



M&A for the  
digital markets

## QUARTERLY VIEWPOINT:

For the Quarter Ended September 30, 2002  
and the Latest Twelve Months

### **Services**

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

### **Software**

- Enterprise
- Security

### **Communications**

- Software
- Equipment

### **Vertical Spotlight**

- Government IT Services

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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. In the 3<sup>rd</sup> quarter of 2002, M&A activity slumped as volatile stock markets, corporate scandals and global political tensions took their toll on deal making (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 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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# IT Solutions / IT Staffing

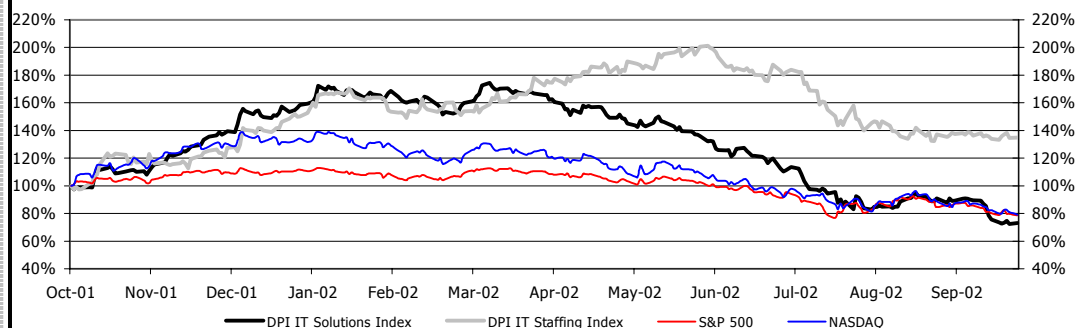
## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM period, the IT Staffing Index was up 35% while the IT Solutions Index was down 27%. The IT Staffing Index was down 30% for the quarter, while the IT Solutions Index was down 34%.
- The proliferation of offshore delivery remains the number one trend to watch in the IT services sector. It is estimated that some companies can save 30%-40% on their IT costs by using an offshore provider.
- In the commercial space, healthcare continues to be the strongest vertical as this sector is the most immune to cyclical macroeconomic factors.
- The IT Solutions rebound typically lags the recovery of the overall economy as most companies will not increase IT spending until their business starts to firm up.
- CIOs are demanding a tangible and immediate ROI before investing in a new project.

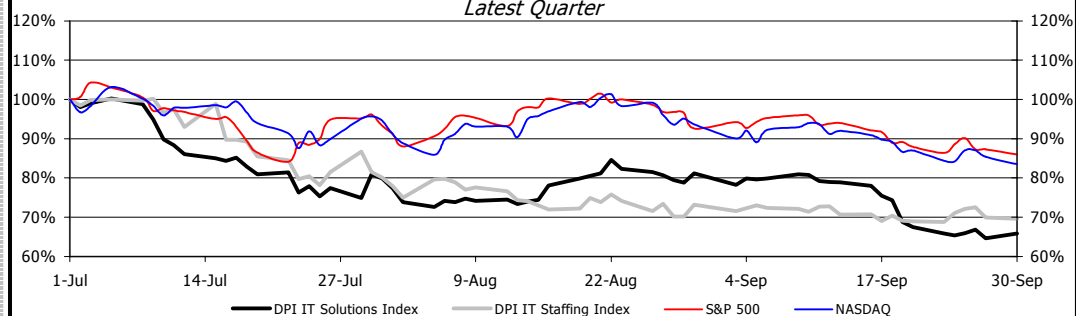
DPI IT Solutions and IT Staffing Indices vs. Major Indices

