TM Capital Marketing Automation Software Report

Industry Spotlight

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Dextrys

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certain assets to

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Navigation capital partners

has acquired

LEP Service

Navigation capital partners

has acquired

TEAMSTS
Specialized Technical Services

Hitachi Consulting

has acquired

edenbrook

TELVENT

has acquired

dtn

CedarCrestone

has acquired

E2E
consulting

BABEL

has obtained a
majority investment from

Quatrro
Beyond the existing

D E Shaw & Co

OKERE
Client Management Solutions

has been acquired by

FUJITSU

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Introduction: A New Phase in the Evolution of the Marketing Automation Software Sector
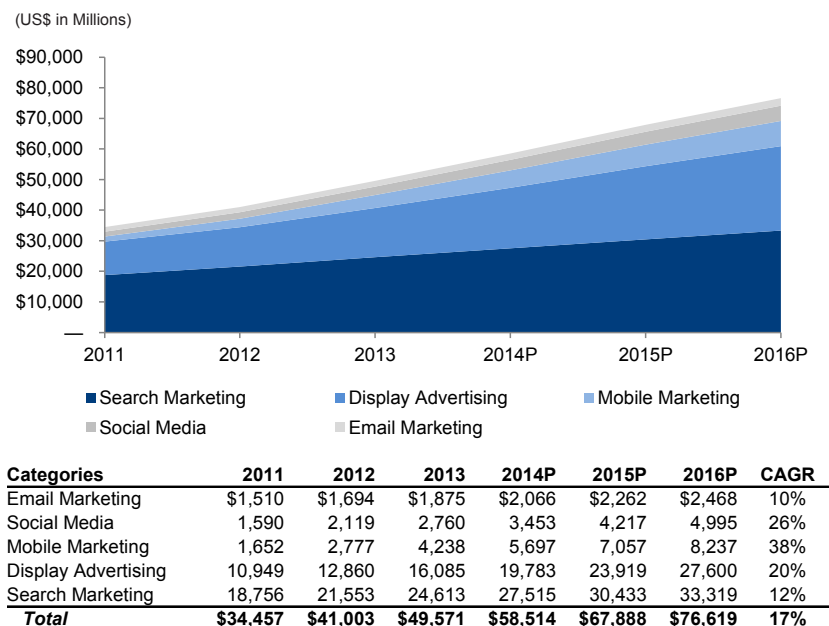
The Marketing Automation Software (MAS) sector has become one of the most exciting and dynamic areas within the broader Enterprise Software market. In 2010, TM Capital initiated coverage of the MAS sector and predicted that the convergence of various MAS technologies and overlapping functionality would create confusion in the marketplace among customers. This confusion would lead MAS vendors to recognize the potential synergies with their various solutions and would ultimately drive consolidation in the sector. Major transactions in the sector such as IBM's acquisitions of Unica and Coremetrics, Teradata's acquisition of Aprimo, Adobe's acquisitions of Day Software and Omniture, etc. dramatically altered the industry landscape and validated our thesis. In 2011, we reiterated our position that the MAS sector remained poised for significant growth – and further consolidation. Since that time, we've seen a rapid adoption of MAS solutions as functionality has continued to evolve, the SaaS delivery platform has become totally pervasive in this sector, and the ROI from MAS solutions has been validated. With the rapid adoption of mobile technologies and social media, and the resulting exponential growth in data, the need for MAS solutions has never been greater. We've also seen further consolidation in the sector as some of the major Enterprise Software players, such as Oracle, Salesforce. com and others, have announced eye-popping acquisitions that will continue to turn the landscape upside down.

With the explosion of "big data" and the general acceptance by C-level executives of the need for "Marketing Intelligence" to drive revenue growth, we believe that the MAS sector remains well-positioned for above average growth over the next few years. As evidenced by **Figures 1** and **2**, the escalating usage of mobile devices and the rapid adoption of Social Media as a critical marketing channel – and the massive volume of "big data" that is being collected from these sources - are forcing marketing professionals back to the drawing board to adjust their communication strategies to more effectively reach "ultra-connected" prospects and customers. The bottom line is that these trends further highlight the importance of MAS solutions and the outsized growth opportunity for this sector over the next few years.

Today, we believe the MAS sector is in a new phase of its evolution. Historically, the major challenge faced by marketing professionals was measuring the ROI of marketing campaigns and subsequently, justifying an investment in MAS solutions. However, given the advances in MAS functionality over the past few years, the ROI of marketing campaigns can be more clearly measured and marketing initiatives can now be directly attributed to top-line revenue performance. While specific solutions within the MAS sector have developed at different rates, in general, the MAS sector has evolved from the "market education" phase, which was characterized by extended sales cycles and the need for MAS vendors to educate customers on the value of MAS solutions, into a "sales execution" phase whereby MAS vendors are focused on rounding out their portfolio of MAS solutions, developing a comprehensive marketing platform, establishing a robust partner network and building market share via an intense focus on direct sales.
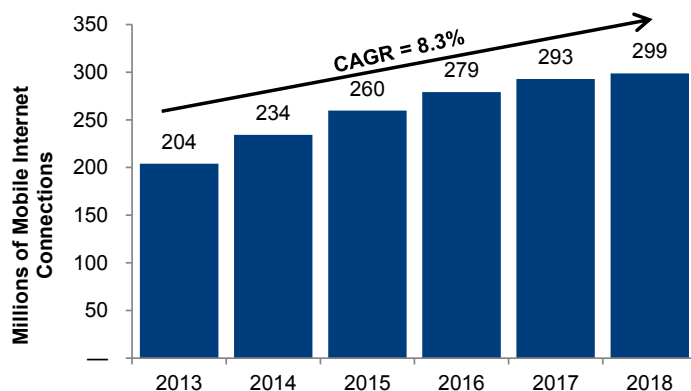
Historically, most MAS vendors have treated the B2B and B2C markets differently, primarily due to the nature of each market and the differing needs of marketing professionals in these markets. The B2B market has traditionally had a greater emphasis on the sales function versus the marketing function – fewer marketing professionals supporting a larger sales force. The B2C market has typically had more of an emphasis on marketing, as direct sales – if any (i.e. call centers) – are often integrated into a customer service function. B2B solutions are generally tailored to products or services with longer sales cycles and typically focus on robust lead nurturing,

Figure 1: Interactive Marketing Industry Growth

(US$ in Millions)

Categories	2011	2012	2013	2014P	2015P	2016P	CAGR
Email Marketing	$1,510	$1,694	$1,875	$2,066	$2,262	$2,468	10%
Social Media	1,590	2,119	2,760	3,453	4,217	4,995	26%
Mobile Marketing	1,652	2,777	4,238	5,697	7,057	8,237	38%
Display Advertising	10,949	12,860	16,085	19,783	23,919	27,600	20%
Search Marketing	18,756	21,553	24,613	27,515	30,433	33,319	12%
Total	**$34,457**	**$41,003**	**$49,571**	**$58,514**	**$67,888**	**$76,619**	**17%**

Source: Forrester

CAGR = 8.3%

Year	Millions of Mobile Internet Connections
2013	204
2014	234
2015	260
2016	279
2017	293
2018	299

Source: IBISWorld

lead scoring, and sales force automation capabilities. B2B sales are typically lower volume, but high-dollar transactions compared to B2C sales. Sales decisions in the B2B market are based on multiple interactions between sales professionals and customers whereas B2C buying decisions are often made based purely on marketing collateral, website content, etc. While the need for marketing intelligence in the B2B market is critical for generating leads, targeting customers and focusing sales efforts, the data available to fuel B2B marketing solutions is more readily attainable and less complex to analyze and understand than in the B2C market.

One of the major differences between the B2B and B2C markets is that B2B MAS solutions rely on data provided by a CRM solution, whereas B2C solutions require the development and maintenance of an underlying database. There is no need to create a separate database for B2B MAS solutions, so integration is easier and B2B MAS vendors can focus their efforts on developing attractive user interfaces and additional functionality (analytics, reporting, etc.). The trade-off, however, is that CRM data is fairly rigid which limits some of the flexibility of B2B MAS solutions. Marketing professionals using B2C MAS solutions need to build and maintain an underlying database. The good news is there's plenty of data available to populate this database; the bad news is that B2C solutions are more expensive and require a longer implementation time due primarily to the complexity associated with the creation of the database. With advances in technology, and specifically the dramatic increase in the volume and availability of customer data, we are starting to see convergence between the needs of the B2B and B2C markets, especially with respect to lead management and the need to nurture customer relationships and convert leads into revenue. The B2B market is beginning to recognize the importance of incorporating other customer data (i.e. website traffic, social media, etc.) and executing targeted marketing campaigns to nurture leads and increase lead-to-sales conversion rates. These techniques have

typically been strengths of B2C marketing solutions. In turn, B2C marketing professionals are beginning to understand the need to create a single profile of their customers based on all available data (i.e. website interactions, marketing campaign responses, buying history, etc.) to turn "browsers into buyers." Given the massive volumes of data available to B2C marketing professionals, this is no easy task. As B2B-oriented MAS vendors seek to move into the B2C market, they will need to either build database expertise or acquire B2C-oriented MAS companies who have experience working with this complexity.

