

Marketing Automation Software
Industry Spotlight



A Bright Spot in the Cloud



www.tmcapital.com

An M&A International Inc. partner firm 

Providing Tech M&A Advisory Services on a Global Scale

 **Hitachi Consulting**

has acquired:

 edenbrook

IT Services
Buy-Side Advisory

TELVENT

has acquired:



Information Services
Buy-Side Advisory



has obtained a majority investment from:

Interactive Entertainment
Sell-Side Advisory



has acquired:



IT Services
Buy-Side Advisory

Optura

has been acquired by:

OPEN TEXT
CORPORATION

Integration Software
Sell-Side Advisory

 **OKERE**
Client Management Solutions

has been acquired by:

FUJITSU CONSULTING
FUJITSU

IT Services
Sell-Side Advisory

has merged with:



IT Services
Merger Advisory

Kodak

has divested its Lights Management Films business to:



Digital Media
Sell-Side Advisory



has been acquired by:

EMC²

Enterprise Software
Sell-Side Advisory

Marketing Automation Software Industry Spotlight

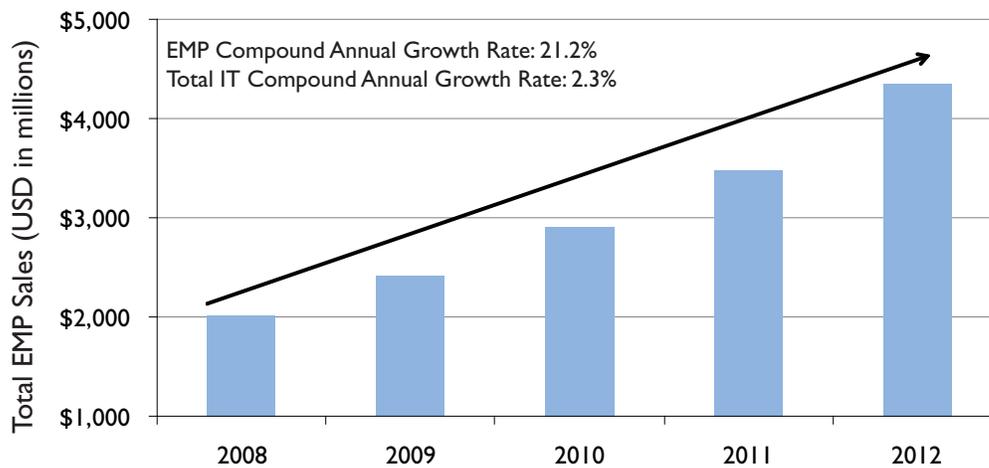
A Bright Spot in the Cloud

The marketing automation software sector is one of the fastest growing segments of the IT world – one that shows no signs of abatement as the global economy enters its next growth cycle. Analyst firm Gartner estimates that organizations spend \$1.0 trillion annually on marketing. While a majority of this spending is being allocated towards internal marketing teams and outside agencies, the advent of Web 2.0, cloud computing and “new media” outlets have precipitated growth in viral demand for technologies that automate marketing processes and improve returns on IT investments. These dynamics have created a tailwind for the space, which is growing at an annual rate of more than 20% and is forecasted to continue to do so for the next five years (Source: Forrester). Relative to the broader software industry, which is expected to grow at 1.5% in 2010 (Source: Gartner), the growth prospects for the sector are extremely robust. These trends have attracted the attention of both the private equity community and the larger enterprise software competitors, many of whom are jockeying for position and placing their bets with shrewd M&A moves.

The competitive dynamics in the industry will inevitably make it challenging for smaller, undercapitalized players to survive. However, the window is not closed for the pureplay market, whose innovation and flexibility with customers are creating the momentum in the space. Vendors continue to emerge as the use of new marketing channels, such as social media and mobile devices, become mainstream and CMOs continue to adjust their strategies. Software platform providers such as SAP, Oracle, Infor, Microsoft and Teradata are moving aggressively into the area with both “build” and “buy” initiatives. Consolidation has been prevalent, with approximately 90 M&A transactions taking place since the beginning of 2006. Over the same period, we have tracked over 200 financings in the sector. This level of activity has created one of the noisiest, most sought after areas of enterprise software.

The goal of this piece is to make sense of the noise, define the landscape, identify the fundamental growth drivers and study the consolidation trends that will continue to characterize the market for the foreseeable future.

Figure 1: Enterprise Marketing Platform (EMP) Spending vs. Global IT



Source: Forrester (Enterprise Marketing Platforms) and Gartner (Global IT Spending)

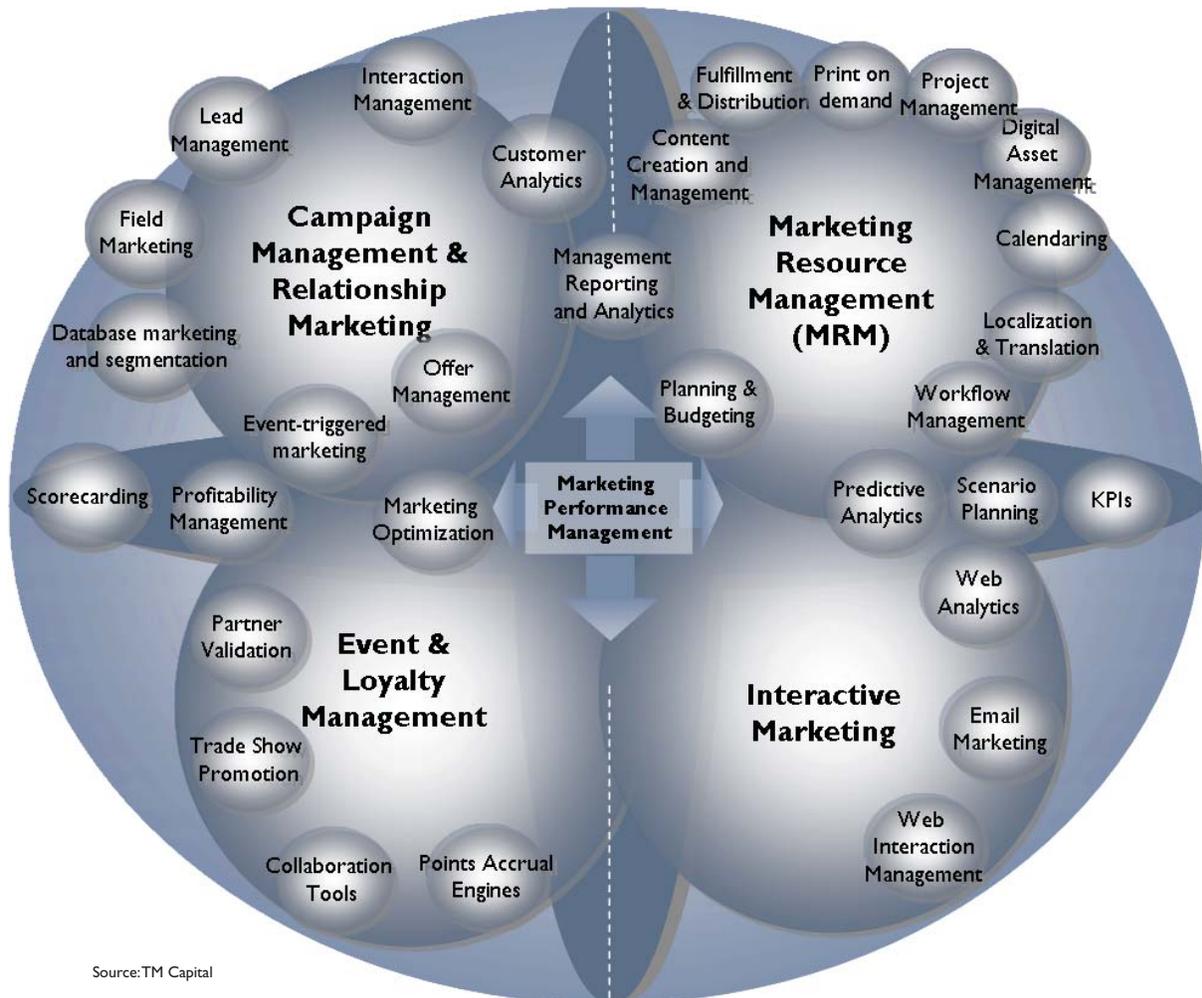
Defining the Marketing Automation Software Industry

Marketing automation software tools enable marketing departments to design strategies, automate processes, improve customer communications and monitor marketing performance. These tools provide a mechanism for marketers to identify and execute on new customer insights, collaborate internally and interact with external marketing agencies. The financial return on these applications for customers comes in the form of improved top line growth, reduced overhead and optimized productivity across all marketing channels/operational boundaries.

The marketing automation software “umbrella” spans several sub-sectors, which, cumulatively, represent a \$2.5 billion industry (Source: Forrester). These sub-sectors include:

- *Campaign Management and Relationship Marketing* – optimizes and ensures consistent communications across customer and partner touch points. Specific product functionality in this genre encompasses lead management, field marketing, email marketing, database marketing, web marketing, communication optimization, market segmentation, offer management, event-triggered marketing and customer analytics.
- *Marketing Resource Management (“MRM”)* – automates the processes surrounding marketing planning, budgeting and brand management. Specific functions include creative production, digital asset management, project management, content distribution, fulfillment, localization, branding consistency, marketing calendars, planning and budgeting and web content management.

Figure 2: Marketing Automation Software Industry Overview



- *Event & Loyalty Management* – creates process efficiencies around trade show planning, event management, offer management, points accrual engines, self-service redemption, customer interaction centers and partner validation programs. Many of these solutions are geared towards the airline, retail, hospitality and financial services industries.
- *Interactive Marketing* – identifies trends and opportunities through web analytics and automates interactions with customers and prospects through email and the web. There is substantial overlap between this sub-sector and campaign management.
- *Marketing Performance Management (“MPM”)* – monitors customer behavior and website trends to report on the overall performance of marketing initiatives. MPM tools provide KPIs on customer insight, marketing planning, scorecarding, profitability management, financial management, pricing optimization, CRM analytics, website analytics, propensity to churn/buy, predictive analytics, text mining and search.

pureplay specialists. In compiling our research, we have built a database of more than 800 companies that we characterize as marketing automation software players. Forrester estimates that the top eight vendors account for approximately one third of the total spending in the \$2.5 billion sector, which implies that a strong majority of the revenue is being generated by a broad array of players. Considering that less than 2.0% of the addressable market is currently saturated (Source: Gartner), we understand the basis for the fragmentation.

