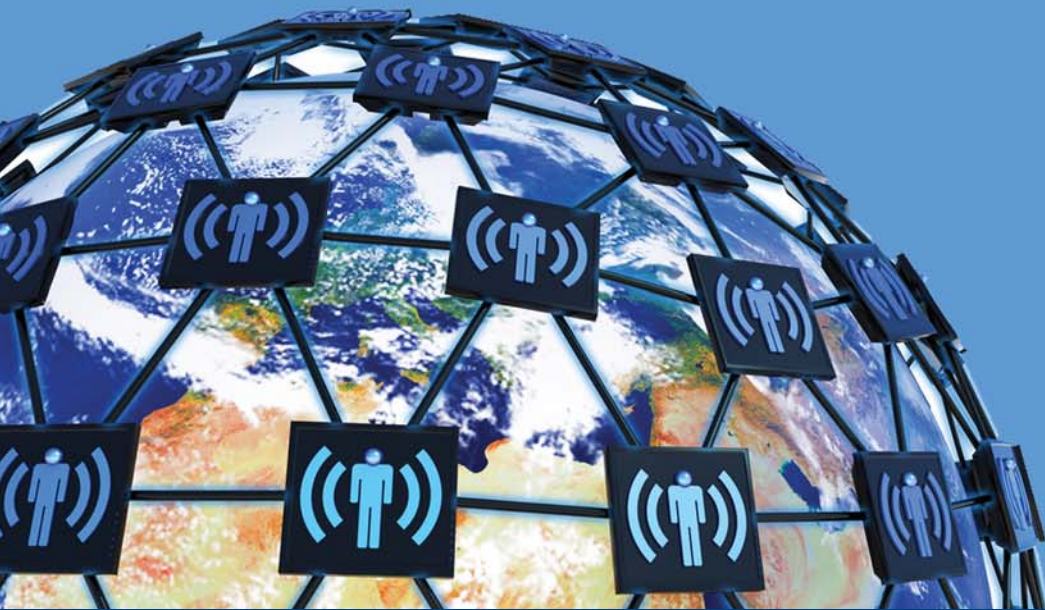




An M&A International Inc. firm 



Digital Media: Monetizing Social and Mobile Media

Industry Spotlight

www.tmcapital.com

*Providing Tech M&A
Advisory Services on a Global Scale*



BABEL

has obtained a
majority investment from

Quattro
Beyond the existing

DE Shaw & Co

TELVENT

has acquired

dtn

CEDARCRESTONE

has acquired

E-E
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 HARS

AEP systems

has merged with

Netilla

applabs TECHNOLOGIES

has acquired

IS integration

MEDIAAMERICA, INC.

has been acquired by

JONES INTERNATIONAL NETWORKS & ITC

WORLDGATE

has sold certain assets to

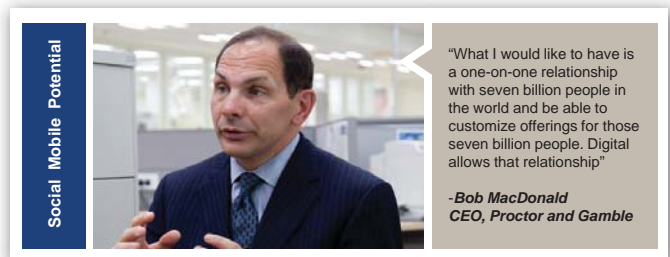
T V GATEWAY

Monetizing Social and Mobile Media

TM Capital's *Digital Media Spotlight* examines the health of the internet economy with a specific focus on the monetization strategies for two rapidly converging sectors that are capturing significant attention: social and mobile media.

The exuberance in the social media domain is perhaps best showcased by **Facebook's** most recent funding round, an investment of \$1.5 billion which valued the company at \$50 billion. In 2010, the total market for social media advertising is expected to reach \$1.7 billion. In other words, Facebook, which makes the bulk of its revenues via advertisements, was valued at nearly 30 times the entire size of the social media ad market. Healthy valuations are being reported across the social media landscape, such as with the social location site **Foursquare** which raised \$20 million in June which valued the company at \$95 million. Just a year earlier, Foursquare raised money at a \$6 million enterprise valuation. While the likes of Facebook and Foursquare are garnering massive attention from mainstream media, advertisers, sophisticated investors and actual users alike, less clear are the long term business models for the broad social media ecosystem. Advertising, apps, gaming, virtual good sales and premium services are the early front-runners in social media monetization efforts.

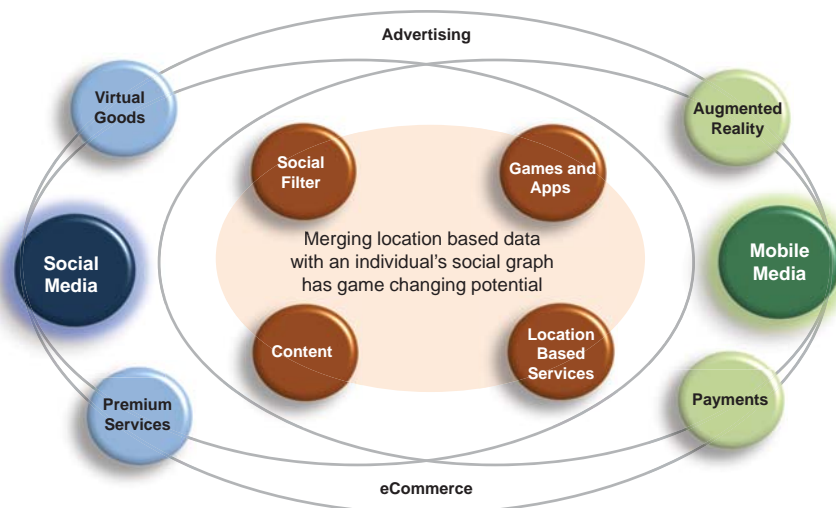
Like the social media sector, the evolution of the mobile space is now occurring at breakneck speed. With Gartner projecting that the worldwide revenue for mobile advertising alone will be \$13.5 billion in 2013, up from



around \$500 million in 2008, it is no wonder that players across the technology spectrum are taking notice. **Google's** late 2009 acquisition of **AdMob** for \$750 million, representing an estimated ten times revenue multiple, and **Apple's** 2010 acquisition of **Quattro**, instantly gave significant legitimacy to mobile marketing and advertising. However, the promise of the mobile market has been heralded before, only to disappoint investors over the past half decade. We believe the mobile market has finally reached a positive inflection point. Like the social media space, advertising and apps represent the most robust revenue opportunities in the mobile sector, with technology advancements in areas such as location based services (LBS), augmented reality and payment systems providing emerging opportunities.

Perhaps the greatest potential is in the convergence of the social and mobile domains. Moving forward there will be an important symbiotic relationship between the two sectors as mobile platforms displace computers as the dominant social media access point. While nascent, there are also signs of technology enablement in the social/ mobile sector that will have a meaningful impact for both users and advertisers. For example, the ability to mine an individual's social data (such as biographical information, network connections, social graph/ interests, tweets, etc.) and pair this with location based data (provided by one's cell phone) will provide a new level of targeted data and advertising opportunities. Leveraging the social and mobile domain may enable brands and advertisers to create a high-touch, intimately customized relationship on a very large scale.

Figure 1. The Converging Worlds of Social and Mobile Media



Source: TM Capital

Health of Online Advertising and eCommerce

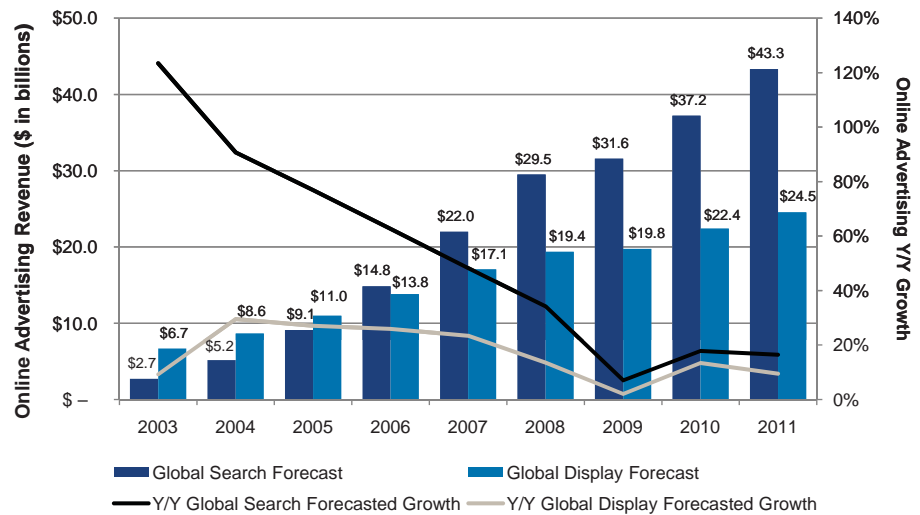
Before delving into the social and mobile space it is useful to take a temperature check of established digital media sectors, namely online advertising and eCommerce. While these sectors are significantly sized and pervasive, they are still quite small compared to their traditional counterparts. For example, TV advertising spending is more than 3 times the amount spent on internet advertising and eCommerce sales account for only 7% of total retail sales in the U.S. As such, even the more mature digital media markets have tremendous room for growth.

Online Advertising

In 2010, advertising rates have rebounded due in part to an improving economy and by a reduction in a glut of lower quality advertising inventory. At Google, CPC rates increased by 7% in the first quarter and by 4% in the second quarter of 2010. Across all major sectors CPCs increased significantly in the second half of the year. As of December 2010, CPCs in Retail, Automotive and Finance were up by 10-15%, while CPCs in the Travel segment increased 20% year-over-year.

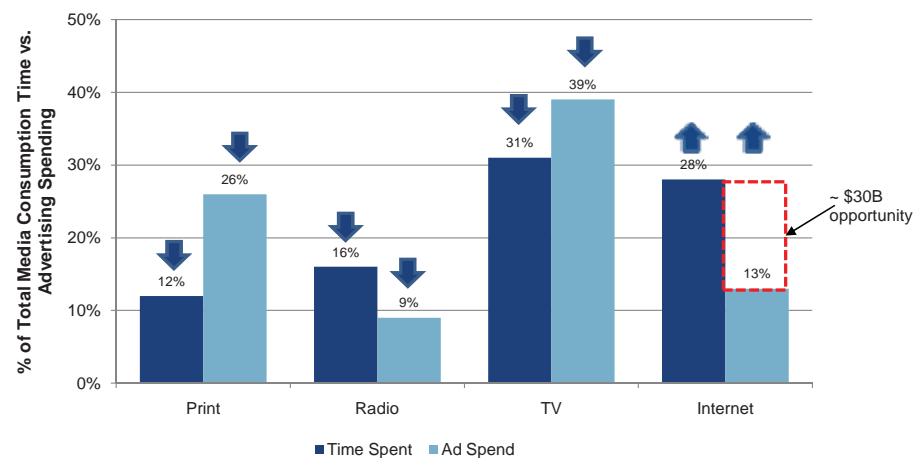
As shown in Figure 2, search advertising dominates display advertising and continues to grow at a faster rate. Brand advertisers prefer search advertising due to its better targeting capabilities and more quantifiable value proposition. We also expect several innovations that will help defend search pricing. Search companies are increasingly targeting multimedia results including video, image and audio into search results. Further, increased personalization, where search results are better targeted based on factors such as geography and

Figure 2. Online Advertising Revenues, 2003-2011E



Source: Company Reports, ComScore, Nielsen, IDC

Figure 3. Media Consumption vs. Ad Spend



Source: Yahoo, Morgan Stanley

dynamic results, which seek to capture the real-time data that is continuously being added through blogs and social media sites, will both grow in relevance.

