



HIGHLIGHTS

Fall 2009

Transaction Advisory and Strategic Consulting to the Digital Information Economy

Finalist for Middle Market Global Investment Banking Firm of the Year –

Marlin & Associates has received several awards this year including “Middle Market Financing Agent of the Year — Equity” and a number of “Deal of the Year” awards.

Recently, we were informed that we are a finalist for three other awards relating to Middle Market international transactions including “Global Investment Banking Firm of the Year (Europe)”. One of our transactions is a finalist for the “US-European Cross-Border Deal of the Year” and another is a finalist for “Deal of the Year (Europe)”.

In March, we were recognized for leading the Middle Market M&A Deal of the Year in the Financial Services sector and for leading the Deal of the Year in the Information Technology sector (second time we won this award). Both were presented at a dinner and conference held in Palm Beach, Florida, and hosted by The M&A Advisor, a conference producer and newsletter publisher for buyers and sellers of middle-market firms. The M&A Advisor recognizes top deal-making professionals serving the \$10 million — \$1 billion (sales) market in fields such as investment banking, private equity, legal services and accounting.

We try hard to apply our combination of industry focus, domain expertise, and international experience for the benefit of all of our clients and it's always good to be recognized for our hard work. But mostly, we like helping our clients achieve their financial and strategic goals.

Is the m&a rebound for real? What will 2010 bring?

Recently, there has been a spate of m&a deal announcements. We've made a few of our own (See pages 5 & 6). We've begun to see stock markets rise in the US, UK, Germany, Japan and elsewhere (albeit still 30% below their levels of a year ago). We heard the Chairman of the Federal Reserve declare the end of the US recession. Even

the debt markets have been ameliorating — with three month and six-month LIBOR rates back into reasonable territory. Yet house prices continue to suffer, unemployment rates continue to worsen and we see how difficult (and expensive) it is for middle market firms to get debt. Nearly every day we are asked: Where is the m&a market? Prospective buyers ask us what other buyers are doing and if sellers are “realistic”; Prospective sellers want to know if the values are “back”.

In our view, while there are many “green shoots”, we're not quite back yet: sorry about that.

Clearly, we're in an environment that is significantly better than we were experiencing at the beginning of the year. We continue to see a strengthening of demand by strategic and financial buyers for strong, growing companies. But, we're still a long way from the m&a environment that we once had.

The good news is that it's beginning to feel like we'll continue to see improvement throughout 2010.



Ken Marlin
Managing Partner
Marlin & Associates

As we know, mergers and acquisition activity is a trailing indicator of economic performance on both ends of the cycle. Deal activity slows well after recessions begin and it returns after economic activity recovers. Part of the reason for this lag is that, for most transactions, buying a company shifts the risk of

future performance from the seller to the buyer. If buyers are uncertain about how to assess that future, or if their own challenges make them less willing to take risks, then those buyers tend to retreat (or seek lower purchase prices) until the future becomes clearer. Similarly, sellers, who may perceive the uncertainty as ‘temporary’, also may prefer to wait until the future is clearer and values higher. Whatever the reason, typically, the volume of deals as well as deal valuations decline after a recession has started and recover in line with (but after) economic recovery. (The lag effect

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Inside M&A:

Tom Selby



“Well before I joined Marlin & Associates, I had a deep respect for the way the M&A team works with its clients. The opportunity to work with the M&A team has allowed me to understand how complex that task is.”

Based in Toronto, Canada, Tom Selby brings more than 20 years of relevant professional experience to Marlin & Associates. He has been a technologist, entrepreneur, sales and marketing executive and a corporate merger and acquisition VP.

Tom began his career as a software developer at TD Bank. He soon branched off as an entrepreneur, developing a business around a unique alphabetic telephone (that he created) for online retail stock trading. “I had an idea that I thought solved a unique need for stock traders in the marketplace.” Obviously, it was a reasonable one. A few years later, Tom sold his business to a Canadian brokerage-software business and joined

the firm as VP of sales & marketing. “Building my company was a real thrill. Selling it was hard. But, it was the right thing to do. It also led to my involvement in transactions on a larger scale.”

With Tom leading the sales effort, the brokerage-software company grew quickly. Eventually, Tom and his partners sold the firm to SunGard, where Tom rose to become vice president of business development for their North American Financial Services unit. While at SunGard, Tom helped acquire technology-enabled firms in verticals such as: brokerage, trading, wealth, insurance, consulting, and benefit administration.

