



Technology, Digital Media &  
Internet and Software M&A Activity

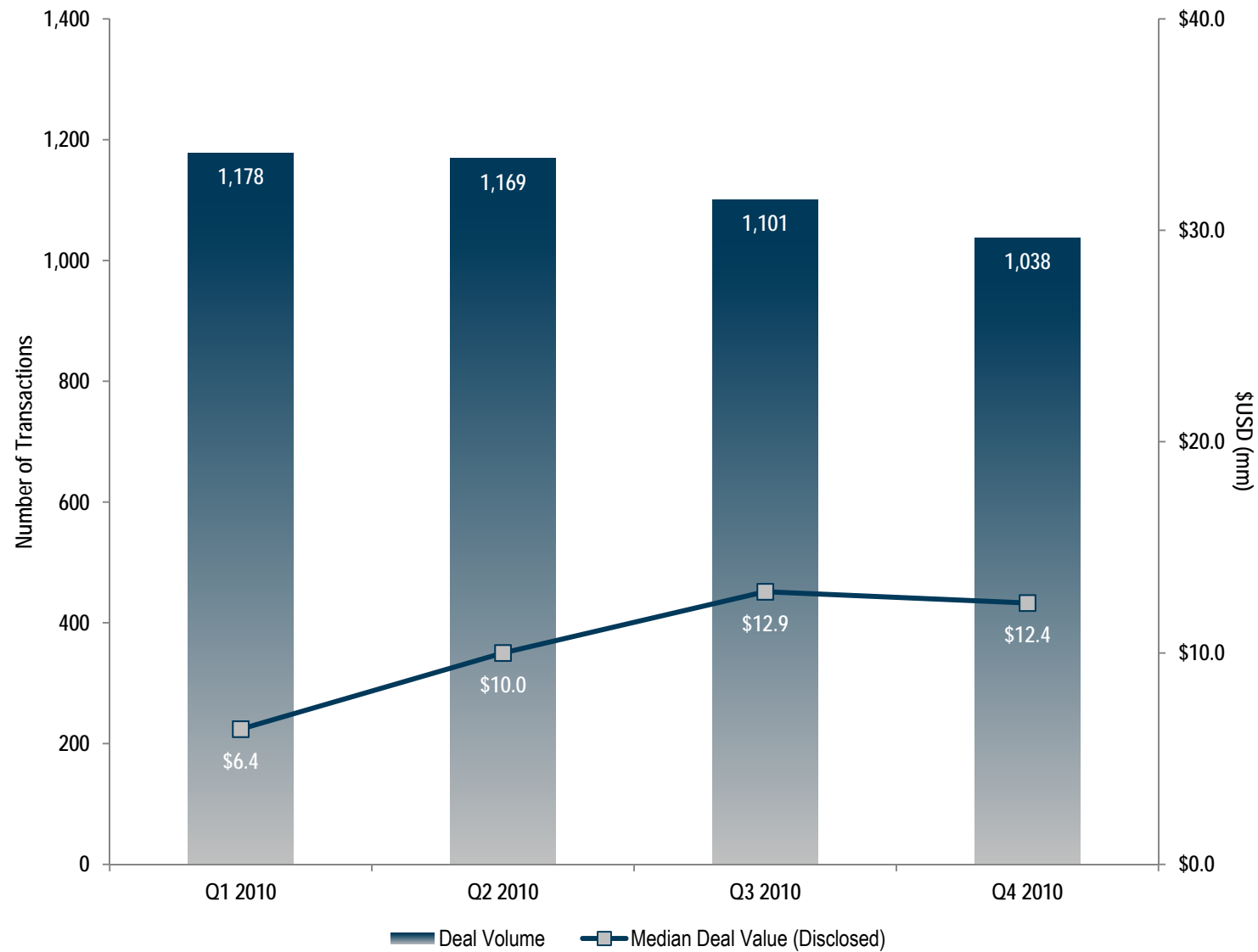
4<sup>th</sup> QUARTER 2010 IN REVIEW

# S&A Exit Report Methodology

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- The S&A Exit Report captures:
  - Technology, Digital Media & Internet and Software transactions that were announced during the 4<sup>th</sup> quarter of 2010 (October 1<sup>st</sup> – December 31<sup>st</sup>)
  - Publicly available deal values and implied trading multiples
  - Notable transactions and events during the quarter
  - S&A industry thoughts and trends
  - Current publicly available trading metrics
  - Areas of focus include:
    - The overall Technology industry
    - Internet & Digital Media
    - Software

