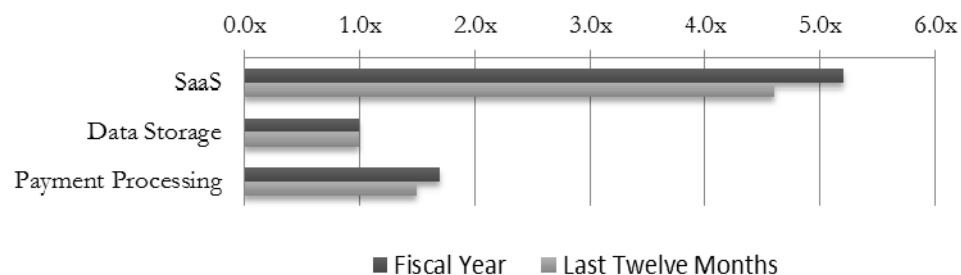
Tobin Point

In this issue we review three technology sectors that have attracted lots of attention in M&A. All three are forward-looking spaces in technology where smaller entrepreneurial companies are attracting attention from veteran players.

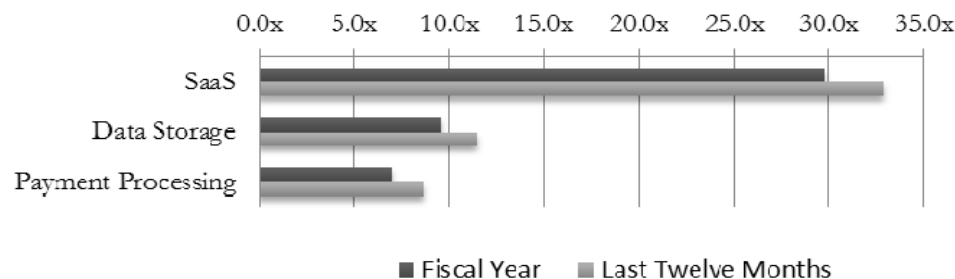
IT Software & Services Sector Universe

Revenue and EBITDA Multiples by Sector

2010 Revenue Multiples



2010 EBITDA Multiples



Sector Valuation Comparison Summary

Industry	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenue (\$ mm)	Multiples			
				EV/Revenue		EV/EBITDA	
				FY	LTM	FY	LTM
SaaS	\$861.5	\$717.7	\$198.2	5.2x	4.6x	29.8x	32.9x
Data Storage	\$550.9	\$593.3	\$396.1	1.0x	1.0x	9.6x	11.5x
Payment Processing	\$354.8	\$511.8	\$201.6	1.7x	1.5x	7.0x	8.7x

Mean	2.7x	2.4x	25.5x	22.8x
Median	1.5x	1.5x	8.0x	8.1x

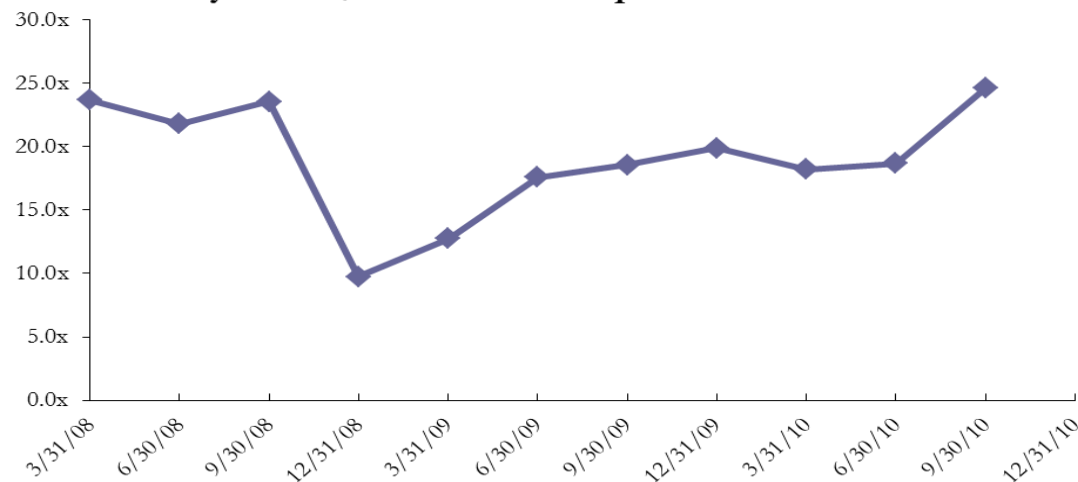
Company financial information sourced from financial statements filed at the Securities and Exchange Commission (SEC)

