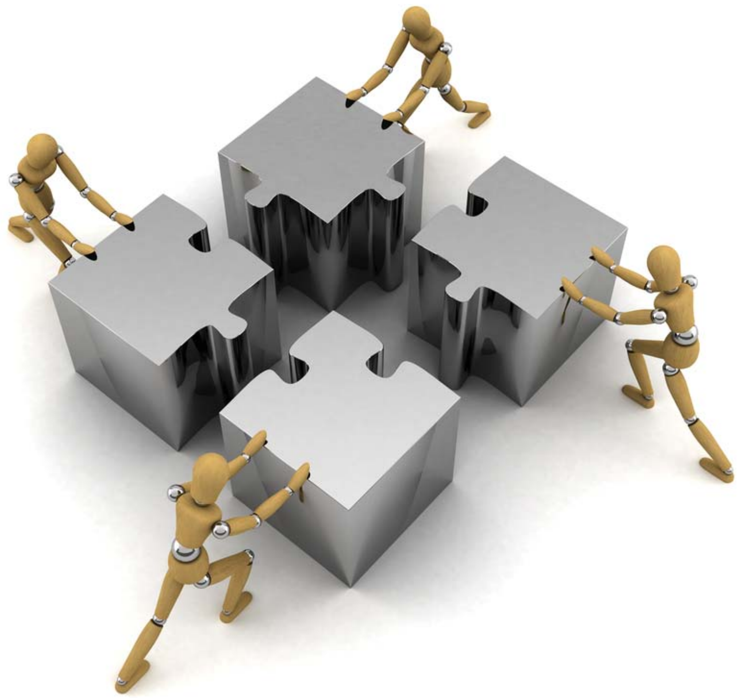


Marketing Automation Software: Platform Vendors Putting Together the Pieces

Industry Spotlight

www.tmcapital.com

Providing Tech M&A Advisory Services on a Global Scale

TM capital
An M&A International Inc. firm

BABEL has obtained a majority investment from Quatrro (Beyond the existing) / D E Shaw & Co

TELVENT has acquired dtn

CEDARCRESTONE has acquired E2E consulting

Hitachi Consulting has acquired edenbrook

OKERE (Client Management Solutions) has been acquired by FUJITSU

Hitachi Consulting has acquired IMPACTPLUS

Dextrys has divested certain assets to ELIASSEN GROUP

CEDARCRESTONE has been acquired by GOLDEN GATE CAPITAL

Optura has been acquired by OPEN TEXT CORPORATION

TELVENT has acquired caseta

Navigation capital partners has acquired TEAMSTS (Specialized Technical Services)

PROACTIVITY has been acquired by EMC²

cedar has merged with CRESTONE INTERNATIONAL

Palladium (Executing Strategy) has divested certain assets to ALVAREZ & MARSAL

Hitachi Consulting has acquired iteration2

Kodak has divested certain assets to ROHM HAAS

AEP systems has merged with Netilla

applabs TECHNOLOGIES has acquired IS integration

MEDIAAMERICA, INC. has been acquired by JONES INTERNATIONAL NETWORKS LTD

WORLDGATE has sold certain assets to TV GATEWAY

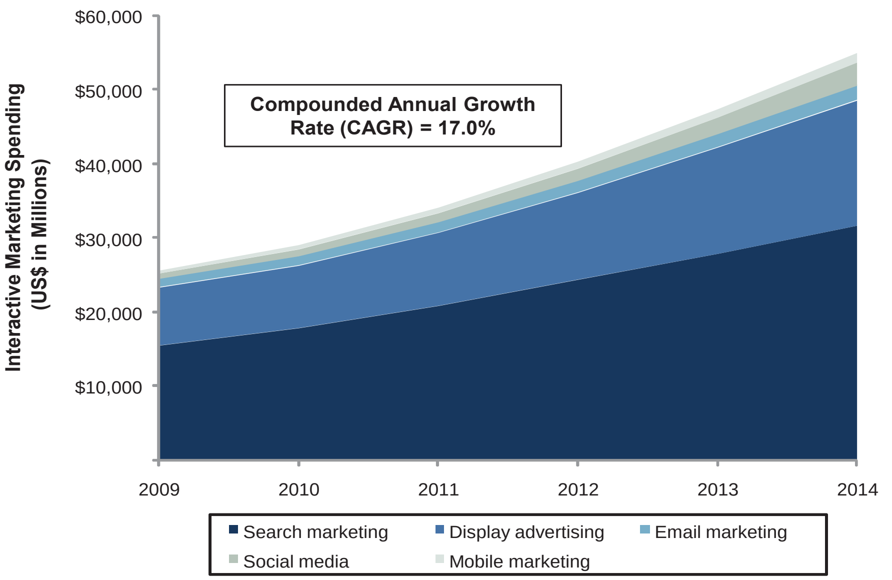
Introduction: Platform Vendors Putting Together the Pieces

In our initiating coverage report of the Marketing Automation Software (MAS) sector, we forecasted that 2010 would serve as an inflection point for the industry – a year in which differentiated pureplay competitors would pull away from the pack and larger software industry incumbents would rattle the marketplace with strategic M&A transactions. Humility aside, our speculation proved to be accurate. IBM (via Unica and Coremetrics), Teradata (via Aprimo), Adobe (via Day Software and Omniture) and Oracle (via Market2Lead) have altered the competitive landscape dramatically through acquisition activity, a dynamic that will prove to be indicative of a more expansive M&A trend in 2011.

MAS continues to outperform as one of the fastest growing segments of the enterprise software industry. The advent of mobile marketing, location based marketing, social media analytics, ad exchanges and other new media outlets have fueled viral demand for technologies that extract marketing insight and automate marketing processes. More importantly, growth does not show signs of abatement as the next economic cycle develops. Enterprise software vendors continue to evolve from a mindset of "make customers more efficient" to one of "help customers grow." As part of this initiative, there has been a surge in demand for technologies that facilitate demand generation, collect actionable data in social computing environments, monitor web behavior, and provide a customized web experience for prospective customers.

While the space as a whole continues to grow at 17-18% annually, there is substantiated evidence that the pureplay MAS market is growing at a more profound rate. The median 2010 growth rate for the 74 MAS companies that TM Capital calls upon was 31.6%, which leads us to the conclusion that some boats are rising faster than the tide. Pureplays are outpacing peripheral vendors that offer MAS functionality as a part of database, CRM, Business Intelligence, Analytics, BPM or ECM solution. 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.

Figure 1. Interactive Marketing Industry Growth



Categories	2009	2010	2011	2012	2013	2014	CAGR
Mobile marketing	$391	$561	$748	$950	$1,131	$1,274	27%
Social media	716	935	1,217	1,649	2,254	3,113	34%
Email marketing	1,248	1,355	1,504	1,676	1,867	2,081	11%
Display advertising	7,829	8,395	9,846	11,732	14,339	16,900	17%
Search marketing	15,393	17,765	20,763	24,299	27,786	31,588	15%
Total	**$25,577**	**$29,011**	**$34,078**	**$40,306**	**$47,377**	**$54,956**	**17%**

Source: Forrester

Consolidation and competitive dynamics will ultimately make it challenging for smaller players to survive. Natural points of product synergy with the more traditional digital media and enterprise software ecosystems have enviably positioned MAS as one of the most sought after areas in software – a dynamic that resulted in 41 M&A transactions in 2010 and 160 transactions since the beginning of 2006. We anticipate that these prevailing trends will continue to fuel deal flow in 2011 and 2012. That said, we unequivocally believe that the window of opportunity for the pureplay market to compete based on innovation and customer responsiveness is a protracted one. There has been more than $2.0 billion in venture capital injected into the space since 2003, with more than $300 million in investment being made in 2010 alone. While this level of investment has led to irrational valuation expectations in the marketplace, it will also continue to foster ingenuity and outsized growth opportunities for the industry over the next 4-5 years.

