



M&A for the  
digital markets

## QUARTERLY VIEWPOINT:

For the Quarter Ended March 31, 2002  
and the Latest Twelve Months

### **IT Services**

- IT Solutions / IT Staffing
- Network Services / VAR
- Spotlight: Government Vertical

### **Software**

- Enterprise
- Security

### **Communications**

- Software

John W. Linn  
Senior Associate

Claes E. Persson  
Associate

Joel S. Harper  
Analyst

**Long Beach**

**Charlotte**

**St. Louis**

This quarterly VIEWPOINT covers stock index performance, public valuation multiples and relevant M&A activity for the IT Services, Software and Communications sectors. In the 1<sup>st</sup> quarter of 2002, M&A activity remained active with many smaller private companies being acquired (detailed M&A activity for the quarter is highlighted in each sector report).

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 IT Services, Software and Communications sectors. DecisionPoint offers clients a complete range of M&A services, including buy-side and sell-side assignments.

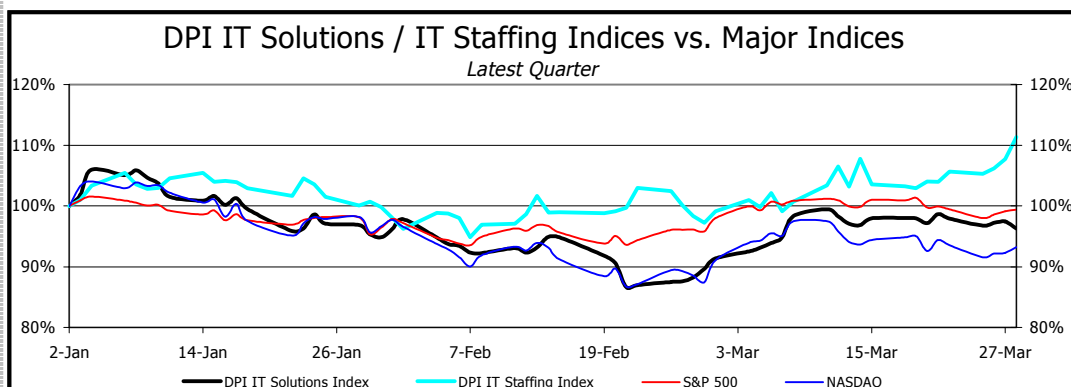
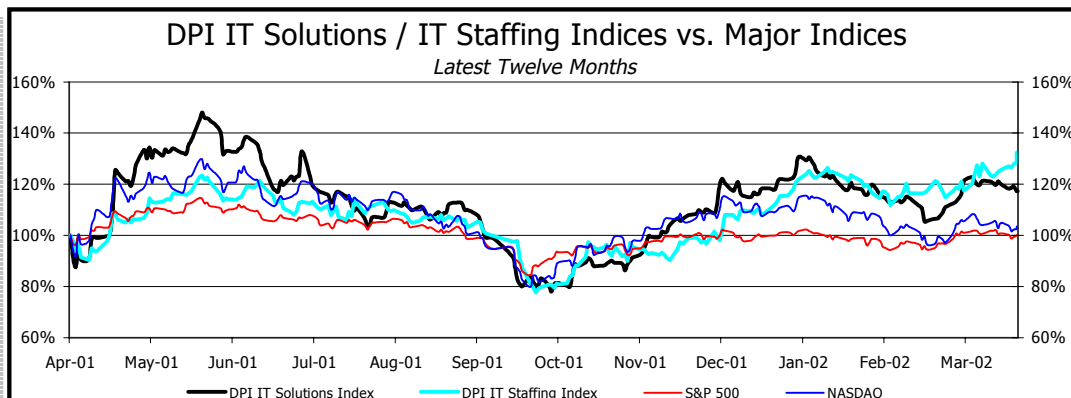
For further information regarding the contents of this document or any other questions, please call DecisionPoint International.

