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## Cloud Insights

M&A and Capital Markets Perspective  
on the Cloud Computing Industries:

- Software-as-a-Service
- Platform-as-a-Service
- Infrastructure-as-a-Service

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## Summary

### 2012 Synopsis and Highlights

Cloud transaction activity and valuations continued their upward march in 2012. SaaS M&A volume increased modestly by 18% with notable strategic moves made by Oracle, Microsoft, salesforce.com, SAP, Google, IBM and Intuit. Social grew into a significant M&A theme and overlapped with other themes such as marketing automation and talent management.

Despite lingering macro-economic uncertainty, the public equity markets remained enthusiastic about the SaaS sector, with our SaaS index up 36.7% for 2012. Nine SaaS companies priced their initial public offerings during the year. This level of activity compares favorably with 2011's six SaaS IPO's and represents the most active year to date.

Cloud venture capital was particularly robust in 2012 with total dollar volume up 58% over 2011. The total number of later-stage investments increased slightly from 2011, but average deal size rose from \$24 million in 2011 to \$35 million in 2012. During 2012, 53 SaaS companies completed financings of \$20 million or more, versus 20 in 2011 and only 11 in 2010.

William Blair advised many of the leading SaaS companies in the sector during 2012. We were an underwriter on three SaaS IPOs and two SaaS follow-on offerings that priced during the year. We are pleased to highlight our role in the following SaaS transactions in 2012:

- Vista Equity Partners' acquisition of Lanyon;
- Telogis' acquisition of Navtrak;
- The initial public offering of E2open (\$70.3 million);
- The initial public offering of Demandware (\$101.2 million);
- The initial public offering of Fleetmatics (\$152.7 million);
- The follow-on offering of Ellie Mae (\$60.6 million); and
- The follow-on offering of SPS Commerce (\$53.6 million).

As always, we encourage you to contact us if we may be of assistance.

Best regards,

Andrew Arno  
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## 2012 SaaS Mergers & Acquisitions

During 2012, 184 SaaS M&A transactions were announced, roughly in line with the 185 announced in 2011. Dollar volume for 2012 was up with \$13.8 billion in total disclosed transaction value, versus \$11.7 billion during 2011.

### Notable SaaS Mergers & Acquisitions

Announced	Date		Trans. Value (\$ MM)	Enterprise Value (\$ MM)	Target Company	Acquirer Company	Enterprise Value	
	Completed						LTM Revenue	LTM EBITDA
12/20/12	-		\$956.5	\$871.0	Eloqua	Oracle	9.7x	-
10/11/12	10/09/12		\$95.2	\$95.2	Pardot	ExactTarget	-	-
08/27/12	12/04/12		\$1,396.8	\$1,307.1	Kenexa	IBM	4.1x	49.0x
07/31/12	07/31/12		\$250.0	\$250.0	Wildfire Interactive	Google	-	-
06/25/12	07/18/12		\$1,200.0	\$1,200.0	Yammer	Microsoft	-	-
06/13/12	06/12/12		\$95.0	\$95.0	SinglePlatform	Constant Contact	-	-
06/04/12	08/13/12		\$745.0	\$745.0	Buddy Media	salesforce.com	26.0x	-
05/23/12	06/30/12		\$325.0	\$325.0	Vitruve	Oracle	16.3x	-
05/22/12	10/01/12		\$4,423.0	\$4,226.7	Ariba	SAP America	8.4x	103.5x
05/24/12	06/12/12		\$152.0	\$152.0	PowerReviews	Bazaarvoice	-	-
04/27/12	05/18/12		\$423.5	\$423.5	Demandforce	Intuit	-	-
02/24/12	02/24/12		\$178.7	\$168.7	iContact	Vocus	3.5x	-
02/08/12	04/05/12		\$1,921.4	\$1,805.5	Taleo	Oracle	5.7x	60.9x

Sources: CapitalIQ, public news sources, and third-party estimates

## SaaS Equity Performance

The broad SaaS group was up 27.9% in 2012, with the large-cap SaaS group up 38.1%, midcap SaaS down 1.5%, and small-cap SaaS group up 26.6%. Additionally, the Nasdaq, which was up 15.9%, underperformed the broad SaaS group.

### SaaS Equity Performance<sup>(1)</sup>

Index	2012	December
Large-cap SaaS	+38.1%	+5.7%
Midcap SaaS	-1.5%	+2.1%
Small-cap SaaS	+26.6%	+5.3%
All SaaS	+27.9%	+5.2%
Nasdaq	+15.9%	+0.3%
S&P 500	+13.4%	+0.7%

(1) The poor performance of the midcap SaaS group can be attributed to 4 of its 9 stocks being down greater than 20%, including LOGM (-41.9%), CTCT (-38.8%), TNGO (-22.9%) and BV(-22.1%)

## SaaS Capital Markets

Capital markets activity in 2012 remained strong, with nine IPOs and seven follow-on offerings priced, compared with six IPOs and five follow-on offerings priced in 2011. Notable capital markets events in 2012 included<sup>(2)</sup>:

### Initial Public Offerings:

- Bazaarvoice, a provider of social commerce solutions, completed its initial public offering of \$131 million;
- Demandware, a provider of on-demand e-commerce solutions, completed its initial public offering of \$101 million;
- E2open, a provider of on-demand solutions that enable companies to collaborate with their trading partners to procure, manufacture, sell, and distribute products, completed its initial public offering of \$70 million;
- Eloqua, a provider of on-demand revenue performance management (RPM) software solutions, completed its initial public offering of \$106 million;
- ExactTarget, a provider of cross-channel, interactive marketing solutions, completed its initial public offering of \$186 million;
- Fleetmatics, an Ireland-based provider of fleet management solutions, completed its initial public offering of \$153 million;
- Qualys, a provider of cloud security and compliance solutions, completed its initial public offering of \$105 million;
- ServiceNow, a provider of cloud-based services that automate enterprise IT operations, completed its initial public offering of \$241 million; and
- Workday, a provider of enterprise cloud-based applications for human capital management (HCM), completed its initial public offering of \$733 million.

### Follow-On Offerings:

- Bazaarvoice, a provider of social commerce solutions, completed a follow-on offering of \$151 million;
- Ellie Mae, a provider of enterprise level, on-demand automated solutions for the residential mortgage industry, completed a follow-on offering of \$60.6 million;
- ExactTarget, a provider of cross-channel, interactive marketing solutions, completed a follow-on offering of \$169 million;
- RealPage, a provider of property management solutions, completed a follow-on offering of \$99 million;
- ServiceNow, a provider of cloud-based services that automate enterprise IT operations, completed a follow-on offering of \$451 million;
- SPS Commerce, a provider of supply chain management solutions, completed a follow-on offering of \$54 million; and
- Tangoe, a provider of communications lifecycle management solutions, completed a follow-on offering of \$148 million.

