



MSP Alliance Webinar

M&A Trends in the MSP Industry

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AGILE EQUITY 

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I. Agile Equity Introduction

- Leading M&A advisory firm founded in 1996 with headquarters based in New York City and an office in Washington, DC.
- Deep domain expertise in IT Services and Managed Service Providers.
- Extensive International, cross-border transaction experience.
- Sector Focus:





Bio



David Cummings has been a Managing Director of Agile Equity since 1998. Based in New York, he is responsible for the strategic development and continued expansion of the firm's investment banking business, including sourcing and executing significant domestic and International transactions.

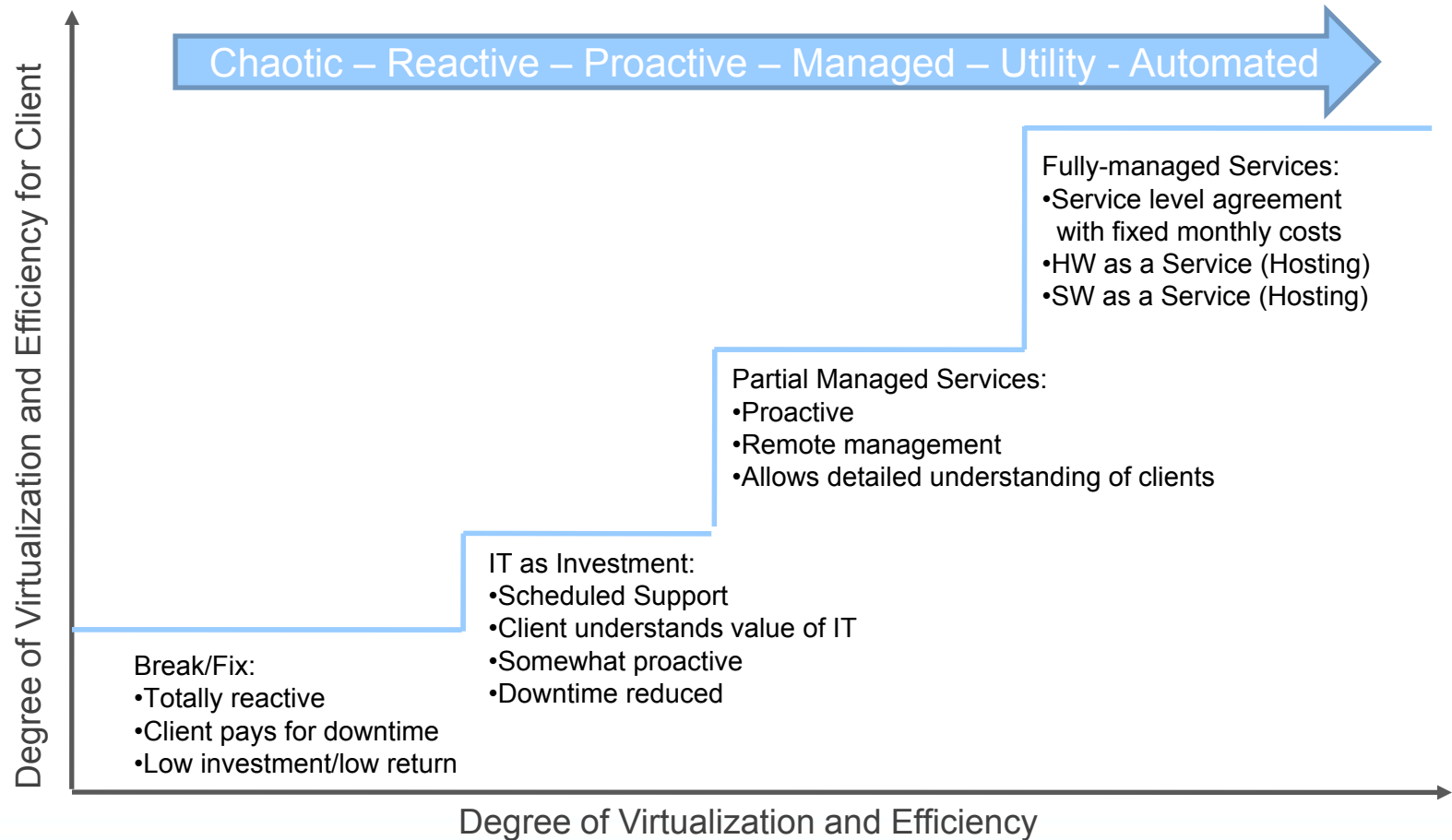
Mr. Cummings has over seventeen years of corporate finance experience through a diverse background in mergers and acquisitions and corporate finance activities. Previously, Mr. Cummings spent seven years as a Vice President with Fleet Financial Group where he developed acquisition and divestiture strategies that contributed to the bank's impressive growth. Mr. Cummings began his career with State Street Research & Management as an equity analyst specializing in software technology.

