



SoftSummit™ 2011

Welcome to
SoftSummit 2011



FLEXERA™
SOFTWARE

Unlocking the Value of Applications

Mark Bishof
Chief Executive Officer

Agenda

- Flexera Software business update
- Market trends changing the understanding of an application
- Vision for unlocking application value



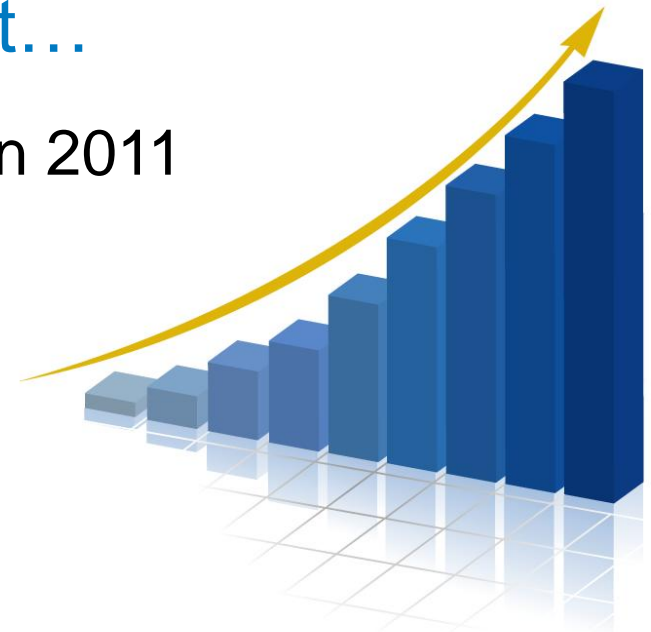
Setting the Foundation for Next Stage of Growth

- Teachers' Private Capital (TPC) acquired majority stake in Flexera Software while Thoma Bravo retains minority stake
 - Since being created in 1991, TPC has developed an innovative investment program and successful track record for investment performance
 - TPC has a diversified, world-class private equity portfolio valued at \$12.0 billion
- Significant endorsement of the value we have created in the business and our strong future potential
 - 40% revenue growth over last three years
- What does it mean for partners and customers?
 - Business as usual
 - Even stronger financial backing to take Flexera Software to the next level



Since We Last Met at SoftSummit...

- Expect record growth and revenues in 2011
 - Expanding in all geographies
 - Expanding in all business segments
- Continued to invest in innovation
 - Introduced licensing support for Amazon cloud-based applications
 - Delivered security and IP protection for applications running in Microsoft and VMware virtual machine environments
 - Joined the Distributed Management Task Force (DMTF) to help develop cloud licensing standards
 - Enhanced solutions for intelligent device manufacturers to support new models and platforms which drove rapid increase in sales to this segment
 - Added the ability to embed ISO standard software tags into your software installer to enable enterprises to manage your applications



Outlook for 2012

Continued Investment in Solutions at the Nexus of Application Producers and their Customers

Producers of Applications

Consumers of Applications

Entitlement & Compliance Management

- Entitlement management licensing
- Electronic software delivery
- Compliance
- Analytics

Enterprise License Optimization

- Application discovery
- Inventory
- Entitlement management
- Usage collection/aggregation
- Reconciliation
- Optimization

Strategic Solutions for Application Usage Management

Installation

- Windows installation development
- Cross-platform installation development

Application Readiness

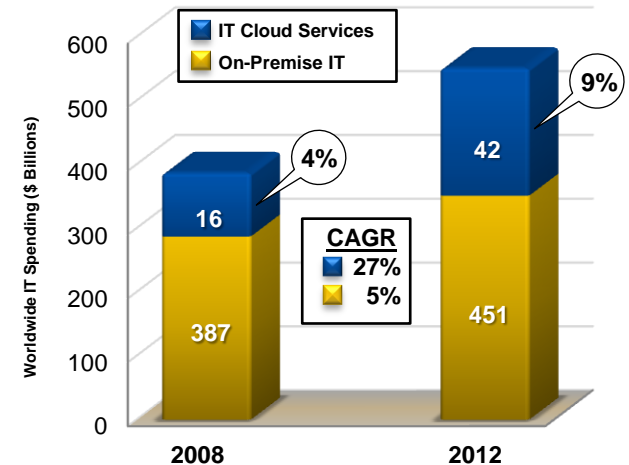
- Application discovery and identification
- Compatibility testing
- Planning
- Fixing & Packaging
- Deployment