Continued Polarization of the Competitive Landscape

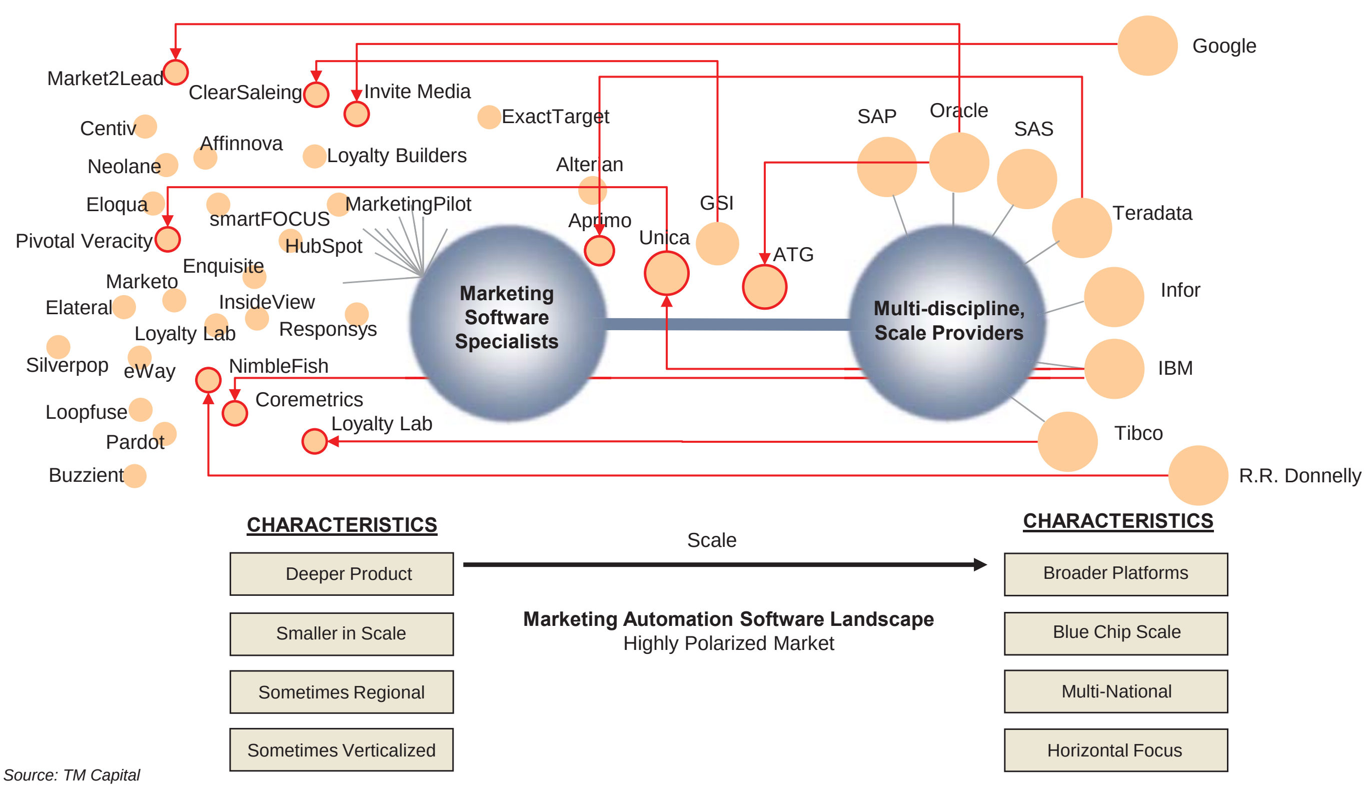
In our initiating coverage report, we speculated that the existence of a middle market in the MAS category is not sustainable. Our assertion was predicated on the fact that the robust growth prospects for the industry, coupled with competitive encroachment from software platform vendors, would make pureplays with $100+ million in revenue prime acquisition targets. The 2010 acquisitions of Unica, ATG and Aprimo validated this assertion, and IBM, Oracle and Teradata demonstrated a willingness to pay “scarcity premiums” for scale in these situations. As the dust settles around these transactions, the industry has come to epitomize the bifurcated landscape that characterizes many emerging enterprise software genres. SAP, Oracle, IBM, Infor, Teradata and SAS are vying for upstream market share, while the remainder of the space is being addressed by a fragmented universe of specialists. Forrester estimates that the top eight vendors account for one third of the total spending in the $2.5 billion sector, which implies that a majority of the revenue is still being generated by a broad array of players. Because of this dynamic, there is an inordinate amount of room left for the pureplays to run. This will also provide for a fertile M&A environment for the foreseeable future.

Marketing Automation Platforms: Slowly Becoming a Reality

Based on several recent conversations that we have had with vendors, there is burgeoning customer demand for marketing automation suites that encompass multiple, once disparate functionality genres. Through the downturn, the market was characterized by dozens of pureplay vendors that offered specialized solutions to meet tactical customer requirements. As these companies have matured and market awareness around successful implementations has grown, the sophistication of the software has kept pace. Many of the larger vendors, including IBM, Teradata, Oracle, Alterian and Acxiom have evolved into the initial stages of platform solutions that address multiple marketing domains – namely, multi-channel campaign management, Marketing Resource Management (MRM), partner management, lead management, event management and Marketing Performance Management (MPM).

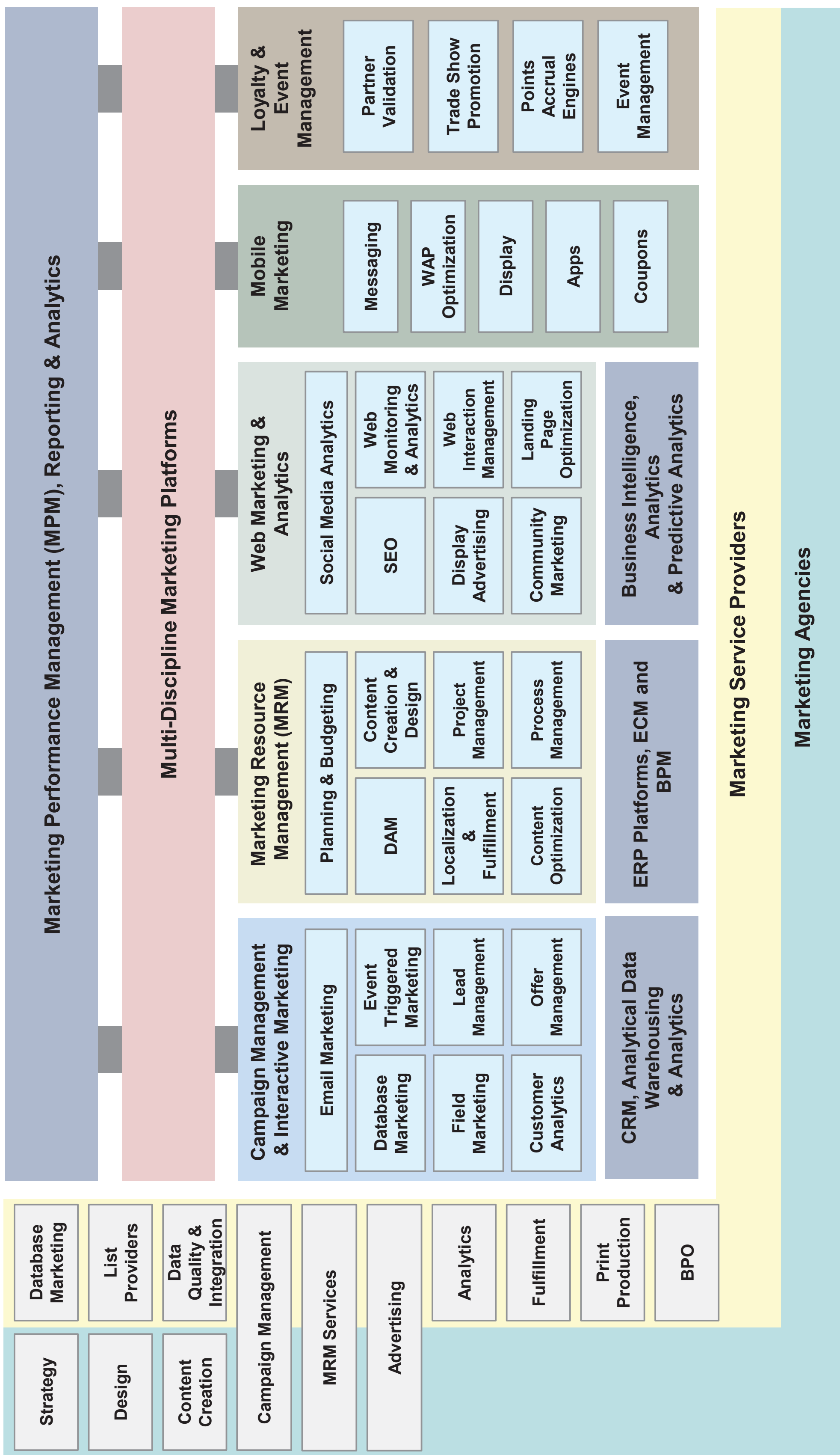
The implication is that the consolidators are delaying sales cycles with promise of future product development, “bundled” pricing efficiencies and messaging around vendor viability. Customers that are willing to sacrifice best-in-class functionality for the peace of mind that

Figure 2. Polarization Continues to Characterize the MAS Inustry



Source: TM Capital

Figure 3. Marketing Automation Software Industry Landscape



Source: TM Capital

TM capital
An M&A International Inc. firm

stems from sticking with a 'safer' supplier and a more streamlined selection process will often opt for this approach. This dynamic alone will provoke additional consolidation.

Notwithstanding this trend, MAS vendors with homegrown solutions have had more success with "multi-module" sales than traditional enterprise software players that have bought their way into the space. We expect this to be the case for some time as M&A indigestion ensues, product roadmaps are finalized and integration into the broader "stacks" is completed. Pureplays offer the functionality depth, application heterogeneity and core competencies that many enterprise customers are seeking. They also offer built-in best practices that adhere to marketing users' preferences, business processes and behavior. We expect these differentiators to continue to fuel attractive growth trajectories for the pureplays for the near future.

