



Vendor Profile of:

# Global Shares - Stock Plan Administration Services

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## 1. Background

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Global Shares (GS) is a private company that was founded in December 2005 and is headquartered in West Cork, Ireland. GS has operations in six locations:

- West Cork: headquarters, delivery center, sales
- Sales offices in:
  - London
  - New York
  - Silicon Valley
  - Milan
  - Shanghai

GS may add delivery capabilities in Shanghai in the near future.

GS has four lines of business:

- Equity Plan Administration Services
- Plan Administration Consulting
- Equity Plan Administration Software
- Share Plan Administration Software

GS has no brokerage capabilities and partners with those services are required.

Overall GS has 150 clients with the following profile:

- 100 are administration clients, 50 are software clients
- 100 clients are public and 50 are private (mostly pre-IPO)
- Clients have headquarters in 19 countries, on four continents, with employees in 70 countries
- Clients are listed on 13 exchanges (See section 4 for list of exchanges)
- There are 500,000 employees eligible to participate.

The remainder of this profile focuses on GS' stock plan administration services, its partnerships with brokerage firms, and its go-to-market strategy.

## 2. Revenue Summary

GS is a private company. NelsonHall estimates GS' revenues and staffing below.

Exhibit 1 shows estimated revenues and staff for the past 2 years.

### Exhibit 1

Estimated Revenues and Staff

	2011	2010
Revenues (USD)	4.3	4.0
Employees	46	30

Prior to 2010, GS revenues were heavily skewed to consulting (c. 50%). Since 2010, over 80% of its revenues have come from plan administration services.

## 3. Key Offerings

GS' primary value propositions to its clients and partners are:

- **Clients:** participant interface. Making sure employees are able to use self-service portals to manage their equity compensation grants easily, and with high levels of satisfaction
- **Brokers:** implementing and updating multi-country calculation of taxes and compliance requirements.

### 3.1 Offerings

GS provides the following offerings to its clients:

- Consulting
- Software:
  - Stock plan administration: GS uses the Easi Administration system
  - Participant portal: GS uses its proprietary system
- Services:
  - Stock plan administration services (interfaces with HR department and broker)
  - Participant services (interfaces with HR and periodically participants)

Services are delivered primarily to HR departments to maintain plan compliance with regulations and corporate initiatives. Automated participant interfaces reduce the demand for participant support. In periods of high participant demand (such as program on-boarding) GS provides call center support from a 3<sup>rd</sup> party vendor.

Exhibit 2 lists GS offerings. .

## Exhibit 2

### Global Shares' Offerings

Global Shares' Offerings	
<b>Equity Consulting</b>	Consulting services to design, implement, and enhance plan administration platforms
<b>Equity Admin</b>	Plan administration platform (purchase or SaaS)
<b>Equity Purchase</b>	Participant stock purchase plan platform (purchase or SaaS)
<b>Equity Register</b>	Private company stock purchase/resale plan platform (purchase or SaaS)
<b>Equity Gateway</b>	Interactive participant interface (purchase or SaaS)
<b>Equity Sync</b>	Data warehouse with service support to manage data (outsource)
<b>Equity Reports</b>	Reporting solutions (purchase or SaaS)
<b>Equity Lite</b>	SaaS offering of equity plan administration platform for companies with <50 employees

The consulting services provided to clients typically include:

- Data silo consolidation
- Paper reduction (into electronic format)
- Platform implementation (esp. for private companies looking to go public).

These consulting services are key to delivering value to clients and not typically available from brokerage vendors.

Software is highly configurable and focused on ease of participant use. This supports high end-user satisfaction, which drives value for client HR departments.

Administration services are highly automated. Labor delivered services are delivered to HR departments in support of their overall program success (e.g., how to get websites up, address programmatic issues, updates, and compliance implementation).

GS is focused on participant interface and concentrating on ease of use for participants.

## 4. Delivery Capability and Partnerships

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GS began delivering multi-country stock plan administration services in 2007. GS has c. 46 employees as of year-end 2011, up from 30 employees in 2010. Most employees are located in their headquarters in Clonakilty, County Cork, Ireland. Additional offices are for sales support.

All operational activities are delivered out of Ireland, including:

- Software development and support
- Client support
- Plan administration support
- Brokerage support.

The GS workforce comprises (46 FTE total, multiple employees with dual management and delivery roles):

- Service delivery: 25 analysts:
  - 3 managers: U.S., Europe, and Implementation
  - 22 analysts: primarily support for daily updates, vesting requirements, reports
- Client relations: 5 FTE (3 U.S., 1 China, 1 Milan)
- Sales: 4 FTE (2 U.S. and 2 U.K.)
- IT development and support: 8 FTE (5 development, 1 QA, 1 team lead)
- Accounting: 2 FTE
- Management: 8 employees (only 3 full time, others also have delivery responsibilities)

The primary delivery function of service analysts is to interface with HR departments to update plan delivery. Analysts support individual participants as needed (which is rare) but in periods of high service demand and off-standard work hours, call center support for participants is delivered by a 3<sup>rd</sup> party call center provider with capabilities to spike up delivery as needed.