# IT Services Sector – IT Solutions / IT Staffing

## Stock Performance and Recent M&A Activity

### Highlights

- The IT services sector has gained ground in the last two quarters. For the LTM period, the IT Solutions and IT Staffing indices are up 17% and 32%, respectively. The IT Staffing Index was up 11% for the quarter, while the IT Solutions Index was down 4%.
- Sales activity levels and pipelines have increased significantly over the last 90 days and most firms believe this will translate into revenue growth over the next two quarters.
- The IT Solutions rebound typically lags the recovery of the overall economy as most companies will not increase IT spending until their own businesses start to firm up.
- Mid-sized IT staffing firms are experiencing strong competition from national staffing firms that offer global capabilities.
- Acquirors continue to be focused on forward revenue visibility, as reflected in signed backlog and probability weighted pipeline.



Note: The DPI IT Solutions Index includes: ACN, AMSY, ANSR, AXO.LSE, GIB, DTPI, DTAS, KEA, KCIN, LOG.LSE and SAPE.

The DPI IT Staffing Index includes: BUTL, CFS, CTG, HAKI, MPS, TEAM, RCMT and TSRC.

### March 31, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
<b>IT Solutions</b>		
ACN	1.6x	10.8x
AMSY	0.6x	5.3x
ANSR	1.0x	16.9x
AXO.LSE	2.0x	15.0x
GIB	2.0x	13.4x
DTPI	1.3x	NM
DTAS	1.2x	NM
KEA	1.5x	20.7x
KCIN	1.1x	11.9x
LOG.LSE	1.6x	12.4x
SAPE	1.0x	NM
<b>IT Staffing</b>		
BUTL	0.3x	21.2x
CFS	0.1x	1.5x
CTG	0.4x	14.7x
HAKI	0.5x	NM
MPS	0.6x	10.8x
TEAM	0.2x	0.9x
RCMT	0.4x	4.0x
TSRC	0.1x	4.3x

### Representative IT Solutions / IT Staffing Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
03/27/02	NIIT	Osprey Systems	NA
03/18/02	Fulltilt Solutions	Tybio	NA
03/04/02	Watch Hill Partners, Inc.	Encore Consulting Group	NA
02/15/02	Indra Sistemas SA	Razona	NA
02/14/02	TekConnect Corporation	Imperial Software Systems, Inc.	NA
02/13/02	Keane, Inc.	SignalTree Solutions Holding, Inc.	\$62.0
02/13/02	Information Technology Resources	Applied Consulting Solutions, Inc.	NA
02/11/02	Dewpoint, Inc.	Centrifusion, Inc.	NA
02/11/02	Valtech	digitalESP, Inc.	NA
02/06/02	Infocrossing, Inc.	AmQUEST, Inc.	\$20.0
02/04/02	Mobilocity	<kpe>	NA
01/16/02	OgilvyOne Worldwide	Concept!AG	\$77.1
01/16/02	COGNICASE	CTC Corporation	NA
01/15/02	NewsGurus.com, Inc.	Edgetech Services, Inc.	\$2.2
01/07/02	COGNICASE	Applied Terravision	\$22.0

