

# **SagePoint Semiconductors M&A Review for Q2 2010**

An Analysis of M&A Activity and Valuation  
Metrics in the Communications, Media &  
Computing Semiconductor Market Segments



For more information contact David Michaels at (858) 926-5950 or [dmichaels@sagepointadvisors.com](mailto:dmichaels@sagepointadvisors.com)

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## SagePoint's Viewpoint - Key Takeaways

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- M&A transaction volume across SagePoint's entire ICIT Universe was up approximately 20% in Q2'10 versus Q2'09 but came in 10% below Q1'10 levels
  - Q2'10 deal volume of 349 still represents a fairly active quarter with activity accelerating late in Q2
  - Only the Semiconductors segment, up from 9 deals to 10 for the quarter, increased versus Q1
- M&A dollar volume across SagePoint's Semis Universe remained relatively flat in Q2, up slightly from Q1 but more than 25% higher than Q2'09
  - M&A dollar volume was nearly equally split between public and private deals
  - Deals were primarily below \$100M with one public and one private deal in the \$250-500M range
- Semiconductor M&A transaction volume rose for the third straight quarter, reaching double digits for the first time in a year
  - However, total deal volume remains low as the semiconductor industry has been under pressure for several years and few active buyers remain
- The trend towards larger M&A transaction activity continued in Q2
  - One \$250M+ private deal was announced in Q2, the first \$250M+ deal since Q3'09
  - One \$250M+ public deal and one deal of nearly \$100M in size were announced in Q2
- Median revenue multiples continued to improve substantially in Q2
  - Synopsys acquired Virage Logic for 4.4x LTM revenue, Broadcom acquired Innovision Research & Technology for 13.9x LTM revenue and Emulex acquired ServerEngines for 14.2x LTM revenue
  - However, with just one data point for private deals and two for public it is difficult to draw meaningful conclusions

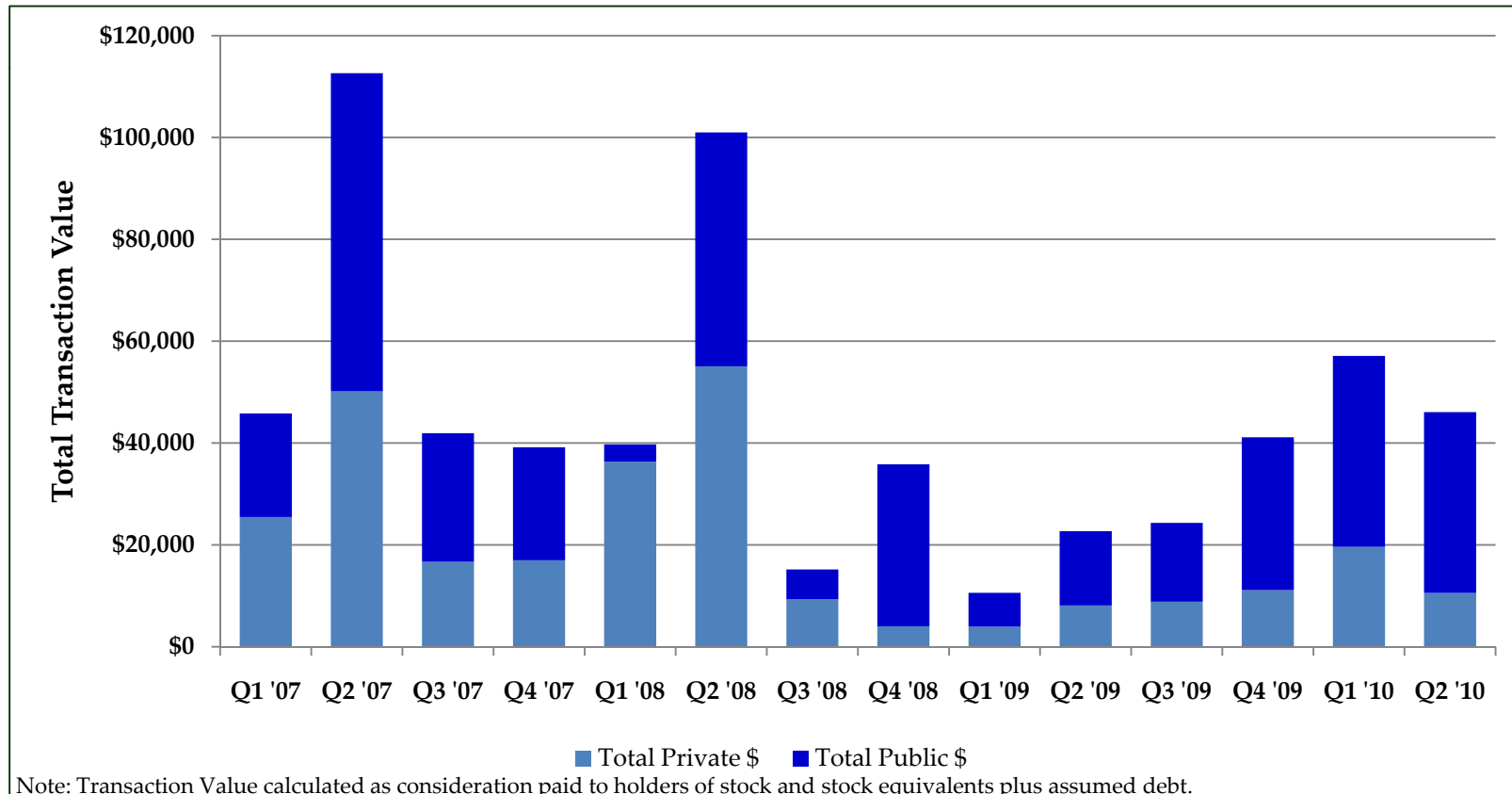
## SagePoint's Viewpoint - Key Takeaways Continued

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- The most active buyers over the last 24 months were led by Broadcom and Intersil at four deals each with a number of other acquirors at two deals
  - SMSC's two deals have occurred in 2010, though both were smaller deals
- Notable Q2 transactions:
  - Cisco's acquisition of CoreOptics for \$99M
  - Emulex's acquisition of ServerEngines for \$283M
  - Synopsys' acquisition of VirageLogic for \$345M
  - Broadcom's acquisition of Innovision Research & Technology for \$47M
- SagePoint expects to see Semiconductor M&A continue at its current pace through 2010 with a few strategic deals and several distressed deals each quarter
  - Pickup in \$100M+ private communications semiconductors M&A transactions over the past three quarters is certainly an encouraging sign, particularly for private vendors with some scale
  - SagePoint expects to see more small and mid cap public semiconductor vendors being acquired by larger vendors with scale as industry consolidation continues
  - However, SagePoint expects the exit environment for VC-backed semiconductor vendors who are well below critical mass in revenues to remain challenging