As the synergies between various MAS solutions (i.e. lead management, email marketing, campaign management, analytics, etc.) become increasingly evident and customer needs continue to converge, the MAS sector will continue to move into the "consolidate or persevere" phase and, based on the recent M&A activity in this sector, it appears "consolidate" has become the preferred alternative. The first wave of consolidation in the MAS sector featured large, data-centric Enterprise Software vendors acquiring MAS companies with strengths in campaign management and, more significantly, customer and web analytics capabilities. Examples include IBM's acquisition of Unica and Teradata's acquisition of Aprimo. More recently, some of the larger ERP vendors, such as Oracle, have established a strong presence in the MAS sector through acquisitions of marketing platforms such as Eloqua and Responsys. In addition, leading CRM vendors, such as Salesforce.com, have validated the value proposition of an integrated CRM and MAS solution through acquisitions such as ExactTarget (which had previously acquired MAS vendor Pardot). We expect to see additional consolidation within the MAS sector as many of these large Enterprise Software vendors will continue to seek to add capabilities and build out their MAS solutions with the goal of creating a truly integrated marketing platform. Furthermore, going forward, we expect to see continued encroachment in the MAS sector by other traditional enterprise software sectors including business intelligence, content management and, most notably, e-commerce solution providers, who we think could bring a lot of excitement to the MAS sector.

Over the past few years, investors have poured substantial amounts of capital into the MAS sector. Notable investments include HubSpot, ExactTarget (acquired by Salesforce.com), Marketo (IPO), ClickSquared (acquired by Zeta Interactive), Neolane (acquired by Adobe), and SilverPop, who received a collective $175 million in financing since 2011 – which represents only a fraction of the total investment in the MAS sector. Many institutional investors in this sector have generated strong returns given the rising market valuations of MAS companies during this period and the voracious appetite of strategic acquirers combined with a favorable, yet volatile, IPO market. Today, both venture and growth equity investors remain interested in the MAS sector and continue to fund innovative

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vendors, especially in areas such as "big data" analytics and business intelligence. Valuations remain high in the MAS sector and companies that have raised substantial capital will need to accelerate growth in order to build scale quickly and generate compelling returns for their investors.

Marketing Automation Software – Sector Landscape

In 2011, we portrayed a MAS industry landscape similar to **Figure 3** that was extremely fragmented and devoid of any traditional Enterprise Software vendors in our MAS-related sub-sectors. Today, the industry landscape is quite different primarily due to the multiple waves of consolidation we've witnessed over the past three years. For example, the pure-play Multi-Discipline Marketing sub-sector currently consists primarily of many of the major Enterprise Software players such as Oracle, IBM, MSFT, Salesforce.com and Adobe, among others – with the notable exception of SAP, who acquired enterprise commerce player Hybris, but has yet to make a major acquisition in the traditional MAS sector. Many of the companies in our original landscape have been acquired – especially in the Multi-Channel Campaign Management and Lead Management sub-sectors. However, the MAS landscape remains almost as fragmented as it was in 2011 as

the emergence of young, innovative MAS vendors has almost outpaced M&A activity in the sector. What's not represented in the MAS landscape in **Figure 3** is the continued polarization of the competitive market in this sector. The gap between the $1+ billion large Enterprise Software vendors and the niche, sub $100 million MAS solution providers that existed back in 2011 has become even wider due to M&A activity in the sector – further depicting a "barbell" shape. Today, there are very few MAS players in the market that have garnered the size and scale required to move into the middle of our "barbell." MAS vendors such as Constant Contact have certainly made the leap into this segment of the market, but they are in limited company. However, there are a number of MAS players in the sub $100 million market segment that are poised to break out of the left-hand side of our "barbell" and move into this zone. Most notably, MAS market leaders such as Marketo, HubSpot and Silverpop are all candidates to break the $100 million revenue barrier. HubSpot and Silverpop are both poised for an IPO – and in our opinion, all three are potential M&A candidates given the scarcity value of companies of this size in the MAS sector.

While we still have yet to see a fully-integrated, comprehensive marketing platform emerge in the market, there has been considerable progress down this path since 2011, with many of the Multi-Discipline Marketing pure-play MAS vendors such as IBM, Adobe, Oracle and, more recently, Salesforce.com, leading the way. The major acquisitions that rattled the MAS

Figure 3: Marketing Automation Software Industry Landscape

Source: TM Capital

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landscape back in 2010 and 2011 appear to have survived the initial disruption phase that comes in any M&A transaction. Many of these leading MAS vendors have integrated and enhanced the solutions of the acquired companies and have developed a fairly comprehensive solution offering. Over the past three years, traditional MAS solutions have matured into highly customized, data-driven platforms – particularly in response to the rapid adoption of mobile devices, the explosive growth of social media and impressive developments in web technology (notably HTML5 and CSS3). Functionality of specific MAS solutions, such as website optimization and campaign management, have evolved beyond generic mass emails and dull registration forms with limited functionality to include dynamic web tracking and behavior monitoring, helping companies determine when and how to engage customers and guide them through individual, personalized buying cycles. MAS platforms have become so advanced that they are now able to take into consideration cues such as time of day, age, location and browsing behavior from a myriad of input sources and devices when determining what content to deliver to a specific customer. With this abundance of data, especially in the B2C market segment, the importance of integrating this functionality with databases capable of matching identities across multiple channels has risen to the forefront in order to create unified customer views with greater depth and brevity than ever before imaginable.

Today, most MAS vendors have adopted a SaaS delivery model, expanding the user base within clients and enabling multiple individuals within an organization to access intelligence generated from marketing campaigns virtually anywhere, at any time, with any device. The predictability and "stickiness" of the SaaS model as well as the ability for customers to pay for the functionality they need when they need it are driving the proliferation of SaaS solutions in the MAS market. Moreover, SaaS customers also benefit from automatic software updates delivered in the cloud as they are made available by MAS vendors. While there will always be a debate as to whether truly customized solutions can be delivered in a SaaS platform, it appears that this issue has not been a major obstacle in the MAS market.

Multi-Discipline Marketing Platforms – Multi-Discipline Marketing Platforms provide a variety of features and functions through an integrated suite of solutions. Vendors in this segment provide robust software platforms capable of reaching customers across multiple channels. Recent M&A

activity has shaped this category as large Enterprise Software vendors have acquired specialized MAS vendors and/or introduced new functionality, forming more comprehensive marketing automation suites. Early MAS movers such as IBM, who acquired Unica in 2010, and Teradata, who acquired Aprimo in the same year, continue to drive innovation in the MAS sector, especially with respect to marketing analytics. Industry bellwethers such as Microsoft, Salesforce.com and SAS have also jumped into this category by acquiring campaign management vendors and applying the strength of their database technology to the marketing automation sector – and providing customers with a greater value proposition.

Multi-Channel Campaign Management (MCCM) – Multi-Channel Campaign Management solutions allow marketing professionals to manage targeted inbound and outbound campaigns to customer segments across multiple channels, including Web, mobile, social, direct mail, call centers, and email. These solutions enable lead generation, email marketing, and community marketing. While email marketing is considered the grandfather of marketing automation, we continue to see significant interest in these solutions, especially as segmentation tools become more robust. Thought leaders in this space offer marketing professionals single-view customer databases, capable of scanning multiple marketing channels to create unique customer profiles for enhanced targeting. Examples include Silverpop, whose recent announcement of "Universal Behaviors" promises to deliver real-time behavioral marketing through the use of multi-channel data points, and RedEye, whose experience in developing single-view customer databases extends nearly two decades. As new marketing channels emerge and the adoption of new network-connected devices accelerates, the single-view customer database will be a critical element of MAS solutions.

Marketing Performance Management (MPM) – Marketing Performance Management tools enable marketing professionals to access insights, analyze data and make predictions to optimize spending on their marketing campaigns. The ability to measure ROI across multiple campaigns is becoming a priority for marketing professionals who are being pressured by senior executives to connect marketing spend to top-line revenue growth. Visual IQ provides a SaaS MPM solution that has garnered significant traction in this space and is considered a thought leader in marketing attribution and optimization. We believe marketing attribution will play an

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important role in 2014, as companies adapt to evolving market drivers and seek a more holistic view of their marketing efforts.

Web Marketing & Analytics – Web Marketing & Analytics encompasses SEO, display advertising, landing page optimization, and web monitoring/analytics. Advancements in website design and construction through use of HTML5 and CSS3 are causing developers to re-think how they can better present themselves on the web, spurring significant interest in this category. Web monitoring tools provided by vendors such as Clickdensity and Webtrends measure the effectiveness of a customer's website in driving traffic, and with the proliferation of web usage on mobile devices, marketing professionals will need to become more knowledgeable in regard to how they present themselves across many different devices.