### VIEWPOINT

### IT Solutions / IT Staffing

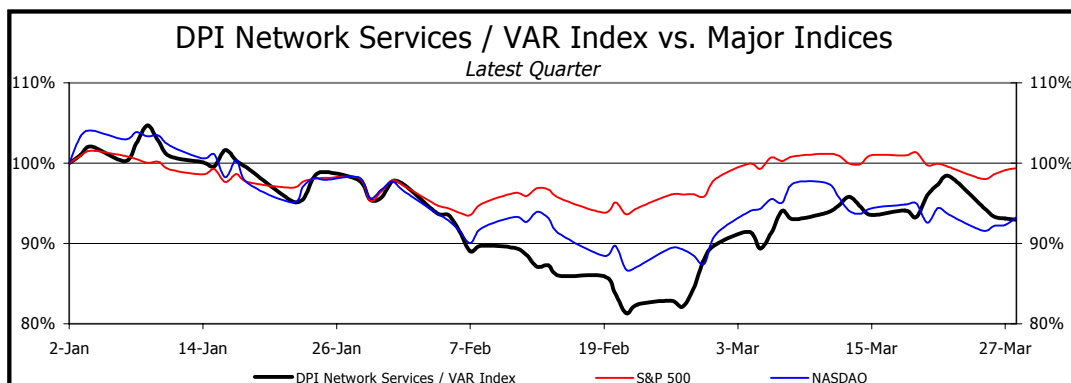
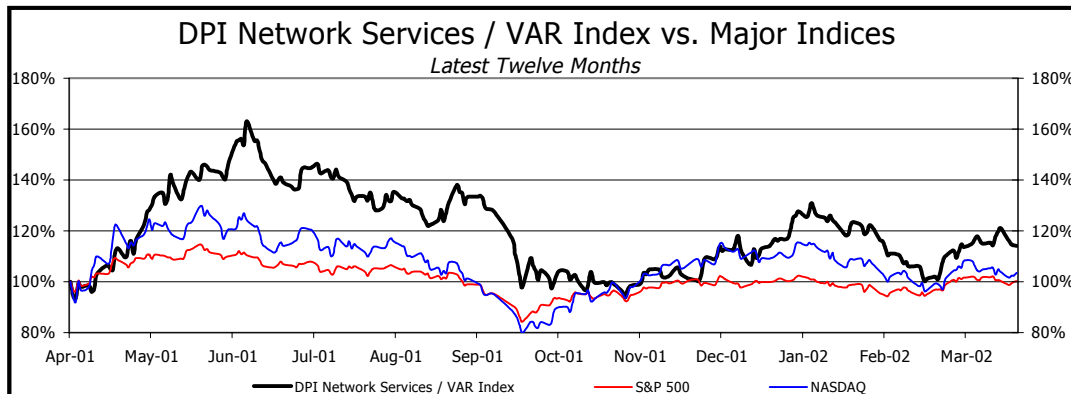
Please call DecisionPoint for further details on listed transactions.

# IT Services Sector – Network Services / VAR

## Stock Performance and Recent M&A Activity

### Highlights

- The Network Services / VAR Index was up 14% for the LTM and down 7% for the quarter.
- The Network Services / VAR industry is expected to experience modest growth over the next few quarters.
- VARs are typically less susceptible to rapid changes in technology. The broad, technology-agnostic solution offering of most VARs helps reduce the risk of rapid product obsolescence.
- M&A continues at a steady pace, as smaller, unprofitable network services firms / VARs are seeking acquisition partners to survive.
- Relative to historical multiples, premium valuations are still being paid for profitable companies with established partnerships and client base.



Note: The DPI Network Services / VAR Index includes: ANLY, BBOX, CMPC, ENPT, MANC, PMRY and PRDS.

March 31, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Gross Profit	LTM EBITDA
ANLY	1.3x	10.6x
BBOX	3.4x	7.8x
CMPC	0.1x	0.9x
ENPT	0.6x	NM
MANC	0.3x	2.5x
PMRY	2.3x	5.5x
PRDS	0.7x	NM