Market Trends Changing the Understanding of an Application

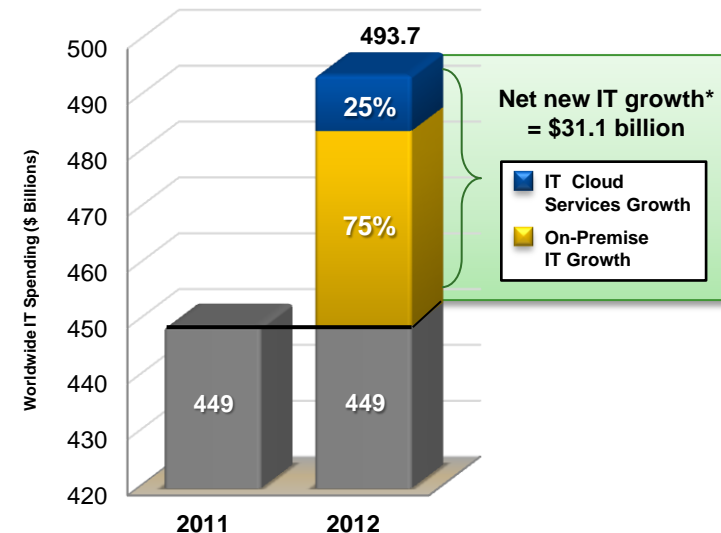
New Platforms: Cloud Computing

- Forrester
 - \$25 billion public cloud market in 2011 -> **\$160 billion in 2020** (majority is SaaS applications)
 - Public—Hybrid—Private clouds: Only 37% of companies will use public only clouds
- VC investments in cloud companies
 - 2009: 64 investments totaling \$180 million
 - 2010: 93 investments totaling \$713 million
- IDC
 - 27% CAGR – **over 5x the growth rate of traditional, on-premise IT delivery/use**
 - 2012: Cloud services growth will account for fully **25% of the industry's year-over-year growth**
 - 2013: Cloud services growth will generate about **33% of the industry's net growth** (in segments representing 2/3 of non-PC IT spend)

Worldwide IT Spending* by Consumption Model
2008, 2012



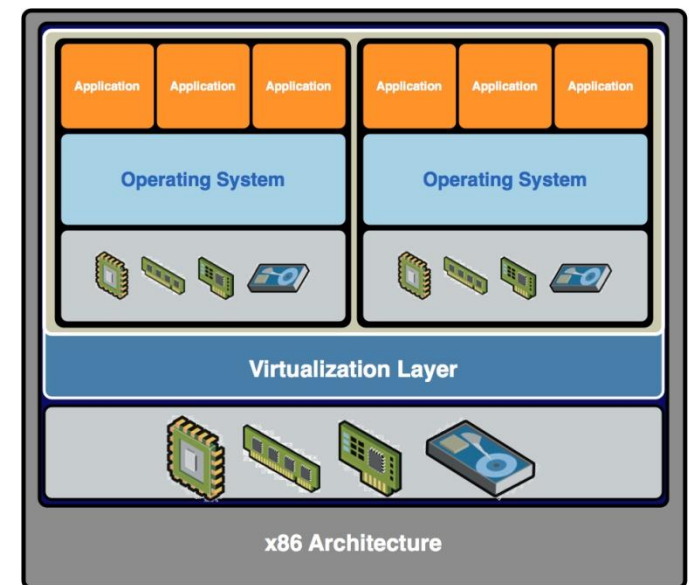
Sources of Incremental IT Spending* Growth in 2012
Cloud vs. On-Premise



*Includes enterprise IT spending on Business Applications, Systems infrastructure Software Application Development & Deployment Software, Servers and Storage.
Source IDC, October 2008 (revised)