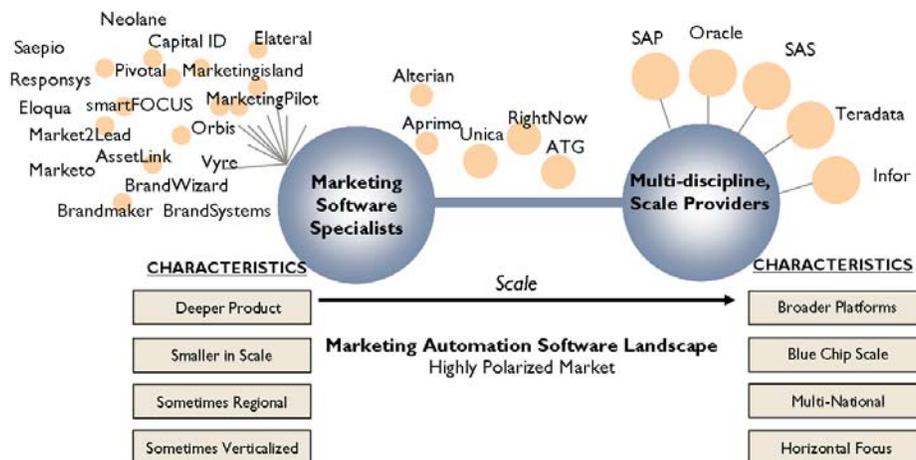
Many pureplay vendors currently offer innovative, best-in-class solutions to meet the various requirements of the marketing value chain. As these companies have gained popularity and the demand for more comprehensive solutions has grown, larger players have moved into the initial stages of offering “platform” solutions that automate marketing across siloed application suites, marketing roles and geographical boundaries. Customer demand for solutions that span campaign management, MRM, channel management, lead management, event management and MPM is facilitating technology convergence across once disparate application genres. This has fostered encroachment from ancillary software areas.

Vendor Landscape

The marketing automation software space is extremely bifurcated in the sense that while there are large software industry incumbents such as SAP, Oracle, Teradata, Infor and SAS vying for share, the remainder of the market is addressed by a highly fragmented universe of smaller,

Few pureplay providers, with the exception of Unica, have been able to reach the \$100 million revenue mark without being acquired. The consequence is that undercapitalized, best-of-breed specialists have confronted challenges in customer situations where vendor viability is a concern. Many of these players

Figure 3: A Highly Polarized Industry



Source: TM Capital

offer the robust functionality, application flexibility and broad set of competencies that customers are seeking. They also offer built-in best practices that adhere to marketing users' preferences and behaviors. However, selling enterprise-level marketing solutions also requires tight integration with the broader software ecosystem of an organization. This is an area where the larger software organizations excel.

As a result, larger players are delaying sales cycles for the lower end of the market with the promise of future product development. Customers that are

willing to sacrifice “best-in-class” functionality for the peace of mind that stems from sticking with a ‘safer’ supplier will often move in this direction. The demand for high-end functionality, tightly integrated marketing “platforms” and a more streamlined selection process that favors providers with scale will inevitably generate further consolidation. The tables on the next two pages demonstrate the peripheral software camps that are encroaching into the industry, as well as some of the companies in each respective area. Please see the appendix for detailed vendor notes.

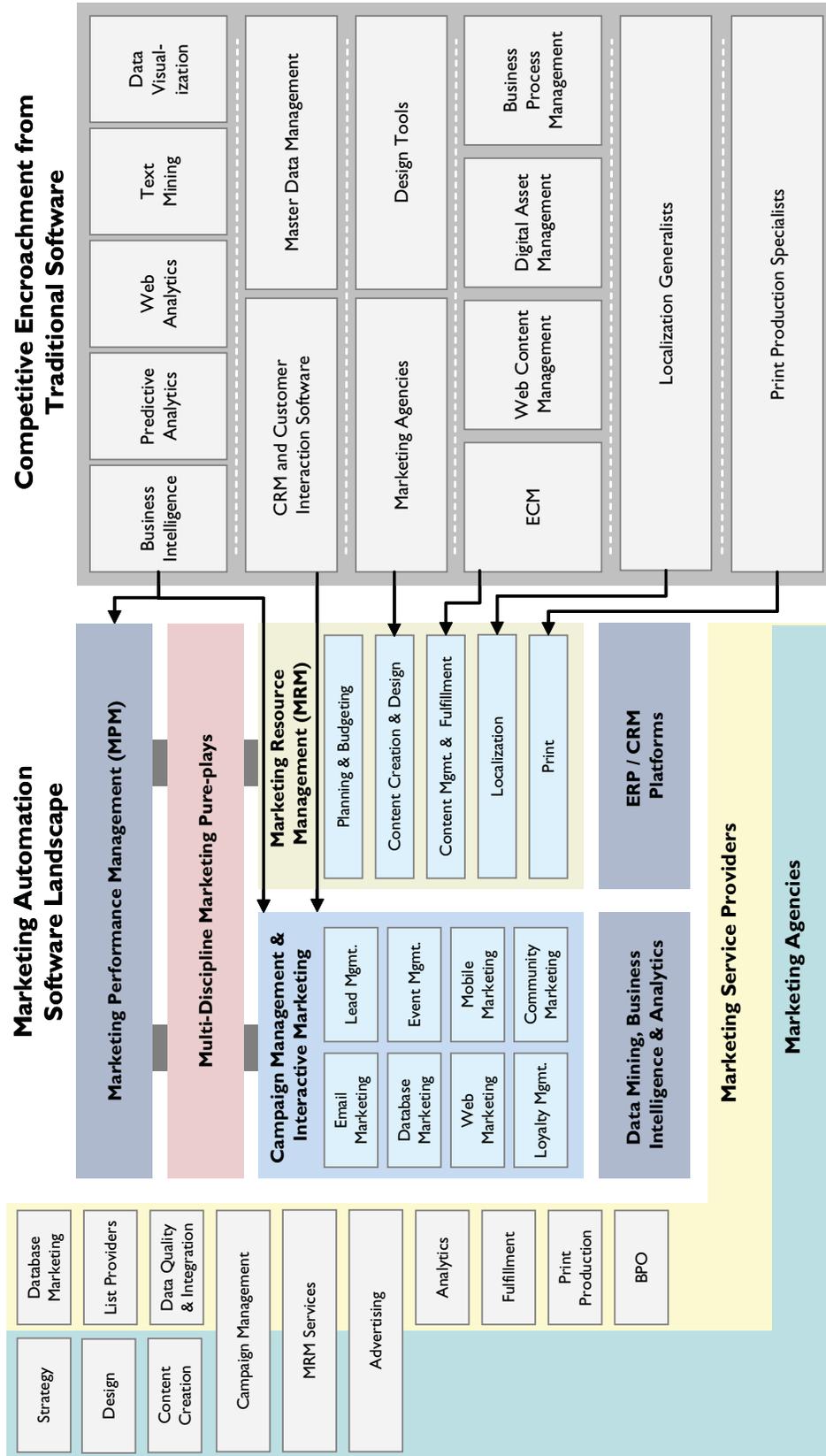
Figure 4: Marketing Automation Software Vendor Product Comparison

	Multi-channel Campaign Management	Marketing Resource Management	Lead Management	Event Management	Loyalty Management	Marketing Performance Management
Multi-discipline, Scale Vendors						
Alterian	■	■	■			■
Aprimo	■	■	■	■		■
Infor	■	■	■			■
Oracle	■	■	■	■	■	■
SAP	■	■	■		■	■
SAS	■	■	■			■
Teradata	■					■
Unica	■	■	■			■
Multi-channel Campaign Management (MCCM) Specialists						
ATG	■		■			
Eloqua	■		■			
Market2Lead	■		■			
Marketo	■		■			
Neolane	■	■				
Responsys	■					
RightNow	■		■			
smartFOCUS	■					
Marketing Resource Management (MRM) Specialists						
Assetlink		■				
Brandmaker		■				
Brandwizard		■				
Capital ID		■				
Elatel		■				
Marketingisland		■				
MarketingPilot		■				
Orbis		■				
Saepio		■				
Vyre Corporation		■				

Source: TM Capital, Gartner, Forrester

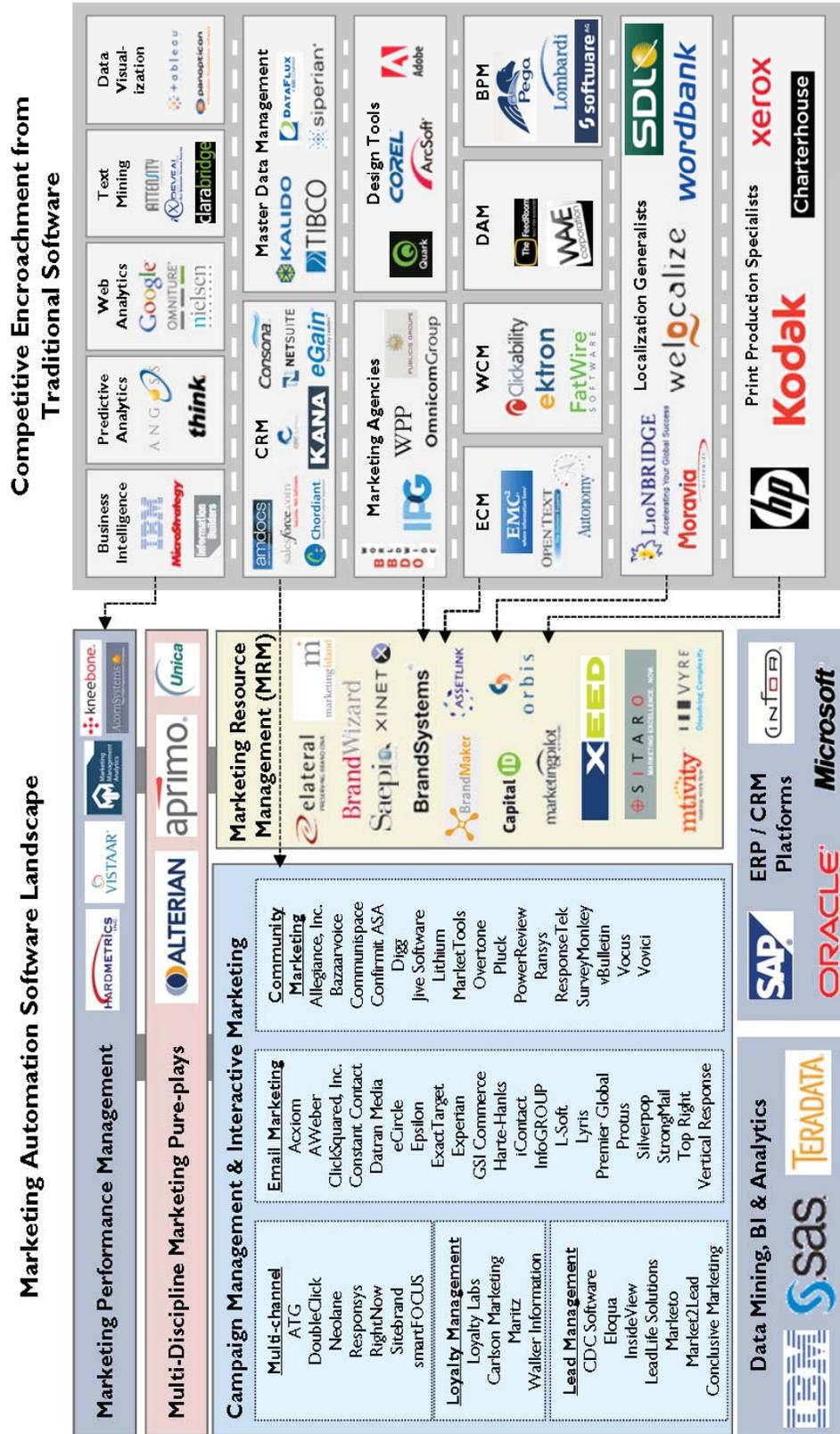
Note: Many vendors address specific functionality through partner relationships which are not depicted in this diagram. Please see the commentary on each vendor in the appendix

Figure 5: Marketing Automation Software Industry Overview and Market Encroachment



Source: TM Capital

Figure 6: Marketing Automation Software Competitive Landscape



Source: TM Capital

The Economy – A Double-Edged Sword for the Industry

Although the adverse economic environment has only marginally impacted total spending in the marketing software sector, it has profoundly impacted the rate at which the industry has evolved and matured. The marketing function is typically one of the first business areas that are earmarked for cost reductions during recessionary periods. The most recent downturn has not reversed this trend, as many organizations have made dramatic cutbacks in their marketing budgets. However, most of these cutbacks have been made in the form of headcount reductions as marketing teams are asked to streamline. This trend has enviously positioned the marketing software players, whose technologies can be implemented on a tactical, modular basis, to automate more expensive manual processes. As a result, vendors that offer point solutions with a highly visible, rapid ROI have continued to perform exceptionally well throughout the economic downturn.