Figure 4. Most Active MAS Acquirors Since 2006

Acquiror	No. of Acquisitions
Yahoo!	10
Acxiom	6
Alterian	5
Google	5
Oracle	5
Salesforce.com	5
DoubleClick	4
Omniture	4
Responsys	4
Unica	4
Adobe	3
IBM	3
Microsoft	3
Open Text	3
Autonomy	2
SAS	2
EMC	1
Teradata	1

Source: TM Capital and Capital IQ

Tactical Implementations Pave the Way for Strategic Roll-Outs

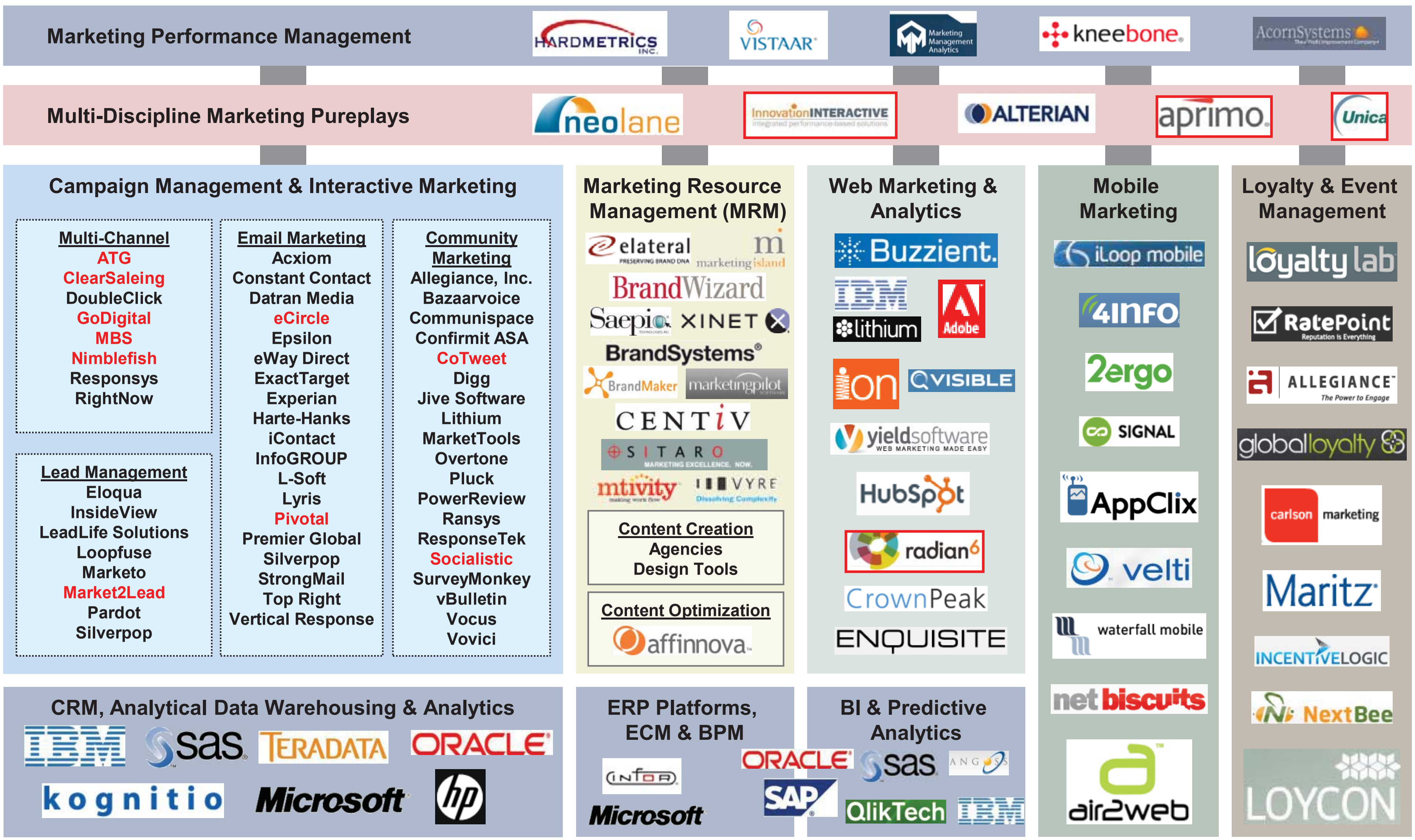
MAS was one of the few software categories that grew precipitously from the beginning of 2008 through the first half of 2010. As marketing organizations made cutbacks in budgets and personnel, they allocated a higher portion of spending to software that would allow them to reach a more expansive audience more efficiently. This had a positive impact on the growth rate of tactical implementations that were largely restricted to siloed marketing teams or specific geographies. Decisions were based on affordability, rapid payback cycles and ROI-driven sales, not on the collective needs of the organization at an enterprise level, or the fit within the broader software ecosystem. Financial services organizations purchased solutions that helped them with immediate requirements in segmentation and database marketing, while CPG customers focused on short term trade promotion management, MRM and brand management pain points. This dynamic impaired demand for end-to-end, multi-function suites that could be deployed at an enterprise level.

We are seeing early evidence that this trend is reversing, with many vendors reporting that sales cycles are stretching as customers evaluate multiple software categories in parallel. These processes typically involve a more geographically dispersed set of stakeholders and a more reticent perspective on the fit with ancillary CRM, BPM and ECM technologies. We expect that these tactical challenges will ultimately work themselves out and will pave the way for a more strategic approach to the adoption, and roll out, of marketing automation technology suites.

Mainstream Adoption of Marketing Resource Management (MRM) Software

Recent discussions with large strategic players in the marketplace point to precipitous demand for MRM solutions that allow customers to manage and customize digital marketing assets across a distributed marketing value chain. This trend is more pronounced in consumer discretionary verticals and sectors that leverage franchise models. In these categories, the proliferation of marketing channels, increasing volumes of marketing collateral, and globalization have placed an inordinate amount of burden on marketers to maintain branding consistency across a growing network of distributors and retail outlets. These dynamics have heightened the complexity of traditional marketing processes, forcing marketing teams into often mundane, low value execution mode and away from higher level, creative marketing. 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.

Figure 5. Marketing Automation Software Competitive Landscape



Source: TM Capital

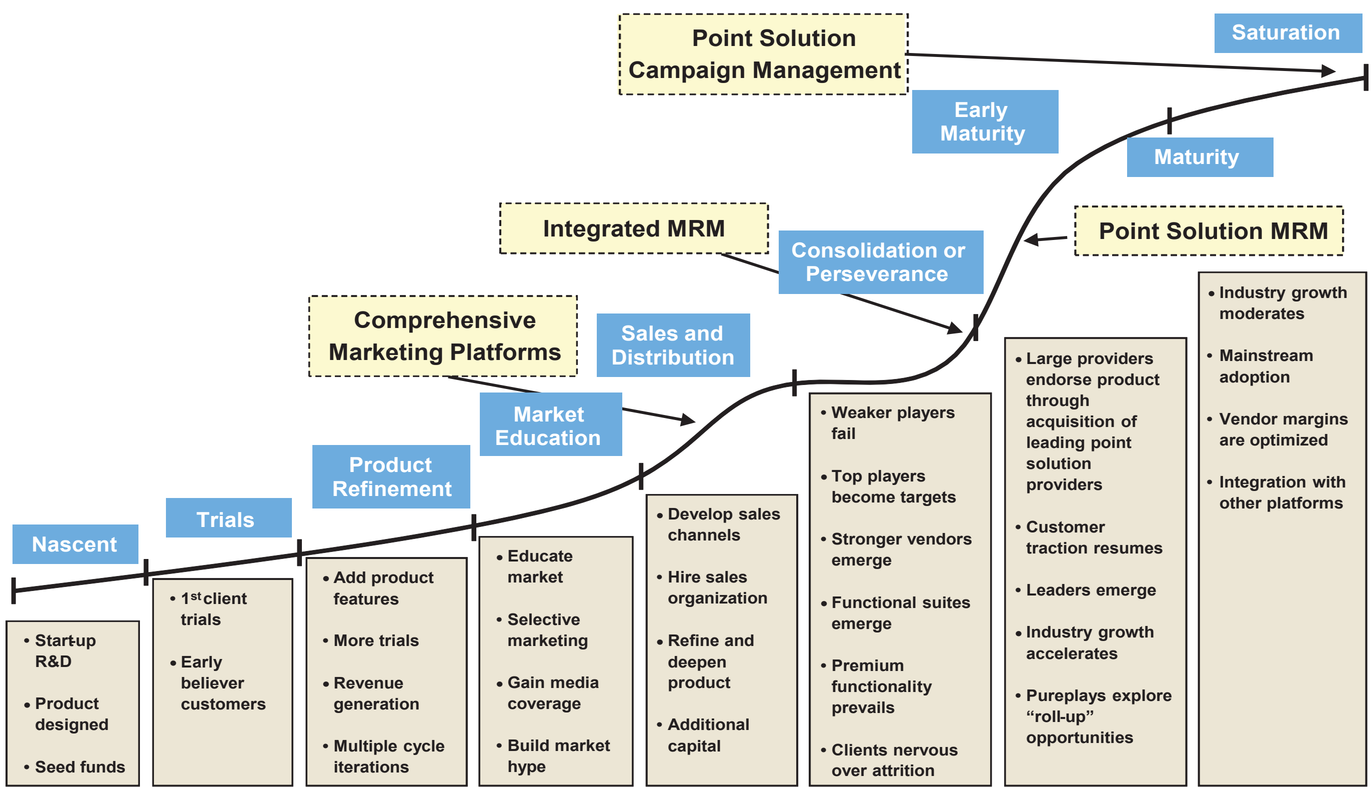
Vendors in red have been acquired since TM Capital's last MAS publication

MRM tools have emerged as a means of alleviating many of these burdens. These solutions are being implemented to i) streamline communication between marketers, distributors and customers; ii) automate business processes surrounding the creation and customization of marketing collateral; iii) centrally store campaign information and digital assets; iv) localize and translate globally distributed content; and v) monitor the success of various marketing initiatives. As a consequence, Gartner estimates that the number of MRM implementations in midsized and large companies is growing at more than 50.0% per year. Pureplay vendors such as Elateral and Centiv have been the primary beneficiaries of this trend.

Evolution of Campaign Management

Over the past five years, dozens of email marketing software providers have emerged as alternatives to solutions offered by larger vendors, including ExactTarget and Constant Contact. Many of these vendors have competed successfully with improved functionality, lower price points or a more customer friendly approach to implementation. This dynamic has created an increasingly competitive environment – one that has started to erode vendor pricing leverage and generate industry-wide commoditization. There have been countless scenarios where smaller vendors are dramatically lowering their prices to undercut the

Figure 6. Marketing Automation Software Evolution Cycle



Product Evolution from a Customer’s Perspective				
Develop core functionality of new products	Create a point solution that demonstrates ROI	Offer mature solution from a stable vendor	Integration with other software packages	Add-on modules developed to broaden platform

Source: TM Capital

marketplace. In these "bakeoff" situations, price is typically the gating factor for customers. We expect this trend to fade as the technologies mature into platforms and customers begin to look more strategically for holistic solutions that address enterprise level requirements.

