



## QUARTERLY VIEWPOINT:

For the Quarter Ended September 30, 2004  
and the Latest Twelve Months

### **Services**

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

### **Software**

- Spotlight: ERP
- Spotlight: CRM

### **Communications**

- Software
- Equipment

**Third Quarter Spotlight: Business Intelligence**

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This quarterly VIEWPOINT covers trends, 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 and business valuations to 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 at 704.248.1111 or visit the web site at [www.DecisionPointInt.com](http://www.DecisionPointInt.com).



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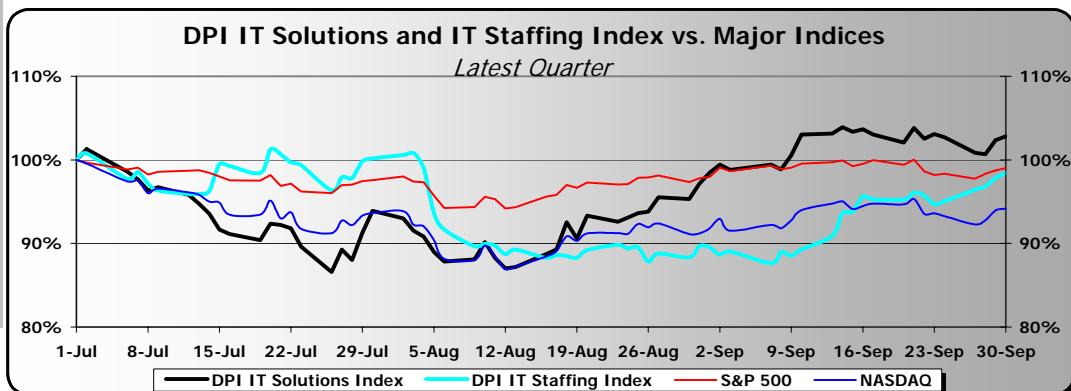
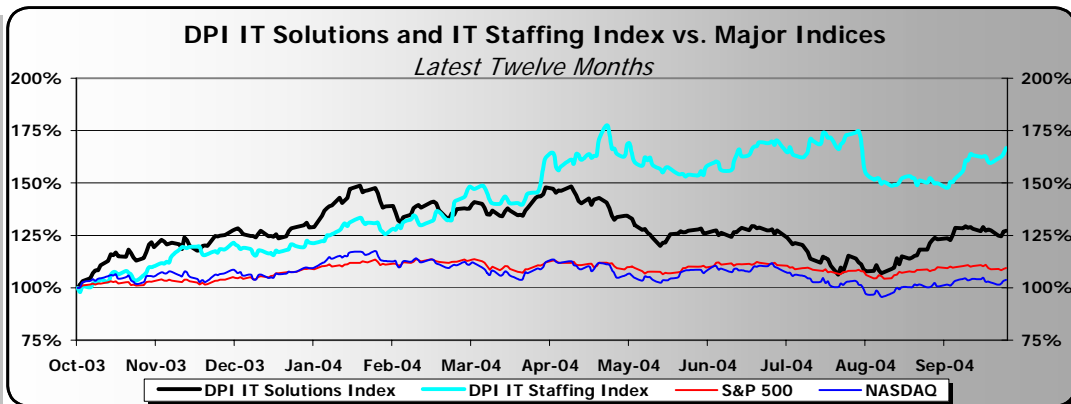
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# IT Solutions / IT Staffing

## Highlights, Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the IT Solutions Index was up 27% and 3%, respectively. For the LTM and quarter, the IT Staffing Index was up 67% and down 2%, respectively.
- M&A hot spots include BI / BPM / CPM, interactive marketing, Microsoft technology and Federal Government-focused consulting firms.
- Offshore-delivery focused firms continue to demonstrate relative strength in margins, growth rates and valuation multiples.
- Financing is beginning to flow back into the space.
- An increasing number of growth through acquisition strategies are in play, including those of TECTURA, Perficient, Zanett, ePartners and WHITTMANHART.



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

The DPI IT Staffing Index includes: Analysts International, Butler International, COMFORCE, Computer Horizons, Computer Task Group, Kforce, RCM Technologies, TechTeam Global and Volt Information Services.