The consequence of challenging market conditions is that customers are currently opting for lower priced solutions that address specific pain points within their organization. For example, banks and insurance companies have increased their spending on segmentation, offer management and analytics tools while customers in the consumer vertical have directed their focus to “low hanging fruit” such as trade promotion management or brand management. Purchasers are being more tactical and are making decisions based on their specific role or immediate requirement.

This is not to say that price points for the pureplay specialists are declining. In fact, our clients and prospects report that ASPs for specialized solutions continue to rise despite the economy. It is the platform vendors who are experiencing the most pain from customer tendencies to achieve immediate returns on their technology spending. Platform buys have become prohibitively expensive for many customers and the associated sales cycles have stretched substantially as a result. This dynamic has temporarily protracted demand for end-to-end, multi-function marketing software suites that can be deployed at an enterprise level across multiple geographies and departments.

We view the marketing automation “platform” as the inevitable long term solution for customers and we expect that technology convergence and industry consolidation will resume as the broader IT market recovers. 2010 will be a pivotal year for both the platform vendors encroaching on the space and the best-of-breed pureplays who are adopting a specialist approach.

MRM – A Core Growth Catalyst for the Industry

Demand for MRM solutions has grown feverishly over the past few years as customers have shifted the application set from a “nice-to-have” to a “mission critical” piece of their IT agendas. Requirements to facilitate coordination between multiple third-party vendors such as data providers, advertising agencies, printers and fulfillment shops, along with the need to handle exploding data volumes, have exacerbated this trend. Gartner estimates that the number of MRM implementations in midsize and large companies grew by 54.6% in 2008.

The proliferation of marketing channels, corporate globalization and heightened budgetary pressure have placed a significant burden on marketers to “do more with less”. These dynamics have heightened the complexity of traditional marketing processes, forcing marketing teams into a mundane, low value execution mode and away from higher level, strategic thought. Specifically, globalization has created a new headache for marketers since they are increasingly being required to market brands to different geographies, which carries a need to localize and customize marketing materials to a desired demographic in a way that is relevant, not culturally offensive and consistent with the broader campaign strategy.



MRM tools alleviate these burdens as they:

- Streamline communication channels between marketers, partners and customers
- Enhance project and resource management
- Centrally store campaign information and digital assets
- Localize and translate globally distributed content
- Plan and monitor success of marketing initiatives
- Maintain dynamic marketing calendars to coordinate multi-channel campaigns
- Provide marketing “taxonomies” that offer transparent views of brand hierarchies, ongoing campaigns and customer segmentation; and
- Automate operational workflows

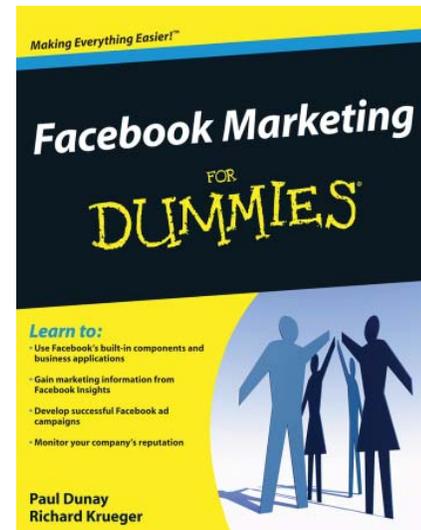
These tools have gained widespread popularity at larger organizations with dispersed marketing teams, a global product offering and an expansive marketing value chain. Gartner estimates that more than 80% of MRM implementations are in large, global organizations.

Campaign Management – Commoditization is Driving Innovation

Campaign management tools enable users to promote branding and communicate directly with their customers through various mechanisms, including email, traditional mail, websites, call centers, blogs, text messages and online social communities. Although the traditional campaign management software sector has matured substantially over the past decade, the advent of new age marketing media continues to change the game for industry competitors. The conventional approach to marketing, which was characterized by mass-marketed, one way, asynchronous campaigns, has all but disappeared for companies that have a formidable IT based approach to marketing. Functionalities such as customer segmentation and workflow have been commoditized to the point where customers expect the capability to be built into all vendor offerings. This legacy approach has been replaced with tools that automate multi-channel campaigns that are personalized for the intended demographic and whose effectiveness can be measured in a quantifiable manner.

Personalized email marketing, web analytics and mobile marketing technologies (email and SMS) are gradually being incorporated into these new channels. CMOs

are asking for “inbound” applications that allow them to market products and promote customized offers from the call center or service desk. For example, a bank might seek technologies that flag certain events, such as a customer buying a home or going to college, to identify other products it might be able to upsell on a proactive basis. This is typically referred to as event-triggered marketing. Other customers take it one step further and leverage predictive capabilities to forecast either future events or potential buying patterns that could occur.



Moreover, the popularity of social networking outlets such as Facebook and Twitter has created new opportunities for the campaign management software players to exploit. Vendors such as Vocus now provide methods for marketers to monitor social networks for brand feedback, detect leads from these systems and interact with targeted audiences. Other companies specialize in tools designed for search engine marketing. These trends continue to breed innovation in the sector and create opportunities for smaller pureplays to compete effectively with product depth and domain expertise. They are also driving a 14.7% growth rate (2007-2012 CAGR) for the campaign management software market, which is extraordinary given the current economic climate (Source: Gartner).

SaaS Model Gaining Widespread Adoption in Marketing Software

A SaaS delivery capability has emerged as a prerequisite for most of the marketing automation software industry. Given the fact that most large organizations i) have

internal marketing teams that are spread out all around the world; and ii) leverage outside content providers, marketing agencies and MSPs to complement their marketing initiatives, there is strong demand for SaaS-based solutions that can be accessed easily by a dispersed marketing value chain. Convenience, combined with the more modest upfront costs and the abbreviated implementation times relative to the traditional onsite model have positioned the on-demand vendors to steal market share. This is particularly evident in the SMB area, as well as in that portion of the enterprise market that has gained comfort with a hosted CRM environment. In most cases, the internal product champion for marketing tools is the person who spearheaded the CRM purchasing cycle. Gartner estimates that, by 2011, 60% of the multi-channel campaign management space will be deployed on a SaaS basis.

Specific marketing sub sectors lend themselves to the SaaS model. For example, lead management and email management solutions are typically tied into the CRM system of customers. As such, the widespread popularity of on-demand CRM has catalyzed the on-demand opportunity for these marketing technologies. The nature of an MRM implementation is similarly well suited for a SaaS based deployment. Most MRM functionality is geared towards process automation for activities such as creative production management and marketing fulfillment; the collaborative nature of these processes dovetails nicely with a SaaS solution.

Our experience is that most pureplays have leveraged a hybrid SaaS-onsite model in an attempt to offer customers flexibility. Many offer a third option, which is a hosted solution that does not require that the customer purchase the hardware or the software, but is also not a true multi-tenant model running off the same code base and data scheme. We expect SaaS-based CRM vendors to move aggressively into the marketing software space in the next several years as CRM commoditization forces them into new, adjacent markets.

“Role-Based Marketing” is Driving Consolidation

The fragmentation in the industry is largely a reflection of the diverse audience that the vendors are selling to at multiple user levels. Users may include marketing

executives, product marketing personnel, partner channel managers, brand managers, direct marketing agencies, ad agencies, printers, MSPs or even sales teams. For instance, relationship marketers are typically interested in applications that originate and optimize customer relationships, such as database marketing, direct marketing, lead management, segmentation, personalization and customer analytics. Marketing operations departments strive to improve process automation, create marketing content, manage marketing budgets, set best practices and ensure brand consistency. Personnel in these roles are often interested in MRM tools. The role of the marketing executive is to set the overall vision, establish a budget, improve efficiency across the entire marketing chain and monitor the performance of specific marketing initiatives. As such, CMOs have an insatiable demand for MPM tools that can serve as the “glue” for the marketing department. Finally, the emergence of new marketing channels around online communities, mobile campaigns, social media and search engine marketing have created new roles within marketing organizations, each with their own specialty and budgetary agenda. The concept of “role-based marketing” has gained widespread recognition across the industry as a result.

The existence of broader internal marketing teams is only scratching the surface in terms of the ever increasing complexity of the marketing value chain. Most end users import voluminous amounts of raw prospect data from outside MSPs, leverage outside agencies for advertising and consistently outsource printing and fulfillment processes. Technology providers, as a result, are being asked to create connectors to these outside systems so that customers can continue to work seamlessly with their outside vendors.



Source: Vacuumd and Robin Good for MasterNewMedia

These far reaching market requirements have generated expansive opportunities for vendors to target. However, they have also precipitated in an industry that is characterized by thousands of pureplays going after specific niches. As new age technologies mature, customers will increasingly look to consolidate purchasing decisions with a single supplier. They will require that these suppliers have intimate knowledge of their entire value chain and that they offer out-of-the-box functionality. This will be a primary driver of consolidation, particularly for vendors such as Unica, Aprimo and Alterian who have established themselves as multi-discipline providers and are looking to broaden their tentacles into new areas.

Marketing Performance Management – Attracting C-level Attention

New marketing channels, demand to glean more insight into the efficiency of marketing campaigns and the advent of larger, more globally-focused marketing teams have created a tailwind for the MPM software sector. Senior level executives are also using MPM solutions to tangibly measure the return on various marketing initiatives, improve accountability for marketing outlays, adhere to regulatory compliance (such as customer privacy) and centralize the function into a unit that can be monitored. As such, MPM has been transformational for the industry as it has placed more emphasis on the business user and not IT.

