

Connecting Vision to Reality*

2008 Report on Emerging Canadian Software Companies:
The CEO Perspective

What Are Investors Looking For?

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*connectedthinking



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1. What Are Investors Looking For?
2. How Investors Look At Stocks?
3. The Market Now
4. Valuations – Who Gets What And Why?
5. Do You Want To Get Bought Out? M&A
6. A New Cycle For Software?



What Are Investors Looking For?

- ✓ A Story – Technology (Don't Make It Too Complicated)
- ✓ BIG Market Potential
- ✓ Strong Competitive Positioning (Niche)
- ✓ Growth – Either Revenue or Big Margins
- ✓ Protection (Cash Flow, Balance Sheets)



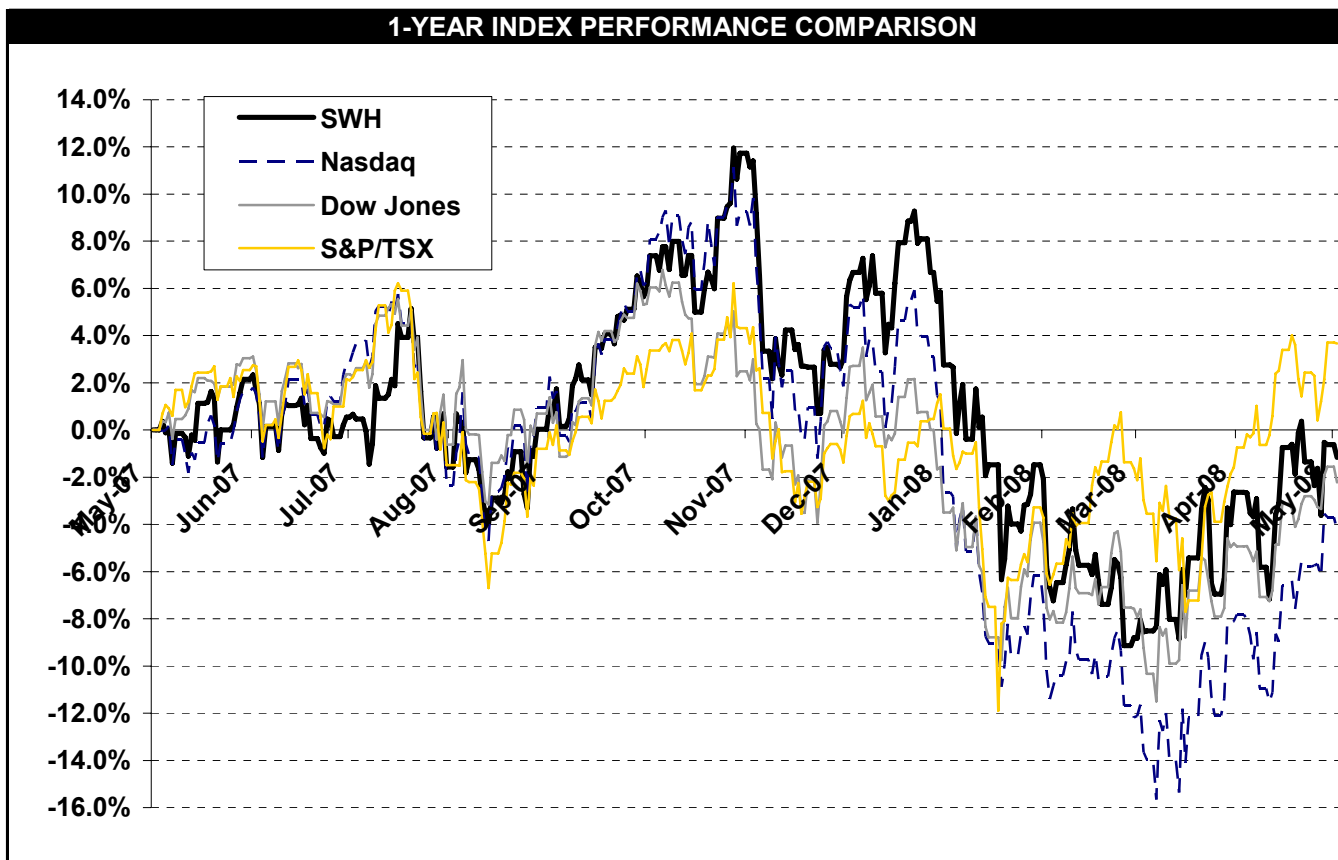
How Investors Look At Stocks?