Latest Twelve Months



DPI IT Solutions and IT Staffing Indices vs. Major Indices

Latest Quarter



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

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

September 30, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
<b>IT Solutions</b>		
ACN	1.1x	7.0x
AMSY	0.4x	3.9x
ANSR	0.0x	1.1x
AXO.LSE	0.5x	3.8x
GIB	1.1x	7.0x
CBR	0.6x	12.4x
DTPI	0.0x	NM
DTAS	0.3x	5.0x
KEA	0.6x	8.8x
KCIN	0.3x	4.9x
<b>IT Staffing</b>		
BUTL	0.2x	13.2x
CFS	0.4x	9.3x
CTG	0.3x	7.1x
HAKI	0.4x	NM
MPS	0.5x	11.0x
TEAM	0.4x	2.3x
RCMT	0.4x	4.2x

### Representative IT Solutions and IT Staffing Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/19/02	Cognizant Technology Solutions	Silverline Technologies (certain assets)	NA
09/16/02	ettain	Beacon Commerce	NA
09/12/02	Emtec, Inc.	Turnkey Computer Syst. (certain assets)	NA
09/04/02	NIIT	Data Executives International	NA
09/04/02	Wireless Knowledge	Mobilicity (certain assets)	NA
08/19/02	SAIC	Fusive.com, Corp. (certain assets)	NA
08/12/02	AGENCY.COM	<kpe>	NA
08/06/02	Technisource, Inc	CNC Global, Inc. (certain assets)	NA
08/05/02	Inclusion Technologies, Inc.	Flypaper, Inc.	NA
07/30/02	IBM	PwC Consulting	\$3,500.0
07/25/02	Net2S	Connect Systems	\$3.6
07/22/02	EYT	Signature Systems, Inc.	NA
07/17/02	SBI	Scient, Inc. (certain assets)	NA
07/09/02	Song Networks Holding AB	Telenor Business Solutions AB	NA
07/02/02	Softchoice Corporation	Beyond.com (division)	\$3.3

VIEWPOINT

IT Solutions / IT Staffing

Please call DecisionPoint for further details on listed transactions.

# Network Services / VAR

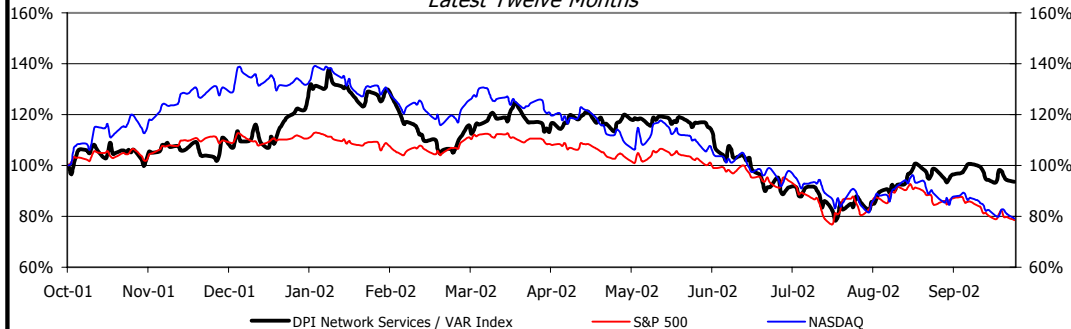
## Stock Performance and Recent M&A Activity

### Highlights

- The Network Services / VAR Index was down 6% for the LTM and down 9% for the quarter.
- Significant consolidation in the sector is expected to occur over the next few quarters as unprofitable companies seek larger and more stable partners.
- Most M&A announcements were centered upon opportunistic acquisitions of distressed companies.
- Companies that provide more integration and network services are valued higher in the market than traditional resellers.
- Industry vertical expertise remains critical to acquirors, with Federal Government and Healthcare / Life Sciences remaining most popular.