This dynamic bodes well for the MPM players, who are leveraging MPM software to gain mindshare at the C-level. C-level sales cycles are shorter and there is typically less pricing pressure when technologies are acquired for “strategic” reasons. Platform vendors such as SAP and Oracle have yet to fully embrace this approach. Instead, they continue to focus on the IT department, whose marketing acumen is not always strong enough to fully understand the value proposition (or IT simply does not have an adequate budget, where storage, security and virtualization tend to dominate most wish lists). Providers that capture the attention of the C-level ultimately have greater control over the customer’s purse strings.

While customer demand for MPM is profound, the challenge for the industry will be to improve the usability of the solutions. Most MPM tools in production stem

from traditional Business Intelligence (“BI”) and Business Performance Management (“BPM”) applications, which have a reputation for being unfriendly or geared towards “power users”. As such, companies such as SAS and Aprimo are working feverishly to improve their MPM front ends. MPM vendors that have created applications that unlock data without the help of IT and offer UIs that are intuitive to the business user, continue to outperform in the market. Many campaign management and MRM pureplays offer pieces of MPM functionality in their existing offerings. We expect the BI industry to continue to make inroads in this area as well.

Other Notable Industry Trends and Growth Catalysts

Remains a Highly Consultative Industry – The marketing automation software industry remains largely consulting driven, with many providers generating half of their revenue base or higher in ‘premium’ services work. Based on our research, the average services revenue contribution ranges from 40 to 60 percent of total revenue (larger vendors have a higher license/maintenance contribution). This dynamic reflects the unique complexities associated with the marketing function. Each industry has its own requirements, each company has a customized strategy and there are now several media outlets through which to reach customers. These idiosyncrasies make it challenging for suppliers to offer solutions that are plug and play, a benefit that software genres such as ERP, compliance and CRM have enjoyed historically.

Marketing tools will always require an element of customization. The key for vendors is to leverage implementation partners as much as possible and establish best practices that optimize the efficiency of internal consulting teams. As the space continues to evolve towards a multi-tenant, on-demand model, the core services contribution will inevitably shrink over time.

Vertical Expertise a Key Differentiator – Vertical expertise is a major differentiator for market participants. Marketing strategies, including the targeted demographic and the means of communicating with that demographic, varies by vertical. For instance, CPG companies focus on trade promotion and field marketing, financial services companies rely on customer segmentation and event-

triggered marketing and insurance companies rely on lead management and predictive analytics. To be effective in providing solutions for a specific industry, vendors must have sales and consulting teams that speak the language and have an intricate understanding of marketing best practices. Solutions that embed industry-specific functionality tend to have more success than horizontal applications.

Price Elasticity – The highly fragmented nature of the marketing software industry has resulted in significant price elasticity on the part of the customer. In situations where customers are implementing a modular solution that addresses a single pain point, there are often times several pureplays that offer technology that is ‘adequate’ to address the customer’s requirements. We have learned of instances where smaller vendors are dramatically lowering their prices to undercut the marketplace. In these “bakeoff” situations, price is typically the gating factor for customers, particularly during an economic downturn. We expect this dynamic to fade as the technologies mature into platforms and customers begin to look more strategically for holistic solutions that address enterprise level requirements.

MSPs and Coopetition – Based on our discussions with clients and prospects in the sector, a majority of marketing departments that are purchasing product sets are also utilizing MSPs and outside agencies for various components of their marketing strategies. These service providers typically have the trust of the client and can play a pivotal role in the technology selection process. As such, marketing software providers that have adopted a hybrid sales strategy, both direct to customers and indirect through MSPs and consultants, are having success in the marketplace. The challenging dynamic is that many MSPs own proprietary technologies that compete directly with the software companies

themselves. The MSPs sell these products in situations where the customer requirements do not necessitate a “best-of-breed” offering. Companies that are heavily reliant on the MSP network, such as Alterian, have the most exposure here. There have also been dozens of examples where MSPs, such as Acxiom, Experian and GSI, have made acquisitions in the email marketing space. This has created an element of “coopetition” where vendors rely on the MSPs to help them win business and compete with them in cases where customers are looking for rudimentary technology.

Evolution Towards Enterprise Marketing Platforms – Traditionally, customers have purchased pieces of technology in specific sub-segments of the marketing value chain, such as campaign management, MRM, lead management or B2C marketing tools. Maturation of these tools, coupled with a user base that is becoming increasingly comfortable with the value inherent in these applications, will ultimately create demand for end-to-end marketing software platforms that adopt a more holistic approach. Many pureplays have emerged that are specifically targeting the B2B market with technologies that can be personalized and create a more interactive process for the prospect / customer. Other vendors are focusing on new mediums to target, such as keyword advertising on search engines, banner ads, product placement, video games and other forms of digital media. Customers will eventually consolidate suppliers to simplify the process, achieve cost efficiencies and designate “one throat to choke”. This has already begun to facilitate technology convergence in the sector. We expect multi-discipline, scale players to pave the way for this development.

Community Marketing Gaining Popularity – The advent of community marketing, which is typically a company-sponsored medium that allows customers and prospects to interact and share feedback around product performance, is facilitating new opportunities for marketers to improve their brands. These mediums include blogs, message boards, rating systems and shared reviews which collect customer opinions and drive increased sales through a more viral approach. The challenge here is the policing of negative comments, but marketers have various mechanisms to control this, such as required customer registrations. We expect this to be a core growth area over the coming years.



Improved Customer Data – There has been an explosion in data volumes over the past decade as MSPs have collected data on consumers and businesses via phone, internet, surveys, credit card issuers, loyalty schemes and website analytics. Larger data sets, in turn, have precipitated in marketer demand to glean more insight from an exponentially larger set of information. This has created opportunities for vendors that are able to make sense of the information and parlay this intelligence into more effective lead management and campaign optimization tools. Robust analytical data warehousing players such as Netezza, Teradata, Sybase and Kognitio have played a pivotal role in this progression.

Demand Does Not Imply Adoption – Vendors have reported that, while customer demand is as robust as ever, user adoption levels within customers are climbing more modestly. Our interpretation of this trend is as follows: the product sets have matured to a point where customers see tangible value in investing in the solutions. However, marketing organizations are restricting use to a small set of dedicated users who are trained specifically on the platform. In some cases, there are marketing team members that are using dedicated applications that are role-specific. As platforms emerge, providers will become better positioned to push the concept of a single solution for all requirements. This will facilitate a broader user base, create upsell opportunities in the form of new licenses and eventually democratize the product sets.

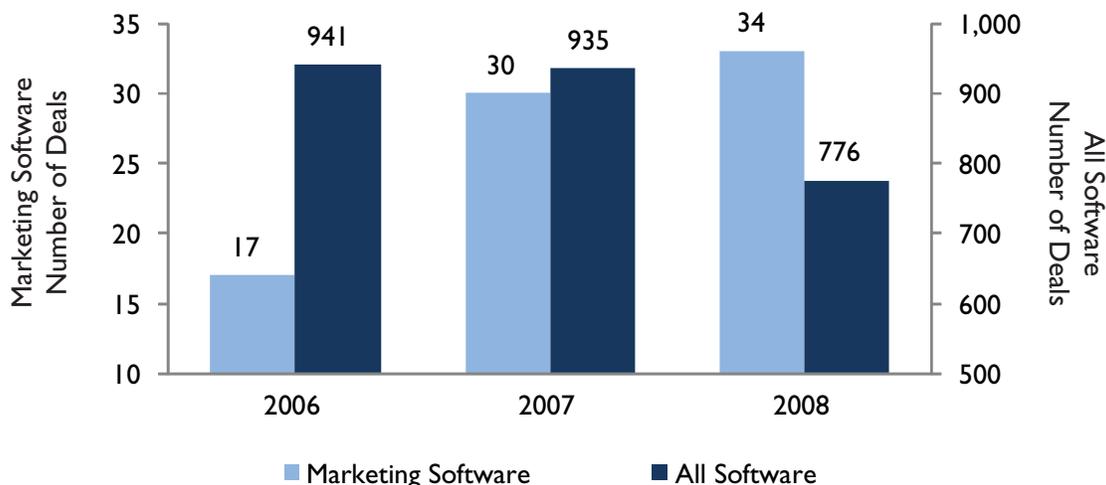
Consolidation Trends

We have tracked approximately 90 M&A transactions in the marketing automation software space since the beginning of 2006 (please see Figure 12 in the appendix for the full list of transactions and the associated valuations). Next to security software, this is the second most active software genre over this period in terms of transaction volume. The median multiples for Total Enterprise Value (“TEV”) to revenue and TEV to EBITDA were 2.2x and 13.1x, respectively, over this time period.

The key take away from the data is that M&A volumes continue to increase over time – a clear indication that the market is maturing rapidly and that larger strategics are moving this software genre higher on their M&A wish lists. Even in 2008, when software M&A volumes were down by more than 20% versus 2007, there were 34 transactions in the industry. We expect these figures to continue to climb aggressively over the coming years as pureplay vendors reach adequate scale, the audience of interested acquirers expands and larger players recognize that they cannot compete effectively with their existing offerings, which target “low hanging fruit”.

The data is also a testament to the rate at which major technology bellwethers are moving into the space via acquisition. Acxiom, AOL, Autonomy, Convergys, Eastman Kodak, Google, Microsoft, Omniture, Open

Figure 7: Marketing Software M&A vs. Total M&A



Source: TM Capital and Capital IQ

Text, Oracle, Salesforce.com, SAS and Yahoo! have all made acquisitions in the industry since the beginning of 2006. The figure below provides a summary of some of the more prolific, brand name acquirers in the sector.

Acquirer	No. of Acquisitions
Acxiom	5
Alterian	4
Omniiture	4
Oracle	4
Yahoo!	4
DoubleClick	3
Autonomy	2
Microsoft	2
Open Text	2
Responsys	2
SAS	2
Transcontinental	2
Unica	2
WebTrends	2
EMC	1
Nokia	1
AOL	1
Google	1
Salesforce.com	1

Source: TM Capital and Capital IQ

TM Capital Consolidation Crystal Ball

No single vendor has emerged that offers sufficient product functionality to address the full set of requirements for a sophisticated marketing department. We believe that the industry is still at least a couple years away from this concept becoming a reality. As economic conditions improve and CMOs are granted capacity to acquire “revenue-enhancing” technology platforms that will position the company for the next growth cycle, marketing software platforms will be back in vogue. Market players recognize this, a dynamic that is driving technology convergence and consolidation today. We anticipate that this trend will accelerate over the coming quarters as the broader M&A market continues to thaw and buyers come back from the sidelines. As such, we expect aggressive consolidation of specialists in MRM and campaign management in 2010, as shown in Figure 8 on page 16.

Encroachment from larger vendors such as Oracle, SAP and Infor will continue to delay sales cycles as they compete with bundled products that often times turn into shelfware. For the remainder of 2009, it is likely that we will continue to see the smaller pureplays outpace the market as customers opt for higher value point solutions instead of more risky/expensive platform solutions from larger incumbents. As the economy improves in 2010 and 2011, we anticipate a rampant consolidation wave as larger strategic players look to capitalize on the industry’s compelling growth rates with acquisitions of specialists.

