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THURSDAY APRIL 22, 2010

# MHTA Spring Conference

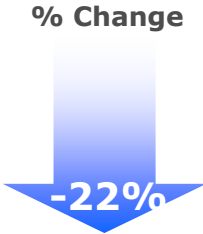
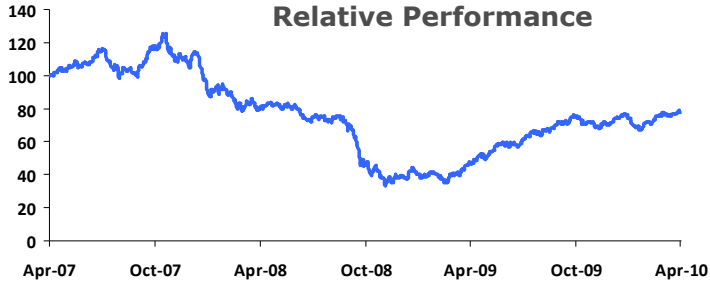
**MERGERS and ACQUISITIONS PRINCIPAL INVESTING STRATEGIC ADVISORY**

# Micro-Cap Public Company Stock Performance Is Down...

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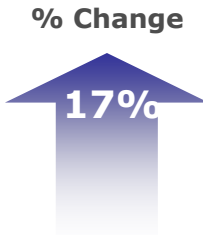
## Small-sized

Software firms under \$100m in revenue



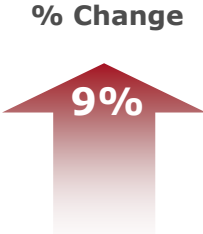
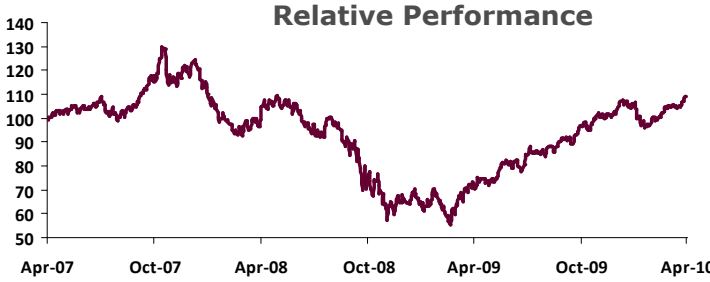
## Mid-sized

Software firms between \$100m and \$999m revenue



## Large-sized

Software firms over \$1,000m in revenue



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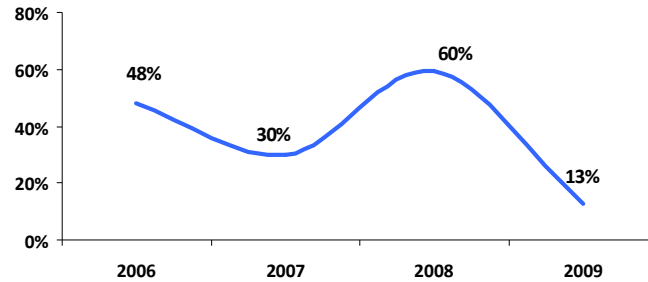
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# ...Despite Stronger Revenue Growth

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## Small-sized Revenue Growth...

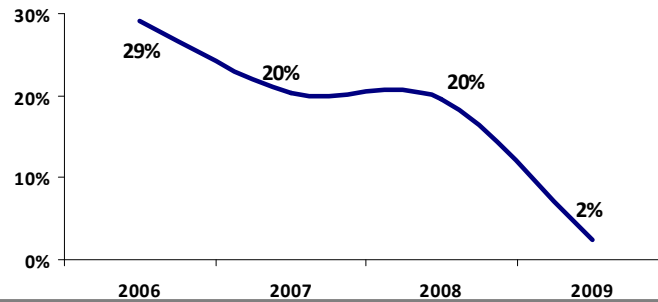
Small-sized firms have demonstrated the strongest growth overall



**13%**  
Current Year Growth

## Mid-sized Revenue Growth...

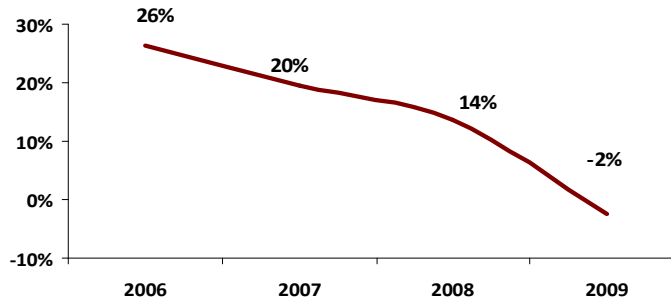
Mid-sized firms have achieved moderate growth; albeit slower in current year