Momentum	Relative Value	Fundamental Value
Story Driven	Peer Group	DCF
Market Potential	Historical Levels	Book Value
Hyper Growth		Cash Value
Earnings Revisions		
Earnings Momentum		
Earnings Surprises		

Know Who You're Pitching



Where Are The Markets?



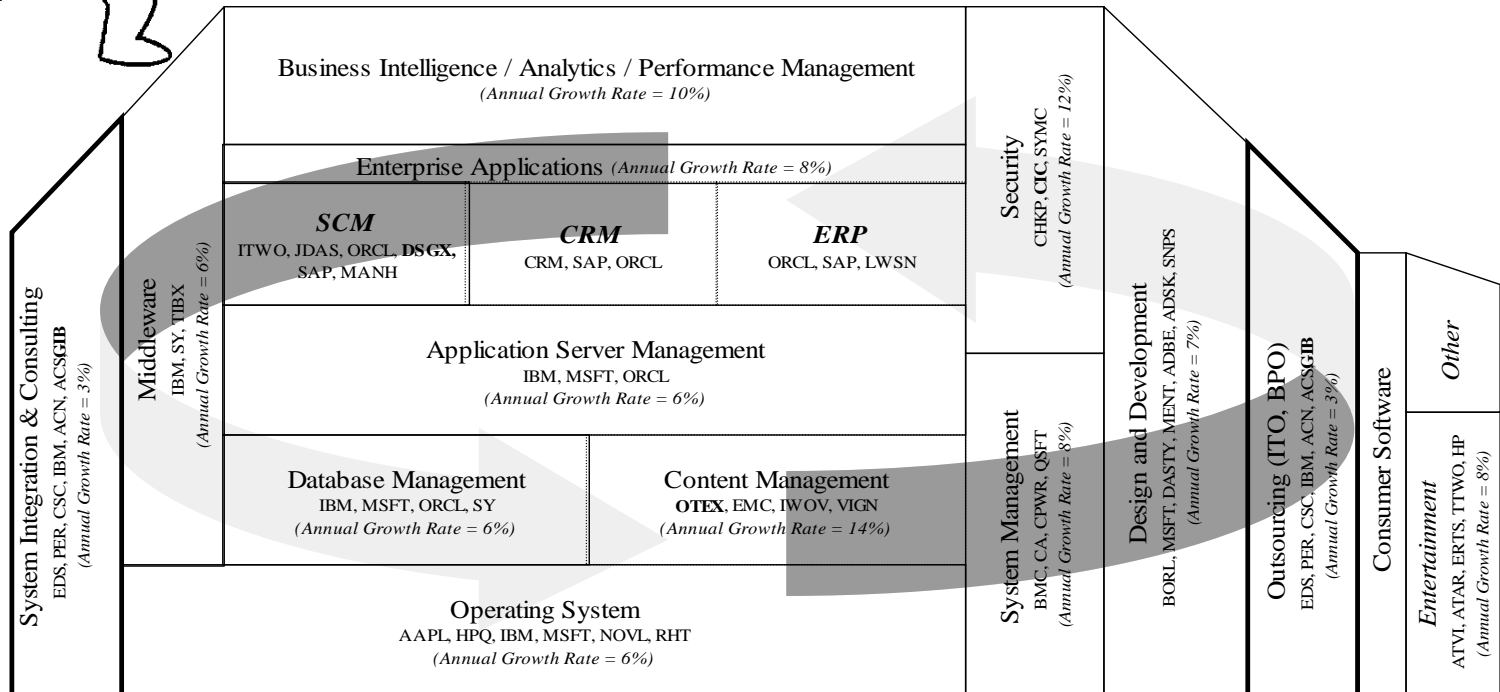
Source: National Bank Financial Research, Bloomberg



Slowing Growth = "Territory Wars"



...The Lines Are Blurring...
= **CONSOLIDATION**





What's Tech Generally Going For?