September 30, 2004

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
<b>IT Solutions</b>		
ACN	1.4x	10.2x
ANSR	1.4x	38.0x
AXO.LSE	1.0x	9.9x
BE	0.6x	11.0x
GIB	1.5x	9.0x
CBR	0.9x	12.2x
DTPI	1.9x	NM
DTAS	1.4x	14.4x
KEA	1.1x	13.6x
<b>IT Staffing</b>		
ANLY	0.3x	NM
BUTL	0.4x	15.9x
CFS	0.4x	3.9x
CHRZ	0.4x	15.9x
CTG	0.2x	8.7x
KFRC	0.6x	30.2x
RCMT	0.3x	20.0x
TEAM	0.4x	8.0x
VOL	0.2x	8.2x

### Representative IT Solutions and IT Staffing Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$m)
09/28/04	BAE SYSTEMS	ALPHATECH	\$88.4
09/21/04	Fair, Isaac and Company	Braun Consulting	\$27.7
09/11/04	BAE SYSTEMS	DigitalNet	\$585.9
09/09/04	PEC Solutions	AC Technologies	\$49.7
08/30/04	CIBER	Novasoft	\$36.6
08/26/04	ACS	BlueStar Solutions	\$73.0
08/11/04	Anteon	Integrated Management Services	\$30.0
08/09/04	Hewlett Packard	Synstar	\$362.8
08/09/04	Technology Solutions	Zamba	\$5.3
08/02/04	Dynamics Research	Impact Innovations (assets)	\$53.4
07/27/04	Anteon	Simulation Technologies	\$15.0
07/21/04	Keane	Fast Track	\$8.0
07/20/04	CBS Personnel Services	Venturi Partners (division)	\$30.3
07/15/04	Digitas	Modem Media	\$131.3
07/13/04	Morse Holdings	Diagonal	\$68.5

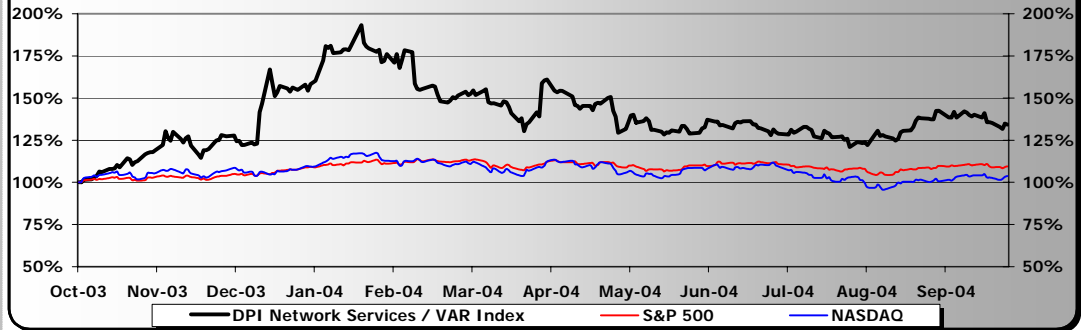
# Network Services / Value Added Resellers (VARs)

## Highlights, Stock Performance and Recent M&A Activity

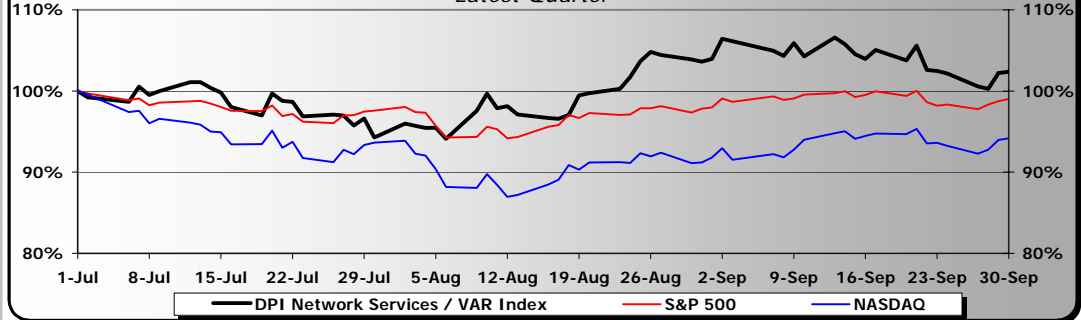
### Highlights

- For the LTM and quarter, the Network Services / VAR Index was up 34% and 2%, respectively.
- VARs continue to be interested in services companies to alleviate margin pressure and to further entrench themselves within their customer base.
- Vendors recognize that the tough-to-define mid-market segment has not been adequately addressed. It is expected that vendors will craft more tailored solutions for mid-market customers.
- The VAR sector continues to show signs of improvement as many companies are producing increased profits.
- After a slow mid-quarter period, M&A activity picked up in the end of the third quarter and is expected to remain fairly active throughout the remainder of the year.