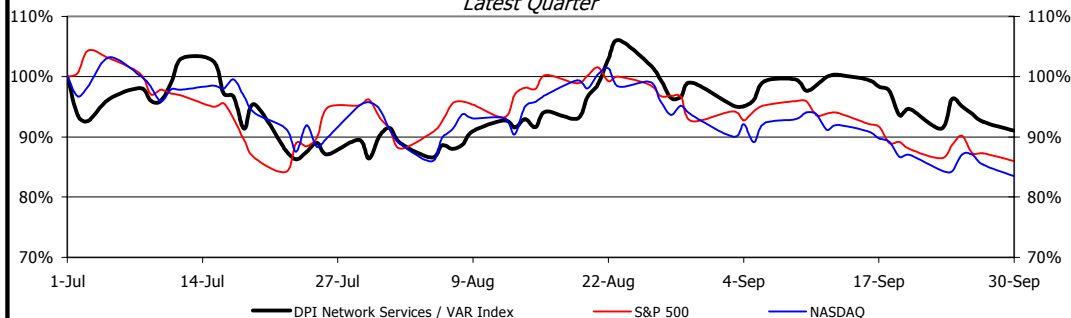
### DPI Network Services / VAR Index vs. Major Indices

Latest Twelve Months



### DPI Network Services / VAR Index vs. Major Indices

Latest Quarter



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

September 30, 2002

### Metrics

Ticker	Enterprise Value / LTM	
	Gross Profit	EBITDA
BBOX	2.6x	6.4x
CMPC	0.7x	4.2x
ENPT	0.5x	NM
MANC	0.2x	2.5x
PMRY	1.2x	3.0x
PRDS	NM	NM

### Representative Network Services / VAR Transactions

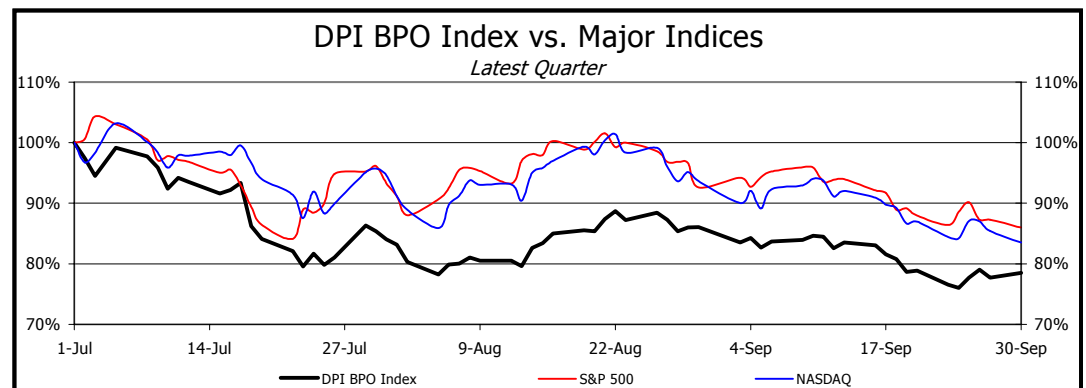
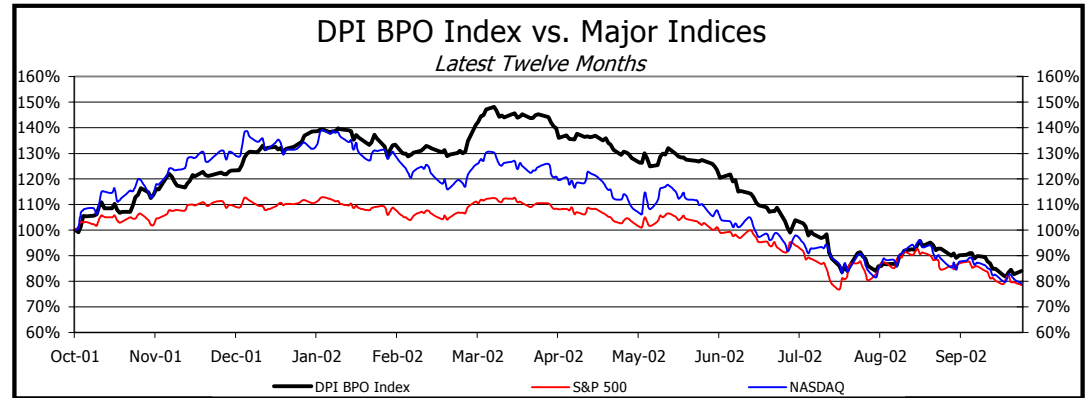
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/24/02	eFORCE	Context Integration (certain assets)	NA
09/17/02	NetDriven Solutions, Inc.	Partners Computer Systems	NA
08/13/02	ViewCast Corporation	Delta Computec, Inc.	NA
08/12/02	iXP Corporation	Schema Systems	NA
08/01/02	Wipro Limited	Spectramind e-Services Ltd (66% stake)	\$83.0
07/21/02	Ness Technologies	Shore Technologies	\$1.0
07/15/02	Barrister Global Services Network	Advantage Innovation, Inc.	\$1.2
07/09/02	CGI Group	IMPLETECH International	NA
07/05/02	ProAct IT Group AB	Christiana Consulting AS	NA
07/03/02	International Network Services	Lucent Technologies (division)	NA
07/03/02	QCC Technologies	WBM Office Systems, Inc.	\$1.6
07/02/02	Insiderstreet.com, Inc.	Neosphere Technologies, Inc.	NA