Marketing Resource Management (MRM) – Marketing Resource Management includes capabilities that enhance a customer's ability to optimize marketing resources, including strategic planning, financial management and digital asset management. New marketing channels are making it more challenging for companies to manage their corporate identity across campaigns, driving demand for MRM solutions. Vendors with rich data analytics capabilities seem to be leading the pack in this category. Gartner recently ranked Teradata as a "leader" in its MRM Magic Quadrant for the twelfth consecutive year for its heavily integrated data-driven marketing solutions.

Social Media Marketing – Social Media Marketing vendors provide solutions that manage, track, and analyze the success of social media campaigns through use of automatic, data-driven messages posted across a company's social media channels (Facebook, LinkedIn, Twitter, etc.). These campaigns are powerful customer engagement/support tools and, when effectively executed, are a valuable source of lead generation (followers sharing content with their own social networks). Companies with significant presence on social media channels are undoubtedly benefitting from recent increased usage of social media applications – in a study conducted by IDC, researchers discovered the average individual accessed their Facebook account at least 14 times each day.

Mobile Marketing – Mobile Marketing solutions allow marketing professionals to reach prospective customers at any point throughout the day with highly targeted messages delivered in-app, through SMS, or via mobile browsers. Mobile is a vital touch-point for marketing professionals, and the introduction of concepts such as wearable technology will accelerate demand for mobile marketing solutions. As with other categories in the MAS landscape, the idea of single-user views will prove a challenging necessity for mobile marketing vendors. Thought leaders in this space are taking action. For example, Adelphic, founded by Apple iAd alumni, developed patented technology for user identification on network connected devices.

Loyalty & Event Management – Loyalty & Event Management solutions provide marketing professionals with the tools necessary to host, manage, and drive traffic to online and physical events, and/or develop customer relationships to increase spend through use of social media, direct mail and mobile applications. In a study conducted by Maritz, research revealed on average, consumers are members of 7.4 loyalty programs. The mobile channel represents a significant opportunity for vendors in this space and seems to be a top priority; in the same study, Maritz discovered 73% of mobile device users would be interested in interacting with their loyalty programs through their smartphones or tablets. The mobile channel also provides an interesting opportunity for event management vendors; in our landscape, Cvent and Acteva have both introduced mobile applications that empower customers to analyze real-time data from event attendees and capture leads for exhibitors.

Marketing Automation Software – Trends and Drivers

Customization / Personalization is King

The functionality of MAS solutions has evolved dramatically over the past few years on many different levels – specifically in areas such as advanced website and landing page creation, customer tracking and profiling, social media integration and comprehensive modules for reporting and analytics. However, the most apparent advances in MAS functionality relate to leveraging the explosion in customer data and incorporating customization and personalization capabilities into the content element of marketing campaigns. Today, these capabilities are critical as customers are bombarded with information from all forms of marketing – email, websites, tweets, posts, blogs, etc. – and marketing professionals need solutions capable of developing relevant content and delivering it in the right form to the right customers at the right time. In the B2B market, the sales process has always been a long-term relationship building exercise, and it's becoming the same in the B2C market, especially when considering more expensive consumer-oriented items or the concept of repeat buying. Accordingly, marketing campaigns have become increasingly long-term focused and marketing professionals have become reliant on MAS solutions to help nurture a relationship with a customer in addition to just converting a "browser into a buyer." As tools to build and track these relationships have evolved, so have the tools to personalize marketing campaigns and content (email and website) based on multiple factors including time of day, location, and browsing habits. Increasingly common attributes of MAS solutions include social media sharing and tracking, visitor identification through cookies and IP lookup, and unique customer profiling across multiple devices and

channels. Through marketing automation software, marketing professionals can leverage data collected by these means to treat customers as individuals rather than segments and offer high-touch guidance through the entire sales cycle.

Convergence of MAS solutions addressing the B2B and B2C markets

Historically, MAS vendors have treated the B2B and B2C markets differently due to differing buying processes and differing approaches to the collection of customer data. B2B marketing has traditionally been focused on addressing a defined target market, educating and nurturing prospects through a multi-step and multi-touch sales process, developing customer profiles and delivering leads to sales professionals to close the sale. On the other hand, B2C marketing has been tailored towards a shorter sales cycle and has focused on using customer data (website visits, email open data, prior purchasing history, etc.) to reduce shopping cart abandonment rates, increase marketing campaign response rates and drive impulse buys through website personalization, etc. The amount of customer data available to B2C marketing professionals is enormous and includes browsing trends, demographics, tweets and social sharing, among many other data points. And, with the rapid adoption of mobile technologies and social media applications, available customer data is growing exponentially. B2B marketing professionals are beginning to understand the need to, and the value of, incorporating traditional B2C marketing techniques into their marketing processes. Today, it is quite common for customer profiles created in a B2B marketing platform to include data such as email response rates and website activity (pages clicked, time on pages, downloads, etc.) in addition to the traditional sales interaction information. B2C marketing professionals are beginning to understand the importance of creating detailed customer profiles, which is a cornerstone of B2B marketing processes. However, creating individual customer profiles can be extremely difficult in the B2C market segment given the volume of B2C transactions and the fact that consumers interact with B2C brands off-line in some cases, and on-line from multiple devices – especially with the proliferation of smart phones and mobile devices. B2B MAS solutions have the luxury of being able to leverage a CRM database. B2C MAS solutions require the development of a database which yields greater flexibility, but adds to the complexity of implementation. Trying to incorporate data from multiple devices into one single view of the customer is yet another complexity in the B2C market. However, a few MAS vendors are tackling this challenge head-on with innovative solutions which should enable B2C marketing professionals to create robust customer profiles, as are currently done in the B2B world. We believe that MAS capabilities such as lead scoring, lead nurturing and closed-loop reporting, which are traditional strengths in B2B marketing, will quickly begin to generate traction with B2C marketing professionals.

Consolidation will continue to redefine the Marketing Automation Landscape

Despite a rapid pace of M&A activity, the MAS sector remains highly fragmented, with a number of vendors providing very similar solutions with overlapping functionality, resulting in continued customer confusion around which tool is most appropriate to deploy for specific marketing needs. Further exacerbating the problem, marketing channels are expanding at a faster rate than marketing budgets following the financial crisis of 2008, pressuring executives to improve the accountability of their marketing efforts and achieve a greater return on their investments. Based on recent conversations we have had with MAS industry executives, there is flourishing demand for marketing platforms that provide a turn-key solution to build relationships with customers and nurture leads through the sales cycle, ultimately turning "browsers to buyers." The demand for integrated functionality across traditionally disparate MAS solutions has fueled significant industry consolidation over the last three years, which we believe will escalate in 2014 as large vendors begin to understand the need to provide a comprehensive offering that can orchestrate highly personalized marketing campaigns for multiple channels. In addition, given the converging needs of both B2B and B2C marketing professionals, we expect to see some consolidation by the larger MAS vendors who have focused on just one of these segments and see the opportunity of applying their solutions to compete in a new market. Lastly, we expect to see some new camps of acquirers in 2014, including e-commerce vendors and Marketing Services players as well as Marketing Agencies. E-commerce vendors need to find ways to help drive revenue for their customers and MAS is another solution to sell alongside a core e-commerce platform. As for Marketing Services providers and Marketing Agencies, these companies need to continue to find ways to inject technology and IP into their heavy people-centric business models and MAS should be a complementary fit to their existing marketing capabilities.

Marketing Automation Software – Sector Valuations

Despite overall volatility in the market over the past year plus, the TM Capital comparable company index for MAS vendors has traded in a relatively tight range of approximately 2.0x – 3.0x LTM revenue, as evidenced by **Figure 4**. There are certainly exceptions to this range as companies such as Salesforce.com and Marketo are commanding significant premiums to the rest of the market due to their dramatic growth and market presence. In addition, the evolution of SaaS solutions in the MAS sector continues to drive valuations higher for MAS vendors who have developed solutions using this delivery platform. Overall, TM Capital's MAS index continues to outperform both the Marketing Services and Marketing Agencies industries by a +50% margin reflecting the traditional difference in valuations between software and services companies. This difference has

only become greater with the proliferation of SaaS as the sticky, recurring nature of revenue with SaaS solutions yields a greater value proposition than the traditional short-term, project-based nature of services engagements.

On average, companies in our MAS index have also achieved a higher three-year revenue growth rate than companies in the Marketing Services and Marketing Agencies indices. Vendors in our MAS public company universe generated a median three-year revenue CAGR of approximately 17% as compared to approximately 7% for the Marketing Services and Marketing Agencies sectors. We attribute this above-average revenue growth to increasing confidence in MAS solutions and the fact that many MAS vendors have generated substantial traction with their SaaS offerings, resulting in strong recurring revenue and explosive top-line growth. **Figure 5** is a clear indication of the growth prospects for the MAS sector. Compared to the broader S&P 500 index, the MAS sector is a clear outperformer, currently trading at a premium of 26 basis points.