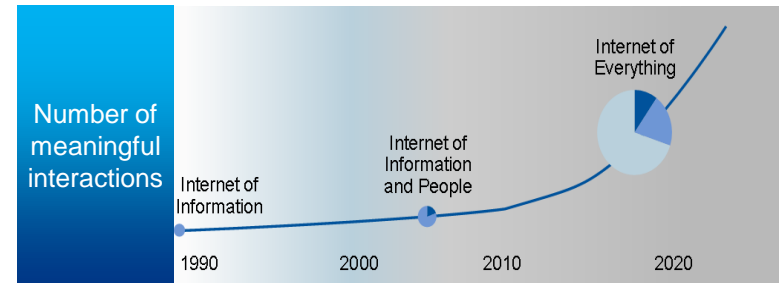
New Platforms: Virtualization

- Traditionally packaged software moving to virtualized/cloud infrastructures
- 2010 was the tipping point when virtual machines outpaced physical hosts
- Virtualization changes how IT is acquired, managed and used, and challenges how software is supported and licensed
- Virtualization is the secret sauce behind the cloud
- Vendors and enterprises remain far apart in understanding the impact of virtualization on applications and licensing



New Markets: The Internet of Things

- Manufacturers are now *Intelligent Device Manufacturers* delivering solutions of software and hardware
- Projections for intelligent connected devices range from 50 billion—200 billion by 2020
- Manufacturers now need to think like software companies and develop infrastructures to support this business
- Most enterprises have yet to explore the possibilities of the Internet of Things, do not have clear strategies for it and are not operationally or organizationally ready



Key milestones	>50% of Internet connections are things	Things create more traffic than information and people
Number of permanently Internet-connected devices	>15 billion	>30 billion
Number of intermittently Internet-connected devices	>50 billion	>200 billion
Volume of traffic from things	Minority	Majority

New Business Models

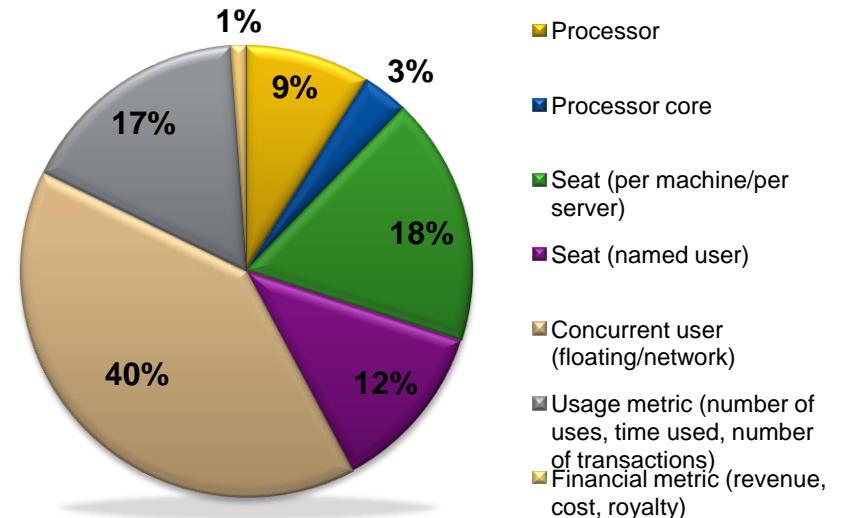
- Enterprise customers increasingly seek pay-per-use models
 - Subscription
 - Capacity-based
 - Usage-based

Significant issues such as user experience, entitlement and revenue management must be managed

