

MergerTech Intelligence Report, Vol. I Issue VIII: Hosted Solutions Drive BI Acquisitions

RECURRING REVENUE OPPORTUNITIES IN SAAS BI

With the development of hosted services capabilities, many data analytics firms have been transitioning from issuing packaged, licensed Business Intelligence (BI) tools towards highly customizable SaaS solutions. While BI firms have always strived to create new means of monetizing their intellectual capital, the emergence of SaaS BI is allowing them to rapidly generate recurring revenue streams rather than rely on billable consulting projects or one-off licensing fees. The value proposition of hosted solutions for both providers and consumers of BI products is becoming more attractive with the ease of data integration across various platforms, spurring a new wave of M&A activity in this space. We profile one such transaction in our eighth MergerTech Intelligence Report.



CoStar Group (Nasdaq:CSGP) Acquires Virtual Premise Inc

Transaction Value:
\$17 Million

Transaction Structure:
Cash

CoStar Group Inc (Nasdaq:CSGP) has acquired Virtual Premise Inc for \$17 million. The acquisition, completed on October 25, 2011, includes \$13.7m in cash at close with the remaining consideration to be paid in nine months subject to a potential purchase price change for any post-closing net working capital adjustments. Virtual Premise will operate as a subsidiary of CoStar Group and its executive management will be retained to continue to lead Virtual Premise's operations. The acquisition of Virtual Premise is not expected to significantly impact CoStar's Q4 2011 revenue.

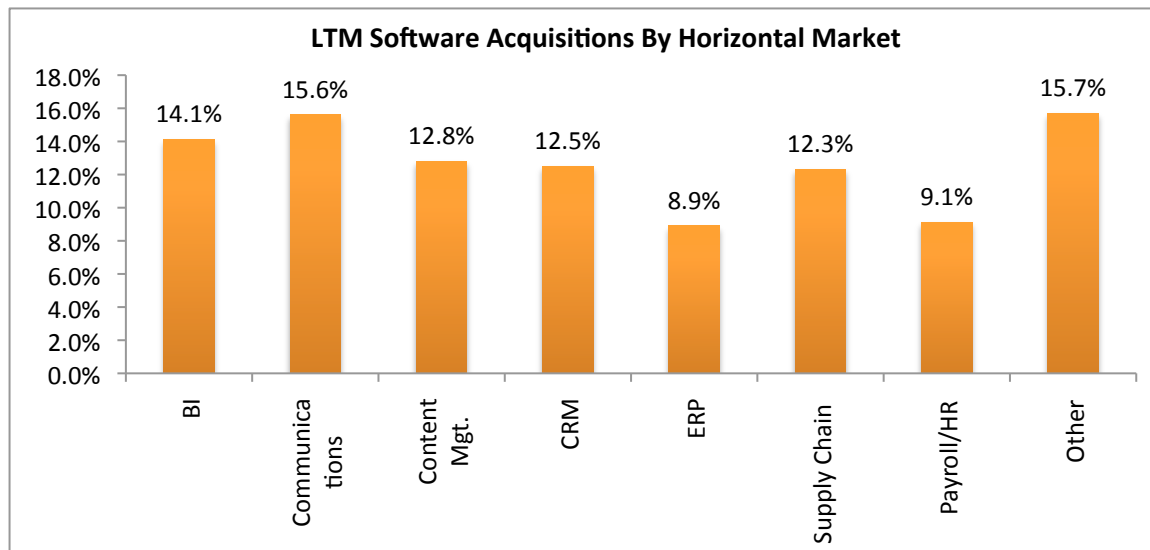
Founded in 1987 and headquartered in Bethesda, Maryland, CoStar Group is a provider of data and analytics services to the commercial real estate sector in North America and Europe. Its suite of hosted services gives clients access to interactive data in order to analyze property values, interpret market conditions, and post current sale availabilities to online audiences who explore properties via search engines. With a staff of over 1500, CoStar Group posted \$226m in revenue in 2010 and has a current market cap of \$1.5 billion. This is CoStar's second acquisition this year following its \$750m purchase of LoopNet in April.

Virtual Premise is a SaaS provider of Business Intelligence and data information management solutions for commercial real estate professionals. It offers a diverse range of hosted solutions including strategy and analytics, portfolio management, lease administration, transaction management services, and due diligence support. Common subscribers to Virtual Premise's services are "mall tenants" and chain store corporations with complex real estate management needs. Virtual Premise was founded in 1999 and is headquartered in Atlanta, Georgia.

The acquisition provides three direct benefits to CoStar Group:

- **CoStar gains access to Virtual Premises’ significant base of commercial real-estate clients**
- **Strengthening of CoStar’s business intelligence tools and diversifies hosted solution offerings to existing clients**
- **Gives CoStar leading market share in online lease management and real-estate business intelligence space**

Unlike traditional licensed software, providers of hosted solutions issue subscription-based contracts that provide more stable flows of recurring revenue, offer more attractive and flexible pricing models tailored to the users unique business needs, and better facilitate integration and interaction of different business intelligence tools with existing or in-house CRM and ERP resources. BI firms which offer a niche set of tools can now compete with traditional providers that license an entire suite of services by offering a low cost hosted solution. 2012 is likely to see a strong wave of M&A consolidation in this area.



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.

To learn more about the Technology M&A landscape please contact Ash Sethi at 925.215.2758 or via email to asethi@mergertech.com