Tobin Point

- o SaaS companies are all the rage in the marketplace, both in the publicly traded markets and in M&A..
- o Public valuations are at astounding valuations of nearly five times revenue because of the popularity of these companies and the lack of inventory in which to invest.
- o The recurring revenues of these companies have made them the darlings of investors.
- o These factors have made acquisitions in the sector relatively scarce since its hard to establish a clearing price for these companies in the private marketplace that buyers are willing to pay and sellers are willing to accept.

SaaS companies are trading at 4.6x 2010 Revenue and 32.9x EBITDA

3-year EV/EBITDA Multiple Medians - SaaS



Sector Valuation Comparison

Software as a Service

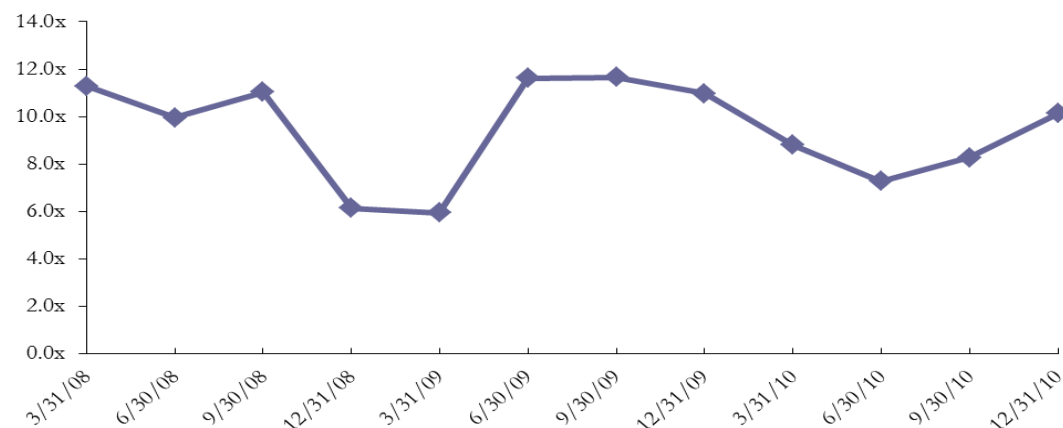
Company Name	Ticker	*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$ mm)		EBITDA Margin		Multiples						
					FY	LTM	FY	LTM	EV/Revenue		EV/EBITDA				
									FY	LTM	FY	LTM			
Advent Software, Inc.	ADVS	30.10	1,551.1	1,429.1	259.5	274.3	17.9%	18.4%	5.5x	5.2x	30.8x	28.3x			
DealerTrack Holdings, Inc.	TRAK	20.69	840.2	661.5	225.6	235.1	10.7%	13.3%	2.9x	2.8x	27.4x	21.2x			
LivePerson, Inc.	LPSN	11.23	570.6	520.3	87.5	104.7	20.7%	23.7%	5.9x	5.0x	28.7x	21.0x			
Rightnow Technologies, Inc.	RNOW	27.30	882.8	773.8	152.7	175.7	7.8%	9.5%	5.1x	4.4x	65.3x	46.5x			
Taleo Corporation	TLEO	32.45	1,313.0	1,049.0	198.4	220.6	13.1%	12.7%	5.3x	4.8x	40.3x	37.5x			
Web.com Group, Inc.	WWW	11.50	309.2	400.6	106.5	109.0	14.2%	6.1%	3.8x	3.7x	26.5x	60.1x			
*Share price is 10 day average share price as of February 18, 2010															
							Mean			14.1%	13.9%	4.8x	4.3x	36.5x	35.8x
							Median			13.7%	13.0%	5.2x	4.6x	29.8x	32.9x

