

OEM Capital® – MANAGED SERVICES MARKET FOCUS

February 2015

MARKET PERFORMANCE:

Closing Prices as of 2/28/15; P/E is normalized; TEV/EBITDA is LTM

Company Name	Market Cap	Revenue	30 day % Px Chg	YTD % Px Chg	TEV / EBIT DA	P/E
8x8	\$666	\$155	(5)▼	(19)▼	52.5x	238.3x
Barracuda Networks	2,000	266	9▲	6▲	201.9x	NM
Carbonite	406	123	5▲	6▲	59.6x	NM
Citrix Systems	10,177	3,143	5▲	(0)▼	15.8x	46.3x
CommVault Systems	2,167	614	9▲	(7)▼	25.6x	58.4x
EarthLink	437	1,177	(4)▼	(3)▼	4.5x	NM
Equinix	12,314	2,444	1▲	(1)▼	15.9x	76.3x
FireEye	6,659	426	35▲	40▲	NM	NM
iGATE	3,461	1,268	20▲	8▲	15.6x	23.5x
Internap Network Svcs	512	335	11▲	20▲	14.4x	NM
Interxion Holdings NV	2,204	329	15▲	17▲	16.1x	49.6x
NetScout Systems	1,662	447	14▲	10▲	12.9x	27.6x
NetSuite	7,399	556	(10)▼	(12)▼	NM	NM
Palo Alto Networks	11,455	662	10▲	16▲	NM	NM
Rackspace	7,130	1,794	10▲	6▲	13.2x	72.0x
Red Hat	12,678	1,726	5▲	(0)▼	38.1x	83.6x
Ring Central	1,084	220	15▲	6▲	NM	NM
Salesforce.com	43,779	5,374	19▲	17▲	148.6x	NM
Splunk	8,155	451	25▲	14▲	NM	NM
Descartes Systems Group	1,429	167	(1)▼	10▲	23.0x	76.8x
VMWare	36,377	6,035	12▲	3▲	20.1x	49.1x

\$ figures in millions unless otherwise noted

MARKET COMMENTARY:

Managed Services providers included in OEM's MgdServ Index bounced back strongly from the downdraft last month and delivered

COMMENTARY

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strong positive performances in February with 17 of 21 companies trading higher and four trading lower. The standout gainers were led by **FireEye** (+35%), which

continued its upward climb on the heels of its Q4 earnings that beat expectations, **Splunk** (+25%), which also jumped on its results announcement including a 48% y-over-yr revenue increase, and **iGATE**, which rose on no real news and clawed back the 10% decline it suffered in January. The only decliner of note was **NetSuite** (-10%) which dropped after it reported Q4 results in line with expectations but forecast this quarter's revenue below consensus. Our **MgdServ Index** ended February trading at 5.8x revenue, 24.9x EBITDA and 28.5x EBIT. On the operating side, our index mean gross margin finished the month at 73%, EBITDA margin at 16% and net income margin at -0.1%.

NOTABLE RECENT TRANSACTIONS:

Infosys, which provides business consulting, technology, engineering, and outsourcing svcs, agreed to buy **Panaya**, which provides cloud-based mgt solutions for enterprise apps worldwide, for \$200mm in cash from a group of Private Equity investors.

British Gas Services, which provides energy and related svcs in the UK, agreed to buy **AlertMe.com**, which provides *Omnia*, an interoperable and open cloud-based platform to automate homes in Europe and the US, for £44mm (\$68mm) from a group of investors.

Telecity Group plc, which provides carrier-neutral data centers that offer co-lo/data center svcs in Europe, agreed to acquire **Interxion** (INXN), which provides the same svcs in Europe, for £1.8 billion in stock. Implied EV/LTM Sales is 6.9x, EV/LTM EBITDA is 16.9x.

Insight Venture Partners, a financial investor, agreed to buy **E2open** (EOPN), which provides cloud-based, on-demand software solutions for supply chain management, for \$274mm in cash. Implied EV/LTM Sales is 3.2x and Implied Equity/Book Value is 5.9x.

FINANCING NEWS OF NOTE:

Benefitfocus (BNFT), a cloud-based benefits software solutions provider, raised \$75mm from **Mercer** for a 9.9% ownership.

Blue Pillar, a distributed energy asset mgt software and systems provider, raised \$13.9mm in equity from multiple investors.

Sauce Labs, which devts cross-browser software to simplify test process for Web apps, raised a \$15mm D round from **Toba Capital**.

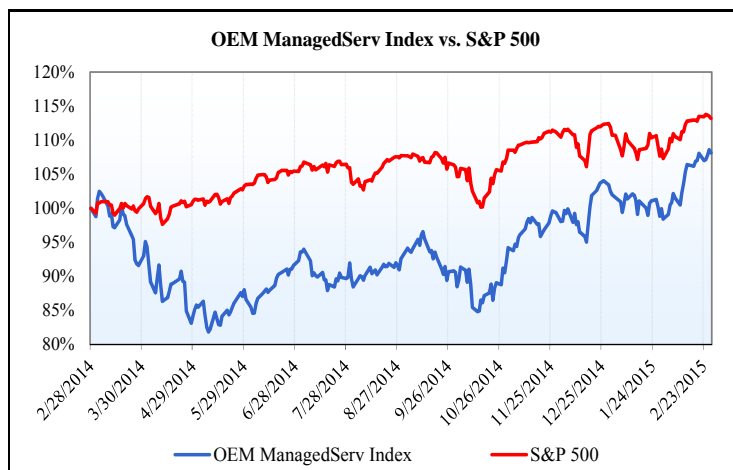
Tracx US, a social enterprise SaaS platform provider that enables mgt, and analysis of media data, raised \$18mm from PEG investors.

Apttus, which provides SaaS apps for contract lifecycle, supplier and sales mgt, raised \$41mm in a B round from PEG investors.

SpringCM, which devts and delivers cloud-based document mgt software, raised \$9mm in equity from multiple investors.

Kliffolio, which provides a cloud-based business intelligence dashboard solution, raised \$5mm in an A round from PEG investors.

OEM Capital's Market Focus Index vs. S&P 500:



Selected Statistics for OEM ManagedServ Index Companies:

Trading Multiples:	CY2010	CY2011	CY2012	CY2013	Latest
TEV/Total Revenue	7.4x	6.8x	6.1x	6.9x	5.8x
TEV/EBITDA	32.2x	23.5x	19.4x	18.6x	24.9x
TEV/EBIT	49.9x	36.6x	30.6x	29.2x	28.5x
Margin Analysis:					
Gross Margin %	74.8%	72.8%	73.3%	73.5%	73.1%
EBITDA Margin %	21.8%	21.7%	20.3%	18.1%	16.1%
Net Income Margin %	8.7%	9.1%	6.8%	3.3%	-0.1%
Growth Rates:					
Total Revenue, 1 Yr Growth %	23.6%	35.3%	22.8%	16.9%	18.4%
Total Revenue, 2 Yr CAGR %	14.9%	29.3%	28.4%	19.6%	17.8%
Total Revenue, 3 Yr CAGR %	17.3%	21.5%	26.7%	24.0%	18.9%
EBITDA, 1 Yr Growth %	32.8%	36.9%	15.8%	5.9%	4.1%
EBITDA, 2 Yr CAGR %	21.4%	34.6%	26.2%	12.3%	5.3%
EBITDA, 3 Yr CAGR %	28.6%	26.4%	28.1%	20.7%	11.6%

Data Sources: S&P Capital IQ, FT, Thompson Financial, Dealogic, and Pitchbook. Copyright 2015.

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