	<u>EV/S</u>	<u>P/E</u>		<u>EV/S</u>	<u>P/E</u>
• Apple	4.2x	34.4x	• IBM	1.7x	14.3x
• Cisco	3.4x	16.9x	• Intel	3.0x	18.6x
• Google	10.8x	29.5x	• Microsoft	3.9x	14.5x
• Hitachi	0.5x	38.4x	• RIM	7.9x	38.5x
• HP	1.0x	13.7x	• Yahoo	5.4x	53.1x



What's Software Generally Going For?

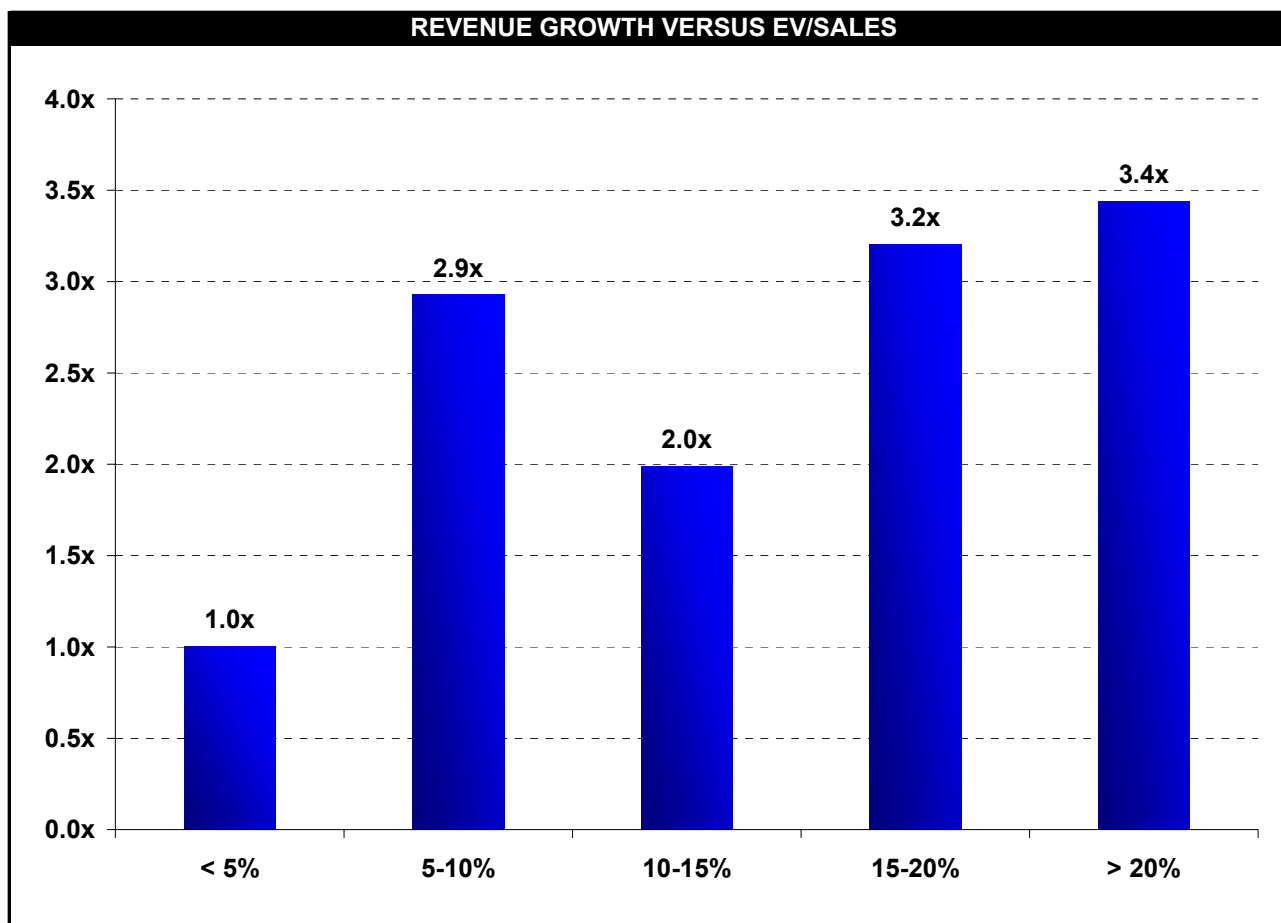
Software?