(2) Overallotment included in transaction size where applicable

## SaaS Venture Capital

In 2012 there were 297 SaaS venture investments with a total disclosed transaction value of \$3.3 billion. Year-over-year, 2012 showed a steady increase in activity compared with 2011, in which 234 transactions were announced. Total dollar volume in 2012 was up significantly versus \$2.1 billion in 2011. Notable venture investments in 2012 included:

### Notable SaaS Venture Capital (sorted by size)

Announced Date	Size (\$ MM)	Company	Description	Investors
3/5/12	\$165.0	Drilling Info	Online data and tools to the upstream oil and gas industry	Battery Ventures; Insight Venture Partners; Eastern Advisors Private Fund
7/25/12	\$125.0	Box	Content sharing platform that enables users to share, access, and manage content in the cloud	Bessemer Venture Partners; Draper Fisher Jurvetson; General Atlantic; New Enterprise Associates; SAP Ventures; Scale Venture Partners; The Social + Capital Partnership
7/9/12	\$100.0	GitHub	Code hosting services; allows the users to store code repositories for collaborative development of software solutions	Andreessen Horowitz; SV Angel
11/30/12	\$85.0	Evernote	Applications that allow individuals to save their ideas, projects, and experiences on computers or phones they use	AGC Equity Partners; m8 Capital; T. Rowe Price Group; Valiant Capital Partners
2/29/12	\$85.0	Yammer	Enterprise social networking portals	Capricorn Investment Group; Charles River Ventures; CrunchFund; Draper Fisher Jurvetson; Emergence Capital Partners; Khosla Ventures; MeriTech Capital Partners; The Founders Fund; The Social+Capital Partnership; U.S. Venture Partners
4/19/12	\$70.0	Evernote	Applications that allow individuals to save their ideas, projects, and experiences on computers or phones they use	MeriTech Capital Partners; T. Rowe Price Group; Allen & Company; CBC Capital; Harbor Pacific Capital
1/31/12	\$63.0	Domo Technologies	Executive management platform for managers and executives to run their business	Institutional Venture Partners
1/5/12	\$53.4	Lithium Technologies	Social customer community software and social media marketing solutions	Benchmark Capital; New Enterprise Associates; SAP Ventures; Greenspring Associates; Emergence Capital Partners; Shasta Ventures; Tenaya Capital; DAG Ventures
1/18/12	\$52.5	Code 42 Software	Software development and enterprise services; onsite, offsite and cloud backup solutions	Accel Partners; Split Rock Partners
3/9/12	\$50.0	Apptio	On demand IT cost transparency/optimization solutions	Greylock Partners; Madrona Venture Group; Shasta Ventures; T. Rowe Price Associates; Andreessen Horowitz
9/5/12	\$45.0	Zendesk	Enables its users to submit, update, qualify, assign and share support tickets via email	Benchmark Capital; Charles River Ventures; Goldman Sachs Group; Matrix Partners; Redpoint Ventures; Index Ventures; GGV Capital
3/5/12	\$40.0	Kinnsler Software	Healthcare solutions including administration, billing, time tracking, and patient care management	Insight Venture Partners
1/17/12	\$40.0	Badgeville	Behavior management platform offering social loyalty, gamification and reputation management programs	El Dorado Ventures; Norwest Venture Partners; Trinity Ventures; Webb Investment Network

Sources: Capital IQ and VentureSource

## PaaS and IaaS Activity

Activity in the PaaS and IaaS sectors continued to accelerate in 2012.

### Notable PaaS and IaaS Mergers and Acquisitions

Announced	Date	Trans. Value (\$ MM)	Implied Enterprise Value (\$ MM)	Target Company	Acquirer Company	Enterprise Value	
	Completed					LTM Revenue	LTM EBITDA
12/20/12	12/21/12	\$105.0	\$105.0	ManageIQ	Red Hat	-	-
12/18/12	12/20/12	-	-	CREDANT Technologies	Dell	-	-
12/12/12	-	\$169.1	-	Conrail Systems	Juniper Networks	-	-
11/29/12	12/17/12	\$141.0	\$141.0	Cariden Technologies	Cisco Systems	-	-
11/18/12	12/20/12	\$1,200.0	\$1,200.0	Meraki	Cisco Systems	-	-
11/16/12	11/16/12	-	-	Gale Technologies	Dell	-	-
11/15/12	12/10/12	\$125.0	\$125.0	Cloupia	Cisco Systems	-	-
08/17/12	08/17/12	\$1,083.1	\$1,074.0	MModal	One Equity Partners	2.4x	9.6x
08/13/12	-	\$139.4	\$96.7	Pervasive Software	Action Corporation	2.0x	26.8x
07/23/12	08/24/12	\$1,260.0	\$1,260.0	Nicira Networks	VMware	-	-
07/01/12	08/31/12	\$380.0	\$380.0	Gaikai	Sony Computer Entertainment	-	-

Source: Capital IQ and VentureSource

### Notable PaaS and IaaS Venture Capital (sorted by size)

Announced Date	Size (\$ MM)	Company	Description	Investors
1/23/12	\$85.0	Joyent	Cloud infrastructure platform/cloud software stack for service provider clouds	El Dorado Ventures; EPIC Ventures; Intel Capital; Greycroft Partners; Liberty Global Ventures; Telefonica Ventures
12/3/12	\$65.0	Cloudera	Apache Hadoop-based data management software and services	Accel Partners; Greylock Partners; MeriTech Capital Partners; In-Q-Tel; Ignition Partners
3/15/12	\$60.0	Appirio	Enables enterprises to develop and manage cloud applications and technologies	General Atlantic; Sequoia Capital; GGV Capital
8/20/12	\$47.0	Magnet Systems	Software platform for building enterprise applications with social and mobile capabilities	HTC Corporation
12/20/12	\$40.0	Cloud Sherpas	Google applications cloud service provider and reseller	Columbia Capital; Greenspring Associates; QIC; Delta-v Capital 2009 Holdings
8/8/12	\$40.0	Pure Storage	Flash based enterprise storage solutions	Greylock Partners; Redpoint Ventures; Sutter Hill Ventures; Index Ventures; Data Domain
7/10/12	\$40.0	Meraki	Cloud networking company deploying wireless network infrastructures	Sequoia Capital; Northgate Capital Group
11/13/12	-	Engine Yard	Platform-as-a-service for SaaS application development	Oracle

Sources: Capital IQ and VentureSource

## M&A Overview

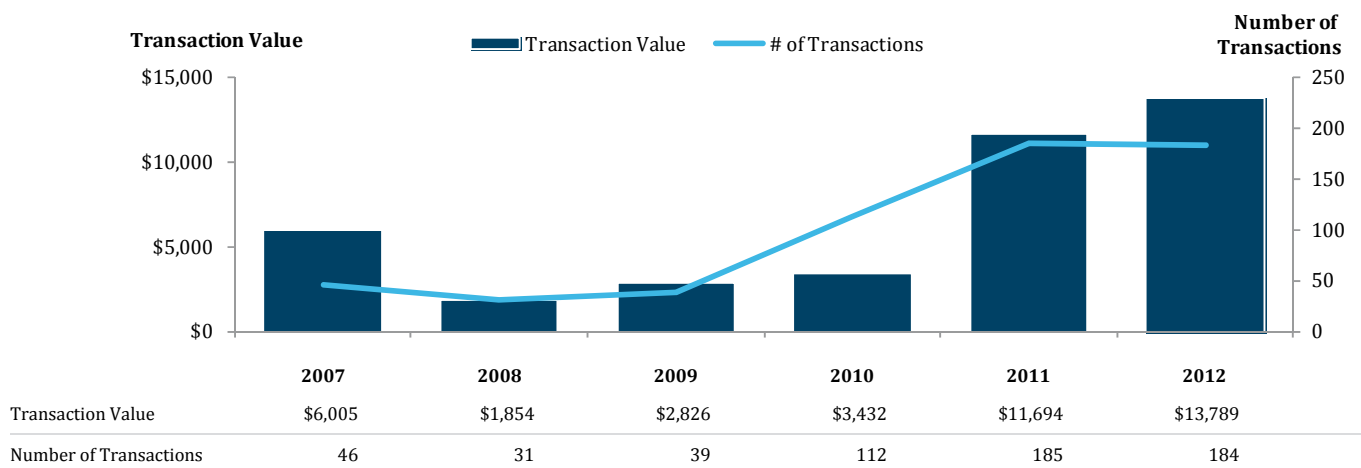
### M&A Activity Detail

	Number of Transactions						Dollar Value					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
Annual Disclosed	22	13	14	30	55	47	\$6,005	\$1,854	\$2,826	\$3,432	\$11,694	\$13,789
Annual Undisclosed	24	18	25	82	130	137	-	-	-	-	-	-
<b>Total</b>	<b>46</b>	<b>31</b>	<b>39</b>	<b>112</b>	<b>185</b>	<b>184</b>	<b>\$6,005</b>	<b>\$1,854</b>	<b>\$2,826</b>	<b>\$3,432</b>	<b>\$11,694</b>	<b>\$13,789</b>