Mr. Cummings earned a B.S. in Business Administration and Management from Boston College and has completed post graduate work at New York University Stern School of Business.



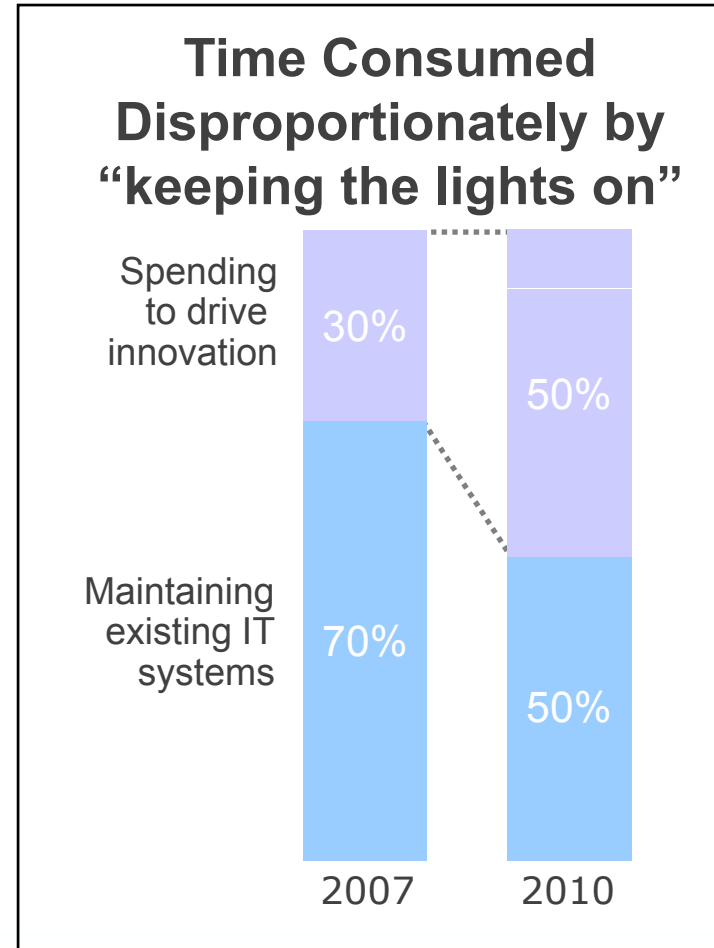
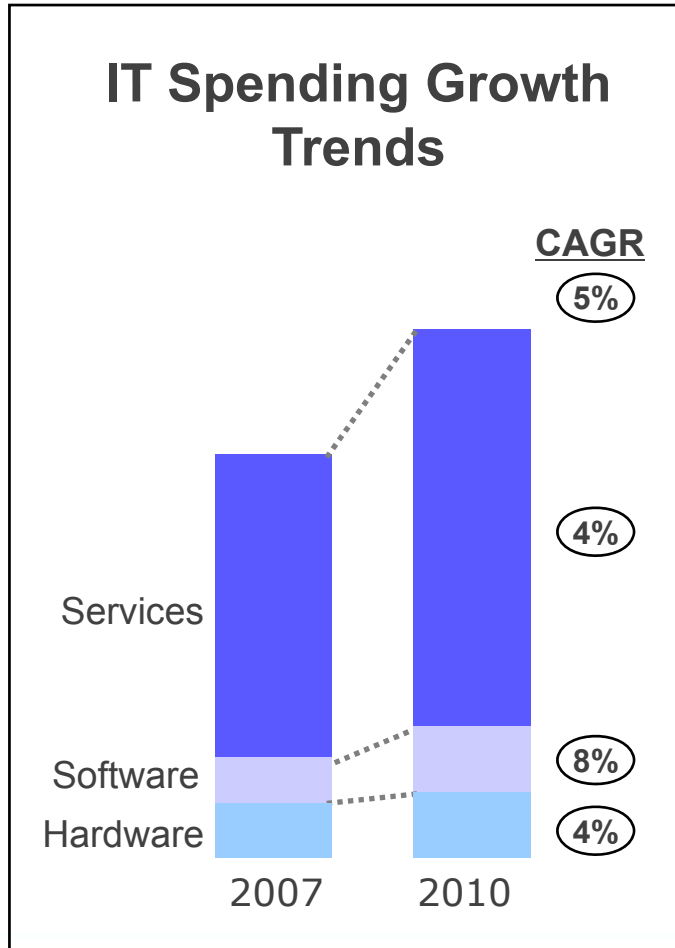
II. Managed Services Overview