DPI Network Services / VAR Index vs. Major Indices  
Latest Twelve Months



DPI Network Services / VAR Index vs. Major Indices  
Latest Quarter



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

September 30, 2004

### Metrics

Ticker	Enterprise Value /	
	LTM Gross Profit	LTM EBITDA
BBOX	3.2x	9.4x
CMPC	0.7x	NM
ENPT	0.7x	6.2x
MANC	1.1x	8.8x
PMRY	1.5x	4.7x

### Representative Network Services / VAR Transactions

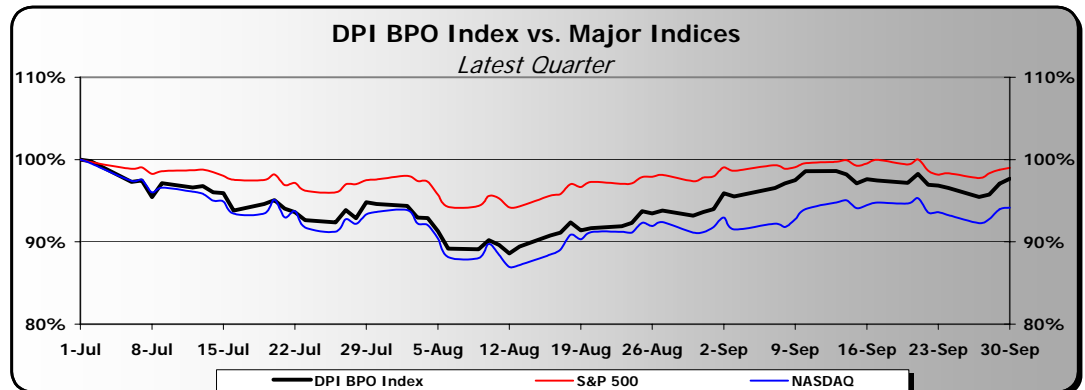
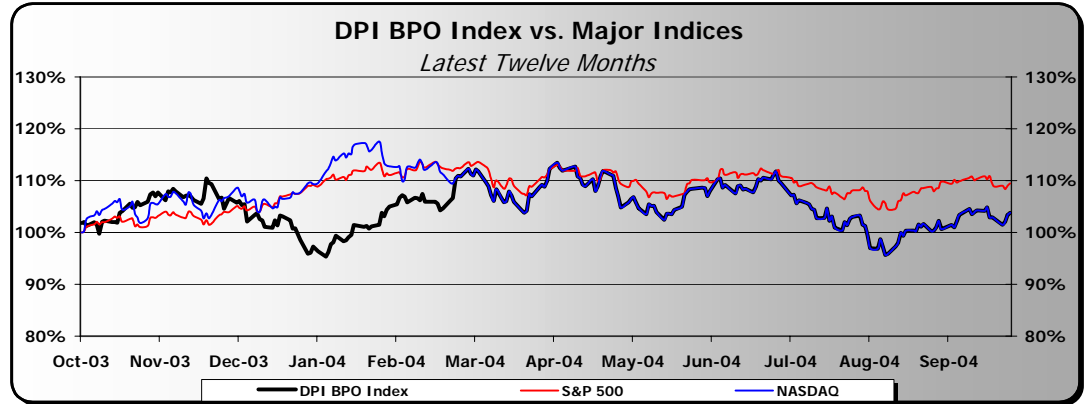
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$m)
09/27/04	Ingram Micro	Tech Pacific	\$493.0
09/22/04	Ericsson	Audilog	NA
09/21/04	American Systems	Digital Access	NA
09/17/04	Micros-to-Mainframes	Network Catalyst	NA
09/09/04	Cisco Systems	NetSolve	\$87.7
08/10/04	Trey Resources	Business Tech Solutions	\$0.6
07/27/04	Arrow Electronics	Disway	NA
07/27/04	AsiaInfo Holdings	Lenovo (assets)	\$36.0
07/21/04	Digital Broadband Networks	Gallant IT Holdings	\$1.2
07/20/04	Dauphin Technology	EDC Hellas S.A.	NA
07/14/04	SYNNEX	EMJ Data Systems	\$56.2
07/06/04	Micros-to-Mainframes	DataVox Technologies	NA
07/06/04	OpSource	Fortrust (assets)	NA
07/06/04	XETA Technologies	Bluejack Systems	\$0.6
07/01/04	V-Link Solutions	Datascan Technologies	NA

# Business Process Outsourcing (BPO)

## Highlights, Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the BPO Index was up 4% and down 2%, respectively.
- According to a new study, finance and accounting (F&A) outsourcing is the fastest growing BPO segment. As the opportunity matures, corporate buyers will increasingly be looking to F&A vendors to provide an expanding range of services.
- The outsourcing of jobs issue plays an important role in the upcoming presidential election as the two parties differ in their opinion of how outsourcing influences the American economy.
- BPO M&A activity remains strong with the majority of targets being small to midsize companies.