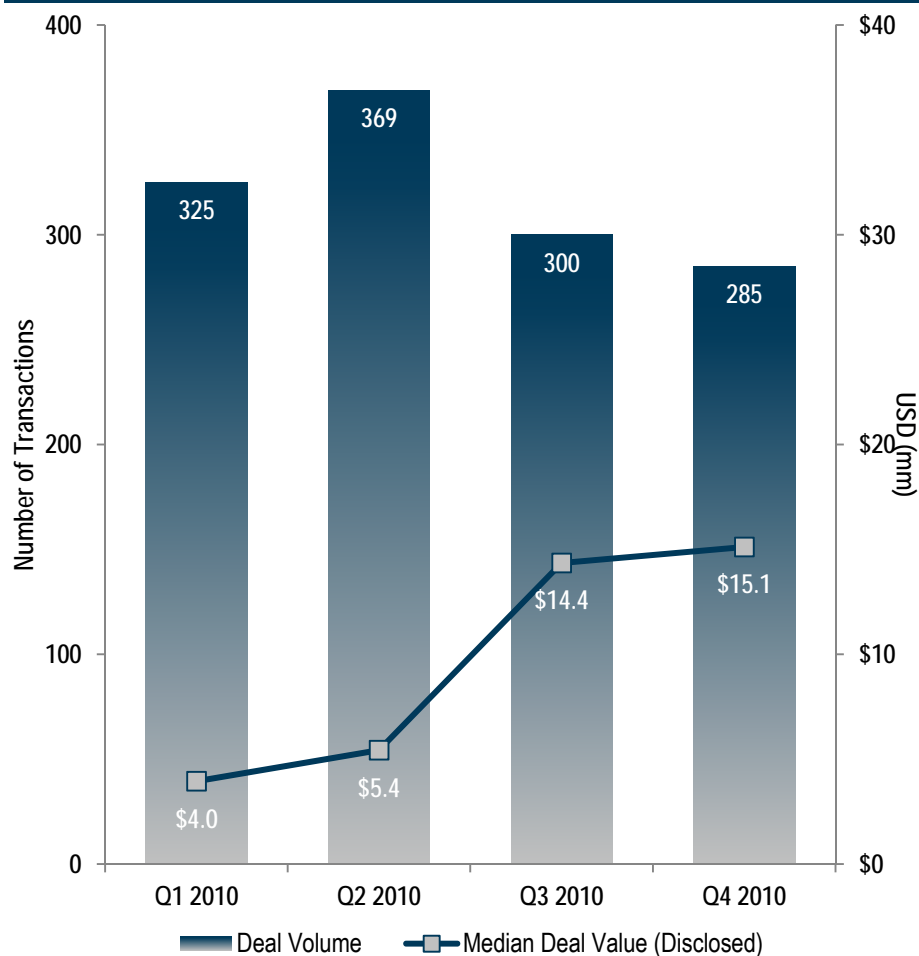
# Overall Technology Transaction Trends



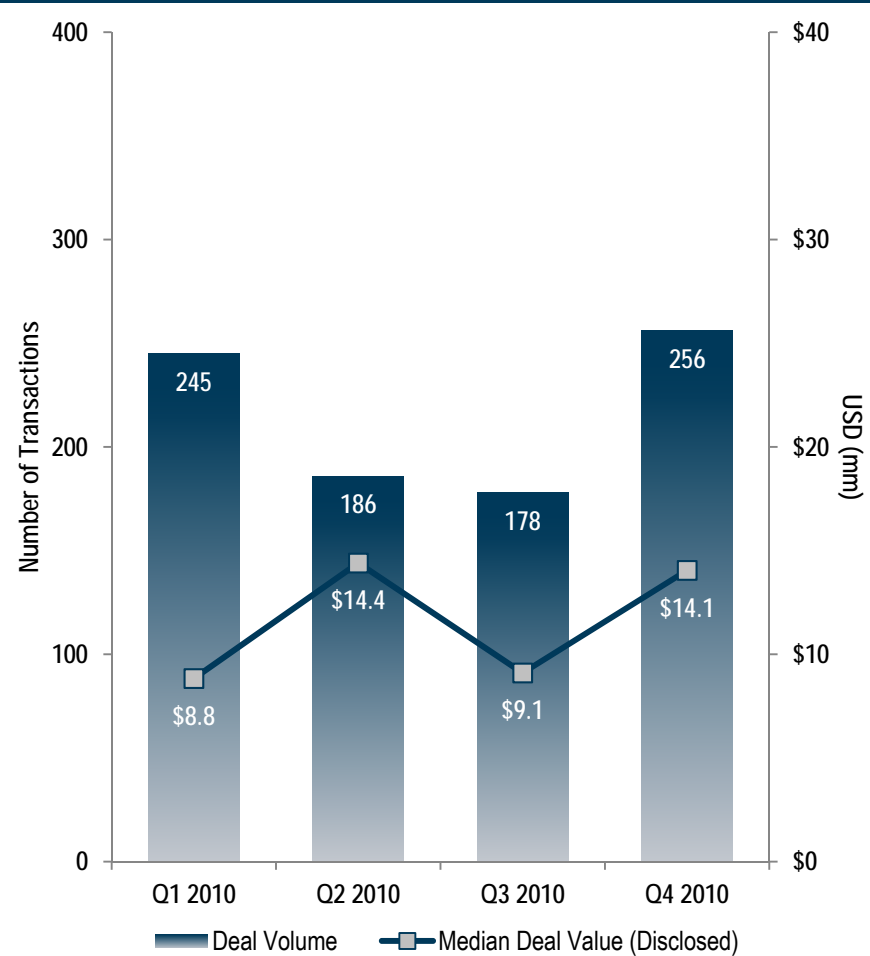
Source: Capital IQ and Siemer & Associates' proprietary research database