IT Services Evolution





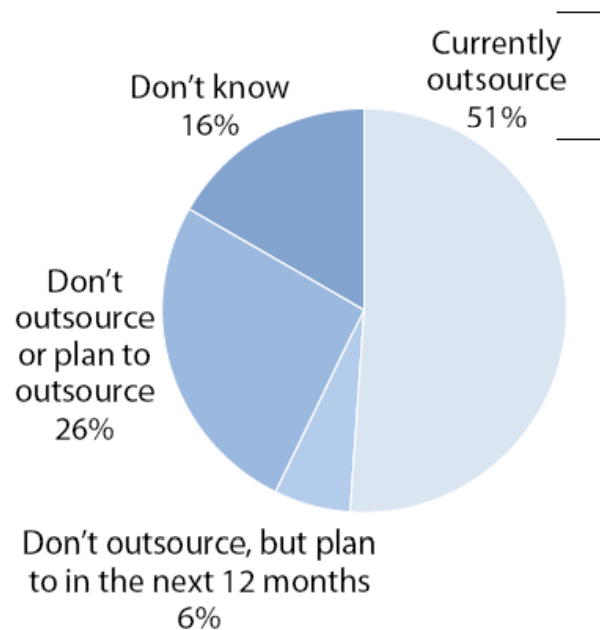
Managed Services Overview



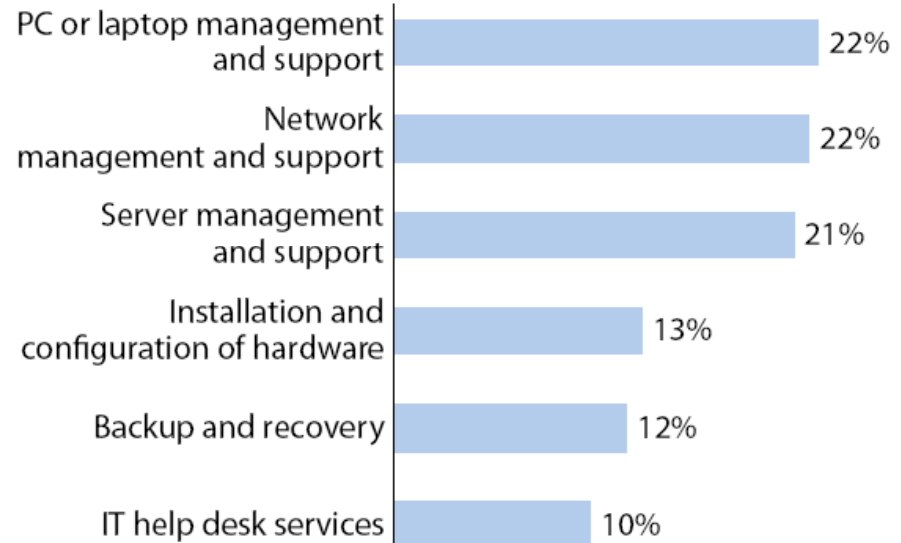


Managed Services Overview

Does your company outsource IT services?



"Which of the following outsourced IT services does your company currently purchase or use?"





III. Transaction Perspectives

Seller's Concerns

- Payment for Future Growth
 - Valuation based upon embedded growth and forward-looking EBITDA
 - Concerns about leaving money on the table – how do I maximize value?
- Organizational Culture of the Acquiring Entity
 - Will I “fit” in?
 - Will my employees be taken care of?
- Access to New Growth Capital
 - Infusion of capital for investing in training, marketing and infrastructure, etc.
- Access to New Customers
 - Usage of cross-selling and bigger sales force to sell Target's services
- Earn-out Mechanisms
 - Based upon Revenue or EBITDA
 - Fair and attainable Earn-out benchmarks
- Post-closing Management Changes
 - Target run as a standalone or fully integrated business unit
 - Rollover equity opportunity in the combined entity
 - Ability to influence the future direction of the combined entity



Transaction Perspectives

Strategic Buyers' Wish List

- What's the business case and strategic rationale?
 - Does this improve my service and/or product offering
- Access to New Skills and Technology
 - Highly trained human capital
 - Unique IP, tools, etc., if any
- Access to a Scalable Solution
 - Flexibility around changing client IT requirements
 - Disciplined and incentivized sales force
 - Institutionalized business processes
 - IT Infrastructure inter-operability