Source: Capital IQ

### Annual M&A Detail

(\$ in millions)



Source: Capital IQ



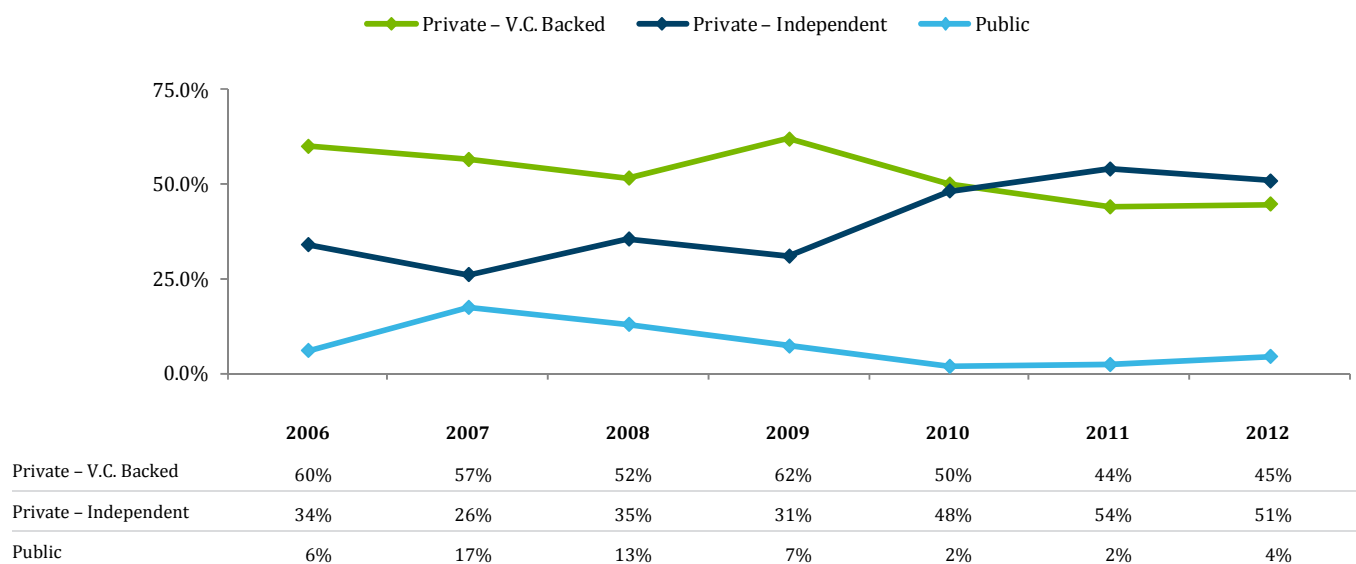
## M&A Valuation Analysis

(\$ in millions)	Annual				
	2008	2009	2010	2011	2012
<b>Volume</b>					
Number of Announced Transactions	31	39	112	185	184
Number of Disclosed Transactions	13	14	30	54	47
Total Dollar Volume	\$1,854	\$2,826	\$3,432	\$11,694	\$13,789
Average Transaction Size	\$143	\$202	\$114	\$217	\$300
<b>EV/LTM Revenues</b>					
Number of Disclosed Transactions	7	3	8	22	14
Mean	2.88x	4.03x	5.04x	4.78x	5.15x
Median	2.80x	4.60x	2.83x	3.70x	3.59x
<b>EV/LTM EBITDA</b>					
Number of Disclosed Transactions	3	2	1	3	6
Mean	15.9x	47.7x	19.0x	33.0x	48.0x
Median	18.5x	47.7x	19.0x	20.2x	42.3x

Source: Capital IQ

## M&A Activity By Target Ownership

(Percentage of Transactions)

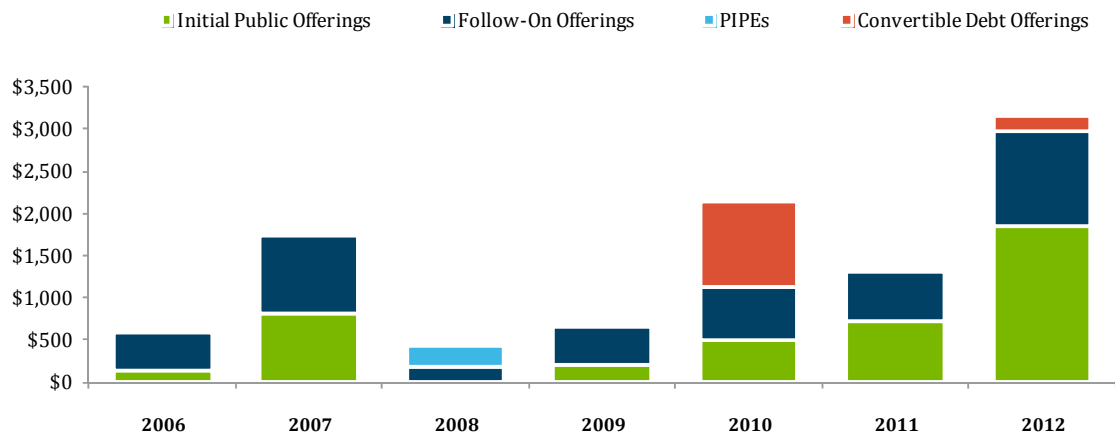


Source: Capital IQ

## Capital Markets Overview

### Annual SaaS Public Offering Activity (\$ Volume by IPO, Follow-On and Convertible Debt)

(\$ in millions)



	2006	2007	2008	2009	2010	2011	2012
Initial Public Offerings	\$145.0	\$805.0	-	\$194.9	\$486.5	\$722.6	\$1,824.8
Follow-On Offerings	\$439.4	\$934.8	\$177.0	\$457.9	\$631.3	\$594.0	\$1,124.0
PIPEs	-	-	\$251.0	-	-	-	-
Convertible Debt Offerings	-	-	-	-	\$1,029.6	-	\$200.0

