Retail Sales: 2012 Recap and 2013 Outlook

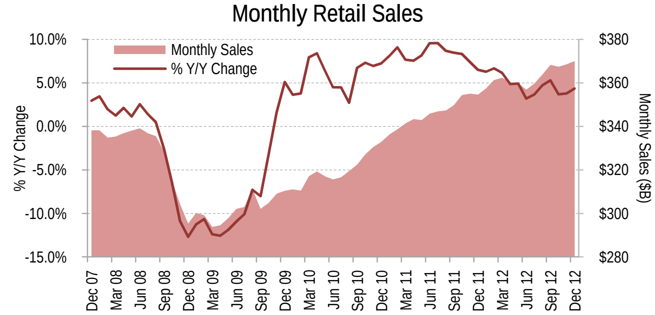
Retail sales up in 2012 but below forecasts. Retail industry sales increased 4.8% to $4.4 trillion in 2012 from $4.2 trillion in 2011. Solid consumer spending in December helped retailers finish 2012 with a healthy holiday shopping season, as holiday retail sales increased 3% from the previous year and online holiday sales increased 11.1%. Despite the positive growth, spending was below the 4.1% and 12% growth rates projected by the National Retail Federation (NRF) for total and online holiday sales, respectively, as fiscal cliff concerns and economic uncertainty visibly impacted consumer sentiment.

Slowdown in retail sales forecasted for 2013. On the heels of the modest 2012 holiday numbers, the NRF has projected that U.S. retail sales will increase 3.4% in 2013, the slowest growth rate since 2010. The declining momentum is being attributed to consumer uncertainty, higher payroll taxes and a slow economic recovery, all of which adversely affect consumers' desire and ability to spend on discretionary items. Consumer sentiment may pick up in the second half of the year as clarity on continuing fiscal issues materializes.

E-commerce to continue outpacing overall industry. E-commerce is the fastest growing retail channel, with an expected 9-12% growth rate in 2013. E-commerce sales currently comprise more than 5% of total retail sales and will continue to rise with the rapid adoption of smartphones and tablets. In 2012, mobile commerce grew over 70% year-over-year and accounted for approximately 10% of total e-commerce sales.

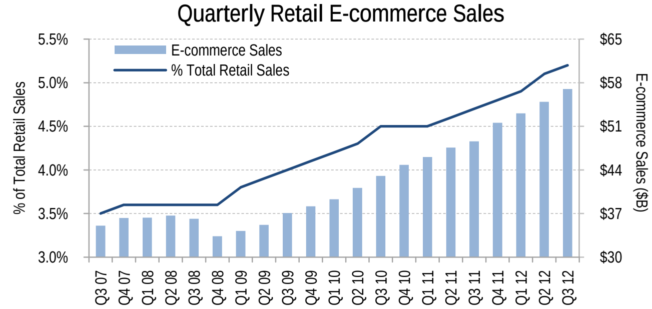
Sources: National Retail Federation; U.S. Census Bureau

Monthly Retail Sales



Note: Seasonally adjusted
Source: U.S. Census Bureau

Quarterly Retail E-commerce Sales



Note: Seasonally adjusted
Source: U.S. Census Bureau

Retail Technology Trends

IT spending expected to rise with expansion plans. Retailers will be more bullish in 2013 than 2012, as 66% of retailers are planning new stores and 58% are planning an increase in IT head count in 2013, compared to 53% and 37%, respectively, in 2012, according to an RIS study. As a result, enterprise IT and store IT spending are projected to grow 4.8% and 4% in 2013, up from 2.6% and 3.1% in 2012, respectively.

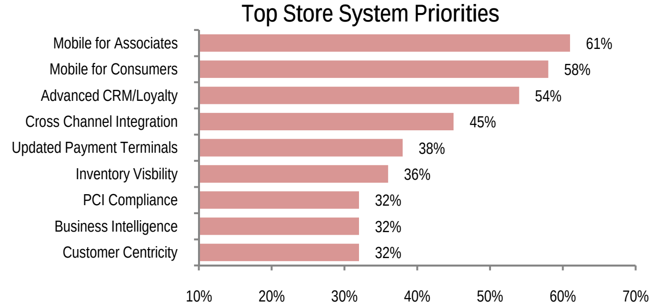
Mobile technology is top priority. A tipping point for mobile engagement was reached in 2012 with 58% of retailers now having both mobile web and mobile app deployments, compared to 14% in 2011. In 2013, the top priority for technology investment will continue to be mobility. In-store mobility (mobile POS and employee tablets) and mobile payments/NFC are expected to be the most important trends for the year.