Online Advertising Disconnect

Time spent online is growing while traditional format media, such as newspaper and magazine readership, is shrinking. As shown in Figure 3, the Internet ranks second in terms of time consumption, equaling both radio and print consumption combined. Despite the significant time spent online, the amount of ad spend on

online platforms lags traditional media. For example, the aggregate amount of internet advertising is less than half that of print ad spending. There is at least an additional \$30 billion opportunity in marrying the amount of internet advertising spend with the amount of online consumption.

eCommerce

The eCommerce market is poised to continue to gain market share from traditional retail markets in 2011 and for the foreseeable future. While eCommerce sales outperformed their traditional counterparts in the market downturn, online purchases still represent a relatively small fraction of total retail sales. As shown in Figure 4, the internet is also projected to influence more than half of all retail purchases by 2013. Converting the perception of the web from a research tool to a secure, price competitive shopping destination is critical for online retailers.

While eCommerce is continuing to gain market share compared to traditional outlets, online retail has lagged market share gains made by online advertising, as shown in Figure 5. Online commerce in the U.S. (including eBay sales) more than doubled between 2002 and 2009, but online advertising nearly quadrupled in the same period. We believe significant runway exists for incremental growth, driven by continued user and sales frequency growth. Those online companies that are best able to leverage existing customer data to optimize sales and operations are most likely to emerge as winners.

Figure 4. US Online and Web-influenced Retail Sales, 2009 to 2014

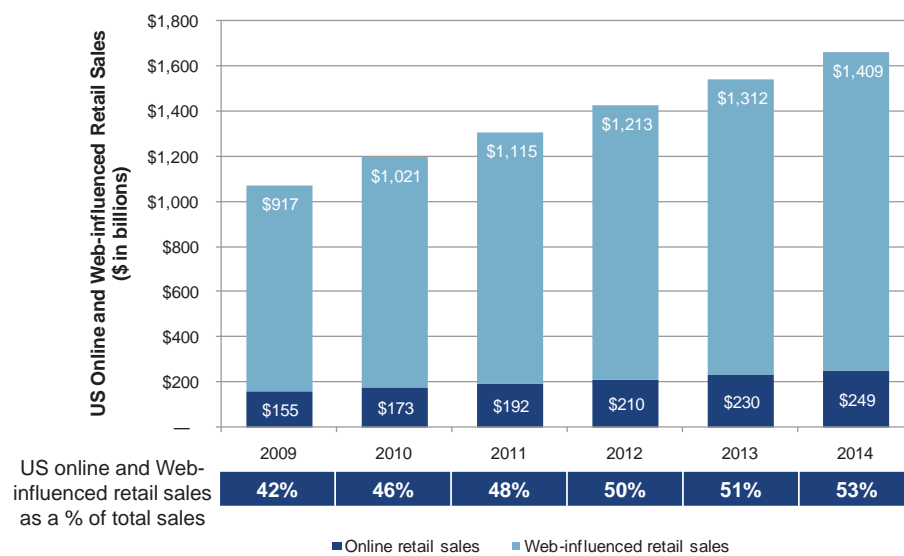
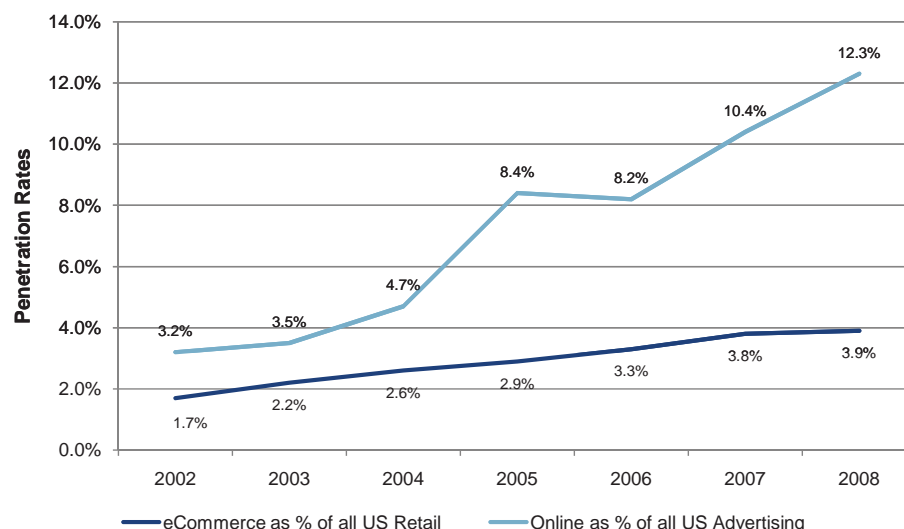


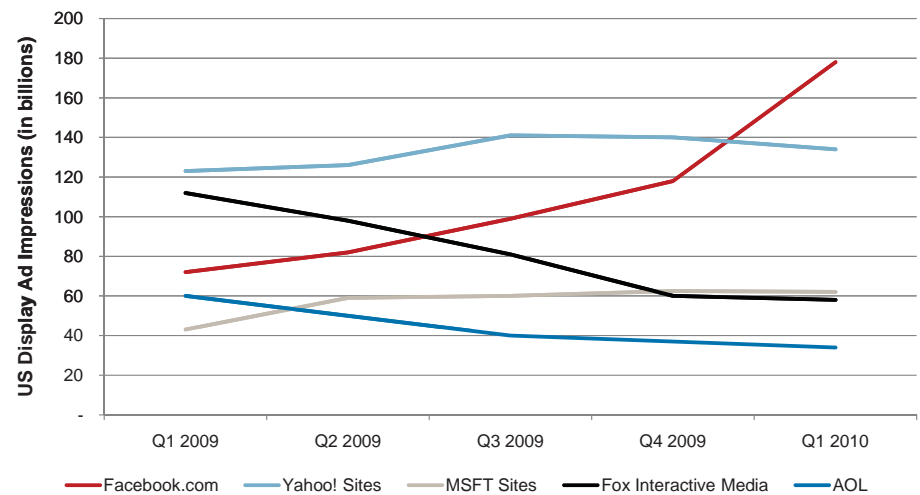
Figure 5. eCommerce Penetration Lags Online Advertising



Social Media

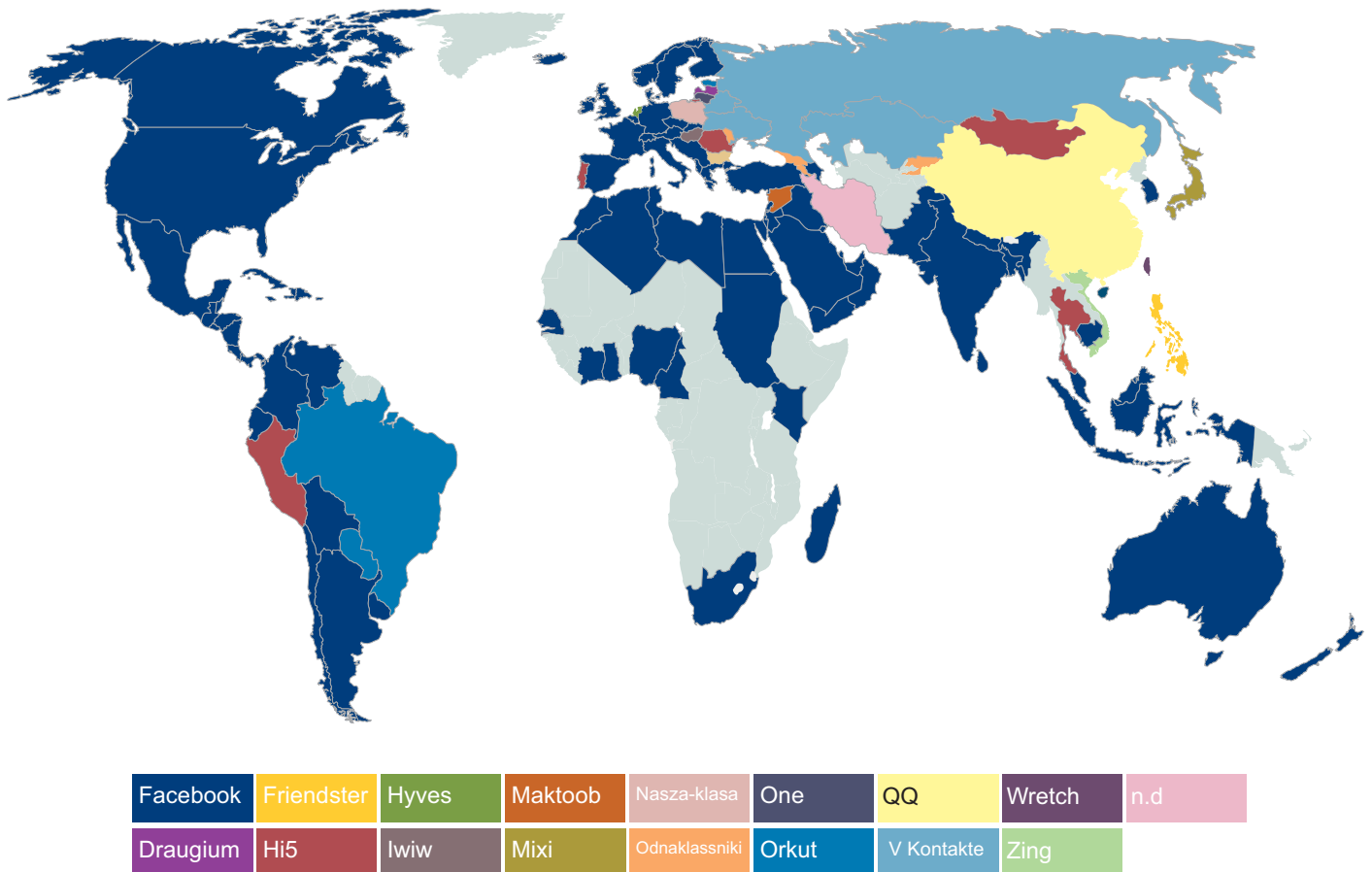
Social media companies are among the fastest growing internet sites - today **Facebook** represents over 5% of total time spent on the internet worldwide, accounts for 25% of online pageviews and includes nearly half of U.S. internet users as members. Domestically, Facebook is the leader in terms of: users, third party developers, application vibrancy and online advertising views. As shown in Figure 6, Facebook has the leading market share of U.S. display ad views, having eclipsed Yahoo in early 2010, and continues to gain share at a rapid pace.