Sources: Capital IQ and Dealogic

## SaaS Public Equity Offering Detail

Company	Filing Date	Pricing Date	Filing Range	Offer Price	Offering Size <sup>(1)</sup> (\$ in MM)	Primary as % of Offering	Dilution	Market Cap Post Offering (\$ in MM)	% Change Pricing to			Offer Price Discount to	
									First Day	First Week	To Date	Filing Price	Last Sale <sup>(2)</sup>
<b>IPO Priced</b>													
Workday	08/30/12	10/11/12	\$24.00 - \$26.00	\$28.00	\$732.6	100.0%	16.0%	\$4,488.1	73.9%	97.9%	94.6%	-	-
<b>Fleetmatics</b>	<b>08/20/12</b>	<b>10/04/12</b>	<b>\$15.00 - \$17.00</b>	<b>\$17.00</b>	<b>\$152.7</b>	<b>80.0%</b>	<b>18.2%</b>	<b>\$585.1</b>	<b>31.2%</b>	<b>26.5%</b>	<b>48.0%</b>	-	-
Qualys	06/08/12	09/28/12	\$11.00 - \$13.00	\$12.00	\$104.5	88.4%	22.3%	\$360.6	16.3%	12.9%	23.3%	-	-
Eloqua	08/24/11	08/01/12	\$10.00 - \$11.50	\$11.50	\$105.8	87.5%	24.7%	\$368.4	12.1%	21.7%	105.1%	-	-
<b>E2Open</b>	<b>02/17/12</b>	<b>07/25/12</b>	<b>\$15.00 - \$17.00</b>	<b>\$15.00</b>	<b>\$70.3</b>	<b>80.0%</b>	<b>15.0%</b>	<b>\$373.9</b>	<b>(9.3%)</b>	<b>(19.3%)</b>	<b>(5.6%)</b>	-	-
ServiceNow	03/30/12	06/28/12	\$15.00 - \$17.00	\$18.00	\$241.2	77.3%	7.5%	\$2,165.2	36.7%	40.4%	66.8%	-	-
ExactTarget	11/23/11	03/21/12	\$15.00 - \$17.00	\$19.00	\$185.7	100.0%	14.9%	\$1,225.1	32.2%	36.8%	5.3%	-	-
<b>Demandware</b>	<b>7/15/11</b>	<b>03/14/12</b>	<b>\$12.50 - \$14.50</b>	<b>\$16.00</b>	<b>\$101.2</b>	<b>100.0%</b>	<b>21.9%</b>	<b>\$448.0</b>	<b>47.4%</b>	<b>56.9%</b>	<b>70.8%</b>	-	-
Bazaarvoice	08/26/11	02/23/12	\$8.00 - \$10.00	\$12.00	\$130.9	94.9%	17.9%	\$682.3	37.6%	32.0%	(22.1%)	-	-
<b>Follow-On Priced</b>													
ServiceNow	10/31/12	11/14/12	-	\$28.00	\$451.0	11.8%	1.5%	\$3,589.9	13.5%	9.9%	7.3%	(8.6%)	(2.5%)
RealPage	09/13/12	09/14/12	-	\$24.85	\$99.4	0.0%	0.0%	\$1,915.9	(1.8%)	(8.0%)	(13.2%)	(4.5%)	3.0%
ExactTarget	08/27/12	09/11/12	-	\$22.50	\$168.8	0.0%	0.0%	\$1,520.2	3.5%	3.3%	(11.1%)	4.3%	(2.3%)
<b>SPS Commerce</b>	<b>09/04/12</b>	<b>09/06/12</b>	-	<b>\$33.50</b>	<b>\$53.6</b>	<b>100.0%</b>	<b>11.4%</b>	<b>\$479.1</b>	<b>2.5%</b>	<b>6.1%</b>	<b>11.3%</b>	<b>(3.0%)</b>	<b>(1.5%)</b>
Bazaarvoice	06/26/12	07/17/12	-	\$15.40	\$150.5	27.6%	5.8%	\$946.4	5.5%	3.1%	(39.3%)	(16.8%)	(1.0%)
<b>Ellie Mae</b>	<b>06/25/12</b>	<b>06/27/12</b>	-	<b>\$17.00</b>	<b>\$60.6</b>	<b>96.7%</b>	<b>12.2%</b>	<b>\$420.5</b>	<b>4.4%</b>	<b>11.9%</b>	<b>63.2%</b>	<b>8.1%</b>	<b>(0.2%)</b>
Tangoe	03/12/12	03/28/12	-	\$18.50	\$148.0	27.5%	6.0%	\$692.6	3.8%	0.2%	(35.8%)	0.4%	(2.7%)

William Blair clients highlighted

Sources: FactSet and Dealogic as of December 31, 2012

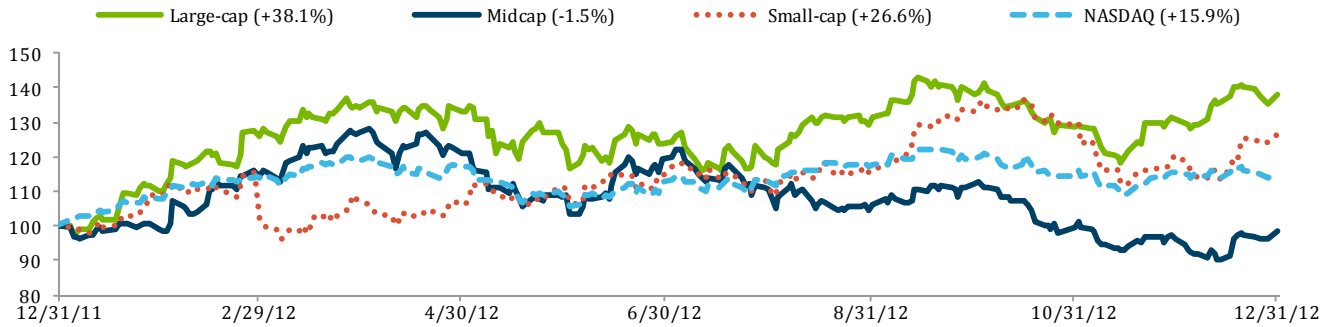
(1) Includes the overallotment where applicable

(2) Indicates closing price just before pricing

## Public Company Analysis

- The SaaS index was up 27.9% in 2012, outperforming the Nasdaq.
- During 2012, the large-cap and small-cap SaaS groups were up 38.1% and 26.6%, respectively, while the midcap SaaS group was down 1.5%.

### SaaS Indexed Stock Price Performance<sup>(1)</sup>



Note: Market cap groupings based on December 31, 2011; market capitalizations at pricing are used for 2012 IPOs

Mkt. Cap > \$1 B consists of: ATHN, CNQR, TRAK, ET, N, RP, CRM, NOW, SREV, SNCR, ULTI, WDAY

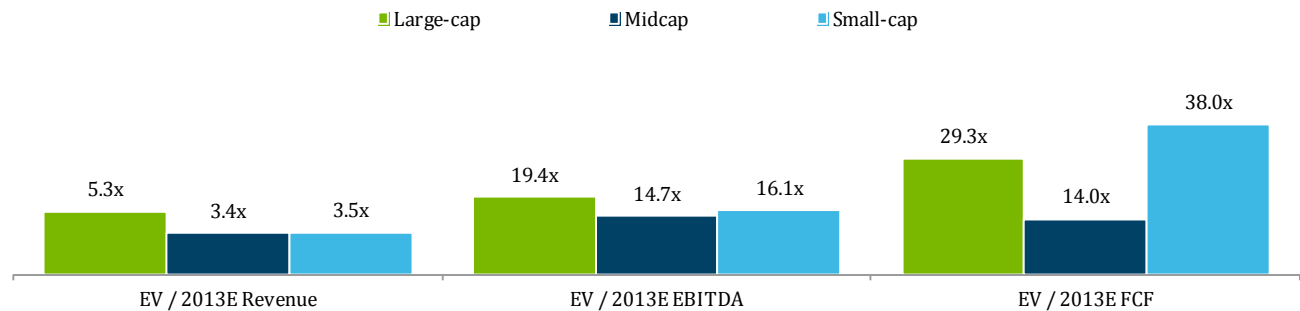
Mkt. Cap \$500 MM to \$1B consists of: BV, CTCT, CSOD, FLT, JIVE, LPSN, LOGM, MDSO, TNGO

Mkt. Cap < \$500 MM consists of: ELLI, ELOQ, EOPN, DWRE, IL, LEDR, MKTG, QLYS, SQI, SDBT, SPSC, VOCS

Source: FactSet as of December 31, 2012

(1) The poor performance of the midcap SaaS group can be attributed to 4 of its 9 stocks being down greater than 20%, including LOGM (-41.9%), CTCT (-38.8%), TNGO (-22.9%) and BV(-22.1%)

### Valuation Overview



Note: Market cap groupings based on December 30, 2011, stock price; data points represent median multiples.