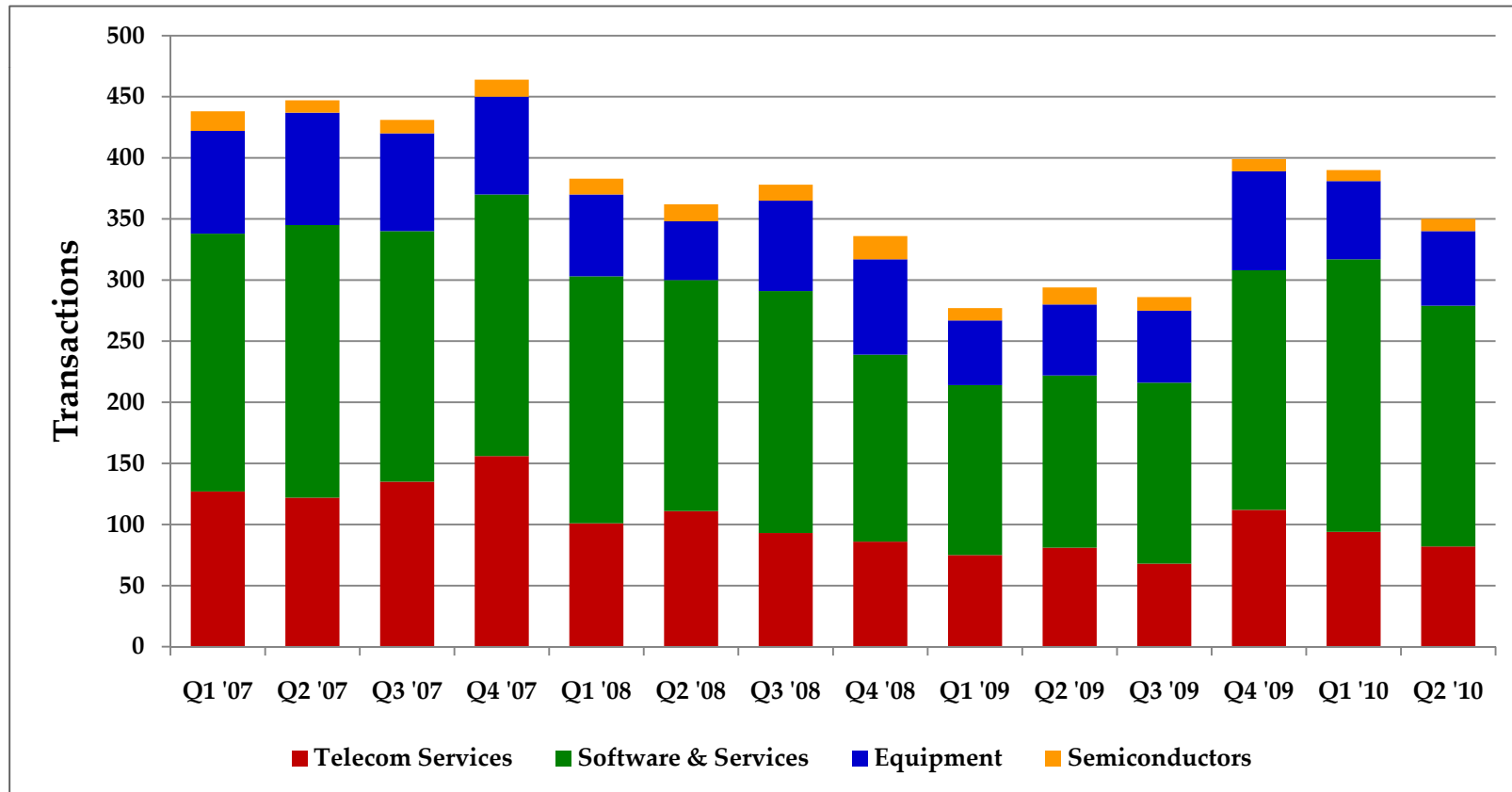
## M&A Dollar Volume – SagePoint ICIT Universe

- M&A dollar volume across SagePoint 's entire Internet, Communications & IT Infrastructure (“ICIT”) universe fell in Q2'10 as CenturyLink's acquisition of Qwest was the only megamerger for the quarter as Telefonica's \$9B bid for the remainder of Brasilcel was rejected
  - CenturyLink's \$24B acquisition of Qwest represents more than half of total dollar volume
- M&A dollar volume was up significantly for Equipment and Software & Services with Semiconductors up as well
  - Q2 dollar volume for those three segments reached \$17.5B versus \$4.8B in the prior quarter



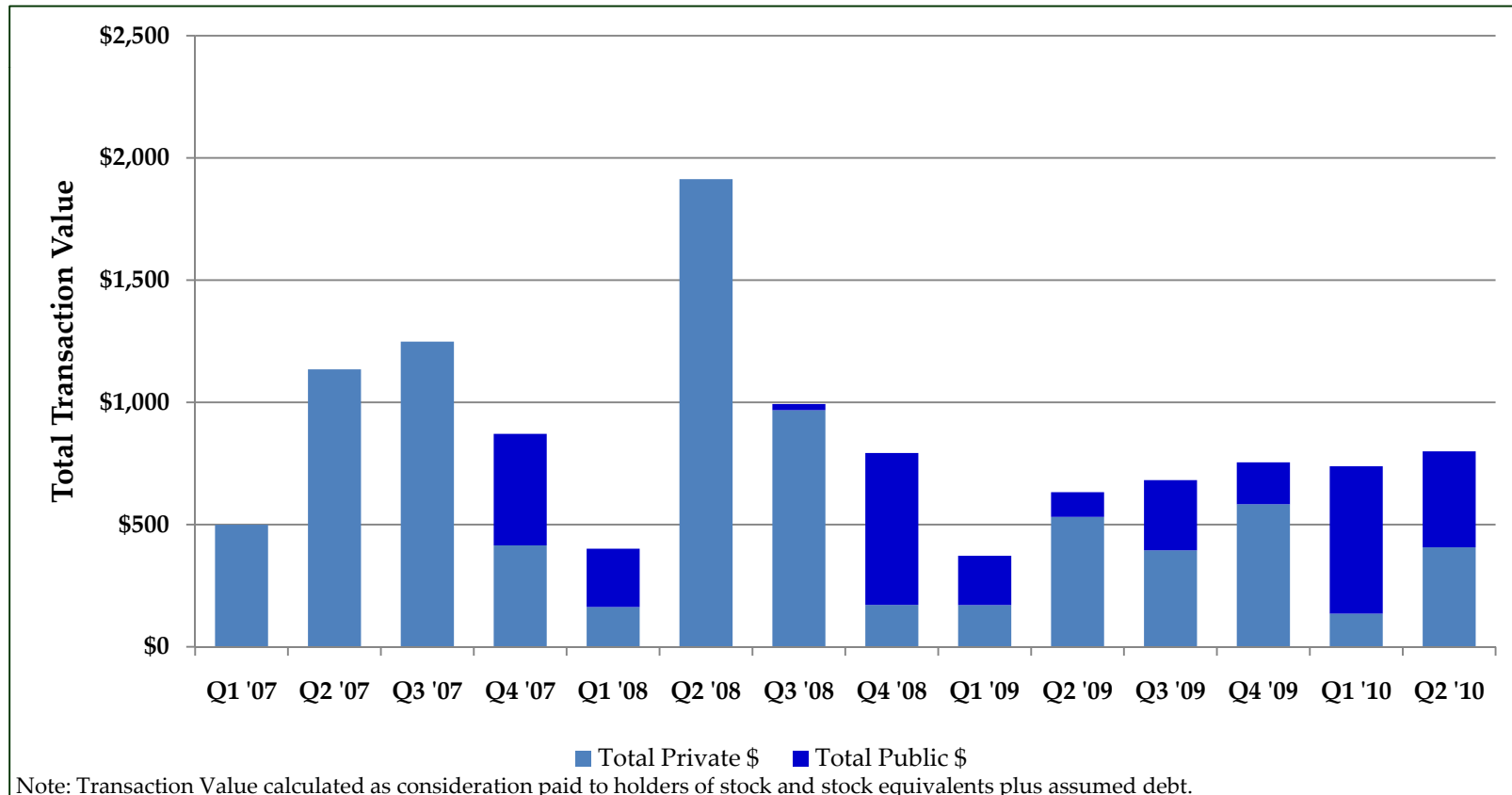
## M&A Transaction Volume – SagePoint ICIT Universe

- M&A transaction volume across SagePoint’s ICIT universe was up approximately 20% in Q2’10 versus Q2’09 but came in approximately 10% below Q1’10 levels
  - Though not as strong as the past two quarters, Q2’10 deal volume of 349 still represents a fairly active quarter and deal volume was increasing in the second half of the quarter
  - Only the Semiconductors segment, up from 9 deals to 10 for the quarter, increased versus Q1
- SagePoint expects M&A transaction volume to remain relatively robust through 2010 and 2011