Tom joined Marlin & Associates in January 2009. His operational experi-

ence, transaction expertise, entrepreneurial mindset, and understanding of technology have already made him a valued counsel to M&A clients.

Tom is a graduate of University of Toronto with a Bachelors of Applied Science in Industrial Engineering. He lives in Toronto with his wife and three children. In his spare time, Tom plays a little ice hockey and is also advancing towards his private pilot’s license. He notes that flying allows him to feel the world without limitations. This perspective allows him to view clients, markets, and strategy in ways that have helped produce positive outcomes.

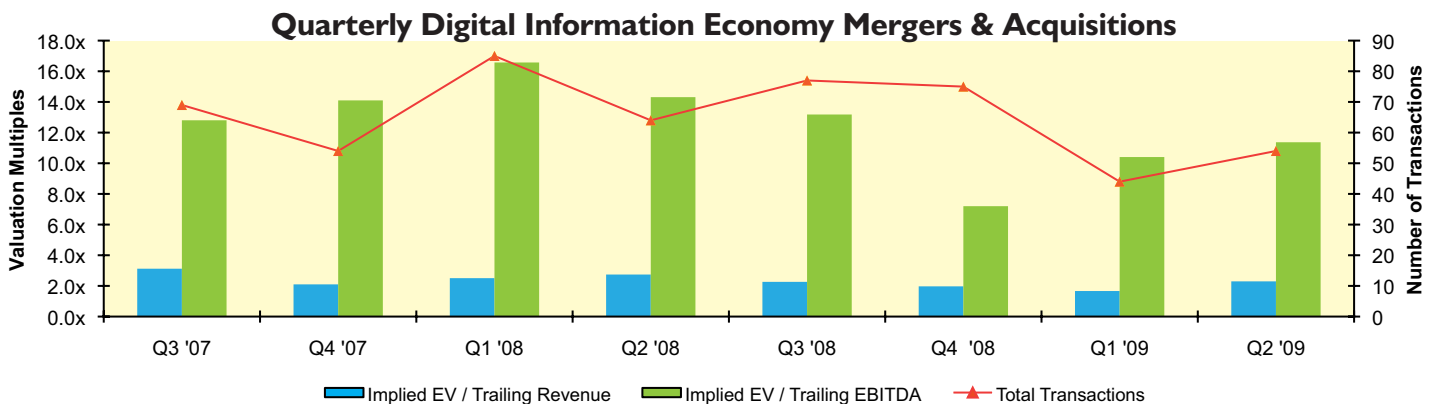


Figure 1 - Transaction volume through Q2 2009 of 98 transactions is off 36% vs. the same period in 2008. EBITDA multiples have rebounded to 11.4x in Q2 2009 compared to 10.4x in Q1 2009 and 7.2x in Q4 2008, but still well below 16.6x in Q1 2008. Revenue multiples have also rebounded to 2.3x in Q2 2009 as compared to the low of 1.7x seen in Q1 2009, also below 2.7x in Q2 2008.

Sources: Marlin & Associates, Capital IQ

Case Study:

Morningstar Acquires Tenfore Systems Global Connections Plus Global Capabilities Create a Strong Fit



Tenfore Systems, a fast growing, independent (venture-backed) UK-based technology company had ambitions to compete with the likes of Reuters and Bloomberg in the business of delivering real-time streaming global financial market data and technology solutions to the financial services community worldwide.

Our clients know that their markets are not geographically defined and they expect their advisors to have a similar approach.

The firm spent 12 years developing technology, rolling out products and creating an organization positioned to compete with the larger industry players. In addition to the London headquarters, the company established offices in Amsterdam, Frankfurt, New York and Asia.

After serious consideration, the UK investment firm that owned the company decided that the time to exit was right.

"I was happy to recommend Marlin & Associates to Tenfore's owners, as they are clearly one of the leading advisors covering our industry," said CEO Gordon Bloor, a 20 year veteran in the market data industry who was brought in by the UK investment firm. "We had been in touch with M&A for years and I was confident that when it came to selling Tenfore, their experience and capabilities would help drive a successful outcome," Bloor added.

Jason Panzer and Michael Maxworthy, both partners at M&A, led the team that advised the company and the sellers. "Clients come to us for many reasons," said Maxworthy. "Some seek our advice because they know that we have a lot of industry expertise, some because of our long track record of success; and some because we work globally." Panzer added: "The markets in which our clients operate are not geographically defined and clients expect their advisors to have a similar global approach."