 - Familiar with heterogeneous IT environments
- Complimentary Customer Base
 - Diversified customer base
 - Deep visibility into customers' IT departments and potential to cross-sell
- Management Team and Organization Culture
 - Ability to drive growth post acquisition



Transaction Perspectives

Financial Buyers' Wish List

- Defensible Market Position
 - Strong process expertise in high-value added services
 - Long-standing customer relationship, diversified base and low attrition
- High Margin Service Offerings
 - Comprehensive service solutions
 - Key part of the customers' value chain
 - Difficult to replicate skills sets
- High Growth Potential
 - Strong industry growth and macro trends
 - How do we continue to growth business, once we own it?
 - Efficient cost structure
 - Will this stimulate growth, drive profitability?
 - Sales and Marketing channel strategy
 - Strong and recurring nature of new contract wins
- Experienced Management Team with a Solid Track Record
 - Strong working relationships at the C-level
- Solid Revenues and Cash Flow



IV. Marketing and Timing

How to Prepare to be Acquired? The 4 P's.

Planning

- Identify the universe of potential acquirers: Strategic acquirers & Financial acquirers (Private Equity)

Preparation

- Establishing an online virtual data room (VDR) and all documentation

Positioning

- Make the asset unique and distinguishable in the marketplace

Packaging

- Strong Executive Summary, Confidential Information Memorandum (CIM) and supporting Financial Statements with justifiable and defensible projections



Marketing and Timing

What is the Right Time to Sell?