Consolidation is likely to occur in several forms:

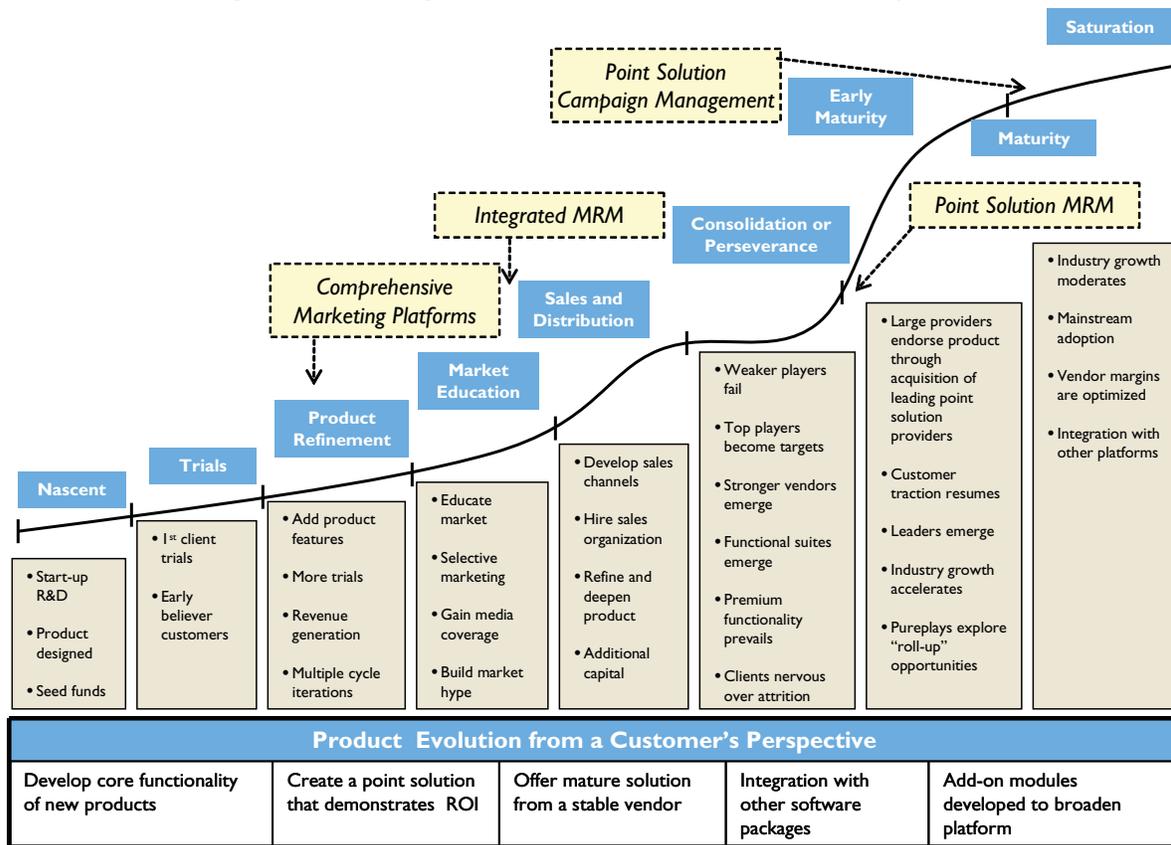
- Larger, multi-discipline vendors such as Oracle, SAP, Infor, SAS and Teradata will acquire companies that extend or deepen their existing product sets. For instance, SAP markets that it has MRM capabilities in its solution. It is also a customer of MRM specialist Elateral. There is clearly a gap in the current offering, one that could be filled with the acquisition of an MRM pureplay.
- Middle market, multi-discipline providers such as Alterian, Aprimo and Unica are likely to make acquisitions that not only extend their offerings into new areas, but add critical mass in the form of strong customer bases and land grab opportunities. Unica is recognized as a leader in campaign management and Aprimo in MRM. Leveraging M&A opportunities to become more competitive against each other in their own respective power alleys is a viable strategy.
- Some smaller pureplays will look to align with “peers” in merger of equal transactions that add breadth to each other’s product platforms and build scale. We expect that vendors in commoditized areas of campaign management, such as email management, will look to align with companies in burgeoning areas such as MRM or MPM.
- CRM specialists such as Salesforce.com and RightNow are likely to make acquisitions in campaign management, as it is a natural extension of a CRM system. iContact, Vertical Response and Constant Contact are considered top vendors in this area.

- Business Intelligence and data integration pureplays such as SAS, Microstrategy, Informatica and Sybase will look for acquisitions in customer analytics and MPM.
- IBM is likely to look for add-on opportunities for Cognos and SPSS. We view IBM as a major player in the marketing automation software space in the long term.
- Enterprise Content Management (ECM) and print management companies such as Open Text, Autonomy, HP and Xerox may look for acquisitions in MRM.
- Traditional MSPs and agencies will continue to acquire technology platforms opportunistically to help differentiate their service-based offerings.
- Digital media companies will target acquisitions that broaden their exposure to web marketing, web analytics and community marketing.

Valuation Trends

The TM Capital comparable company index for CRM and marketing automation software companies is currently trading at a median of 2.1x LTM revenue and 16.3x LTM EBITDA, respectively, on a TEV basis. Relative to the broader application software industry, which is currently trading at 2.3x revenue and 12.5x EBITDA, the sector is currently in line on a revenue multiple basis and at a 30.4% premium on an EBITDA multiple basis. In specific transactions, we are seeing premium multiples being paid for pureplay vendors that demonstrate >30% annual growth rates or whose technology is viewed as highly strategic to the acquirer. We are also seeing premiums being paid for businesses with at least 50% “on-demand” or hosted revenue. Discounts are being placed on companies that continue to generate a bulk of the revenue base in services, which is a major problem for the portion of the MRM market that is closer to the creative side than to the technology side.

Figure 8: Marketing Automation Software Consolidation Cycle



Source: TM Capital

Figure 9: CRM and Marketing Automation Software Comparable Companies

Valuation Multiples (US\$ in Millions, Except Stock Price)	Market Cap.	Price /		Firm Value	Firm Value / LTM		Firm Value / FYI	
		LTM EPS	FYI EPS		Revenues	EBITDA	Revenues	EBITDA
Salesforce.com (NYSE:CRM)	\$5,352	NM	NM	\$4,862	4.3x	NM	3.8x	19.4x
Amdocs Ltd. (NYSE:DOX)	4,878	15.5	11.9	3,900	1.3	6.5	1.4	6.3
Teradata Corporation (NYSE:TDC)	4,243	17.3	20.7	3,672	2.1	10.1	2.2	10.5
NICE Systems Ltd. (TASE:NICE)	1,722	33.5	18.3	1,341	2.2	13.8	2.3	NA
Omniture Inc. (NasdaqGS:OMTR)	1,043	NM	26.5	941	2.8	27.4	2.7	12.7
Pegasystems Inc. (NasdaqGS:PEGA)	1,009	NM	44.7	836	3.7	31.0	3.3	23.2
Lawson Software, Inc. (NasdaqGS:LWSN)	959	52.2	17.6	793	1.0	7.7	1.1	7.8
NetSuite, Inc. (NYSE:N)	751	NM	NM	635	3.9	NM	3.8	NM
Constant Contact, Inc. (NasdaqGM:CTCT)	638	NM	NM	530	5.5	NM	4.1	NM
Art Technology Group Inc. (NasdaqGM:ARTG)	480	43.1	20.4	408	2.4	18.0	2.4	12.4
Rightnow Technologies Inc. (NasdaqGM:RNOW)	381	NM	37.4	292	2.0	NM	2.0	18.6
Epicor Software Corporation (NasdaqGS:EPIC)	371	NM	14.2	548	1.2	7.6	1.4	9.6
Vocus Inc. (NasdaqGM:VOCS)	324	NM	25.7	233	2.8	NM	2.8	12.9
Interactive Intelligence, Inc. (NasdaqGM:ININ)	275	51.3	21.3	221	1.8	16.3	1.7	11.0
DemandTec, Inc. (NasdaqGM:DMAN)	252	NM	NM	184	2.4	NM	2.3	49.2
LivePerson Inc. (NasdaqCM:LPSN)	191	NM	19.1	163	2.1	18.4	1.9	8.9
Alterian plc (LSE:ALN)	142	14.9	9.0	127	2.7	13.8	1.8	7.5
Unica Corp. (NasdaqGM:UNCA)	130	NM	NM	82	0.7	NM	0.8	NM
Chordiant Software, Inc. (NasdaqGM:CHRD)	119	NM	NA	62	0.7	30.8	0.8	24.6
KANA Software Inc. (OTCBB:KANA)	37	NM	NA	38	0.7	NM	NA	NA
Lyris, Inc. (OTCBB:LYRI)	27	NM	NA	35	0.8	24.3	NA	NA
Median	\$381	33.5x	20.4x	\$408	2.1x	16.3x	2.2x	12.4x
Mean	1,111	32.6	22.1	948	2.2	17.4	2.2	15.6

Source:TM Capital and Capital IQ

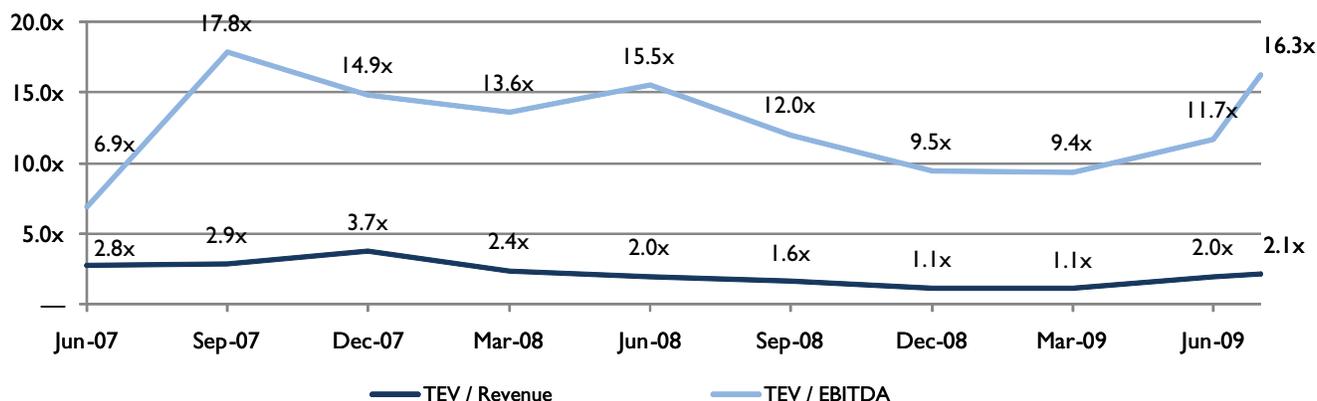
From a trend perspective, the universe has bounced back precipitously from its lows at the end of 2008, when it was trading at 1.1x revenue and 9.5x EBITDA. We expect valuations in the industry to climb more quickly than traditional software given the lucrative growth prospects for the sector and the fact that many of the vendors in the space have a high concentration of recurring subscription revenue.