The company was best known in the UK and Germany most notably for its desktop terminal product. M&A recognized early that the most likely buyers were not in the UK or Germany, and probably were not familiar with the firm. M&A also realized that a key attraction to potential buyers was the company's real-time global market data feed along with the technology infrastructure to create that feed — including a network of ticker plants in five countries with

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connectivity to 160+ data sources.

"This was truly a global process," said Panzer. M&A guided Tenfore through a disciplined course of action that led to discussions with more than a dozen potential partners and generated interest from firms in Australia, Canada, China,

France, Germany, India, Ireland, Sweden, Switzerland, the UK, and the United States. "We were able to leverage our industry knowledge and global connections to bring to the table companies that had never heard of Tenfore," says Maxworthy. "We worked with prospective partners on multiple continents and time zones through detailed due diligence reviews. It was a process!"

Once the field narrowed, M&A worked with the company's owners, management, lawyers, and accountants to manage extensive due diligence re-

We worked with prospective partners on multiple continents and time zones through detailed due diligence reviews. It was a process!

views to develop and execute a negotiating strategy, and select a single winner.

Seven months after engaging M&A, the owners of Tenfore completed the sale of the company to Morningstar.

"We were pleased to help the owners and management of Tenfore find the right partner and structure a win-win transaction," said Panzer. "The sellers got complete liquidity while management joined a company that values their team and understands Tenfore's unique future direction."



How much should a buyer pay?

Determining what a business is worth *is an art.*

Recently we were contacted by a large multinational firm looking for help. The buyer had been approached by another large company that was looking to divest a European subsidiary. They already determined that the subsidiary

The issue of estimating fair valuation is one that we see fairly often...it's a complex art in the best of times. It is even tougher in turbulent times such as these.

was a good strategic fit. They wanted us to help buy the firm. To start, they wanted us to help them establish a fair price.

The issue of estimating fair valuation is one that we see fairly often: potential sellers and buyers alike look to us for guidance. It's a complex art in the best of times. It is even tougher in turbulent times such as these, where transactions are occurring at a wide range of valuations.

In the past, public markets were a guide. They still can be — sometimes. But, in times like these, can one really apply the valuation metrics commanded by a billion-dollar market leader in an effort to value a smaller firm that is growing at a different rate, with different profit margins, and whose product lines only partially overlap with the larger one? Further, which metrics should be applied: Forward or trailing? Revenue,

profit or cash flow? How should we deal with the balance sheet? How should we deal with the fact that YouTube sold for \$1.6 billion in 2006?

In this case, we came at the valuation analysis first by working with our client and with the sellers to gather data on past, present and expected future financials, market share and product plans. With data in hand, we were able to approach the value question from four directions simultaneously: public company analysis; private transactions analysis; DCF; and “strategic value” which, among other things, had to take into account factors such as time-to-market, proprietary IP, defensive value (what if the competitor were to buy the target?), and cost of alternative strategies

We came at the valuation analysis by working with our client to gather data on past, present and expected future results.

such as buying someone else or internal development. Individually, none of these approaches are perfect. But, together these four analyses can be used to give us ball park value ranges, which we then work to harmonize and narrow.

Each of these analyses has its own complexities. For example, our “target” company had four product lines, each with its own top-line growth rate. But,

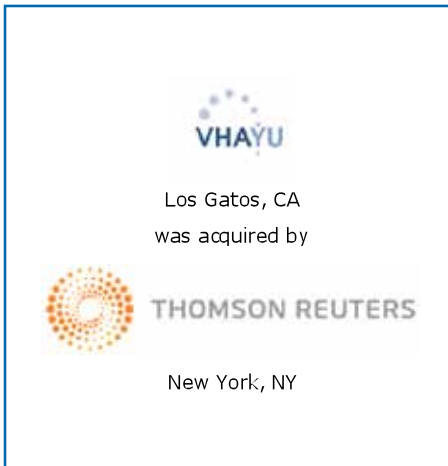
we didn't have good product-line profit data. Nor did we have data on expected future growth rates by product. As a result, a lot of “Kentucky windage” was required. For each product line, we determined a set of publicly traded companies that were broadly compara-

At the end of the day, we arrived at a value range that we were all comfortable with.

ble, as well as a set of reasonably comparable private-company transactions (that's why we have a proprietary database of our own). We normalized for factors such as scale and growth characteristics. Clearly, the market will value a larger or faster-growing firm higher than one that is smaller or growing slower. And, we had to assign subjective weights to the various pieces, taking into account non-financial items such as perceived risk. (“Value” can be impacted by a buyer's concerns about things such as customer concentration; weak management; competition; technology; or dependency on one or two people.)