Figure 6. Takes the Lead in Ad Views



Source: ComScore

Figure 7. Social Networking- Global Phenomenon with Facebook Leading, though Many Regional Strongholds



Source: Alexa, Google Trends

While Facebook is the dominant U.S. player, there is a significant social ecosystem outside of the Facebook community, as shown in Figure 7. Globally, social networking sites have eclipsed a billion unique users.

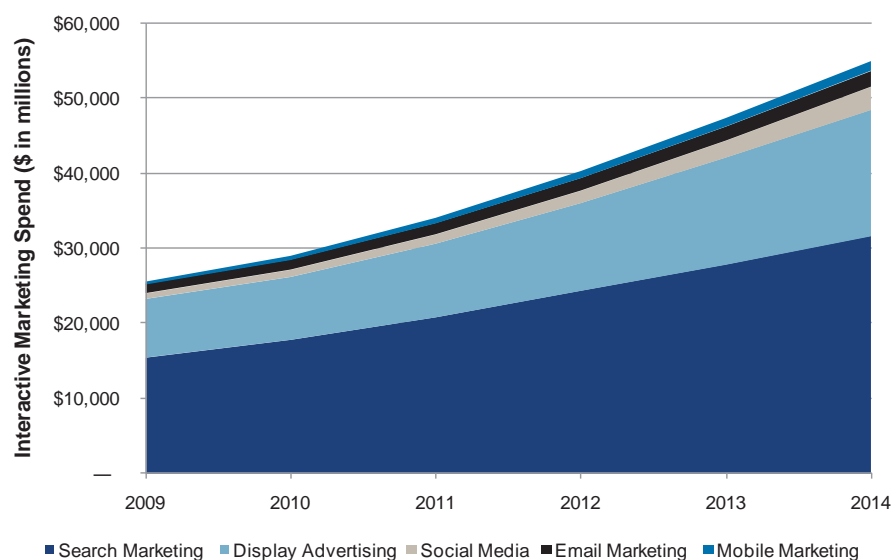
Social Media Advertising

Today advertising represents the largest revenue stream for social media sites. Ad spending on social networks in the U.S. is estimated to be \$1.7 billion in 2010 and will grow to \$2.9 billion in 2011, according to eMarketer, with the bulk of these revenues being earned by Facebook. As shown in Figure 8, Forrester Research has more conservative estimates of social advertising revenues and anticipates that social media advertising will eclipse \$3 billion by 2014, representing a 5-year CAGR of 34% (the highest of all interactive categories). In a recent interview, Facebook COO Sheryl Sandberg stated: "Two years ago the big brands were experimenting with us. Now, they're going big."

Going "big" means that the most significant advertisers increased spending by as much as 20-fold in the past year. Currently, Facebook has the largest amount of display ad real estate, but the interest in social media advertising goes significantly deeper than simply the number of impressions.

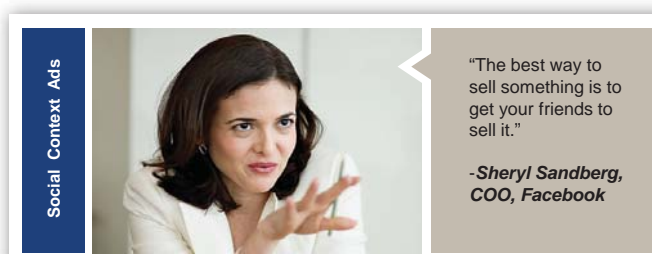
Social media outlets have begun to roll out ads that leverage "social context". Facebook, for example, runs ads that are based on data it collects on the likes and friends of its user base. Its social context ads appear on a user's homepage with the names of the user's friends who have indicated they like the brand or the ad. Facebook quotes research from Nielsen suggesting that using a friend's name within an ad doubles brand awareness.

Figure 8. Interactive Marketing Spend



	2009	2010	2011	2012	2013	2014	CAGR
Search Marketing	15,393	17,765	20,763	24,299	27,786	31,588	15%
Display Ads	7,829	8,395	9,846	11,732	14,339	16,900	17%
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%
Mobile Marketing	\$391	\$561	\$748	\$950	\$1,131	\$1,274	27%
Total	\$25,577	\$29,012	\$34,077	\$40,306	\$47,378	\$54,956	17%
% of All Ad Spend	12%	13%	15%	17%	19%	21%	

Source: Forrester Research



Social Media as Platforms

Beyond advertising, the largest social media sites can be viewed as platforms that do not necessarily need to monetize directly from their customers, rather they can enable applications, such as casual gaming, and collect a fee as the network provider. The benefit of a platform strategy is that it encourages the development of an ecosystem of applications. The platform provider is not burdened with application development costs or with having to pick winners. Revenues are generated via advertising associated with third party applications on the platform, through fees from the application revenue and through payment fees related to application sales. As the platform strategy takes hold there is significant opportunity for emerging companies to monetize the robust user community at leading social sites. The development of an application ecosystem allows for self selection in the most popular tools and services, enhancing the user experience while providing a significant potential revenue stream.

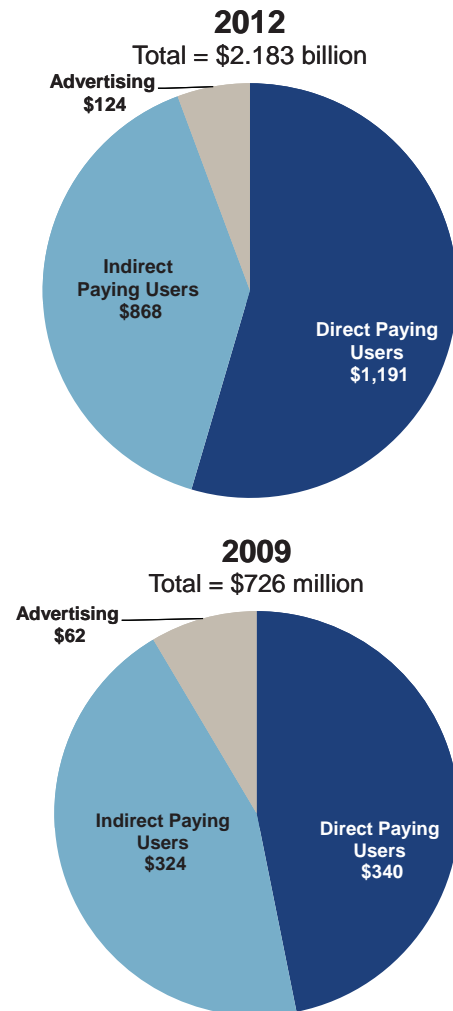
Social Media Apps - Gaming

The developer community has flocked to Facebook's social media applications since it opened its APIs at the end of 2007. To date, casual games which leverage the social aspect of the platforms, have been the most successful forms of social media apps. For example, FarmVille, created by **Zynga**, was launched in June 2009 and quickly grew to become the most popular game application on Facebook, with over 80 million active users globally and nearly 24 million fans as of April 2010. Zynga is the dominant player in the social gaming space and is believed to be generating annual revenues between \$500 million and \$700 million. Other popular social gaming developers include **Playfish**, **Playdom** (both recently acquired) and **RockYou**.

In the U.S., it is estimated that 79 million people will play social games in 2012, up from 47 million in 2009. As shown in Figure 9, this growing audience will translate to revenues from direct payments, indirect sources (such as users acquiring virtual currency by opting into advertising and lead generation) and direct advertising of over \$2.18 billion in 2012.

Playfish, which produces Facebook games, Pet Society, Restaurant City and Country Story was acquired in November 2009 by **Electronic Arts** for approximately \$300 million with an additional \$100 million in possible earnouts. Playfish's annual revenues were believed to be approximately \$75 million at the time of the

Figure 9. US Social Gaming Revenues by Type, 2009 and 2012



Note: Gaming represents games on social network sites
Source: eMarketer

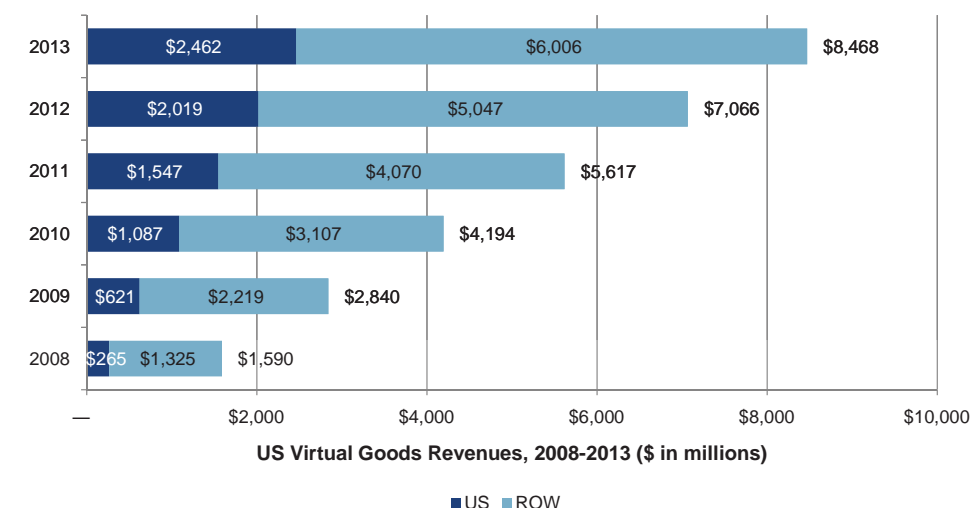
acquisition. The healthy multiple paid by a traditional games developer highlights the perceived threat to the \$19 billion video game market in the U.S. by social games. Playdom, which developed the third-largest social game company on Facebook and the largest on MySpace, was acquired by **Disney** in July 2010 for \$563.2 million plus an earn-out of up to \$200 million.

Given the fragmentation and the growth prospects of the social media gaming space, we believe the games sector will be a hotbed for continued M&A activity. RockYou and fellow developer **CrowdStar** are two of the more likely acquisition candidates over the coming year. We also believe that cross border M&A in the social gaming domain will heat up.

Virtual Goods

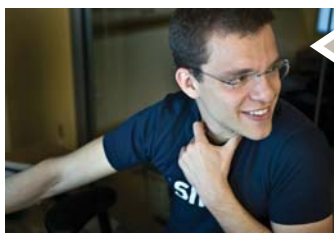
Sales of virtual goods are among the largest revenue stream for social gaming companies. For example, Zynga earns 90% of its revenues from sales of items such as virtual poker chips for its Texas Hold 'Em game or digital tractors for FarmVille. While virtual goods are attracting mainstream attention the market is still very nascent. According to Zynga, less than 1% of its active monthly users pay for virtual items. Nevertheless, the global market for virtual goods is estimated to be over \$3 billion in 2010, with healthy growth anticipated in both U.S. and international markets, as shown in Figure 10.

Figure 10. Virtual Goods Revenues, 2008-2013



Source: eMarketer

Virtual Goods



"We went from 90 percent of our revenues coming from advertising to 75 percent coming from virtual goods"

-Max Levchin,
CEO Slide


As evidenced in the social gaming market, M&A in the virtual goods sector is heating up and is being led by large internet and media companies. In August 2010 Google acquired virtual goods vendor **Slide** for approximately \$200 million. The company gained tens of millions of users through widgets and simple apps on social networks and was historically monetized via advertising. In 2008 the company began experimenting with virtual goods and at the time of the sale approximately 75% of Slide's revenues came from the sale of these goods.