Moving from omnichannel planning to execution. Cross-channel integration's move to a top four priority in 2013 from 14th on the list in 2007 underscores the evolution of retail towards omnichannel commerce. This is motivated by mobile-enabled consumers' desire to access multiple sales channels for purchasing, receiving and returning items. Retailers will be investing in back-office platform and architecture to enable integrated in-store and online shopping experiences.

POS software upgrade leads next system purchase. In 2013, 22% of retailers plan a POS software purchase for the year, while 20% plan to purchase POS scanners or kiosks. This emphasizes the shift in priorities towards mobility solutions over more traditional POS hardware solutions.

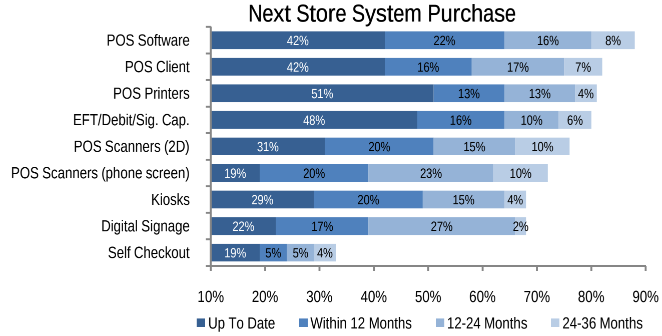
Source: RIS News

Top Store System Priorities



Source: 2013 RIS Store Systems Study

Next Store System Purchase



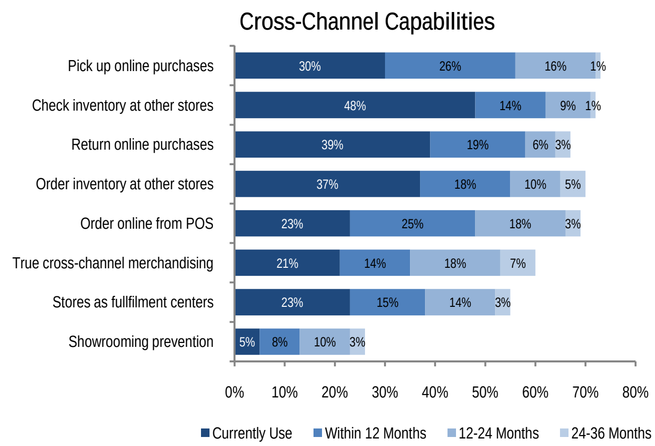
Source: 2013 RIS Store Systems Study

Omnichannel Becomes Mainstream

Tech-savvy consumers are driving the need for omnichannel commerce integration. In 1999, multichannel retailer Circuit City pioneered the option to buy a product online and pick it up in-store. Now in 2013, retailers are embracing omnichannel commerce, aiming to deliver a seamless consumer shopping experience across all available channels, including mobile devices, PCs, brick-and-mortar stores, catalogs and more. With adoption rates of digital and mobile channels accelerating and consumers becoming more information hungry, technologically empowered and price savvy, retailers will need to leverage all possible consumer touchpoints by increasing cross-channel capabilities to create a unified and integrated shopping experience. While the majority of retailers either currently have, plan to have or plan to increase cross-channel capabilities within the next 24 months, the execution of an omnichannel migration for many retailers is expected to be difficult because of too many locations, too little IT integration and unsustainable cost structures to change quickly and overcome underperforming sales per square foot.

Mobile commerce continues to change the retail landscape. Omnichannel is being accelerated by the rapid rise of mobile shoppers, as the increased blending of online and offline behavior (underscored in the Google/Ipsos *2012 Holiday Shopping Intentions Study)* further blurs the line between digital and brick-and-mortar channels. Global mobile traffic grew to 13% of Internet traffic by the end of 2012 from just 4% two years prior, while mobile commerce comprised 24% of online shopping on Black Friday in 2012 from 6% two years prior. With the global installed base of smartphones and tablets expected to exceed that of PCs by Q2 2013 (global smartphone and tablet shipments already exceeded PCs in Q4 2010), mobile commerce will continue to cannibalize e-commerce and force retailers to adapt accordingly.