- Timing considerations
- Good financial health
 - Recent historical and near term operational trends are positive
 - Solid pipeline of new business
 - Good revenue visibility
 - Healthy balance sheet
- Increasing revenues, EBITDA growth and certainty of financial projections
- If your business is healthy, it's an attractive time to consider being acquired
 - Capital gains tax – currently at 15%, but likely to be increased



V. Valuations

Comparable M&A Transactions

Announced Date	Acquirer	Seller	Deal Value	Value/ Revenue	Value/ EBITDA	Domain
5/26/2008	Reliance Globalcom	VANCO Group Ltd	NA	NA	NA	MSP – Network Services
5/15/2008	SunGuard	Strohl Systems	NA	NA	NA	MSP – Banks/Credit Unions
5/13/2008	PHNS	Amerivault	NA	NA	NA	Managed storage for healthcare
5/12/2008	ePlus Inc.	Network Architects	NA	NA	NA	MSP – Cisco Focused
5/8/2008	QSGI	CCSI	\$10.5	1.4x	5.3x	MSP – Security
4/29/2008	FrontRange	Centennial Software	NA	NA	NA	MSP - Security
4/25/2008	Phoenix Technology	BeInSync	NA	NA	NA	MPS – Storage Backup
4/23/2008	Alentus	Website Source/Speedfox	NA	NA	NA	Open Source SaaS
4/18/2008	Avnet	Horizon Technology Group	\$144.9	0.3x	9.2x	IT integrator/MSP
4/8/2008	Nimsoft	Indicative Software	NA	NA	NA	Business service management
3/25/2008	Versata Enterprises	Tenfold Corporation	\$1.8	NA	NA	Managed service provider
3/13/2008	Microsoft	Kidaro	NA	NA	NA	MSP – Virtualization – PC's
3/4/2008	Brocade	Strategic Business Systems	NA	NA	NA	Managed service provider



Valuations

Comparable M&A Transactions (cont)