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, CGI Group, Exult, GSE Systems, MedQuist, Paychex, Per-Se Technologies and Tier Technologies.

September 30, 2004

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
ACS	1.9x	7.4x
AZPN	0.7x	7.0x
ADP	3.0x	13.1x
BSG	1.9x	9.5x
CEN	2.2x	10.3x
GIB	1.5x	9.0x
EXLT	1.1x	13.1x
GVP	0.7x	NM
MEDQ	0.7x	3.9x
PAYX	6.5x	17.1x
PSTI	1.7x	11.6x
TIER	1.3x	NM

### Representative BPO Transactions

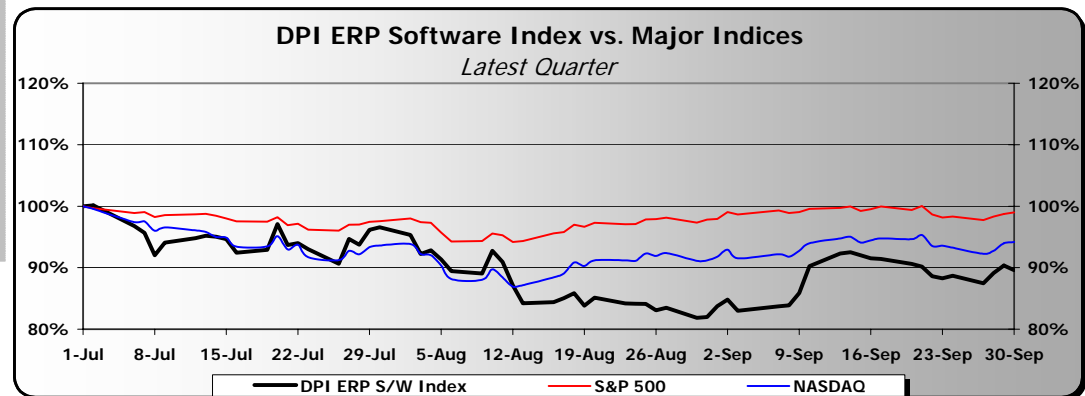
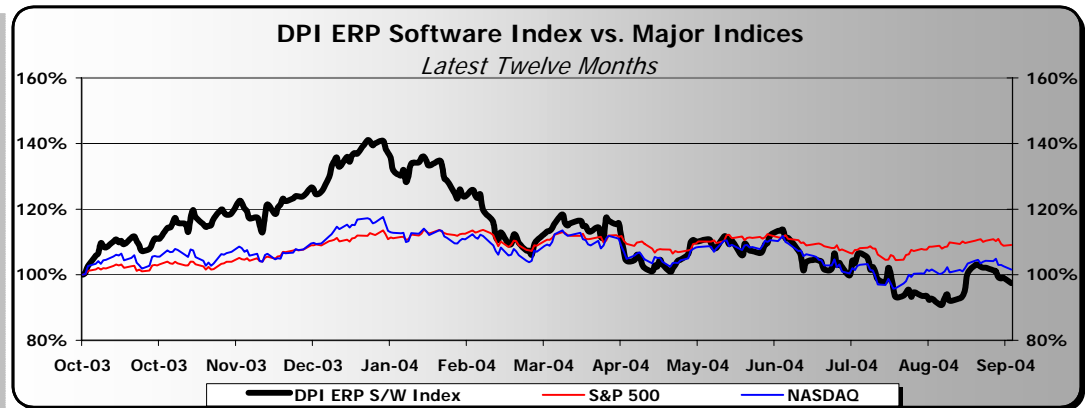
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$m)
09/13/04	First American	Matrix (assets)	\$15.0
09/09/04	Fidelity National Financial	InterCept	\$409.2
09/09/04	GTECH Holdings	BillBird S.A.	\$6.0
09/01/04	Infocrossing	Verizon IT (assets)	\$43.5
08/26/04	Open Solutions	Datawest Solutions	\$37.8
08/16/04	Charterhouse Group	LASON	\$30.0
08/04/04	Profit Technologies	Revenew International	NA
08/03/04	Royal Bank of Scotland	Lynk Systems	\$525.0
08/03/04	Total System Services	Clarity Payment Solutions	\$53.0
07/23/04	Open Solutions	Omega Systems	\$2.5
07/23/04	West Corporation	Asset Management	\$178.0
07/22/04	Certegy	Caribbean CariCard Services	\$7.0
07/13/04	Bank of America	National Processing	\$1,120.4
07/12/04	ACS	Heritage Information Systems	\$23.0
07/09/04	Open Solutions	re:Member Data Services	\$20.0

# Spotlight: ERP

## Highlights, Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the ERP Index was down 1% and 10%, respectively.
- ERP vendors have been slow in rolling out solutions to support compliance with the Sarbanes-Oxley Act and most bigger companies have used consulting services instead of software to monitor and support financial reporting processes. This is expected to change as ERP offerings mature.
- Oracle's bid for PeopleSoft appears much more likely to succeed with PeopleSoft's dismissal of CEO Craig Conway and the U.S. Department of Justice's abandonment of its antitrust challenge. Analysts speculate that agreement on a deal could come in Q4'04.



