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INDEPENDENT INVESTMENT BANKING FOR GLOBAL
TECHNOLOGY, MEDIA, MARKETING & INFORMATION

Tech M&A Update – *The plastic credit card...the buggy whip of tomorrow...*

This month's letter is written by Joseph Sanborn, Managing Director & Co-Head of Technology Banking

The October 20, 2014 launch of Apple Pay has shone a spotlight on the often overlooked world of payments and how the landscape is being redefined by mobile. A flurry of M&A activity has followed in the wake of Apple's announcement, which is shaping up as a battle of the giants over who will lead in this burgeoning market of mobile payments and commerce.

Notable transactions in the sector over the past thirty days include Google's acquisition of Softcard (estimated at \$100 million and announced in late February); PayPal acquiring Paydiant (estimated at \$280 million and announced in early March); and Samsung's acquisition of LoopPay (also announced in late February).

- **Softcard** (which was previously known as Isis Wallet) was a consortium established by Verizon, AT&T and T-Mobile in November 2010, with the goal of using Near Field Communications (NFC) technology to establish the carriers as leaders in mobile payments. While Softcard struggled to execute its vision, *the acquisition provides a major octane boost to Google Wallet, which will now come preloaded on all Android phones marketed by these three carriers. Google also picks up some substantial IP in the field, which could be important in defending its place in this new world of digital payments.*
- **Paydiant**, a start-up out of Boston, provides mobile wallet technology to a number of large merchants, of which MCX is the most notable. MCX is a merchant owned consortium of leading retailers (including Walmart and Target) developing a payment app called CurrentC with the implicit goal of ensuring that major retailers have a strong voice in how digital payments evolve and, just as important, to make sure that they retain access to the voluminous customer data derived in the checkout process. *The acquisition plays an important role in PayPal's drive to establish itself as a viable alternative to credit cards for payment in physical locations and sets up direct competition with Apple Pay.*
- **LoopPay** is a mobile commerce and payments platform (also based in the Boston area) that is betting against the conventional view that NFC technology (being utilized by both Apple Pay and Google Wallet) will quickly gain adoption and instead utilizes a magnetic reader to enable the mobile payment. LoopPay estimates that nearly 90% of merchants today (especially small businesses) are showing considerable reluctance about upgrading their point-of-sale systems to accommodate NFC, given the costs involved. *Samsung's bet on this acquisition is that it can create the leading mobile payments ecosystem in the non-Apple world of Android by making a land grab to acquire merchants, especially the small, local businesses, which often enjoy frequent, repeat customers. For Samsung, being a leader in digital payments is critical to its goal of developing a stickier, long-term relationship with its customers.*

OLD HABITS DIE HARD

Despite the buzz around digital payments in the press and technology circles, the reaction from most Americans has been quite muted. A recent survey by CreditCard.com, for example, indicates that around two out of three Americans say they would "never" or "hardly ever" use their cell phone to make a purchase. Complicating this dynamic is that Millennials, the demographic group that is most active in adopting mobile devices for new uses, have had more difficulty in

obtaining credit cards as a result of the tighter credit standards imposed by new banking regulations in 2009 (according to Sallie Mae, the number of college students with credit cards has dropped by nearly 30% between 2010 and 2013.)

While the majority of Americans are pretty happy with using their good old-fashioned plastic for most purchases, we are seeing an exception develop in the case of frequent small purchases, where mobile payments are catching hold with a broad group of consumers (Starbucks being the most notable example). While this evolution is driven in part by convenience considerations, it is also motivated by loyalty programs that are becoming more sophisticated in leveraging mobile to engage consumers with more targeted and timely offerings.

STREAMLINED CHECKOUT AN ADDED PLUS

A little discussed but important advantage of the emerging digital payment systems is their potential to significantly streamline the checkout process on mobile devices to as little as one click or the swipe of a finger. Apple Pay, for example, uses its existing customer profiles (including their credit card and shipping information) in paying for goods and services and requires nothing more than a fingerprint. While similar solutions outside the Apple world are relatively few today (since Apple Pay accounts for over two thirds of all digital payments), we expect this dynamic to change dramatically over the next few years, especially as carriers look to leverage their significant repository of customer-specific information, to enable mobile commerce and payments.