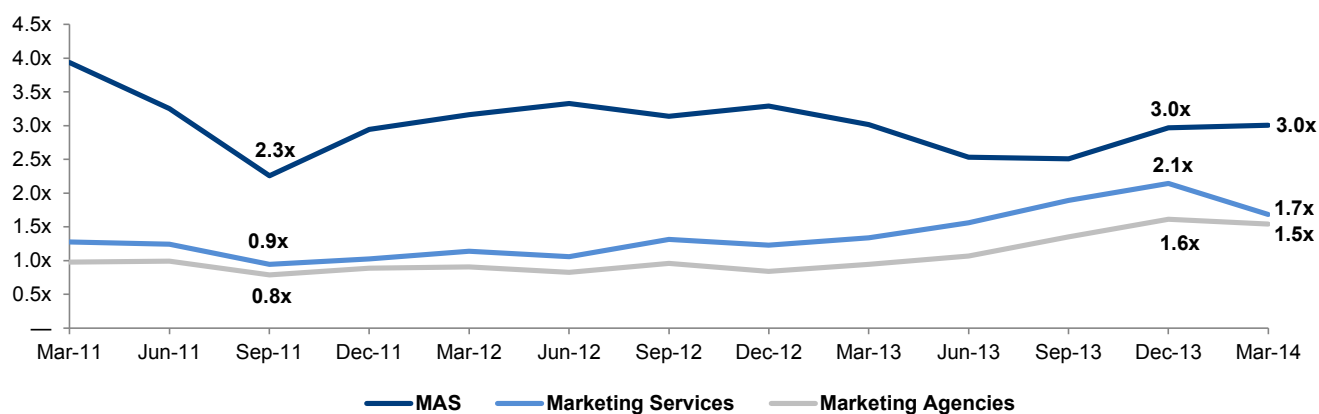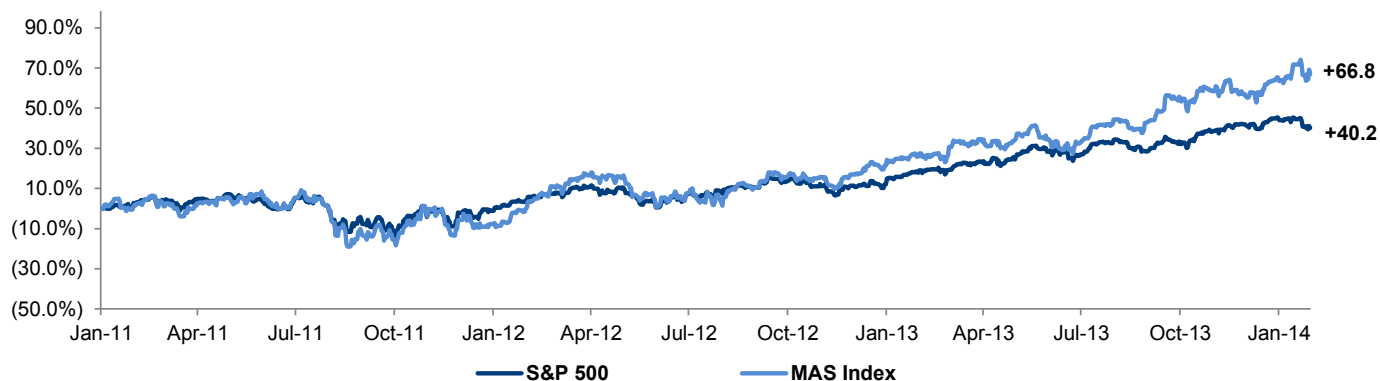Figure 4: Guideline MAS Public Companies TEV/Revenue Multiples


Figure 5: Marketing Automation Index Against S&P 500 Index

Sources: Capital IQ and TM Capital

Marketing Automation Software – M&A and Fundraising Activity

M&A Trends

M&A activity in the MAS sector has been very active over the last five years. We tracked 179 transactions in the MAS sector since 2009, with 38 of these deals occurring in 2013. As shown in **Figure 6**, M&A volumes have spiked in recent years, demonstrating heightened interest by large technology companies and industry incumbents looking to gain market share by expanding their reach to other genres within the MAS landscape.

Figure 6: Marketing Automation Software M&A Volumes
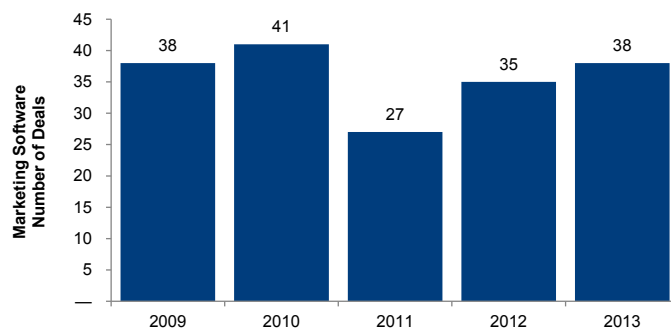
Source: TM Capital

Enterprise Software providers have remained acquisitive since our last report on the MAS sector, making significant headline transactions with the goal of integrating new functionality into their multi-discipline platforms. Competing Enterprise Software vendors such as Oracle, Adobe and Salesforce.com continue to roll up the few remaining large, pure-play MAS vendors (**Figure 7**). IBM has been among the most acquisitive in our list of key consolidators; however, it has yet to make a sizeable MAS acquisition since its purchase of Unica in 2010. Through acquisition, Enterprise Software vendors have created multi-discipline platforms that offer customers attractive bundled pricing efficiencies and "safer" and more "integrated" solutions than smaller competitors who may not have the balance sheet strength of these larger players. Industry consolidation has

caused smaller vendors to differentiate themselves by providing greater specialization and, in some instances, implementing a services element to their business model – such as managed services. We expect these industry incumbents to continue to show interest in acquiring specialized MAS vendors as a means of adding functionality to their existing platform and accessing additional growth opportunities in the sector. This dynamic will provide for a very active M&A environment in the near future.

The most notable enterprise software vendor not on the MAS acquirer list is SAP as they have yet make a meaningful acquisition in this sector. SAP acquired Hybris in 2013, however we view this acquisition as more of an e-commerce play, similar to Oracle's acquisition of ATG a few years ago and more closely aligned to SAP's previous acquisitions of Ariba and Crossgate. However, there are strong synergies between e-commerce and MAS solutions and with Hybris, SAP has an even greater strategic rationale to acquire a leading MAS vendor to combine revenue generating marketing tools with a strong e-commerce engine. We believe other e-commerce players, such as Demandware, could also become interesting acquirers in the MAS sector for this same reason.

We are bullish on Salesforce.com's acquisition of ExactTarget (which had previously acquired Pardot) and are excited to see how they integrate these businesses – especially since we are heavy users of both Salesforce.com and Pardot here at TM Capital. Normally, we'd predict that other CRM vendors would follow suit and seek MAS acquisition opportunities of their own. However, there just aren't that many pure-play CRM vendors left in the market. Our favorite in this camp is Verint, which recently acquired Kana. Verint positions itself as a leader in Actionable Intelligence® which, in our opinion, is one of the primary outputs of any MAS solution. While they may need some time to integrate Kana, they certainly have the size and the fire power to make a meaningful MAS acquisition. Pegasystems is another logical acquirer; however they have historically taken an extremely cautious approach to M&A and have focused on smaller acquisitions that are more closely aligned with their core BPM capabilities. The CRM angle is another reason for SAP to get interested in this space and Microsoft, with its CRM offering, should take a more serious look at the MAS sector, but seems to be focused on other priorities.

Figure 7: Key Consolidators and List of Acquisitions Since 2011		
Acquirer	**No. of Acquisitions**	**Acquisitions**
Oracle	7	Responsys; Compendium Software; Eloqua; Involver; Vitrue; Endeca Technologies; BlueKai
Adobe	5	Search Discovery; Neolane; Efficient Frontier; Auditude; Demdex
Salesforce	4	ExactTarget; EdgeSpring; Buddy Media; Radian6
IBM	3	The Now Factory; Xtify; TeaLeaf Technology
SAS	2	AiMatch; Assetlink
Teradata	2	Aprimo; eCircle
Microsoft	1	MarketingPilot Software

Source: TM Capital

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Given the importance, and the significant growth opportunity, of content and analytics, we believe traditional Web Content Management software vendors could also emerge as leading acquirers in the MAS sector in 2014. We believe that traditional Web Content Management vendors need to expand the functionality of their content creating and publishing offerings and add capabilities such as web optimization and personalized content rendering – key elements of a multi-discipline marketing platform. Companies like OpenText, SDL and Hyland Software are all contenders who could give Adobe, the sector leader, a run for its money with an interesting MAS acquisition.