### Representative Network Services / VAR Transactions

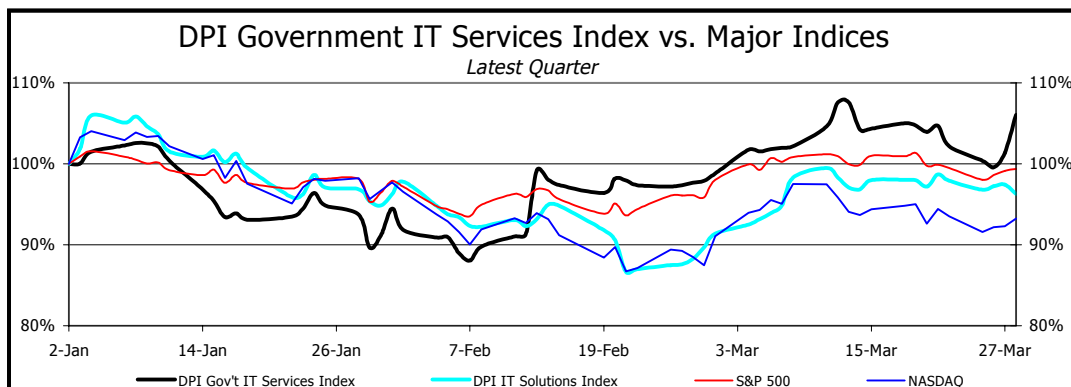
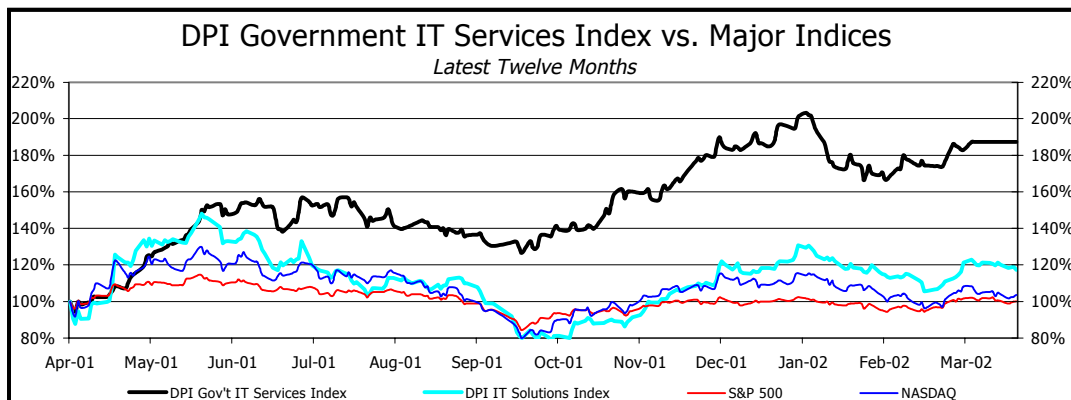
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
03/18/02	Quintalinux Limited	Protex Systems Limited	\$0.8
03/07/02	Vodavi Technology, Inc.	DataSpeak Systems, Inc.	NA
03/06/02	Axway	Viewlocity (EAI products)	NA
03/06/02	Devoteam	Siticom Group	\$42.7
02/28/02	Westcon Group, Inc.	TLK Computers GmbH & Co. KG	NA
02/26/02	Baran Group, Ltd.	o2wireless Solutions, Inc.	\$7.6
02/25/02	Level 3 Communications, Inc.	CorpSoft, Inc.	\$89.0
02/21/02	Chell Group Corporation	Wareforce.com	\$4.0
02/05/02	Inter-Tel, Incorporated	McLeodUSA Business Systems (certain assets)	\$8.0
02/04/02	NetWolves Corporation	Norstan Network Services, Inc.	\$7.5
02/04/02	Greenland Corporation	W3M, Inc.	\$2.9
01/29/02	Black Box Corporation	NKS Netzwerke Kabel Systeme GmbH	NA
01/28/02	Advanced Electr. Support Products	L & M GmbH	NA
01/25/02	Black Box Corporation	Telefuture Communications, Ltd.	NA
01/21/02	Private Investors	VITAL Network Services, Inc.	NA

# IT Services – Spotlight: Government Vertical

## Stock Performance and Recent M&A Activity

### Highlights

- The Government Vertical Index was up 87% for the LTM and 6% for the quarter, compared to 17% and (4%), respectively, for the IT Solutions Index.
- The long-term nature of government projects contributes to the strong performance of government related IT companies.
- The Bush administration's fiscal 2003 budget includes a request for \$52 billion in spending on IT, a 15% increase.
- Many commercial IT Services firms are expected to establish or expand their federal services practice in the coming quarters. This will be done via internal investment and / or M&A.
- M&A activity was slow in the 1<sup>st</sup> quarter compared to the previous two quarters.



Note: The DPI Government Index includes: AMSY, CACI, GTSI, HTEI, MMS, PECS, PER and TTN.  
The DPI IT Solutions Index includes: ACN, AMSY, ANSR, AXO.LSE, GIB, DTPI, DTAS, KEA, KCIN, LOG.LSE and SAPE.