At the end of the day, however, we arrived at a value range that we were all comfortable with.

That's when the real negotiating began...We can talk about that another time.



Thomson Reuters Acquires Vhayu

Thomson Reuters announced that they have acquired Vhayu, of Los Gatos, California. Marlin & Associates was exclusive financial and strategic advisor to Vhayu's management and investors, which included Menlo Ventures, Garage Technology Ventures, and Silicon Valley Bank.

Vhayu was founded in 1998 by former Intel technologists who were lead architects for the Pentium™ and Merced™ chips. Their combined experience in engineering and software development led to the vision and design of Vhayu's core technology.

Today, Vhayu is one of the world's leading providers of enterprise tick data solutions. Through its patented Velocity and Squeezer technologies, Vhayu combines software and hardware to provide significant competitive advantages by enabling faster and smarter trading decisions for financial firms concerned with the processing and storage of very large amounts of real time market data.

"We are pleased to have helped CEO Jeff Hudson, Menlo Ventures and the other owners and managers of Vhayu to bring this transaction to a successful closure," said Ken Marlin, M&A's managing partner.



McGraw Hill's S&P Sells Vista Research

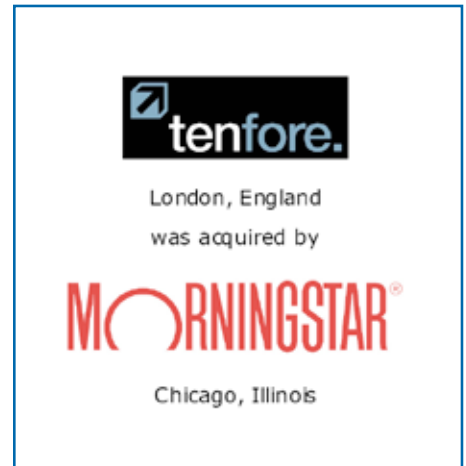
Standard & Poor, a subsidiary of The McGraw-Hill Companies (NYSE:MHP), announced that it sold Vista Research. M&A initiated the transaction, managed the process, assisted in the negotiations, and acted as the exclusive strategic and financial advisor to Standard & Poor's.

Vista is a well-regarded "expert matching" service for institutional investors, consultants, and corporations. Vista is one of the pioneers and leaders in the category.

Despite turbulent financial markets, S&P completed the all-cash sale of Vista Research to Guidepoint Global, another leading expert network company.

Guidepoint's acquisition of Vista creates a firm with strengths in a wide range of verticals, including: technology, telecommunications, media, financial services, energy, and healthcare. It gives the combined company the resources to compete on a global basis.

"Vista and Guidepoint are among the leading players in the primary research category. The combination should bring considerable benefits to the customers and employees of both organizations. Together, they should be a formidable presence in the industry," said Ken Marlin, M&A's managing partner.



Morningstar Acquires M&A client Tenfore

Morningstar, Inc. (Nasdaq: MORN) has acquired Tenfore Systems Limited, a global provider of real-time market data and financial data workstations. Based in the United Kingdom, Tenfore collects data on global equities, commodities, derivatives, indexes, and foreign currencies from more than 160 sources and consolidates the data for real-time distribution to clients, along with analytics and third-party application plug-ins.

Marlin & Associates managed the process, assisted in the negotiations, and acted as the exclusive strategic and financial advisor to Tenfore and its investors. An overview of the transaction is on page 3.

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Marlin & Associates Sponsors Washington DC Forum

On June 18th, Marlin & Associates Partner, George Beckerman kicked off the 2009-2010 Capital Content Network, a networking and informational forum that George first organized more than 10 years ago. The CCN is a forum for owners and senior executives of metropolitan Washington DC's information and technology-based content companies to hear colleagues describe their initiatives, challenges and success factors. It was a well-received idea 10 years ago, and we're proud to be a sponsor again now, along with the Software and Information Industry Association, the Specialized Information Publishers Association and the National Directory Publishers Association.



