



M&A for the  
digital markets

## QUARTERLY VIEWPOINT:

For the Quarter Ended June 30, 2003  
and the Latest Twelve Months

### **Services**

- IT Solutions / IT Staffing
- Network Services / Value Added Resellers (VAR)
- Business Process Outsourcing (BPO)

### **Software**

- Enterprise
- Spotlight: Enterprise Resource Planning
- Spotlight: Enterprise Systems Management

### **Communications**

- Software
- Equipment

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This quarterly VIEWPOINT covers stock index performance, public valuation multiples and relevant M&A activity for the Services, Software and Communications sectors. To illustrate general capital market and M&A trends within the technology industry, DecisionPoint has selected a group of representative public comparables and transactions. This data is provided for informational purposes only. All data represents the latest publicly available information.

DecisionPoint International is a boutique Investment Bank providing merger and acquisition services to technology companies in the Services, Software and Communications sectors. DecisionPoint offers clients a complete range of M&A services, including buy-side and sell-side assignments.

For further information regarding the contents of this document or any other questions, please call DecisionPoint International.



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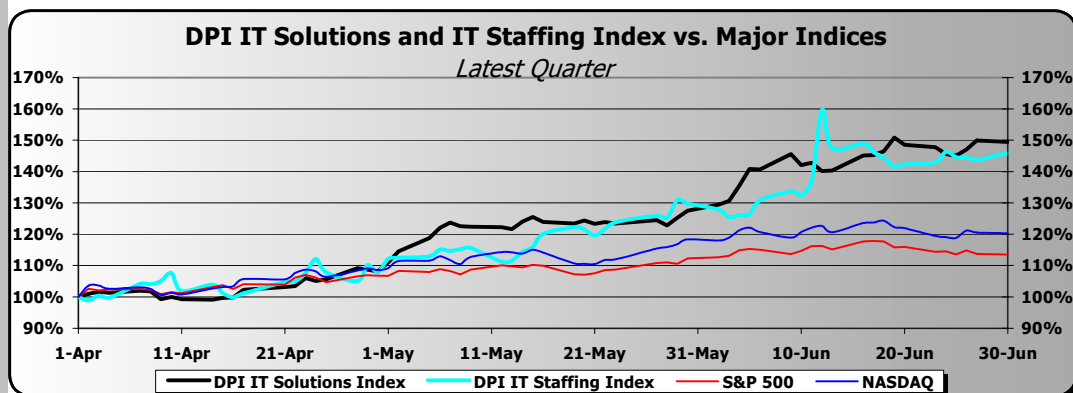
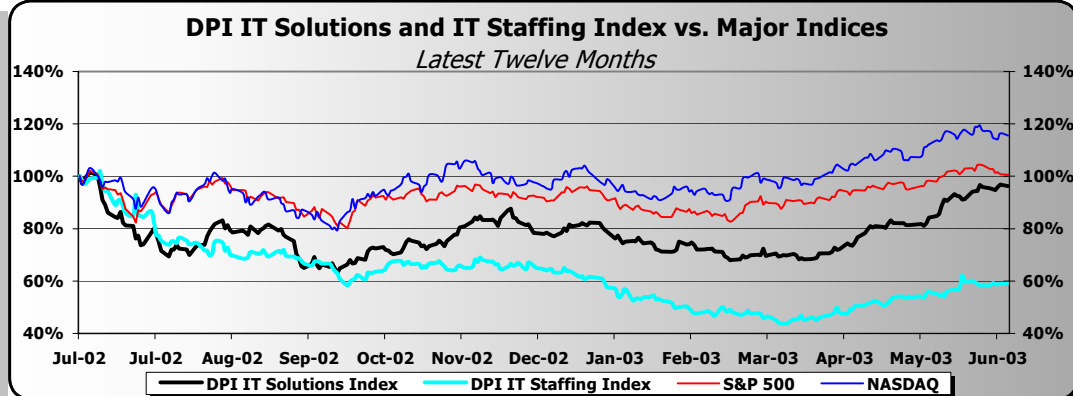
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# IT Solutions / IT Staffing

## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM period, the IT Solutions Index was down 4%, while the IT Staffing Index down 41%. The IT Solutions Index was up 50% for the quarter, while the IT Staffing Index was up 46%.
- The project side of the industry appears to have stabilized with essentially flat mean bill rates over the last couple of quarters and utilization improving with continued capacity reductions.
- We are seeing anecdotal evidence of a modest pickup in IT spending, resulting in improving backlogs.
- Companies with strong EBITDA margins and companies that provide offshore capabilities continue to be attractive targets.
- Based on Enterprise Value, for the LTM period, the median M&A revenue multiple was 0.6x while the median EBITDA multiple was 9.1x.



Note: The DPI IT Solutions Index includes: Accenture, American Management Systems, Answerthink, Axon Group, BearingPoint, CGI Group, CIBER, DiamondCluster International, Digitas and Keane.

The DPI IT Staffing Index includes: Butler International, COMFORCE Corporation, Computer Task Group, Hall, Kinion & Associates, MPS Group, TechTeam Global and RCM Technologies.