Note: The DPI ERP Software Index includes: Epicor Software, Lawson Software, MAPICS, Oracle, PeopleSoft, SAP and QAD.

September 30, 2004

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
EPIC	3.5x	25.9x
MAPX	1.3x	6.9x
LWSN	1.1x	14.5x
ORCL	4.8x	11.9x
PSFT	2.2x	17.0x
SAP	1.0x	3.4x
QADI	0.9x	9.1x

### Representative ERP Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/22/04	Kronos	3i Systems	NA
09/21/04	Kintera	GivingCapital	NA
09/10/04	Made2Manage Systems	ADS Software (assets)	NA
09/07/04	Infor Global Solutions	IncoDev	NA
09/07/04	Meeting Maker	CEO Software	NA
08/24/04	Kintera	KindMark	\$0.5
08/04/04	Made2Manage Systems	DTR Software	NA
07/01/04	SSA Global Technologies	Marcam	NA

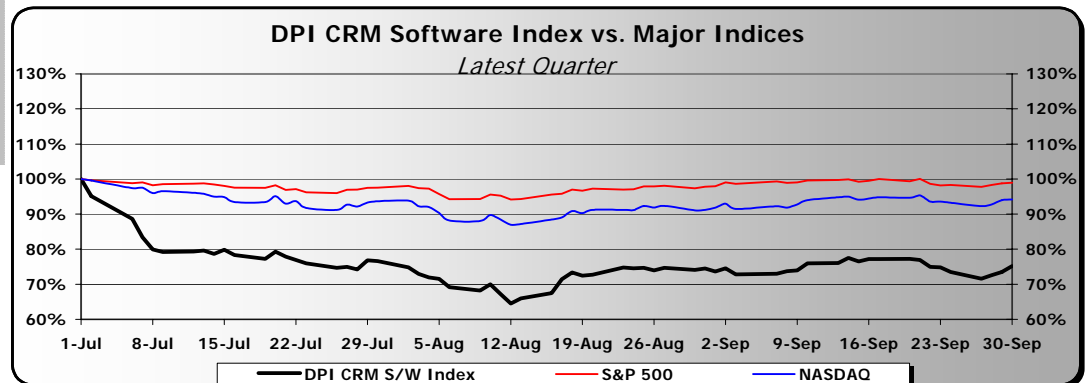
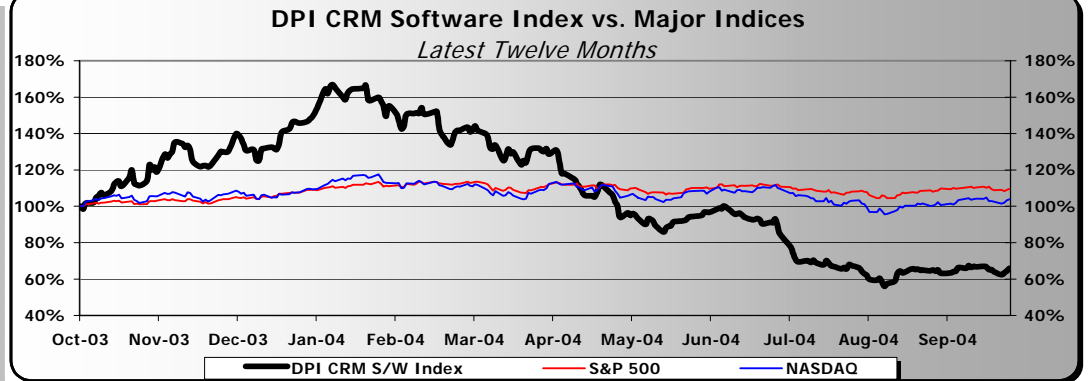


# Spotlight: CRM

## Highlights, Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the CRM Index was down 44% and 25%, respectively.
- Despite a lackluster early 2004, many large corporations still intend to make CRM purchases a priority this year.
- Traditional vendors are seeing increased competition from successful on-demand providers such as Salesforce.com.
- As consolidation continues among high-end CRM providers, smaller specialized startups are providing new opportunities to the under-penetrated small business market.