Premium Services

Online paid services have garnered increased attention, especially as online advertising revenues were hit in the economic slowdown. The service model proved more stable given a recurring, paid user base and the longer term nature of contracts. In the social domain successful examples of paid service models are emerging at players like **LinkedIn**, **Classmates**, **MyLife** and **Ning**. In almost every case the site employs a "freemium" model where basic services are offered for free in order

to attract a broad adoption base then premium services are offered for purchase. For example, LinkedIn, the dominant business centered social network, offers a menu of premium services on top of its free user posting and networking capabilities. LinkedIn's "inMail" allows users to reach out to other contacts with whom they are not connected, "OpenLink" allows for more open communication between connected users and "Talent Advantage" is a package focused on recruiter services. For individual LinkedIn account users premium services range from \$25 to \$500 per month. Classmates, a social network focused on the nostalgia of past relationships, provides a premium membership which allows for users to review who is visiting their profile page, plan events and send emails. Classmates, which is owned by **United Online**, has been able to convert 25% of its user base to paid services.

Paid Services



"Don't be afraid to charge for something... The big mistake online sites make is thinking that just because 80% of consumers won't buy the product nobody will"

-Jeff Tinsley
CEO, MyLife

Ning recently stopped offering the means to build and operate social networks on its platforms for free and migrated from a freemium to a full-pay model. The company has proven adept in migrating its user base to paid services. Ning's number of paid user accounts tripled and the company is adding paying subscribers at 5,000 per month, three times faster than under the freemium model. While MyLife still offers free services, it has also proven the viability of paid services. The company offers a people-search service, which provides profiles for nearly every living U.S. adult (more than 200 million) based on public data, for \$9.95 a month. Thus far, it has over 1 million subscribers to this service.

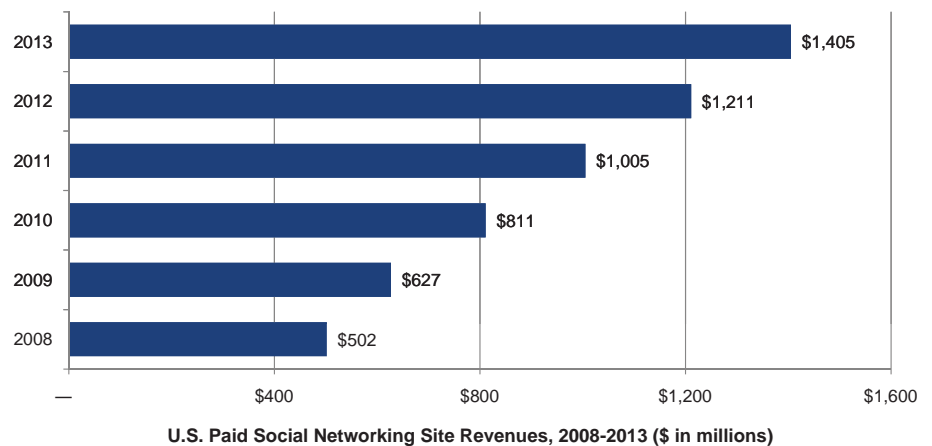
As shown in Figure 11, paid social networking site revenues are expected to eclipse \$1 billion in 2011. While advertising represents a larger revenue opportunity than paid services, we expect that the gap will narrow as social networks increase fee-based offerings.

Consulting and Analytics

As retailers and brands seek to navigate the social domain, consulting and marketing opportunities abound. While large consultancies and marketing agencies are continuing to develop social media capabilities, many niche service businesses have emerged. For example, **Likeable Media**, provides Facebook strategy, consulting, and execution which includes fan page application design and Facebook ad creative. The company has helped many large brands navigate the world of social media, such as Verizon FiOS and Neutrogena. Companies such as **BLiNQ Media**, deliver data-driven, profile-targeted social ads that allow marketers to buy on a CPSA (cost per social action) basis.

Analytic services, which comb through the enormous amount of statistic rich social data, are also garnering attention. **Scout labs** (acquired by Lithium in May 2010) and competitor **Buzzient**, provide services for clients that are looking to capture data, gain market intelligence and engage customers or potential customers via their conversations across the social web. Buzzient scours the social domain for conversations, posts, blogs or

Figure 11. Paid Social Networking Site Revenues, 2008-2013



Source: eMarketer

tweets for topics that are relevant to clients including Xerox, Credit Suisse and Perkin Elmer. Others, such as start-up **Compass Labs**, seek to extract meaning from social media communication and leverage the data for accurate ad targeting. Compass Labs monitors social streams and scores users and their respective social stream for readiness-to-buy.

Next Generation Social Monetization – SWAQ and the Social Filter

While monetizing social platforms through traditional display advertising, add-on applications, social games, virtual goods and premium services provide fertile near term revenue opportunities, we believe that an even larger opportunity exists in mining the rich data that exists on social platform sites.

Ultimately, the platform players, advertisers and outsider vendors will look to apply the rich social layer of data to filter content and advertisements and to serve as a continuous search-without-a-query ("SWAQ"). Google toyed with SWAQ as early as 2007 when it began offering its recommendations button on the Google Toolbar that looks like a pair of dice. When users clicked on the dice, Google pulled up a site recommendation based on a user's search history. Looking forward, content and advertising has the opportunity to be dramatically advanced if the data contained in a user's social profile can be leveraged. Applying this "social filter" will represent the next generation of online content discovery. Content can be pushed to the user based on the users biographical information, location, network connections, social graph, status updates, blogs, tweets,



etc. While SWAQ will not replace traditional search, applying social data to filter the web will bring much more relevant and personal results.

The current social experience is disjointed because consumers lack a well defined user identity across the multiple social sites they visit. Looking forward, users will be recognized across their web experience, which will have a transformative effect on search, marketing, eCommerce and advertising. The Web will evolve from disparate social sites into a shared social experience and consumers will leverage peers and communities as they make online decisions.

Social platforms likely hold the keys to the most robust application of the social filter, however, they need to be careful of infringing on user privacy. Privacy concerns can overwhelm brands, causing them to rethink their approach to social media. The contextual experience should allow users the choice to expose their identity in exchange for a more personalized experience. Today digital content is contextual even without express content of the users, which will continue to raise a rash of privacy concerns. Ultimately, the use of the social filter needs to yield highly relevant and valuable information for the consumer. Companies deploying the social filter will need to demonstrate a clear value proposition with full transparency on the use of one's data.

In the following section, we examine the mobile sector, which has considerable overlap with emerging trends in the social domain. As we will discuss, we view the pairing of mobile localization technologies with the social filter described above as a game-changing evolution in the digital media sector.

The Social Media Landscape (Representative Vendors)



Source: TM Capital

Includes both independent companies and subsidiaries.

The diagram illustrates the Mobile Media ecosystem, centered around 'Mobile Media' and branching into seven main categories:

- Apps:** Includes logos for Game (OpenFeint, EA mobile, gameloft, glu, Scoreloop, TIGER STYLE, Microsoft game studios, THQ WIRELESS), Non Game (shazam, pocketpixels, Quickoffice, NAVIGON, Appigo, mtrip, TomTom, Pandav, qik, pinger, odenyo, GREYSTRIPE, MYDhouse, iLoop mobile, yoc, puddingmedia, AOL, iAd, Lumptop, admob, Reach Local, msn Mobile, mojiva, smaato, InMobi, mig, broadcast, Gowalla, foursquare, M3, loopt, myTown, fire eagle, shopkick, whrrl, checkpoints, aka'aki, glymose, SKOUT, meetMoi), and Platform/App Store (Apple, Android, NOKIA, LG, Windows Mobile, SAMSUNG, handango, CAST, chrome, SONY ERICSSON, brew mp, palm, SONY ERICSSON, SAMSUNG, handango, CAST, chrome).
- Platform:** Includes logos for Service (verizon wireless, metroPCS, at&t, 中国移动通信 CHINA MOBILE, cricket, T-Mobile, orange, Do Co Mo, Sprint, boost mobile, vodafone, medialets, Roambi, Localytics, ion, POLAR, FLURBY, AppClix, motally, OPENWAVE, Sense Networks, bango, PercentMobile, Amethon).
- Enable:** Includes logos for acrossair, Wikitude, ZENITUM, yelp, TOTAL IMMERSION, Boku, MobliCart, PayPal, Dinube, Magento mobile, Square, ZONG, Parkmobile, MOBILEFIRST, MPOWER, Where Mark, MOBILIZY, Logmento, escapist, metaio, W WINTFIELD & CO., Layar, ZENITUM, yelp, TOTAL IMMERSION, Boku, MobliCart, PayPal, Dinube, Magento mobile, Square, ZONG, Parkmobile, MOBILEFIRST, MPOWER, Where Mark, MOBILIZY, Logmento, escapist, metaio, W WINTFIELD & CO., Layar.
- Other LBS:** Includes logos for Facebook, Pose, brightkite, mobiLucky, shopkick, fire eagle, scvngR, PLACES, Broadtexter, whrrl, checkpoints, aka'aki, glymose, SKOUT, meetMoi.
- Social Mobile:** Includes logos for Reach Local, msn Mobile, mojiva, smaato, InMobi, mig, broadcast, Gowalla, foursquare, M3, loopt, myTown, fire eagle, shopkick, whrrl, checkpoints, aka'aki, glymose, SKOUT, meetMoi.
- Ad Related:** Includes logos for Reach Local, msn Mobile, mojiva, smaato, InMobi, mig, broadcast, Gowalla, foursquare, M3, loopt, myTown, fire eagle, shopkick, whrrl, checkpoints, aka'aki, glymose, SKOUT, meetMoi.
- Non Game:** Includes logos for shazam, pocketpixels, Quickoffice, NAVIGON, Appigo, mtrip, TomTom, Pandav, qik, pinger, odenyo, GREYSTRIPE, MYDhouse, iLoop mobile, yoc, puddingmedia, AOL, iAd, Lumptop, admob, Reach Local, msn Mobile, mojiva, smaato, InMobi, mig, broadcast, Gowalla, foursquare, M3, loopt, myTown, fire eagle, shopkick, whrrl, checkpoints, aka'aki, glymose, SKOUT, meetMoi.

Additional labels include 'Mobile / Local Ad' on the left, 'Technology & Analytics' on the right, and 'Augmented Reality' at the bottom right.