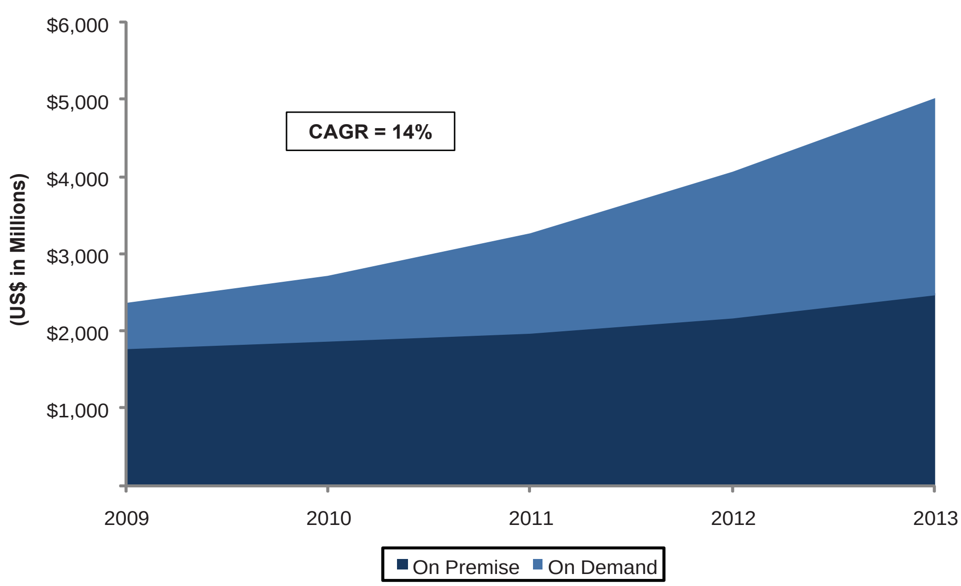
A handful of vendors have fallen victim to constrained balance sheets and the attrition that typically characterizes hyper-competitive software sectors. Others have evolved with the industry and have moved into more sophisticated areas such as lead management, as a means of adding incremental value to the platform. The conventional approach to marketing, which was dominated by mass-marketed, asynchronous campaigns, has all but disappeared for companies that have a formidable IT-based and digital approach to demand generation. This legacy approach has been replaced with solutions that automate multi-channel campaigns that are personalized for the intended demographic and whose efficacy can be measured in a quantifiable manner. For marketing platform vendors, campaign management tools have evolved to a point where they are deployed to promote branding and communicate directly with customers through various mechanisms, including email, websites, call centers, blogs, text messages, display advertising and social communities. The advent of new age marketing media continues to change the game for industry competitors.

SaaS Model Ubiquity

SaaS – both in terms of the technology delivery model and the contractual licensing agreements – has quickly emerged as the gold standard for the marketing automation software industry. The dispersed, often times global, nature of internal marketing teams, coupled with the distributed nature of the various marketing service partners that most large organizations leverage (i.e. agencies, MSPs and fulfillment houses) to complement their marketing initiatives, foster demand for SaaS-based solutions that can be accessed seamlessly across the 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 solutions is the professional who spearheaded the CRM purchasing cycle. Gartner estimates that ~60% of the multi-channel campaign management space is deployed on a SaaS basis. As evidenced in Figure 7, Forrester estimates that SaaS based market penetration is closer to 40%.

Personalized email marketing, web analytics and mobile marketing technologies are 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. This is typically referred to as event-triggered marketing. For example, a consumer product company uses historical consumer purchase data to predict future spending behavior on related purchases. It would then use this information to solicit future demand via customized email offers, coupon campaigns or relevant location based SMS advertising. This multichannel approach is expected to be a major driver in the next growth cycle of campaign management.

Figure 7. On Demand vs. On Premise Marketing Automation Implementations



Source: Forrester

TM capital
An M&A International Inc. firm

"Role-Based Marketing" within the Framework of an End-to-End Solution

While functionality breadth is currently in vogue with enterprise customers, vendors are beginning to confront the challenge of ad hoc functionality requests from role specific users. Users of marketing automation solutions may include marketing executives, product marketing personnel, partner channel managers, brand managers, direct marketing agencies, ad agencies, printers, MSPs and sales teams. Relationship marketers are typically interested in applications that originate and optimize customer relationships, including database marketing, lead management, segmentation and customer analytics. Marketing operations departments strive to improve process automation, create marketing content, manage marketing budgets 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 marketing value chain and monitor the performance of specific initiatives. As such, CMOs have an insatiable demand for MPM tools that can serve as the dashboard for the marketing department. The emergence of new marketing channels around online communities, mobile campaigns, social media and SEO have created an even greater number of roles within marketing organizations, each with their own agenda.

While these specialized requirements have generated a prodigious amount of opportunities for vendors to target, they have also precipitated an industry that is characterized by hundreds 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 marketing chain and that they offer out-of-the-box functionality to address each link. It is these trends that catalyzed the acquisitions of Unica and Aprimo – ones that will ultimately serve as a harbinger of additional consolidation.

Marketing Reporting & Analytics – The Insight into Darkness

We are seeing a resurgence in the Business Intelligence software industry as vendors work feverishly to apply traditional sales and finance geared applications to the marketing function. Vendors such as SAS, SPSS (IBM), QlikTech and Oracle have built out prepackaged front ends that allow marketing executives to unlock data without the help of IT or "power users." New marketing channels, demand to glean more insight into the efficacy of marketing campaigns and the advent of larger, more globally-focused marketing teams have created a tailwind for what the analysts have labeled Marketing Performance Management ("MPM"). These solutions are being deployed to tangibly measure the ROI of marketing initiatives, improve accountability for marketing outlays and centralize reporting.

MPM's emphasis on the C-level business user will be transformational for the market. C-level sales cycles are typically condensed, and there is more limited pricing pressure when technologies are acquired for strategic purposes. Most IT departments do not house the marketing acumen required to fully understand the value proposition. Providers that capture the attention of the executive layer ultimately have greater control over the customer's purse strings. We expect this dynamic to foster growth opportunities for MPM pureplays going forward.

Shrinking Consulting Element to Implementations

In our report, we estimated that the average services revenue contribution (as a % of total revenue) ranged from 40-60% for most MAS pureplay vendors. As the technologies have matured and vendors have built more "bells and whistles" into subsequent versions, the consulting element to implementations has waned. Vendors that we spoke with in 2010 and early 2011 have reported 25-45% services revenue contribution for the year.

It is our view that there is, and always will be, a meaningful services component to the industry. There are unique complexities associated with each marketing function, many of which are role or organizationally specific. This is exacerbated by the fact that each industry has its own requirements 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 and CRM have enjoyed historically. The key for vendors is to tightly align with the marketing agencies, SIs and MSPs to outsource this capability.

Vertical Specialists Outperforming the Marketplace

Industry expertise continues to emerge as a primary differentiator in the sales models of many MAS pureplays. Marketing strategies need to be targeted to an industry specific demographic, and the means of communicating with that demographic varies wildly by sector. For instance, CPG marketers tend to concentrate on brand asset consistency and trade promotion, while banks spend a disproportionate amount of their marketing budgets on lead management and cross sell optimization. Retailers, on the other hand, leverage event-triggered marketing tools for demand generation. This dynamic has fostered polarization in the marketplace, with some vendors focusing on B2B channels, and others targeting the B2C domain. More specifically, we are seeing evidence of vendors building their sales and consulting teams with hires that speak the industry jargon and have a formidable understanding of the business processes that drive the marketing teams in specific industries. Based on several conversations that we have had with verticalized vendors, this strategy is paying dividends. These vendors tend to experience faster sales cycles, improved customer stickiness and, ultimately, better valuation multiples.