	<u>EV/S</u>	<u>P/E</u>
• Microsoft	3.9x	14.5x
• Oracle	4.6x	16.0x
• SAP	3.2x	18.1x
• Salesforce	7.2x	N/M

	<u>EV/S</u>	<u>P/E</u>
• Accenture	0.9x	14.6x
• Google	10.8x	29.5x
• IBM	1.7x	14.3x
• RIM	7.9x	38.5x
• Yahoo	5.4x	53.1x



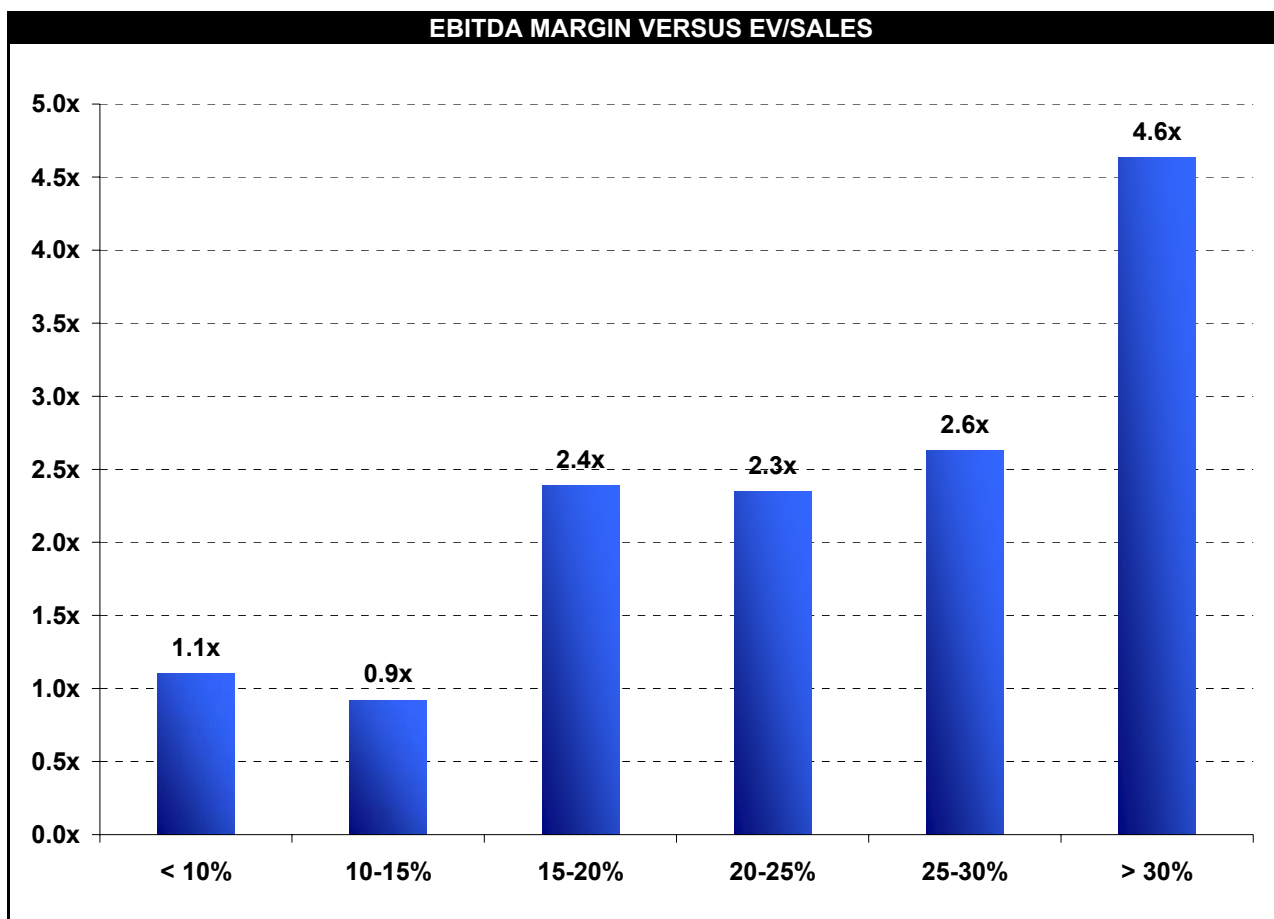
What Investors Pay For Growth?