LBS - Location Based Services

Mobile Media

Mobile Inflection Point

The mobile market has reached an important inflection point, with multiple trends converging, including:

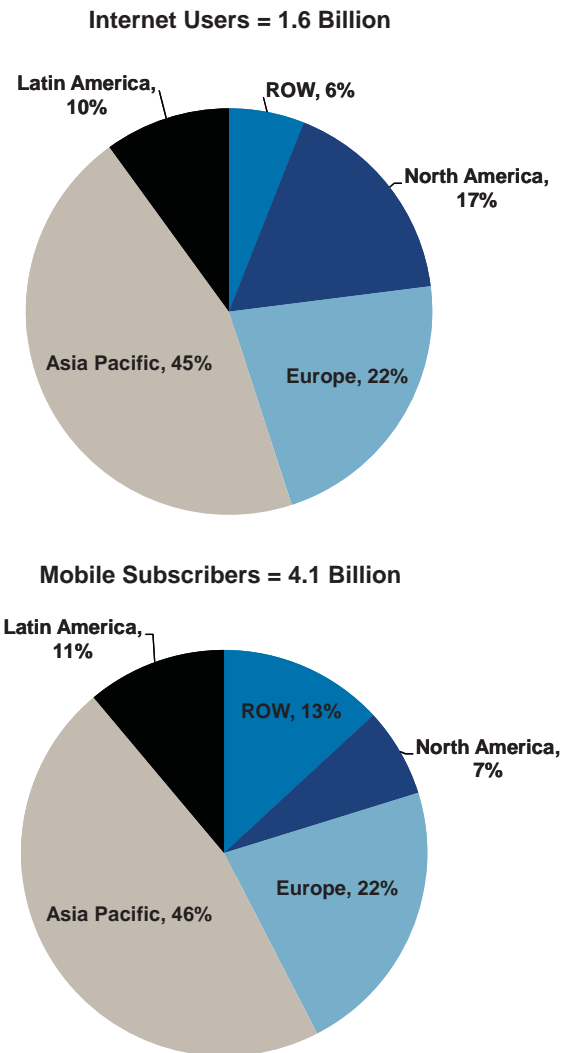
- the proliferation of smartphones;
- Apple's introduction of the iPhone, the App Store and now iAds;
- the increased penetration of Google into the mobile space via the Android Platform and with the AdMob acquisition;
- rapid adoption of mobile applications;
- explosion in mobile marketing/advertising interest and strategies;
- mobile payment innovation;
- the blurring line between mobile and social media;
- the robust 3G network (and growing 4G network) that has been developed in the U.S.; and
- carriers acknowledging that the future opportunity rests in data, as opposed to voice.

The size and growth characteristics of the mobile market have enticed businesses, entrepreneurs and investors to develop the sector. Yet, over at least the past half decade investment returns have been generally modest. We believe that the mobile market has now reached the stage where advertisers and consumers will spend at very significant levels and the hype surrounding the mobile market will begin to be realized.

Given both the momentum of the mobile sector and the sheer size of the number of mobile subscribers, it is likely that the mobile internet market will be at least two times the size of the desktop internet space. As shown in Figure 12, there are already twice as many mobile subscribers than internet users. Mobile internet adoption is dramatically outpacing the desktop internet adoption rate of the mid '90s, as shown in Figure 13. Mobile subscribers and Internet usage statistics will converge in the coming years as mobile internet penetration increases and mass adoption of smart phone technology continues.

The mobile advertising market is currently being fueled by the rampant adoption of smartphones. Smart phone users are three times more likely to browse the mobile web, three times more likely to use a mobile app, three times more likely to play a mobile game and twice as likely to send photos or videos – thus smartphone adoption appears to be central to mobile advertising growth and

Figure 12. Comparing Internet Users and Mobile Subscribers



as a platform for other monetization strategies. As of the third quarter of 2010, U. S. smart phone penetration is 28%, according to Nielsen.

Mobile Advertising

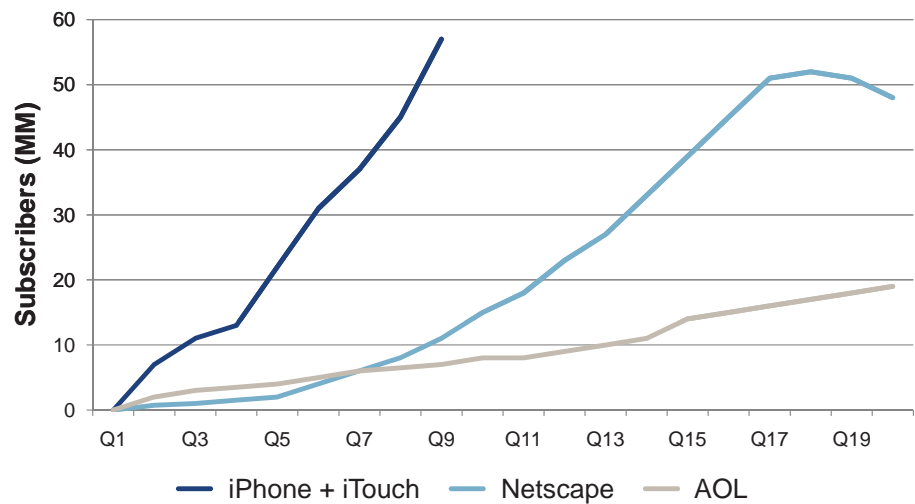
With over half of cell phone users currently employing non-voice features, and with smartphone penetration growing exponentially, 2011 will prove to be an important year for mobile advertising. Given the diversity of devices and capabilities and fragmented use of SMS, browsing and applications, we believe there will still be considerable experimentation on the mobile advertising front.

Mobile advertising can be broadly divided into three groups: message advertising, mobile display and mobile search, with historical and projected growth by segment illustrated in Figure 14. With text messages lacking the need for advanced phone capabilities or high data speeds SMS advertising is the largest base for mobile 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 positioned for more robust growth. Mobile display advertising includes display

banners, links or icons on mobile sites or embedded in mobile apps. Mobile search ads include sponsored display ads and text links that accompany mobile search results.

Current mobile browsers and display technology are likely to benefit the leading internet players with embedded advertising networks. Historically, mobile display advertising was dominated by mobile specific ad networks such as **Third Screen Media** (which was acquired by AOL in 2007), **AdMob** (which was acquired in November 2009 by Google), or **Quattro Wireless** (which was acquired by Apple in 2010) which developed ads specifically formatted for web browsers. The latest

Figure 13. Mobile Device Subscriber Growth Relative to Internet Subscriber Growth



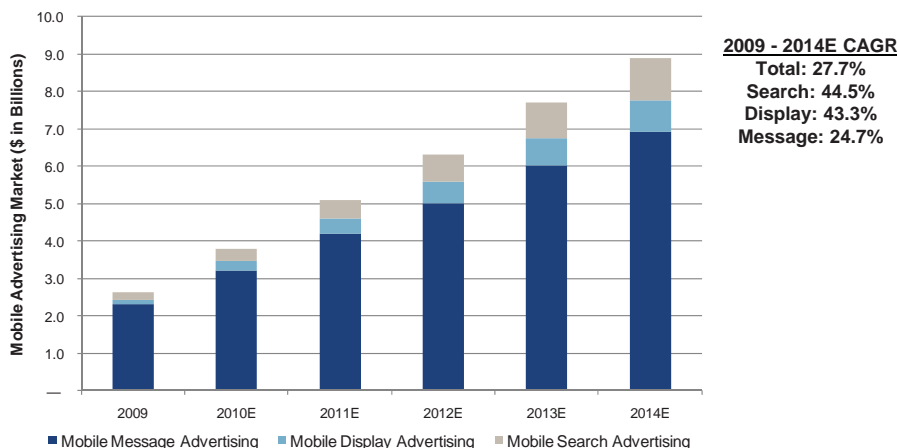
Source: Company Reports

iteration of mobile browsers, such as the iPhone's MobileSafari, display full size websites and ads and bypass the need for a special mobile ad network.

One of the most important developments in the mobile ad space was Apple's April 2010 announcement of iAds, which delivers ads inside iPhone apps without users having to leave or close the app they are currently using. iAds provides a mechanism for Apple to make money from free apps and capture a greater portion of mobile advertising revenues. Apple is also trying to incentivize developers, who receive 60% of revenue from the ads, to focus on the App Store, rather than other app marketplaces run by rivals such as Google.

Competition for developer mind share is increasing as other mobile ad companies like **Millennial Media** and Google's AdMob begin to offer similar services. Further, many ad executives and competitors, such as Yahoo, have been quick to highlight Apple's early challenges with iAd, with some ad campaigns experiencing delays as agencies attempt to learn the new system and amid Apple's tight control over the creative process. Apple, however, is confident in the future prospects of iAds and

Figure 14. U.S. Mobile Advertising Spending



Source: eMarketer

closed mobile-advertising subsidiary Quattro Wireless at the end of September 2010 (after having just acquired the company for \$275 million nine months earlier) in order to focus all of its resources on the iAd advertising platform.



Despite initial stumbles, IDC is predicting that Apple is on pace to end 2010 with 21% of the mobile advertising market, an impressive achievement considering its recent market entrance. Google's mobile ad market share is anticipated to decline from 27% last year to 21% this year. Smaller competitors are showing impressive gains, such as **Jumptap**, whose market share is anticipated to rise from 10% last year to 13% while Millennial Media's share is expected to grow to 11% this year.

Hyper-Local Mobile Ads

One of the fastest growing opportunities for mobile marketing is local, hyper-targeted campaigns. Location-based marketing effectively reaches consumers near a traditional brick-and-mortar point of purchase and is particularly relevant at the small to medium business

level. Mobile users are actively using their mobile devices to find local business, but many local advertisers have yet to capitalize on mobile as a viable advertising channel. The location-based mobile marketing segment is expected to grow from just under \$300m in 2009 to approximately \$4.7b in 2014, a CAGR of 75.6%. Many companies are at work to help enable this growth. For example, **ReachLocal** and **Adenyo** help create localized mobile enabled web campaigns while firms such as **Marchex** and **Ion Interactive** (LiveBall) create mobile optimized versions of landing pages.

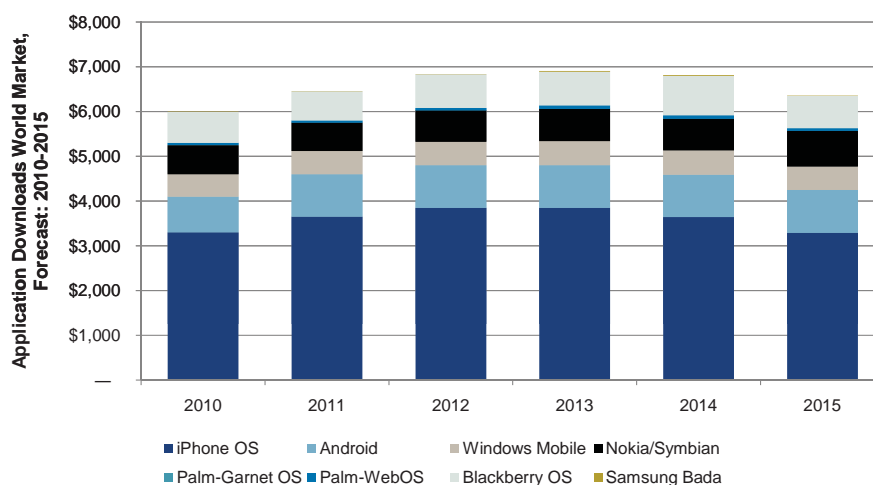
Proliferation of Mobile Applications

The global mobile app market grew to more than \$2.2 billion in the first half of 2010 and there were an estimated 3.9 billion app downloads in this period.

As shown in Figure 15, the iPhone and Android app platforms are anticipated to account for the lion's share of application downloads through 2015, with BlackBerry, Windows Mobile and Nokia/ Symbian platforms each having a meaningful global presence.