**June 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
<b>IT Solutions</b>		
ACN	1.2x	9.3x
AMSY	0.5x	4.0x
ANSR	0.2x	NM
AXO.LSE	1.0x	11.9x
BE	0.7x	10.7x
GIB	1.5x	9.7x
CBR	0.7x	12.3x
DTPI	0.4x	NM
DTAS	0.8x	11.2x
KEA	1.0x	23.1x
<b>IT Staffing</b>		
BUTL	0.3x	NM
CFS	0.3x	7.7x
CTG	0.2x	9.4x
HAKI	0.3x	NM
MPS	0.6x	11.8x
TEAM	0.3x	2.3x
RCMT	0.2x	3.6x

### Representative IT Solutions and IT Staffing Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/23/03	IDS Scheer, Inc.	Groupe Expert SA	NA
06/19/03	GFI Informatique	Infogen Systems	NA
06/03/03	Edgewater Technology, Inc.	Intelix, Inc.	NA
05/27/03	Avanade Inc.	G. A. Sullivan	NA
05/21/03	Amherst Technologies	Think Tank Systems	NA
05/20/03	eNucleus, Inc.	MIT Consultants (assets)	\$0.3
05/12/03	Ness Technologies	APAR Infotech	\$78.0
05/12/03	Saratoga Partners	divine, inc. (assets)	\$28.0
04/29/03	RWD Technologies	RWD Tech. (Privatization)	\$29.9
04/23/03	Anteon Corporation	Information Spectrum, Inc.	\$90.7
04/23/03	Wipro Limited	NerveWire	\$18.7
04/22/03	eLinear, Inc.	NetView Technologies Inc.	\$11.7
04/14/03	Aquent	Computer Horizons	\$91.7
04/11/03	SAIC	Predictive Systems (assets)	\$1.9
04/01/03	Management Buyout (MBO)	The Judge Group, Inc.	\$6.7

**VIEWPOINT**

**IT Solutions / IT Staffing**

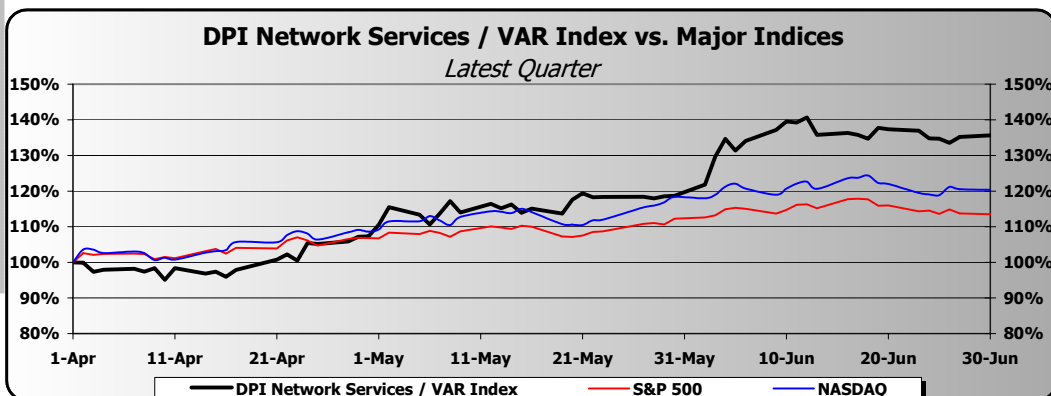
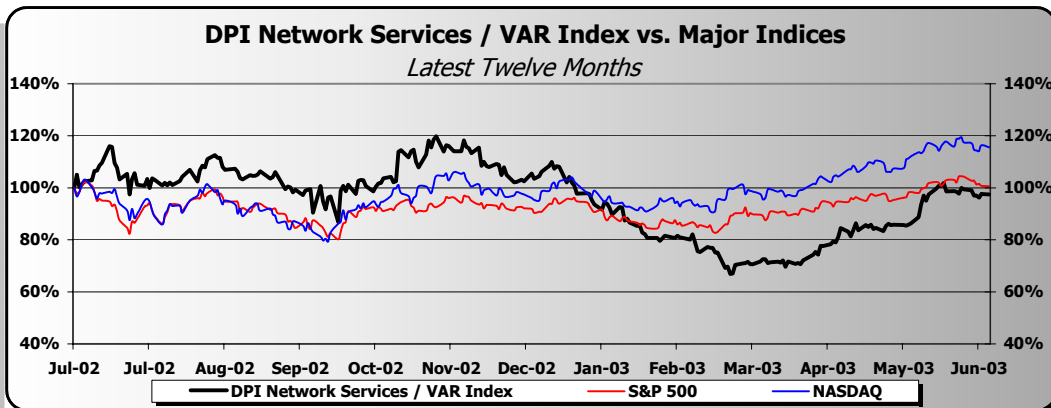
Please call DecisionPoint for further details on listed transactions.

# Network Services / Value Added Resellers (VAR)

## Stock Performance and Recent M&A Activity

### Highlights

- The Network Services / VAR Index was down 3% for the LTM and up 36% for the quarter.
- In addition to traditional network services, managed services including network monitoring, help desk services, etc. are attractive solutions for companies looking to enter the space.
- The federal government sector continues to be relatively attractive while the state and local government market suffers from extreme cost-cutting pressures related to budget deficits.
- M&A activity has been strong in recent quarters as unprofitable companies seek larger and more stable partners.



Note: The DPI Network Services / VAR Index includes: Black Box Corporation, CompuCom Systems, En Pointe Technologies, Manchester Technologies and Pomeroy IT Solutions.