Note: The DPI CRM Software Index includes: Art Technology Group, Blue Martini, Chordiant Software, KANA Software, Onyx Software, Primus Knowledge Solutions and Siebel Systems.

September 30, 2004

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
ARTG	0.7x	NM
BLUE	NM	NM
CHRD	1.9x	NM
KANA	0.5x	NM
ONXS	0.6x	16.4x
PKSI	0.7x	NM
SEBL	1.5x	7.4x

### Representative CRM Software Transactions

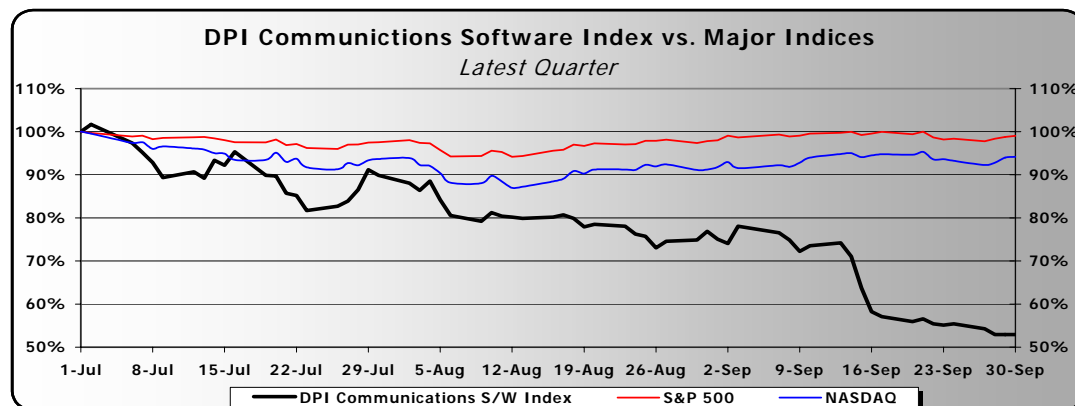
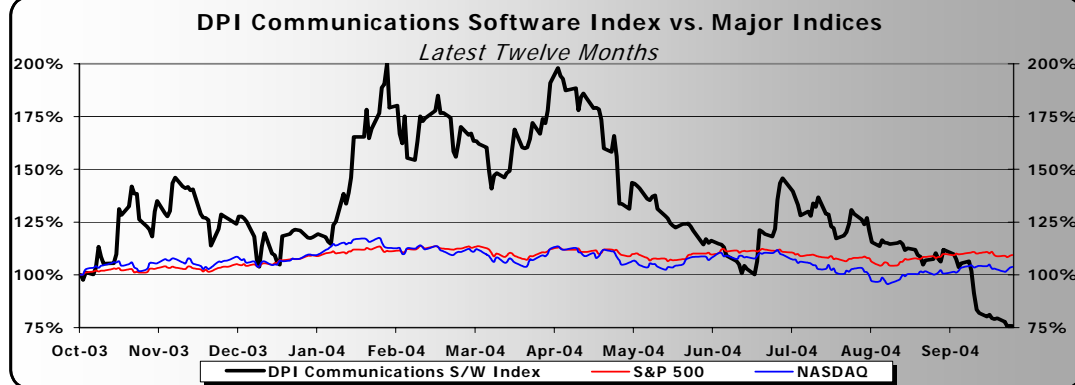
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/29/04	Got Corp.	Fast Forward	NA
09/28/04	FrontRange Solutions	Cayo Communications	NA
09/20/04	Morris Digital Works	The Cobalt Group	NA
09/09/04	Talisa	eAssist	NA
09/08/04	Concerto Software	Rockwell FirstPoint Contact	NA
09/08/04	GERS Retail Systems	Escalate	NA
08/10/04	Art Technology Group	Primus Knowledge Solutions	\$23.0
08/03/04	Concerto Software	Positive Software Systems	NA
07/26/04	Soffront Software	Silicon Valley CRM	NA
07/23/04	@utoRevenue	CM Consulting	NA
07/13/04	Dendrite	Schwarzeck-Verlag GmbH	\$1.0
07/08/04	Connecture	Riverwood Solutions	NA

# Communications Software

## Highlights, Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Communications Software Index was down 24% and 47%, respectively.
- Profitability issues continue to weigh for the large providers.
- For those companies that are still struggling to reach profitability, significant restructuring plans have been implemented including the divestment of non-strategic assets.
- Consolidation continues for premium broadband services such as Session Initiation Protocol (SIP)-based solutions which allow telecommunications service providers to deliver advanced Internet Protocol (IP) voice, data and multimedia services.