Sources: StatCounter Global Stats; IBM Digital Analytics Benchmark; Google / Ipsos OTX; Harris Interactive



Source: 2013 RIS Store Systems Study

Source: Google / Ipsos OTX 2012 Holiday Shopping Intentions Study

GT NEXUS + TradeCard = Rise of the Global Grid

Creating the world's biggest cloud information utility. The recently announced merger between GT Nexus, a provider of cloud-based logistics and global transportation control solutions for manufacturers, and TradeCard, a provider of cloud-based financial supply chain and production visibility solutions for retail and consumer soft goods, is expected to create the world's largest cloud-based business network for global trade and supply chain management. With a global network of more than 20,000 businesses, spanning every major industry from manufacturing to retail to pharmaceuticals, the combined entity will manage more than $100 billion in direct supply chain trade and offer its customers a single cloud-based platform for end-to-end supply chain visibility, collaboration and control.

A global trade management milestone. As cloud technology rapidly replaces licensed and installed traditional software, global supply chain management has emerged as the next big opportunity for driving business agility and operational excellence. Previously, cloud-based supply chain visibility and collaboration platforms concentrated on specific verticals and processes, forcing many companies to utilize multiple platforms to meet their requirements. In response to rising demand for a universal platform and more cross-process synergies, vendors have begun expanding their platform capabilities through development, partnerships and M&A. The merger of GT Nexus with TradeCard affirms the long overdue need for consolidation in the global trade management industry, vendors' commitment to the cloud, and the rise of the global grid.

Sources: Company press releases; Gartner Research

An example transaction. GT Nexus is a leader in cloud-based technology that connects the physical order, shipping and distribution functions of multiple global partners across a web-based platform. TradeCard has access to billions of dollars in capital through its relationships with various lenders. The two companies are complementary as TradeCard essentially uses the web to simplify the letters of credit that facilitate the payment terms between Western importers and Asian producers, and most of GTNexus' technology helps with trade compliance.

According to Bryan Nella, TradeCard's director of marketing communications, a transaction involving the merged entity would look like the following:

(1) An overseas supplier receives a purchase order across the GTNexus system from a major U.S. retailer to produce 100,000 pairs of shoes.
(2) The supplier, needing fast access to capital to ramp up production, can click a website link and activate TradeCard's services.
(3) After addressing the legal framework and assuring the buyer's ability to pay, TradeCard provides funds to the supplier within a few days.
(4) As production proceeds, the retailer and lender can leverage GTNexus' visibility strengths to manage the process in real-time.

The merger of these two companies shows how interconnectivity is changing the way that complex supply chains are evolving. It will also allow the two companies finally to reach the critical mass necessary to reach the next stage of success in this highly fragmented industry.

Merger Musings

NCR + Retalix

Deal: NCR (NYSE:NCR) acquired Retalix (TASE: RTLX) for $740 million

Implications:

- Latest example of an old-line hardware vendor using M&A to build up its more valuable and higher-margin software and services business
- NCR will build upon its successful integration of Radiant Systems and strengthen its global leadership position in the retail industry
- Continues transformation of NCR into a hardware-enabled, software-driven business model
- Allows NCR to diversify further from its ATM business and expand its in-store, omnichannel, POS and marketing capabilities

RedPrairie + JDA

Deal: RedPrairie acquired JDA Software (NasdaqGS: JDAS) for $1.9 billion

Implications:

- Creates a best-of-breed software provider that combines JDA's expertise in supply chain merchandising and pricing with RedPrairie's expertise in warehousing and store operations
- Release of cloud-based JDA 8.0 in Q1 2013 and RedPrairie's existing hosted commerce platform will further propel the company to be recognized as a SaaS provider
- Positions RedPrairie to be the next significant enterprise retail technology that could have the potential to contend with SAP, Oracle and Epicor

TOSHIBA + IBM

Deal: Toshiba Tec (TSE:602) acquired IBM's Retail Store Solutions (RSS) business for $750 million

Implications:

- Pushes Toshiba to #1 global market spot in POS systems with a 26-32% share
- Generates new international revenue streams, new vertical markets and broader customer base for Toshiba
- IBM's decision to sell RSS so it can concentrate on its Smarter Commerce platform reaffirms growing industry preference for higher ROI software businesses over lower margin hardware businesses

Source: Capital IQ.