**June 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Gross Profit	LTM EBITDA
BBOX	2.8x	7.5x
CMPC	0.4x	1.7x
ENPT	0.6x	NM
MANC	0.5x	34.6x
PMRY	0.8x	2.9x

### Representative Network Services / VAR Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/18/03	NETSEC	Defcom Information Security	NA
06/02/03	MODCOMP, Inc.	Technisource Hardware, Inc.	NA
05/27/03	OpSource, Inc.	Quadrix Solutions (assets)	NA
05/21/03	OpSource, Inc.	Space4Rent.com (assets)	NA
05/14/03	NaviSite, Inc.	Interliant (certain assets)	\$7.0
05/13/03	FusionStorm	CAT Technology	NA
05/08/03	The Hartcourt Companies, Inc.	Shanghai GuoWei	\$9.8
05/02/03	Datatec Systems, Inc.	Millennium Care Inc.	NA
04/30/03	KIS Computer Center	Frontline Network Consulting	NA
04/21/03	CIBER, Inc.	AlphaNet Solutions, Inc.	\$7.8
04/17/03	Flexxtech Corporation	Network Installation Corp.	NA
04/09/03	International Network Services	Predictive Systems	NM
04/08/03	Internetwork Experts	Digital Precision	NA
04/02/03	Tech Data Corporation	Gigatape SA (assets)	NA
04/01/03	Zones, Inc.	PC Source, Inc.	NA

# Business Process Outsourcing (BPO)

## Stock Performance and Recent M&A Activity

### Highlights

- The BPO Index was down 10% for the LTM and up 19% for the quarter.
- According to Morgan Stanley, 60-65% of Fortune 500 companies already work with one of the top four Indian offshore firms.
- With its cheap labor force, China and Russia are also increasingly becoming attractive offshore targets.
- Offshore BPO reduces cost but also creates management challenges. The competitive differentiation for companies will come from how they manage outsourced relationships.
- As the US economy begins to improve, companies will focus more on revenue growth, and less on cost containment. This causes us to believe that we are likely near the top of the demand for BPO companies in the M&A market.
- Based on Enterprise Value, for the LTM period, the median M&A revenue multiple was 1.2x while the median EBITDA multiple was 9.7x.

**June 30, 2003**

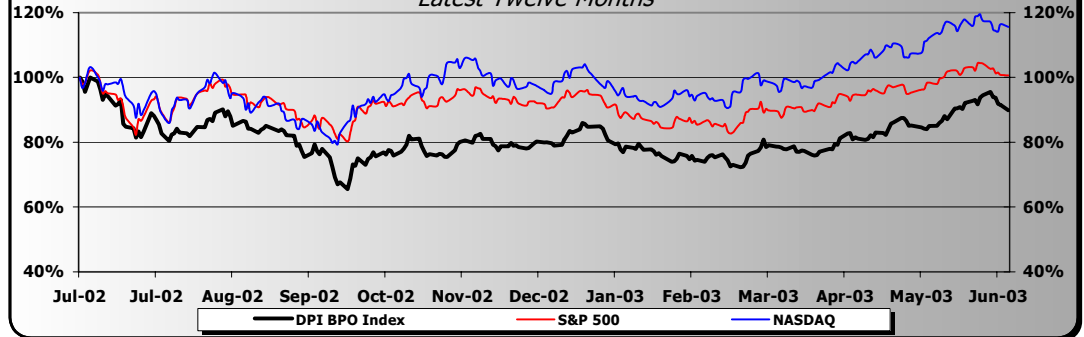
### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
ACS	1.5x	8.7x
AZPN	0.7x	16.5x
ADP	3.5x	8.9x
BSG	2.8x	11.4x
CEN	2.2x	10.8x
GIB	1.5x	9.7x
EXLT	1.8x	NM
GVP	0.4x	NM
MEDQ	1.3x	6.6x
PAYX	7.5x	17.6x
PSTI	1.3x	14.1x
TIER	0.8x	4.7x

**VIEWPOINT  
BPO**

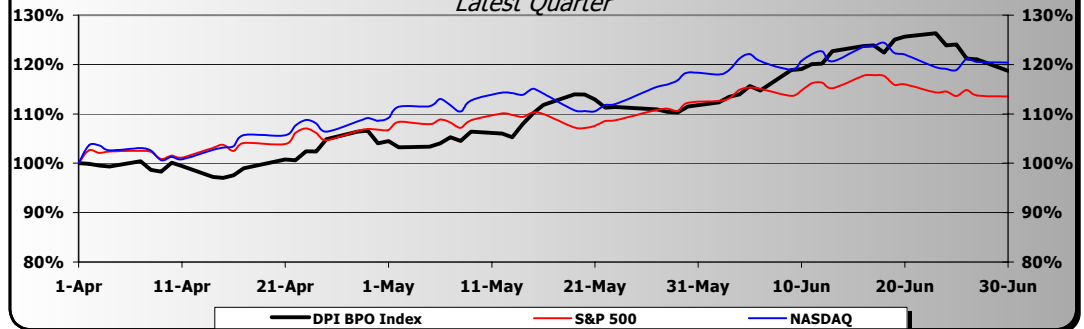
**DPI BPO Index vs. Major Indices**

*Latest Twelve Months*



**DPI BPO Index vs. Major Indices**

*Latest Quarter*



*Note: Due to the broad BPO market, the DPI BPO Index includes a variety of financial services, healthcare, human resources, energy and IT services companies: Affiliated Computer Services, Aspen Technology, Automatic Data Processing, Bisys Group (The), Ceridian Corporation, CGI Group, Exult, GSE Systems, MedQuist, Paychex, Per-Se Technologies and Tier Technologies.*