# S&A Sector Focus M&A Activity

## Digital Media & Internet



## Software

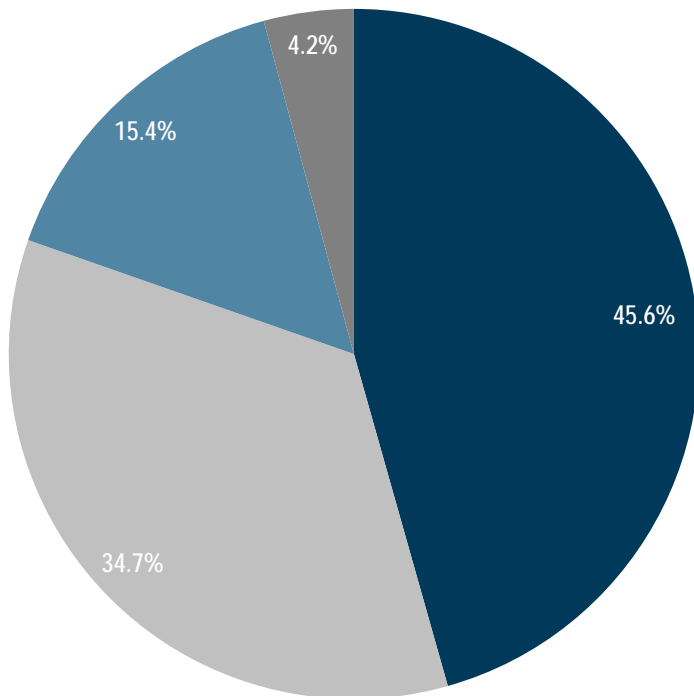


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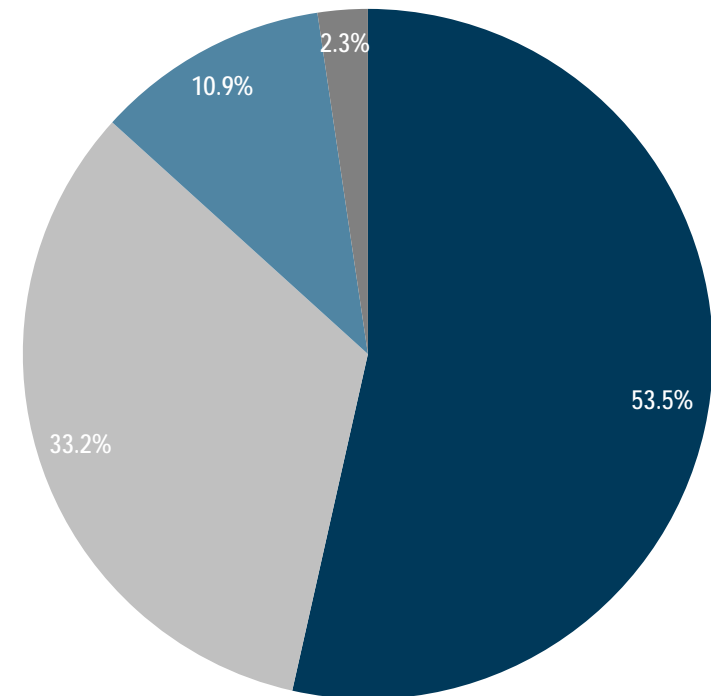
# Q4 Geographic Breakdown

The United States, Canada and Europe continue to dominate M&A activity

## Digital Media & Internet



## Software



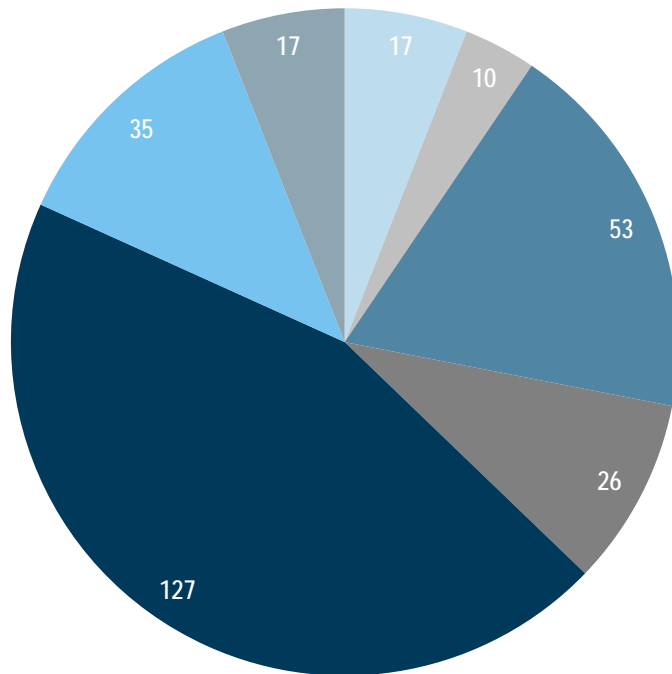
■ United States & Canada ■ Europe ■ Asia / Pacific ■ Other

Source: Capital IQ and Siemer & Associates' proprietary research database

# Q4 Sub Sector Breakdowns

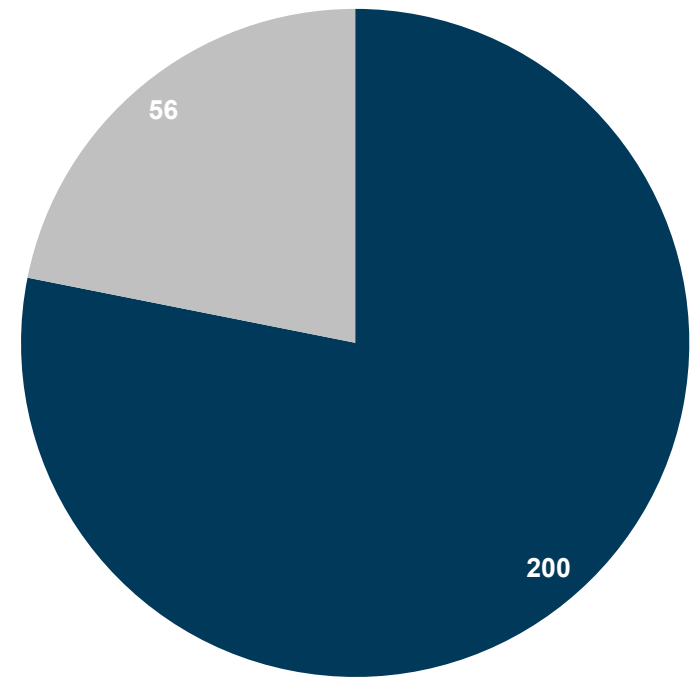
A dissection of S&A's industry coverage by deal volume in specific subsectors

## Digital Media & Internet



- Advertising
- eCommerce
- Internet Media
- Web / Domain Hosting
- Communication Technologies
- Gaming
- Mobile