REDUCING THE RISK OF FRAUD

We also see mobile payments gaining momentum, as the average consumer comes to appreciate the enhanced security benefits of digital solutions as compared to traditional credit cards. A combination of the biometric security features now incorporated into today's phones coupled with geolocation technologies of mobile will significantly reduce fraud over time. The manner in which a digital payment is processed also minimizes the chances of the retailer being responsible for any breach/hack of its customers, since their credit card numbers are not retained on the retailer's POS system.

ENHANCING THE CUSTOMER EXPERIENCE

In addition, more and more retailers are willing to experiment with mobile payment as a way to attract and retain more valued consumers, while also streamlining the check-out process. Whole Foods, for example, was an early adopter of Apple Pay and is now the largest retailer using the offering. Payments via Apple Pay have quickly become about 2% of Whole Foods' transactions since becoming available at all stores last October, and have led to speedier lines and perhaps even a few extra items in the shopping cart, given the ease of making digital payments (based on third-party studies.) "We're committed to providing innovative new choices and conveniences for our customers, and the ability to buy groceries with just a simple touch of a finger elevates convenience to a whole new level," said Whole Foods co-CEO Walter Robb.

Some view the discussion about digital payments today as representing a lot of talk with little real benefit to the average consumer. Our view is that, by the end of this decade, a majority of Americans will have adopted to regularly using digital payment solutions in paying for some of their goods and services. While most of us will still have plastic in our wallets, we will be reaching increasingly for our phone when it comes time to make the actual payment. Given that studies now show that Americans are more likely to leave behind their wallet than their mobile phone when they leave home, we see a bright future for mobile payments and commerce, which will create enormous opportunities for both established companies and start-ups that are now being funded.

These are our brief highlights for March. Please stay tuned for the next issue of our Tech M&A Update, and don't hesitate to contact us to discuss any topics related to JEGI's Tech Coverage or your company's M&A strategy.

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Private Company Spotlight – RiseSmart

Each issue, we spotlight one later-stage private company for our audience. As long-time technology investment bankers, we will point out the characteristics that enable these companies to be emerging market leaders and ultimately become compelling targets for strategic acquirers, as well as later-stage growth equity and private equity investors.



RiseSmart is a global Human Capital Management (HCM) technology company headquartered in San Jose, California and has a significant presence in India. Investors include Accel-KKR, Norwest Venture Partners and Storm Ventures.

What Does RiseSmart Do?

RiseSmart is a leading provider of next-generation career transition solutions, serving organizations across more than 40 industries, including many of the Fortune 500. RiseSmart combines proprietary job matching and other technologies with the virtual delivery of high quality employee/employer services in order to disrupt the traditional outplacement market. RiseSmart has quickly evolved into a technology-driven outplacement firm for the enterprise. Instead of offering office space and group counseling, RiseSmart's technology-enabled solutions focus on tailored job leads, proactive coaching (delivered virtually) and professionally-written resumes in order to not only help talent land new roles quickly, but also to provide companies with a means to effectively manage costs, protect their employer brands, and limit liability during layoffs of all sizes. Its innovate approach has enabled it to grow rapidly and receive significant recognition and awards, such as the "Cool Vendor Award for HCM" from Gartner and "Most Innovative Company" from Bersin by Deloitte.

How Did RiseSmart Get There?

RiseSmart was founded in 2007, after founder Sanjay Sathe had been "right sized" out of a management-level technology job at a large employer. While the traditional outplacement resources provided by his former employer did not result in a new job, they did inspire Sanjay to found a company. Sanjay thought he could help companies provide true value (and faster landings) for their transitioning employees so he began to build a company that would address the challenges of today's job market for laid off workers. Sanjay determined that the time was right to develop a new version of the outplacement model, as it had become complacent and had not really adopted any meaningful new technology to adapt to today's more technologically advanced job market. Within several months, Sanjay was able to secure \$1.25M in angel funding in 2007, which has since been followed by \$23.6M in venture capital funding. Since that time, RiseSmart has been able to grow its business (and revenues) at a very high rate and has established itself as a leader in transformative, technology enhanced outplacement solutions for large and mid-market corporations.

What Problem Does RiseSmart Solve?