### Representative BPO Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/20/03	Indian Rayon	TransWorks	\$13.0
06/16/03	WebMD Corp.	Advanced Business Fulfillment	\$110.0
06/12/03	Vsource, Inc.	TEAM America, Inc.	\$19.6
06/09/03	Exult, Inc.	PwC (BPO operations)	\$17.0
06/06/03	National Processing, Inc.	Bridgeview Payment Solutions	\$32.3
06/05/03	Northgate Info. Solutions	Cara Payroll Group Limited	\$24.7
06/03/03	Harland Financial	Premier Systems Inc.	\$16.0
06/02/03	First Consulting Group	Coactive Systems	\$2.1
05/29/03	Amdocs Limited	Certen Inc.	\$64.2
04/30/03	Aurum Technology	Computer Consultants	NA
04/24/03	FreeStar Acquisition Corporation	FreeStar Technology	\$74.5
04/22/03	NIB Capital	Getronics HR Solutions BV	\$340.2
04/10/03	Total eMed	EDiX	\$64.0
04/09/03	Fiserv	IMSG, Inc.	\$18.0
04/02/03	First Data Corp.	Concord EFS, Inc.	\$5,470.3

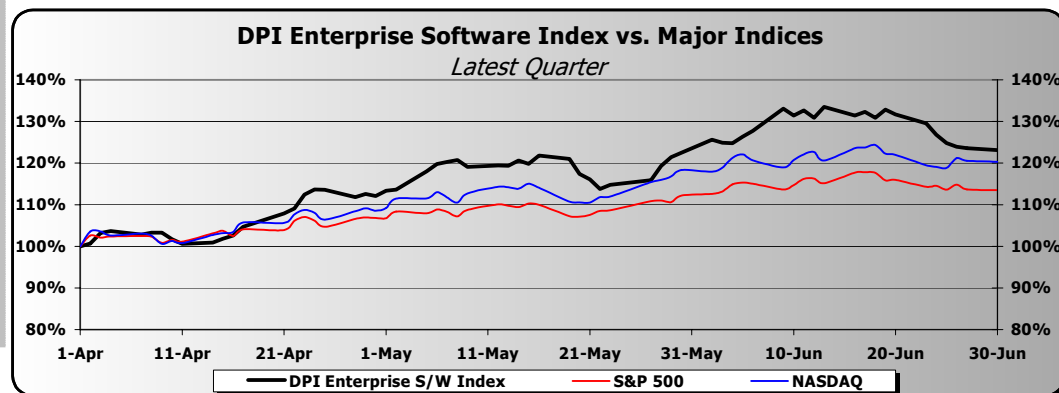
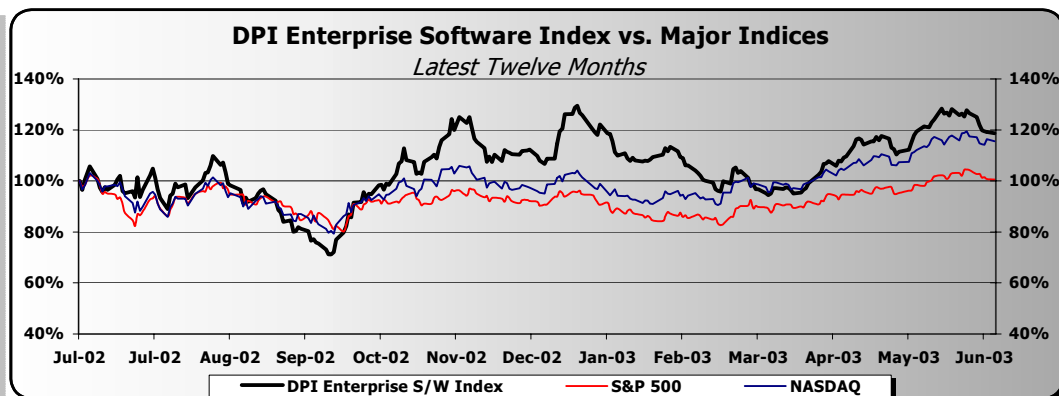
Please call DecisionPoint for further details on listed transactions.

# Enterprise Software

## Stock Performance and Recent M&A Activity

### Highlights

- The Enterprise Software Index was up 20% for the LTM and 23% for the quarter.
- Enterprise Software spending is expected to generate approximately \$70.6b in 2006, from \$37.0b in 2001, in the US.
- Spending on software continues to be focused on strategic implementations, upgrades and compliance-related projects.
- A strong M&A quarter for the enterprise software sector has sparked hope throughout the technology industry that the economy is turning and that M&A activity is picking up.
- Based on Enterprise Value for the LTM period, the median M&A revenue multiple was 1.1x while the median EBITDA multiple was 13.9x.



Note: The DPI Enterprise Software Index includes companies from the BI, CRM, ERP, Content Management, EAI, ESM, SCM, Security, Storage and Software Development Tools sectors: BMC Software, Cognos, Borland Software, Documentum, EMC Corporation, Internet Security Systems, J.D. Edwards & Company, Manhattan Associates, PeopleSoft, Siebel Systems, Symantec Corporation, Tibco Software, Veritas Software Corporation, Vignette Corporation and webMethods.