Outside of pure app purchases, Apple is proving that products that foster the greatest number and most appealing application ecosystem create positive network externalities which translate to significant revenues.

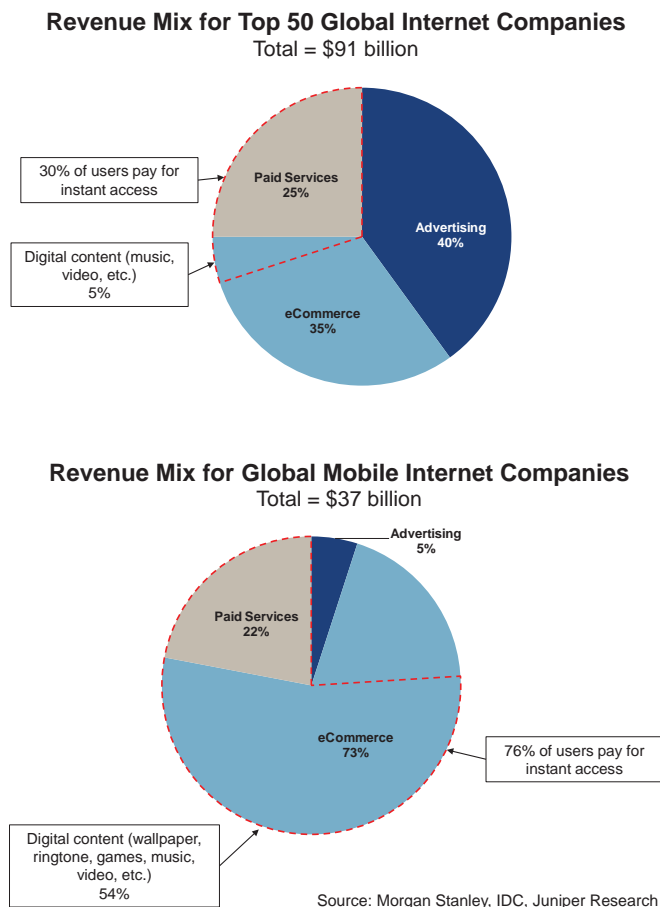
Figure 15. Application Downloads World Market, Forecast: 2009-2015



Mobile Content

As shown in Figure 16, the willingness to pay for instant access to content is much higher among mobile users than traditional internet users. Although some of the aversion to paying for internet content relates to the significant number of free media outlets, such as online newspapers, there are a number of structural differences between the two delivery mechanisms that promotes mobile content purchases. For example, easy-to-use, secure payment systems that are embedded in mobile devices, such as carrier billing or iTunes, allow for easy transactions. Mobile content also typically comes with smaller, sub-\$5 dollar subscription price tags which, together with the heightened difficulty of adding pirated material onto proprietary mobile environments, provide motivation for payment. Momentum for paid mobile content appears to be growing. For example, according to a September 2010 survey by the Association of Online Publishers, 40 percent of surveyed publishers had paid content apps in 2010, up from 12 percent in 2009.

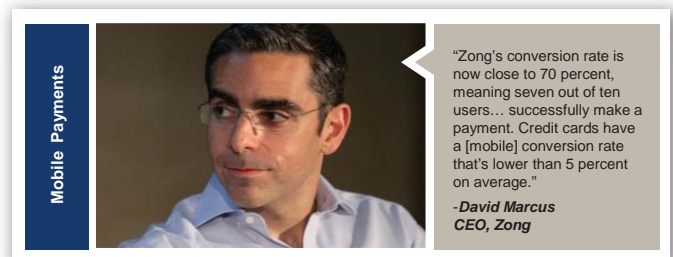
Figure 16. Paying for Instant Access
Internet vs. Mobile



Mobile Payment Innovation is Poised for Growth

Smartphones are fast becoming point-of-sale devices. Coda Research predicts U.S. mobile commerce sales doubling to \$2.4 billion in 2010 and hitting \$24 billion by 2015. Many of the largest and most entrenched players in the mobile and payment sectors have been vying for position in the potentially lucrative mobile payment space over the last decade, however, no category dominant solution has emerged. The primary inhibitor has not been technological, but rather the lack of cooperation among the dominant players across the mobile payment spectrum- each of which holds a key piece of the puzzle, including the mobile network providers, the device manufacturers, the payment networks and ultimately the POS system.

In the U.S., multiple start-ups are trying to circumvent the combating factions in the mobile payment sector in order to provide compelling mobile payment solutions to end users. For example, **Parkmobile** provides integrated end-to-end solutions for pay by device parking and digital parking permits. With roughly 2 million registered users, Parkmobile is available in more than 100 cities worldwide.



Mobile payment solutions are also emerging that provide micropayments for the social and gaming worlds (i.e. for virtual goods). One such example is **Boku**, which acquired competitors **Paymo** and **Mobilicash** in June 2010, and has raised a total of \$38 million in venture financing. Boku does not require users to have a credit card or bank account to make a mobile micropayment. Instead, users enter their cell phone number on the site, reply to a text message and then all charges are automatically added to the user's monthly cell phone bill. Boku's main rival in the mobile payments space is **Zong**, a spin off from Swiss-based **Echovox**. Zong struck a large deal with Facebook to provide the social network's virtual currency and the company also recently launched an alternative payments system, called Zong+, which lets users bill microtransactions to credit, debit and prepaid cards.

Of course, these and other startups such as **Square**, **Offerpal**, **Payfone** and **Dinube**, face pressure from entrenched payment players such as **PayPal** which are aggressively eyeing the mobile space.

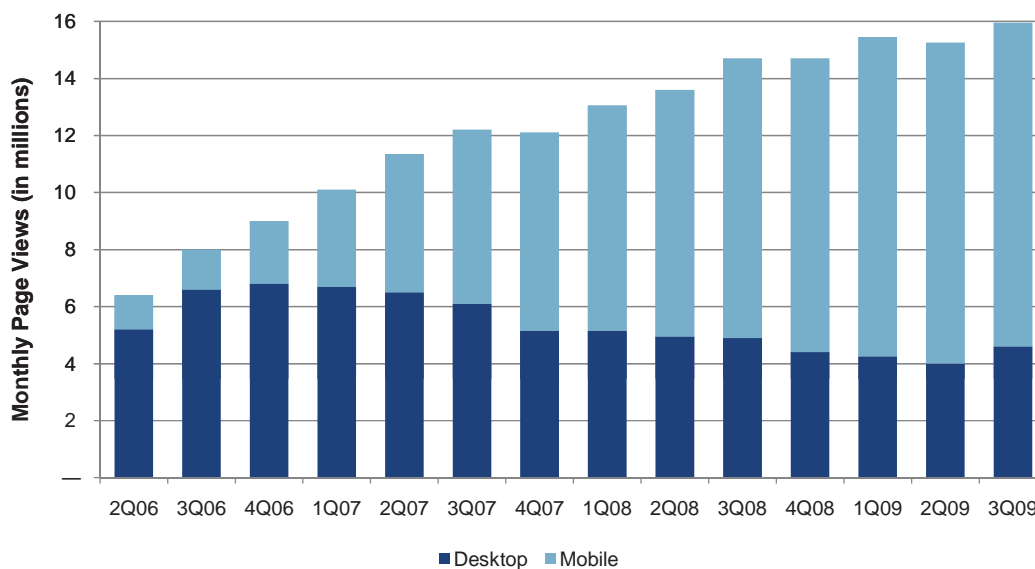
The Mobile/ Social Link

According to comScore, the most robust growth in mobile internet usage has been driven by social networking. Not only are mobile users accessing social sites, but their usage trends are on par with traditional PC access. For example, mobile users spend approximately 24 minutes on Facebook and average 3 1/3 visits per day, compared to computer users who spend 27 minutes per day and average under 2 1/2 visits. As users of social networks are looking to connect and share experiences on a real time basis, mobile devices are viewed as critical enabler. Today, Facebook's iPhone App is Apple's most popular free app. Over time, we expect that mobile will likely become the dominant delivery method of social content as is the case in Asia. For example, **Mixi**, Japan's leading social network, showcases the critical importance of mobile page views, as shown in Figure 17.

The relationship between social media and mobile devices is increasingly evident in handset design, in emerging start-up initiatives and in new media advertising campaigns. Most major phone vendors have devices which integrate social network support into phone address books. Further integration into synching, geo-location, newsfeeds, status updates and auto uploading of content will be emerging shortly. Facebook's new head of mobile solutions, Erick Tseng, said that Facebook would be moving "towards a platform strategy" in order to more deeply integrate into existing mobile platforms and operating systems. Many startups are focused on enhancing specific social-focused functionality within the mobile domain with location-based services being a dominant theme.



Figure 17. Mixi Page Views by Source



Source: Company Reports

Location, Location, Location

As Matthew Hoffman wrote in *Wired*, “Simply put, location changes everything. This one input – our coordinates – has the potential to change all the outputs. Where we shop, who we talk to, what we read, what we search for, where we go – they all change once we merge location and the Web.” Quite simply, applying location based services (LBS) to mobile applications could have huge implications. Market research firm Juniper predicts that by 2014 30% of all mobile applications will be leveraging location-based data.



Loopt, Foursquare, MyTown and Gowalla are mobile social-mapping services that are location aware. Each is structured as a “game” but is explicitly conceived as a mobile loyalty program for both stores and consumers. In the case of Foursquare, users earn discounts and prizes for showing up at venues while companies and advertisers push opportunities to consumers that are in close geographic proximity. Growth rates and user adoption in this sector is impressive. For example as of July 2010, Foursquare had approximately 1.8 million users, up from 750,000 in March 2010. Equally impressive is the amount of money flowing into these businesses and relative enterprise valuations. FourSquare's latest investment round of \$20 million valued the company at \$95 million pre-money, according to industry reports. This crowded sector also includes **Brightkite, Whrrl, SCVNGR** and **Mobiluck** with more competitors on their way, such as **Shopkick**, which is attempting to bridge the traditional shopping experience with social and mobile. The company recently closed a \$15 million round of funding and its forthcoming service is based on the concept that promotions will be more effective if they reach consumers when they are in a position to make a purchase.

“Augmented Reality” is helping to build on the promise of location based services. Augmented reality applications allow users to see additional layers of data when they view objects through smartphones. In the world of TV, an example of augmented reality is the superimposed first line marker on football broadcasts. In the mobile world,

augmented reality has seemingly endless possibilities. For example, **Wikitude**, provides data overlays about nearby points of interest, **Yelp**, provides reviews of nearby restaurants, shopping and nightlife options and **TwittaRound** allows a user to locate nearby tweeters. A leading augmented reality platform is Dutch-based **Layars** which offers a mobile augmented browser and has a robust development community. Still in its first year, Layar currently has over 700 layers published on the Layar Platform, ranging from entertainment and leisure, games, government, health care, local search, directory services and real estate. While nascent today, augmented reality apps are expected to generate \$714 million in revenues by 2014 according to Juniper Research.

Other companies are capturing location data for predictive analytics. For example, **Sense Networks** leverages location information to provide aggregate behavior data, relevant recommendations, personalization, discovery and churn prediction.