Source: National Bank Financial, Thomson Reuters, Company Reports



What Investors Pay For Profits?



Source: National Bank Financial, Thomson Reuters, Company Reports

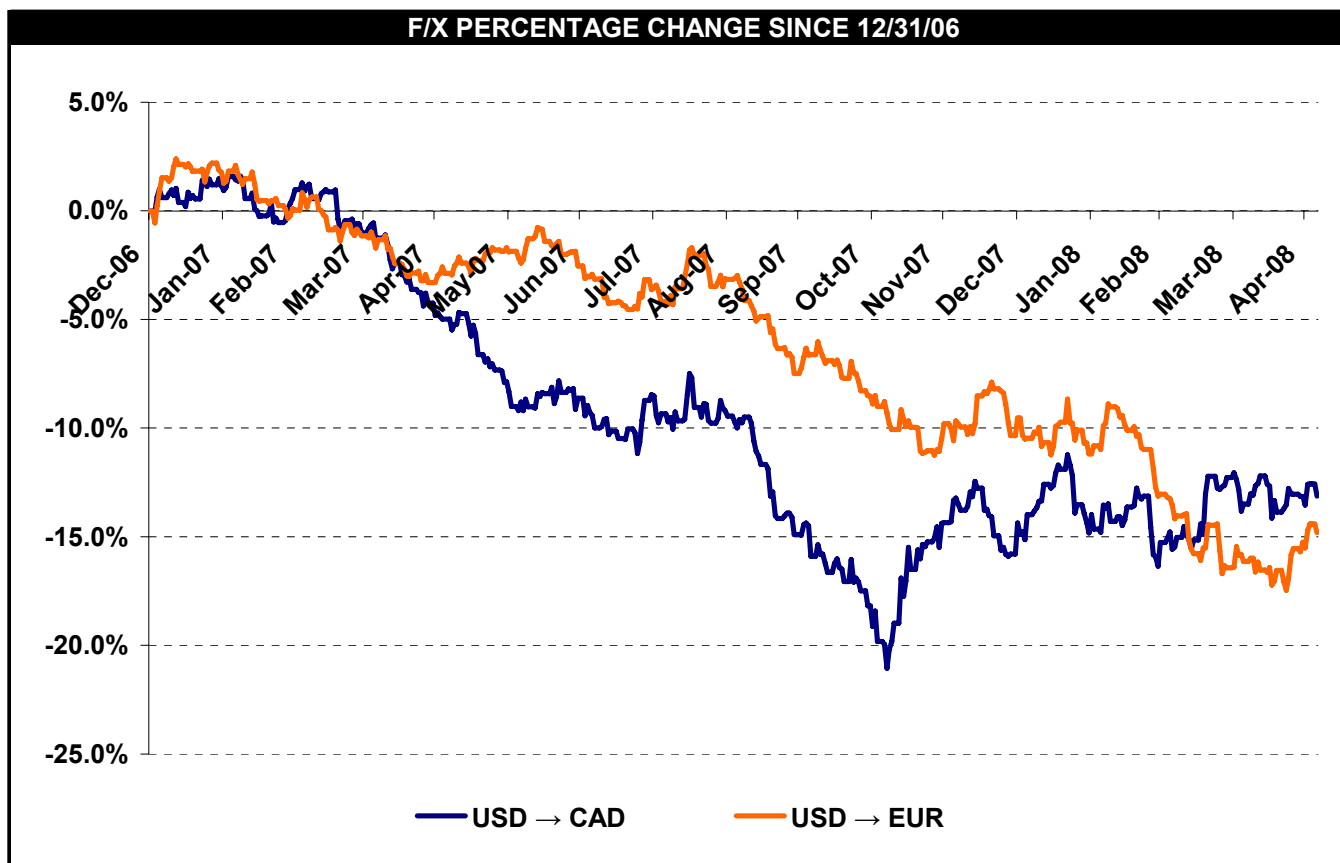


M&A – Some Of The Bigger Deals

	<u>EV/S</u>	<u>P/E</u>
• BMC → BladeLogic (\$800mm)	8.5x	N/M
• Microsoft → Fast Search (\$1,200mm)	5.7x	N/M
• Oracle → BEA Systems (\$8,500mm)	4.3x	25.2x
• IBM → Cognos (\$4,800mm)	3.8x	26.5x
• SAP → Business Objects (\$5,700mm)	3.2x	24.0x