**June 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
BMC	2.3x	10.9x
BORL	2.2x	24.0x
DCTM	3.4x	NM
EMC	3.7x	42.9x
ISSX	1.9x	11.3x
JDEC	1.6x	17.0x
MANH	3.5x	13.9x
PSFT	1.9x	10.1x
SEBL	1.8x	15.1x
SYMC	3.9x	12.1x
TIBX	1.7x	27.6x
VRTS	6.5x	20.9x
VIGN	1.5x	NM
WEBM	1.3x	NM

### Representative Enterprise Software Transactions

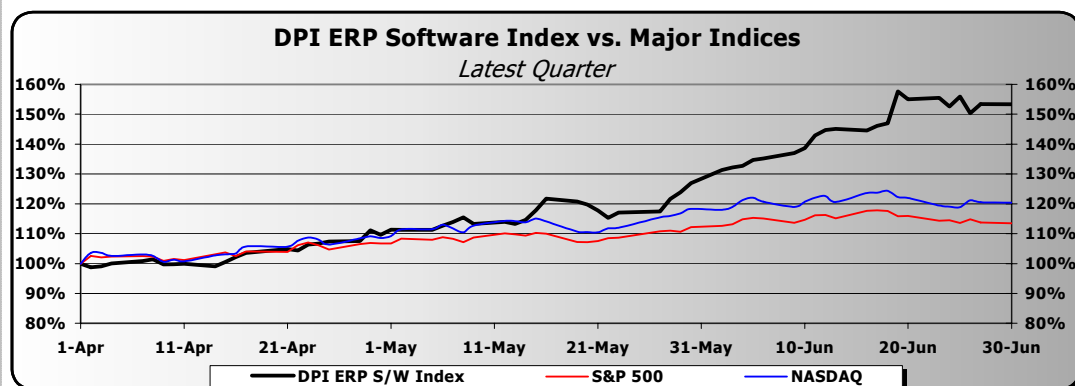
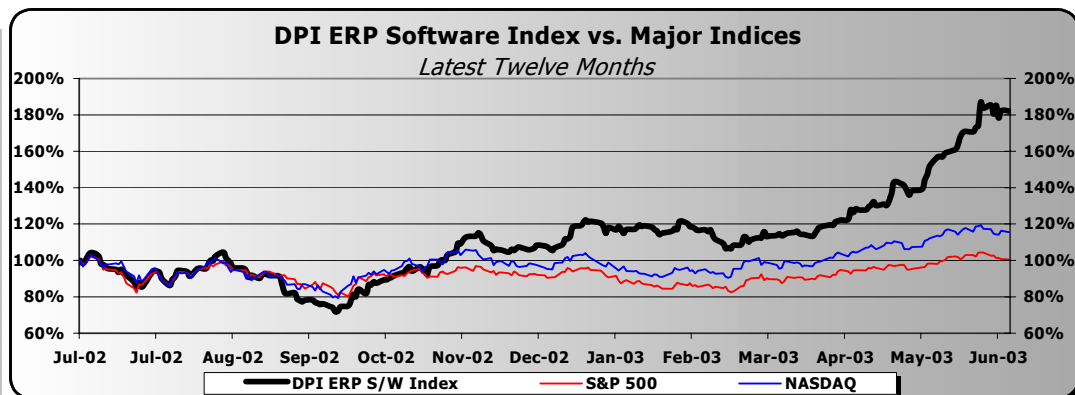
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/05/03	Battery Ventures	Made2Manage Systems Inc.	\$13.5
06/04/03	Autobyte Inc.	Applied Virtual Vision Inc.	\$47.7
05/28/03	Kanisa Inc.	Jeeves Solutions	\$4.3
05/20/03	Golden Gate Capital	divine, inc. (assets)	\$23.0
05/05/03	IQ Biometrix, Inc.	Network Storage Solutions	\$4.6
05/05/03	JDA Software Group, Inc.	Vista Software Solutions	\$4.3
05/05/03	Micros Systems, Inc.	Datavantage Corp.	\$52.0
05/02/03	Sony Pictures Digital	Sonic Foundry, Inc. (assets)	\$18.0
04/24/03	WARP Technology Holdings	iMimic Networking, Inc.	\$7.0
04/21/03	Dendrite	Synavant, Inc.	\$42.0
04/17/03	Symantec	Roxio, Inc. (assets)	\$13.0
04/16/03	Group 1 Software	Sagent Technology	\$13.1
04/04/03	Network Associates	Entercept Security	\$120.0
04/02/03	FileNET Corp.	Shana Corporation	\$8.5
04/01/03	Network Associates	IntruVert Networks	\$100.0

# Spotlight: Enterprise Resource Planning

## Stock Performance and Recent M&A Activity

### Highlights

- The ERP Index was up 82% for the LTM and 53% for the quarter.
- Consolidation is a sign of a maturing market and the ERP market seems to have reached this stage. It is increasingly difficult for vendors below the \$200m revenue mark to remain competitive, especially with the recent moves by Oracle and PeopleSoft.
- Oracle's \$6.2b (Equity Value) hostile takeover attempt of PeopleSoft has currently been rejected by PeopleSoft several times.
- In the meantime, PeopleSoft is moving ahead with its friendly bid of smaller rival J.D. Edwards, an acquisition that could make things harder for Oracle's bid due to regulatory hurdles.
- Microsoft's expanded presence in the ERP market is likely to put more pressure on the low end of the mid-market, as potential customers are attracted to the brand name.