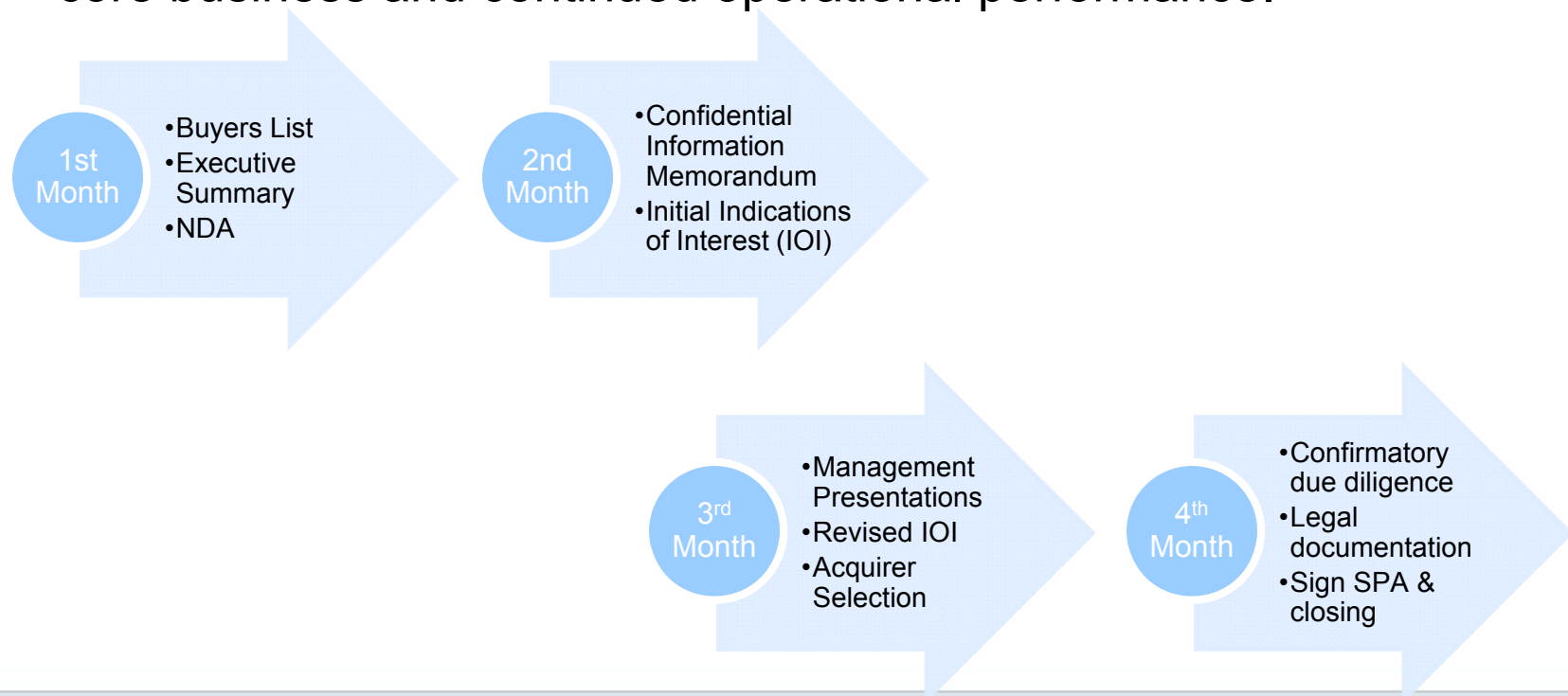
Announced Date	Acquirer	Seller	Deal Value	Value/ Revenue	Value/ EBITDA	Domain
2/26/2008	Novell	Platespin	\$205.0	1.4x	NA	Data center management
2/12/2008	Dell	MessageOne	\$155.0	NA	NA	SaaS – online management
1/24/2008	Insight Enterprises	Calence	\$160.0	NA	NA	Business service management
12/18/2007	DirectPointe	iTOK	NA	NA	NA	MSP remote management
11/15/2007	Dell	Everdream	NA	NA	NA	Desktop management platform
10/24/2007	IBM	Novus Consulting Group	NA	NA	NA	Managed service provider
10/8/2007	Fujitsu Ltd	Mandator AB	\$71.0	0.9x	14.0x	Business service management
10/4/2007	EMC	Berkeley Data	NA	NA	NA	Online backup system
9/27/2007	Avnet	Acal plc (IT Solutions Div)	\$83.0	0.4x	NA	Business service management
7/9/2007	Court Square Capital	CompuCom Systems	\$628.0	0.4x	NA	Business service management
6/1/2007	Agilysys	InfoGenesis	\$90.0	2.1x	12.9x	Point of Sale (POS) IT
5/29/2007	Madison Dearborn	CDW	\$6,467.1	0.9x	13.1x	IT Services
5/25/2007	Agilysys	Innovativ Systems Design	\$190.0	0.7x	9.5x	Sun-focused MSP
3/28/2007	Roark Capital Group	CyberCore Technologies	NA	NA	NA	Business service management
12/21/2006	Seagate	eVault	\$185.0	1.8x	5.3x	Managed service provider
10/16/2006	Golden Gate Capital	Sierra	\$78.5	0.6x	6.3x	Managed service provider



VI. M&A Process

Timely Process Management

- An orderly and timely process ensures focus remains on the core business and continued operational performance.