Lastly, we believe – and we've been saying this since 2011 – traditional Marketing Services providers and Marketing Agencies could, and should, be consolidators in the MAS sector. Acxiom is our favorite player in the Marketing Services sector as they have been executing on a number of very interesting strategic initiatives leveraging their industry leading position in data services to transform the Company into an emerging marketing software leader – specifically with respect to their Audience Operating System SaaS offering. Marketing Agencies should be serious acquirers in the MAS sector as they need to build leverage into their traditional body, rate and utilization model and incorporate more of a tech-enabled services platform into their offerings. However, they have not been acquirers in this sector mainly due to a) they don't want to become software companies, and b) Marketing Agencies trade at TEV/revenue multiples of between 1x and 2x, so it is extremely difficult for them to justify some of the valuations that have been paid for leading MAS vendors (8x – 10x revenue).

The bottom line is that despite the significant consolidation that has occurred in the MAS sector over the past three years, the landscape remains fairly fragmented. There are only a few sizeable acquisition targets which will create "scarcity value" for these assets and will further support the astronomical valuations that we've been seeing in MAS precedent transactions. However, as shown in Appendix B, there are a number of emerging specialist MAS vendors that are gaining momentum in the market and could be attractive acquisition candidates. In addition, as discussed above, there are plenty of logical acquirers for these MAS vendors. Accordingly, we expect M&A activity to remain robust in the MAS sector during 2014 and beyond.

Fundraising Activity

Since 2011, the MAS sector attracted a major influx of venture capital due to innovations in technology, and the sector continues to realize significant attention from the investment community initiated by a surge in demand for vendors capable of managing complex datasets. As evidenced by **Figure 8**, investors are visibly confident in the growth potential of the MAS sector and have affirmed their support by investing significant capital to enlarge their piece of the MAS pie. Over the last three years, MAS vendors on our radar have raised a disclosed amount of $326 million in aggregate through an average three rounds of financing.

Recent successful exits of industry incumbents (ExactTarget, Neolane, Eloqua, etc.) and the impressive financial performance of publicly traded companies have justified the investment thesis for vendors in this space. We believe these positive dynamics will surely lead to a greater appetite for venture capital investment in this sector going forward.

Figure 8: Recent Fundraising Activity in MAS					
Recent Financing Date	Issuer	Representative Investors	Round Size	Investment Round	Total Raised (Disclosed)
2/4/2014	Localytics	Polaris Partners; Foundation Capital	$16.0	3	$24.8
1/16/2014	SalesFUSION	Noro-Moseley Partners; BLH Venture Partners; Hallett Capital	8.5	2	10.1
12/12/2013	Sailthru	Benchmark Capital; RRE Ventures; Gotham Ventures; Scale V.P.; AOL Ventures	20.0	3	48.0
11/18/2013	HipLogiq	RLB Holdings; Hadron Global Partners	7.0	2	11.5
11/12/2013	Signpost	Spark Capital Partners; OpenView Venture Partners; Scout Ventures	10.0	2	15.0
9/19/2013	eTouches	Connecticut Innovations; Cava Capital; Greycroft Partners; Level Equity Management	5.5	3	15.0
9/6/2013	Balihoo	Highway 12 Ventures; OpenView Venture Partners	5.0	6	24.5
8/30/2013	Bislr	Southern Cross Venture Partners	3.4	3	9.9
8/8/2013	TapInfluence	Grotech Ventures; Access Venture Partners	5.0	2	8.2
6/27/2013	Insightera	Lightspeed Venture Partners; Opus Capital; Glilot Capital Partners	5.0	2	6.5
6/27/2013	Whatsnexx	BDC Venture Capital; GO Capital; Feldman Advisors Finomial Holdings	2.3	2	2.3
5/16/2013	EdgeSpring	Kleiner Perkins Caufield & Byers; Lightspeed Venture Partners	9.0	1	12.7
4/24/2013	Silverpop Systems	SVB Capital; Escalate Capital Partners	25.0	2	40.0
3/27/2013	Demandbase	Altos; Sigma Partners; Sutter Hill; Scale V.P.; Adobe; Costanoa	15.0	4	33.0
11/05/12	HubSpot	Matrix Partners; Sequoia; Scale V.P.; Salesforce.com; General Catalyst; Google Ventures	35.0	5	101.0
8/30/2012	Act-On Software	Norwest Venture Partners; Trinity Ventures; U.S. Venture Partners; Voyager Capital	16.0	4	30.5
8/15/2012	LocalVox Media	GSO Capital Partners	7.4	1	8.7
2/2/2012	Velocify	Rustic Canyon Partners; Volition Capital	15.3	2	20.3
1/9/2012	Neolane	Battery Ventures; Auriga Partners; Xange Private Equity	26.9	3	33.6
1/9/2012	ClickSquared	Staley Capital; Flybridge; JMI Equity; ABS Ventures	9.0	3	56.7
11/16/2011	Marketo	Battery Ventures; Institutional Venture Partners; InterWest Partners; Mayfield; Storm Ventures	50.0	6	108.0
3/28/2011	ExactTarget	Battery Ventures; Technology Crossover Ventures; Scale V.P.; Greenspring	30.0	5	188.0

Source: TM Capital

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Case Study: Salesforce.com Acquires ExactTarget

In July 2013, Salesforce.com completed its acquisition of ExactTarget for $2.5 billion, representing at TEV/LTM revenue multiple of 8.0x. Although the valuation multiple is relatively high compared to comparable publicly-traded companies, we believe the purchase price is appropriate given ExactTarget's strong position in the market and the dramatic growth Salesforce.com has experienced as a result of its social and mobile cloud technologies.

We view Salesforce.com's acquisition of ExactTarget as a bold statement to other leaders in the MAS sector, solidifying the SaaS giant's dominance as a leading sales, service and marketing platform – and justifying the value prop of an integrated CRM and MAS solution. The acquisition will provide Salesforce.com rich campaign management capabilities that will enable companies to connect with customers across email, social, mobile and Web channels. Moreover, ExactTarget provides a highly complementary fit with the foundational components Salesforce.com developed over the last few years through acquisitions of Buddy Media (social media advertising) and Radian6 (social media tracker). This acquisition exemplifies the B2B/B2C convergence we are beginning to see in the MAS sector. Salesforce.com extended its B2B leadership position into B2C by acquiring ExactTarget. Interestingly, Salesforce.com subsequently separated Pardot, which was previously acquired by ExactTarget, and is integrating this product into its core Sales Cloud offering.

> "The CMO is expected to spend more on technology than the CIO by 2017. The addition of ExactTarget makes Salesforce.com the starting place for every company and puts Salesforce.com in the pole position to capture this opportunity."
>
> **– Marc Benioff**
> *Chairman and CEO*
> **Salesforce.com**

With ExactTarget and Pardot under its wing, Salesforce.com has positioned itself as a leader in the MAS sector with a truly turnkey solution that encompasses the entire marketing and sales cycles. Large-scale ERP and CRM vendors will see pressure to accelerate growth through acquisition of complementary MAS technologies or risk losing clients to solutions with more full-fledged marketing and sales capabilities.

Case Study: Oracle Acquires Responsys

In December 2013, Responsys announced it had entered an agreement to be acquired by Oracle for $1.6 billion, representing a TEV/LTM revenue multiple of 8.2x. We believe the valuation multiple is hefty, but it is in-line with the 9.7x TEV/LTM revenue multiple Oracle paid for Eloqua in February. The multiple is warranted given Responsys' diverse and loyal customer base of blue-chip companies and constant pressure from other acquisitive enterprise software players, including Salesforce.com, IBM, SAP and Microsoft.

From a strategic standpoint, Oracle's acquisition of Responsys aligns well with the Company's goal of increasing its market share in Marketing Automation. Coupled with cloud innovator Eloqua, Responsys is well-positioned to foster growth for Oracle's Customer Experience Cloud, which offers a suite of tools that improve relationship-based marketing, customer service and sales. Oracle's acquisition of Eloqua helped establish it as a leader in the B2B market. Now with the addition of Responsys, Oracle has the B2C market segment covered as well.

> "Oracle customers will benefit from continued R&D investment across the Responsys and Eloqua platforms, ensuring that CMOs in all industries are armed with a best-in-class solution."
>
> **– Thomas Kurian**
> *Executive Vice President*
> **Oracle Development**

As in any M&A transaction, there are significant challenges that Oracle will have to overcome to reap the full benefits of transaction synergies in the Responsys acquisition. Oracle has a history of making landscape-altering M&A transactions including acquisitions of PeopleSoft, RightNow, and Sun Microsystems; however, integrating such large-scale acquisitions is always a challenge. While we suspect that educating current and prospective clients on new features or services provided by this acquisition will be challenging given the breadth of solutions Oracle already offers, we are excited to see how Oracle integrates Responsys with previous acquisitions such as Eloqua and potentially even ATG.