Tobin Point

- Data storage companies have been losing money for a long time and while the trend is improving slightly, many are still losing money.
- Yet data storage companies have become mature enough that they are now finally being acquired, even after they've gone public.
- While this industry IS consolidating, new companies are being created with new, innovative product offerings.
- Everyone needs to store data, and the rate of data creation accelerates daily, boding well for this industry.

Data Storage Solutions is trading at 1.0x 2010 Revenue and 11.5x EBITDA

3-year EV/EBITDA Multiple Medians - Data Storage



Sector Valuation Comparison

Data Storage Solutions

Company Name	Ticker	*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$mm)		EBITDA Margin		Multiples			
					FY	LTM	FY	LTM	EV/Revenue		EV/EBITDA	
									FY	LTM	FY	LTM
Brocade Communications Systems, Inc	BRC	5.92	2,764.0	2,764.5	2,094.4	2,094.4	19.7%	19.7%	1.3x	1.3x	6.7x	6.7x
Dot Hill Systems Corp.	HILL	3.55	196.1	157.7	234.4	249.6	-3.6%	-4.5%	0.7x	0.6x	n/a	n/a
Overland Storage Inc.	OVRL	1.74	24.9	24.7	77.7	73.4	-16.3%	-22.0%	0.3x	0.3x	n/a	n/a
Quantum Corporation	QTM	2.86	645.3	832.2	681.4	671.6	12.4%	10.8%	1.2x	1.2x	9.8x	11.5x
Silicon Graphics International Corp	SIG	15.06	456.4	354.3	403.7	499.9	-16.4%	-5.1%	0.9x	0.7x	n/a	n/a
STEC, Inc.	STEC	22.94	1,167.6	1,007.0	354.2	292.2	29.6%	18.9%	2.8x	3.4x	9.6x	18.2x

*Share price is 10 day average share price as of February 18, 2010

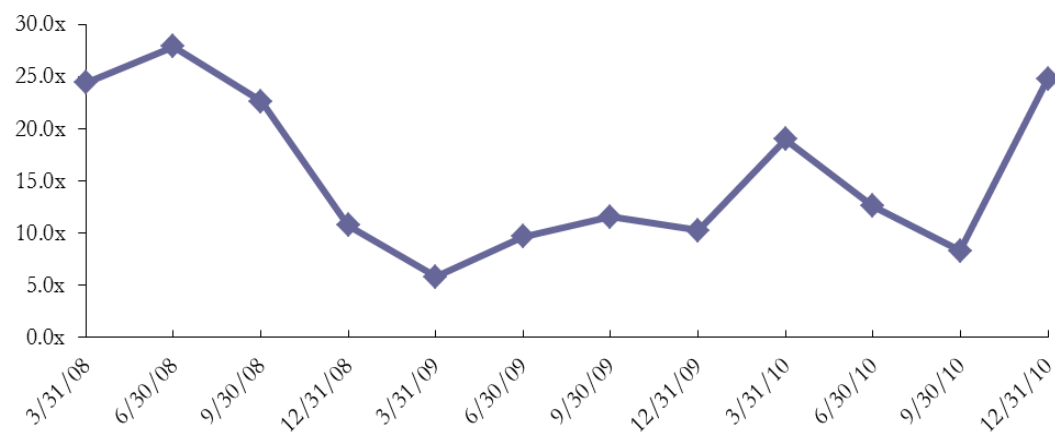
Mean	4.2%	2.9%	1.2x	1.3x	8.7x	12.2x
Median	4.4%	3.1%	1.0x	1.0x	9.6x	11.5x

Tobin Point

- The payments processing and services technology space remains dynamic and full of opportunity. It is full of small entrepreneurial companies and some interesting public companies.
- All of the companies we've selected are profitable. Multiples are all over the place, reflecting SaaS and non-SaaS companies.
- Payments is a very desirable industry right now, but there is still some instability in business plan execution, which is also reflection in these valuation multiples.