**March 31, 2002**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AMSY	0.6x	5.3x
CACI	1.7x	17.9x
GTSI	0.1x	11.5x
HTEI	0.6x	5.3x
MMS	1.2x	7.4x
PECS	5.3x	27.4x
PER	1.5x	NM
TTN	1.7x	17.0x

### Representative IT Services – Government Transactions

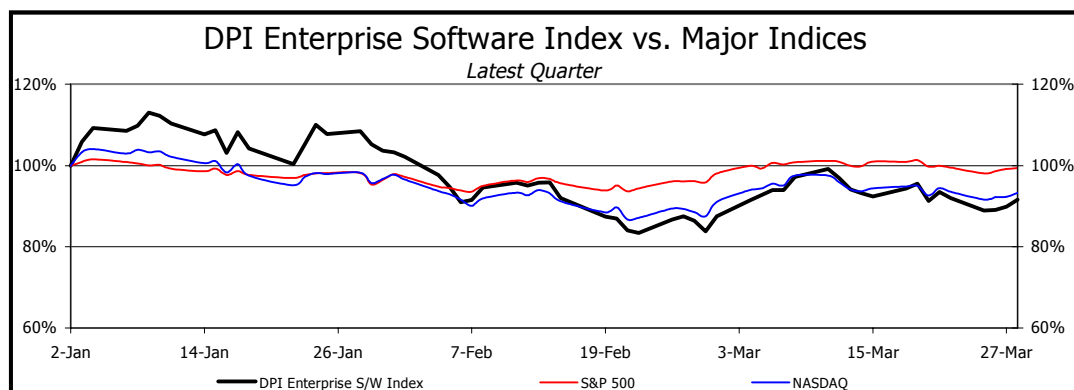
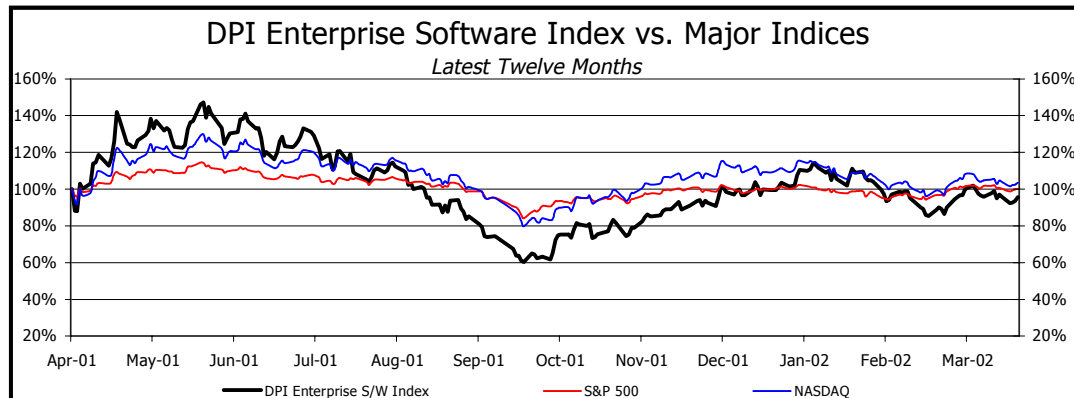
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
03/28/02	SYS Technologies	Shadow Research International	NA
03/07/02	Tier Technologies, Inc.	Government Solutions Center of KPMG Consulting	\$13.5
03/04/02	Engineered Support Systems, Inc.	Radian, Inc.	\$42.0
02/25/02	The Titan Corporation	Science & Engineering Associates, Inc.	\$72.0
01/11/02	Science Applications International Corporation	Infodata Systems, Inc.	\$3.6

# Enterprise Software Sector

## Stock Performance and Recent M&A Activity

### Highlights

- The Enterprise Software Index was down 4% and 8% for the LTM and the quarter, respectively.
- Technology budgets for enterprise software appear to have bottomed and modest growth over the next few quarters is expected.
- Sales of enterprise software should increase as firms move toward consolidating applications and simplifying architectures – many companies are replacing custom applications with packaged applications.
- The concept of an enterprise suite of applications spanning multiple business functions is growing in popularity.
- Enterprise Software M&A activity remained fairly strong in the quarter, as acquirors continued to diversify offerings and acquire complementary solutions.