Fundraising Activity

New age media and the colossal wave of technological innovation that has characterized the marketing software

industry over the past couple years has attracted a major influx of venture capital. Since the beginning of 2007, we have tracked 58 of these companies that have raised one or more rounds of venture capital financing. The vendors that have raised capital during this time period have raised a total of 155 rounds for an aggregate, disclosed value of \$1.6 billion since their inception. Of greater importance is the fact that the number of financings is climbing by the year, with 18 in 2007, 26 in 2008 and 14 through the first seven months of 2009. In our experience, VC capital infusion is a leading indicator of consolidation activity.

Figure 10: CRM and Marketing Automation Software Valuation Multiples



Source:TM Capital and Capital IQ

Figure 11: Marketing Software Fundraising Activity

Most Recent Round Date	Issuer	Issuer Description	Most Recent Investor / Syndicate	Most Recent Round	No. of Rounds	Total Raised (Disclosed)
07/28/2009	ExtremeReach	Web-based Video Advertising	Greycroft; Long River Ventures; Village Ventures	\$2.5	3	\$4.0
05/18/2009	O4 Corporation Pty Ltd.	Mobile Salesforce Automation	ABS Capital	15.0	1	15.0
05/15/2009	Mercent Corporation	MPM Software		0.5	4	11.0
05/06/2009	ExactTarget, Inc.	Email Marketing Software	Battery; Scale Venture Partners; Montagu Newhall	70.0	4	91.2
04/08/2009	TouchCommerce Inc.	Online Interaction Optimization	Dolphin Equity; Partech; Sierra	10.0	6	30.6
04/07/2009	Service2Media	Mobile Marketing Software	Newion Investments B.V.	1.9	2	1.9
03/03/2009	Kenshoo Ltd.	Search Engine Marketing	Arts Alliance Ltd.; Sequoia Capital		3	
02/10/2009	LoopFuse, Inc.	Lead Management and Web Analytics	True Ventures	1.4	1	1.4
02/10/2009	Pontis, Inc.	Communications Focused Marketing	Accel; Evergreen Venture Partners; Norwest	19.7	3	43.9
01/20/2009	TraceWorks A/S	Campaign Management Software	Nordic Venture Partners Management ApS	3.0	2	8.4
01/15/2009	InsideView	Lead Management Software	Emergence Capital; Rembrandt Venture Partners	6.5	3	13.9
01/14/2009	Business Logic Systems Ltd.	Campaign and Rewards Management		4.1	1	4.1
01/08/2009	Quick TV Limited	Online Video Publishing Platform	NorthStar Equity Investors Limited	0.5	2	2.2
12/15/2008	ClickSquared, Inc.	Email Marketing Software	ABS Ventures, Flybridge, JMI	11.0	6	86.5
11/19/2008	Apptera, Inc.	Mobile Advertising Software	Alloy Ventures; Walden; Lightspeed	10.5	4	33.8
10/21/2008	Madhouse Inc.	Mobile Marketing Software	Nokia Growth Partners	12.0	3	15.6
09/04/2008	Vibes Media, LLC	Mobile Marketing Software	Fidelity Ventures	15.0	1	15.0
08/12/2008	Marketbright, Inc.	Campaign Management	Greycroft; Knight's Bridge Capital		1	
07/24/2008	PopularMedia, Inc.	Social Media Marketing	Sequoia; Steamboat Ventures; DAG Ventures	8.0	2	12.3
07/07/2008	Topspin Media, Inc.	Industry Specific Marketing Software	Redpoint Ventures		2	
07/02/2008	Overtone, Inc.	Community Marketing Software	ABS Ventures, Dolphin Equity, Whelan Capital	6.0	2	13.5
06/30/2008	Lithium Technologies, Inc.	Community Marketing Software	Benchmark Capital	12.0	2	21.0
06/18/2008	Bazaarvoice, Inc.	Community Marketing Software	Austin; Battery; European Founders Fund	7.1	3	19.9
06/09/2008	Aprimo, Incorporated	Multi-discipline Marketing Software		15.0	4	61.5
05/28/2008	Xtract Oy	Campaign and Loyalty Management	InnovationsKapital; Eqvitec Partners; Creandum	11.7	2	14.4
05/16/2008	HubSpot, Inc.	Lead Management Software	Matrix Partners; General Catalyst Partners	12.0	3	17.5
04/24/2008	Odysii Ltd.	MPM Software	Benchmark Capital; Giza Venture Capital	20.0	1	20.0
04/24/2008	Silverpop Systems, Inc.	Email Marketing Software	Direct Capital	15.0	2	19.5
04/11/2008	Marketo	Lead Management Software	Interwest; Storm	8.0	2	8.0
04/04/2008	MarketTools, Inc.	Community Marketing Software	Advanced Equities, Inc.	18.3	5	67.7
04/04/2008	Coremetrics, Inc.	Web Analytics and MPM	3i; Accel; FTV Capital; Highland	60.0	7	147.0
03/18/2008	Vovici Corporation	Community Marketing Software	Mayfield Fund	10.0	2	10.0
03/12/2008	INVIDI Technologies Corp.	Television Campaign Management	Motorola Ventures	25.0	4	57.3
03/10/2008	Universal Ad Ltd.	MRM Software	Western Technology; Walden; Vertex	8.5	2	11.0
03/05/2008	Lyris, Inc. (OTCBB:LYRI)	Email Marketing Software		6.9	1	6.9
02/05/2008	Acuity Mobile, Inc.	Mobile Marketing Content Delivery	NAVTEQ Corporation		1	
01/03/2008	Balihoo, Inc.	MRM Software	Highway 12 Ventures; Lacuna, LLC	4.0	3	5.5
12/19/2007	Zoomio Holding A/S	Campaign Management Software	Teknologisk Innovation; Vecata; Via Venture Partners	7.1	2	7.1
11/13/2007	Sitebrand Inc. (TSXV:SIB)	Campaign Management Software		2.0	2	3.0
11/07/2007	Celltick Technologies Ltd.	Mobile Marketing Software	Jerusalem Venture Partners; Amadeus Capital	8.5	4	33.0
10/30/2007	mobileStorm, Inc.	SMB-focused Marketing	eonBusiness, LLC		1	
10/18/2007	Enliven Marketing	Campaign Management	Galleon Management; Diker Management	11.0	11	42.8
10/16/2007	Market2Lead	Lead Management Software	Rainmaker Systems		1	
10/16/2007	Eloqua Corp.	Campaign Management	JMI, Bay Partners, Bessemer Ventures	23.0	3	40.8
09/17/2007	Ignite Media Solutions, LLC	Campaign Management and Analytics	ABS Capital Partners	11.9	1	11.9
09/10/2007	PowerReviews, Inc.	Community Marketing Software	Tenaya Capital	15.0	2	21.3
08/17/2007	Jive Software, Inc.	Community Marketing Software	Sequoia Capital	15.0	1	15.0
07/18/2007	Tyroo Media Pvt. Ltd.	Website Advertising	Yahoo! Inc.		1	
07/12/2007	Mtivity Limited	MRM Software	Alliance Trust Equity Partners Ltd; Hotbed Ltd	7.1	4	18.1
07/11/2007	Interview SA	Enterprise Feedback Management	Sudinnova S.A.; Banque de Vizille	1.7	2	2.3
07/02/2007	Wanimo	Online Campaign Management and	Datran Media Corp.	4.0	2	4.0
06/28/2007	Loyalty Lab, Inc.	Loyalty Management Software	OpenView Venture Partners	7.0	3	14.0
06/26/2007	GSI Commerce Inc. (NasdaqGS:GSI)	Email Marketing Software		150.0	5	316.3
05/21/2007	DigiCompanion S.A.	Promotion and Campaign Management	IDF CAPITAL; Alven Capital Partners	2.3	1	2.3
04/25/2007	Alligance, Inc.	Community Marketing Software	Alligis Capital, Nippon Venture Capital, TPP Capital	5.7	1	5.7

Source: TM Capital and Capital IQ

Conclusion

The marketing automation software industry has weathered the recent economic storm in a profoundly effective manner. While most of the world turned to survival mode in late 2008 and early 2009, the marketing software industry has continued to flourish and evolve. New age media and an abundance of viable marketing outlets continue to foster growth – a trend that shows no sign of abatement over the coming years.

Consolidation is underway and we expect the pace of M&A activity to accelerate throughout 2010 and 2011. We also expect venture capital money to continue to breed

innovation and new market niches. Larger strategic players will continue to build out their suites, both via organic and inorganic strategies. We expect these market dynamics to dramatically change the landscape over the coming years.

Our firm, TM Capital Corp., is actively representing buyers, sellers and private equity firms in the marketing automation software and services market. We possess significant domain expertise, industry relationships, and experience in successfully consummating complex transactions on behalf of our clients.

To learn more about TM Capital and the firm's efforts in this area, please contact Jereme LeBlanc at 781.320.3200 x205 or jleblanc@tmcapital.com.

Figure 12: Vendor Observations

Multi-discipline, Scale Vendors	
Company	Observations
	<ul style="list-style-type: none"> FYE 3/31/09 Revenue: \$54.9 million (~70% revenue growth); EBITDA \$10.6 million Strong functionality breadth across MRM, Campaign Management, Web Content Management and Email Marketing MRM implementations are typically done in parallel with campaign management Limited presence in event management, lead management and loyalty management Sells through a strong MSP and agency partner network (MSP hosted solutions) Sizable portion of the platform's functionality came via the acquisitions of Dynamics Direct (email marketing); Nvigorate (MRM); The Customer Partnership (contact optimization); Mediasurface (WCM) and Techrigy (social network monitoring) Partners with KXEN for predictive analytics and Omniture for Web Analytics Predominately hosted solutions, although moving towards a fully web-based platform
	<ul style="list-style-type: none"> \$59.0 million in 2008 revenue; 25% revenue CAGR over the past five years Strategically building out the entire marketing function Market leader in MRM and MPM (~60% of revenue base is in MRM) Offers campaign management, lead management, event management and MPM Segmentation and campaign analytics are a core component of the new roadmap Partners with SPSS for predictive analytics Successfully evolved from a perpetual model to a subscription model Targets financial services, retail, consumer and life sciences Withdrew its IPO filing in the Summer of 2008
	<ul style="list-style-type: none"> Offers multi-channel campaign management, lead management, MPM and analytics Real strength is its B2C campaign management solution, precipitating from the former Epiphany platform, which was subsequently acquired by SSA Global Success in MRM and DAM is limited; mostly tied to campaign management Bundles the functionality with sales of its Infor CRM Epiphany platform Although Infor is typically geared towards the manufacturing vertical, its B2C marketing tools target banking, consumer, telecom and media
	<ul style="list-style-type: none"> Majority of its marketing automation applications came from Siebel Focused on campaign management, lead management, event management, loyalty management and MPM Modest traction in MRM (typically when bundled with ERP / CRM applications) Offers one of the broadest product sets in the market based on functionality, but depth of functionality is lacking in some areas Leveraging CRM tools to sell more marketing software Continued integration of Stellent and Hyperion expected to improve MRM and MPM offerings, respectively Reliant on partners, such as SPSS, for advanced data mining and analytics SaaS strategy in EMM remains unclear (deployment options vary by module) Limited success with a true multi-tenant SaaS solution Core strength remains in the B2B layer of the market