George Beckerman
Marlin & Associates

ton DC. Information industry executives heard Jim McGinty, Vice Chairman of Cambridge Information Group describe ProQuest's (Cambridge's largest business unit) "atomic units".

For ProQuest, the metaphorical atomic units are the high quality bibliographic citations that professional researchers — in academia and other institutions — around the world use in their everyday work. Jim told of the company's transition from print and micrographics beginnings to its most recent move into Web 3.0. He described how the company has disaggregated bibliographic citations into constituent parts, augmented them, and then delivered them in various combinations with powerful technologies. The results now include user access to full text, researcher profiles, semantic search, robust linkage, powerful link resolvers, and indexing of the content embedded in graphs, charts and

tables. Today, Jim said, ProQuest is in the business of enabling users' discovery and aiding them in identifying, managing and organizing high quality information

Upcoming CCN Events

Don Pazour, CEO of Access Intelligence, is scheduled to speak at the next CCN meeting. His topic; "From Ads on Paper to Content Online: Changing the Revenue Model and Corporate Culture." Anthea Stratigos, CEO of Outsell, and Bruce Levenson, Founding Partner of UCG, are scheduled at CCN meetings in early 2010.

In November 2009, a special CCN meeting, hosted by Atlantic Media Government Executive Group will feature a business discussion on the topic of government as a source of information for our industries.

For information about the Capital Content Network, Contact George Beckerman at george@marlinllc.com or +1.301.469.0441.

The June Meeting — Kiplinger's Exhibit Hall, Washington, DC

The June CCN meeting was held at the Kiplinger Exhibit Hall in Washing-

NYSE Euronext agrees to sell Hugin Group to Thomson Reuters



has agreed to sell

hugin

Oslo, Norway
to



THOMSON REUTERS

New York, New York

Marlin & Associates New York LLC acted as exclusive strategic and financial advisor to NYSE Euronext, Inc.



On September 21st, NYSE Euronext announced that it had agreed to sell Hugin Group to Thomson Reuters.

Based in Oslo, Norway, with offices in Paris, France, and Leipzig, Germany, Hugin has built its position as the leading pan-European provider of investor relations and press distribution services. Currently, Hugin helps over 1,700 companies in Europe to meet their communications and disclosure obligations. In recent years, Hugin has introduced solutions for the newly implemented EU regulatory framework and continues to develop innovative technology and workflow solutions for IR and PR professionals for the global market.

Marlin & Associates initiated the transaction, managed the process,

assisted in the negotiations and acted as exclusive strategic and financial advisor to NYSE Euronext. The transaction is expected to be completed in the fourth quarter of 2009, subject to customary regulatory approvals.

"Hugin is an attractive company with well-respected products, broad customer penetration and strong leadership," said Ken Marlin, M&A's founder and managing partner. "Several years ago, we advised the previous owners of Hugin on their strategic options and on their ultimate sale to Euronext. And, it was a particular honor to have NYSE Euronext select us to advise them on this process. We're pleased with the results. Hugin should be a great fit with Thomson Reuters."

Is the m&a rebound for real? What will 2010 bring?

(continued from page 1)

probably is due to a failure to recognize (or accept) that a recession actually has begun and later a similar inability to recognize that the recovery has begun.)

For the first three quarters of this year, according to Thomson Reuters, overall m&a volume was anemic – down

Globally, 3,800 deals did get done in the first half of 2009.

38% in Q3 alone, versus a not-very-robust Q3 2008 – making Q3 2009 the lowest quarter since 2004. But, there were some bright spots. Financial sponsor deal volume, which had been moribund, in spite of nearly \$1 trillion in dry powder, woke up a bit – the third quarter was the most active quarter for these financial firms we've seen in a year. But still, financial sponsor m&a deal volume was down 67% compared to the first three quarters of last year.

Overall IPO activity was up 34% versus the same period in 2008. But IPO activity in Asia accounted for more than 80% of that volume. Only five venture-backed companies have managed to get out IPOs so far this year – all in Q2. That's on pace to match 2008 (7 VC-backed IPOs) and is a far cry from 2007, when about 76 VC-backed companies had IPOs. But, there is an IPO pipeline that seems to be getting stronger. And clearly there is increased optimism.