## Software



- General Software
- SaaS / OnDemand

Source: Capital IQ and Siemer & Associates' proprietary research database

# Q4 M&A Sector Overview

Sector	Deal Metrics	Select Notable Transactions
<p align="center"><b>Digital Media &amp; Internet</b></p>	<p>Volume: 285</p> <p>Value: \$3.6bn</p> <p>Mean: \$57.4mm</p> <p>Median: \$15.1mm</p>	
<p align="center"><b>Software</b></p>	<p>Volume: 256</p> <p>Value: \$9.3bn</p> <p>Mean: \$110.2mm</p> <p>Median: \$14.1mm</p>	

*Volume: Includes total number of reported M&A transactions*  
*Value: Includes total value of all reported deal volume with publicly available information*  
*Mean and Median: Include publicly disclosed M&A deal values only*

# 4<sup>th</sup> Quarter Highlights & Trends

## Overall Technology

- Overall Technology M&A deal volume remains strong with a slight drop due to the seasonal lull during November and December
- Median enterprise value (“EV”) of M&A transactions retreated slightly (3.8%) after rising for three consecutive quarters
- The technology industry has outperformed the overall market, allowing large companies in the domain to utilize their balance sheets for acquisitive growth

## Digital Media & Internet

- Transaction volume continued its modest fall since Q2 while median deal value has risen (4.8% increase)
- Companies continue to vocalize specific growth strategies and look for complementary acquisition targets
- Internet, eCommerce / social buying, mobile and gaming sectors dominate the M&A landscape over the past quarter
- Q4 dominated by smaller deals, none over \$1bn

## Software

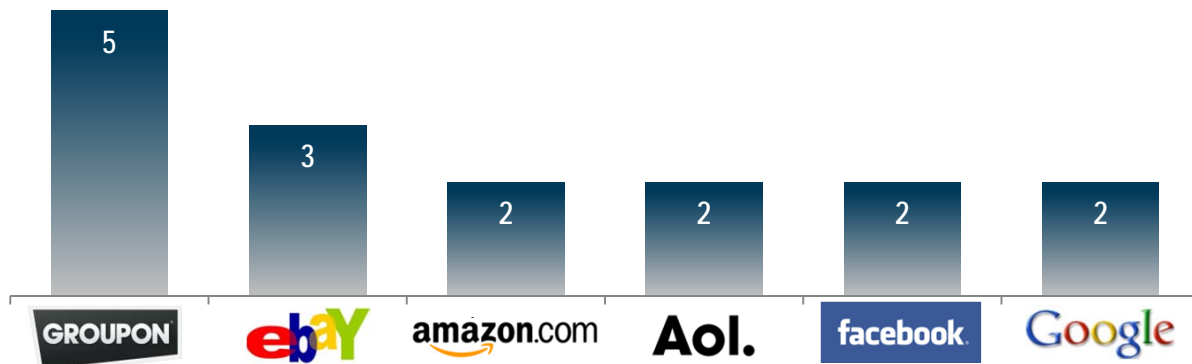
- Deal activity has seesawed throughout 2010, ending with the highest quarterly total in Q4
- The same goes for the median value of disclosed transactions
- Trends continue to point toward the proliferation of SaaS / OnDemand software companies and the accompanying higher range of revenue multiples
- Aside from a couple of deals north of the \$1bn mark, transactions during the quarter were dominated by smaller deals



# Leading Acquirers by Sector

## Digital Media & Internet

Q4 Acquisitions

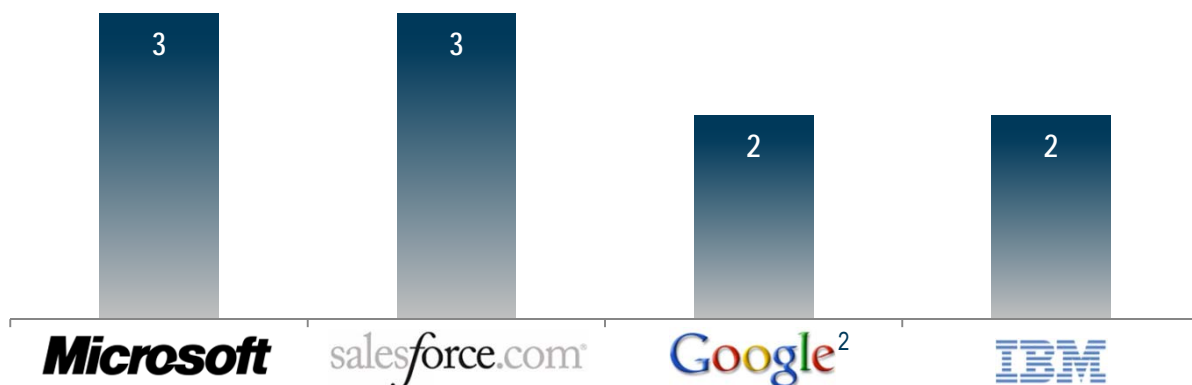


2010 Acquisition Total<sup>1</sup>

Google	28
Aol.	8
facebook	7
GROUPON	7

## Software

Q4 Acquisitions



2010 Acquisition Total<sup>1</sup>

IBM	15
hp	11
intel	9
ca technologies	6

<sup>1</sup> All YTD acquisitions across all sectors  
<sup>2</sup> Google software transactions lumped in with Google's YTD Internet & Digital Media deals

Source: Capital IQ and Siemer & Associates' proprietary research database

# 4th Quarter M&A Summary & Highlights

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## Consolidation trends continue to drive M&A across the broader technology industry