Note: The DPI Enterprise Software Index includes: AKAM, BEAS, BMC, COGN, CA, ITWO, NOVL, ORCL, PSFT, SAP, SEBL and VRTS.

**March 31, 2002**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AKAM	3.5x	NM
BEAS	5.2x	24.9x
BMC	3.1x	21.8x
COGN	4.3x	25.8x
CA	3.8x	NM
ITWO	1.9x	29.6x
NOVL	0.6x	16.6x
ORCL	6.4x	16.4x
PSFT	4.6x	26.9x
SAP	7.1x	33.3x
SEBL	6.8x	29.4x
VRTS	10.9x	33.3x

### Representative Enterprise Software Transactions

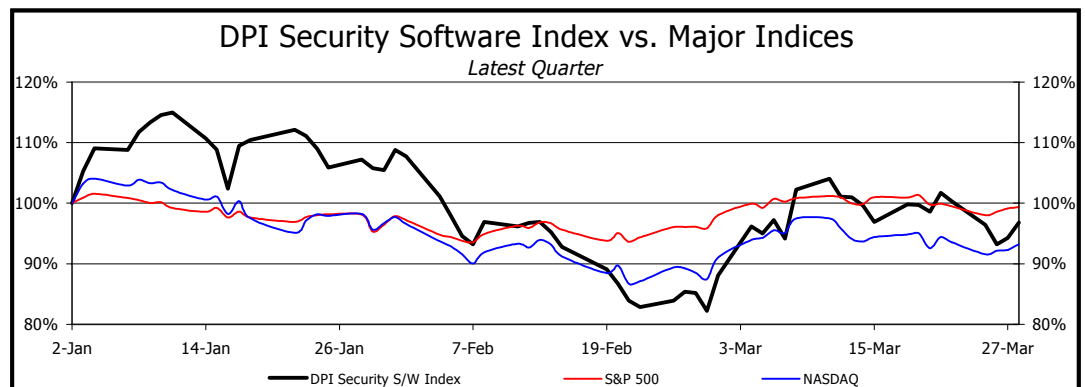
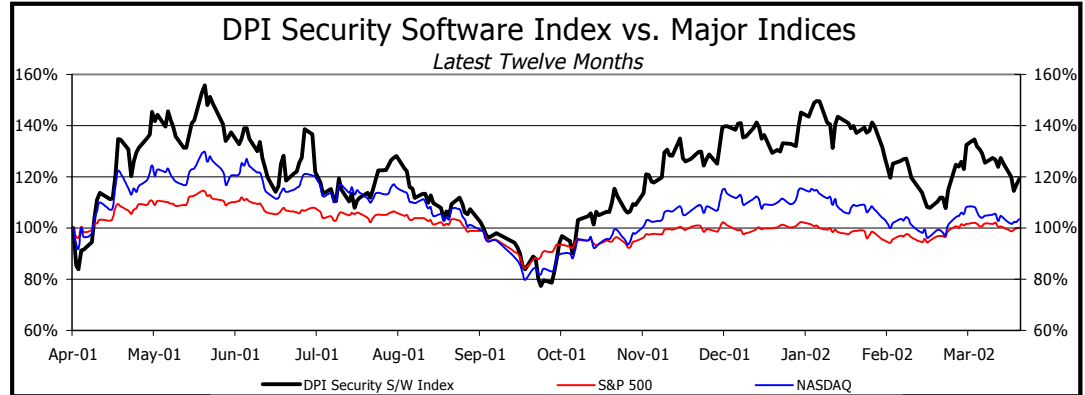
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
03/25/02	SAS	ABC Technologies, Inc.	NA
03/15/02	Access Commerce	Tekora	NA
03/14/02	COGNICASE	Njoyn Software	NA
03/04/02	PowerMarket, Inc.	ATMA Software	NA
02/28/02	Category 5 Technologies, Inc.	Bottomline Online, Inc.	NA
02/21/02	Legato Systems, Inc.	OTG Software	\$403.0
02/04/02	NexPrise, Inc.	InfoPrise, Inc.	NA
01/28/02	Syngistix, Inc.	Ecometry	\$36.0
01/24/02	Documentum	Boxcar Software	NA
01/21/02	Haht Commerce	arcadiaOne	NA
01/16/02	PeopleSoft, Inc.	Annuncio Software Inc. (certain assets)	NA
01/15/02	Lightspeed Interactive, Inc.	Chrystal Software	NA
01/15/02	TTTTickets Holding Corporation	Shelron Technologies 2001 Ltd.	NA
01/14/02	Ask Jeeves, Inc.	Octopus Software, Inc.	NA
01/10/02	Quovadx, Inc.	Pixel Group	\$7.3
01/08/02	Open Ratings	Tradeffect (certain assets)	NA
01/03/02	Business Objects	Blue Edge Software	\$6.0