	<ul style="list-style-type: none"> • Targeting the CMO with its advanced MPM technologies (via Business Objects) • Strong in role-based marketing dashboards and loyalty management • Offers campaign management, MRM, lead management and partner channel management • Some success with existing SAP customers, tying marketing tools to SAP CRM 7.0 • Rarely considered in a “best-of-breed” situation where SAP ERP or CRM is not currently deployed (some evidence that this trend is beginning to change as the usability and flexibility of SAP’s tools continues to improve) • Particular strength in CPG and manufacturing • Early traction in SaaS-based EMM implementations • Limited success with high-volume, B2C customers, which is where Oracle is strong • Predominately focused on the IT department, which will need to change over time
	<ul style="list-style-type: none"> • BI and CPM roots paved the way for a strong, data driven MPM suite • Core expertise in advanced analytics around marketing performance, planning and optimization; also strong in campaign management, database marketing, MRM, customer data mining, customer data integration and customer profitability management • Offers lead management, email marketing, mobile marketing, and web/CRM analytics • Process automation tools for creative design, fulfillment project management and branding portions of MRM are not as strong as pureplays (partnered with Assetlink to provide this capability) • Existing MRM tools stem from its acquisition of Veridigm in 2006 • Partnered with EMC for digital asset management and HP for digital media • Tools have a reputation for being highly advanced and sophisticated, but are often times challenging to use and configure • Announced a SaaS-based version of its product in the Spring of 2009 • Data mining and customer analytics capabilities typically drive customer decisions
	<ul style="list-style-type: none"> • Strong in campaign management, customer segmentation and analytics as a result of its robust footprint in data warehousing and data integration • Leverages a partnership with Assetlink for MRM • Broader MPM strategy remains unclear, particularly in “role-based” implementations • Does not have tools in lead management, event management or loyalty management • Particular strength in the B2C market • Scalability of its solution is often times a major differentiator in situations with large customers that have expansive data infrastructures • Customers that purchase the Teradata platform are forced to use its proprietary database and data warehousing platform, which is not optimal • Limited progress with a SaaS-based solution • Original campaign management roots came with the acquisition of Ceres
	<ul style="list-style-type: none"> • 2008 revenue: \$121.1 million (18% growth) • Product strength is in multichannel campaign management and online marketing • Solution also addresses MRM (via an acquisition of MarketingCentral in 2007), event-driven marketing (via an acquisition of MarketSoft Corporation in 2005), lead management and MPM • MPM differentiation is in predictive analytics and web analytics, which is functionality that came with the acquisition of Sane Solutions in 2006 • Does not currently address loyalty management, event management or high end MPM • Majority of revenue is derived from campaign management and analytics • Relies on partners for portions of MRM, such as marketing asset management, digital asset management and fulfillment • Installed base of more than 800 customers provides scale and market transparency • Strong deployment strategy that spans on-site, SaaS and hybrid approaches • Pioneer in the platform based approach that addresses all marketing roles • Partners with Cognos for high end reporting

Campaign Management	
Company	Observations
	<ul style="list-style-type: none"> • TM Revenue: \$170 million; EBTIDA: \$17.9 million; 14.7% Q1 YoY revenue growth • Core differentiation in multi-channel campaign management for e-commerce • Targets B2C customers in the retail, consumer and IT markets • Specialist in technology that improves web selling for customers (i.e. event-triggered marketing, cross selling, email marketing and search) • Moving aggressively towards a SaaS model • Partners with community marketing vendors Bazaarvoice, PowerReviews, Jive and Pluck
	<ul style="list-style-type: none"> • 2008 revenue: \$34 million; 54% revenue growth; profitable • Differentiation in lead management and segmentation for the B2B market • Strong in campaign management (email management and event-triggered marketing) • On-demand offering • CRM partners include Salesforce.com, Microsoft, NetSuite, Oracle and Sage
	<ul style="list-style-type: none"> • 56% revenue growth in 2008 • Specializes in B2B lead management products for the SMB market • Addresses campaign management, lead scoring, reporting and onsite form registrations • On-demand offering • Partnered with ExactTarget and Premier Global Services for email marketing • Partnered with Lithium Technologies for community marketing • Competes at a lower ASP relative to many of its peers • Salesforce.com CRM partnership generates a sizable portion of the business
	<ul style="list-style-type: none"> • ~250 customers • Core strengths are in lead management and campaign management for the SMB market • Focused on the B2B market • On-demand solution • Tightly aligned with Salesforce.com • Vertical focus includes financial services, healthcare, manufacturing and services
	<ul style="list-style-type: none"> • 40% revenue growth in 2008 • Solutions address email, web and mobile marketing • Most recent release added MRM functionality in budgeting and collateral management • Strong in B2C retail, B2B technology, financial services and telecom • Partnered with Kxen and SPSS for predictive analytics and Omniture for web analytics • Partnered with Bizaarvoice and PowerReviews for community marketing • Onsite, hosted or on-demand deployment options
	<ul style="list-style-type: none"> • 43% revenue growth in 2008; profitable • Evolved from an email marketing service provider to a comprehensive campaign management solution vendor (email, web, mobile and direct mail) • Multi-tenant, on-demand solution • Product is predominately geared towards the B2C middle market • Targets financial services, retail, travel, hospitality and IT • Partnered with Omniture, Coremetrics and WebTrends for web analytics • Partnered with Bazaarvoice for community management
	<ul style="list-style-type: none"> • LTM revenue: \$143.6 million; EBITDA: \$3.0 million; Q1 YoY revenue growth: 9.5% • Offers campaign management as an extension of its on-demand CRM suite • Solution spans email marketing, lead management and event-triggered marketing • Vertical coverage includes IT, retail, consumer, education, telecom and government • Focused exclusively on the B2C market • Partnered with Lithium Technologies for community marketing

	<ul style="list-style-type: none"> • 10% revenue growth in 2008; unprofitable • Campaign management solution for the middle market • Supports email, web and mobile marketing channels • Verticals include financial services, media, retail and travel • Onsite, hosted and on-demand deployments • Partnered with Kxen for predictive analytics and Omniture for web analytics
---	--

Marketing Resource Management	
Company	Observations
	<ul style="list-style-type: none"> • 33% revenue growth in 2008 • Differentiation is in MRM, offering deep functionality in this area • Rumored to be competing at a lower price point than MRM competitors • Tightly aligned with Teradata's CRM tool • Small size limits market exposure and bakeoff invitations relative to larger vendors • Offers onsite, hosted and on-demand deployment options
	<ul style="list-style-type: none"> • Brand management piece of MRM is its key competency • Plays a pivotal role in the creative value optimization process • More than 200 customers • Multiple deployment options • Implementations have a heavy services component (60% of total revenue)
	<ul style="list-style-type: none"> • 2008 revenue growth: 15% • Subsidiary of brand consultant Interbrand, which is owned by Omnicom Group • Strongest product disciplines are in brand management and content creation • Strong international presence for a company of its size • Onsite and hosted deployment options • Approximately two thirds of the revenue base is derived from services • Product is closer to the creative, agency side of industry
	<ul style="list-style-type: none"> • Full suite of solutions, with a particular emphasis on brand management • Largely Nordic centric (55 customers in total) • Offers all three deployment options • 45% of the revenue base is derived from services • Challenge will be to broaden the footprint in N.A. and other parts of Europe • Sub-\$10 million in revenue
	<ul style="list-style-type: none"> • One of the fastest growing MRM businesses in the market with 48% growth in FY08, 44% growth in FY09 and strong profitability metrics • Distinguishing strength is in marketing fulfillment • Strong in providing digital asset management for field organizations and sales partners • Impressive blue chip customer base from several verticals across N.A. and Europe • Several high price point, multi-year contracts with global customers • Business is 100% SaaS-based (multi-tenant and single tenant) • Partnership with HP's digital printing division • Sizable internal consulting component to most implementations
	<ul style="list-style-type: none"> • Full suite of MRM functionality • Largely Canadian focused • Heavy services component to the business
	<ul style="list-style-type: none"> • 45% revenue growth in 2008 • Capabilities include planning, budgeting, procurement, project management and ECM • 70% of revenue is derived from software sales • Onsite and hosted deployment options • Focused on the SMB market, targeting smaller implementations / ASPs

	<ul style="list-style-type: none"> • Geographical focus on APAC and the UK (no N.A. presence) • Flat growth in 2008 • 70% of revenue is derived from software sales • Comprehensive product set that addresses all of the core MRM functionality genres • Flexible deployment model • Partnered with SAS in a “teaming” arrangement
	<ul style="list-style-type: none"> • 45% revenue growth in 2008 • Focused on fulfillment, local sales enablement and brand management • Does not offer an end-to-end MRM suite, but is “best-of-breed” in its focus areas • Predominately North American focused
	<ul style="list-style-type: none"> • Strong in DAM, WCM and fulfillment • Focused on selling in the UK to a global customer base • 55% of revenue is derived from services • Onsite or hosted deployment model