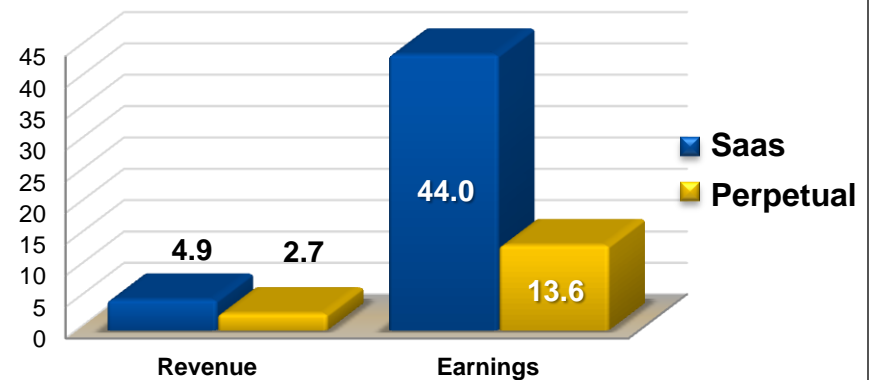
- A recent Software Equity Group report pegs the median enterprise value (EV) of **SaaS companies at 4.9x revenues, almost double the 2.7x revenues for perpetual companies**

On an EV/EBITDA basis, it's even more dramatic with **SaaS companies at 44x and perpetual ones at 13.6x**

What is the software pricing model you prefer for enterprise class applications?



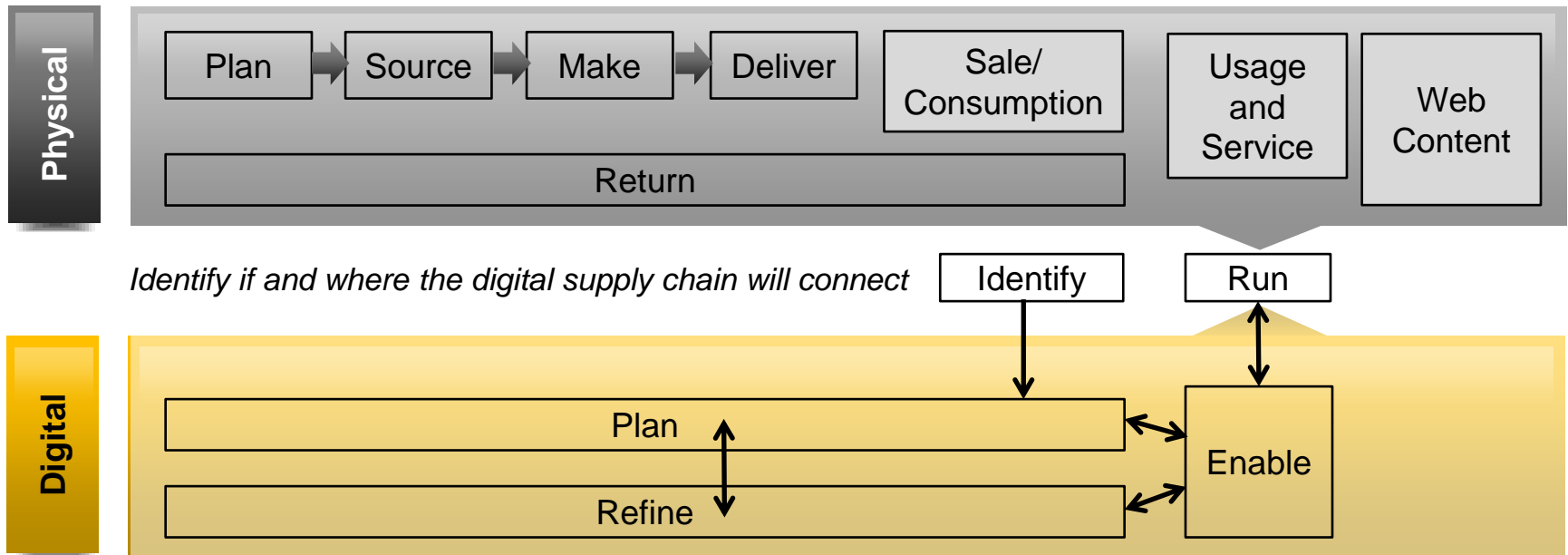
Median EV Multiples for SaaS and Perpetual Companies