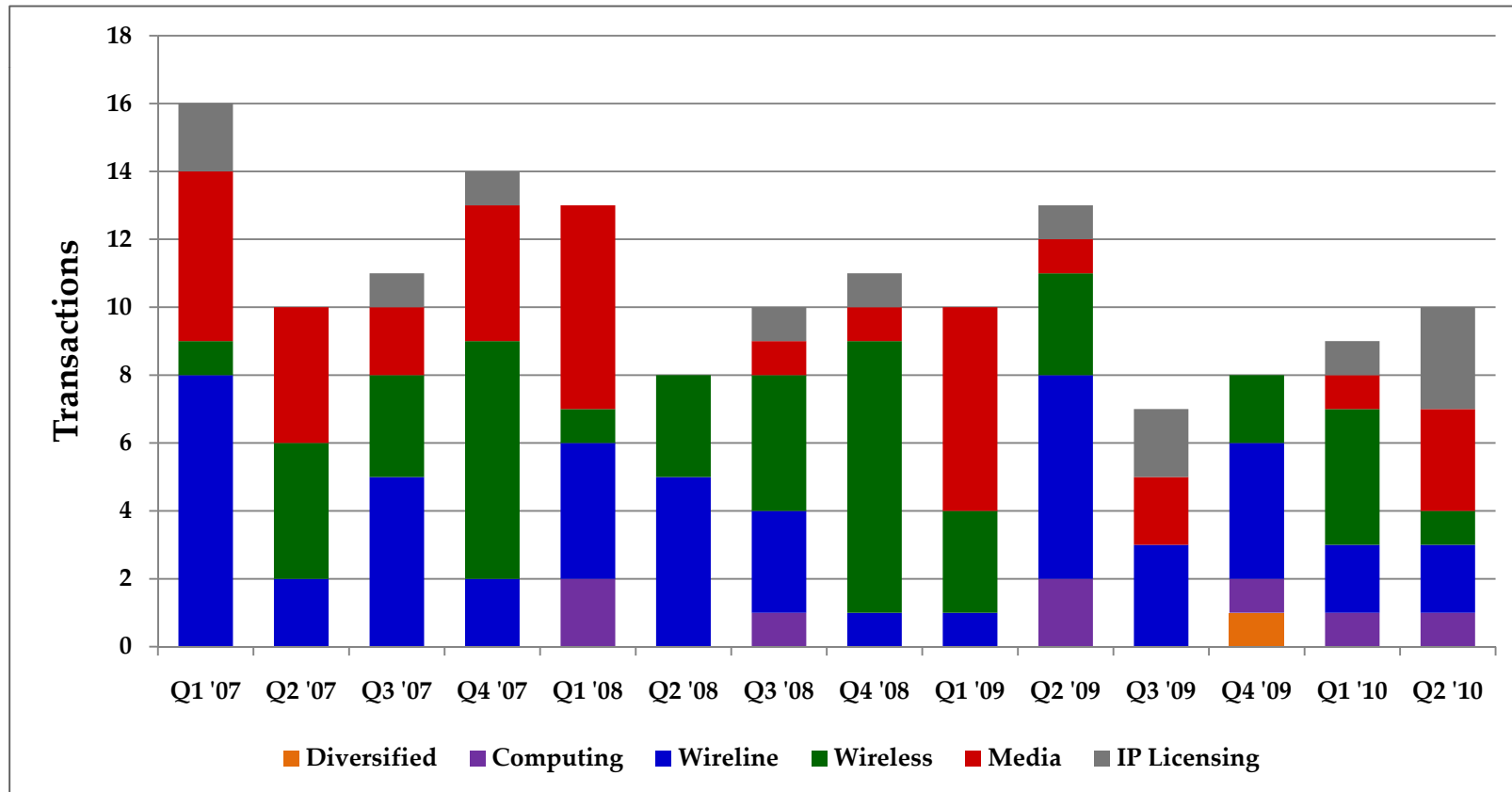
## M&A Dollar Volume – SagePoint Semis Universe

- M&A dollar volume across SagePoint’s Semis universe remained relatively flat in Q2, up slightly from Q1 but more than 25% higher than Q2’09
  - M&A dollar volume was nearly equally split between public and private deals while Q1 was dominated by public deals and Q4’09 was dominated by private deals
  - Deals were primarily below \$100M with one public and one private deal in the \$250-500M range
  - Q2’08 peak was driven by ST’s acquisition of NXP’s wireless operations (\$1.6B)



## M&A Transaction Volume – SagePoint Semis Universe by Sector

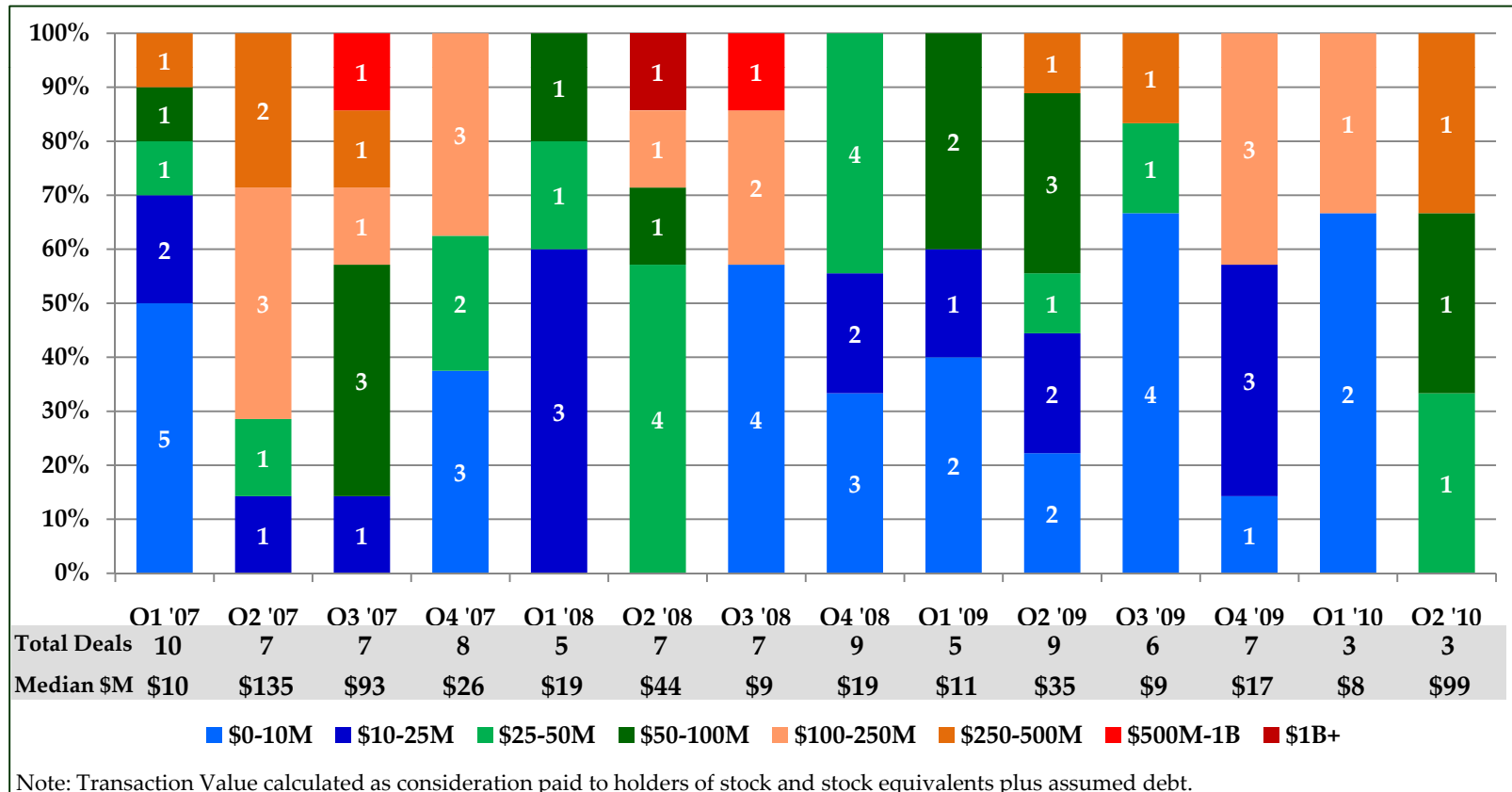
- Semiconductor M&A transaction volume rose for the third straight quarter, reaching double digits for the first time in a year
  - However, total deal volume remains low as the semiconductor industry has been under pressure for several years and few active buyers remain
- Media and IP Licensing were the most active segments with 3 deals each with Wireline not far behind at 2 deals