- Social buying (eCommerce) has become the hottest M&A sector of the quarter
  - Groupon has grown in popularity throughout 2010
    - Google's rebuffed \$6bn offer for sector-leader Groupon and subsequent plans for a Groupon IPO
    - Groupon extended its global reach through the acquisitions of five similar domestic and international companies
  - eBay acquired Milo.com, a local shopping site, for \$75mm; and Brands4Friends, an online discount retailer, for \$200mm
  - Amazon.com bought BuyVIP, an online purchasing community, for \$97mm and Quidsi, an online retailer, for \$545mm
    - Amazon.com also invested \$175mm in LivingSocial, the second highest trafficked social buying website
- Gaming remained a popular segment of M&A activity as well, with 26 transactions this quarter
  - Dena acquired ngmoco, a mobile game developer, for \$400mm
  - EA acquired Chillingo, a game publisher, for \$20mm
- SaaS / OnDemand software represented a sizeable chunk of software deals with 56 transactions
  - Teradata acquired Aprimo, an on-demand marketing software provider, for \$525mm
  - Salesforce.com acquired Heroku, an online software development platform, for \$252mm

# Looking Ahead to Q1 2011 and Beyond...

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Strategic and Private Equity buyers continue to search for accretive opportunities to deploy large cash reserves

- S&A believes M&A activity in Social Buying (eCommerce), gaming and mobile, as well as in SaaS / OnDemand software will continue to grow for the foreseeable future due in part to:
  - Rapid growth of social buying and other coupon / deal websites
  - Explosive consumer adoption of iOS (iPhone and iPad), Android and other mobile devices
  - Consumer excitement over gaming and the “gamification” of other products and services
  - SaaS/OnDemand business proliferating throughout all industry segments and generating high valuation multiples upon exit
- Social & gaming applications will continue to remain a focus as user engagement and interaction become increasingly important
- Internet advertising has experienced several years of organic growth and technological innovation, particularly in mobile and rich media
  - S&A predicts that a significant amount of capital will be dispensed in the coming quarters to consolidate high margin online advertising networks, platforms and technologies
  - New trends in media consumption will continue to transform the advertising landscape
- The expanding mobile application universe will also remain an area of strategic consolidation

# Public Company Valuation Metrics

Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings		
					LTM	CY	NY	LTM	CY	NY	CY	NY	
<b>Advertising</b>													
Google Inc.	GOOG	\$593.97	\$158,678.8	\$189,936.8	5.4x	5.4x	4.5x	13.5x	13.5x	12.2x	22.3x	17.3x	
IAC/InterActiveCorp.	IACI	28.70	1,669.7	2,887.1	1.1x	1.2x	1.0x	11.0x	20.4x	10.4x	NM	32.7x	
QuinStreet, Inc.	QNST	19.21	837.1	872.2	2.3x	2.9x	2.2x	13.6x	15.0x	N/A	38.5x	35.9x	
ReachLocal, Inc.	RLOC	19.91	477.3	555.6	1.8x	2.3x	1.6x	NM	NM	N/A	90.4x	NM	
ValueClick, Inc.	VCLK	16.03	1,130.3	1,294.3	2.7x	2.7x	2.7x	9.9x	9.7x	8.3x	20.3x	19.0x	
Yahoo! Inc.	YHOO	16.63	19,029.5	21,677.2	3.0x	3.0x	4.2x	12.6x	12.6x	11.4x	NM	21.4x	
			Mean	\$30,303.8	36,203.9	2.7x	2.9x	2.7x	12.1x	14.2x	10.6x	42.8x	25.3x
			Median	\$1,400.0	2,090.7	2.5x	2.8x	2.4x	12.6x	13.5x	10.9x	30.4x	21.4x

Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings		
					LTM	CY	NY	LTM	CY	NY	CY	NY	
<b>Online Media and Search</b>													
AOL, Inc.	AOL	\$23.71	\$1,990.2	\$2,530.9	0.8x	0.6x	0.8x	2.5x	1.8x	1.8x	10.1x	7.6x	
Expedia Inc.	EXPE	25.09	7,103.8	6,951.4	2.2x	2.4x	2.1x	8.8x	9.5x	8.4x	24.1x	14.7x	
Monster Worldwide, Inc.	MWW	23.63	3,041.0	3,072.7	3.5x	3.4x	3.2x	63.8x	41.9x	26.8x	NM	NM	
Netflix, Inc.	NFLX	175.70	9,161.4	9,181.6	4.6x	5.5x	4.2x	30.8x	40.2x	40.5x	85.8x	62.6x	
OpenTable, Inc.	OPEN	70.48	1,534.3	1,622.2	17.6x	22.4x	16.5x	69.0x	NM	NM	NM	99.7x	
Shutterfly, Inc.	SFLY	34.89	796.9	957.5	2.9x	3.2x	2.7x	23.3x	24.5x	19.3x	NM	68.9x	
The Knot, Inc.	KNOT	9.88	203.7	339.6	1.8x	1.9x	1.8x	17.3x	14.6x	12.5x	NM	NM	
TheStreet.com, Inc.	TSCM	2.67	47.9	84.5	0.8x	0.8x	0.8x	54.9x	27.4x	9.7x	NM	N/A	
WebMD Health Corp.	WBMD	51.06	2,785.9	3,058.5	5.5x	6.4x	5.4x	26.4x	45.6x	26.6x	20.9x	49.8x	
			Mean	\$2,962.8	\$3,088.8	4.4x	5.2x	4.2x	33.0x	25.7x	18.2x	35.2x	50.6x
			Median	\$1,990.2	\$2,530.9	2.9x	3.2x	2.7x	26.4x	25.9x	15.9x	22.5x	56.2x