Note: Median multiples exclude DemandTec, RightNow Technologies, SoundBite Communications, and SuccessFactors

Source: FactSet as of December 31, 2012

## Comparable Company Analysis – Market Cap Groupings

	Close 12/31/12	Market Cap (\$MM) 12/31/11	Market Cap (\$MM) 12/31/12	Enterprise Value (\$MM)	Enterprise Value / Revenue			Enterprise Value / EBITDA			Enterprise Value / FCF			'12E - '13E Revenue Growth	2013E EBITDA Margin
					2012E	2013E	2014E	2012E	2013E	2014E	2012E	2013E	2014E		
<b>Large-cap</b>															
athenahealth	\$73.29	\$1,735.3	\$2,658.4	\$2,478.2	6.22x	4.60x	3.66x	49.6x	22.1x	18.2x	nmf	39.2x	34.9x	35.2%	20.8%
Concur Technologies	\$67.52	\$2,747.2	\$3,718.5	\$3,467.4	7.88x	5.94x	4.77x	nmf	26.7x	19.4x	58.4x	57.6x	35.0x	32.7%	22.3%
DealerTrack Holdings	\$28.72	\$1,107.8	\$1,226.7	\$1,178.1	3.11x	2.61x	2.30x	22.0x	10.2x	8.9x	25.4x	21.3x	16.1x	19.2%	25.7%
ExactTarget	\$20.00	\$1,225.1	\$1,361.6	\$1,149.6	4.30x	3.10x	2.48x	nmf	nmf	50.3x	nmf	nmf	nmf	38.4%	1.5%
NetSuite	\$67.30	\$2,752.6	\$4,822.2	\$4,646.1	16.14x	11.73x	9.30x	nmf	nmf	nmf	nmf	nmf	51.0x	37.5%	10.0%
RealPage	\$21.57	\$1,814.8	\$1,627.1	\$1,615.9	5.25x	4.14x	3.52x	47.3x	16.7x	13.5x	40.5x	23.7x	20.1x	27.0%	24.7%
Salesforce.com	\$168.10	\$13,798.	\$23,870.2	\$23,843.2	8.37x	6.30x	5.11x	nmf	35.3x	28.9x	45.4x	34.9x	27.5x	33.0%	17.8%
ServiceNow	\$30.03	\$2,165.2	\$3,754.4	\$3,544.1	15.65x	9.64x	6.62x	nmf	nmf	47.1x	nmf	nmf	38.0x	62.4%	5.1%
ServiceSource International	\$5.85	\$1,114.1	\$442.0	\$333.2	1.40x	1.25x	1.08x	nmf	16.3x	12.5x	nmf	nmf	nmf	12.8%	7.6%
Synchronoss Technologies	\$21.09	\$1,134.7	\$802.7	\$694.0	2.64x	2.09x	1.69x	12.4x	6.7x	5.3x	39.1x	16.2x	13.3x	26.4%	31.1%
Ultimate Software Group	\$94.41	\$1,695.0	\$2,577.5	\$2,506.6	8.01x	6.12x	4.95x	nmf	31.7x	24.0x	nmf	nmf	43.7x	31.0%	19.3%
Workday	\$54.50	\$4,488.1	\$9,047.0	\$8,276.6	35.18x	20.10x	13.16x	nmf	nmf	nmf	nmf	nmf	nmf	75.0%	nmf
<b>Mean</b>					<b>9.51x</b>	<b>6.47x</b>	<b>4.89x</b>	<b>32.8x</b>	<b>20.7x</b>	<b>22.8x</b>	<b>41.8x</b>	<b>32.1 x</b>	<b>31.1 x</b>	<b>35.9%</b>	<b>16.9%</b>
<b>Median</b>					<b>7.05x</b>	<b>5.27x</b>	<b>4.22x</b>	<b>34.6x</b>	<b>19.4x</b>	<b>18.8x</b>	<b>40.5x</b>	<b>29.3 x</b>	<b>34.9 x</b>	<b>32.8%</b>	<b>19.3%</b>
<b>Midcap</b>															
Bazaarvoice	\$9.35	\$682.3	\$668.1	\$526.6	3.95x	2.78x	2.26x	nmf	nmf	nmf	nmf	nmf	nmf	41.9%	nmf
Constant Contact	\$14.21	\$690.3	\$434.0	\$345.9	1.42x	1.21x	1.07x	15.3x	7.7x	6.5x	16.8x	14.0x	11.5x	17.4%	15.6%
Cornerstone OnDemand	\$29.53	\$884.1	\$1,490.7	\$1,430.6	13.77x	8.34x	5.88x	nmf	nmf	nmf	nmf	nmf	37.9x	65.1%	nmf
Fleetmatics Group	\$25.16	\$585.1	\$866.0	\$788.7	6.71x	4.99x	3.94x	39.7x	17.7x	13.5x	nmf	nmf	nmf	34.6%	28.1%
Jive Software	\$14.53	\$945.1	\$934.5	\$804.4	7.76x	5.30x	4.05x	nmf	nmf	nmf	nmf	nmf	34.9x	46.5%	nmf
LivePerson	\$13.14	\$668.4	\$734.1	\$630.8	4.17x	3.44x	2.93x	29.6x	16.8x	13.7x	27.4x	22.5x	19.7x	21.2%	20.5%
LogMeIn	\$22.41	\$937.2	\$555.9	\$350.7	2.61x	2.14x	1.78x	24.0x	9.3x	7.7x	13.4x	9.6x	8.2x	22.3%	22.9%
Medidata Solutions	\$39.18	\$539.0	\$1,015.2	\$891.7	4.31x	3.46x	2.96x	25.5x	15.8x	12.6x	33.0x	11.1x	8.5x	24.4%	21.9%
Tangoe	\$11.87	\$507.6	\$449.6	\$422.7	3.02x	2.21x	1.86x	39.7x	13.5x	9.8x	23.0x	16.6x	11.1x	36.6%	16.4%
<b>Mean</b>					<b>5.30x</b>	<b>3.76x</b>	<b>2.97x</b>	<b>29.0x</b>	<b>13.5x</b>	<b>10.6x</b>	<b>22.7x</b>	<b>14.8 x</b>	<b>18.8 x</b>	<b>34.4%</b>	<b>20.9%</b>
<b>Median</b>					<b>4.17x</b>	<b>3.44x</b>	<b>2.93x</b>	<b>27.6x</b>	<b>14.7x</b>	<b>11.2x</b>	<b>23.0x</b>	<b>14.0 x</b>	<b>11.5 x</b>	<b>34.6%</b>	<b>21.2%</b>
<b>Small-cap</b>															
Demandware	\$27.32	\$448.0	\$811.9	\$709.3	9.88x	7.33x	5.45x	nmf	nmf	nmf	nmf	nmf	nmf	34.8%	3.5%
E2open	\$14.16	\$373.9	\$354.8	\$316.2	4.50x	3.67x	3.06x	nmf	nmf	34.7x	nmf	nmf	nmf	22.7%	3.7%
Ellie Mae	\$27.75	\$117.2	\$712.1	\$618.2	6.82x	4.95x	3.71x	28.0x	15.6x	10.2x	36.6x	29.9x	22.1x	37.8%	31.7%
Eloqua <sup>(1)</sup>	\$23.59	\$368.4	\$814.5	\$729.0	8.09x	6.38x	5.13x	nmf	nmf	57.8x	nmf	nmf	nmf	26.9%	2.7%
IntraLinks Holdings	\$6.17	\$337.3	\$336.0	\$346.4	1.63x	1.60x	1.47x	nmf	8.7x	8.3x	nmf	41.2x	34.3x	2.2%	18.3%
Market Leader	\$6.55	\$69.8	\$173.2	\$151.1	3.56x	2.50x	na	nmf	11.7x	na	nmf	38.0x	15.9x	42.7%	21.4%
Qualys	\$14.79	\$360.6	\$464.6	\$505.3	5.78x	4.65x	3.89x	nmf	31.2x	21.0x	nmf	40.9x	22.5x	24.2%	14.9%
Responsys	\$5.96	\$421.8	\$290.8	\$191.2	1.23x	1.03x	0.89x	10.2x	6.4x	5.5x	15.9x	12.8x	10.9x	19.5%	16.1%
SciQuest	\$15.86	\$314.7	\$353.9	\$306.6	5.03x	3.33x	2.72x	53.7x	17.4x	13.3x	18.6x	14.3x	11.8x	50.8%	19.1%
SoundBite Communications <sup>(2)</sup>	\$2.89	\$37.0	\$47.3	\$23.2	0.50x	0.45x	0.41x	37.4x	9.7x	5.8x	nmf	nmf	19.4x	11.9%	4.6%
SPS Commerce	\$37.27	\$313.3	\$547.2	\$477.5	6.78x	4.91x	4.10x	nmf	37.8x	25.8x	nmf	44.3x	33.6x	37.9%	13.0%
Vocus	\$17.38	\$442.0	\$359.8	\$408.4	2.65x	1.96x	1.70x	nmf	16.1x	na	25.5x	19.2x	13.6x	35.1%	12.2%
<b>Mean</b>					<b>4.79x</b>	<b>3.59x</b>	<b>3.00x</b>	<b>30.6x</b>	<b>18.1x</b>	<b>17.0x</b>	<b>24.1x</b>	<b>30.1 x</b>	<b>20.6 x</b>	<b>30.8%</b>	<b>15.4%</b>
<b>Median</b>					<b>4.77x</b>	<b>3.50x</b>	<b>3.06x</b>	<b>28.0x</b>	<b>15.8x</b>	<b>13.3x</b>	<b>22.0x</b>	<b>33.9 x</b>	<b>19.0 x</b>	<b>35.0%</b>	<b>15.5%</b>
<b>Overall</b>															
<b>Mean</b>					<b>6.77x</b>	<b>4.76x</b>	<b>3.75x</b>	<b>30.5x</b>	<b>17.8x</b>	<b>17.9x</b>	<b>29.9x</b>	<b>26.7 x</b>	<b>24.0 x</b>	<b>33.8%</b>	<b>17.2%</b>
<b>Median</b>					<b>4.77x</b>	<b>3.57x</b>	<b>3.06x</b>	<b>28.0x</b>	<b>16.2x</b>	<b>13.5x</b>	<b>26.5x</b>	<b>22.5 x</b>	<b>21.1 x</b>	<b>33.8%</b>	<b>18.3%</b>