Source: Software Equity Group 1/11 Monthly Flash Report

**Vision for Unlocking Application Value:
Models for the Future**

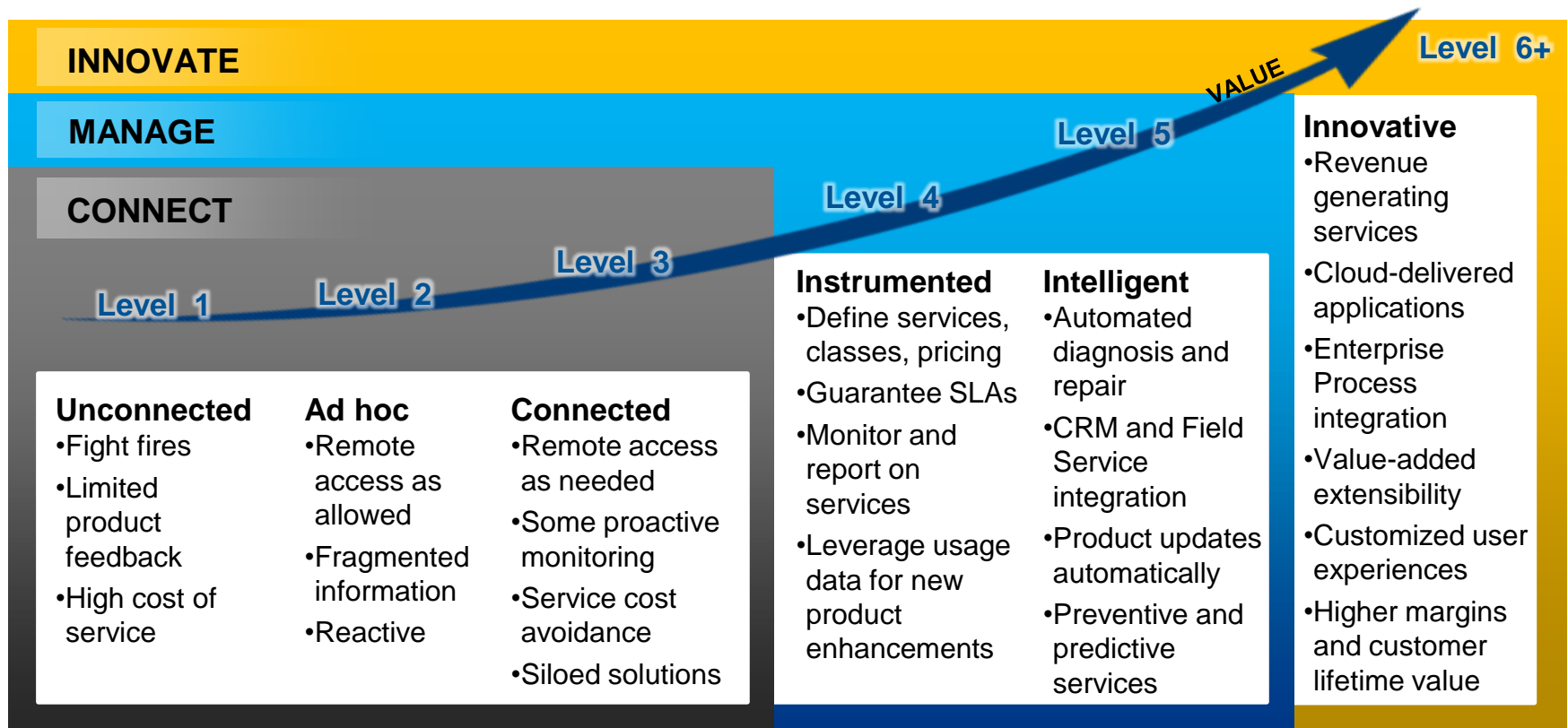
Future Models: Data Value Network



Source: Gartner

- A new wave of data drivers will be the source of significant value creation as companies move beyond disconnected product and services to become solution providers.
- Brands will be based on interconnected, collaborative systems that continuously capture network-enabled, demand-, supply- and product-related data, analyze in near real time and connect it with the right business model to profitably deliver premium solutions.
- Companies must successfully integrate and manage physical, digital and solution networks. This capability is a rarity today.
- Examples: embedded software for capacity management, license monitoring and renewal, and regional software postponement