# Security Software Sector

## Stock Performance and Recent M&A Activity

### Highlights

- The Security Software Index outperformed the NASDAQ and S&P 500 for the LTM, up 19%. For the quarter, the sector declined 3% compared to a 7% decline for the NASDAQ.
- Security remains a top priority for most corporations. Companies are poised to make the investments in security that they previously made in Internet infrastructure and e-commerce.
- The security market is still highly fragmented with numerous evolving standards, technologies and products that do not interoperate well.
- Many companies in the security sector have formed partnerships to offer turnkey solutions.
- Even though M&A activity remained steady for the quarter, further consolidation is expected as the real need for security products does not justify the number of new companies formed in the sector.



Note: The DPI Security Software Index includes: CHKP, CYBG, ENTU, ISSX, NET, RSAS, SNWL, SYMC, VRSN and WGRD.

March 31, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
CHKP	11.3x	17.7x
CYBG	3.2x	NM
ENTU	1.4x	NM
ISSX	4.2x	89.5x
NET	3.9x	59.3x
RSAS	1.8x	64.3x
SNWL	5.7x	27.3x
SYMC	6.2x	19.9x
VRSN	6.0x	26.1x
WGRD	0.9x	NM

### Representative Security Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
03/14/02	SCM Microsystems, Inc.	Towitoko AG	\$5.0
03/13/02	Clearswift Corporation	Content Technologies	\$29.2
02/19/02	Thomson Financial	WorldStreet Corporation (WorldStreet Net technology assets)	NA
02/13/02	Secure Computing Corporation	Network Associate (Firewall and VPN div.)	\$5.0
02/08/02	SECURITAE Corporation	Sandbox Security AG	NA
02/07/02	WatchGuard Technologies, Inc.	RapidStream, Inc.	\$48.0
02/06/02	EWRX Internet Systems, Inc.	Navitex Canada, Inc. (Flashback technology)	NA
01/28/02	Funk Software	Trilogy, Inc.	NA
01/28/02	TruSecure(R) Corporation	Three Pillars, Inc.	NA
01/23/02	Global Path, Inc.	Entact Information Security Corporation	\$5.0
01/23/02	EuroTrust A/S & Firstream SA	Alphasys SA (67 % interest)	\$4.7