The Underappreciated Role of Analytical Data Warehousing in MAS

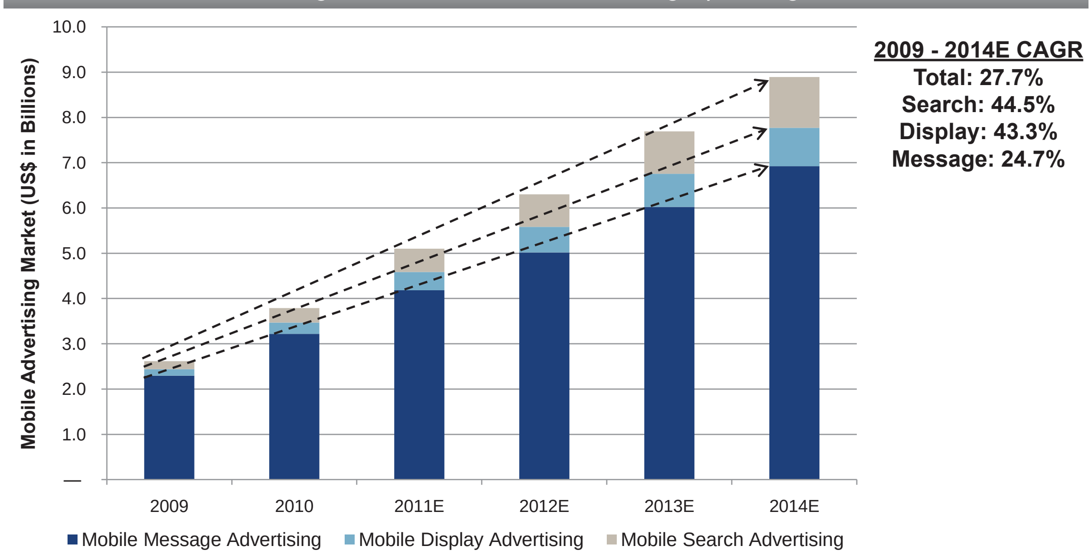
Marketing departments have spent the past decade devising new strategies to optimize the collection of structured and unstructured demographic data from surveys, credit card issuers, loyalty schemes and website click behavior. Boundless data sets, in turn, have driven marketer demand to glean more insight from an exponentially larger set of information. The reality is that marketing strategies have largely been built around incomplete or stale information. This dynamic has created opportunities for vendors that are able to analyze colossal data sets in real time, and parlay this intelligence into more effective marketing solutions. This has become the foundational component for a software category that the analysts have defined as Complex Event Processing ("CEP"). CEP is likely to evolve into the key driver for event-triggered marketing strategies. We believe that this requirement will create lucrative opportunities for analytical data warehousing players such as Netezza (IBM), Teradata, Sybase (SAP) and Kognitio. It will also facilitate demand for sophisticated data visualization applications that match cognitive tendencies with large data sets so users can identify trends and opportunities in real time. Vendors targeting this area include Panopticon, Tableau, Spotfire (Tibco) and QlikTech.

Mobile Marketing

With over half of cell phone users employing non-voice features in 2010, mobile advertising continues to emerge as the next growth frontier in marketing automation. Given the diversity of devices and capabilities, coupled with the fragmented use of SMS, browsing and applications, we believe that "experimentation" will characterize the sector for the next couple of years.

Mobile advertising is broadly defined by three distinct genres: message advertising, mobile display and mobile search, with historical and projected growth by segment illustrated in Figure 8. Since text messages do not require advanced phone capabilities or high data speeds, SMS advertising is the largest base for mobile

Figure 8. U.S. Mobile Advertising Spending



Source: Wall Street Research, Borrell Associates advertising, with an estimated market size of over $3 billion in 2010. While the mobile display and search markets combined are currently estimated to be less than one third the size of the SMS advertising space, these sectors are poised for more robust growth.

Existing mobile browsers and display technologies are benefitting the leading Internet players that have embedded advertising networks. Historically, mobile display advertising was dominated by mobile specific ad networks such as Third Screen Media (AOL), AdMob (Google), or Quattro Wireless (Apple), which developed ads specifically formatted for web browsers. The latest iteration of mobile browsers, such as the iPhone's MobileSafari, display full size websites and ads and bypass the need for a dedicated mobile ad network.

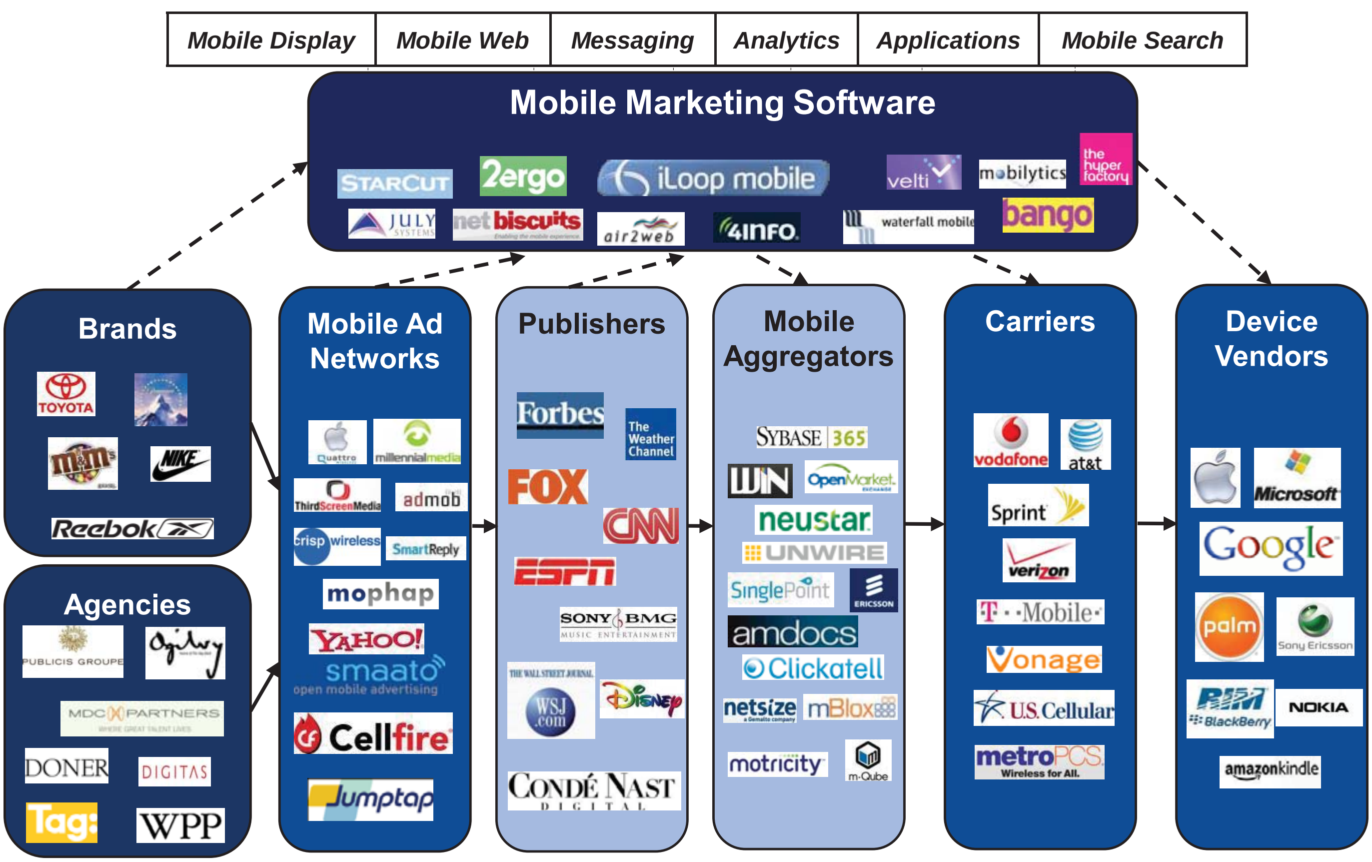
One of the most important developments in the mobile ad space was Apple's April 2010 announcement of iAds, which deliver ads inside iPhone apps without users having to leave or close the app they are currently using. iAds provide a mechanism for Apple to make money from free apps and capture a greater portion of mobile advertising revenues. Competition for developer mind share is increasing as other mobile ad companies, such as Millennial Media, begin to offer similar services. Despite initial stumbles, IDC estimates that Apple ended 2010 with 21% of the mobile advertising market, an impressive achievement considering that Apple did not sell mobile ads in 2009. Google's mobile ad market share is estimated to have declined from 27% in 2009 to 21% in 2010.

Apple iAds

"Advertisers are not going to have that type of control over them. Apple wants total control over those ads."

-Carol Bartz
CEO, Yahoo

Figure 9. Mobile Marketing Industry Landscape

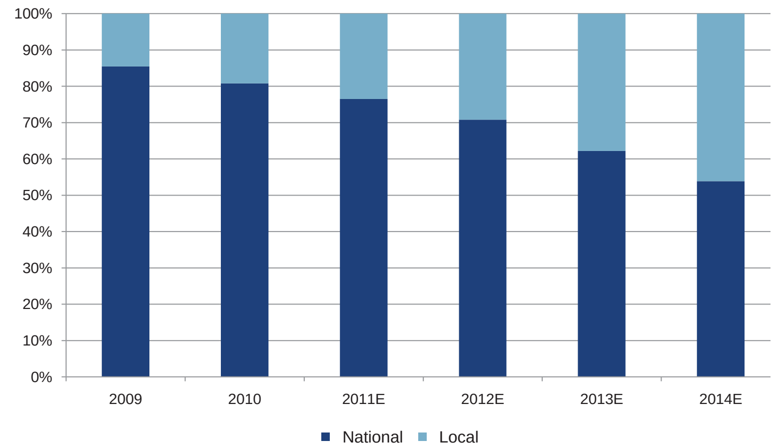


Source: TM Capital

Hyper-Local Mobile Marketing

One of the most lucrative growth categories for mobile marketing is local, hyper-targeted campaigns. Location-based marketing effectively reaches consumers near a traditional brick-and-mortar POP and is particularly relevant at the SMB level. Mobile users are actively using their devices to identify local business, but many local marketers have not yet leveraged mobile as a viable channel. The location-based mobile marketing segment is expected to grow from just under $300 million in 2009 to approximately $4.7 billion in 2014, a CAGR of 75.6%. Many companies are at work to help enable this growth. For example, ReachLocal and Adenyo create localized, mobile-enabled web campaigns, while firms such as Marchex and Ion Interactive (LiveBall) create mobile-optimized versions of landing pages. As shown in Figure 10, local mobile advertising is expected to garner close to 50% of the mobile ad spend by 2014.