Note: The DPI Communications Software Index includes: 724 Solutions, Aether Systems, Amdocs Limited, Converse Technology, Concord Communications, Metasolv, Micromuse, Intellisync, Telecommunication Systems and Visual Networks.

September 30, 2004

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
SVNX	1.3x	NM
AETH	0.9x	NM
DOX	2.2x	12.7x
CMVT	2.4x	NM
CCRD	0.9x	13.8x
MSLV	0.9x	NM
MUSE	1.2x	NM
SYNC	3.4x	NM
TSYS	0.9x	12.2x
VNWK	1.8x	NM

### Representative Communications Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$m)
09/27/04	Artisoft	Vertical Networks	\$19.0
09/17/04	Alcatel	eDial	\$27.0
09/16/04	ICS	Equential Technologies	NA
09/13/04	Cisco Systems	dynamicsoft	\$55.0
09/13/04	TeleCommunication Systems	Kivera	NA
09/01/04	Avocent	Sonic Mobility	\$8.0
09/01/04	Flextronics	FutureSoft	NA
08/10/04	InphoMatch	Mobileway	NA
08/09/04	Intelliden	Gold Wire Technology	NA
08/09/04	j2 Global	Onebox	NA
08/09/04	Sunair Electronics, Inc.	Percipia	\$3.2
08/03/04	Avaya	Spectrel	\$103.0



# Communications Equipment

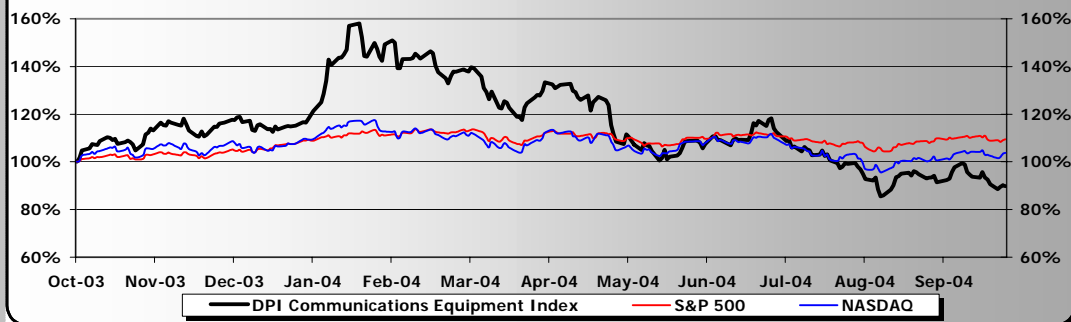
## Highlights, Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Communications Equipment Index was down 10% and 24%, respectively.
- Some recent reports are causing concerns for the sector as equipment providers are reducing inventory to match a slower-than-expected pace of growth.
- M&A activity slowed down for the third quarter and had the lowest number of transactions over the last 2 years.

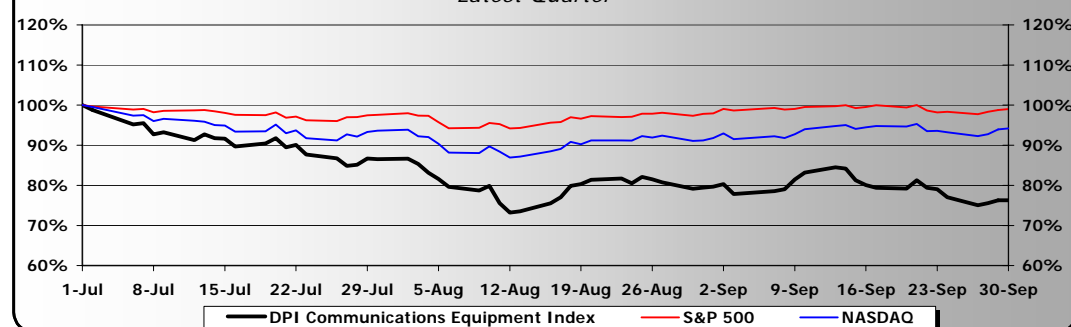
DPI Communications Equipment Index vs. Major Indices

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, Cisco Systems, Lucent Technologies, Nortel Networks and Tellabs.