			Figure 9: Select Recent M&A Transactions in Marketing Automation Software		
Date Closed	**Target**	**Acquirer**	**Target Description**	**Total Enterprise Value**	**TEV / Rev.**
1/22/2014	BlueKai, Inc.	Oracle Corporation	Enables marketing professionals to customize and own data to boost advertisement targeting and discover new prospects		
1/22/2014	Responsys, Inc.	Oracle Corporation	Provides email and cross-channel marketing solutions	$1,589.2	8.2x
12/19/2013	Insightera	Marketo, Inc.	Provides a SaaS-based marketing platform that accelerates B2B customer acquisition	$23.2	
10/16/2013	Optimal, Inc.	Brand Networks Inc.	Provides a social media advertising and data platform	$35.0	
8/12/2013	RhinoSEO	Xtari, LLC	Provides lead management, email marketing, Website analytics, and form building tools		
8/12/2013	WebMetro	Revana, Inc.	Provides online marketing and user engagement services to advertisers	$21.7	
7/23/2013	Neolane SA	Adobe Systems, Inc.	Provides enterprise marketing software to manage, automate, and optimize marketing programs	$600.0	10.3x
7/10/2013	ExactTarget, Inc.	Salesforce.com Inc.	Provides applications that automate, deliver, and optimize data-driven digital marketing campaigns	$2,539.0	8.0x
5/3/2013	OrderMotion, Inc.	NetSuite Inc.	Offers a platform that tracks and sources electronic media and creates email marketing campaigns	$27.0	
4/30/2013	SmartSource Corporation	Extraprise Group, Inc.	Develops, hosts, and manages e-marketing applications and services for corporate customers		
2/8/2013	Eloqua, Inc.	Oracle Corporation	Provides on-demand revenue performance management software solutions for businesses	$872.4	9.7x
1/8/2013	LoopFuse, Inc.	Nearstream, Inc.	Provides a B2B marketing automation platform that enables marketers to generate and track demand		
10/17/2012	MarketingPilot Software, LLC	Microsoft Dynamics	Provides marketing automation software solutions to marketing departments		
10/9/2012	Pardot, LLC	ExactTarget, Inc.	Provides cloud-based B2B marketing automation software solutions for companies	$95.2	8.5x
5/31/2012	Manticore Technology, Inc.	Sales Engine International, LLC	Provides SaaS-based marketing automation software for B2B marketers		
5/18/2012	Demandforce, Inc.	Intuit, Inc.	Provides Web-based marketing and communications tools for businesses	$423.5	
4/18/2012	Crowd Factory, Inc.	Marketo, Inc.	Provides a set of enterprise-grade social marketing applications		
3/31/2012	CoreMotives, LLC	Silverpop Systems, Inc.	Provides email marketing, lead scoring, Web visitor tracking, and nurture marketing solutions		
2/24/2012	iContact Corporation	Vocus, Inc.	Provides email and social media marketing solutions for businesses	$218.5	4.6x
1/27/2012	Alterian plc	SDL plc	Offers social media marketing, email marketing, and engagement management and analytics	$102.9	1.8x
1/13/2012	Efficient Frontier, Inc.	Adobe Systems, Inc.	Manages search and display optimization for marketers	$374.8	

Source: TM Capital

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Summary

We remain bullish on the MAS sector, especially given the traction that MAS solutions have generated in the market over the past three years. Marketing professionals no longer have to play the "guessing game" with respect to justifying ROI from the deployment of MAS solutions, as the metrics relating to their marketing initiatives can now be tracked through MAS solutions and directly attributed to improvements in top-line revenue performance. The proliferation of "big data" from the rapid adoption of mobile devices and social media, as well as advances in new web technologies, have spurred a new wave of innovation in traditional MAS solutions. As a result, the customer information that can be tracked by marketing professionals continues to grow at an exponential rate. In fact, Teradata conducted a study in 2013 that indicated the number of marketing departments with data scientists is expected to double in the next two years so companies can better leverage "big data" to better understand customer dynamics.

In the B2B market, we are beginning to see a tighter alignment between the marketing and sales functions, with the common denominator being a MAS solution. Specific functionality such as lead scoring, lead nurturing and overall relationship management and reporting will remain at the forefront of this wave. And, with the growth in customer data that can be tracked in these applications, we believe they will become even more valuable in converting prospects to customers. We expect to see tighter integration between CRM and MAS solutions going forward and are looking to Salesforce.com's recent acquisition of ExactTarget/Pardot as the "poster-child" for this thesis. We also believe that some of these traditional B2B marketing processes will find their way into the B2C market as B2C marketing professionals look to better understand and profile their prospects and customers. Sales in the B2B market have always been relationship-driven, and we are seeing an increasing need in the B2C market to view customers in the same fashion. The main challenge that B2C marketing professionals will face in this regard will be developing the database to collect and analyze such large volumes of data – and creating a single view of the customer with the ultimate goal of turning "browsers" into "buyers."

As the adoption of MAS solutions continues to proliferate in the market and marketing campaigns become easier to execute and manage, we expect to see continued attention directed towards content (emails, snail-mail, blogs, websites, tweets, posts, etc.) personalization. Customers continue to be bombarded by information and one of the main challenges for marketing professionals is cutting through the "noise" to deliver relevant content to the right customers at the right time. We continue to see significant advances in content personalization and web optimization technologies and believe these will remain important elements of a comprehensive MAS platform going forward. Despite the rapid pace of M&A activity over the past three years, we believe consolidation in the MAS sector will continue to be a driving force throughout 2014, as large Enterprise Software vendors recognize the opportunity in this software category. We believe the larger enterprise software players who made platform acquisitions a few years ago such, as IBM, Teradata and Adobe, will continue to add to their MAS offering through targeted acquisitions. We believe the more recent entrants to the MAS sector, such as Oracle and Salesforce.com, will also remain prominent acquirers as well – and we could even see SAP emerge as a significant MAS acquirer in the next 12 months. Lastly, we believe e-commerce vendors could also be competitive acquirers in the MAS camp as the opportunity to drive increasing revenue to their customers through MAS solutions is substantial. Valuations in the sector remain robust and the number of acquirable MAS vendors that have generated meaningful size and scale is small, so acquisitions will remain expensive. However, most of the strategic acquirers that are playing in the MAS sector and/or have an interest in building a presence in this space, have extremely strong balance sheets. More importantly, with their established sales and distribution platforms, the incremental revenue or "revenue synergies" of acquiring a leading MAS provider are substantial – certainly enough to justify the premiums we are seeing from precedent transactions in this sector.

We expect 2014 to be another exciting year in the MAS sector and look forward to observing how our predictions play out in the market – and seeing how our portrait of the MAS landscape changes between the beginning and the end of the year.

Appendix A: Guideline Public Companies

TM Capital Marketing Automation Software Index

($ in millions, except per share data)

Company	As of 03/11/14		LTM		EV / LTM		EV / FY1		LTM Margins		Revenue CAGRs	
	Market Cap	EV	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA	Gross	EBITDA	1 Year	3 Year
Salesforce.com, Inc	$37,228	$38,898	$4,071	($61)	9.6x	NM	7.4x	NM	76.2%	(1.5%)	33.5%	34.9%
Adobe Systems Inc.	33,699	32,039	4,055	770	7.9	NM	7.9	30.3	85.5	19.0	(7.9)	2.2
Experian plc	17,296	20,561	4,784	1,635	4.3	12.6	3.9	11.2	45.1	34.2	3.5	6.8
NetSuite Inc.	7,899	7,713	415	(37)	NM	NM	NM	NM	67.4	(8.9)	34.2	29.0
Amdocs Limited	7,183	5,971	3,384	627	1.8	9.5	1.7	8.2	35.3	18.5	3.6	3.9
Acxiom Corporation	2,863	2,806	1,097	182	2.6	15.4	2.6	12.3	23.8	16.6	(1.1)	1.1
NICE Systems Ltd.	2,532	2,326	949	174	2.4	13.3	2.3	9.5	61.6	18.4	8.0	11.2
Rocket Fuel Inc.	1,746	1,660	241	(10)	6.9	NM	3.8	NM	47.8	(4.3)	125.7	NA
Conversant, Inc.	1,663	1,722	573	207	3.0	8.3	2.8	7.5	68.0	36.1	6.2	11.8
Marketo, Inc.	1,437	1,317	96	(41)	NM	NM	9.8	NM	60.4	(42.4)	64.2	NA
Constant Contact, Inc.	852	729	285	27	2.6	27.3	2.3	12.4	71.4	9.4	13.2	17.9
LivePerson Inc.	656	564	178	6	3.2	NM	2.8	26.0	76.1	3.2	13.0	17.4
Jive Software, Inc.	599	499	146	(61)	3.4	NM	2.9	NM	62.1	(41.7)	28.2	46.6
Bazaarvoice, Inc.	583	526	181	(31)	2.9	NM	2.6	NM	68.3	(16.8)	22.3	60.7
Vocus Inc.	292	336	187	0	1.8	NM	1.8	14.9	79.6	0.1	9.4	24.5
Median	**$1,746**	**$1,722**	**$415**	**$6**	**3.0x**	**13.0x**	**2.8x**	**12.3x**	**67.4%**	**3.2%**	**13.0%**	**17.4%**
Mean	**$7,769**	**$7,844**	**$1,376**	**$226**	**4.0x**	**14.4x**	**3.9x**	**14.7x**	**61.9%**	**2.7%**	**23.7%**	**20.6%**

