

MergerTech Intelligence Report, Vol. I Issue V: M&A an Attractive Option for Risk Abatement**CLIENT & PRODUCT DIVERSIFICATION A MUST IN POST-RECESSION ERA**

The decline in the global output in 2008-2009 as consequence of the credit crisis had significant collateral effects on IT firms who provide support to consumer goods industries such as retailers. This experience underscored the importance of client, geographic, and platform diversification in order to offset risks to business sustainability posed by overexposure to a specific sector or revenue stream. This is an exigent priority particularly for software providers who deliver products on premise, as opposed to a SaaS model which typically yields capital and operating efficiencies for both sellers and users. Many companies have since addressed the need to expand existing offerings through strategic acquisitions of complimentary companies. We profile one such recent transaction in our fifth MergerTech Intelligence Report.

**Retalix Ltd. (NASDAQ: RTLX) Acquires MTXEPS Inc.**

Transaction Value:
\$18.9 Million

Transaction Structure:
Cash & Earnout

Retalix Limited (NASDAQ: RTLX) has acquired MTXEPS Inc, for \$18.9 million. The acquisition, which closed on July 26, 2011, includes \$18.9m in cash paid at closing for 100% of MTXEPS share equity, with a potential additional earnout of \$6m based on meeting a series of financial performance watermarks over the next 24 months. All of MTXEPS's management will be retained and the company will continue as an operating subsidiary of Retalix Ltd.

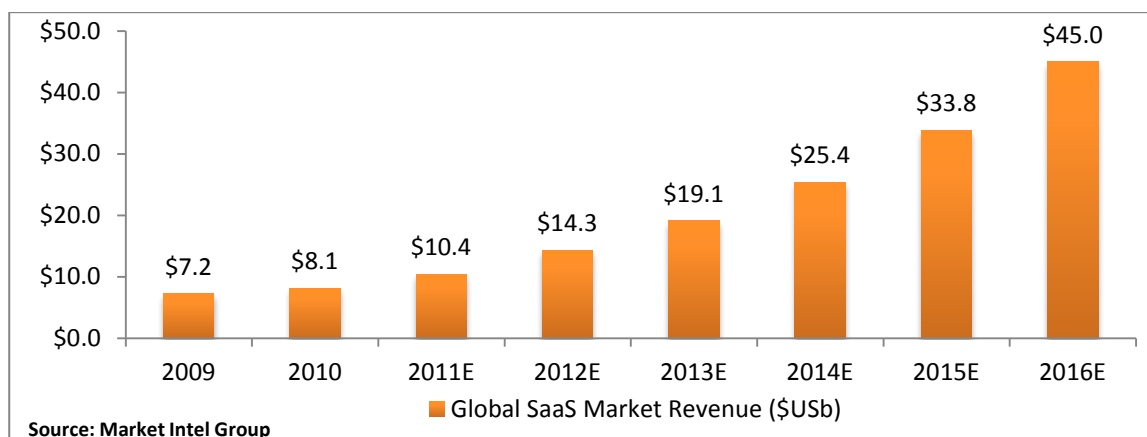
Retalix is a provider of integrated software and service solutions primarily to high volume retailers including fuel stations, foodservice distributors, and department stores in The United States and Europe. The company offers on premise application solutions to support operational and management tools for point of sale, mobile, front-office, and back-office processes for over 60,000 stores and their enterprise headquarters. Retalix posted revenues of \$214m in 2010 and has a current market cap of \$350m. Founded in 1982 as Point of Sale Ltd., Retalix has its North American headquarters in Plano, Texas and its international headquarters in Ra'anana, Israel.

MTXEPS offers secure, end-to-end electronic payment software suites for retailers through SaaS, on premise, and reseller channels. It provides ServerEPS, a software solution that facilitates payment system management services and allows users to negotiate transaction prices from a list of certified hosts. MTXEPS also provides integration of Windows based payment engines with other terminal applications and devices. With a customer base of over 20,000, MTXEPS was incorporated in 2002 and is headquartered in Aliso Viejo, California.

The acquisition provides four direct benefits to Retalix:

- **Access to MTXEPS’s extensive client base will considerably diversify its geographic coverage and revenue streams, particularly in North America**
- **Enhancement of SaaS offerings will propel Retalix into the Tier 1 category for software providers to the consumer retailers**
- **Improved capability to analyze consumer behavior data which can be used to devise and implement more effective sales campaigns**
- **Stronger gross margins resulting from an increased volume in SaaS license sales**

Providers of CRM, ERP, supply chain, and information management systems are under growing pressure to help customers realize operating efficiencies, tighter integration, and competitive pricing in the face of global competition and narrowing margins. The SaaS subscription model provides a stable, recurring revenue stream over the duration of a contract rather than putting vendors under constant pressure to land large new accounts in order to maintain growth and business sustainability. Thus firms which provide SaaS based platforms, which typically enjoy lower up-front investment, deployment, maintenance, and upgrade costs than traditional on-premise models, are becoming increasingly attractive targets for acquisition by both large and medium size strategic buyers who see a need to evolve current product offerings.



About MergerTech:

MergerTech’s mission is to enable small and medium-sized technology companies to realize the value of their business. As the only investment banking firm exclusively focused on this space, we apply our deep domain expertise and global knowledge of buyers to deliver three key values: fast introduction to buyers, best terms and value, and greatest certainty of deal closure.

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