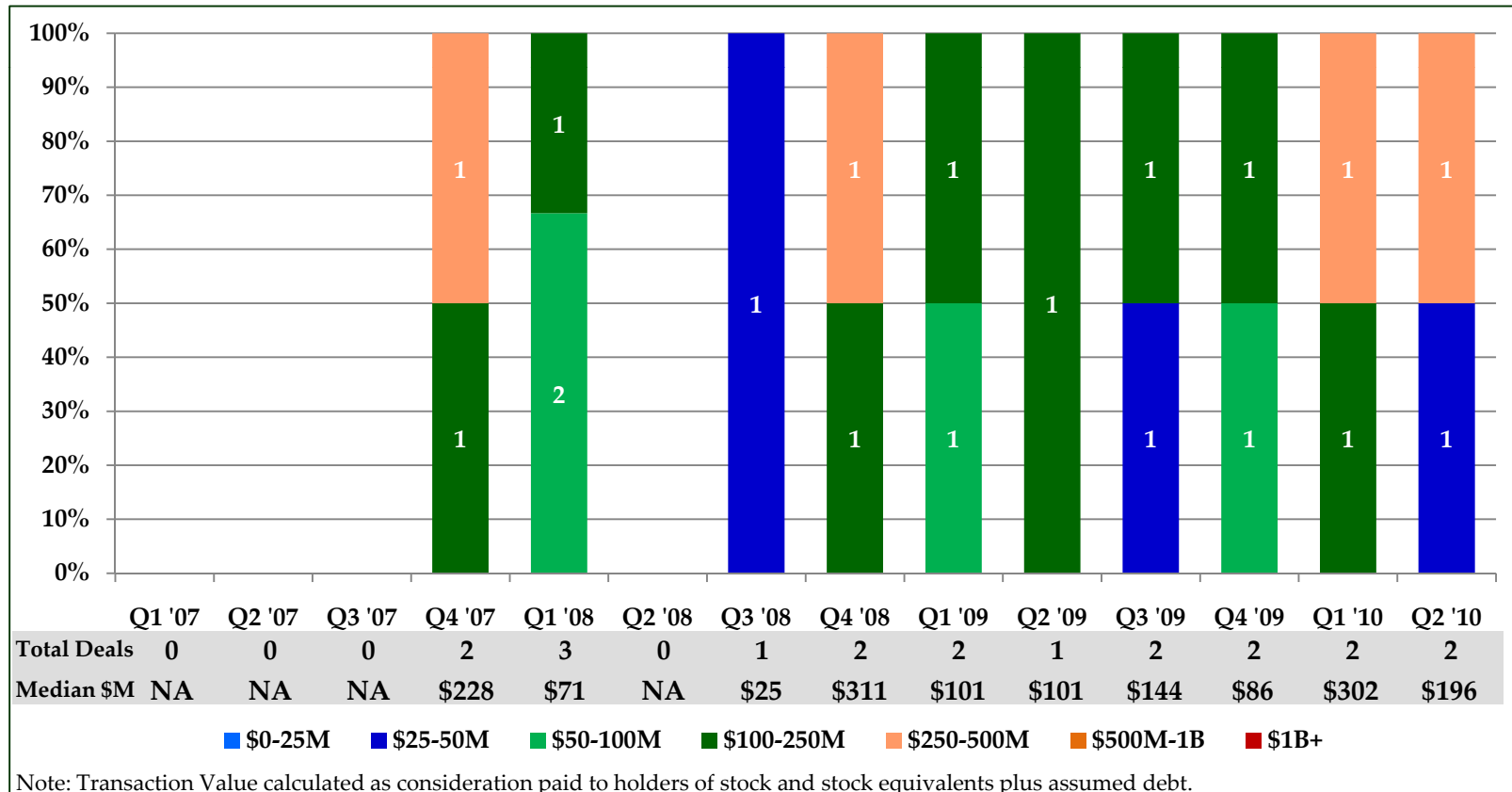
## M&A Transaction Volume by Deal Size – Private Semis Targets

- One \$250M+ private deal was announced in Q2, the first \$250M+ deal since Q3'09
  - Emulex acquired ServerEngines for \$283M
  - Deal values were announced for only 2 other deals in Q2 suggesting that distressed sales remain quite prevalent
    - Cisco acquired CoreOptics for \$99M and SMSC acquired Wireless Audio for \$25M
  - Increase in median deal size can be misleading due to only 3 reported deal values and it is likely that many of the undisclosed deal sizes are less than or equal to the amount of capital invested



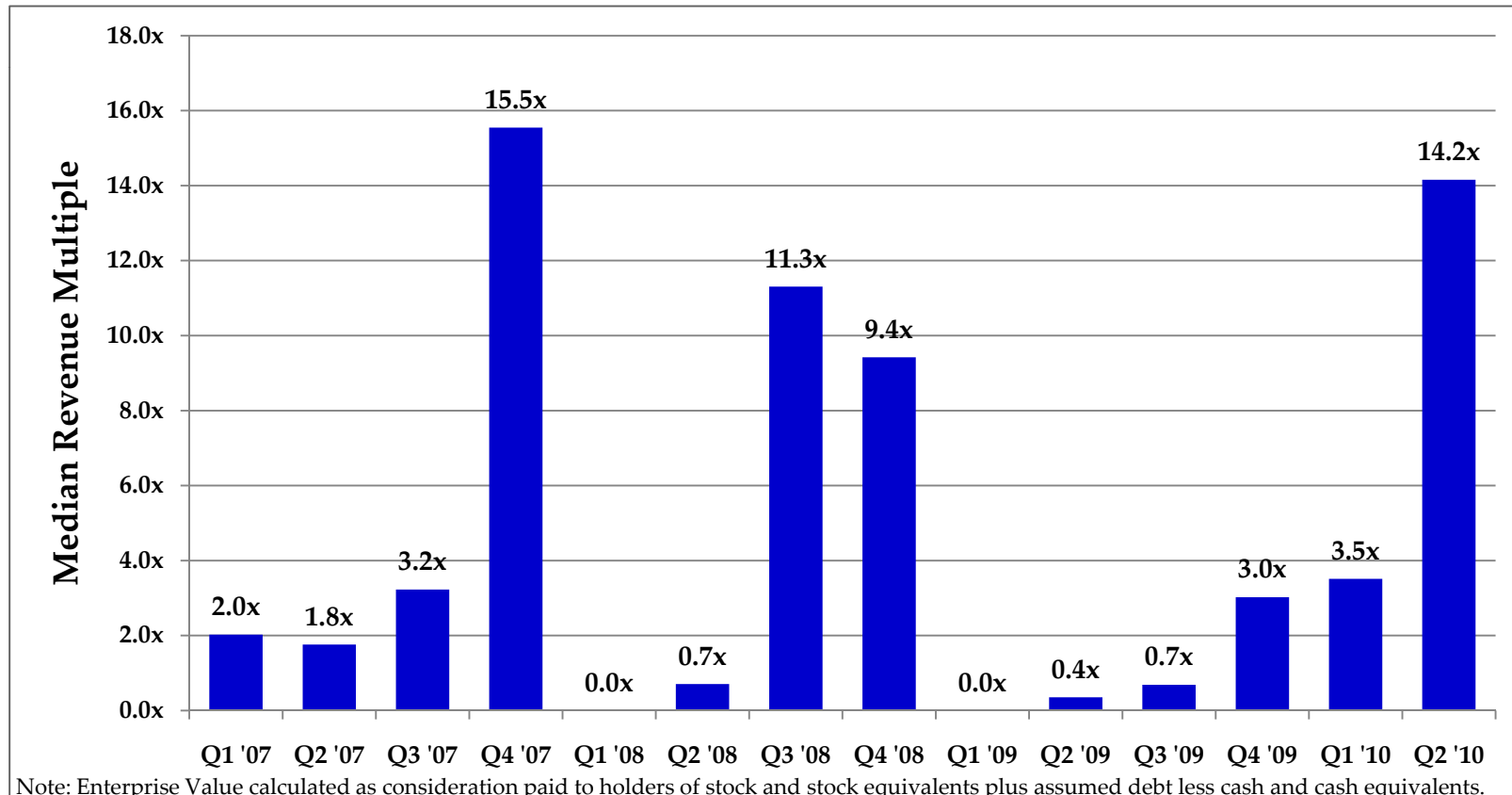
## M&A Transaction Volume by Deal Size – Public Semis Targets

- Public M&A activity remains thin at 2 deals in Q2
  - Synopsys acquired Virage Logic for \$345M at a multiple of 4.4x LTM revenue
  - Broadcom acquired Innovision Research & Technology for \$47M at a multiple of 13.9x LTM revenue
- SagePoint expects to see industry consolidation to continue with public targets, albeit at a fairly slow pace