(1) Indicates excluded from mean and median calculation due to acquisition

(2) Indicates excluded from mean and median calculation due to enterprise value

Source: FactSet as of December 31, 2012

## Stock Price & Revenue Multiple Over Time – Market Cap Groupings

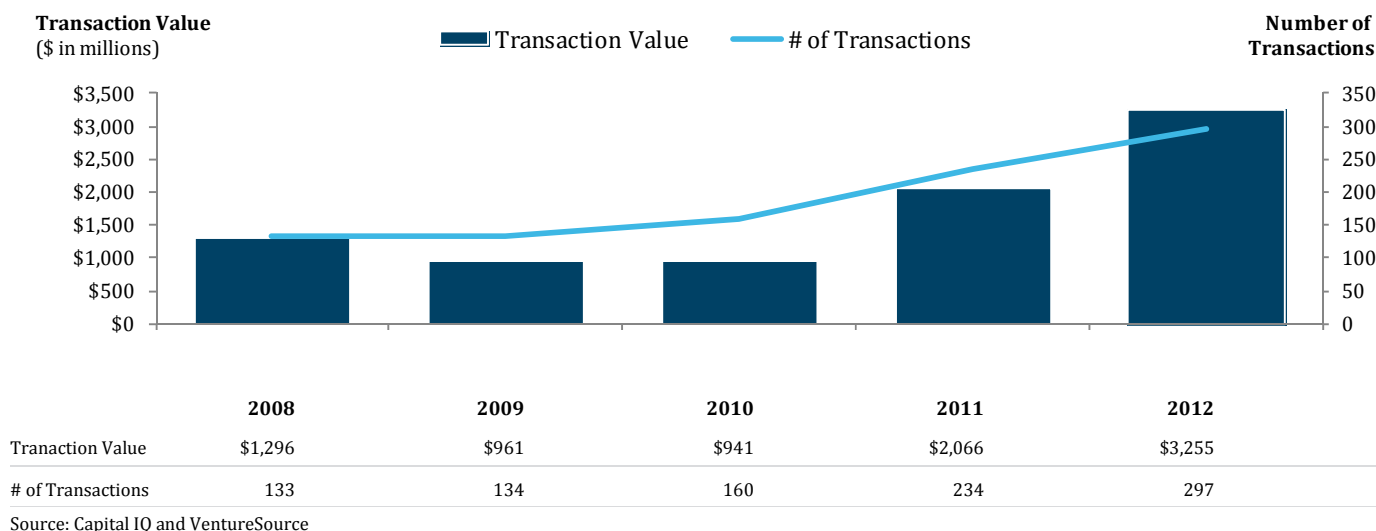
	Market Cap (\$MM) 12/31/11	Market Cap (\$MM) 12/31/12	12/31/11		Low Point		High Point		12/31/12		% Change in Stock Price		
			Stock Price	EV/LTM Rev	Stock Price	EV/LTM Rev	Stock Price	EV/LTM Rev	Stock Price	EV/LTM Rev	12/31/11 to 12/31/12	Low Point to 12/31/12	High Point to 12/31/12
<b>Large-cap</b>													
athenahealth	\$1,735.3	\$2,658.4	\$49.12	5.37x	\$49.12	5.37x	\$96.64	8.83x	\$73.29	6.22x	49.2%	49.2%	-24.2%
Concur Technologies	\$2,747.2	\$3,718.5	\$50.79	6.96x	\$47.89	6.51x	\$75.63	9.41x	\$67.52	7.88x	32.9%	41.0%	-10.7%
DealerTrack Holdings	\$1,107.8	\$1,226.7	\$27.26	3.22x	\$23.96	2.54x	\$31.64	3.70x	\$28.72	3.11x	5.4%	19.9%	-9.2%
ExactTarget	\$1,225.1	\$1,361.6	na	na	\$18.00	3.79x	\$27.35	8.29x	\$20.00	4.30x	na	11.1%	-26.9%
NetSuite	\$2,752.6	\$4,822.2	\$40.55	11.73x	\$38.51	11.05x	\$67.30	16.27x	\$67.30	16.14x	66.0%	74.8%	0.0%
RealPage	\$1,814.8	\$1,627.1	\$25.27	7.58x	\$16.92	4.25x	\$28.66	8.59x	\$21.57	5.25x	-14.6%	27.5%	-24.7%
Salesforce.com	\$13,798.6	\$23,870.2	\$101.46	6.55x	\$97.48	6.29x	\$170.90	9.55x	\$168.10	8.37x	65.7%	72.4%	-1.6%
ServiceNow	\$2,165.2	\$3,754.4	na	na	\$23.74	14.51x	\$40.37	25.24x	\$30.03	15.65x	na	26.5%	-25.6%
ServiceSource International	\$1,114.1	\$442.0	\$15.69	5.35x	\$4.18	0.87x	\$17.71	6.07x	\$5.85	1.40x	-62.7%	40.0%	-67.0%
Synchronoss Tech	\$1,134.7	\$802.7	\$30.21	4.52x	\$17.13	2.11x	\$35.69	5.47x	\$21.09	2.64x	-30.2%	23.1%	-40.9%
Ultimate Software Group	\$1,695.0	\$2,577.5	\$65.12	6.42x	\$64.20	6.20x	\$104.99	9.23x	\$94.41	8.01x	45.0%	47.1%	-10.1%
Workday	\$4,488.1	\$9,047.0	na	na	\$46.99	10.00x	\$56.17	44.07x	\$54.50	35.18x	na	16.0%	-3.0%
<b>Midcap</b>													
Bazaarvoice	\$682.3	\$668.1	na	na	\$8.80	3.65x	\$20.30	12.40x	\$9.35	3.95x	na	6.2%	-53.9%
Constant Contact	\$690.3	\$434.0	\$23.21	2.75x	\$11.59	1.09x	\$31.31	3.76x	\$14.21	1.42x	-38.8%	22.6%	-54.6%