VC and PE firms are not the only ones with a trillion dollars to spend. And some of the firms that have the money to spend are starting to chase deals. Q2 saw the announcement of several mega-deals

by strategic acquirers, including Oracle's acquisition of Sun Microsystems for \$5.6 billion, Fidelity National Information Services's acquisition of Metavante for \$4.4 billion and EMC's acquisition of Data Domain for \$2.1 billion. More recently we've seen deals such as Intuit's purchase of Mint for \$170 million, Adobe's acquisition of Omniture for \$1.8 billion and a consortium of private equity firms buying Skype for \$2 billion. And Cisco opened the fourth quarter on October 1, saying that it will spend \$3bn in cash for Tandberg, the Norwegian maker of video and network infrastructure technology. Those and other transactions (including some of our own recent deals) support the notion that some buyers are regaining their courage.

There are other reasons for optimism for 2010. A recent survey by the 451 group said that 61% of those surveyed expect an increase in M&A activ-

Nearly \$1 trillion in dry powder is available to private equity and VC firms.

ity, compared with the 44% who felt that way in December. Only 10% predicted that it would decrease, compared to 24% in December. And there are other "green shoots" as well:

In the narrower "Digital Information Economy" that we serve, we tracked 98 transactions in the first half of the year (see chart on page 2). While this is a substantial decrease from the same period last year, most of the transactions occurred in Q2 and Q3 and we're seeing even more activity in Q4.

We're also beginning to see more aggressive bidding for deals — and we don't just mean for the big deals such as Sun Microsystems and Data Domain. We're starting to see bidding for smaller deals as well. Our recent experience with Tenfore

In the second quarter of 2009, only five venture-backed companies managed to get out IPOs.

is a case in point (see brief case study on page 3). As a result, transaction values in our sector also have begun to rebound from the low of Q1 (see chart on page 2). In the first quarter, the median value of tech mergers & acquisitions was around 1.7 times trailing twelve months revenue. In Q2, it came up to 2.3 times trailing twelve months revenue. EBITDA multiples also have begun to rise (See chart on page 2). For firms that have managed to sustain strong top-line growth through the economic down turn, the purchase multiples are significantly stronger.

M&A is working on several transactions that we expect to announce over the next few months. We expect continued increases in the overall transaction activity.

Bull markets for stocks usually presage a bull market the economy which leads to a strong m&a market. Once in full swing, the strong m&a market usually lasts a while: 1995-2001 (7 years) and 2004-2007 (4 years). Hopefully, this next one will last at least that long. It's not quite here yet. But, we think it's coming...

They chose us to advise them on their most important strategic move.

 Los Gatos, California was acquired by  New York, New York	STANDARD & POOR'S has sold VISTA RESEARCH INC. New York, New York to  New York, New York	 London, England was acquired by  Chicago, Illinois	 a division of Reed Elsevier Group plc Dayton, Ohio has sold Mealey's Conferences to  What It's Worth Portland, Oregon	 Zero Tolerance for Latency Park Ridge, Illinois was acquired by  Armonk, New York	ORIMOS Zurich, Switzerland was acquired by  Dublin, Ireland
Netik New York and London has purchased Capco Reference Data Services and replaced The Bank of New York Mellon as its primary investor with  Palo Alto, California	 has sold  London, England to  Chicago, Illinois	 San Francisco, California was acquired by  London, England	 Atlanta, Georgia a portfolio company of  San Francisco, California has acquired Global Energy Decisions Boulder, Colorado	applied FINANCIAL San Francisco, California was acquired by  FIDELITY NATIONAL INFORMATION SERVICES, INC. Jacksonville, Florida	 New York, New York was acquired by  Bedford, Massachusetts
 Oslo, Norway was acquired by  Amsterdam, Netherlands	 TRIPLE POINT Westport, Connecticut has sold a majority interest to  Boston, Massachusetts	 brainpower <i>investment intelligence delivered</i> Lugano, Switzerland was acquired by Bloomberg New York, New York	 East Sussex, England was acquired by  Norwalk, Connecticut	 cameron systems Sydney, Australia was acquired by ORC Stockholm, Sweden	 BFT Beauchamp <i>Financial Technology</i> London, England was acquired by  LINE DATA SERVICES Paris, France

Middle Market Investment Banking Firm of the Year

Financing Agent of the Year – Equity • International Cross-border Deal of the Year

Financial Technology Deal of the Year • Financial Services Deal of the Year

Computer and Information Technology Deal of the Year • Financing Deal of the Year – Equity



Transaction Advisory for the
Digital Information Economy

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