The majority of clients are headquartered in the U.S. or Europe. Almost all clients, 99%, have multi-country operations.

Key aspects of multi-country operational delivery include:

- All stock plan administration is done in one place
- Calculation of taxes varies by country of employee residence, but calculation is all done in one place
- Brokerage is only done on the exchange where stock is traded. So if a corp. is only NYSE listed, that is only place need to broker. Some companies are listed on multiple exchanges (e.g., NYSE and LSE). Brokers need multiple brokerage licenses for that
- GS uses technology interfaces with its brokers
- A big challenge is preauthorization of trades. It is technically easy, but legally a challenge. GS was able to automate it to eliminate paper and one client saves \$150,000 per year
- Most trades are done out of omnibus accounts, not out of individual accounts.

Exhibit 3 provides a list of exchanges where GS clients' stocks are traded.

### Exhibit 3

#### Exchanges where Client Firms are Listed

63 clients, 13 exchanges			
NASDAQ	NYSE	LSE	NYSE Euronext Amsterdam
NASDAQ OMX Helsinki	Deutsche Bourse	Taiwan SE	Tokyo SE
Milan SE	Oslo SE	Sao Paolo SE	Singapore SE
Stockholm SE			

GS partners with many brokerage firms on accounts. It does not have any exclusive relationships. (See section 5 for go-to-market strategy with partners).

When GS partners with brokerage firms, GS delivers segments of the engagement that brokers cannot deliver cost effectively. There are two conditions where this happens:

- Broker cannot staff plan administration services: typically a broker can provide a highly standardized platform and brokerage services, but is not as cost effective at providing platform and update support. GS delivers these services using the broker (or in some cases client) platform
- Broker cannot customize platform to client requirements: GS platform is used when client requirements are complex or high degrees of customization are required. GS staffs plan administration services.

Compliance, licensing, and call center support for participants are the responsibility of the clients and brokers. However, GS does deliver call center services, at scale, as needed using a 3<sup>rd</sup> party vendor.

The role of GS in compliance and plan management is as follows:

- Legal compliance:
  - Clients vet the legal requirements for their plans. For example, the client identifies tax requirements (and triggers) for employees by country.
  - GS applies the required tax rates across countries
- Brokerage compliance:
  - Brokers vet the legal requirements for broking. In the U.S. Morstan vets all legal requirements for GS partnered engagements
- Preauthorization of trades:
  - GS applies (to participant accounts) all preauthorization requirements, including preauthorization of trades, holding requirements, on-line election transactions. (GS delivers this electronically, improving efficiency from prior industry standard of written preauthorization)
- Plan changes:
  - GS applies all changes by geographic region/country

GS services are delivered using the following practices:

- GS uses a participant self-service model via web portal
- All web portals look like and are configured as a part of the client corporate HR website
- GS does not do ongoing administration of participant support (call center support), but it does provide large scale enrollment support (i.e., one time large scale projects)
- Provides wizards for sale of shares
- Modeling and calculation tools for participants to use to optimize sale strategies
- Data browsing and analysis tools for clients

The account administration staffing and services delivered by GS are as follows:

- Staffing:
  - Each client is assigned one Share Plan Manager
  - Larger clients have two additional analysts assigned
  - Each share plan manager has several clients (e.g., 10 clients)

- Services delivered:
  - Using plan administration platform analysts deliver, on instructions from the HR department, implementation of awards, preauthorization of trades, account updates, application of taxes, financial reporting, participant updates.

New client on-boarding follows the process below:

- Project investigation:
  - Security requirements
  - Data collection
  - Administration system set-up
  - Access rights & roles
  - Reporting definitions
  - Gateway feature requirements
  - Understanding of services & processes to be delivered
  - Project responsibilities definition
- Project implementation
  - Data conversion and validation
  - System set-up
  - Gateway build and delivery
  - Process document definition
  - Payroll and HR integration
- Project finalization
  - Data sign-off
  - System set-up sign-off
  - Process document sign-off
  - Gateway sign-off
- Project launch
  - Gateway account activation
  - Reporting delivery
  - On-going administration and support

Client gateways and products were shown in the previous section (#3).

## 5. Target Markets

GS has 100 public company clients and 50 private company clients. GS's private company clients are all intending to go public in the near future. GS's clients have 500,000 employees eligible for plan participation. Over 99% of GS's clients operate in more than one country.

Exhibit 4 provides examples of GS's clients.

### Exhibit 4

#### Examples of GS Clients

Client type	Client Name		
Private	Cargill	Mass Mutual	
Eurostoxx 50	Anheuser Busch InBev	ING	Telefonica
	UniCredit	Neilson Holdings	
Financial	Apollo Mgt.	Och-Ziff	Morningstar
	CBRE Global Investors	Pioneer Investments	Russell Investments
	Oaktree	Sallie Mae	
FTSE 250	Bwin.party	Elementis Kentz	RPS Group
Other Markets	DeNA	Ambev	LogMeIn

The geographic distribution of GS's clients is:

- North America: 60% of clients, 50% of revenues
- Europe and Asia: 40% of clients, 50% of revenues

Asia accounts for very few GS clients (under 3%) and modest revenues (generated mostly from the Asian operations of U.S. and EU clients).