Payment Processing and Services is trading at 1.5x 2010 Revenue and 8.7x EBITDA

3-year EV/EBITDA Multiple Medians - Payment Processing



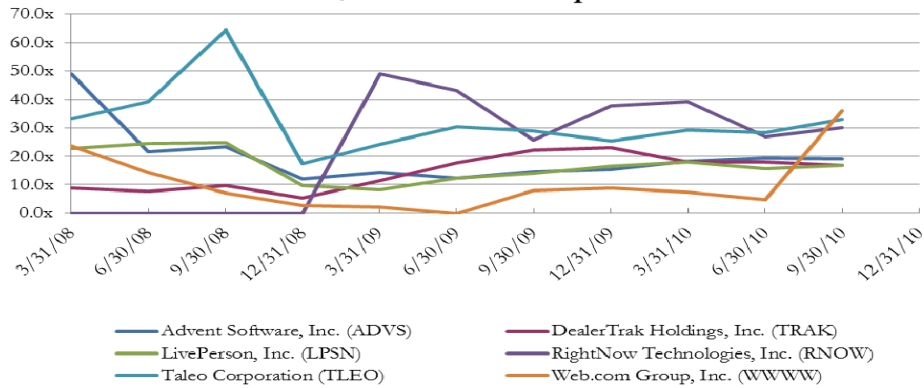
Sector Valuation Comparison

Payment Processing

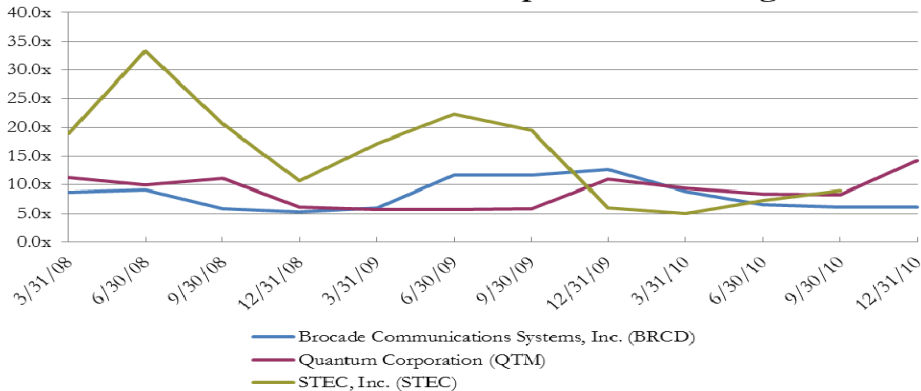
Company Name	Ticker	*Share Price (\$)	Market Value (\$ mm)	Enterprise Value (\$ mm)	Revenues (\$ mm)		EBITDA Margin		Multiples					
					FY	LTM	FY	LTM	EV/Revenue FY	EV/Revenue LTM	EV/EBITDA FY	EV/EBITDA LTM		
Concur Technologies, Inc.	CNQR	51.40	2,757.9	2,380.5	292.9	305.5	22.2%	21.0%	8.1x	7.8x	36.6x	37.2x		
LML Payment Systems Inc.	LMLP	4.60	125.2	113.3	14.8	25.6	13.1%	27.9%	7.6x	4.4x	58.2x	15.8x		
Online Resources Corporation	ORCC	6.87	214.6	228.3	151.9	150.0	22.1%	20.8%	1.5x	1.5x	6.8x	7.3x		
PRGX Global, Inc.	PRGX	6.24	149.2	141.5	179.6	183.3	14.0%	8.9%	0.8x	0.8x	5.6x	8.7x		
TNS, Inc.	TNS	18.89	495.0	795.2	474.8	529.5	23.9%	25.1%	1.7x	1.5x	7.0x	6.0x		
The Ultimate Software Group, Inc.	ULTI	51.20	1,295.2	1,262.0	196.6	219.9	5.7%	7.4%	6.4x	5.7x	112.5x	78.0x		
							Mean		19.1%	20.7%	3.9x	3.2x	22.8x	15.0x
							Median		22.1%	21.0%	1.7x	1.5x	7.0x	8.7x