**2%**  
Current Year Growth

## Large-sized Revenue Growth...

Large-sized firms have been the most impacted



**-2%**  
Current Year Growth

Revenue growth figures are "average" calculated from each category



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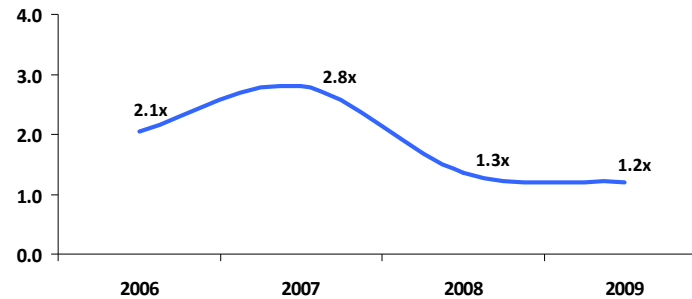
# The Result?

## Downward Adjustment in Valuations...

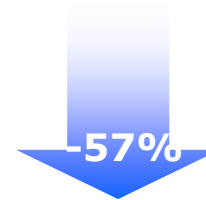
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### Small-sized TEV / Revenue

Small-sized firms were most affected by lack of market confidence

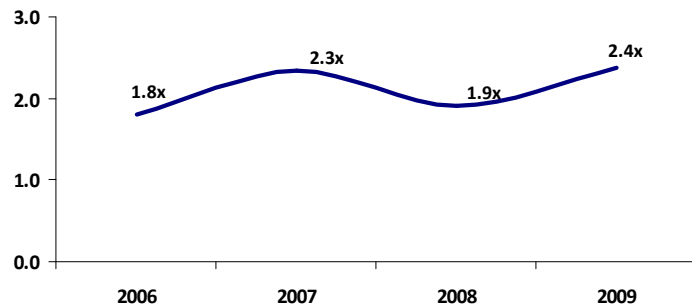


From 2007 High

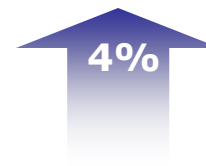


### Mid-sized TEV / Revenue

Performing better and holding value better than small-sized firms and large-sized firms

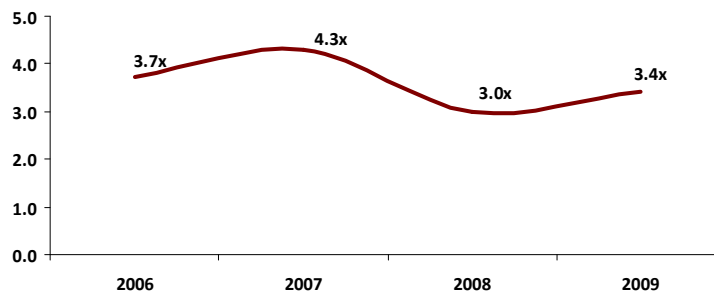


From 2007 High



### Large-sized TEV / Revenue

Higher premium than small-sized and mid-sized firms



From 2007 High



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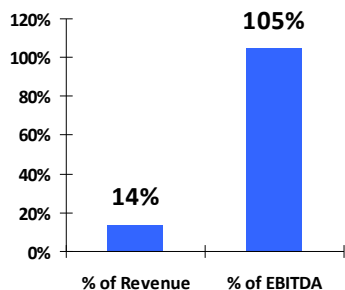
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Figures: Median calculation for each category

# ..and an Out of Whack Cost / Benefit Scenario for Small Cap's

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## Small-sized



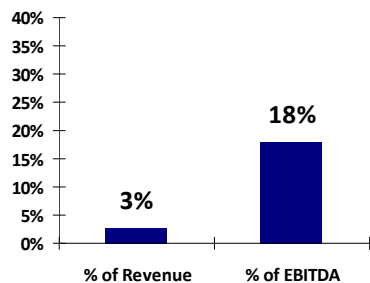
Small-sized firms feel the pressure of the public markets the most.