The outplacement market is a \$3 billion a year industry that helps corporations manage the disruption and potential negative consequences for them and their displaced employees during a downsizing event. By offering career counselors and other services to help laid-off employees quickly find new jobs, outplacement providers enable the employer to minimize potential financial liabilities/lawsuits, protect their corporate reputations and reduce their unemployment insurance costs, among other benefits. The leading outplacement players – such as Adecco/Lee Hecht Harrison and Manpower/Right Management – are largely traditional brick and mortar companies that primarily offer staffing and coaching services. Still today, traditional outplacement is anchored in legacy practices, such as requiring job seekers to commute to an office to conduct a job search and to attend group workshops. Even when traditional outplacement providers recognize that job seekers need more modern solutions that allow them to remain plugged into the job search on a 24/7 basis across multiple connected devices, most such companies clumsily bolt on third-party technology to attempt to deal with the ineffectiveness of their own legacy service offerings.

RiseSmart, however, recognizes the value of both technology and service, and has sought to change the way outplacement is handled by providing first-class offerings in both. RiseSmart's outplacement model is built on a foundation of proprietary semantic search matching technology (to help in the search for the most relevant and highest quality potential job opportunities to be found online) and virtual service delivery to offer an array of comprehensive job searching services based on its expert-designed methodology. For example, each job seeking participant is surrounded by a

team with 1:1 support (on a more efficient, virtual basis) from a Transition Coach, Certified Professional Resume Writer, and Job Concierge and is given access to proprietary technology deployed via the Cloud that makes it easier to discover jobs and key contacts while keeping the participant organized and on track to land a position.

Timing is very important to job seekers because approximately 60% of the US population only has \$25,000 in savings, so a prolonged job search can lead to significant financial and emotional stress. Furthermore, prolonged employment gaps lessen the likelihood of being hired. Because RiseSmart's outplacement model provides job seekers with all of the technology, coaching and counseling tools they need to get started with a more effective search right away, it reduces the time that participants spend searching for jobs and increases their chances of getting in the door quickly.

RiseSmart's outplacement solutions also create opportunities for corporations to protect their brands, limit liability, and save money during restructuring. RiseSmart's use of technology and virtual services in its outplacement solutions enable it to command a lower price than traditional outplacement, and because RiseSmart enables talent to land faster, it creates opportunities for reduced unemployment tax and severance payments. Moreover, when employees leave an organization on good terms, it can generate goodwill and reduce the potential for defamation on social media or legal action.

Why Do We Find RiseSmart Interesting?

RiseSmart has a lot of strong qualities that we think will be of interest to strategic and financial acquirers:

- **Disruptive approach and business model in a big market** – the use of innovative technology, such as semantic matching, together with the high-touch personal attention from career experts/coaches, all delivered in a virtual model marks a completely new era in somewhat neglected, but large (\$3 billion market) area within the exciting Human Capital Management marketplace.
- **Re-occurring business model** – RiseSmart typically secures contracts that are evergreen in nature with its customers, has seen very little churn in its customer base and since much of its revenue comes from large customers who continuously invest in outplacement, its revenue stream is highly visible, repeatable and re-occurring in nature.
- **Deliver results for clients** – clients have seen 80% of their participants in RiseSmart's outplacement programs land during their program term, and 71% land in jobs with greater or equal salaries. This represents a 64% faster time-to-job than the national average, according to the Bureau of Labor Statistics.
- **Track record of success** – RiseSmart has gained considerable traction in recent years, has been growing at a very rapid rate, and has landed many large enterprise customers in a variety of industries.

We have been very pleased with what we have seen as we have gotten to know RiseSmart over the past year. It is a very differentiated story in a less-traveled, but intriguing area within the HCM space, and we expect the Company to continue on its high-growth trajectory for some time to come.

Hey, Did You See This?

AtHoc – February 24, 2015

AtHoc, Inc., the leader in networked crisis communication, today announced the release of the AtHoc Suite that connects users, organizations and devices in times of crisis. The suite is an “Internet of Things” platform that addresses the growing needs of crisis communications. AtHoc is leveraging the power of mobility, hybrid cloud and the IP network to deliver a unified and secure end-to-end solution capable of real-time collaboration with anyone, anywhere and across virtually any device.

BA Insight – March 10, 2015

BA Insight announced that Ace Hardware selected its Knowledge Integration Platform to power its next-generation ACENET, a search-driven intranet portal serving independent retailers and employees nationwide. Unified product and content search improves store efficiency, maximizes upsell opportunities and improves customer satisfaction. The new ACENET, already running in over 3,000 stores, uses the BA Insight Knowledge Integration Platform along with Share-Point 2013 to drive more precise, accurate, and complete search results.