Ultimately, retailers and brands will seek to add a social component to their mobile commerce offerings, providing consumers the ability to review product ratings from their social graph while in-store and making product purchase decisions. We anticipate that location will become a key component of mobile marketing campaigns and much of this experience will happen behind the scenes. For example, the mobile phone will provide personalized services based on a consumer's location and retailers and brands will launch location-based coupons to drive foot traffic to their physical outlets. However, the key to turning the promise of mobile advertising into reality is making the advertising both highly relevant and non obtrusive.



(Quote boxes were created using Juxio.com)

Consolidation Highlights in Social and Mobile Media

Across the digital media spectrum there were over 550 M&A transactions announced with an aggregate transaction value of approximately \$9.0 billion in the first half of 2010 alone. This dramatically exceeds the 330 M&A transactions that totaled \$4.2 billion in reported value in the same period of 2009. In general, 2009 was constrained by fears of a prolonged economic downturn, unattractive valuations for sellers, acquirors' resistance to spending excess cash, and the inability to access debt markets. In 2010 the digital media M&A market rebounded markedly and multiple non-distressed acquisitions occurred at attractive valuations. Strategic acquisitions are now in full force as acquirors seek to achieve scale and boost market share, build out their geographic presence and extend their product portfolios. Figure 19 displays selected M&A transactions in 2009 and 2010.

Recent M&A activity in the digital media domain has been robust – with both consummated and rejected transactions garnering significant attention. The most recent spurned offer was Google's \$6 billion offer to acquire **Groupon**, the leading site specializing in local shopping deals. While Groupon has demonstrated explosive growth, boasts over 35 million subscribers in more than 300 cities around the world and has estimated annual revenues of over \$500 million, many observers were surprised by the size of the offer. Many more were surprised that the offer was turned down.

Follow the Money – Tech firms such as Apple, Microsoft and Google rank among the richest corporations and are flush with acquisition capital. Much of the dollar volume of transactions in 2011 will originate from these cash laden strategics and their roadmap for capitalizing on social and mobile markets will dictate acquisition themes.

For example, Google is the focus of constant M&A speculation given its cash war chest of over \$30 billion. Google is a perennially active acquiror, having inked over 40 deals in 2010 alone, ranging from **ITA Software** for \$700 million to smaller deals such as **Quiksee** for \$10 million and **Picnik** for \$5 million.

While Google's full agenda and potential platform play in the social media space is yet to be publicly defined, many of its 2010 acquisitions point to heightened ambitions in the social media domain. Its social related acquisitions often provide functionality. For example, Jambool's "Social Gold" payment product provides

application developers the ability to build payments directly into their games and other apps. Broadly, Google's social acquisitions have been mainly focused on gaming, such as **SocialDeck**, and search, such as **Aardvark**. Not to be overlooked, Google also has a number of investments in the social domain including Zynga and SCVNGR. Notably absent in Google's social media acquisitions are plays in the local space – a gap that would have been significantly filled by Groupon. If Groupon cannot be enticed back to the negotiating table, we expect social acquisitions that seek to capitalize on the local opportunity to be a key theme for Google in 2011.

In the mobile domain, Google's 2010 acquisitions were predominantly small and focused on technology. **LabPixies**, for example, is focused on gadgets and **BlindType** is a startup that lets users type on a touchscreen without worrying about spelling mistakes. In 2011 we anticipate that Google will likely move upstream to higher visibility and more sizeable mobile acquisitions.

Looking Internationally – International acquisitions in the social and mobile sector are on the rise. Cross-border deals yield immediate market access and provide acquirors with local talent and know-how.

Groupon has focused on geographic expansion through acquisition, consummating multiple transactions in 2010 to achieve this objective. The company began by purchasing Germany-based **Ciy Deal**, Chile-based **ClanDescuento** and Russian-based **Darberry** in order to establish beachheads in several key end user geographies. In December 2010, Groupon expanded into four more countries in Asia with the purchase of additional regional strongholds, **uBuyiBuy**, **Beeconomic** and **Atlaspost**, which serve Hong Kong, Singapore, the Philippines and Taiwan.

Similarly international players are making U.S. based acquisitions to help penetrate the attractive North American market. For example, **DeNa Co.**, one of Japan's largest mobile social gaming companies, launched an aggressive global expansion in 2010, acquiring multiple U.S.-based game developers in an attempt to grow its platform content and translate its success overseas. This strategy was showcased in the October 2010 acquisition of US-based **Ngmoco** for \$400 million.

U.S. acquirors have also turned to international markets for "me-too" technologies. When Yahoo was rebuffed

in its acquisition attempts of FourSquare it sought a comparable international player. In the Spring of 2010 Yahoo acquired mobile-enabled, location-based service company, **Koprol**. Though Koprol is currently specific to Indonesia, where it is based, Yahoo plans to expand the service to other parts of the world.

“Acqui-hires” – Mark Zuckerberg has said, “Facebook has not once bought a company for the company itself. We buy companies to get excellent people.” Leaders in the social and mobile domain often use acquisitions to secure the best and brightest talent in the industry.

Examples of acqui-hires include Google’s acquisition of **reMail**, which produced a popular iPhone app. Post acquisition, Google immediately shut down the iPhone app and put reMail’s founder Gabor Cselle to work on Google’s Gmail products. Google’s 2010 acquisition of **Angstro** was significantly driven by the opportunity to retain Rohit Khare, a thought leader in the social networking space. Facebook’s acquisition of **Walletin** was believed to be driven by the interest in its co-founders, Cory Ondrejka, who was formerly the CTO of **Linden Labs** (makers of Second Life), and Bruce Rogers, the former CTO of gaming company **Cryptic Studios**.

Harnessing Data – As companies and brands continue to search for user-generated content and commentary around social media outlets, vendors that provide analytics and reporting will be increasingly popular M&A targets. Examples of acquisitions include **Attensity Group’s** acquisition of social media monitoring company **Biz360**, **Meltwater Group’s** acquisition of **BuzzGain**, **Alterian’s** acquisition of **Intrepid**, **Constant Contact’s** acquisition of **NutshellMail**, **Lithium’s** acquisition of **Scoutlabs** and **Marketwire’s** acquisition of **Sysomos**.

Social media platform players are also increasingly focused on analytics, as evidenced by **Twitter’s** purchase of **Smallthought Systems**. Smallthought, which is well known for its Trendly analytics program, will help Twitter track the data contained in the 65 million tweets that go out daily.

Similarly, mobile analytic acquisitions will be popular in 2011, following on the heels of deals such as **Nokia’s** acquisition of mobile analytics firm **Motally**, **Millennial Media’s** acquisition of **TapMetrics** and **comScore’s** acquisition of **Nexus**.

Private-Equity in the Hunt? – While significant venture dollars have flowed into social and mobile media,

industry observers have questioned whether larger private equity buyout shops would follow suit. Private equity is increasingly eyeing the digital media domain, but will most likely stay focused on more established players with recurring revenue streams. For example, in September 2010 **Hellman and Friedman** acquired **Internet Brands** for approximately \$587 million representing a 5.5x LTM revenue multiple and a 14.5x LTM EBITDA multiple. More recently, rumors have circulated that private equity buyers the **Blackstone Group** and **Silver Lake** are eying a takeover of Yahoo. In this case the private equity buyers were believed to be teaming with rival **AOL**. Increased partnering between the financial and strategic community on M&A transactions will likely expand in 2011 especially on larger deals where scale is of critical importance. We believe that private equity will continue to delve deeper into the digital media space searching for established brands that generate significant cash.

Venture Dollars Continue to Flow

Digital media has garnered significant attention from venture capital and growth stage private equity investors, particularly within social and mobile spheres of focus as shown in Figure 18. In the first half of 2010 alone, approximately 340 transactions were consummated with aggregate values in excess of \$2.2 billion, a sharp increase from the \$1.4 billion of disclosed funding raised in the first half of 2009.

Notable second half 2010 investments include:

- In December 2010, **LivingSocial**, the second largest player in the daily deals market, secured a \$175 million investment from Amazon and an additional \$8 million investment from **Lightspeed Venture Partners**, a prior investor. LivingSocial’s total funding to date is \$232 million.
- Social content sharing platform **Meebo** raised a \$25 million fourth round of funding in November 2010, bringing total funding to \$60 million. The round was led by **Khosla Ventures** with prior investors **Sequoia Capital** and **Draper Fisher Jurvetson** participating.
- **Buddy Media**, a startup that helps businesses manage their presence on Facebook, raised \$23 million in a third round of funding in October 2010. The new funding round was led by **Institutional Venture Partners** with existing backers **Softbank Capital**, **Greycroft Partners** and **Bay Partners** participating.

Funds dedicated to the social and mobile sector are also emerging. The venerable **Kleiner Perkins Caufield & Byers** is trying to duplicate the success of its iFund, a \$200M investment initiative that is funding everything iPhone related, with a new \$250 million fund dedicated to investing in social-related startups. The VC firm touts Amazon.com, Facebook, and Zynga among its strategic partners for the fund. So far, the “sFund” has a handful of portfolio companies, including Flipboard, Jive, and Lockerz.

Conclusions

Significant potential exists in the convergence of the social and mobile domains. Consumers are expanding social mobile media behavior on their mobile devices so rapidly it is hard to accurately gauge adoption rates. In November 2010, Facebook hosted a mobile media event, in which it announced that it has roughly 200 million active members using its mobile products up from 65 million the prior year. Facebook claims that its mobile population is bigger than the iPhone or Android user base and that mobile users are twice as active on Facebook as desktop users.

Leveraging the symbiotic relationship between the mobile and social sector allows companies large and small to create a high-touch, intimately customized relationship with their customer base. Given that mobile and social

media have an inherent metrics-based foundation, their underlying databases and constantly refreshed information provide a data rich environment which is well suited for analytical and trend based feedback. Marketers are just beginning to scratch the surface of leveraging location and social based information.

Consolidation is well underway and we expect the pace of M&A activity to heighten in 2011. Acquirors can be found in a diverse and international group of buyer camps. Notably, even the largest acquirers have shown interest in a wide array of deal-sizes. In the social mobile domain, small to mid-size firms can attract the attention of the large strategics if they fill a technology, market or geographic void. Significant venture capital inflows will also continue to foster innovation and niche market development. Collectively, heavy investment dollars and robust deal making will dramatically change the landscape in the coming years.

TM Capital is actively representing buyers, sellers, and companies seeking capital in the digital media sector. We possess significant domain expertise, industry relationships and experience in successfully consummating complex transactions on behalf of our global clients. To learn more about TM Capital and the firm's digital media practice, please contact Craig Gibson at (617) 259-2204 or cgibson@tmcapital.com.