The largest GS client is Telefonica with 100,000 participants in many countries. Ambev has 2,000 participants, including participants within subsidiaries.

A typical GS client has c. 1,500 participants out of a 35,000 overall employee population.

## 5.1 Go-to-market strategy

The GS go-to-market strategy varies by two dimensions:

- Geography:
  - U.S.: sourcing business primarily from partners
  - Europe: sourcing business primarily from a centralized GS sales team
- Client size:
  - Large clients sourced for GS specific capabilities
  - Small clients sourced because large brokerage firms offload delivery costs.

In greater detail, these strategies are:

- Geography:
  - **U.S.:** GS partners with brokers on bids to win business. Majority of business (>90% is done in partnership with brokers). It is the financial advisors who usually select a software vendor to bid on the business
  - **Europe:** Either the broker or GS wins the bid (in separate bids which often compete with each other). Once the bid is won, the winner goes to the partner for help and the engagement is jointly delivered. In Europe GS has a centralized sales team pursuing sales leads. European clients are sourced 70% direct sales and 30% from partner led sales
  - **ROW:** very little business here (c. 1%) but it is growing fastest on a percent basis. Separate bids for most engagements. For small firms in small markets (e.g., Middle East) GS partners with local brokerages.

Overall 25% of GS' business comes from large brokers. Brokers find partnering with an ISV and administrator attractive because they have high overheads. If they are not able to generate large returns from asset management and brokerage to offset costs of delivery, then offloading costs is critical to meeting their business objectives.

For brokerage capabilities GS partners with:

- Morgan Stanley Smith Barney
- Collins Stewart HawkPoint
- UBS
- Merrill Lynch

In Europe, GS partners with Morstan on 5 clients.

GS invests heavily in technology integration and interfaces with brokers.

- Client size:
  - **Large clients:** (e.g., Microsoft) have a large number of high net worth executives and brokerage firms will go to MS and handle the entire account. Primarily the business model is to administrate the stock plan services for low profit, but make a lot of money on brokerage fees and wealth management accounts
  - **Smaller clients or non-public clients:** lack of brokerage fees for private shares or lack of large high net worth executive class makes customization for those firms not effective for brokerage firms and the brokerage firms will refer stock plan administration to Global Shares. GS will highly customize the plan administration for the firm (which all firms require). The brokerage firms will handle brokerage where needed. After an IPO the brokerage firms may take over entire account.

Additional information:

- Demand for services varies by region. In Europe, clients buy single lines of service, rather than multi-bundle plan administration services. Therefore, in Europe clients tend not to be interested in GS providing financial reporting. These European clients buy administration services to set up a stock plan. Reporting (beyond compliance requirements, such as analytics) is left to a later time period. In the U.S. clients have been using stock plans for some time and are very interested in GS providing financial reporting (analytics) on the plan
- Managing information outside a country is a nightmare, so many brokers partner with GS for that service. GS covers all geos for tax calculations
- In a few cases GS provides different brokers in different countries (e.g., GS had one client recently where there is one broker in the U.S. and a different one in Australia)
- Client partner examples:
  - Apollo (Private equity NYC): when went public Morstan partnered.
  - Nielsen (Morstan is broker). Originally was private with only GS, after IPO Morstan partnered.

## 5.2 Pricing

Pricing is based on a statement of work (SOW).

Components are priced as follows:

- Administration: fixed price
- IT: fixed price
- Participant services: moving towards price per participant

## 6. Strategy

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Global Shares' strategy is to:

- Focus on share plan administration solutions and services that are:
  - Configurable, so as to allow customization for client requirements
  - Self-service participant user interfaces to increase user satisfaction and reduce vendor cost
- Partner with brokers to rapidly grow business by partnering where brokers cannot cost effectively deliver customized services, especially at lower volumes
- Provide consulting services to "help define the problem and identify the solution" for enterprises undergoing change (esp. private to IPO status)
- Open new sales offices around the globe to support existing clients in new geographies (esp. subsidiaries) and attract new clients.
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## 7. Strengths and Challenges

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### 7.1 Strengths

- Ability to deliver administration services to lower volume clients (smaller clients)
- Ability to deliver administration services profitably on a stand-alone basis (without implied subsidy of brokerage/private client services)
- High degree of automation from solutions
- Ability to cost effectively customize solutions for clients (primarily configuration)
- Successful user interface features.

### 7.2 Challenges

- Small firm with relatively low market awareness
- Relies on channel partners in most markets (esp. U.S.)
- Small workforce

## 8. Outlook

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The outlook is strong for GS, as long as brokerage firms remain committed to brokerage led engagements. If one or several brokerage firms acquired a competitor or added customizable, solution led, services; then GS would face an immediate threat to its entire business model.

The cost of entering this line of business for a brokerage firm (all of whom are capital constrained currently) would mitigate against this outcome. However, the lack of high capital charge for a brokerage firm operating in this market (due to low perceived risk) would mitigate in favor of a brokerage firm entering this line of business.

In the near term, GS is likely to continue its rapid growth based on favorable market conditions for its offerings.