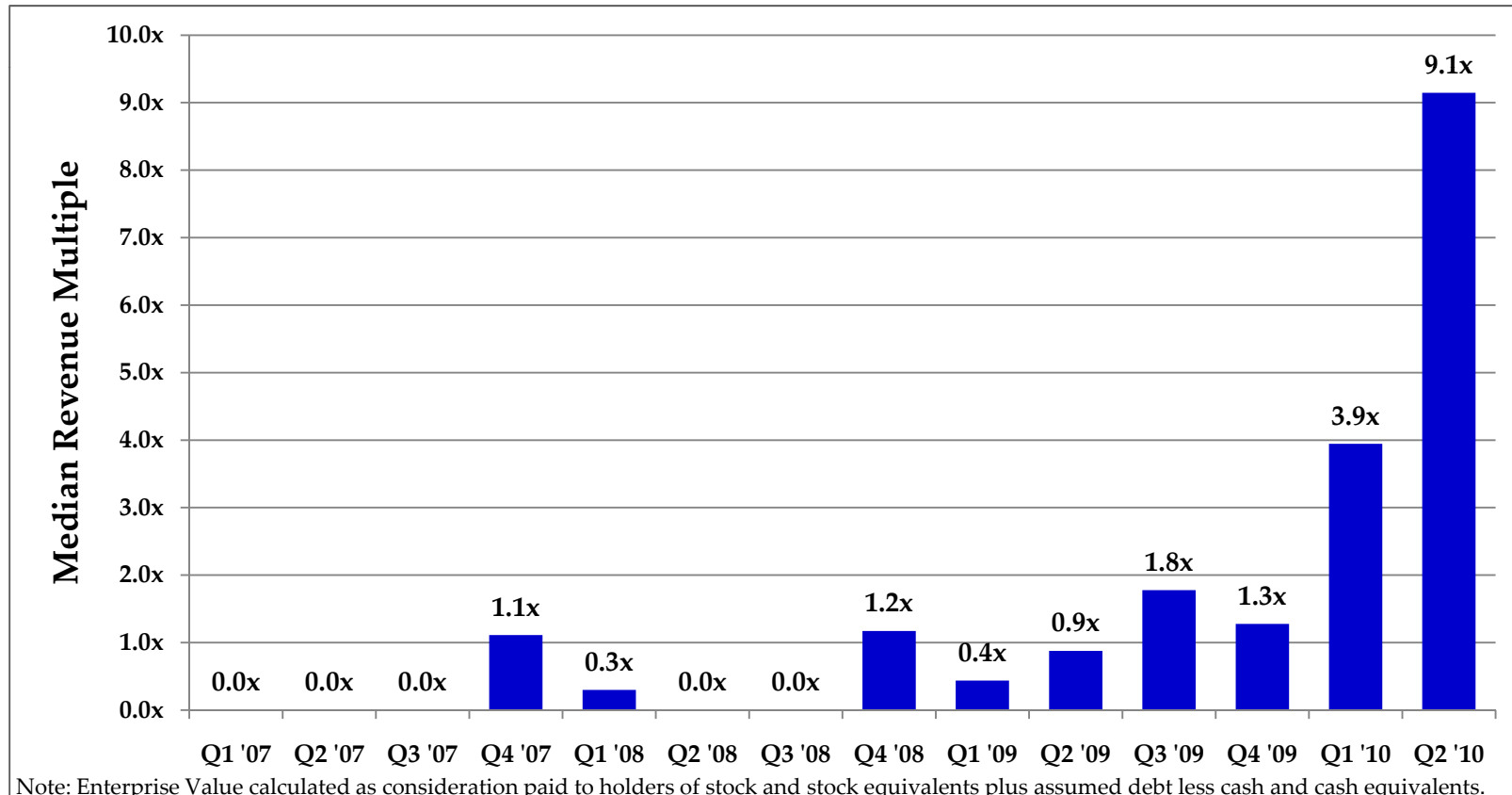
## Median M&A Revenue Multiples – Private Semis Targets

- Median revenue multiple for private targets skyrocketed to 14.2x
  - Given Emulex’s acquisition of ServerEngines is the only data point, it is difficult to draw conclusions
  - That said, it has been over a year since a company paid this type of multiple to acquire in the semiconductor space
  - Q1’10 deals done at solid multiples include Intersil/Techwell (5.9x) and Broadcom/Teknovus (3.5x)
  - Q4’09 deals done at solid multiples include Broadcom/Dune (5.1x) and Semtech/Sierra (3.6x)



## Median M&A Revenue Multiples – Public Semis Targets

- Median revenue multiples for public targets for Q1 hit a three year high, up significantly to 9.1x
  - Broadcom paid 13.9x LTM revenue for its acquisition of Innovision Research & Technology which was early in its revenue ramp as near field communications is just beginning to catch on
  - Synopsys paid 4.4x LTM revenue and 2.5x NTM revenue for Virage Logic which appears to be a reasonable price particularly given Virage’s high margin licensing model





## Most Active Semis Buyers – Last 2 Yrs



Company	# of Deals		Communications Semiconductors Transactions	
	Semis	Comm		
	4	4	6/17/10 - Innovision Research & Tech - \$47.4M 11/30/09 - Dune Networks, Inc. - \$178M	2/2/10 - Teknovus, Inc. - \$123M 8/25/08 - AMD (Digital TV Business) - \$142M
	4	4	3/22/10 - Techwell, Inc. - \$434M 8/4/09 - Quellan, Inc. - \$29.7M	12/15/09 - Rock Semiconductor Co., Ltd. - NA 7/28/08 - D2Audio, Inc. - NA
	2	3	11/19/08 - W&W Communications, Inc. - \$34.1M	7/15/08 - Star Semiconductor Corporation - \$8.9M
	2	3	6/5/09 - Galazar Networks, Inc. - \$5.0M	2/23/09 - Hifn, Inc. - \$63.2M
	2	2	4/25/09 - Tundra Semiconductor Corp. - \$101M	10/20/08 - Silicon Optix, Inc. - \$19.4M
	2	2	12/30/09 - Metalink (WLAN Business) - \$16.9M	10/14/09 - Aware (Home Network & DSL) - \$6.8M
	2	2	5/31/09 - RMI Corporation - \$251M	4/30/09 - IDT (Network Search Engine) - \$90.0M
	2	2	10/12/09 - CopperGate Communications - \$173M	12/18/08 - Zensys - \$13.0M
	2	2	12/17/08 - WiQuest Semiconductors India - NA	11/20/08 - Artimi - NA
	2	2	6/14/10 - Wireless Audio IP B.V. - \$25.0M	2/16/10 - Kleer Corporation - \$7.5M
	2	2	8/20/08 - Ericsson Mobile Platforms - NA	4/10/08 - NXP (Wireless) - \$1,550M

Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.



## Q2 M&A Transaction Spotlight – Semis

Acquiror	Target	Deal Rationale/Commentary
		<p>Virage Logic provides semiconductor IP incorporating memory, logic, and i/o interface components for power consumer, communications and networking, handheld and portable, computer and graphics, automotive, and defense applications.</p>
<h3>Deal Summary</h3>		<p>The acquisition makes strong strategic and financial sense as it fits well with Synopsys' IP strategy and is mostly complementary. Accretion of \$0.10 in '11 with no synergies is estimated and up to \$0.16 assuming reasonable cost synergies. There is also potential for top line synergies as well. However, if Synopsys shifts the license model that could impact the numbers.</p>
<p>Date: 6/9/10          Transaction Value: \$344.8M          % Sought: 100%          Consideration: Cash</p> <p><small>Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.</small></p>		<p>The deal appears to be a fair price at about 2.5x 2010 revenue. Combined with potential synergies and strategic fit the acquisition is a good use of cash for Synopsys.</p>
<h3>Valuation Metrics</h3>		
<p>LTM Revenue Multiple: 4.4x          LTM P/E Multiple: NM</p> <p>Premium to:</p> <ul style="list-style-type: none"> <li>1 day prior: 32.7%</li> <li>1 week prior: 16.2%</li> <li>1 month prior: 32.5%</li> </ul>		

## Q2 M&A Transaction Spotlight – Semis



Acquiror	Target	Deal Rationale/Commentary
		<p>ServerEngines provides the 10GbE ASICs for Emulex's unified converged network adapters to deliver Fibre Channel over Ethernet.</p>
<h3>Deal Summary</h3>		<p>With Emulex dependent on ServerEngines' technology an acquisition by any other vendor could have compromised Emulex's ability to compete in the converged data center market against Qlogic, who uses its own single-chip converged network adapters.</p>
<p>Date: 6/7/10          Transaction Value: \$283.1M          % Sought: 100%          Consideration: Cash/Stock  <small>Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.</small></p>		<p>Despite the strong strategic rationale for the transaction, analysts feel Emulex vastly overpaid. Emulex has spent two years promoting ServerEngines, forcing them to now cough up a premium price or risk losing competitive positioning when they likely could have acquired the technology much cheaper had they moved sooner.</p>
<h3>Valuation Metrics</h3>		<p>Acquiring ServerEngines should boost gross margins for converged Ethernet products but dilution of \$0.09 per quarter is expected for H2'10.</p>
<p>LTM Revenue Multiple: 14.2x          LTM P/E Multiple: NA          Multiple on \$ Invested: 5.7x</p>		
<h3>Investors</h3>		
<p>(Funded by founders)</p>		