# Business Process Outsourcing (BPO)

## Stock Performance and Recent M&A Activity

### Highlights

- The BPO Index was down 16% for the LTM and 22% for the quarter.
- During the past eighteen months as the general economy has suffered, outsourcing has been a relative bright spot because of the recurring nature of its revenue model.
- As the BPO market matures, the size, breadth and quality of players will diverge and separate the leaders from the laggards.
- Higher-valued public companies will face downward valuation pressure as lower labor cost entrants emerge.
- Many BPO firms offer front-end sales capabilities in the US, with a large portion of the work completed offshore.
- Increased M&A activity should be expected as companies consolidate or acquire additional expertise. The financial services, HR and administration sectors have already been active.



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, ProBusiness Services and Tier Technologies.

### September 30, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
ACS	2.1x	12.3x
AZPN	0.5x	NM
ADP	2.8x	9.5x
BSG	2.7x	9.3x
CEN	1.8x	9.1x
GIB	1.1x	7.0x
EXLT	0.5x	NM
GVP	0.4x	4.3x
MEDQ	1.7x	7.4x
PAYX	6.5x	14.4x
PSTI	1.3x	15.2x
PRBZ	0.7x	NM
TIER	2.9x	16.6x

### Representative BPO Transactions

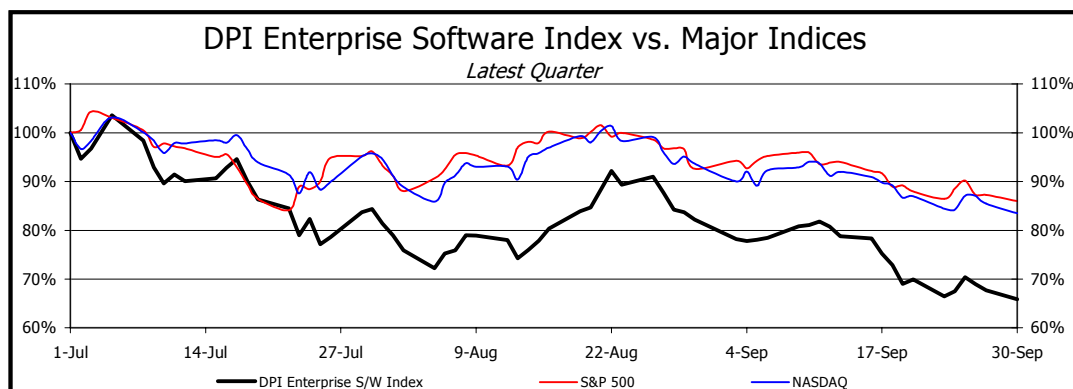
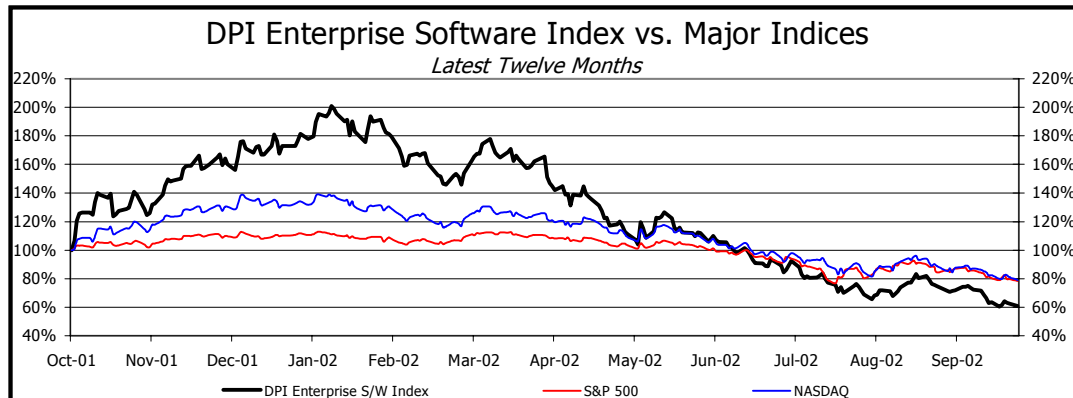
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/26/02	FreeStar Technologies	Rahaxi Processing Oy	NA
09/23/02	Harland Financial Solutions, Inc.	SPARAK Financial Systems, LLC	\$32.0
09/20/02	Paychex, Inc.	Advantage Payroll Services, Inc.	\$240.0
09/17/02	iLiant	Management Solutions, Inc.	NA
09/10/02	Beacon Services	Horine and Associates	NA
09/10/02	Alliance Data Systems Corp.	Duke Energy (Enlogix Group)	NA
08/30/02	CSG Systems	IBM (certain assets)	NA