Note: The ERP Software Index includes: Epicor Software, J.D. Edwards & Company, Lawson Software, MAPICS, Oracle, PeopleSoft, SAP and QAD.

June 30, 2003

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
EPIC	1.6x	14.3x
JDEC	1.6x	NM
MAPX	1.4x	8.6x
LWSN	1.4x	32.3x
ORCL	6.0x	15.0x
PSFT	1.9x	10.1x
SAP	4.1x	15.3x
QADI	1.0x	18.6x

### Representative ERP Software Transactions

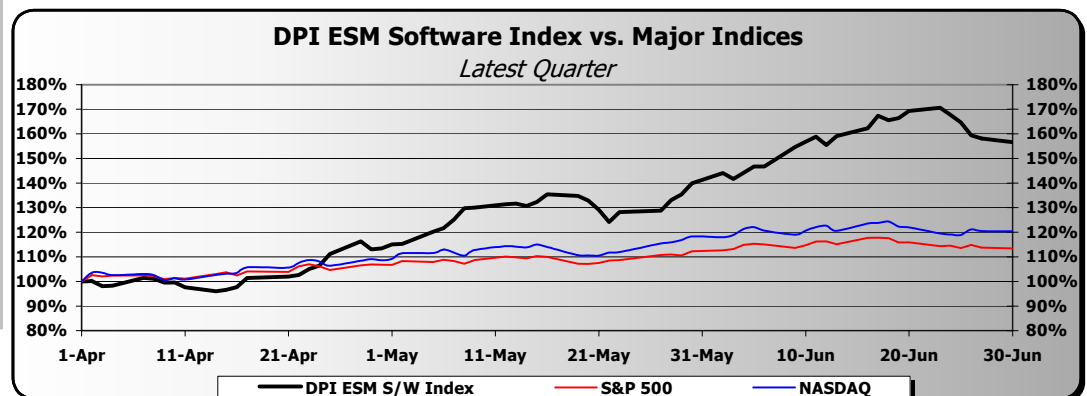
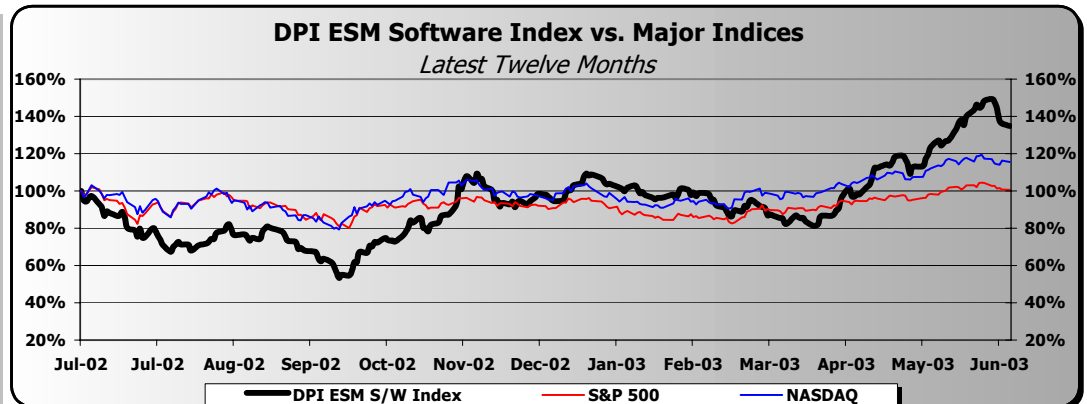
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/11/03	The Ultimate Software Group	HireWorks, Inc.	NA
06/06/03	Oracle Corporation	PeopleSoft, Inc.	\$4,240.9
06/03/03	Cerberus & General Atlantic	Baan	\$135.0
06/02/03	PeopleSoft, Inc.	J.D. Edwards & Company	\$1,437.4
05/22/03	AD OPT Technologies	Mercury Scheduling	\$1.3
05/19/03	B2eMarkets Inc.	Diligent Systems	NA
05/17/03	NTN Communications	Breakaway Int.	NA
05/13/03	Kronos Incorporated	Simplex Int. (assets)	NA
04/03/03	Speedware Corporation	Enterprise Computer Systems	\$12.0
04/03/03	Thomson Financial	Elite Information Group, Inc.	\$97.3
04/02/03	Agile Software	ProductFactory, Inc.	NA

# Spotlight: Enterprise Systems Management

## Stock Performance and Recent M&A Activity

### Highlights

- The Enterprise Systems Management Index was up 35% for the LTM and 57% for the quarter.
- For those Enterprise Systems Management companies that have an established customer base, there should be some downside protection as these technologies can be prohibitively expensive to displace (almost creates a barrier to entry).
- Many of the companies highlighted in this report should benefit from a gradual increase in demand. The catalysts for this anticipated stabilization should include increasing budgets and the renewal of multiyear contracts signed prior to Y2K.
- In spite of increased M&A activity, the Enterprise Systems Management sector is still fairly fragmented and further consolidation is expected.



Note: The DPI ESM Software Index includes: Akamai Technologies, BMC Software, Micromuse, Mercury Interactive, NetIQ, NetScout Systems, Novadigm, Novell, OPNET Technologies, Quest Software and Visual Networks.