Figure 18. Representative Digital Media Fundraising Transactions

Date	Target	Category	Investor	Investor Type	Transaction Value (\$M)	Notes
09/30/10	ZeniMax Media Inc.	Gaming	Providence Equity Partners LLC	PE	\$150.0	Proceeds used to fund increased game development, expanded publishing operations, and strategic acquisitions; supplements an earlier investment of \$300m made by Providence in October 2007
07/14/10	Zynga, Inc.	Social Gaming	SOFTBANK Corp.	Strategic - Internet	\$150.0	Launched JV with SOFTBANK to develop and distribute social games across Japan; raised approximately \$520 million in venture capital to date, including \$200 million from Google
06/29/10	Foursquare Labs, Inc.	Social / Mobile Media	Andreessen Horowitz, Union Square Ventures	VC	\$20.0	Geo-mobile startup closes its Series B funding round, providing partial liquidity to founder and investment capital for infrastructure build-out and product enhancement.
04/16/10	Groupon, Inc.	eCommerce	Digital Sky Technologies Limited, Battery Ventures	VC	\$135.0	Lead investment from the same Russian investors that backed Facebook; intending to grow the business and to provide partial liquidity to employees and early investors
02/22/10	Ngmoco, Inc.	Mobile Gaming	Institutional Venture Partners; Kleiner, Perkins, Caufield & Byers	VC	\$25.0	\$35 million of funding raised from several institutional investors to fund growth for both free-2-play category and hosted services; sold to DeNA in October 2010 for a substantial return
12/22/09	BOKU, Inc.	Mobile Payment	DAG Ventures, Benchmark Capital, Index Ventures	VC	\$25.0	Lead investment from DAG Ventures in Series C round; BOKU's product is enabled across 190 carriers worldwide in 58 countries, and reaches a potential 1.8 billion customers
11/11/09	Playdom, Inc.	Gaming / Virtual Goods	New Enterprise Associates	VC	\$43.0	First round of funding was used to fund acquisitions and expand its pipeline of games; currently runs 13 games on leading social networking platforms including Facebook, MySpace and iPhone; Subsequently acquired by Disney
09/11/09	Gilt Groupe, Inc.	Social Media / Advertising	General Atlantic LLC, Matrix Partners	PE	\$78.0	The new financing will be used to secure Gilt Groupe's position as US market leader in online flash sales of luxury and designer goods at members-only pricing

Figure 19. Selected Digital Media Precedent M&A Transactions
January 2009 to October 2010

Date	Announced	Category	Target	Acquiror	Enterprise Value	Operating Statistics		Transaction Value /	
						Revenue	EBITDA	Revenue	EBITDA
10/21/10		Mobile Media	MConnect Pty Ltd.	Medic Vision Limited	\$7.8		\$1.8		4.4x
10/12/10		Mobile Gaming	Ngmoco, Inc.	Dena Co. Ltd.	400.0				
09/24/10		Digital Advertising	Deal Group Media Pty Limited	Digital Performance Group Ltd	7.6		1.5		4.9
09/17/10		Creative/Web Solutions	Internet Brands, Inc.	Hellman & Friedman LLC	587.0	\$107.5	40.4	5.5x	14.5
09/16/10		Online Content	Canon Communications LLC	United Business Media Limited	287.0				
09/02/10		Social Media	Polar Rose AB	Apple Inc.	29.0				
09/01/10		Website Analytics	Nedstat BV	comScore, Inc.	36.7				
08/31/10		Digital Advertising	Potrero Media Corporation	InsWeb Corp.	12.0	12.3		1.0	
08/13/10		Online Content	Lycos, Inc.	Ybrant Digital Limited	36.0				
08/12/10		Digital Advertising	Unica Corporation	International Business Machines Corp.	446.8	109.2	10.1	4.1	NM
08/09/10		eCommerce	Jambool, Inc.	Google Inc.	70.0				
08/06/10		Virtual Goods	Slide, Inc.	Google Inc.	182.0				
08/05/10		Digital Advertising	BV! Media Inc.	Rogers Media, Inc.	24.0	13.1	1.8	1.8	13.0
07/29/10		Digital Advertising	Mitchell Communication Group Limited	Aegis Group plc	315.3	256.2	34.1	1.2	9.2
07/27/10		Gaming	Playdom, Inc.	Walt Disney Co.	763.2				
07/09/10		Digital Advertising	Cobalt Group, Inc.	Automatic Data Processing, Inc.	400.0				
07/06/10		Mobile Media	FusionOne, Inc.	Synchronoss Technologies, Inc.	75.0	15.0	(8.6)	5.0	NM
07/06/10		eCommerce	PJ Media Limited	Expansys Plc	13.0	4.6	1.1	2.8	12.0
07/01/10		Creative/Web Solutions	Media Monitors Australia Pty. Ltd.	Quadrant Private Equity Pty Limited	157.0		24.5		6.4
07/01/10		Digital Advertising	OCTANE360, LLC	Local.com Corp.	11.2				
06/28/10		eCommerce	NetQuote, Inc.	Bankrate, Inc.	205.0				
06/25/10		Mobile Media	WIN plc	ECI Partners LLP; Mobile Interactive Group	20.3	67.0	2.5	0.3	8.3
06/23/10		Digital Advertising	Alloy Inc.	Natixs Private Equity	115.7	211.5	10.9	0.5	10.6
06/10/10		Mobile Media	Velocitude, LLC	Akamai Technologies Inc.	12.0				
06/02/10		Digital Advertising	iCrossing, Inc.	The Hearst Corporation	425.0	100.0		4.3	
05/24/10		eCommerce	Sterling Commerce, Inc.	International Business Machines Corp.	1,400.0				
05/21/10		Social Media	NutshellMail Inc.	Constant Contact, Inc.	5.8				
05/18/10		Online Content	Tsavo Media, Inc.	Cyberplex Inc.	75.6	110.0	16.7	0.7	4.5
05/05/10		Music	Mood Media S.A.	Mood Media Corporation	222.6				
05/03/10		Social Media	CubeTree, Inc.	SuccessFactors, Inc.	48.9				
04/21/10		Social Media	Jigsaw Data Corporation	Salesforce.com	162.9				
04/07/10		Network / Media	Ankeena Networks, Inc.	Juniper Networks, Inc.	68.9				
04/01/10		Social Media	Make The Web Better, LLC	InfoSpace Inc.	13.0				
03/26/10		Gaming	C&C Media Co., Ltd.	Perfect World Co., Ltd.	21.0				
03/26/10		Gaming	C&C Media Co., Ltd.	Perfect World Co., Ltd.	21.0				
03/10/10		Online Content	Multicast Media Technologies, Inc.	KIT digital, Inc.	25.8	13.4	(0.1)	1.9	NM
03/08/10		Digital Advertising	infoGROUP, Inc.	CCMP Capital Advisors, LLC	637.4	499.9	85.2	1.3	7.5
03/04/10		Mobile Payment	Verrus Mobile Technologies, Inc. and Verrus U.K. Ltd.	PayPoint plc	52.8				
02/23/10		Gaming	Game Advertising Online	UBM TechWeb Game Network	8.0				
02/16/10		Social Media	Hot Shot Media Pty Ltd.	Mooter Media Limited	10.3				
02/13/10		Gaming	Virtue Fusion Ltd.	Playtech Limited	57.6	19.7	6.1	2.9	9.5
02/03/10		Digital Advertising	Symphony Marketing Solutions, Inc.	Genpact Ltd.	29.3				
02/03/10		eCommerce	HotJobs.com, Ltd.	Monster Worldwide, Inc.	225.0				
01/20/10		Gaming	AdMarvel, Inc.	Opera Software ASA	23.0				
01/12/10		Communications	Zimbra, Inc.	VMware, Inc.	100.0				
01/12/10		Gaming	Mochi Media, Inc.	Shanda Games Limited	80.0				
01/05/10		Mobile Advertising	Quattro Wireless, Inc.	Apple	275.0				
12/23/09		Communications	Jajah	Telefonica	206.0				
12/21/09		Digital Advertising	EyeWonder	Limelight Networks	116.3				
12/09/09		Social Media	Friendster	MOL Global	39.4				
12/04/09		eCommerce	La La Media Inc.	Apple	17.0				
11/24/09		eCommerce	OFS (Dow Jones & Co)	Interactive Data Corp	13.5				
11/18/09		eCommerce	Revolution Money	American Express	305.0				
11/18/09		Social Media	imeem	MySpace	8.0				
11/09/09		Mobile Media	AdMob	Google	750.0	75.0		10.0	
11/09/09		Social Media	Playfish	Electronic Arts (EA)	391.3				
11/09/09		Mobile Media	Gizmo5	Google	30.0				
10/17/09		eCommerce	Retail Convergence	GSI Commerce	350.0	83.0		4.2	
10/14/09		Online Content	Breakingviews.com	Thomson Reuters	18.0				
10/05/09		Social Media	Giant Realm	Burst Media	2.5				
10/02/09		Digital Advertising	Red McCombs Media	LIN TV	10.2				
09/30/09		Social Media	TheFeedRoom	KIT Digital	10.0	10.1	(5.3)	1.0	NM
09/15/09		Digital Advertising	Omniture	Adobe	1,558.8	335.5	34.4	4.6	NM
09/11/09		eCommerce	Mint.com	Intuit	171.0				
09/10/09		Social Media	Tiny Pictures	Shutterstock	3.4				
09/08/09		Social Media	HiveLive	RightNow	13.4				
09/01/09		Communications	Skype (eBay)	Silver Lake, Index Ventures	2,892.9	611.9		4.7	
08/19/09		Social Media	iLike	MySpace	20.0				
08/10/09		Social Media	FriendFeed	Facebook	47.5				
08/08/09		eCommerce	Insure.com Inc.	QuinStreet	18.0				
08/04/09		Mobile Media	On2 Technologies	Google	137.3	17.9	(3.3)	7.7	NM
07/31/09		Creative/Web Solutions	The Fuel Team	United Business Media Limited	7.0	3.5		2.0	
07/22/09		eCommerce	Bankrate	Apax Partners	516.5	153.6	40.7	3.4	12.7
07/22/09		eCommerce	Zappos	Amazon.com	890.1	658.8	40.0	1.4	22.2
07/06/09		Social Media	People Media	Match.com (IAC)	57.0		11.6		4.9
06/23/09		Online Content	DeadlineHollywoodDaily.com	Mail.com Media Corporation	10.0				
06/10/09		Digital Advertising	AllHealthcareJobs.com	Dice Holdings	4.7				
05/20/09		Gaming	Midway Games	Warner Bros	250.9				
04/29/09		Online Content	Brandsoftheworld.com	WebMediaBrands	1.5				
04/15/09		Music	Muze	Macrovision	17.0				
03/01/09		eBooks	Fictionwise	Barnes & Nobles	15.7				
02/12/09		Gaming	D3Publisher	Namco Bandai Games	64.7	151.5	3.0	0.4	21.4
02/10/09		eCommerce	Ticketmaster	Live Nation	2,500.0	1,486.2	260.1	1.7	9.6
02/10/09		Music/Gaming	SVG Distribution & Crave Entertainment	Filipoint	8.2				
01/27/09		eCommerce	TV Games Network (Macrovision)	Belfair	50.7	38.2		1.3	

Notes:

USD in millions

Source: Capital IQ, Company SEC Filings, industry research and TM Capital estimates

Only transactions with available enterprise value data shown

Median	2.0x	9.5x
Mean	2.9x	10.3x

TM Capital Corp. Disclaimer

The information and opinions in this report were prepared by TM Capital Corp. ("TM"). Quotations and images utilized herein were sourced from third party publications. 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 or financing 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.

This report and the contents here within may not be reproduced without the express written consent of 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 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



An M&A International Inc. firm 

Member: FINRA/SIPC