08/29/02	CGI Group	INSpire Insurance Solutions, Inc.	\$8.2
07/19/02	First Data Corp.	PayPoint Electronic Payment Systems	NA
08/06/02	Harland Financial Solutions, Inc.	INTERLINQ Software Corporation	\$33.0
07/31/02	ProxyMed, Inc.	Medical Data Insurance Processing	\$2.4
07/30/02	First American Default Technology Group	iSymmetrics, Inc.	NA
07/08/02	WNS (Holdings) Ltd.	Town & Country Assistance	NA
07/03/02	Convergys Corporation	TelesensKSCL Limited	NA
07/02/02	Metavante Corporation	Paytrust, Inc.	NA

# Enterprise Software

## Stock Performance and Recent M&A Activity

### Highlights

- The Enterprise Software Index was down 39% and 33% for the LTM and the quarter, respectively.
- The sector outlook remains challenged as smaller deal sizes and lower deal volumes combine to hinder any near-term growth acceleration.
- Integration continues to be a problem as companies roll out additional applications.
- Companies are expected to favor an increased mix of packaged applications from third parties over internally built applications.
- Web services keep gaining traction and privately held Web services platform vendors are predicted to become attractive acquisition targets.
- ERP software / ERP upgrade is now considered one of the top 3 priorities (along with application integration and security software) according to a CIO survey.



Note: The DPI Enterprise Software Index includes: Akamai Technologies, BEA Systems, BMC Software, Cognos, Computer Associates, i2 Technologies, Novell, Oracle, PeopleSoft, SAP AG, Siebel Systems and Veritas Software Corporation.

### September 30, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AKAM	1.6x	NM
BEAS	1.7x	9.3x
BMC	1.9x	14.8x
COGN	2.3x	10.6x
CA	2.7x	48.0x
ITWO	0.2x	NM
NOVL	0.1x	0.5x
ORCL	3.8x	9.5x
PSFT	1.1x	5.8x
SAP	0.3x	2.1x
SEBL	0.6x	2.5x
VRTS	3.1x	9.7x