**June 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AKAM	5.3x	NM
BMC	2.3x	NM
MUSE	3.7x	NM
MERQ	7.3x	33.3x
NTIQ	1.8x	7.9x
NTCT	1.3x	NM
NVDM	0.4x	NM
NOVL	0.5x	6.8x
OPNT	3.6x	34.6x
QSFT	3.6x	23.1x
VNWK	0.7x	5.3x

### Representative ESM Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/10/03	Mercury Interactive	Kintana, Inc.	\$225.0
06/10/03	Penguin Computing	Scyld Computing	NA
05/29/03	Tarantella, Inc.	New Moon Systems	\$2.7
05/19/03	SERENA Software	TeamShare, Inc.	NA
05/16/03	Argo Interactive Ltd	Anite Telecoms (certain assets)	NA
05/14/03	IBM	Think Dynamics	NA
05/12/03	Mercury Interactive	Performant, Inc.	NA
04/02/03	ACD Systems Int.	LINMOR Inc. (subsidiary)	\$1.4

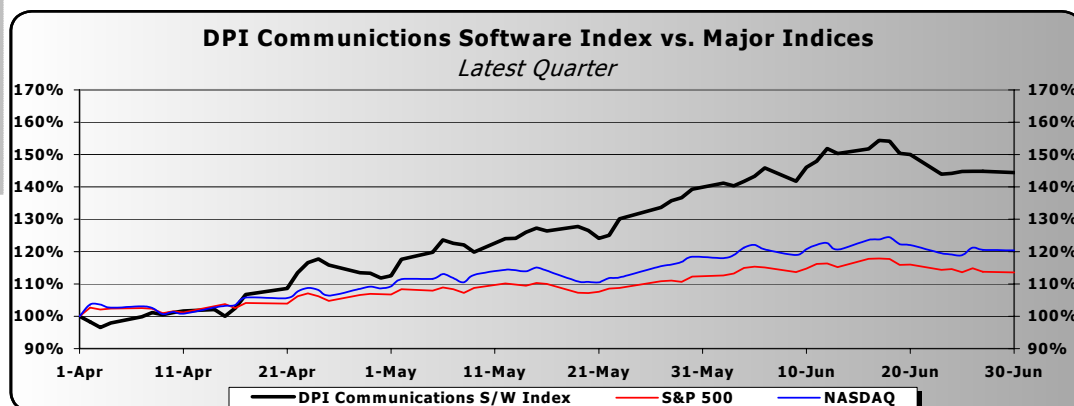
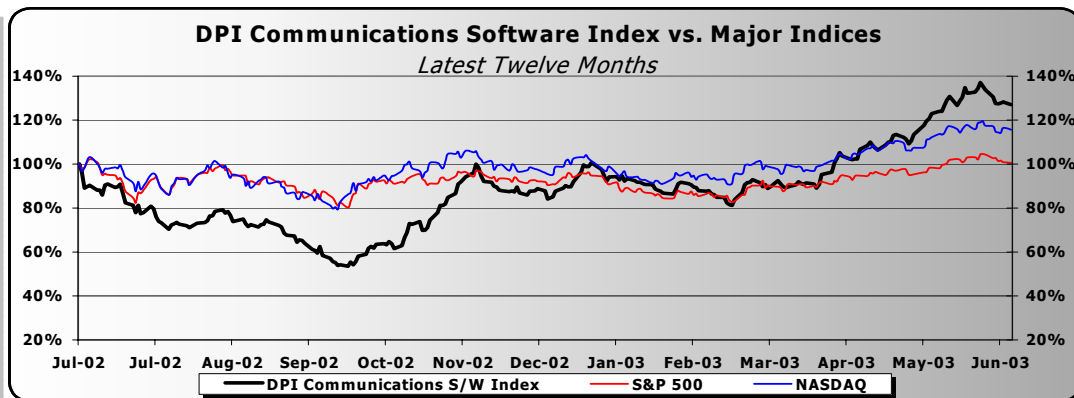


# Communications Software

## Stock Performance and Recent M&A Activity

### Highlights

- The Communications Software Index was up 27% for the LTM and 44% for the quarter.
- The Wi-Fi consumer and business market is predicted to have a bright future after strong growth in sales
- The Communication Software companies should experience increased M&A activity as the smaller players are having trouble securing contracts and will seek larger, more stable organizations to partner with.
- M&A activity increased significantly over the last two quarters compared to previous quarters.



Note: The DPI Communications Software Index includes: Aether Systems, Amdocs Limited, Comverse Technology, Concord Communications, Metasolv, Micromuse, Openwave Systems, Pumatech, Telecommunication Systems and Visual Networks.

**June 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AETH	0.4x	NM
DOX	3.1x	19.6x
CMVT	2.0x	NM
CCRD	1.7x	NM
MSLV	0.2x	NM
MUSE	3.7x	NM
OPWV	0.6x	NM
PUMA	6.0x	NM
TSYS	0.5x	NM
VNWK	0.7x	10.1x

### Representative Communications Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/20/03	Avtex, Inc.	Soltris, Inc.	NA
06/05/03	Viper Networks, Inc.	Coliance, Inc.	\$1.0
06/04/03	Visto Corporation	ViAir Corporation	NA
05/28/03	Infowave Software	HiddenMind Technology	\$2.1
05/20/03	Motorola, Inc.	Cadence Design Systems (assets)	NA
05/19/03	DSP Group, Inc.	Teleman Multimedia, Inc.	\$5.0
05/19/03	Motorola, Inc.	Paceline Systems	NA
05/09/03	Orbtech Holdings Ltd.	MineWorX International (Pty) Ltd	NA
05/08/03	Conexant Systems, Inc.	PCTEL, Inc. (assets)	NA
04/24/03	ScanSoft, Inc.	SpeechWorks International, Inc.	\$132.0
04/22/03	Nokia	Eizel Technologies	\$21.0
04/22/03	Shiva Corporation	Memotec, Inc.	NA
04/17/03	Latitude Communications	Wanadu, Inc.	NA
04/15/03	Motorola, Inc.	Winphoria Networks, Inc.	NA
04/01/03	Adax, Inc.	Radisys (assets)	NA