Figure 10. Local vs. National Mobile Ad Spending



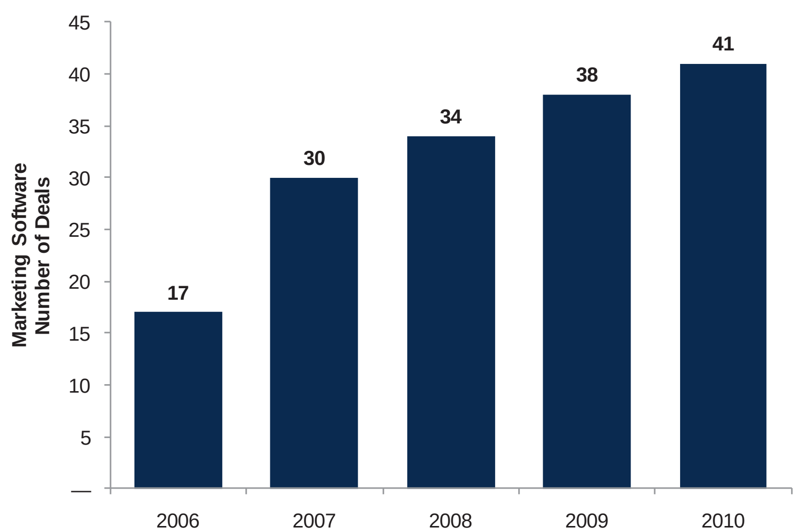
Source: Wall Street Research, Borrell Associates

Consolidation Trends

M&A activity continued at a feverish pace in 2010. We have tracked 160 M&A transactions in the MAS space since the beginning of 2006, with 41 of these deals taking place in 2010. As evidenced in Figure 11, 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 priority lists. We expect these figures to continue to climb over the coming years as pureplay vendors reach adequate scale, the audience of interested acquirors expands and larger players recognize that they cannot compete effectively with their existing offerings, which target "low-hanging fruit."

The most notable deals of the year were IBM's acquisition of Unica and Teradata's pick-up of Aprimo, two of the most successful pureplay MAS vendors in the space. We briefly review each of these transactions on the following page.

Figure 11. Marketing Automation Software M&A Volumes



Source: TM Capital

Transaction volumes are being driven by major technology bellwethers that are moving into the space via acquisitions. IBM, Yahoo, Oracle, Microsoft, Google, Salesforce.com, Autonomy, Adobe, Open Text and SAS have all made multiple acquisitions in the industry since the beginning of 2006. Figure 12 provides a summary of some of the more notable M&A transactions involving prolific, brand name acquirors in 2010 / Q1'11.

TM capital
An M&A International Inc. firm

IBM ⟷ Unica

In August 2010, IBM announced the acquisition of Unica Corporation for $480 million, representing an enterprise value to LTM revenue multiple of 4.1x. While the transaction multiple was full relative to recent enterprise software comparables, we believe the valuation was warranted given the scarcity value inherent in Unica's market leading scale and the fact that the company grew its license revenue 69.0% in the third quarter.

Unica brings to bear a full suite of solutions that address a myriad of MAS functionality, including customer analytics, web analytics, centralized decisioning and cross-channel execution. The company sells its solutions on both an on-premise and a cloud basis, with its core competency lying in the extraction of insight from customer behavior and preferences to induce actionable marketing events. Unica was one of the first vendors to embed predictive marketing analytics into its offering, a characteristic that resonates incredibly well with IBM on the heels of its acquisition of SPSS. With 1,500 customers and 500 employees, Unica represented the largest pureplay in the marketplace and afforded IBM the opportunity to buy critical mass in an otherwise fragmented industry.

In our view, Unica will provide a highly complementary fit with some of the foundational components that IBM has recently put into place with the acquisitions of Netezza (analytical data warehousing), Coremetrics (web analytics) and SPSS (predictive analytics). Big Blue has effectively built out a comprehensive analytics stack that will allow marketing teams to harness and act upon meaningful customer intelligence.

IBM - Unica

"Together, the Unica and Coremetrics acquisitions help deliver the customer insights our clients demand, along with the measurable results they are seeking across sales channels."

- Craig Hayman
General Manager, IBM Industry Solutions Group

Teradata ⟷ Aprimo

In December 2010, Teradata announced its plans to acquire Aprimo for $525 million, representing an enterprise value to LTM revenue multiple of approximately 7.1x. While the acquisition and, quite frankly, the transaction multiple, was a surprise move for the industry, we applaud Teradata in what we view as a bold move as a means of evolving from the infrastructure business into the more lucrative, solution oriented layers of an organization. From a product standpoint, Aprimo adds process-centric campaign management and MRM capabilities to Teradata's analytically geared campaign management solutions. Aprimo also complements Teradata's repertoire with a SaaS-based offering. Teradata, which has notoriously had a challenging time selling its applications independently of its proprietary database, will benefit from a separately branded Aprimo offering and an arm's length sales team that will continue to focus on database agnostic sales – albeit with access to more expansive distribution channels.

There are, however, some challenges that will need to be worked out during the integration process. Aprimo's offering was built on a .NET platform, while Teradata is J2EE based. The combined entity will continue to support its applications on both Microsoft and Oracle databases – presumably with the goal of migrating the suite to the Teradata database over time. We suspect that Teradata will encounter its fair share of reticent customers that are religiously wedded to specific environments. We also speculate that there will be cultural growing pains that the combined entity will face as a traditional "boiler room" platform vendor moves into the solution focused marketing domain.

Teradata - Aprimo

"The integration of social media insight and unstructured data with detailed information collected from customer touch points transforms the enterprise data warehouse gold mine into an analytic diamond mine. Combined with Aprimo's suite, marketers gain unprecedented insight and power to create differentiated customer experiences."

- Michael Koehler, President and CEO, Teradata

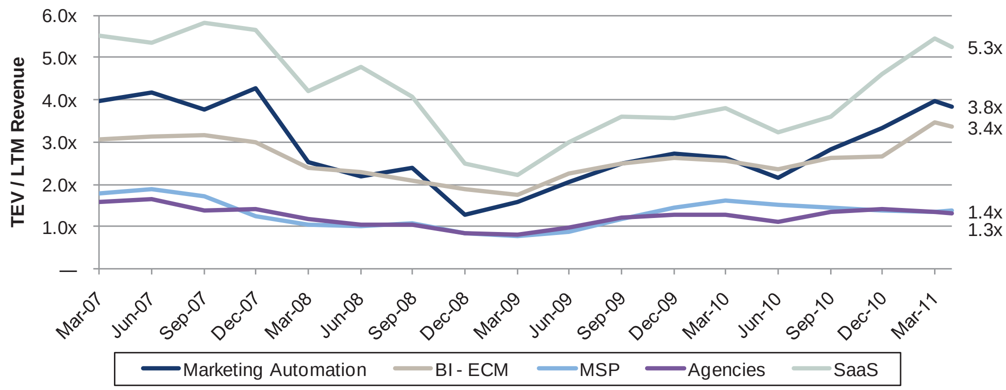
Figure 12. Recent M&A Transactions in Marketing Automation Software

Date Announced	Target	Acquiror	Target Description	Enterprise Value	TEV / Revenue
03/30/11	radian6	salesforce	Social media monitoring and analysis solutions for marketing, communications, PR and customer support	$350.0	NA
02/22/11	ASSETLINK	sas	SaaS based marketing resource management software that streamlines marketing processes	NA	NA
01/24/11	SOCIALISTIC	HAVAS WORLDWIDE	Social software and high value content marketing studio	NA	NA
01/10/11	CLEARSALEING	gsi commerce	Advertising portfolio management technology and analytics for Internet retailers and direct marketers	NA	NA
12/21/10	aprimo Integrated Marketing Software	TERADATA	Platform provider of marketing automation software (campaign management, MRM, MPM, etc.)	500.0	7.1x
12/14/10	nimblefish get relevant. get results.	RR DONNELLEY	Marketing engine software that enables customer response with customized product information	3.9	NA
12/01/10	loyalty lab	TIBCO The Power of Now	Campaign management and loyalty management software	23.0	NA
11/02/10	atg	ORACLE	E-commerce and customer interaction software solutions for retail, CPG, telco and media customers	880.7	4.5x
09/01/10	INTREPID	ALTERIAN	Social media analytics and market research consultancy	10.9	NA
08/12/10	unica	IBM	Platform provider of marketing automation software (campaign management, MRM, MPM, etc.)	446.8	4.1x
07/28/10	Day	Adobe	Web content management and digital asset management software	187.2	4.2x
06/15/10	Coremetrics	IBM	SaaS based customer, web and mobile analytics software provider	NA	NA
06/10/10	Portrait	Pitney Bowes MapInfo	Customer interaction and predictive analytics software	63.4	2.7x
06/02/10	invitemedia	Google	Advertising technology platform for agencies, ad networks and media buyers	NA	NA
05/12/10	godigital	ACXIOM	Data quality and precision marketing company	26.0	3.3x
03/02/10	cotweet	ExactTarget	Twitter oriented customer engagement software	NA	NA
01/26/10	InnovationINTERACTIVE integrated performance-based solutions	dentsu	Integrated performance marketing solutions	NA	NA
01/12/10	PIVOTAL VERACITY	unica	Cross-platform email deliverability and optimization solutions for ISPs and agencies	17.8	NA

Source: TM Capital

Valuation Trends

Figure 13. MAS Valuation Multiples over Time



Source: TM Capital

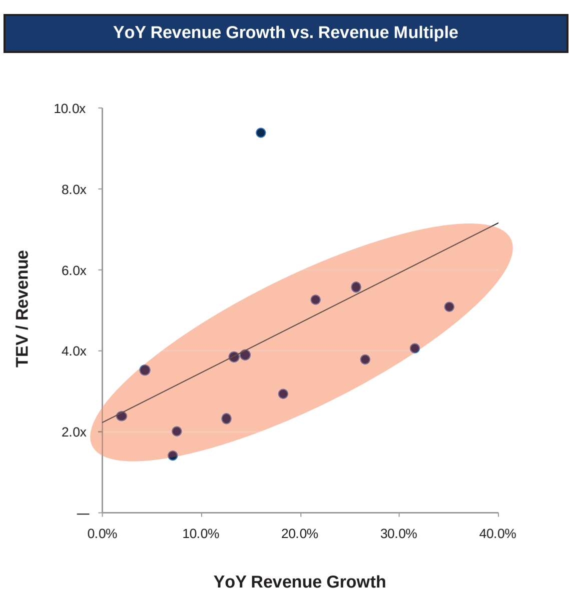
The TM Capital comparable company index for MAS companies is trading at a median of 3.8x LTM revenue and 16.2x LTM EBITDA, respectively, on an Enterprise Value basis. Relative to the broader integration software industry, which is currently trading at 3.4x revenue, the sector is earning an 11.8% premium. From a trend perspective, the universe has rebounded precipitously from its lows at the end of 2008, when it was trading at 1.3x revenue and 8.5x EBITDA. We attribute this multiple expansion, and the associated premiums, to the lucrative growth prospects for the sector and the fact that many of the vendors in the MAS space have a majority concentration of recurring subscription revenue.