Data as of 12/31/10

# Public Company Valuation Metrics (cont'd)

Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings	
					LTM	CY	NY	LTM	CY	NY	CY	NY
Web / Domain Hosting												
ASG Group Ltd.	ASZ	\$1.22	\$211.2	\$204.9	2.1x	1.9x	N/A	13.4x	12.2x	N/A	14.4x	N/A
Melbourne IT Ltd.	MLB	1.95	185.6	156.0	1.1x	1.0x	N/A	6.4x	6.0x	N/A	10.1x	N/A
NetSuite Inc.	N	25.00	1,507.1	1,608.2	8.2x	9.0x	7.8x	NM	NM	NM	NM	NM
NeuStar, Inc.	NSR	26.05	1,557.9	1,921.8	3.0x	3.2x	3.0x	7.1x	7.8x	7.7x	19.1x	15.9x
Tucows Inc.	TCX	0.73	35.2	38.9	0.4x	0.4x	0.4x	5.1x	5.0x	4.3x	4.1x	29.1x
United Online, Inc.	UNTD	6.60	754.8	567.4	0.8x	0.8x	0.8x	4.4x	3.7x	3.1x	8.4x	6.3x
VeriSign Inc.	VRSN	32.67	3,648.0	5,618.8	3.4x	3.5x	4.9x	7.7x	8.8x	7.9x	25.5x	29.4x
Web.com Group, Inc.	WWWW	8.45	318.6	227.1	2.9x	3.0x	2.5x	37.7x	21.0x	16.2x	82.0x	13.9x
		Mean	\$1,027.3	\$1,292.9	2.7x	2.9x	3.2x	11.7x	9.2x	7.8x	23.4x	18.9x
		Median	\$536.7	\$397.3	2.5x	2.4x	2.7x	7.1x	7.8x	7.7x	14.4x	15.9x

Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings	
					LTM	CY	NY	LTM	CY	NY	CY	NY
eCommerce												
1-800-Flowers.com Inc.	FLWS	\$2.69	\$250.7	\$172.1	0.4x	0.4x	0.4x	8.8x	7.9x	9.8x	NM	NM
Alibaba.com Limited	1688	\$1.79	\$7,837.7	\$9,045.6	10.2x	13.8x	N/A	33.3x	44.9x	N/A	60.9x	N/A
Amazon.com Inc.	AMZN	\$180.00	\$75,069.7	\$80,790.7	2.4x	3.1x	2.2x	40.8x	54.2x	42.1x	86.4x	70.0x
Blue Nile Inc.	NILE	\$57.06	\$772.7	\$820.9	2.4x	2.6x	2.4x	34.7x	37.0x	25.8x	64.8x	58.3x
Drugstore.com Inc.	DSCM	\$2.21	\$215.1	\$234.3	0.4x	0.5x	0.5x	24.1x	39.4x	12.8x	NM	NM
eBay Inc.	EBAY	\$27.83	\$30,951.7	\$36,283.1	3.4x	3.4x	3.0x	10.9x	10.9x	9.4x	20.2x	14.6x
GSI Commerce Inc.	GSIC	\$23.23	\$1,661.1	\$1,544.6	1.3x	1.7x	1.2x	19.8x	22.3x	16.6x	NM	67.6x
Mercadolibre, Inc.	MELI	\$66.65	\$2,890.4	\$2,941.1	14.2x	16.7x	13.5x	38.0x	48.2x	45.7x	88.5x	52.9x
Netflix, Inc.	NFLX	\$175.70	\$9,161.4	\$9,181.6	4.6x	5.5x	4.2x	30.8x	40.2x	40.5x	85.8x	62.6x
Overstock.com Inc.	OSTK	\$16.48	\$353.5	\$380.0	0.3x	0.4x	0.3x	16.6x	25.7x	14.4x	48.8x	38.3x
Rakuten, Inc.	N/A	\$838.11	\$8,349.1	\$11,036.5	2.1x	2.6x	N/A	8.2x	10.2x	N/A	19.1x	N/A
Shutterstock, Inc.	SFLY	\$34.89	\$796.9	\$957.5	2.9x	3.2x	2.7x	23.3x	24.5x	19.3x	NM	68.9x
Vistaprint N.V.	VPRT	\$46.00	\$1,851.5	\$2,023.2	2.7x	3.1x	2.6x	16.0x	16.4x	14.4x	28.7x	23.3x
		Mean	\$10,781.7	\$11,954.7	3.6x	4.4x	3.0x	23.5x	29.4x	22.8x	55.9x	50.7x
		Median	\$1,851.5	\$2,023.2	2.4x	3.1x	2.4x	23.3x	25.7x	16.6x	60.9x	58.3x

Data as of 12/31/10

# Public Company Valuation Metrics (cont'd)

Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings		
					LTM	CY	NY	LTM	CY	NY	CY	NY	
<b>Mobile</b>													
Apple Inc.	AAPL	\$322.56	\$270,266.5	\$295,886.5	3.5x	3.5x	2.6x	12.0x	12.0x	12.4x	17.7x	13.7x	
AT&T, Inc.	T	\$29.38	\$239,654.8	\$173,635.8	1.9x	1.9x	1.9x	5.7x	5.8x	5.7x	13.8x	12.7x	
Deutsche Telekom AG	DTE	\$0.00	\$125,674.9	\$56,246.8	1.5x	1.4x	N/A	4.9x	4.4x	N/A	0.0x	N/A	
HTC Corporation	2498	\$30.87	\$22,590.0	\$24,951.3	2.4x	2.4x	N/A	14.6x	14.6x	N/A	18.6x	N/A	
Motorola Mobility Holdings, Inc.	MMI	\$29.10	\$8,641.8	\$8,562.8	0.8x	0.8x	0.6x	NM	NM	29.5x	N/A	24.9x	
Sprint Nextel Corp.	S	\$4.23	\$28,267.2	\$12,635.2	0.9x	0.9x	0.9x	4.9x	4.4x	4.4x	NM	NM	
Verizon Communications Inc.	VZ	\$35.78	\$195,044.3	\$101,142.3	1.8x	1.8x	1.8x	6.3x	6.3x	5.7x	39.7x	16.1x	
Vodafone Group plc	VOD	\$2.59	\$185,866.2	\$134,887.9	2.6x	2.6x	2.6x	8.1x	7.8x	7.7x	11.7x	10.5x	
			Mean	\$134,500.7	\$100,993.6	1.9x	1.9x	1.7x	8.1x	7.9x	10.9x	16.9x	15.6x
			Median	\$155,770.5	\$78,694.6	1.9x	1.9x	1.9x	6.3x	6.3x	6.7x	15.8x	13.7x

Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings		
					LTM	CY	NY	LTM	CY	NY	CY	NY	
<b>Gaming</b>													
Activision Blizzard, Inc.	ATVI	\$12.44	\$12,154.0	\$15,003.0	2.7x	2.8x	2.7x	11.4x	16.1x	8.6x	NM	16.4x	
Atari	ATA	3.63	111.9	77.2	1.1x	0.6x	N/A	NM	2.2x	N/A	NM	N/A	
Walt Disney Co.	DIS	37.51	82,833.3	71,028.3	2.2x	2.3x	2.1x	9.8x	11.0x	10.8x	21.1x	17.4x	
Electronic Arts Inc.	ERTS	16.38	3,778.5	5,435.5	1.0x	1.1x	1.0x	33.7x	NM	20.5x	NM	32.8x	
Konami Corp.	N/A	21.27	2,859.6	2,839.1	0.9x	1.0x	0.9x	NM	NM	NM	72.4x	15.7x	
Microsoft Corporation	MSFT	27.91	206,196.6	238,784.6	3.1x	3.5x	3.1x	6.9x	8.4x	8.9x	15.3x	12.3x	
Nintendo Co. Ltd.	N/A	293.71	25,165.3	37,559.7	1.7x	1.6x	N/A	6.7x	6.5x	N/A	13.5x	N/A	
Sony Corporation	N/A	36.08	37,196.4	36,203.9	0.4x	0.5x	0.4x	4.8x	13.3x	27.0x	NM	48.3x	
Take-Two Interactive Software Inc.	TTWO	12.27	899.7	1,046.8	0.8x	0.9x	N/A	8.8x	NM	N/A	NM	N/A	
THQ Inc.	THQI	6.06	389.0	411.8	0.5x	0.4x	0.5x	1.8x	1.3x	NM	NM	NM	
			Mean	\$37,158.4	\$40,839.0	1.4x	1.5x	1.5x	10.5x	8.4x	15.2x	30.6x	23.8x
			Median	\$7,966.2	\$10,219.2	1.1x	1.0x	1.0x	7.9x	8.4x	10.8x	18.2x	16.9x

Data as of 12/31/10

# Public Company Valuation Metrics (cont'd)

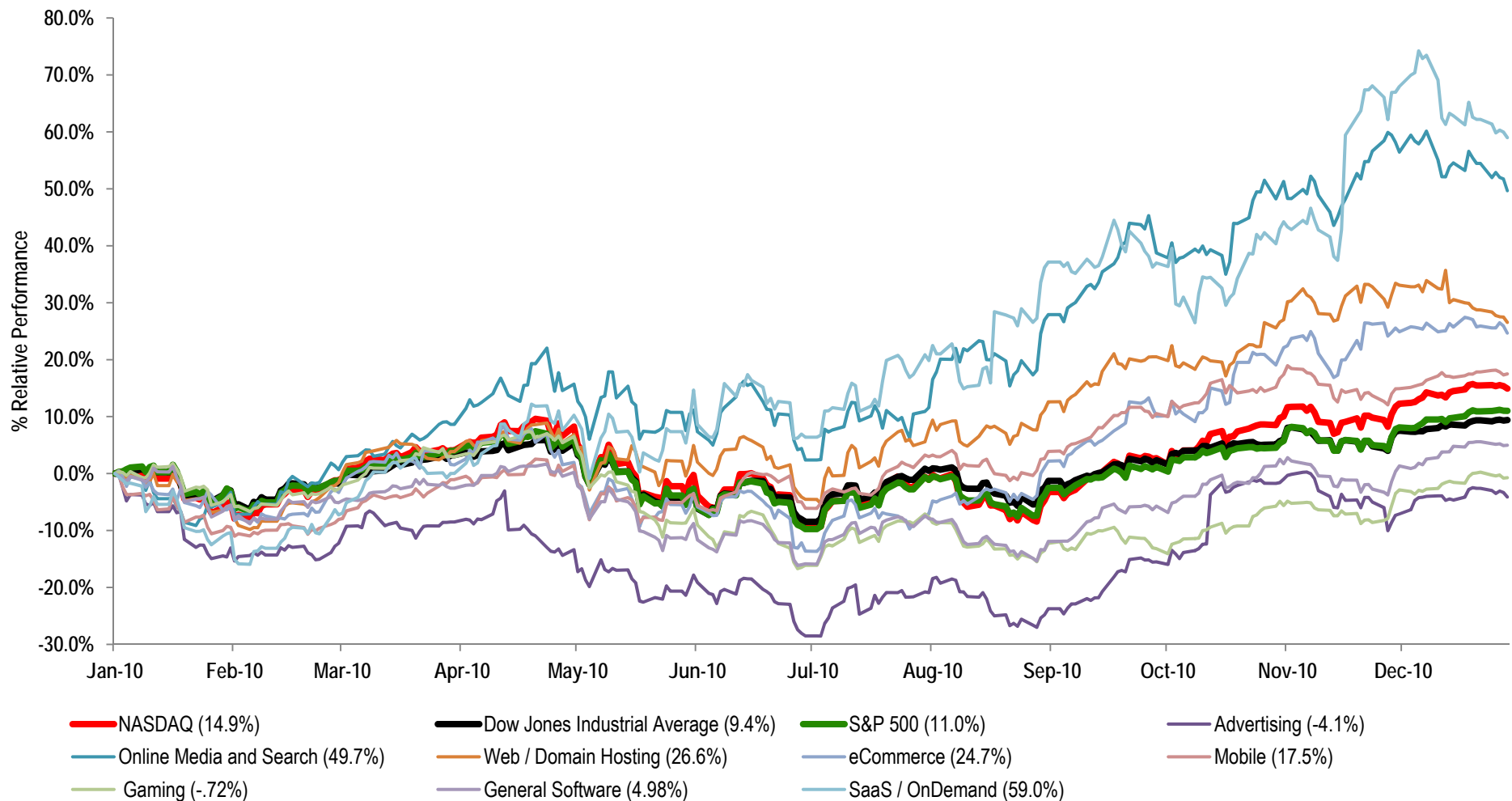
Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings		
					LTM	CY	NY	LTM	CY	NY	CY	NY	
General Software													
BMC Software Inc.	BMC	\$47.14	\$7,274.7	\$8,375.6	3.7x	3.8x	3.7x	11.3x	11.4x	9.0x	23.4x	16.3x	
CA Technologies	CA	24.44	11,535.0	12,504.0	2.6x	2.6x	2.5x	7.1x	7.1x	7.0x	17.0x	11.9x	
International Business Machines Corp.	IBM	146.76	198,808.9	182,328.9	2.0x	2.0x	1.9x	8.2x	8.2x	8.4x	12.6x	11.2x	
Microsoft Corporation	MSFT	27.91	206,196.6	238,784.6	3.1x	3.5x	3.1x	6.9x	8.4x	8.9x	15.3x	12.3x	
Oracle Corp.	ORCL	31.30	150,768.7	158,140.7	4.7x	4.7x	4.1x	11.9x	11.9x	10.7x	23.2x	14.6x	
Red Hat, Inc.	RHT	45.65	7,854.6	8,700.0	9.1x	9.1x	7.9x	43.3x	43.3x	32.6x	88.8x	51.4x	
SAP AG	SAP	50.85	62,695.4	60,406.5	3.8x	3.8x	3.4x	11.4x	11.4x	11.7x	24.8x	14.4x	
			Mean	\$92,162.0	\$95,605.8	4.1x	4.2x	3.8x	14.3x	14.5x	12.6x	29.3x	18.9x
			Median	\$62,695.4	\$60,406.5	3.7x	3.8x	3.4x	11.3x	11.4x	9.0x	23.2x	14.4x