# Communications Equipment

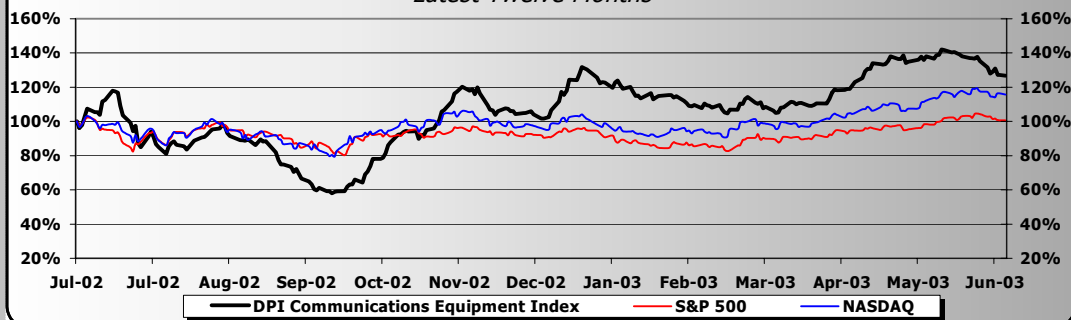
## Stock Performance and Recent M&A Activity

### Highlights

- The Communications Equipment Index was up 27% for the LTM and 20% for the quarter.
- Declining service provider capital expenditure, increased competitive and pricing pressures and a reduced priority for network spending within IT budgets are the primary obstacles to the return of revenue growth.
- Two years of significant restructuring by the equipment providers has produced better than expected operating results. However, the real growth will not be seen until the general economy recovers.
- Several companies within the Communications Equipment Sector have announced aggressive share buy-back programs during Q2. CSCO repurchased over 148m shares during the quarter ended 6/30/03.

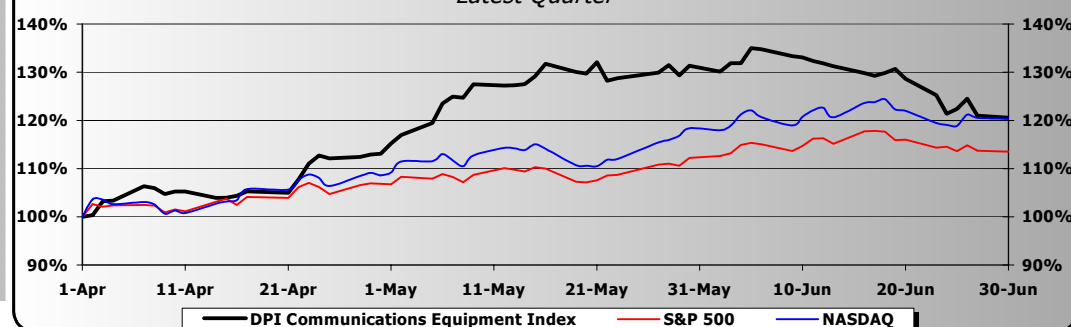
### DPI Communications Equipment Index vs. Major Indices

Latest Twelve Months



### DPI Communications Equipment Index vs. Major Indices

Latest Quarter



Note: The DPI Communications Equipment Index includes: 3Com Corporation, ADC Telecommunications, Alcatel, CIENA Corporation, Cisco Systems, Lucent Technologies, Nortel Networks Corporation and Tellabs.

June 30, 2003

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
COMS	0.3x	NM
ADCT	1.7x	NM
ALA	0.6x	NM
CIEN	6.8x	NM
CSCO	5.8x	3.6x
LU	1.0x	NM
NT	1.0x	NM
TLAB	1.5x	NM

### Representative Communications Equipment Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/27/03	APA Optics	Americable, Inc.	NA
06/26/03	Sorrento Networks	LuxN, Inc.	NA
06/10/03	Gores Technology Group	Wire One Tech. (div.)	NA
06/03/03	DataLogic International, Inc.	I-Phonehome (% stake)	NA
06/02/03	EAS Corporation	Airslide Systems, Inc.	NA
05/16/03	Alcatel	TiMetra, Inc.	\$150.0
05/13/03	Endwave Corporation	Verticom, Inc. (assets)	NA
05/12/03	Avanex Corporation	Corning Incorporated (assets)	\$24.0
05/12/03	Avanex Corporation	Alcatel (Optical Comp. Div.)	\$39.4
05/05/03	Zoom Telephonics	SONICblue (assets)	\$0.5
04/16/03	Crane Co.	Signal Technology Corporation	\$135.0
04/16/03	Enterasys Networks Inc.	Tenor Networks (assets)	NA
04/09/03	CIENA	WaveSmith Networks, Inc.	NA
04/09/03	CoWave Networks	Advanced Radio Cells Inc.	NA
04/02/03	ANADIGICS, Inc.	RF Solutions Inc. (assets)	\$5.1

VIEWPOINT

Communications Equipment

Please call DecisionPoint for further details on listed transactions.