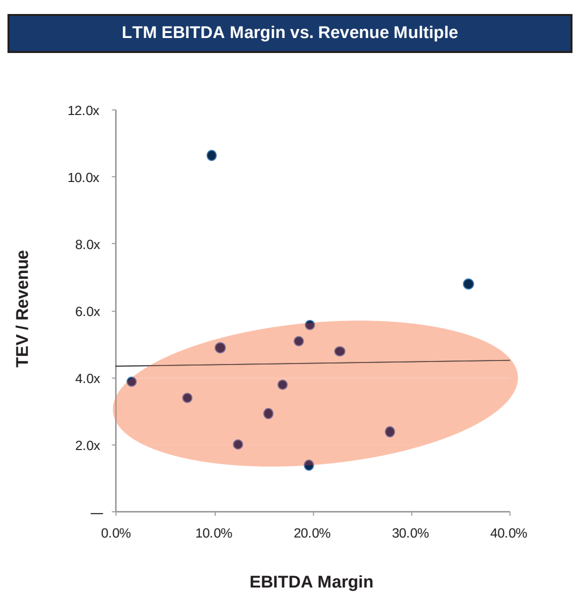
In specific transactions, we are seeing premium multiples being paid for pureplay vendors that demonstrate >30% annual growth rates, or whose technology is viewed as highly strategic to the acquiror. We are also seeing premiums being paid for businesses with at least 50% on-demand (or hosted) revenue. More specifically, vertical expertise and consistent growth in ASPs have been key drivers of pricing in several recent transactions where we have been involved.

Figure 14 is a clear indication of the emphasis that is currently being placed on growth in the MAS sector. There is a fervent correlation between year-over-year revenue growth and the implied multiples. The empirical data would also suggest that there is little correlation between margin profiles and valuation multiples. We expect this trend to continue for the next couple of years as the marketplace matures and, ultimately, shifts its strategy from growth to EBITDA optimization.

Valuation discounts are being placed on companies that generate a bulk of revenue in services, or resource intensive business models. The valuation discrepancy between the software indices and the MSPs/Agencies in Figure 15 is indicative of this trend.

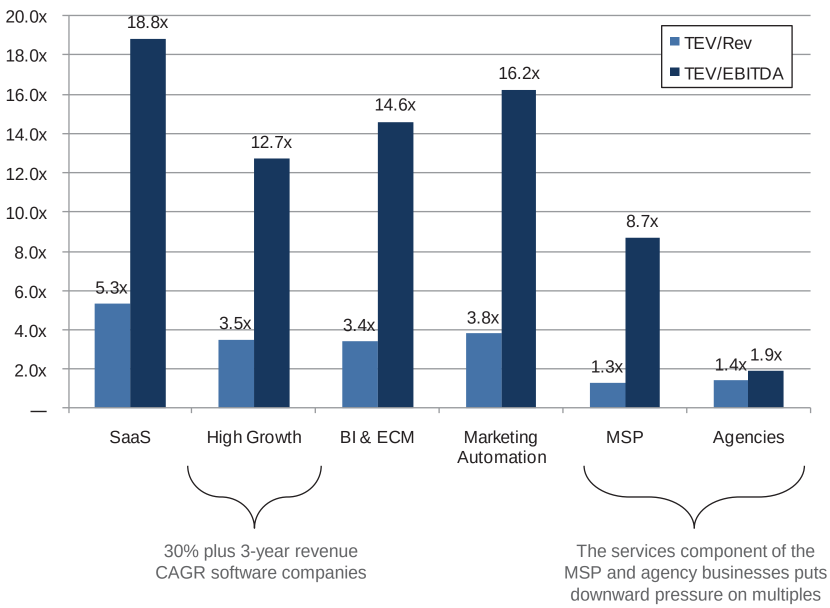
Figure 14. MAS Valuation Drivers





Source: TM Capital

Figure 15. Relative Valuation Multiples



Source: TM Capital

2010 Fundraising Activity

The rapidly evolving technical innovation that has characterized the MAS industry has attracted a major influx of venture capital. Since the beginning of 2007, we have tracked 67 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 203 rounds for an aggregate, disclosed value of $1.8 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, 27 in 2009 and 36 in 2010. Broad based venture capital infusion is a harbinger of consolidation activity, a dynamic that has already started to play itself out in 2010.

Conclusion

Notwithstanding the torrid pace of M&A activity in 2010, no single vendor has commercialized sufficient product functionality to address the full set of requirements for a sophisticated marketing department. IBM and Teradata are likely to confront the short term indigestion that characterizes most platform software acquisitions. This will inevitably create a window of opportunity for the pureplays to steal market share and for the larger industry incumbents to catch up. As economic conditions continue to improve, and CMOs are granted capacity to acquire "revenue-enhancing" technology platforms that position their business for the next growth cycle, marketing software will be the primary beneficiary. Industry players recognize this opportunity, a dynamic that is driving technology convergence and consolidation inertia. The utopian goal is an end-to-end offering that consists of a marketing database, a single digital asset management repository, one set of workflow tools, full featured analytical dashboards, a common UI and one code base built on J2EE or .NET. We anticipate that consolidation will accelerate in 2011 as the broader M&A market picks up steam and buyers continue to acquire growth. As such, we expect another record year for M&A volume in the space.

Figure 16. Recent Fundraising Activity in MAS

Recent Financing Date	Issuer	Representative Investors	Round Size	# of Rounds	Total Raised (Disclosed)
03/28/11	ExactTarget, Inc.	Battery; Insight; OpenView; Scale VP; Technology Crossover Ventures	$30.0	7	$196.2
03/18/11	InsideView, Inc.	Emergence Capital; Foundation Capital; Greenhouse Capital	12.0	4	39.1
01/18/11	HubSpot, Inc.	General Catalyst; Google Ventures; Matrix; Sequoia	32.0	5	65.5
11/24/10	Sway, Inc.	Leo Capital; Origin Ventures; American Family Mutual Insurance	6.0	3	9.2
11/15/10	Marketo, Inc.	Institutional Venture Partners; InterWest; Mayfield Fund; Storm Ventures	25.0	5	43.0
11/09/10	Mercent Corp.	Madrona Ventures; TVC Capital; Hillman Company	2.2	5	13.2
09/17/10	CrownPeak Tech.	Sigma Partners; SunAmerica Ventures	1.8	3	12.0
08/27/10	iContact Corp.	JMI Equity	42.5	2	47.9
08/06/10	RatePoint, Inc.	.406 Ventures; Castile Ventures; Prism VentureWorks	8.7	4	26.2
07/28/10	Kenshoo Ltd.	Arts Alliance; Sequoia Capital	-	5	-
07/26/10	Balihoo, Inc.	OpenView; Lacuna LLC; Highway 12	2.0	5	14.6
07/20/10	Jive Software	Kleiner, Perkins, Caufield & Byers; Sequoia Capital	30.0	4	57.3
07/08/10	Vyre Limited	Octopus Ventures	1.5	2	4.0
06/17/10	Extreme Reach	Greycroft Partners; Long River Ventures; Village Ventures	7.0	4	11.0
06/14/10	Allegiance, Inc.	Allegis Capital; TPP Capital; Nippon Ventures	4.0	3	11.7
06/11/10	Apptera, Inc.	Alloy Ventures; Lightspeed Venture Partners; New World Ventures	10.0	5	44.0
05/18/10	Cloud9 Analytics	InterWest Partners; Leapfrog Ventures; Mayfield Fund	8.0	5	21.6
05/04/10	Enquisite, Inc.	Rho Canada Ventures; Castile Ventures; Formative Ventures	5.2	3	16.4
04/19/10	Overtone, Inc.	ABS Ventures; Dolphin Equity Partners	7.0	4	27.6
04/19/10	Vovici Corp.	Austin Ventures; Mayfield Fund	6.3	3	16.4