TM Capital Marketing Service Providers Index

($ in millions, except per share data)

Company	As of 03/11/14		LTM		EV / LTM		EV / FY1		LTM Margins		Revenue CAGRs	
	Market Cap	EV	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA	Gross	EBITDA	1 Year	3 Year
Experian plc	$17,296	$20,561	$4,784	$1,635	4.3x	12.6x	3.9x	11.2x	45.1%	34.2%	3.5%	6.8%
Alliance Data Systems Corporation	15,175	24,413	2,206	1,281	NM	19.1	4.7	15.5	64.6	58.1	(39.4)	15.7
DST Systems Inc.	4,029	4,333	1,961	431	2.2	10.1	2.0	8.9	23.6	22.0	(23.9)	4.5
Acxiom Corporation	2,863	2,806	1,097	182	2.6	15.4	2.6	12.3	23.8	16.6	(1.1)	1.1
Aimia Inc.	2,752	3,158	1,575	(657)	2.0	NM	1.4	12.5	13.8	(41.7)	(30.2)	(8.7)
Fair Isaac Corporation	1,881	2,263	738	191	3.1	11.8	3.0	11.2	68.7	25.9	6.0	7.1
CSG Systems International Inc.	958	1,012	747	126	1.4	8.0	1.3	6.4	49.1	16.8	(1.2)	10.8
Harte-Hanks Inc.	516	540	560	61	1.0	8.8	1.0	7.7	20.7	10.9	(27.1)	(12.0)
Viad Corp	495	470	973	63	0.5	7.5	0.5	5.8	4.2	6.5	(5.1)	4.8
Creston plc	105	99	119	18	0.8	5.5	0.8	4.8	36.2	15.0	(2.1)	7.1
Data Group Ltd.	15	101	298	24	0.3	4.2	NM	NM	25.3	8.1	(11.6)	(3.7)
Median	**$1,881**	**$2,263**	**$973**	**$126**	**1.7x**	**9.5x**	**1.7x**	**10.1x**	**25.3%**	**16.6%**	**(5.1%)**	**4.8%**
Mean	**$4,190**	**$5,433**	**$1,369**	**$305**	**1.8x**	**10.3x**	**2.1x**	**9.6x**	**34.1%**	**15.7%**	**(12.0%)**	**3.1%**

TM Capital Marketing Agencies Index

($ in millions, except per share data)

Company	As of 03/11/14		LTM		EV / LTM		EV / FY1		LTM Margins		Revenue CAGRs	
	Market Cap	EV	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA	Gross	EBITDA	1 Year	3 Year
WPP plc	$27,445	$31,523	$18,255	$3,048	1.7x	10.3x	1.7x	9.6x	91.4%	16.7%	8.3%	7.8%
Publicis Groupe SA	18,841	18,140	9,575	1,812	1.9	10.0	1.8	9.7	38.9	18.9	9.9	9.6
Dentsu Inc.	11,221	11,174	20,842	—	0.5	NM	0.5	8.3	23.2	0.0	(7.5)	4.7
JCDecaux SA	9,525	9,454	3,685	824	2.6	11.5	2.4	10.4	37.1	22.3	6.6	5.4
The Interpublic Group of Companies, Inc.	7,416	7,722	7,122	816	1.1	9.5	1.0	8.1	36.2	11.5	2.4	3.1
Havas	3,244	3,904	2,322	376	1.7	10.4	1.5	9.3	38.3	16.2	7.2	4.3
Sapient Corp.	2,394	2,115	1,224	158	1.7	13.4	1.5	9.6	32.1	12.9	12.3	20.6
MDC Partners Inc.	1,038	1,766	1,149	8	1.5	NM	1.4	10.1	34.3	0.7	7.3	18.6
Cello Group Plc	123	141	219	13	0.6	11.2	0.8	8.1	46.9	5.8	6.8	3.2
Next Fifteen Communications Group plc	107	113	146	15	0.8	7.8	0.6	5.4	30.2	9.9	1.6	8.7
Creston plc	105	99	119	18	0.8	5.5	0.8	4.8	36.2	15.0	(2.1)	7.1
Median	**$3,244**	**$3,904**	**$2,322**	**$158**	**1.5x**	**10.3x**	**1.4x**	**9.3x**	**36.2%**	**12.9%**	**6.8%**	**7.1%**
Mean	**$7,406**	**$7,832**	**$5,878**	**$644**	**1.4x**	**10.0x**	**1.3x**	**8.5x**	**40.4%**	**11.8%**	**4.8%**	**8.5%**

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Appendix B: TM Capital's List of Private and Public Companies to Watch

Consolidators to Watch

($ in millions)

Company	Financial Profile	Business Description
acxiom **Acxiom Corporation (NasdaqGS:ACXM)** Little Rock, AR www.acxiom.com	Revenue: $1,097 EBITDA: $182 Market Cap: $2,930 Total Debt: $323 Cash: $381	**Acxiom Corporation** operates as an enterprise data, analytics, and software-as-a-service company in the United States, Europe, South America, and the Asia-Pacific. The Company's Marketing and Data Services segment is involved in data sourcing, data activation through analytics, integration, and enhancement; building and managing customer marketing databases and partner integration, as well as the application of insights to the range of business applications. The Company's IT Infrastructure Management segment provides mainframe, server hosting, and cloud computing services, as well as engages in processing intensive database environments and maintaining secure IT environments.
IBM **International Business Machines Corporation (NYSE:IBM)** Armonk, NY www.ibm.com	Revenue: $99,751 EBITDA: $24,299 Market Cap: $192,468 Total Debt: $39,718 Cash: $10,716	**International Business Machines Corporation** provides information technology (IT) products and services worldwide. The Company's Software segment offers middleware and operating systems software, information management software for database and enterprise content management, information integration, data warehousing, performance management business analytics and intelligence, and data analytics, Tivoli software for cloud and datacenter management, enterprise endpoint and mobile device management, asset and facilities management, storage management, and security systems, Lotus Software to connect people and processes for communication, rational software to support software development in IT and embedded systems, and operating systems software.
Microsoft **Microsoft Corporation (NasdaqGS:MSFT)** Redmond, WA www.microsoft.com	Revenue: $83,433 EBITDA: $31,828 Market Cap: $303,474 Total Debt: $23,734 Cash: $10,059	**Microsoft Corporation** develops, licenses, and supports software, services, and hardware devices worldwide. Its Windows division offers Windows operating system, Windows Services suite of applications and Web services, including Outlook.com and SkyDrive, Surface RT and Pro devices, and PC accessories. The Company's Microsoft Business division provides software and online services, such as Microsoft Office system consisting of Microsoft Office, SharePoint, Exchange, Lync, Yammer, and Microsoft Office project and office Visio, and Microsoft Dynamics business solutions, including Microsoft Dynamics ERP and Dynamics CRM, as well as Microsoft Office Web Apps and Microsoft Office 365, which are online service offerings.
ORACLE **Oracle Corporation (NYSE:ORCL)** Redwood City, CA www.oracle.com	Revenue: $37,552 EBITDA: $16,289 Market Cap: $167,259 Total Debt: $24,166 Cash: $14,894	**Oracle Corporation** develops, manufactures, markets, hosts, and supports database and middleware software, applications software, and hardware systems. It licenses database and middleware software, including database and database management, application server and cloud applications, service-oriented architecture and BPM, BI, data integration, Web experience management, portals, and content management and social network software, as well as development tools and applications software comprising human capital and talent management, customer experience and CRM, financial management and governance, risk and compliance, procurement, project portfolio management, supply chain management, business analytics and enterprise performance management, and industry-specific applications software.
salesforce **Salesforce.com, Inc (NYSE:CRM)** San Francisco, CA www.salesforce.com	Revenue: $3,760 EBITDA: NM Market Cap: $37,115 Total Debt: $2,458 Cash: $652	**Salesforce.com, Inc.** provides enterprise cloud computing solutions to various businesses and industries worldwide. Its service offerings include Sales Cloud, which enables companies to grow their sales pipelines, close deals, improve sales productivity, and gain business insights, Service Cloud that enables companies to connect with their customers and address their service and support needs, Marketing Cloud for its customers to listen to conversations taking place on public social networks, such as Facebook, Twitter, and blogs, and Salesforce Platform, which enables its customers, independent software vendors, and third-party developers to develop applications in various programming languages, including Java and Ruby. The Company also offers professional services, including consulting, deployment, and training services.
SAP **SAP AG (DB:SAP)** Walldorf, Germany www.sap.com	Revenue: $23,159 EBITDA: $7,577 Market Cap: $91,164 Total Debt: $6,205 Cash: $3,784	**SAP AG** provides enterprise application software and software-related services worldwide. It offers products in applications, analytics, cloud, mobile, and database and technology categories. The Company's enterprise applications include SAP Business Suite, a business process platform that includes software applications for ERP, customer relationship management, product lifecycle management, supplier relationship management, and supply chain management. Its analytics solutions comprise business intelligence, enterprise information management, enterprise performance management, and governance, risk, and compliance solutions. Further, it offers database and technology solutions, which provide an approach to the orchestration of business applications, as well as consulting services.
Sas **SAS Institute Inc.** Cary, NC www.sas.com	Est. Revenue: NA Est. Employees: 13,150	**SAS Institute Inc.** provides business analytics software and services. It offers solutions in the areas of business analytics, business intelligence, customer intelligence, financial intelligence, foundation tools, fraud and security intelligence, high-performance analytics, human capital intelligence, information management, IT and CIO enablement, OnDemand solutions, performance management, risk management, supply chain intelligence, and sustainability management, as well as governance, risk, and compliance. The Company serves various industries, including casinos, communications, education, financial services, government, health insurance, health care providers, hotels, insurance, life sciences, manufacturing, media, oil and gas, retail, travel and transportation and utilities.
TERADATA **Teradata Corporation (NYSE:TDC)** Dayton, OH www.teradata.com	Revenue: $2,692 EBITDA: $714 Market Cap: $6,691 Total Debt: $248 Cash: $695	**Teradata Corporation** provides analytic data solutions worldwide. The Company offers data warehousing solutions that include software, hardware, and related business consulting and support services. Its solutions integrate an organization's departmental and enterprise-wide data into a single integrated data warehouse. Its software and hardware products also comprise Teradata Applications and Tools comprising data mining, master data management, integrated marketing management, digital marketing, enterprise risk management, finance and performance management and profitability analytics to solve business problems, and Teradata Integrated Analytics to convert traditional data warehouse into analytic services environments.