Connotate – February 25, 2015

Connotate, an industry-leading web content extraction and transformation platform, today announced record-breaking results for 2014, driving a 39% year-over-year improvement in Annual Contract Value (ACV) Bookings. The Connotate platform enables companies to automate the acquisition and accelerate monetization of content sourced from the world’s 1 billion+ websites. Specific accomplishments include a 200% increase in the number of platform sales year-over-year, and major new client wins in the government, financial services, content-driven application providers, and manufacturing sectors.

Contact Solutions – February 24, 2015

Contact Solutions, a leading provider of cloud-based customer care solutions improved by business intelligence, today announced the launch of Adaptive Personalization, a new multi-layered personalization solution driven by behavior-based business intelligence and predictive analytics. The new solution creates highly personalized and effortless customer care experiences within the interactive voice response (IVR) that fully reflect customer behaviors and preferences. With the release of Adaptive Personalization, organizations can more easily respond to caller behaviors and preferences, streamline authentication processes, and dynamically adapt calls at each interaction point in the call flow.

mGage – March 3, 2015

mGage today announced the launch of its over-the-top (OTT) connectivity hub for brands to connect and engage with consumers over popular social messaging applications. As consumers across the globe continue to rely on social applications to communicate with their peers, brands have scrambled to figure out how they can tap into these different channels. With the launch of the mGage OTT Hub, brands and marketers can provide tailored consumer experiences and manage their mobile presence across multiple social messaging applications, including WeChat and Kik.

Thomsons – January 25, 2015

NGA HR today announced their partnership with Thomsons Online Benefits (Thomsons) in providing employee benefits software to its customers. Thomsons is a market leader in global employee benefits administration and engagement software. Their “Darwin™” platform is a perfect fit within NGA’s flagship solution – ResourceLink. NGA ResourceLink is a fully integrated HR and Payroll solution and provides companies across the UK with the capability they require to run effective HR and Payroll functions. Combining this with Darwin™, which delivers rich, user friendly employee benefits functionality will be a real bonus for customers.

Selected February M&A Transactions in JEGI Tech Coverage

Buyer	Seller	Target Description	Enterprise Value (\$mm)
<i>Deals with Values (by size)</i>			
SS&C Technologies	Advent Software	Financial portfolio management software	\$2,505
Avago Technologies	Emulex Corporation	Storage networking systems provider	\$609
Hitachi Data Systems	Pentaho	Open-source BI software provider	\$530
Under Armour	MyFitnessPal	Exercise tracking website & application	\$475
Insight Venture Partners	Ezopen	Supply chain management software	\$273
Vector Capital	Saba Software	HR management SaaS provider	\$268
Capita	avocis	Call center & IT services	\$237
Infosys Technologies	Panaya	ERP automation SaaS	\$200
Hewlett-Packard	Voltage Security	Enterprise security software & SaaS	\$175
Global Telecom Technology	MegaPath, Managed Services Business	Managed communications & security services	\$152
Yelp	Eat24.com	Online take-out food ordering service	\$134
Microsoft	Sunrise Atelier	Mobile & Web calendar application	\$100
Blackboard (Providence Equity)	Schoolwires	Education web content management	\$97
HealthStream	HealthLine Systems	Healthcare management software & SaaS	\$88
Under Armour	Endomondo	Exercise tracking application & website	\$85
Synchronoss Technologies	F-Secure, Personal Cloud Assets	Security software, SaaS & managed services assets	\$60
Carter Validus Mission Critical REIT	Alpharetta Data Center	Colocation & managed services	\$57
Temenos Group	Akcelerant	Financial account servicing software	\$50
ExlService Holdings	RPM Direct	Insurance & healthcare marketing services	\$47
Nexstar Broadcasting Group	Yashi	Video advertising services & SaaS	\$33
Twitter	Niche Project	Social media monetization community	\$30
KPMG	Crimsonwing	UK ERP & e-commerce systems integrator	\$28

Buyer	Seller	Target Description	Enterprise Value (\$mm)
Luxoft Holding	Excelian	UK systems integration	\$20
Marin Software	SocialMoov	Social media advertising SaaS	\$19
Allot Communications	Optenet	Security SaaS & services assets	\$12
Monotype Imaging	Swyft Media	Mobile app advertising services	\$12

Deals without Announced Values (alphabetical by buyer)