Many are operating around breakeven to operating losses, with expensive cost constraints for being a public entity.

**Public Company Cost Burden**

- Small cap \$2m /yr
- Mid cap \$8m /yr
- Lg cap \$22m /yr

## Mid-sized



Mid-sized firms scaling to \$100-plus million in revenue have the ability to operate in the public realm much easier.

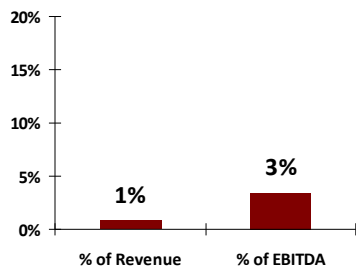


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## Large-sized



Large-sized firms have a strong incentive to remain public and have the size and resources to do so.

Figures: % of Revenue and % of EBITDA show median cost for each category

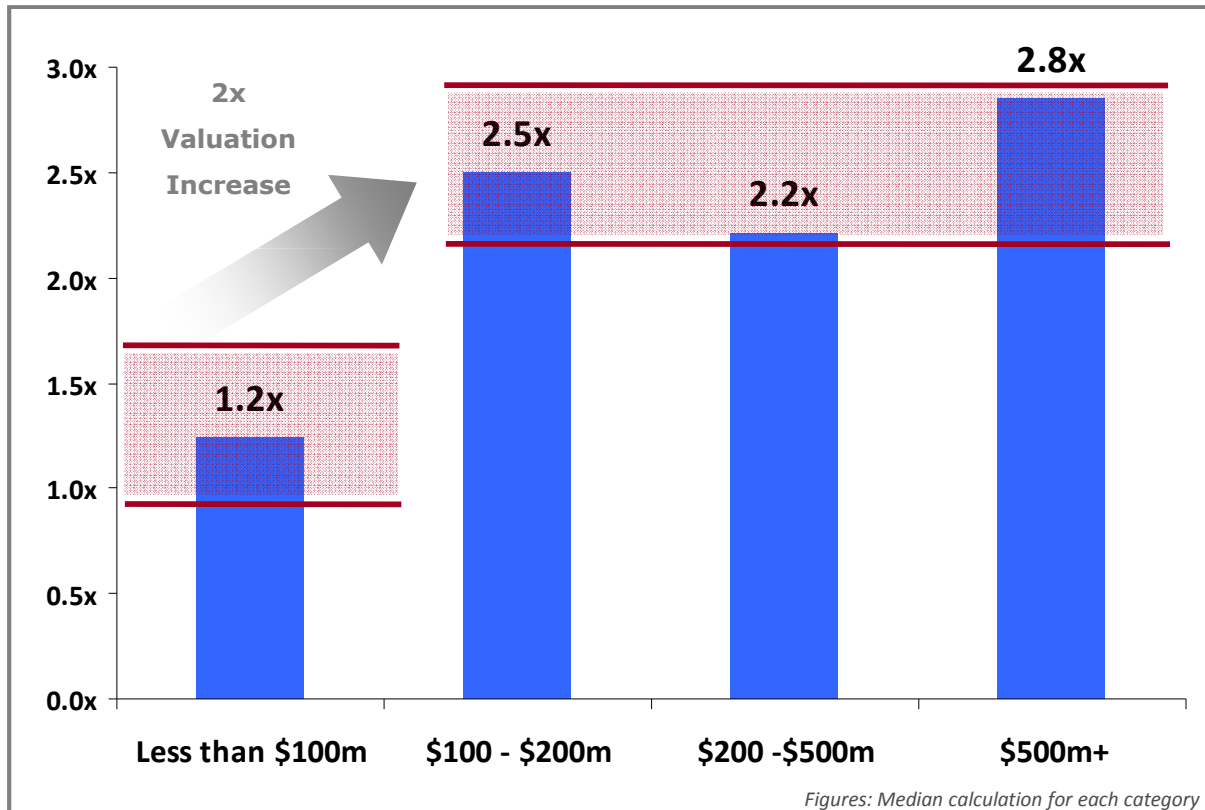
Source (1): Foley & Lardner LLP and [www.cfo.com](http://www.cfo.com)

# Premium Valuations Require Scale

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## TEV / Revenue Valuations By Firm Size

Requires scaling a public entity to a \$100-plus million revenue base before the public markets reward firms with higher valuation metrics.



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# Contacts

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