*Share price is 10 day average share price as of February 18, 2010

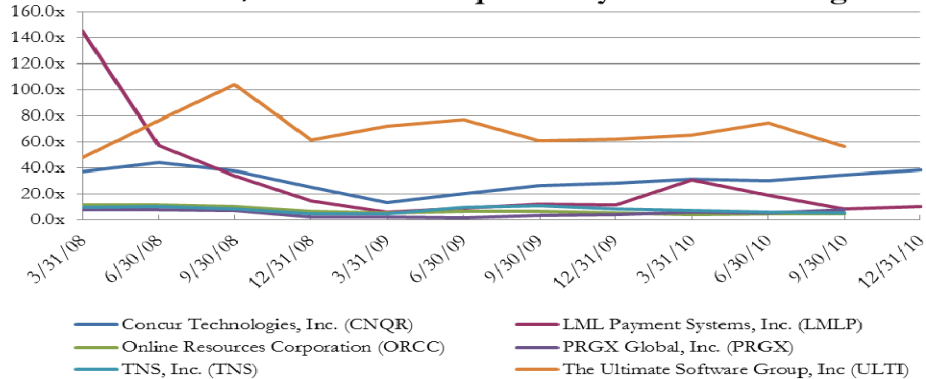
3 YR EV/EBITDA Multiples - SaaS



3 YR EV/EBITDA Multiples - Data Storage



3 YR EV/EBITDA Multiples - Payment Processing



Tobin Point

- At left, we share the components of the charts illustrated above. The underlying information is just too interesting not to share.
- 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.
- Since then, multiples in each of the sectors have expanded. The SaaS multiples have expanded to their prior level, experiencing only a short term contraction.
- Data Storage has recovered, albeit with some more tempered multiples and the Payments space has shot back up only very recently..
- We expect to see continued multiple expansion in these sectors as the sectors gain more attention from investors and more visible in the M&A marketplace.

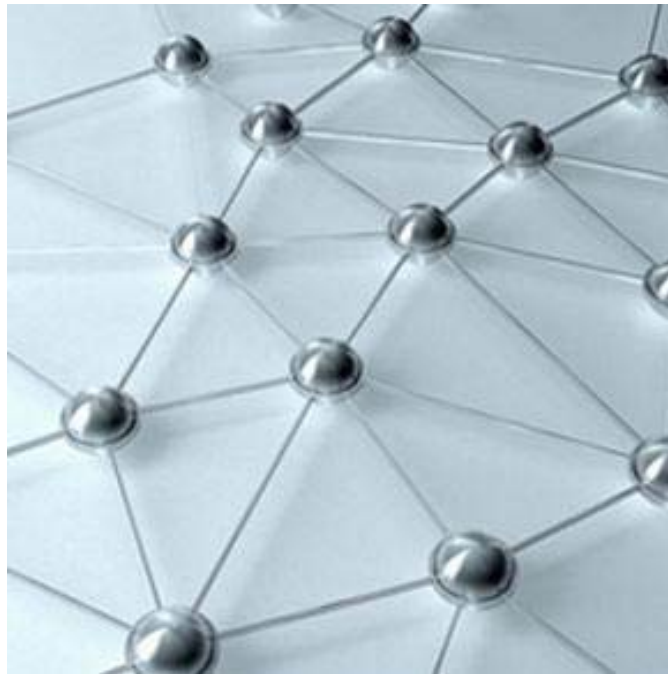
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Tobin & Company is an established, ten-year-old investment banking company, founded in 2001.

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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