M&A – Foreign Buyers



Source: National Bank Financial Research, Bloomberg



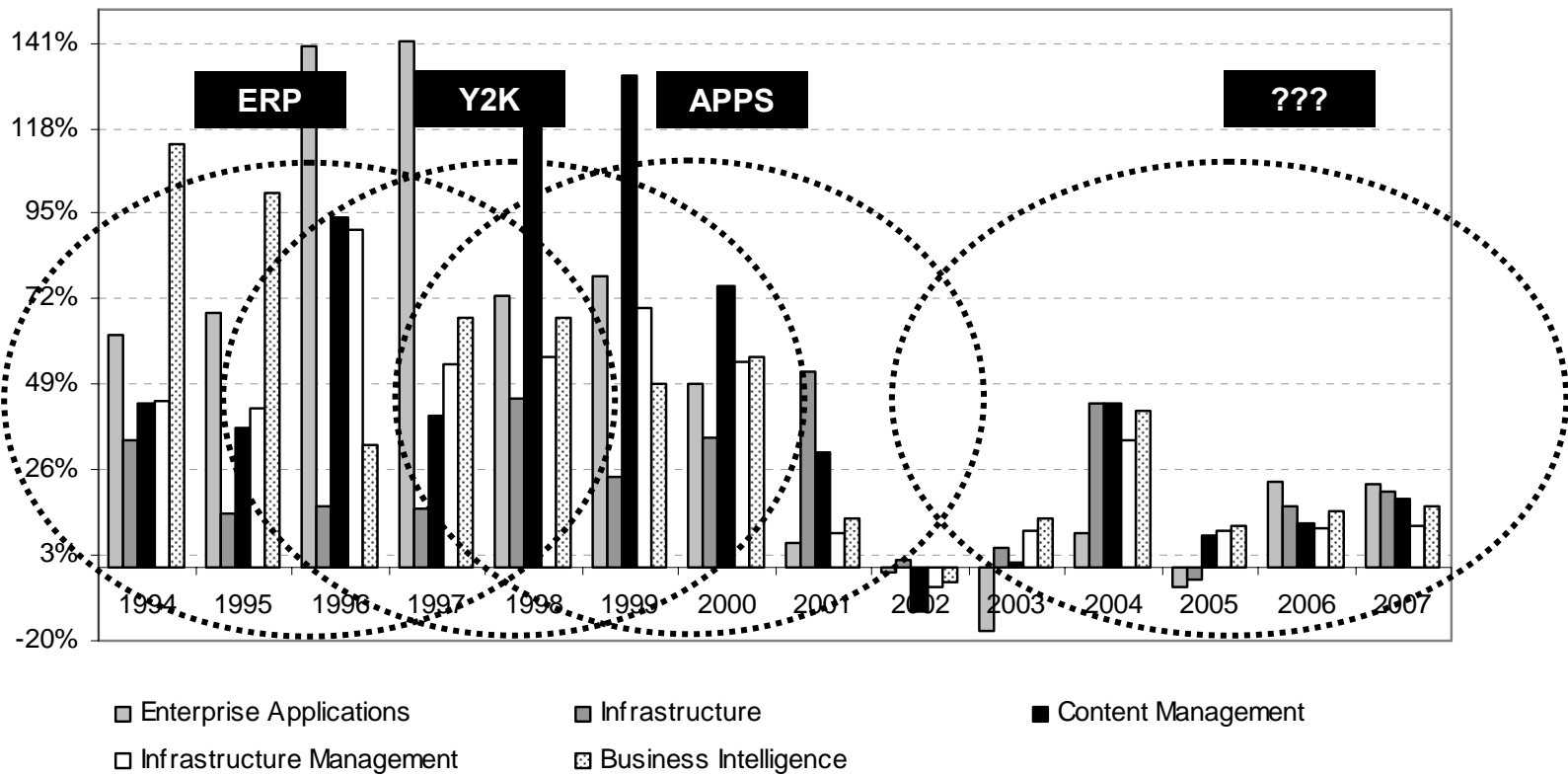
Where Are CIOs Spending The \$\$\$

- Business Intelligence
- ERP (Still!)
- Workflow
- Security
- Storage
- Virtualization



What's On The Horizon?