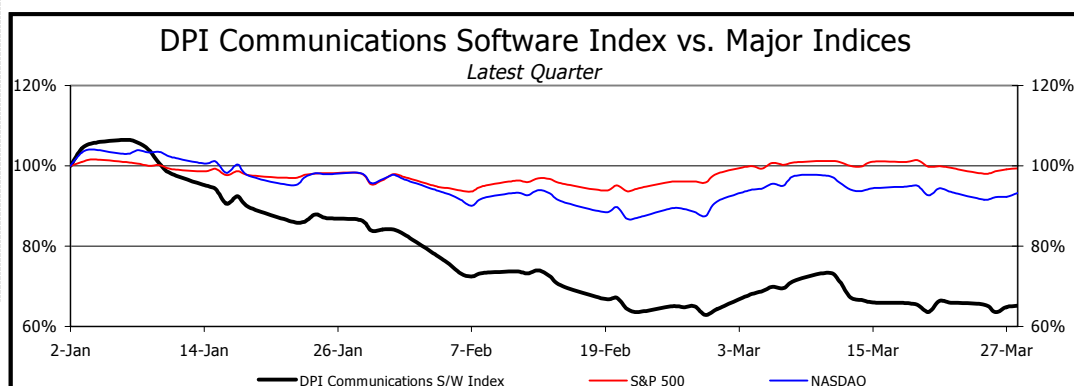
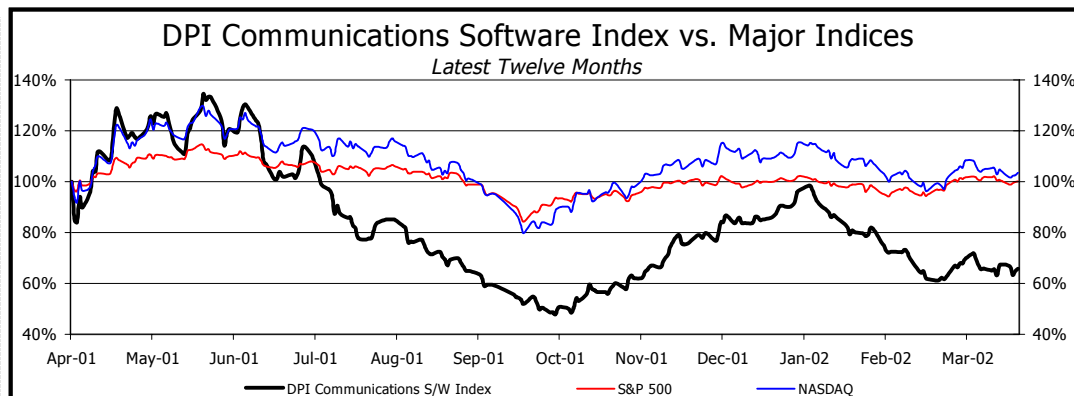


# Communications Software Sector

## Stock Performance and Recent M&A Activity

### Highlights

- The Communications Software Index finished down 34% and 35% for the LTM and the quarter, respectively – a disappointing performance after a strong 4Q 2001.
- Carriers continue to increase utilization rates due to a deteriorating wireless capex environment, thus reducing software spending.
- An eventual stabilization in carrier capex should help new business activity rebound and improve the communications software sector.
- Winners in the communications software space will have: 1) Tier 1 service provide customer base, 2) annuity-based pricing model and 3) convergent, platform-based architecture approach.



**March 31, 2002**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
SVNX	NM	NM
AETH	NM	NM
DOX	3.6x	29.9x
CMVT	0.8x	8.6x
CCRD	3.3x	NM
MSLV	1.2x	9.9x
MUSE	2.3x	13.4x
OPWV	1.8x	25.7x
PUMA	0.7x	NM
TSYS	0.8x	NM
VNWK	1.2x	NM

Note: The DPI Communications Software Index includes: SVNX, AETH, DOX, CMVT, CCRD, MSLV, MUSE, OPWV, PUMA, TSYS, and VNWK.

### Representative Communications Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
03/28/02	Sayles Hardware Company Ltd.	Briyante Software Corp.	NA
03/26/02	Koala International Wireless, Inc.	Esemde, Inc.	NA
03/18/02	Telcontar	Gravitate	NA
03/15/02	Call Sciences	iBasis (ASP Messaging business)	NA
03/11/02	BSQUARE Corporation	InfoGation Corporation	\$8.0
03/04/02	Air2Web	2Roam	NA
02/26/02	ViryaNet	iMedeon, Inc.	\$2.9
02/25/02	Extended Systems	AppReach, Inc.	\$0.2
01/22/02	AsiaInfo Holdings, Inc.	Bonson Information Technology Limited	\$47.3
01/15/02	Oracle Corporation	Indicast Corporation (certain assets)	NA
01/10/02	Davox Corporation	CELLIT, Inc.	\$14.8
01/07/02	International Wireless, Inc.	Mitigo, Inc.	\$6.6
01/05/02	TIBCO Software Inc.	Talarian Corporation	\$115.0