Recent M&A Activity: Retail Technology (SaaS and Legacy)

Date	Target	Acquirer	Enterprise Value	Revenue	EBITDA	EV / Revenue	EV / EBITDA	Description
Feb 13	Retalix Ltd.	NCR Corp.	$630	$267	$24	2.4 x	26.2 x	Software solutions to grocery and conveniece stores
Jan 13 A	Retail Anywhere Inc.	NetSuite Inc.	-	-	-	-	-	POS and cloud-based retail management systems
Jan 13 A	TradeCard, Inc.	GT Nexus, Inc.	-	-	-	-	-	Supply chain collaboration platform
Dec 12	JDA Software Group Inc.	RedPrairie Corp.	1,800	658	168	2.7	10.7	Enterprise software solutions
Nov 12	Longboard Media, Inc.	Bazaarvoice, Inc.	44	-	-	-	-	Ad solutions for shopping publishers and advertisers
Sep 12	Maple Lake Limited	TXT ESolutions SpA	18	9	2	2.0	7.9	Software solutions for the retail industry
Aug 12	Cornell Mayo Associates	Retalix Ltd.	-	-	-	-	-	POS software for leading retailers
Jul 12	IBM - Retail Store Solutions	Toshiba Tec Corp.	-	-	-	-	-	IBM's POS terminal business
Apr 12	LogLogic, Inc.	TIBCO Software Inc.	132	-	-	-	-	Compliance and data management
Mar 12	Aldata Solution Finland Oy	Solteq Oyj	11	18	-	0.6	-	Supply management software for specialty retailers
Mar 12	WorkPlace Systems	LDC Ltd.	61	15	-	3.9	-	Workforce management solutions
Mar 12	LiftRetail Solutions	VeriFone Systems, Inc.	-	-	-	-	-	Digital marketing systems
Feb 12	DemandTec, Inc.	IBM Corporation	427	89	-	4.8	-	Retail marketing and merchandising software
Feb 12	Emptoris, Inc.	IBM Corporation	-	-	-	-	-	Supply, category spend and contract management
Jan 12	Rightnow Technologies, Inc.	Oracle Corporation	1,521	216	24	7.0	63.8	Cloud-based customer experience software products
Jan 12	Superclick, Inc.	AT&T Corp.	12	11	2	1.1	6.0	IP-based data management solutions
		Mean				**3.1 x**	**22.9 x**	
		Median				**2.6**	**10.7**	

Source: Capital IQ and public company filings. Amounts in millions of U.S. dollars.

Public Company Valuation: Retail Solutions

Company Name	Ticker	Stock Price 02/12/13	% of 52-Week High	% of 52-Week Low	Market Cap	Enterprise Value	Cash	EV / Revenue LTM	EV / Revenue 2013E	EV / Revenue 2014E	EV / EBITDA LTM	EV / EBITDA 2013E	EV / EBITDA 2014E	P/E LTM	P/E 2013E	P/E 2014E
NCR Corp.	NYSE:NCR	$28.53	96 %	142 %	$4,559	$5,498	$1,069	1.0 x	0.9 x	0.8 x	13.8 x	6.9 x	6.3 x	33.6 x	10.7 x	9.5 x
MICROS Systems, Inc.	NasdaqGS:MCRS	45.45	78	116	3,606	2,977	632	2.5	2.1	2.0	11.4	9.7	9.3	21.1	17.6	15.2
Wincor Nixdorf	XTRA:WIN	52.26	93	147	1,556	1,732	91	0.5	NM	NM	7.4	NM	NM	18.0	NM	NM
Bematech SA	BOVESPA:BEMA3	4.06	96	217	209	201	22	1.2	-	-	9.2	-	-	18.0	-	-
GK Software AG	DB:GKS	45.97	77	104	82	69	15	1.5	-	-	6.9	-	-	13.6	-	-
PAR Technology Corp.	NYSE:PAR	4.32	77	102	66	49	18	0.2	0.2	-	7.2	4.5	-	18.1	15.7	10.8
		Mean	**86 %**	**138 %**				**1.1 x**	**1.1 x**	**1.4 x**	**9.3 x**	**7.1 x**	**7.8 x**	**20.4 x**	**14.7 x**	**11.9 x**
		Median	**85**	**129**				**1.1**	**0.9**	**1.4**	**8.3**	**6.9**	**7.8**	**18.1**	**15.7**	**10.8**

Source: Capital IQ as of February 12, 2013. Amounts in millions of U.S. dollars, except share price.