September 30, 2004

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
COMS	0.5x	NM
ADCT	2.2x	NM
ALA	1.1x	NM
CIEN	4.0x	NM
CSCO	5.5x	18.5x
LU	1.9x	8.3x
NT	1.4x	28.2x
TLAB	2.6x	NM

### Representative Communications Equipment Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$m)
09/20/04	TEKELEC	VocalData	\$27.5
09/17/04	Alcatel	Spatial Wireless	\$250.0
08/30/04	C-COR.net	Optinel Systems	\$15.5
08/23/04	Cisco Systems	P-Cube	\$200.0
08/04/04	Paradyne Networks	Net to Net Technologies	NA
07/27/04	Alvarion	interWAVE Communications	\$47.7
07/27/04	Symbol Technologies	Matrics	\$230.0

# Spotlight: Business Intelligence

DecisionPoint Transaction, Highlights, Stock Performance and Recent M&A Activity

## Highlights

- The BI / Corporate Performance Management market is enjoying very strong growth, with major drivers including 1) data requirements for Sarbanes-Oxley and Basel II compliance, 2) high ROI from unlocking value from prior investments in ERP, CRM and SCM software, and 3) C-level management desire for greater business flexibility and risk management. The CPM market is projected to reach \$11 billion by 2005
- For services companies, Cognos, Hyperion and SAP are the strongest tool vendors for alliances.
- The services firms that are experiencing premium values have been able to diversify away from single-source vendor partnerships and developed a more vendor-neutral model with strong biz expertise to go with technical functional expertise.
- Over the last quarter, the BI Software Index has pretty much mirrored NASDAQ's ups and downs.

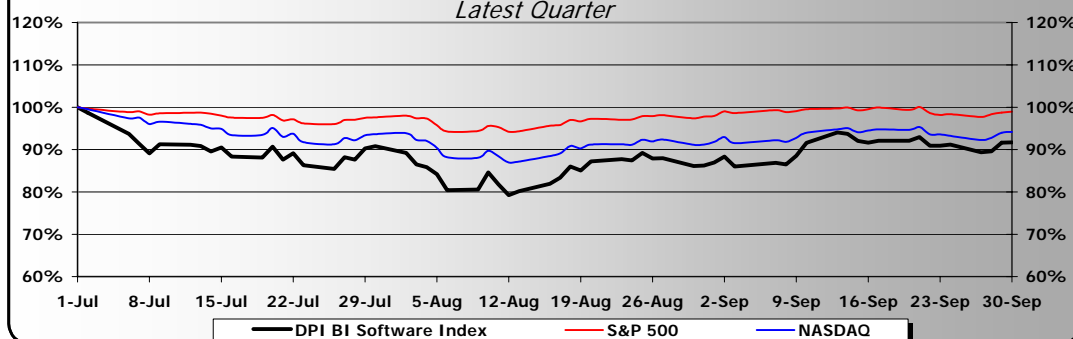
DecisionPoint Recently Advised on the BI Transaction Below  
(To view transaction details, click on the tombstone below)



**October 5, 2004:** DecisionPoint announced today that its client, Edgewater Technology, Inc. (NASDAQ: EDGW), a custom development and systems integration consulting firm, has completed the acquisition of Ranzal & Associates, Inc., a premiere provider of business intelligence and business performance management solutions.

## DPI BI Software Index vs. Major Indices

Latest Quarter



Note: The DPI BI Software Index includes: Actuate, Ascential, Applix, Business Objects, Cognos, Hyperion, Informatica, MicroStrategy and SPSS.

September 30, 2004

## Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
ACTU	1.2x	51.1x
ASCL	1.8x	30.5x
APLX	1.8x	NM
BOBJ	2.7x	48.3x
COGN	3.9x	22.0x
HYSL	1.7x	10.4x
INFA	1.6x	NM
MSTR	3.5x	57.2x
SPSS	1.0x	11.4x

## Representative Business Intelligence Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/21/04	Fair, Isaac and Company	Braun Consulting	\$27.7
09/14/04	Accelrys	SciTegic	\$21.0
09/13/04	PAR Technology	Springer-Miller Systems	NA
09/07/04	Calian Technology	Titan Consulting Group	\$3.3
09/01/04	The Janis Group	CS Strategies	NA
08/24/04	Cognos	Frango	\$48.3
08/23/04	Agilent Technologies	Silicon Genetics	NA
08/12/04	Kintera	Kamtech Information Systems	\$1.1
07/28/04	Workstream	Bravanta	\$6.6
07/27/04	Bentley Systems	AXSYS	NA
07/21/04	Hyperion Solutions	QIQ Solutions Pty Limited	NA
07/14/04	IBM	Alphablox	NA
07/13/04	Morse Holdings	Diagonal	\$68.5



Our team of professionals brings a unique combination of technological, financial and operational experience to our clients and their transactions. With backgrounds and deal experience spanning Wall Street investment banks, multi-billion dollar corporations and high growth start-ups, we have an exceptional understanding of how to successfully achieve our clients' strategic initiatives.

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