## Q2 M&A Transaction Spotlight – Semis

Acquiror	Target	Deal Rationale/Commentary
		<p>CoreOptics provides 10/40/100Gbps optical transponders that enable “coherent detection” to help correct for both chromatic dispersion and polarization mode dispersion, common problems with transmitting optical signals on lower quality optical fiber.</p>
<h3>Deal Summary</h3>		<p>CoreOptic's products are sold into systems used by Verizon, AT&amp;T, and Deutsche Telekom. Nokia, Fujitsu, Ericsson, and Juniper have had relationships with CoreOptics in the past.</p>
<p>Date: 5/20/10          Transaction Value: \$99.0M          % Sought: 100%          Consideration: Cash</p> <p><small>Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.</small></p>		<p>With its first optical acquisition in more than a decade it appears that Cisco is looking to increase its presence in optical transport with an eye towards 40G and 100G solutions. The acquisition also a likely hedge against continued traction of packet optical switching solutions adjacent to core routers. An in-house optical ASIC solution will also be a positive as optics deployment in the core increases (Juniper currently enjoys a competitive advantage through its in-house ASIC solution).</p>
<h3>Valuation Metrics</h3>		
<p>LTM Revenue Multiple: NA          LTM P/E Multiple: NA          Multiple on \$ Invested: 1.1x</p>		
<h3>Investors</h3>		
<p>Atila Ventures, Crescendo Venture, ETV, Fujitsu, GIMV, Global Equity Partners, Industry Ventures, Kreos Capital, Quest for Growth, T-Com Venture, Triginta Capital, TVM Capital</p>		



## Q2 M&A Transaction Spotlight – Semis

Acquiror	Target	Deal Rationale/Commentary
		<p>Innovision Research &amp; Technology engages in the design of near-field data communications and RFID solutions, focusing on the development and licensing of custom ICs which enable NFC technology to be added to mass-market mobile phones at low cost through integration with existing chips delivering Bluetooth, WiFi, GPS, etc.</p> <p>NFC enables data exchange between devices for distances of about 10cm and is typically thought of for use in mobile payments with additional applications in smart posters, mobile ticketing, electronic ID cards and electronic keys.</p> <p>Broadcom is a leading provider of wireless combo chips and the ability to integrate NFC for \$1 per unit would provide handset makers with significant cost savings over a \$5+ standalone NFC controller.</p> <p>With mobile payment via NFC slowly gaining transaction and providing significant promise, Broadcom's acquisition of one of the world's largest NFC engineering teams could well position the company to capitalize on this trend.</p>
<h3>Deal Summary</h3>		
<p>Date: 6/17/10</p> <p>Transaction Value: \$47.4M</p> <p>% Sought: 100%</p> <p>Consideration: Cash</p> <p><small>Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.</small></p>		
<h3>Valuation Metrics</h3>		
<p>LTM Revenue Multiple: 13.9x</p> <p>LTM P/E Multiple: NM</p> <p>Premium to:</p> <ul style="list-style-type: none"> <li>1 day prior: 75.0%</li> <li>1 week prior: 64.9%</li> <li>1 month prior: 66.7%</li> </ul>		

## Appendix – Q2 Semis M&A Transactions

Ann Date	Acquiror	Target	Transaction Value	Value / Revenue
<b>Computing</b>				
4/20/10	Google Inc. (NasdaqGS:GOOG)	Agnilux, Inc.	NA	NA
<b>Wireline</b>				
5/20/10	Cisco Systems, Inc. (NasdaqGS:CSCO)	CoreOptics GmbH	99.0	NA
6/7/10	Emulex Corp. (NYSE:ELX)	ServerEngines LLC	283.1	14.2x
<b>Wireless</b>				
5/6/10	WA-COM, Inc.	Mimix Broadband, Inc.	NA	NA
<b>Media</b>				
4/27/10	NXT plc (LSE:NTX)	Audium Semiconductor, Ltd.	NA	NA
6/14/10	Standard Microsystems Corp. (NasdaqGS:SMSC)	Wireless Audio IP B.V.	25.0	NA
6/21/10	National Semiconductor Corporation (NYSE:NSM)	GTronix, Inc.	NA	NA
<b>IP Licensing</b>				
4/8/10	eSilicon Corporation	Silicon Design Solutions, Inc.	NA	NA
6/9/10	Synopsys Inc. (NasdaqGS:SNPS)	Virage Logic Corporation (NasdaqGM:VIRL)	344.8	4.4x
6/17/10	Broadcom International Limited	Innovision Research & Technology plc (AIM:INN)	47.4	13.9x

Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt. Transaction Value and Revenue per public filings and press releases if available, otherwise per analyst estimates. Partial year data is annualized if LTM data is not available. Deals with Public targets shaded.

## Appendix – Q2 Semiconductors M&A Data

Quarter	Sector	# of Deals		%w/ Ann.	Trans Value		Revenue	Deals w/	Stock Premium to <sup>(1)</sup>			Deals w/
		Total	Ann. Value	Value	Total	Median	Multiple <sup>(1)</sup>	Rev. Mult.	1 Day	1 Week	1 Month	Prem Info
Q1 '07	Semiconductors	16	10	63%	\$499	\$10	2.0x	2	NA	NA	NA	0
Q2 '07	Semiconductors	10	7	70%	\$1,135	\$135	1.8x	3	NA	NA	NA	0
Q3 '07	Semiconductors	11	7	64%	\$1,249	\$93	3.2x	4	NA	NA	NA	0
Q4 '07	Semiconductors	14	10	71%	\$871	\$67	8.1x	4	45.3%	49.0%	19.1%	2
Q1 '08	Semiconductors	13	8	62%	\$401	\$44	0.3x	3	37.8%	38.9%	54.6%	3
Q2 '08	Semiconductors	14	7	50%	\$1,913	\$44	0.7x	1	NA	NA	NA	0
Q3 '08	Semiconductors	13	8	62%	\$993	\$17	11.3x	2	(4.8)%	(6.3)%	(21.1)%	1
Q4 '08	Semiconductors	19	11	58%	\$793	\$26	5.3x	2	19.3%	20.6%	26.1%	2
Q1 '09	Semiconductors	10	7	70%	\$372	\$63	0.4x	2	75.3%	70.9%	31.1%	2
Q2 '09	Semiconductors	14	10	71%	\$632	\$46	0.6x	4	13.6%	10.8%	41.1%	1
Q3 '09	Semiconductors	11	8	73%	\$682	\$20	1.1x	3	26.4%	26.8%	41.6%	2
Q4 '09	Semiconductors	10	9	90%	\$755	\$60	2.1x	6	37.6%	36.1%	46.0%	2
Q1 '10	Semiconductors	9	5	56%	\$739	\$123	3.5x	3	33.1%	44.7%	36.0%	2
Q2 '10	Semiconductors	10	5	50%	\$799	\$99	13.9x	3	53.9%	40.6%	49.6%	2
<b>Total</b>	<b>Semiconductors</b>	<b>174</b>	<b>112</b>	<b>64%</b>	<b>\$11,834</b>	<b>\$38</b>	<b>1.9x</b>	<b>42</b>	<b>32.7%</b>	<b>35.5%</b>	<b>38.3%</b>	<b>19</b>
Q1 '07	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '07	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q3 '07	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q4 '07	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q1 '08	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '08	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q3 '08	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q4 '08	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q1 '09	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '09	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q3 '09	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q4 '09	Diversified	1	1	100%	\$180	\$180	3.6x	1	NA	NA	NA	0
Q1 '10	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '10	Diversified	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
<b>Total</b>	<b>Diversified</b>	<b>1</b>	<b>1</b>	<b>100%</b>	<b>\$180</b>	<b>\$180</b>	<b>3.6x</b>	<b>1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>0</b>
Q1 '07	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '07	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q3 '07	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q4 '07	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q1 '08	Computing	2	2	100%	\$103	\$51	NA	0	NA	NA	NA	0
Q2 '08	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q3 '08	Computing	1	0	0%	\$0	NA	NA	0	NA	NA	NA	0
Q4 '08	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q1 '09	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '09	Computing	2	1	50%	\$58	\$58	NA	0	NA	NA	NA	0
Q3 '09	Computing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q4 '09	Computing	1	1	100%	\$60	\$60	0.8x	1	21.1%	19.5%	35.3%	1
Q1 '10	Computing	1	1	100%	\$5	\$5	NA	0	NA	NA	NA	0
Q2 '10	Computing	1	0	0%	\$0	NA	NA	0	NA	NA	NA	0
<b>Total</b>	<b>Computing</b>	<b>8</b>	<b>5</b>	<b>63%</b>	<b>\$226</b>	<b>\$58</b>	<b>0.8x</b>	<b>1</b>	<b>21.1%</b>	<b>19.5%</b>	<b>35.3%</b>	<b>1</b>

Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.

1) Based on median revenue multiple and stock premium data where available.