Recent Marcum Cronus Transactions

cornellmayo associates
store systems anywhere

has been acquired by

Retalix

RetailOptimization inc.

has sold substantially all its assets to

Revionics

media chase

has sold substantially all its assets to

EPiSERVER

MARCUM CRONUS PARTNERS LLC

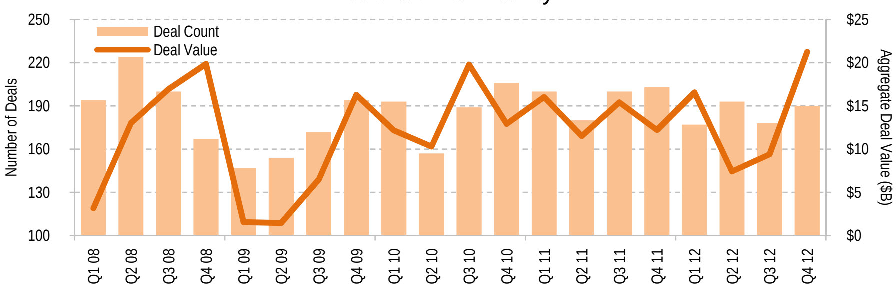
www.MARCUMCRONUS.com

New York | New Haven | Boston

Contact:
Andrea Chase
Director, Marketing and Business Development
212.485.5876
andrea.chase@marcumcronus.com

Market Trends and Performance

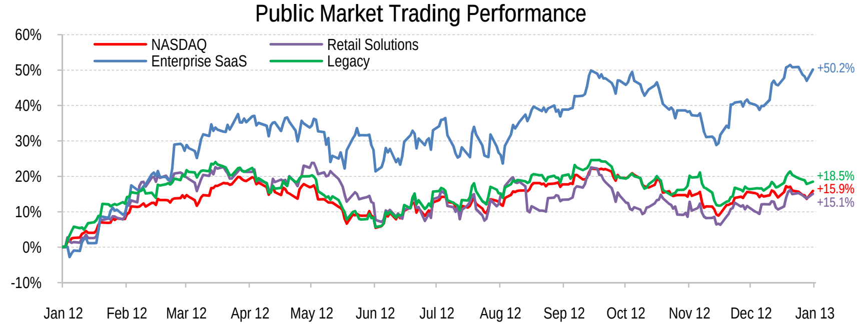
Software M&A Activity



Source: Capital IQ

M&A deal activity remained steady in 2012. M&A activity in the U.S. software sector has remained within a given range since Q3 2010 in terms of deal volume, while aggregate deal value has fluctuated from quarter to quarter. In 2012, there were 738 closed deals with an aggregate value of $54.6 billion, compared to 783 closed deals with an aggregate value of $55.1 billion in 2011, representing only a 6% drop in deal flow and a 1% drop in deal value.

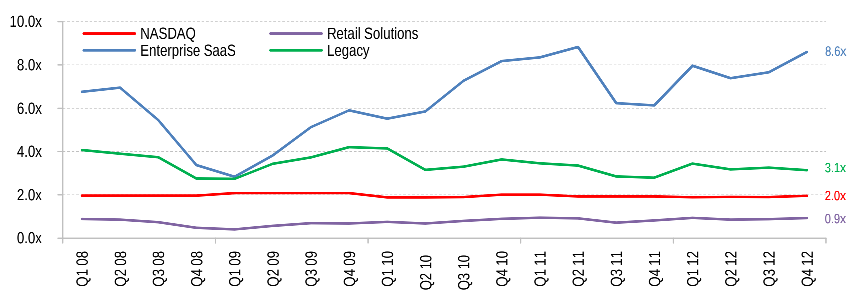
Public Market Trading Performance



Source: Capital IQ as of February 12, 2013

SaaS stocks outperformed tech peers. As businesses increasingly rely on cloud computing to access and analyze data, enterprise SaaS stocks have clearly benefitted, ending 2012 up 50.2% y/y, led by market leader salesforce.com (+65.7%). Retail solution (+15.1%) stocks moved more in tandem with the broader market (+18.5%) but ultimately underperformed as demand for retail solutions was adversely affected by weakened consumer spending and difficulties in obtaining credit, preventing customers from acquiring new retail and hospitality venues.

Historical EV/Revenue



Source: Capital IQ as of February 12, 2013; historical EV/Revenue multiples are enterprise value weighted

SaaS commanding highest valuations. EV/revenue multiples for enterprise SaaS companies (8.6x at YE 2012) continued to far outpace their tech counterparts. The higher valuation for SaaS is indicative of the premium that comes with its higher growth prospects over more traditional software rivals and legacy IT providers, who are trying to transition out of their hardware-oriented world.