VII. Contact Information

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VIII. Appendix A

Representative Clients

Clients	Status (1)	Location	Sector
24/7 Real Media	Acquired by WPP Group PLC	New York	Media Software/Services
Accor SA	EPA:AC - Market Cap: \$12.05B	France	Enterprise Software
Adjungo Software	Acquired by Flash Networks	Israel	Enterprise Software
Adventurous Traveler	Acquired by Away.com	Vermont	IT Services
American Greetings	NYSE:AM - Market Cap: \$1.45B	Ohio	Wireless Services
Arel Communications	Private	Israel	Enterprise Software
Authentidate	NASDAQ:ADAT - Market Cap: \$155.09M	New Jersey	Enterprise Software
AWID	Private	California	Wireless Software
Bank Austria	WBAG:BACA - Market Cap: \$28.05B	Austria	Technology Software
Broad Street	Acquired by Incepta PLC	New York	Media Services
Call Sciences	Private	California	Wireless Software
City Feet	Acquired by LoopNet	New York	Enterprise Software
CJ Corporation	SEO:001040 - Market Cap: \$3.90B	Korea	Consumer Services
DADA SpA	BIT:DA - Market Cap: \$336.50M	Italy	IT Services
Direct One	Private	New York	Media Software/Services
Ekahau, Inc.	Private	Norway	Wireless Software
FathomSEO	Acquired by Promise One	Ohio	Search Engine Marketing
Firstsource Solutions	BSE: 532809 - Market Cap: \$987.56M	India	Healthcare IT – BPO Services
Gain Technology	Acquired by SMSC	Arizona	Semiconductor
Giant Studios	Acquired by App Solutions	Georgia	Enterprise Software
Havas Advertising	OTC:HAVSF - Market Cap: \$2.49B	France	Media Services
ICICI Bank Limited	BOM:532174 - Market Cap: \$19.9B	India	IT Services
Imaging Automation	Acquired by Viisage	New Hampshire	Technology Security
Incepta Group, Plc	Acquired by Huntsworth , Plc	England	Media Services
Infowave Software	TSE:IW - Market Cap: \$5.30M	Canada	Wireless Software

(1) At time of engagement



Clients	Status (1)	Location	Sector
ITT Corporation	NYSE:ITT - Market Cap: \$11.87B	New York	IT Services
Jastec Company	TYO:9717 - Market Cap: \$350.20M	Japan	Enterprise Software
JMAR Technologies	OTC:JMAR - Market Cap: \$106.96M	California	Semiconductor
LocatioNet	Private	Israel	Wireless Software/Services
Medical Savings Ins.	Private	Indiana	Healthcare IT
MessageClick	Acquired by Verso Technology	Georgia	Enterprise Software
Mobile Planet	Acquired by eXpansys Group	California	Wireless Services
MYOB Limited	ASX:MYO - Market Cap: \$535.40M	Australia	Enterprise Software
NetCreations	Acquired by SEAT Pagine Gialle	New York	Media Software/Services
Palo Alto Software	Private	Oregon	Enterprise Software
Patni Computer Systems	BOM:532517 - Market Cap: \$1.59B	India	IT Services – BPO Services
Parexel International	NYSE:PRXL - Market Cap: \$1.43B	Massachusetts	Healthcare IT
Pelican Security	Acquired by Microsoft	Israel	Technology Security
PPR Group	EPA:PP - Market Cap: \$32.07B	France	Wireless Services
PureSight Security	Acquired by Boston Communications	California	Technology Security
QSGI	Acquired CCSI	New Jersey	Managed IT Services
RCS MediaGroup SpA	BIT:RCS - Market Cap: \$1.75B	Italy	Media Services
Rippletech Software	Acquired by Nitro Securities	Washington, DC	Technology Security
SAL	Acquired by JMAR	Vermont	Semiconductor
ServGate Security	Acquired by Ciron Corp.	California	Technology Security
SMS Maintenance	Private	Massachusetts	Managed IT Services
StorageZip Technologies	Private	Massachusetts	Data Storage
Sprint Nextel	NYSE:S - Market Cap: \$63.23B	Virginia	Wireless Software/Services
Sumitomo Group	TYO:8053 - Market Cap: \$23.08B	Japan	Wireless Software/Services
Syngence	Private	Texas	Enterprise Software
TANDBERG	OSL:TAA - Market Cap: \$2.60B	Norway	Enterprise Software
Vocel	Acquired by Motorola	California	Wireless Software/Services
Wherify Wireless	Acquired by Lightyear Networks	California	Wireless Software/Services
XciTel Software	Private	Israel	Wireless Software

(1) At time of engagement