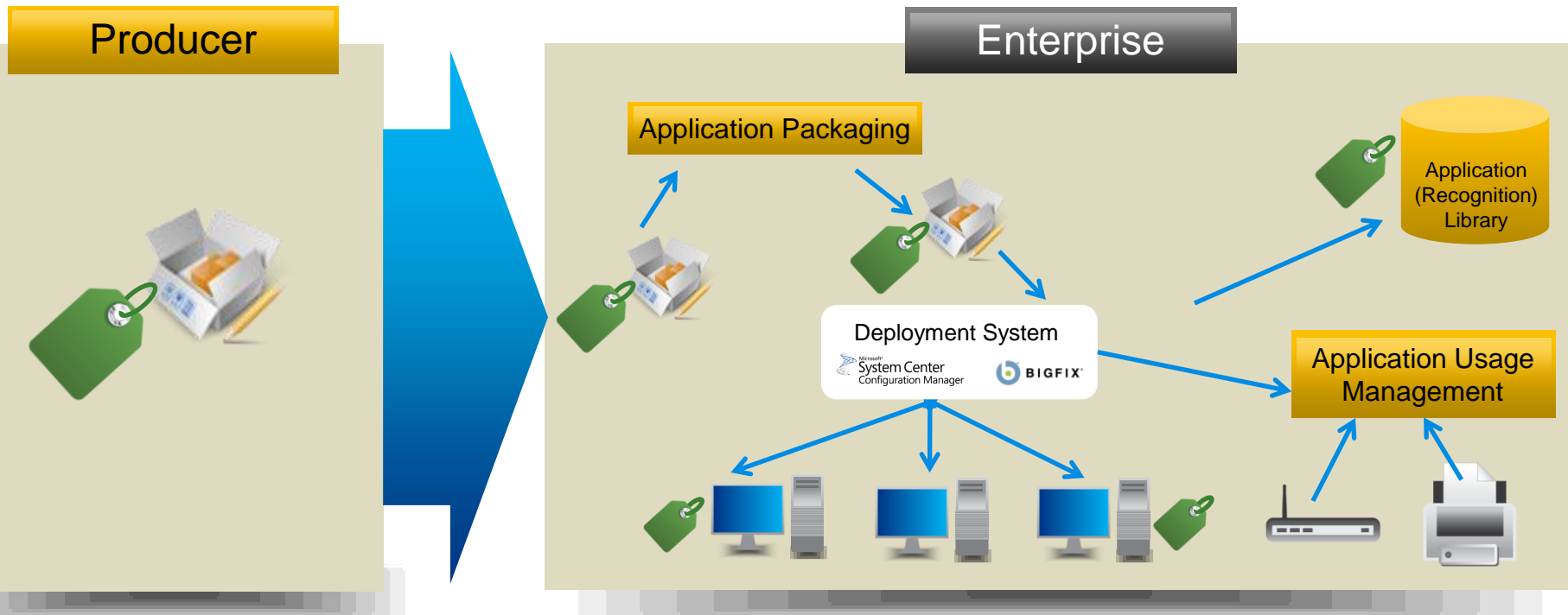
Future Models: Value-Add Beyond Connectivity



Source: Axeda

- Connectivity is the foundation for intelligent devices
- Value – to customers and vendor – increases with advances in software capabilities
- With maturity comes new revenue streams, a growing ecosystem and infrastructure requirements

Future Models: Self-Instrumented Applications



- Applications are strategic corporate assets requiring proactive usage management
- Application identification remains a challenge made worse by new deployment models such as virtualization
- Operational technology needs to be networked, managed and optimized like other IT assets
- Self-instrumented applications across the entire value chain ensure post-deployment software asset management