Source: TM Capital, Gartner and Forrester

Figure I3: Marketing Automation Software M&A Transactions

Date Announced	Target	Target Description	Acquiror	Enterprise Value	Enterprise Value / Revenue	EBITDA
7/15/2009	Techrigny SM2	Web Analytics Software	Alterian plc	\$5.1		
6/30/2009	PopularMedia, Inc.	Social Media Marketing	StrongMail Systems, Inc.			
6/14/2009	Inquisite Inc.	Community Marketing	Allegiance, Inc.			
5/19/2009	Newvention technologies	MRM Software	SinnerSchrader AG			
5/18/2009	CognitiveDATA, Inc.	Database Marketing	Merkle, Inc.			
3/5/2009	Concept Media Server, LLC	Digital Asset Management Software	ViewCast.com Inc.	1.7		
1/21/2009	Conversys, Inc.	MRM Solutions	Transcontinental Inc.			
1/13/2009	NextMedium, Inc.	MRM and Advertising Software	Ascend Venture Group, LLC			
12/24/2008	dhree Inc.	Campaign Management Software	Angoss Software Corp.	2.2		
12/7/2008	Quaero Corp	Multi-discipline marketing software	CSG Systems International Inc.	24.5		
12/1/2008	ClearStory Systems, Inc.	Digital Asset Management	The FeedRoom, Inc.			
11/17/2008	Quintix LLC	Campaign Management and Analytics	Axiom Corporation	2.7		
10/9/2008	Optizen	Campaign Management Software	Selligent SA			
10/6/2008	Ceon Corporation	MRM Software	Convergys Corporation			
9/15/2008	Midpoint CC, LLC	Database marketing Solutions	Axiom Corporation	3.6	1.6x	
9/4/2008	Rastar, Inc.	Campaign Management Solutions	Transcontinental Inc.			
9/3/2008	Captrix Inc.	ECM and Digital Asset Management	Open Text, Inc.	109.1	1.0	NM
8/28/2008	Add2Phone, Ltd.	Mobile Marketing Software	More Mobile Relations Group			
8/10/2008	Pro EQ Ltd.	CRM-centric Campaign Management	Comtec-Group Limited			
8/4/2008	InStranet, Inc.	MRM and Field Marketing	Salesforce.com	27.3		
8/4/2008	Integrated Decisions	Campaign Management and MPM	SAS			
7/10/2008	eMotion, Inc.	Digital Asset Management	Artesia Technologies, Inc.	3.6		
7/9/2008	Confirmit ASA	Enterprise Feedback Management	Sebastian Holdings Inc.	84.1	1.9	13.0x
6/17/2008	GOT Corporation, Inc.	Email Campaign Management	Protus IP Solutions, Inc.			
6/12/2008	Communicate 2	Search Engine Optimization Services	Aegis Group plc			
5/31/2008	CustomerSat, Inc.	Community Marketing	MarketTools, Inc.			
5/14/2008	ASTECH Intermedia Inc.	MRM and MPM Software	smartFOCUS Group Plc	3.1	1.0	
5/7/2008	Enliven Marketing Tech.	Campaign Management Software	DG FastChannel, Inc.	82.2	3.8	2.0
5/6/2008	Mediasurface	Web Content Management	Alterian plc	35.0	1.5	NM
4/9/2008	Indextools	Web Analytics Software	Yahoo! Inc.			
3/20/2008	Million Handshakes AS.	Campaign Management Software	Portrait Software Plc	5.9	1.7	
3/14/2008	Rapt Inc.	Price Optimization Software	Microsoft Corp.			
3/11/2008	ThinData Inc.	Email Marketing Software	Transcontinental Inc.			
3/8/2008	Citat, MRM Business	MRM Software	Assestlink Corp.			
3/4/2008	Design2Launch Inc.	MRM Software	Eastman Kodak Co			
3/4/2008	Pluck Corporation	Community Marketing	Demand Media, Inc.			
2/25/2008	Sway, Inc.	Community Marketing	Maddock Douglas, Inc.			
2/11/2008	Maven Networks, Inc.	Online Video Distribution Software	Yahoo! Inc.	141.0		
1/23/2008	e-Dialog Inc.	E-mail Marketing	GSI Commerce Inc.	147.8	4.2	23.0
1/22/2008	Interwoven Inc.	Web Content Management	Autonomy Corp. plc	582.3	2.2	13.1
1/19/2008	Sevista Technologies, Inc.	Email Campaign Management	Mansell Group, Inc.	367.3	4.6	NM
1/17/2008	Visual Sciences	Customer Analytics	Omniture Inc.	82.4	2.1	
12/26/2007	Document Sciences	Web Content Management	EMC			
12/6/2007	Monifore BV	Web Analytics Software	Oracle Corp.			
11/26/2007	TrueAdvantage, Inc.	Lead Generation Software	Insideview	20.0		
10/17/2007	Optimost, LLC	Web Content Management	Interwoven Inc.	51.9		
9/17/2007	Enpocket, Inc.	Mobile Marketing Software	Nokia Corp.			
9/10/2007	Offermatica Corporation	Web Analytics	Omniture Inc.	65.1		
8/30/2007	BlueLithium, Inc.	Customer and Web Analytics	Yahoo! Inc.	242.9		
8/28/2007	EchoTarget, Inc.	Campaign Management Software	Axiom Corporation	4.2	8.4	
8/2/2007	Arwork Systems Group NV	MRM and Print Automation	EkkoArwork	259.7	4.4	12.4
8/2/2007	Promotions.com	Promotional Campaign Management	TheStreet.com, Inc.	19.6	2.0	NM
8/2/2007	Raosoft, Inc.	Community Marketing	Vovici Corporation			
7/25/2007	Looking Glass, Inc.	Campaign Management	IXI Corporation			
7/17/2007	Actionality, Inc.	Mobile Marketing Software	Yahoo! Inc.			
7/9/2007	MarketingCentral, Inc.	MRM Software	Unica Corp.	13.8		
6/25/2007	Bluestreak, Inc.	Email Marketing and Campaign Management	Aegis Group plc	12.5		
6/15/2007	Webcontrol Sweden AB	Online Campaign Management	WebTrends Corporation			
6/5/2007	Revenue Technologies Corp.	Campaign Management	Oracle Corp.			
5/23/2007	Pulse Train	Community Marketing	Confirmit ASA	8.7	1.1	
5/15/2007	Third Screen Media, Inc.	Mobile Marketing Software	AOL LLC			
5/8/2007	Vrenz, Inc.	Lead Management Software	Silverpop Systems, Inc.			
5/4/2007	eLocal Marketing	Search Engine Marketing	SIGMA Marketing Group New LLC			
4/24/2007	Loyalty Matrix, Inc.	Predictive Analytics	Responsys, Inc.			
4/13/2007	DoubleClick Inc.	MRM Software	Google Inc.	3,109.7		
4/3/2007	Kefta, Inc.	Internet Marketing Software	Axiom Corporation			
4/2/2007	The Customer Partnership	Contact Optimization Software	Alterian plc			
3/1/2007	Touch Clarity	Behavioral Targeting	Omniture Inc.	72.8	17.4	NM
2/28/2007	Tangozebra Ltd.	Internet Marketing Software	DoubleClick Inc.	29.4		
2/1/2007	Prospect Smarter, Inc.	Web/Community Marketing	Printable Technologies, Inc.			
1/18/2007	Instadia A/S	Web Analytics Software	Omniture Inc.			
1/5/2007	Equitec, Ltd.	MRM Solutions	Axiom Corporation			
12/4/2006	ClickShift, Inc.	Web Analytics Software	WebTrends Corporation			
11/20/2006	Synapse Technology	Lead Management	Conclusive Marketing, Inc.			
8/23/2006	Sigma Dynamics, Inc.	Predictive Analytics	Oracle Corp.			
8/18/2006	Hot Banana Software, Inc.	Web Content Management	Lyris, Inc.	2.2	1.7	NM
8/16/2006	ClickTracks, Inc.	Web Analytics Software	Lyris, Inc.	16.8	4.6	NM
7/3/2006	ADTECH AG	Online advertising Software	DoubleClick Inc.			
6/1/2006	Demantra, Inc.	Campaign Management / MPM	Oracle Corp.			
5/25/2006	Dynamics Direct, Inc.	Email Campaign Management	Alterian plc	5.3	4.1	
5/22/2006	Email Reaction, Ltd.	Campaign Management Software	smartFOCUS Group Plc	2.6	2.0	
5/3/2006	DeepMetric Corporation	Web Analytics Software	Microsoft Corporation			
4/6/2006	Adinofinitum, Inc.	Campaign Management Software	e-Dialog, Inc.			
4/3/2006	IBM's SurfAid Business	Web Analytics Software	Comermetics			
3/20/2006	Falk eSolutions AG	Email Marketing	DoubleClick Inc.			
3/16/2006	Veridigm, Inc.	MRM Software	SAS			
3/7/2006	Sane Solutions, LLC	Web Analytics Software	Unica Corp.	24.7	4.0	29.5
2/14/2006	DoubleClick Email Sol.	Email Marketing	Epsilon's Interactive Services	90.0	2.3	
2/3/2006	INBOX Marketing Inc.	Email Marketing	Responsys, Inc.			

Source: CapitalIQ

Median	2.2	13.0
Mean	3.5	15.5

TM Capital Corp. Disclaimer

The information and opinions in this report were prepared by TM Capital Corp. ("TM"). The information herein is believed by TM to be reliable but TM makes no representation as to the accuracy or completeness of such information. There is no guarantee that the views and opinions expressed in this communication will come to pass. TM may provide, may have provided or may seek to provide M&A advisory services to one or more companies mentioned herein. In addition, employees of TM may have purchased or may purchase securities in one or more companies mentioned in this report. Opinions, estimates and analyses in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of TM and are subject to change without notice. TM has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, estimate, forecast or analysis set forth herein, changes or subsequently becomes inaccurate. This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

Providing Tech M&A Advisory Services on a Global Scale



has acquired:



IT Services
Buy-Side Advisory



has acquired:



IT Services
Buy-Side Advisory



has been acquired by:



Enterprise Software
Sell-Side Advisory



has been acquired by:



Multimedia Software
Sell-Side Advisory



has been acquired by:



IT Services
Sell-Side Advisory



has acquired:



Telecommunications / IT Services
Buy-Side Advisory



has been acquired by:

THE IRISH TIMES

Internet Services
Sell-Side Advisory



has been acquired by:



Energy & Utility Software Solutions
Sell-Side Advisory



has received an equity investment of
€1,700,000 from

Alven Capital, IDFD

Marketing Resource Management
Fundraising

Technology Group Leadership



Murray M. Beach
Head of Technology
781.320.3200 ext. 201
mbeach@tmcapital.com



Jereme R. LeBlanc
Principal
781.320.3200 ext. 205
jleblanc@tmcapital.com



Brad A. Adams
Managing Director
781.320.3200 ext. 203
badams@tmcapital.com



Jonathan L. Krieger
Principal
212.809.1413
jkrieger@tmcapital.com

Michael S. Goldman
Managing Director
212.809.1419
mgoldman@tmcapital.com

James S. Grien
President
404.995.6235
jgrien@tmcapital.com

Robert C. Grien
Managing Director
212.809.1434
rgrien@tmcapital.com

Michael P. Locker
Principal
404.995.6252
mlocker@tmcapital.com

Alex C. Mammen
Managing Director
404.995.6233
amammen@tmcapital.com

W. Gregory Robertson
Chairman
212.809.1410
grobertson@tmcapital.com

Paul R. Smolevitz
Managing Director
212.809.1416
psmolevitz@tmcapital.com

TM capital
Investment & Merchant Bankers

About TM Capital Corp.

TM Capital Corp. is an independent investment banking firm based in New York, Boston and Atlanta, which has completed over 200 mergers, acquisitions and financings with a combined value in excess of \$11 billion for its global roster of clients. For 20 years, TM Capital has provided a range of services to its public and private company clients, including: executing exclusive sales and divestitures; identifying and negotiating value-enhancing acquisitions; arranging debt and equity financings for acquisitions, growth capital and recapitalizations; negotiating complex financial restructurings; advising in connection with contested takeovers; providing fairness opinions and valuations; and investing as principal where TM's expertise and capital can be a catalyst for value creation. TM Capital is a member firm of M&A International Inc., the world's leading alliance of mid-market investment banks with over 600 professionals in 44 offices spanning 39 countries. In 2008, member firms closed 258 transactions worth more than \$16.9 billion. For more information, visit www.tmcapital.com.

M&A Advisory on a Global Scale



With 44 offices in 39 countries in the Americas, Europe, Africa and Asia-Pacific, TM Capital and its M&A International Inc. partner firms provide you with a world of opportunity in today's global M&A market.

New York

One Battery Park Plaza
24th Floor
New York, NY 10004
Tel: (212) 809-1360

Boston

100 Lowder Brook Drive
Suite 1400
Westwood, MA 02090
Tel: (781) 320-3200

Atlanta

Fifteen Piedmont Center NE
Suite 1010
Atlanta, GA 30305
Tel: (404) 995-6230