Company Name	Ticker Symbol	Share Price	EV (MM)	Mkt. Cap.	EV / Revenue			EV / EBITDA			Price / Earnings		
					LTM	CY	NY	LTM	CY	NY	CY	NY	
SaaS / OnDemand Software													
Concur Technologies, Inc.	CNQR	\$51.93	\$2,318.9	\$2,721.4	7.9x	9.0x	7.6x	35.7x	36.0x	30.5x	95.8x	68.3x	
Constant Contact, Inc.	CTCT	30.99	778.3	900.4	4.8x	6.0x	4.5x	81.5x	NM	65.6x	NM	82.9x	
DealerTrack Holdings, Inc.	TRAK	20.07	636.2	814.9	2.7x	2.8x	2.6x	26.2x	25.8x	19.1x	NM	38.4x	
DemandTec, Inc.	DMAN	10.84	265.2	330.3	3.3x	3.3x	2.9x	NM	NM	92.4x	NM	97.1x	
Kenexa Corp.	KNXA	21.79	433.8	496.4	2.5x	2.8x	2.2x	30.3x	29.0x	16.5x	NM	36.6x	
LogMeIn, Inc.	LOGM	44.34	894.0	1,050.1	9.9x	12.0x	9.0x	49.7x	71.5x	56.6x	NM	54.2x	
NetSuite Inc.	N	25.00	1,507.1	1,608.2	8.2x	9.0x	7.8x	NM	NM	NM	NM	NM	
Righthow Technologies Inc.	RNOW	23.67	656.5	765.6	3.7x	4.3x	3.5x	39.4x	55.4x	39.2x	NM	50.1x	
Salesforce.com	CRM	132.00	17,071.9	17,344.8	11.0x	13.1x	10.3x	95.7x	NM	68.8x	NM	NM	
SuccessFactors, Inc.	SFSF	28.96	1,865.3	2,199.6	9.9x	12.2x	9.2x	NM	NM	NM	NM	NM	
Taleo Corp.	TLEO	27.65	855.1	1,118.9	3.9x	4.3x	3.6x	30.6x	32.9x	16.6x	NM	38.5x	
Ultimate Software Group, Inc.	ULTI	48.63	1,196.9	1,230.1	5.4x	6.1x	5.2x	80.4x	NM	49.1x	NM	98.4x	
Vocus Inc.	VOCS	27.66	446.9	539.6	4.8x	5.3x	4.6x	NM	NM	24.8x	NM	39.6x	
			Mean	\$2,225.1	\$2,393.9	6.0x	6.9x	5.6x	52.2x	41.8x	43.6x	95.8x	60.4x
			Median	\$855.1	\$1,050.1	4.8x	6.0x	4.6x	39.4x	34.4x	39.2x	95.8x	52.1x

Data as of 12/31/10

# 2010 Subsector Relative Performance

SaaS / OnDemand, Online Media and Search, Web / Domain Hosting and eCommerce aggressively outperform major indexes and other technology industry subsectors



Data as of 12/31/10



# Contact Information

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**SIEMER**  

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