## Appendix – Q2 Semiconductors M&A Data

Quarter	Sector	# of Deals		% w/ Ann.	Trans Value		Revenue	Deals w/	Stock Premium to <sup>(1)</sup>			Deals w/
		Total	Ann. Value	Value	Total	Median	Multiple <sup>(1)</sup>	Rev. Mult.	1 Day	1 Week	1 Month	Prem Info
Q1 '07	Wireline	8	4	50%	\$75	\$7	2.1x	1	NA	NA	NA	0
Q2 '07	Wireline	2	2	100%	\$376	\$188	1.8x	1	NA	NA	NA	0
Q3 '07	Wireline	5	4	80%	\$237	\$66	12.0x	2	NA	NA	NA	0
Q4 '07	Wireline	2	2	100%	\$109	\$55	14.8x	1	NA	NA	NA	0
Q1 '08	Wireline	4	1	25%	\$12	\$12	NA	0	NA	NA	NA	0
Q2 '08	Wireline	5	1	20%	\$26	\$26	NA	0	NA	NA	NA	0
Q3 '08	Wireline	3	3	100%	\$148	\$25	11.3x	2	(4.8)%	(6.3)%	(21.1)%	1
Q4 '08	Wireline	1	1	100%	\$27	\$27	NA	0	NA	NA	NA	0
Q1 '09	Wireline	1	1	100%	\$63	\$63	0.8x	1	58.7%	37.0%	31.2%	1
Q2 '09	Wireline	6	6	100%	\$520	\$73	0.9x	3	13.6%	10.8%	41.1%	1
Q3 '09	Wireline	3	3	100%	\$615	\$246	1.6x	2	47.9%	48.8%	45.0%	1
Q4 '09	Wireline	4	4	100%	\$372	\$94	2.4x	3	NA	NA	NA	0
Q1 '10	Wireline	2	2	100%	\$292	\$146	2.7x	2	17.4%	25.5%	21.8%	1
Q2 '10	Wireline	2	2	100%	\$382	\$191	14.2x	1	NA	NA	NA	0
<b>Total</b>	<b>Wireline</b>	<b>48</b>	<b>36</b>	<b>75%</b>	<b>\$3,254</b>	<b>\$57</b>	<b>2.4x</b>	<b>19</b>	<b>17.4%</b>	<b>25.5%</b>	<b>31.2%</b>	<b>5</b>
Q1 '07	Wireless	1	1	100%	\$350	\$350	2.0x	1	NA	NA	NA	0
Q2 '07	Wireless	4	4	100%	\$625	\$164	13.3x	1	NA	NA	NA	0
Q3 '07	Wireless	3	2	67%	\$849	\$425	1.5x	1	NA	NA	NA	0
Q4 '07	Wireless	7	4	57%	\$276	\$68	16.3x	1	NA	NA	NA	0
Q1 '08	Wireless	1	1	100%	\$71	\$71	1.2x	1	17.7%	38.9%	66.7%	1
Q2 '08	Wireless	3	2	67%	\$1,637	\$818	NA	0	NA	NA	NA	0
Q3 '08	Wireless	4	1	25%	\$700	\$700	NA	0	NA	NA	NA	0
Q4 '08	Wireless	8	3	38%	\$396	\$13	1.2x	1	24.8%	29.2%	33.0%	1
Q1 '09	Wireless	3	2	67%	\$228	\$114	0.1x	1	91.8%	104.9%	31.1%	1
Q2 '09	Wireless	3	2	67%	\$19	\$10	NA	0	NA	NA	NA	0
Q3 '09	Wireless	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q4 '09	Wireless	2	2	100%	\$128	\$64	1.7x	1	54.1%	52.6%	56.7%	1
Q1 '10	Wireless	4	1	25%	\$8	\$8	NA	0	NA	NA	NA	0
Q2 '10	Wireless	1	0	0%	\$0	NA	NA	0	NA	NA	NA	0
<b>Total</b>	<b>Wireless</b>	<b>44</b>	<b>25</b>	<b>57%</b>	<b>\$5,287</b>	<b>\$102</b>	<b>1.6x</b>	<b>8</b>	<b>39.5%</b>	<b>45.7%</b>	<b>44.8%</b>	<b>4</b>
Q1 '07	Media	5	3	60%	\$62	\$14	NA	0	NA	NA	NA	0
Q2 '07	Media	4	1	25%	\$135	\$135	1.2x	1	NA	NA	NA	0
Q3 '07	Media	2	0	0%	\$0	NA	NA	0	NA	NA	NA	0
Q4 '07	Media	4	3	75%	\$459	\$127	1.1x	2	45.3%	49.0%	19.1%	2
Q1 '08	Media	6	4	67%	\$216	\$44	0.2x	2	52.7%	54.5%	50.5%	2
Q2 '08	Media	0	4	NA	\$251	\$39	0.7x	1	NA	NA	NA	0
Q3 '08	Media	1	3	300%	\$144	\$1	NA	0	NA	NA	NA	0
Q4 '08	Media	1	6	600%	\$129	\$23	9.4x	1	NA	NA	NA	0
Q1 '09	Media	6	4	67%	\$81	\$7	NA	0	NA	NA	NA	0
Q2 '09	Media	1	1	100%	\$35	\$35	0.1x	1	NA	NA	NA	0
Q3 '09	Media	2	3	150%	\$54	\$9	1.1x	1	4.8%	4.8%	38.3%	1
Q4 '09	Media	0	1	NA	\$15	\$15	NA	0	NA	NA	NA	0
Q1 '10	Media	1	1	100%	\$434	\$434	5.9x	1	48.7%	63.9%	50.2%	1
Q2 '10	Media	3	1	33%	\$25	\$25	NA	0	NA	NA	NA	0
<b>Total</b>	<b>Media</b>	<b>36</b>	<b>35</b>	<b>97%</b>	<b>\$2,038</b>	<b>\$28</b>	<b>0.9x</b>	<b>10</b>	<b>32.7%</b>	<b>16.2%</b>	<b>32.5%</b>	<b>6</b>

Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.

1) Based on median revenue multiple and stock premium data where available.

## Appendix – Q2 Semiconductors M&A Data

Quarter	Sector	# of Deals		%w/ Ann. Value	Trans Value		Revenue Multiple <sup>(1)</sup>	Deals w/ Rev. Mult.	Stock Premium to <sup>(1)</sup>			Deals w/ Prem Info
		Total	Ann. Value		Total	Median			1 Day	1 Week	1 Month	
Q1 '07	IP Licensing	2	2	100%	\$12	\$6	NA	0	NA	NA	NA	0
Q2 '07	IP Licensing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q3 '07	IP Licensing	1	1	100%	\$162	\$162	4.9x	1	NA	NA	NA	0
Q4 '07	IP Licensing	1	1	100%	\$26	\$26	NA	0	NA	NA	NA	0
Q1 '08	IP Licensing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '08	IP Licensing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q3 '08	IP Licensing	1	1	100%	\$2	\$2	NA	0	NA	NA	NA	0
Q4 '08	IP Licensing	1	1	100%	\$242	\$242	NA	0	13.8%	12.0%	19.2%	1
Q1 '09	IP Licensing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q2 '09	IP Licensing	1	0	0%	\$0	NA	NA	0	NA	NA	NA	0
Q3 '09	IP Licensing	2	2	100%	\$13	\$7	NA	0	NA	NA	NA	0
Q4 '09	IP Licensing	0	0	NA	\$0	NA	NA	0	NA	NA	NA	0
Q1 '10	IP Licensing	1	0	0%	\$0	NA	NA	0	NA	NA	NA	0
Q2 '10	IP Licensing	3	2	67%	\$392	\$196	9.1x	2	53.9%	40.6%	49.6%	2
<b>Total</b>	<b>IP Licensing</b>	<b>13</b>	<b>10</b>	<b>77%</b>	<b>\$849</b>	<b>\$18</b>	<b>4.9x</b>	<b>3</b>	<b>32.7%</b>	<b>16.2%</b>	<b>32.5%</b>	<b>3</b>

Note: Transaction Value calculated as consideration paid to holders of stock and stock equivalents plus assumed debt.  
 1) Based on median revenue multiple and stock premium data where available.