Cornerstone OnDemand	\$884.1	\$1,490.7	\$18.24	13.05x	\$17.58	10.17x	\$32.33	16.75x	\$29.53	13.77x	61.9%	68.0%	-8.7%
Fleetmatics	\$585.1	\$866.0	na	na	\$19.63	5.72x	\$25.16	8.69x	\$25.16	6.71x	na	28.2%	0.0%
Jive Software	\$945.1	\$934.5	\$16.00	13.04x	\$11.14	5.47x	\$27.52	19.72x	\$14.53	7.76x	-9.2%	30.4%	-47.2%
LivePerson	\$668.4	\$734.1	\$12.55	4.64x	\$11.84	3.76x	\$19.49	6.92x	\$13.14	4.17x	4.7%	11.0%	-32.6%
LogMeIn	\$937.2	\$555.9	\$38.55	6.37x	\$18.95	2.08x	\$42.50	7.18x	\$22.41	2.61x	-41.9%	18.3%	-47.3%
Medidata Solutions	\$539.0	\$1,015.2	\$21.75	2.36x	\$18.61	1.94x	\$42.85	4.88x	\$39.18	4.31x	80.1%	110.5%	-8.6%
Tango	\$507.6	\$449.6	\$15.40	4.90x	\$11.87	3.02x	\$22.72	7.30x	\$11.87	3.02x	-22.9%	0.0%	-47.8%
Bazaarvoice	\$682.3	\$668.1	na	na	\$8.80	3.65x	\$20.30	12.40x	\$9.35	3.95x	na	6.2%	-53.9%
<b>Small-cap</b>													
Demandware	\$448.0	\$811.9	na	na	\$22.52	8.77x	\$33.93	16.95x	\$27.32	9.88x	na	21.3%	-19.5%
E2open	\$373.9	\$354.8	na	na	\$11.90	4.12x	\$17.82	5.81x	\$14.16	4.50x	na	19.0%	-20.5%
Ellie Mae	\$117.2	\$712.1	\$5.65	1.95x	\$5.40	1.85x	\$28.92	8.92x	\$27.75	6.82x	391.2%	413.9%	-4.0%
Eloqua	\$368.4	\$814.5	na	na	\$12.89	4.84x	\$24.65	8.48x	\$23.59	8.09x	na	83.0%	-4.3%
IntraLinks Holdings	\$337.3	\$336.0	\$6.24	1.71x	\$3.84	1.06x	\$7.25	1.97x	\$6.17	1.63x	-1.1%	60.7%	-14.9%
Market Leader	\$69.8	\$173.2	\$2.75	1.43x	\$2.45	1.19x	\$7.02	4.07x	\$6.55	3.56x	138.2%	167.3%	-6.7%
Qualys	\$360.6	\$464.6	na	na	\$11.34	3.51x	\$14.89	5.78x	\$14.79	5.78x	na	30.4%	-0.7%
ResponSys	\$421.8	\$290.8	\$8.89	2.61x	\$5.70	1.15x	\$12.78	3.86x	\$5.96	1.23x	-33.0%	4.6%	-53.4%
SciQuest	\$314.7	\$353.9	\$14.27	5.16x	\$13.16	4.03x	\$18.47	6.23x	\$15.86	5.03x	11.1%	20.5%	-14.1%
SoundBite Communications	\$37.0	\$47.3	\$2.25	0.23x	\$2.10	0.19x	\$3.14	0.55x	\$2.89	0.50x	28.4%	37.6%	-8.0%
SPS Commerce	\$313.3	\$547.2	\$25.95	5.21x	\$23.25	4.33x	\$40.40	8.30x	\$37.27	6.78x	43.6%	60.3%	-7.7%
Vocus	\$442.0	\$359.8	\$22.09	3.05x	\$12.32	1.24x	\$24.19	4.08x	\$17.38	2.65x	-21.3%	41.1%	-28.2%

Source: FactSet as of December 31, 2012

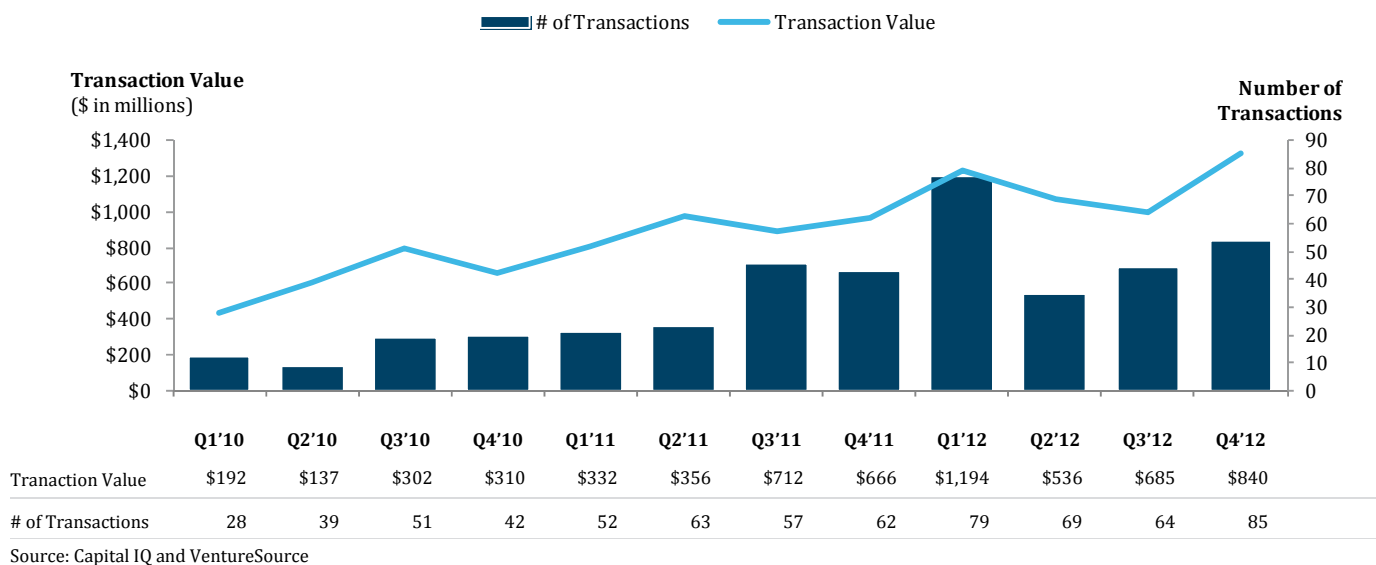
## Venture Capital Activity

The total number of venture investments increased 27% when comparing 2012 with 2011, while dollar volume was up 58% for the same periods.