Future Models: Flexible Licensing

Licensing Implications

Technology



Cloud Computing

- Usage-Based Metrics
- Metered Usage

- Machine layer abstracted/irrelevant
- More dynamic licensing/pricing

- Metering/tracking
- Same technology as On Demand and Distributed



On-Demand Computing

- User-Based Metrics
- Subscription

- Business transition to subscription
- Balancing simplicity and flexibility

- Authentication and authorization
- Usage-tracking
- SLA monitoring



Distributed Computing

- Machine-Based Metrics
- Perpetual License + Maintenance

- Value disconnect
- System changes impact licensing
- Complexity crisis

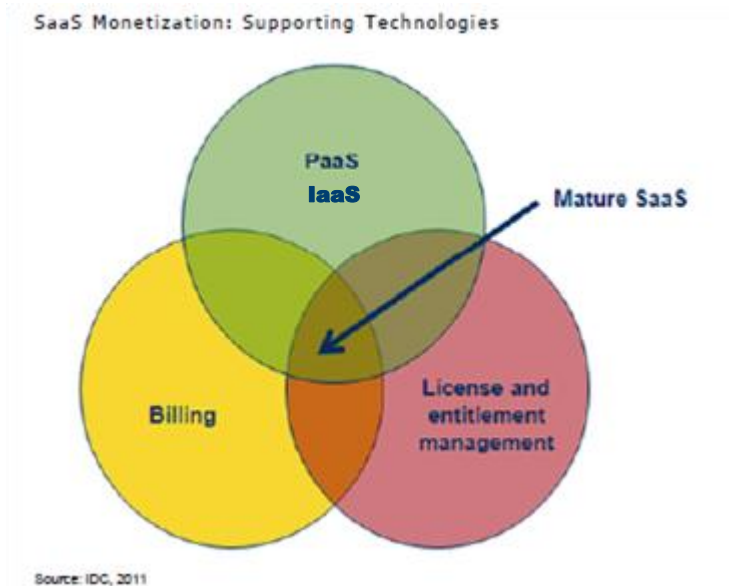
- License and entitlement management

Source: IDC, 2011

- Varying models in the same product, across product lines
- Expectation for a common user experience
- Substantial infrastructure requirements to support

**Vision for Unlocking Application Value:
Enablers of the Future Models**

Enabler: Licensing in the Cloud



Host ID Policies for Self-Service Portal

Nodelocked Host ID Policies Specify Value Now

Allows you to restrict the types of nodelocked host IDs used when licenses are generated from the Operations Self-Service Portal using this License Model. AMZN_AMI and AMZN_IID hostids require FNP 11.10.

AMZN AMI Template ID AMZN IID Instance ID ANY



- Flexera Software licensing allows software producers to grow revenues through existing and new license models in Amazon EC2
 - **“Business as usual”** Amazon EC2 business models for both license server-based models and standalone software locked to Amazon Instance ID
 - **Bursts of Use/Pay by the Hour** business models that allow you to bind virtual appliances to Amazon Machine Identifier.
 - FlexNet Manager for Engineering Applications for feature-level usage tracking

Enabler: Standards-Based Application Usage Management

Producer

FLEXERA SOFTWARE™
InstallAnywhere®

FLEXERA SOFTWARE™
InstallShield®



Enterprise

FLEXERA SOFTWARE™
AdminStudio®

FLEXERA SOFTWARE™
FlexNet Manager® Suite
for Enterprises

Application
(Recognition)
Library

Deployment System

Microsoft
System Center
Configuration Manager

BIGFIX®



- Announcement: End-to-end ISO 19770-2 tag support
 - Creation
 - InstallShield 2012 (now)
 - InstallAnywhere (Q1, 2012)
 - AdminStudio 11 (Q1, 2012)
 - Recognition
 - FlexNet Manager Suite (Q1, 2012)
 - Advancing software asset management via automated creation and recognition of standards-based tags across application lifecycle

Enabler: A Data Driven Compliance Discussion



- Enabling continuous compliance for usage-based business models: No enforcement (but audit), enforcement and audit, enforcement and new business models
- Reconcile entitlements and usage data
- Deliver a single view of the truth to publishers and enterprises

Summary

- The “new application” is being impacted by new platforms, new uses and new business models
- New models and markets are emerging as a result of these “inflection points” in the market
- Flexera Software continues to innovate so that:
 - Application producers can capitalize on these trends to grow and scale their businesses
 - Enterprises can successfully deploy and manage these applications to deliver business value with high returns on investment

Thank You for Coming!

Please Welcome...

Chris Gahagan

Senior Vice President, Products

Avid