# Introduction to SagePoint Advisors

## Introduction to SagePoint Advisors

*SagePoint Advisors is a boutique investment banking firm providing merger, acquisition and strategic advisory services to technology and telecom companies and their venture backers.*

<b>Mission</b>	To deliver the senior-level attention, trusted relationships and market insight on \$10-100 million M&A transactions that other investment banks reserve only for much larger transactions.
<b>Services</b>	Sell Side Advisory; Divestitures; Buy Side Advisory; Strategic Investments
<b>Industry Focus</b>	Software, hardware and services in the Wireless, VoIP, IP Video, Networking, Internet, Telecom Equipment, IT Infrastructure and Enabling Technology sectors
<b>Offices</b>	San Diego, CA

### David P. Michaels - Founder & Managing Director



Prior to founding SagePoint Advisors in 2008, David Michaels was a Co-Founder, Partner and Managing Director at Montgomery & Co., a leading investment bank focused on serving emerging-growth technology companies and their venture backers. Mr. Michaels co-founded Montgomery's investment banking business in 1996 as the lead banker and played an instrumental role in building the business to over \$50 million in revenues and 80 employees. Mr. Michaels launched Montgomery's San Diego office in 2003 and established Montgomery as the dominant brand in the region. Mr. Michaels also ran the firm's Communications and Digital Media Technology practice areas for several years prior to his departure. During his 14 year tenure at Montgomery, Mr. Michaels advised CEOs and Boards on more than 75 corporate strategy, M&A and fund raising engagements.

Mr. Michaels has intimate knowledge of the strategic landscape, market dynamics and technology underpinnings of several high technology market segments including wireless infrastructure, software and services, voice, video and data infrastructure, software and services, storage infrastructure and software, networking equipment, Internet software and services and semiconductors. Prior to co-founding Montgomery's investment banking business, Mr. Michaels managed strategic consulting assignments for the firm including market entry analysis, acquisition search studies and strategic portfolio assessments.

Prior to joining the Montgomery in 1994, Mr. Michaels held various investment banking positions including a position within Bankers Trust Corporate Finance Department, where he helped execute merger and acquisition assignments such as sale mandates and valuation analyses. Prior to that, Mr. Michaels worked as a structural engineer at General Dynamics, where he assisted on the Advanced Tactical Fighter program. Mr. Michaels received an M.B.A. with an emphasis in marketing and entrepreneurship from the Anderson School of Management at UCLA and holds a B.S. in Mechanical Engineering from the University of Michigan.

### Teak Murphy - Senior Associate



Prior to joining SagePoint, Teak worked as a Senior Associate with Enterprise Partners Venture Capital, the largest Southern California based VC firm, where he evaluated investment opportunities and worked closely with senior management and board members to successfully grow portfolio companies. Prior to Enterprise Partners, Teak worked as an Associate in technology investment banking at Montgomery & Co. where he spent three years working closely with SagePoint's founder David Michaels on buy-side and sell-side M&A transactions. Prior to Montgomery, Teak worked at Cowen & Co. advising technology companies on M&A and IPO transactions.

Teak's experience working on fund raising, mergers and acquisitions, and initial public offerings as both an advisor and investor provides unique insight into the needs of venture-backed companies. Teak graduated from the University of Southern California with honors, receiving a B.S. in Business Administration and Finance .



## Primary Industry Focus – Communications & Networking

Value Chain	Wireless	VoIP	Video	Data
Services	Mobile messaging, content, search, LBS, social networking, gaming, etc.	VoIP service providers, voice search, website voice enablement, etc.	Cable & DBS, Internet video, conferencing, video delivery networks, etc.	Internet access, web hosting, co-location, SaaS delivery networks, etc.
Software	Mobile and fixed wireless application and infrastructure software, etc.	VoIP softphone client and server software, FMC software, etc.	Video encoding, transcoding, editing, sharing and player software, etc.	Networking & Internet client and server software, etc.
Equipment	Handsets and modules, fixed and mobile wireless equipment, etc.	VoIP handsets, gateways, IP-PBXs, SBCs, media servers, etc.	Cable & IPTV equipment, video conferencing, VOD, DVRs, STBs, etc.	WAN, LAN and optical data networking and telecom equipment, etc.
Semiconductors	3G/4G, WiMax, WLAN, & WPAN RF & BB ICs, etc.	VoIP DSPs and ASICs	Video encode/decode, processing and transport ICs, etc.	WAN, LAN, I/O storage and security networking ICs

# Transaction Experience of SagePoint Team






























 <i>has been acquired by</i>  August 2009	 <i>has been acquired by</i> Undisclosed Buyer November 2008	 <i>has sold certain assets to</i> Undisclosed Handset OEM October 2008	 Buyside Advisory 2008	 <i>has been acquired by</i>  April 2008	 <i>has sold its assets to</i>  \$10,000,000 October 2007	 <i>has been acquired by</i>  \$34,875,000 September 2007
 Initial Public Offering \$82,500,000 Co-manage June 2007	 <i>has been acquired by</i>  January 2007	 Initial Public Offering \$167,440,000 Co-manager September 2006	 <i>has been acquired by</i>  August 2006	 <i>has been acquired by</i>  August 2006	 Senior Convertible Debentures \$5,000,000 Financial Advisor and Placement Agent July 2006	 <i>has sold its SRAM assets to</i>  January 2006
 Private Investment in Public Equity \$14,400,000 Co-Agent January 2006	 <i>has been acquired by</i>  October 2005	 <i>has agreed to the sale of their NAS Software Intellectual Property to</i>  \$50,000,000 May 2005	 <i>has sold a minority stake to</i> Strategic Investor 2005	 <i>has been acquired by</i>  August 2004	 <i>has been acquired by</i>  \$122,500,000 April 2004	 <i>has been acquired by</i>  March 2004
 <i>has been acquired by</i>  August 2003	 <i>has been acquired by</i>  December 2003	 <i>has been acquired by</i>  February 2003	 <i>has been acquired by</i>  April 2002	 Private Placement \$9,900,000 Placement Agent July 2001	 Private Placement \$11,000,000 Placement Agent May 2000	 <i>has merged with</i>  \$157,000,000 March 2000

## Transaction Experience by Market Segment

*SagePoint's Founder has led more than 75 M&A and fund raising engagements with deal experience across the entire communications and networking value chain.*

Value Chain	Wireless	VoIP	Video	Data
Services	<ul style="list-style-type: none"> <li>• Sale of Xumii to Myriad Group</li> <li>• Capital Raise for InfoSonics</li> </ul>	<ul style="list-style-type: none"> <li>• Sale of AccessLine to Telanetix</li> <li>• Strategic Advisory for Voice 2.0 Service Provider</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Advisory for DirecTV Reseller</li> </ul>	<ul style="list-style-type: none"> <li>• Sale of Compute Intensive to Verio</li> <li>• Sale of GeoNet to Level 3</li> <li>• Capital Raise for Speakeasy</li> </ul>
Software	<ul style="list-style-type: none"> <li>• Sale of Neven Vision to Google</li> <li>• Sale of SKY MobileMedia;</li> </ul>	<ul style="list-style-type: none"> <li>• Sale of CrystalVoice to Global IP Solutions</li> <li>• Buyside Advisory for VOIP Softphone Vendor</li> </ul>	<ul style="list-style-type: none"> <li>• IPO for Divx</li> <li>• Strategic Advisory for Mobile Video SW Vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Sale of LVL7 to Broadcom</li> <li>• Sale of Neteon to CA</li> </ul>
Equipment	<ul style="list-style-type: none"> <li>• Sale of Strix to Idream</li> <li>• Sale of Aiprime to Sierra Wireless</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Advisory for Unified Messaging Vendor</li> <li>• Strategic Advisory for IP-PBX Vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Sale of Gyration to Philips</li> <li>• Sale of TIR to Philips</li> </ul>	<ul style="list-style-type: none"> <li>• Sale of Network Physics to OpNet</li> <li>• Capital Raise for Raptor Networks</li> <li>• Sale of Procom to Sun</li> </ul>
Semis	<ul style="list-style-type: none"> <li>• Sale of CommAsic to Freescale</li> <li>• Peregrine Strategic Investment</li> <li>• Sale of Synad to ST</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Advisory for Noise Cancellation IC Vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Sale of Vativ to Entropic</li> <li>• Strategic Advisory for Video Processing IC Vendor</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Advisory for Storage Networking IC Vendor</li> </ul>

# Representative Buyer Relationships

Internet / Media	Service Providers	Communications Software / SaaS	Communications Equipment	Communications Semiconductors
         	         	         	        	         

## Why Work With SagePoint?

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- SagePoint delivers the senior-level attention, trusted relationships and market insight on \$10-100M transactions that larger investment banks reserve only for much larger transactions
- SagePoint's domain knowledge is world-class across the entire communications and networking value chain
- SagePoint has developed trusted relationships with the most active strategic buyers across the communications value chain
- SagePoint has the M&A expertise that comes only from decades of experience focusing on strategic transactions
- SagePoint's unwavering integrity and commitment to intellectual honesty ensures that we tell our clients what they need to hear to make sound business decisions
- At SagePoint, we offer sage advice that points our clients in the right direction to ensure an optimal outcome