### Annual Venture Capital SaaS Activity

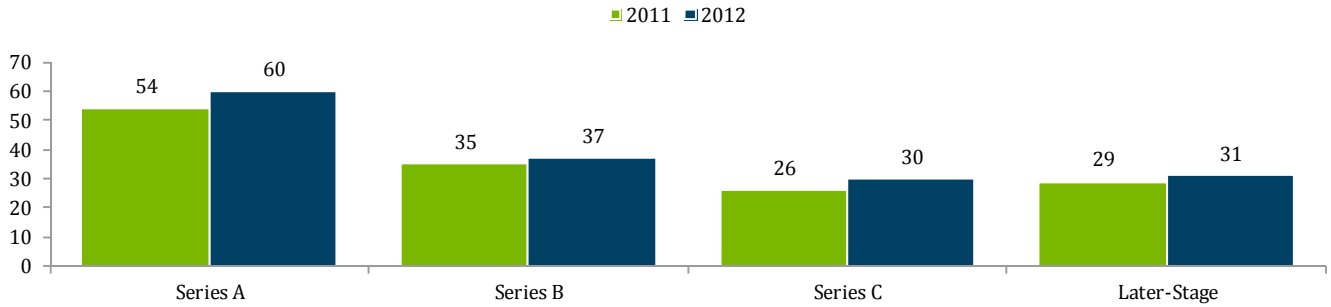


### Quarterly Venture Capital SaaS Activity



The number of investments for 2012 increased slightly compared with 2011 across all stages of investment. The median transaction size saw a meaningful increase for Series C and later rounds.

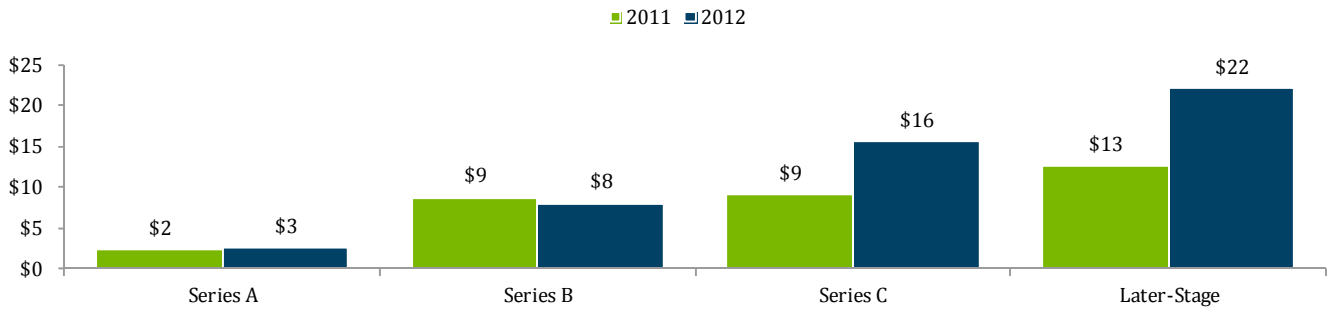
### Number of SaaS Transactions by Round



Sources: Capital IQ and VentureSource

### Median SaaS Transaction Size by Round

(\$ in millions)























Sources: Capital IQ and VentureSource



## William Blair & Company Selected Cloud Transactions







### Selected M&A Transactions

<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>Vista Equity Partners</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>Telogis</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>CITRIX®</p>	<p>\$115,000,000</p>  <p>has been acquired by</p>  <p>PAYCHEX®</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>Fleetmatics</p>
<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>ORACLE®</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>ADP®</p>	<p>Not Disclosed</p>  <p>has acquired</p>  <p>Centive® Inspire performance</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>SWORD UPDATE YOUR BUSINESS</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>ADP®</p>

### Selected Public Equity Transactions

<p>\$152,734,375</p>  <p>Initial Public Offering</p>	<p>\$70,312,500</p>  <p>Initial Public Offering</p>	<p>\$158,622,000</p>  <p>Initial Public Offering &amp; Follow-On Offerings</p>	<p>\$111,298,383</p>  <p>Initial Public Offering &amp; Follow-On Offering</p>	<p>\$101,200,000</p>  <p>Initial Public Offering</p>
<p>\$71,875,000</p>  <p>Initial Public Offering</p>	<p>\$91,351,224</p>  <p>Initial Public Offering</p>	<p>\$318,436,530</p>  <p>Initial Public Offering &amp; Follow-On Offering</p>	<p>\$156,975,000</p>  <p>Initial Public Offering</p>	<p>\$142,866,254</p>  <p>Initial Public Offering &amp; Follow-On Offering</p>
<p>\$266,512,000</p>  <p>Initial Public Offering &amp; Follow-On Offering</p>	<p>\$53,124,000</p>  <p>Initial Public Offering</p>	<p>\$206,816,000</p>  <p>Initial Public Offering &amp; Follow-On Offering</p>	<p>\$126,500,000</p>  <p>Initial Public Offering</p>	<p>\$708,860,000</p>  <p>Initial Public Offering &amp; Follow-On Offerings</p>

### Selected Private Equity Transactions

<p>Not Disclosed</p>  <p>Private Equity Preferred Stock</p>	<p>Not Disclosed</p>  <p>received a significant investment from</p>  <p>CALERA CAPITAL</p>	<p>Not Disclosed</p>  <p>Series E Preferred Stock</p>	<p>\$54,000,000</p>  <p>Preferred Stock</p>	<p>\$50,000,000</p>  <p>Convertible Preferred Stock</p>
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## SaaS Professional Biographies

### **Andrew H. Arno | Director, San Francisco**

Andrew Arno is a director in William Blair & Company's West Coast investment banking team based in San Francisco. He joined William Blair & Company in 2004. From 2000 to 2002, he was an investment banking associate at WR Hambrecht+Co. in the technology group. From 1997 to 2000, he worked at The Shattan Group LLC, a boutique investment bank focused on private equity placements. He is a graduate of Columbia University (B.A.) and the Haas School of Business at University of California, Berkeley (M.B.A.).

## William Blair & Company SaaS Equity Research Coverage

### SaaS Equity Research

Company	Ticker	Analyst
Athenahealth	ATHN	Ryan Daniels
Concur Technologies	CNQR	Laura Lederman
Constant Contact	CTCT	Laura Lederman
Cornerstone OnDemand	CSOD	Laura Lederman
Demandware	DWRE	Laura Lederman
E2open	EOPN	Laura Lederman
Ellie Mae	ELLI	Brandon Dobell
Fleetmatics	FLTX	Laura Lederman
Market Leader	LEDR	Brandon Dobell
NetSuite	N	Laura Lederman
RealPage	RP	Laura Lederman
Responsys	MKTG	Laura Lederman
salesforce.com	CRM	Laura Lederman
SciQuest	SQI	Laura Lederman
ServiceSource	SREV	Laura Lederman
SPS Commerce	SPSC	Laura Lederman
Ultimate Software Group	ULTI	Laura Lederman
Vocus	VOCS	Laura Lederman
Workday	WDAY	Laura Lederman

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January 10, 2013

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