Source: TM Capital

Appendix

TM Capital Marketing Automation Software Index

Valuation Multiples	Market	Firm	Firm Value / LTM		Firm Value / FYI (b)		LTM Operating Results			LTM Margins		Net Revenue CAGRs	
(US$ in Millions)	Cap.	Value	Revenue	EBITDA	Revenue	EBITDA	Revenue	Gross Profit	EBITDA	EBITDA	Gross	1 Year	3 Year
Salesforce.com (NYSE:CRM)	$17,655	$17,638	10.6x	NM	8.4x	NM	$1,657.1	$1,333.3	$160.1	9.7%	80.5%	26.9%	30.3%
Adobe Systems Inc. (NasdaqGS:ADBE)	17,197	16,081	4.1	11.3	3.9	8.5	3,969.0	3,547.2	1,420.7	35.8	89.4	31.5	5.3
Teradata Corporation (NYSE:TDC)	8,335	7,452	3.8	16.9	3.4	11.9	1,936.0	1,088.0	440.0	22.7	56.2	13.3	4.4
Amdocs Ltd. (NYSE:DOX)	5,496	4,244	1.4	7.1	1.3	6.0	3,034.6	1,082.7	593.9	19.6	35.7	7.1	1.7
NICE Systems Ltd. (TASE:NICE)	2,386	2,033	2.9	19.0	2.6	9.5	689.5	420.4	106.8	15.5	61.0	18.2	10.0
NetSuite Inc. (NYSE:N)	1,913	1,814	9.4	NM	8.0	NM	193.1	131.5	(13.4)	(6.9)	68.1	16.0	21.2
ValueClick, Inc. (NasdaqGS:VCLK)	1,227	1,030	2.4	8.6	2.1	6.4	430.8	314.0	119.8	27.8	72.9	1.9	4.7
Rightnow Technologies Inc. (NasdaqGS:RNOW)	1,077	975	5.3	NM	4.3	18.7	185.5	130.5	19.6	10.6	70.3	21.5	18.3
Constant Contact, Inc. (NasdaqGS:CTCT)	1,012	887	5.1	NM	4.1	18.5	174.2	123.4	12.5	7.2	70.8	35.0	51.1
Epicor Software Corporation (NasdaqGS:EPIC)	742	883	2.0	16.2	1.8	9.6	440.3	239.8	54.4	12.4	54.5	7.5	0.8
Interactive Intelligence, Inc. (NasdaqGS:ININ)	716	630	3.8	22.4	3.1	13.3	166.3	115.7	28.1	16.9	69.5	26.6	14.8
LivePerson Inc. (NasdaqCM:LPSN)	674	613	5.6	28.3	4.6	15.3	109.9	80.2	21.6	19.7	73.0	25.6	28.1
Vocus Inc. (NasdaqGS:VOCS)	477	377	3.9	NM	3.3	14.4	96.8	77.8	1.5	1.6	80.4	14.4	18.5
DemandTec, Inc. (NasdaqGM:DMAN)	358	290	3.5	NM	3.0	NM	82.4	53.2	(6.9)	(8.4)	64.5	4.3	10.4
Alterian plc (LSE:ALN)	164	151	2.4	12.6	2.4	8.3	62.6	55.9	12.0	19.2	89.2	6.3	38.0
Median	**$1,077**	**$975**	**3.8x**	**16.2x**	**3.3x**	**10.8x**	**$193.1**	**$276.9**	**$28.1**	**15.5%**	**70.3%**	**16.0%**	**14.8%**
Mean	**3,962**	**3,673**	**4.4**	**15.8**	**3.8**	**11.7**	**881.9**	**717.2**	**198.0**	**13.5**	**69.1**	**17.1**	**17.2**

TM Capital Marketing Service Providers Index

Valuation Multiples	Market	Firm	Firm Value / LTM		Firm Value / FYI (b)		LTM Operating Results			LTM Margins		Net Revenue CAGRs	
(US$ in Millions)	Cap.	Value	Revenue	EBITDA	Revenue	EBITDA	Revenue	Gross Profit	EBITDA	EBITDA	Gross	1 Year	3 Year
Experian plc (LSE:EXPN)	$12,449	$14,266	3.6x	12.0x	3.4x	10.7x	$4,007.0	$2,041.0	$1,191.0	29.7%	50.9%	7.4%	3.6%
Equifax Inc. (NYSE:EFX)	4,604	5,504	3.0	9.2	2.8	8.6	1,859.5	1,099.6	597.8	32.1	59.1	8.4	0.3
Alliance Data Systems Corporation (NYSE:ADS)	4,285	10,604	3.8	14.2	3.5	12.0	2,791.4	858.2	745.2	26.7	30.7	42.1	12.5
GSI Commerce Inc. (NasdaqGS:GSIC)	2,106	2,031	1.5	19.5	1.1	8.7	1,358.0	792.6	103.9	7.7	58.4	35.2	21.9
Valassis Communications Inc. (NYSE:VCI)	1,473	1,938	0.8	6.8	0.8	5.5	2,333.5	608.9	286.5	12.3	26.1	4.0	1.3
Acxiom Corporation (NasdaqGS:ACXM)	1,188	1,440	1.3	6.0	1.2	5.2	1,149.5	276.3	241.9	21.0	24.0	3.9	(6.1)
Arbitron Inc. (NYSE:ARB)	1,009	1,043	2.6	11.3	2.5	8.1	395.4	180.1	92.3	23.3	45.5	2.7	5.3
Harte-Hanks Inc. (NYSE:HHS)	745	852	1.0	7.4	1.0	7.3	860.5	181.3	114.5	13.3	21.1	0.0	(9.5)
Creston plc (LSE:CRE)	94	94	0.7	4.1	0.8	4.3	130.4	126.9	22.8	17.5	97.3	15.4	2.1
Harris Interactive Inc. (NasdaqGS:HPOL)	56	56	0.3	9.4	NA	NM	166.8	58.3	6.0	3.6	35.0	(0.1)	(9.7)
Median	**$1,330**	**$1,689**	**1.4x**	**9.3x**	**1.2x**	**8.1x**	**$1,253.8**	**$442.6**	**$178.2**	**19.3%**	**40.2%**	**5.7%**	**1.7%**
Mean	**2,801**	**3,783**	**1.9**	**10.0**	**1.9**	**7.8**	**1,505.2**	**622.3**	**340.2**	**18.7**	**44.8**	**11.9**	**2.2**

TM Capital Marketing Agencies Index

Valuation Multiples	Market	Firm	Firm Value / LTM		Firm Value / FYI (b)		LTM Operating Results			LTM Margins		Net Revenue CAGRs	
(US$ in Millions)	Cap.	Value	Revenue	EBITDA	Revenue	EBITDA	Revenue	Gross Profit	EBITDA	EBITDA	Gross	1 Year	3 Year
WPP plc (LSE:WPP)	$15,102	$18,364	1.3x	8.7x	1.2x	7.4x	$14,569.4	$13,366.4	$2,102.6	14.4%	91.7%	7.4%	14.7%
Omnicom Group Inc. (NYSE:OMC)	13,654	15,068	1.2	8.7	1.1	7.9	12,542.5	3,328.3	1,726.2	13.8	26.5	7.0	(0.4)
Publicis Groupe SA (ENXTPA:PUB)	10,067	9,980	1.4	7.7	1.2	6.5	7,265.2	2,778.4	1,296.7	17.8	38.2	19.8	5.1
JCDecaux SA (ENXTPA:DEC)	7,345	7,797	2.5	11.6	2.2	8.9	3,151.2	1,177.5	672.2	21.3	37.4	22.5	3.7
The Interpublic Group of Companies, Inc. (NYSE:IPG)	5,836	5,434	0.8	7.8	0.8	6.3	6,531.9	2,414.9	701.0	10.7	37.0	8.4	(0.1)
Aegis Group plc (LSE:AGS)	2,787	3,249	1.4	14.0	1.2	7.8	2,278.7	1,932.2	231.6	10.2	84.8	8.4	9.7
Havas (ENXTPA:HAV)	2,372	2,246	1.1	7.2	1.0	6.2	2,089.2	797.9	313.9	15.0	38.2	8.1	0.6
Sapient Corp. (NasdaqGS:SAPE)	1,646	1,417	1.6	17.2	1.4	9.7	863.5	259.6	82.3	9.5	30.1	29.5	15.1
Median	**$6,590**	**$6,615**	**1.3x**	**8.7x**	**1.2x**	**7.6x**	**$4,841.5**	**$2,173.6**	**$686.6**	**14.1%**	**37.8%**	**8.4%**	**4.4%**
Mean	**7,351**	**7,944**	**1.4**	**10.4**	**1.3**	**7.6**	**6,161.5**	**3,256.9**	**890.8**	**14.1**	**48.0**	**13.9**	**6.0**

Notes: EBITDA, EBIT, Net Income to Common, and EPS adjusted for unusual and nonrecurring items
(a) Stock price and First Call estimates as of April 12, 2011
(b) Forward estimates are based on Thomson ONE Banker and Capital IQ data for nearest fiscal year ending no earlier than April 11, 2012

Murray M. Beach
Head of Technology
617.259.2201
mbeach@tmcapital.com

Brad A. Adams
Managing Director
617.259.2203
badams@tmcapital.com

Craig M. Gibson
Principal
617.259.2204
cgibson@tmcapital.com

Jarrad S. Zalkin
Principal
617.259.2207
jzalkin@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

Jerome S. Romano
Managing Director
617.259.2206
jromano@tmcapital.com

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

TM capital
An M&A International Inc. firm

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 of $12 billion. Since our founding in 1989, TM Capital's focus has been singular in purpose: we provide our global roster of clients with world-class expertise and resources, charting their course to extraordinary transactional outcomes. TM Capital is a member firm of M&A International Inc., the world's leading alliance of mid-market investment banks with over 500 professionals operating in every major financial center. Member firms have closed over 1,400 transactions worth more than $85 billion in the past five years. For more information, visit www.tmcapital.com.

New York

641 Lexington Avenue
30th Floor
New York, NY 10022
Tel: (212) 809-1360

Boston

200 Clarendon Street
25th Floor
Boston, MA 02116
Tel: (617) 259-2200

Atlanta

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

TM capital
An M&A International Inc. firm

Member: FINRA/SIPC