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Appendix B (cont.): TM Capital's List of Private and Public Companies to Watch

Companies to Watch

($ in millions)

Company	Financial Profile	Business Description
adelphic **Adelphic, Inc.** Lexington, MA www.adelphic.com	Private Company Portfolio Company of: Google Ventures and Matrix Partners	**Adelphic, Inc.** offers a Predictive Data Platform for mobile advertising, enabling buying and selling of targeted mobile media. Adelphic's poly-dimensional targeting technology converges mobile, contextual, demographic data with behavior segments to create a unique identifier - the Adephic, a-tag. The a-tag enables scalable retargeting opportunities and performance ROI measurement.
affinnova **Affinnova, Inc.** Waltham, MA www.affinnova.com	Est. Revenue: NA Est. Employees: 105 Portfolio Company of: Eastward Capital Partners, LLC and Flagship Ventures	**Affinnova, Inc.** provides software and services to improve the productivity of a product in the key stages of product life cycle. The Company offers solutions that have broad applicability, and enable consumer brand companies to bring the voice of the customer into the key stages of the product development life cycle, delivering superior insight and decision-making support. Its patent-pending technology uses genetic algorithms so that products are designed in response to consumer preferences.
HubSpot **HubSpot, Inc.** Cambridge, MA www.hubspot.com	Est. Revenue: NA Est. Employees: 600 Portfolio Company of: Altimeter Capital Management and Bantam Group Inc., Investment Arm	**HubSpot, Inc.** offers inbound marketing software. The Company offers an all-in-one HubSpot marketing platform that comprises various tools, which enable marketers to blog, tweet, optimize, capture, and nurture leads all in one place. Its software platform provides multi-channel analytics, A/B testing and landing page tools, blogging, search engine optimization, and social media tools, and behavior-driven communications for marketers. The Company also offers API, e-commerce, and CRM integration services, as well as helpdesk services and chat systems. In addition, it provides group and online training services related to HubSpot and inbound marketing areas.
Localytics **Localytics** Boston, MA www.localytics.com	Private Company Portfolio Company of: Bantam Group Inc., Investment Arm and ENIAC Ventures	**Localytics** provides application marketing and analytics solutions to mobile application developers and publishers. The Company's mobile application analytics platform provides real-time data and insights, and mobile application marketing platform enables organizations to deliver targeted campaigns, engagement, and conversions using data-driven marketing automation from integrated application analytics. It supports various iPhone, iPad, Android, BlackBerry, and Windows devices for its customers, and offers service plans for enterprises, small businesses, and independent developers.
Marketo **Marketo, Inc. (NasdaqGS:MKTO)** San Mateo, CA www.marketo.com	Revenue: $85 EBITDA: NA Market Cap: $1,662 Total Debt: $8 Cash: $141	**Marketo, Inc.** provides a cloud-based marketing software platform that enables organizations to engage in modern relationship marketing in the United States. Its software platform enables the execution, management, and analytical measurement of online, social, and offline marketing activities and customer interactions. The Company's enterprise applications include Marketo Lead Management to address marketing automation and lead management, and Marketo Social Marketing, which enables dedicated social media campaigns, such as referrals, sweepstakes, and other customer engagement campaigns, as well as comprises features to add social marketing extensions to traditional marketing campaigns.
pontiflex **Pontiflex, Inc.** Brooklyn, NY www.pontiflex.com	Est. Revenue: NA Est. Employees: 60 Portfolio Company of: New Atlantic Ventures and RRE Ventures LLC	**Pontiflex, Inc.** operates a mobile and online signup advertising platform for advertisers, mobile application developers, online publishers, and social networks. Its platform enables marketing professionals to place relevant online advertising and pay for them on a cost-per-lead basis, as well as allows consumers to sign up for relevant advertising across mobile and online media on an opt-in basis. The Company also enables U.S. based developers to serve country-specific advertising in local languages, and to tap into the mobile advertising market worldwide, and provides AdLeads, a self-service platform that enables businesses to run geo-targeted mobile signup advertising campaigns, and Social FollowUp, a social tool for email marketing that helps local businesses send out emails based on their social updates.
RedEye **Red Eye International Limited** London, United Kingdom www.redeye.com	Private Company Portfolio Company of: Nova Capital Management Limited	**Red Eye International Limited** provides data driven digital marketing, specifically marketing automation, email marketing and user experience. RedEye helps its clients understand their customers and communicate with them in the most effective manner. For over 15 years, RedEye has been building digital single customer view databases to target multi-channel marketing communications. RedEye's technology enables in-depth segmentation and targeting with greater reach through sophisticated data collection and deduplication. It serves e-commerce businesses in retail, finance and travel focusing on delivering better ROI for its clients.
SILVERPOP **Silverpop Systems, Inc.** Atlanta, GA www.silverpop.com	Est. Revenue: NA Est. Employees: 400 Portfolio Company of: ATEL Ventures, Inc. and Atlanta Technology Angels	**Silverpop Systems, Inc.** provides email marketing software and marketing automation solutions. It offers email marketing software solutions that create and automate email campaigns, marketing automation solution that builds intelligent and automated buyer-driven campaigns, reporting and analytics solutions, solutions to create personalized Web forms, landing pages, and microsites to drive acquisition and conversion, data and list management solutions to import, manage, and leverage marketing data, and survey solutions. The Company also provides transactional email solutions, inbound marketing solutions, SEO, and related digital marketing efforts, lead management solutions, lead and contact scoring solutions, lead nurturing and generation solutions and CRM and Web analytics integration solutions.
visualIQ Driving Brilliant Cross Channel Performance™ **Visual IQ, Inc.** Needham, MA www.visualiq.com	Private Company Portfolio Company of: Fog City Capital LLC and Volition Capital LLC	**Visual IQ, Inc.** offers hosted cross channel marketing intelligence software for marketers and agencies. The Company offers IQ Intelligence Suite of hosted software products, including IQ Insight, which allows users to view, report upon, and compare the performance of channels, campaigns, and marketing tactics side by side, as well as to analyze that performance by criteria specific to their companies, industries, or business models through interactive dashboards and reporting tools, IQ Envoy, which enables users to understand their cross channel and cross campaign attribution, and Audience IQ, a product that connects the understanding that users gain through IQ Insight and IQ Envoy about the marketing performance of their campaigns, and tactics to the demographic and/or behavioral attributes of their customers and prospects.

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