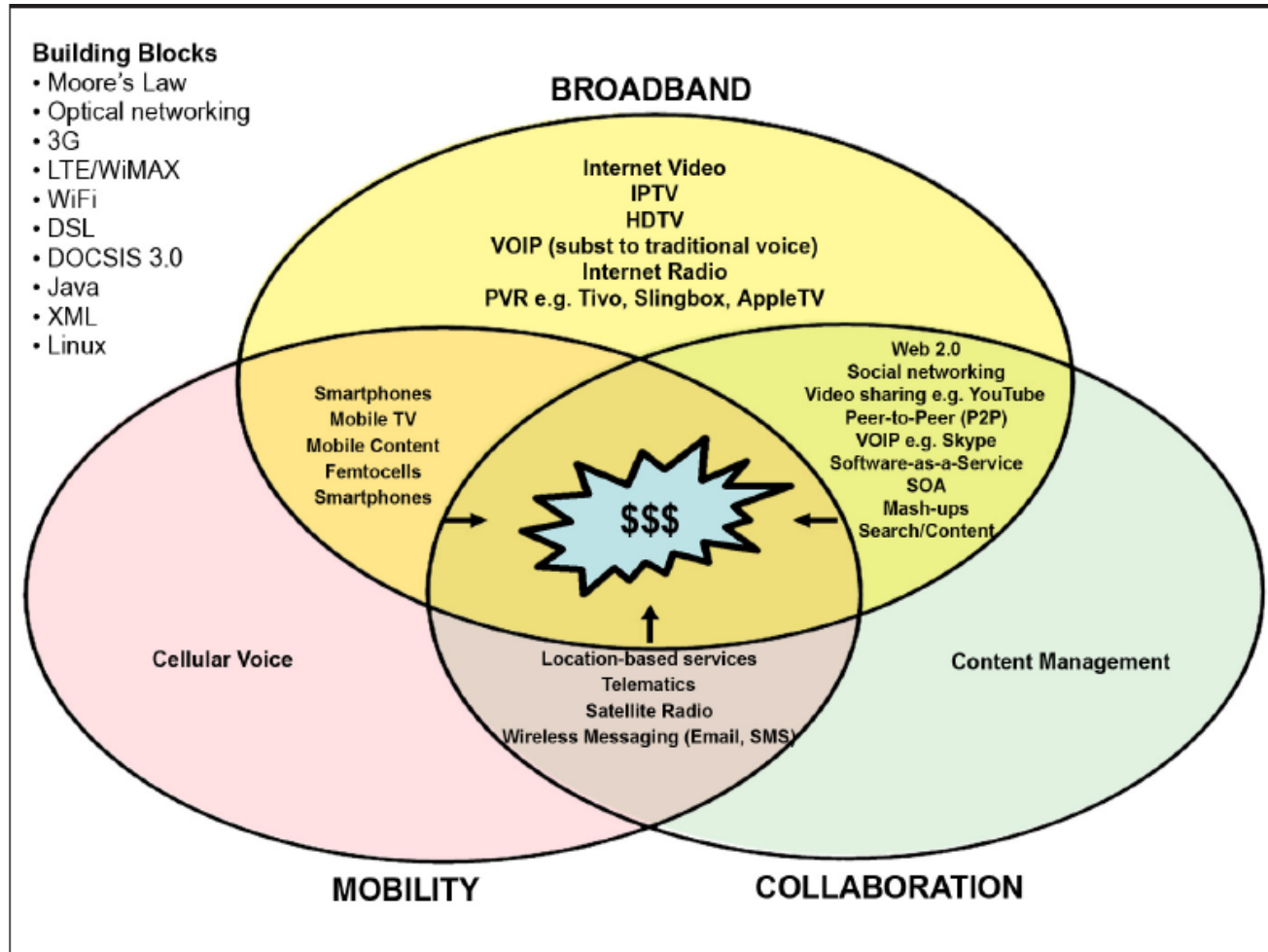
What Does Your Tech Company Offer?



Source: National Bank Financial Research



Here We Go Again – Convergence



Source: NBF Technonlogy Team

Thank you

FASKEN
MARTINEAU 

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PROCTER

 NATIONAL
BANK
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