Accenture	Gapso Serviços de Informática	Analytical planning systems for various industrial sectors
Accenture Federal Services	Agilex Technologies	IT enterprise management & consulting
Arrow Electronics	Hearst, United Technical Publishing	Electronic components information & analysis
Autodesk	Tweak Software	Video sequence management SaaS
Check Point Software Technologies	Hyperwise	Pre-infection threat detection software
Cognizant Technology Solutions	CNO IT Services	IT solutions
Computer Sciences Corporation	Autonomic Resources	Government only cloud-services provider
Excel Micro (j2 Global)	Nuvotera	Email security SaaS provider
Fidelity Investments	eMoney Advisor (Guardian Life Insurance)	Wealth & asset management SaaS
FleetMatics Group	Ornicar	French fleet management systems
Google	Odysee	Mobile photo storage application
Google	Softcard	POS mobile payments app assets
Google	Toro	Facebook mobile marketing SaaS
Intuit	Porticor	Cloud data security solutions.
j2 Global	EmailDirect.com	Email marketing SaaS provider
j2 Global	Firstway Digital	Hosted communication services
Motorola Solutions	Emergency CallWorks	Emergency response call center software & SaaS
Mozido	PayEase	Electronic payment services
Navient	Gila (MBO)	Debt recovery & payments BPO

Buyer	Seller	Target Description	Enterprise Value (\$mm)
Panasonic	Video Insight	Surveillance & monitoring management software	
PeopleAdmin (Vista Equity)	Netchemia	Education talent management SaaS	
Samsung Electronics	LoopPay	Mobile payment application	
Sungard Financial Systems (Silver Lake)	Energieya (Venice PMI)	Italian energy management software	
Syncsort (Insight Venture, Bessemer, Goldman)	William Data Systems	Network management & monitoring software	
TripAdvisor	ZeTrip	Mobile journal application	
TriTech Software Systems (Insight Venture)	Tiburon (Gores Group)	Computer-aided dispatch software & SaaS	
VMware	Immidio	Desktop virtualization SaaS provider	

About The Jordan, Edmiston Group, Inc.

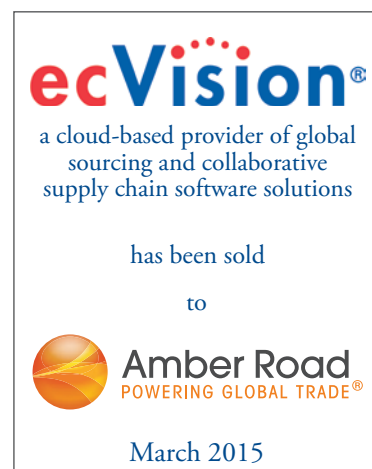
The Jordan, Edmiston Group, Inc. (JEGI) is the leading independent investment bank for the global technology, media, marketing services and information sectors. Over the past 28 years, the firm has completed more than 500 M&A transactions, serving global corporations, private companies, entrepreneurs, and private equity/venture capital firms.

JEGI's senior bankers average nearly 20 years of M&A experience and personally lead each client engagement. Through the firm's broad network of industry contacts and a deep understanding of the markets that its clients serve, JEGI helps technology companies find their optimal strategic paths via exit or growth capital. The firm often identifies and completes transactions with "outside the box" buyers for its clients by leveraging its unique perspective and extensive high-level relationships across diverse markets. For more information, visit www.jegi.com.

Case Study: ecVision

JEGI represented ecVision in its sale to Amber Road earlier this month

- Cloud-based provider of global sourcing and collaborative supply chain software solutions for brand-focused companies, particularly in the apparel and footwear industries
- Market-leading SaaS company with Hong Kong HQ and operations in China and the US; dozens of blue-chip customers such as Coach, PVH Corporation, Li & Fung, Abercrombie & Fitch, New Balance and others
- Worked closely with management to best position the business and optimize the strategic rationale for multiple buyer types
- Mission accomplished
 - Highly competitive process that balanced a sale of the Company with potential interest in a capital raise alternative
 - Created Company marketing documents from scratch, "battle-tested" its financial models and carefully prepared the CEO for presentations with buyers
 - Managed very efficient bidding, confirmatory diligence, documentation and closing processes to go from LOI to closing in just five weeks
 - Maximized value for the founder and shareholders, exceeding shareholder valuation expectations; highly synergistic and strategic fit with the buyer



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