### Representative Enterprise Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/25/02	EMC Corporation	Prisa Networks, Inc.	\$20.0
09/17/02	Syngy, Inc.	IncenSoft	NA
09/12/02	IBM	Holosofx, Inc.	NA
08/29/02	Geac Computer Corporation	IBM (e-Server iSeries software assets)	\$2.5
08/29/02	IBM	TrelliSoft, Inc.	NA
08/26/02	Geac Computer Corporation	Extensity, Inc.	\$46.2
08/20/02	Software Research Associates	Turbolinux, Inc. (Linux software business)	NA
08/15/02	Webversa	Semio Corporation	NA
08/14/02	Intuit, Inc.	Blue Ocean Software, Inc.	\$177.0
08/01/02	SwannStreet Ventures	Lockheed Martin (FORMTEK subsidiary)	NA
07/17/02	Inktomi Corp.	Quiver, Inc.	\$12.0
07/09/02	Business Objects	Acta Technology, Inc.	\$65.0
07/09/02	The Gordon Group	Bold New World (controlling interest)	NA

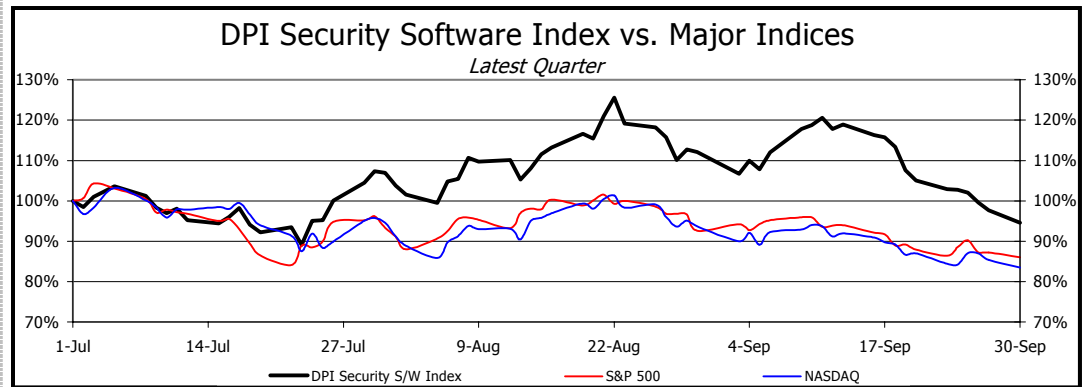
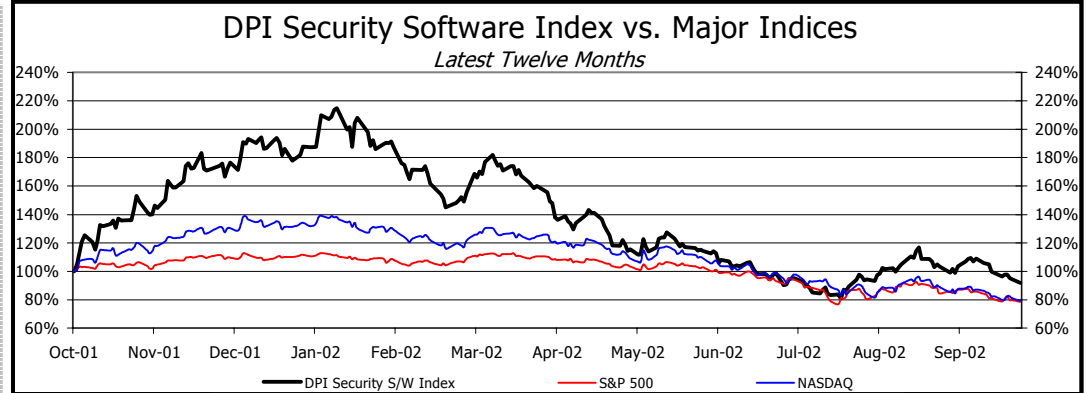


# Security Software

## Stock Performance and Recent M&A Activity

### Highlights

- The Security Software Index was down 8% and 5% for the LTM and the quarter, respectively.
- Post 9/11, many analysts expected significant spending on security, however, the weak economy has hampered security spending.
- New categories of security are emerging, such as Web filtering, firewall / VPN appliances and server / gateway anti-virus software, which should provide new funnels of growth.
- Corporations are now adding new layers of security functionality to previous implementations.
- VPNs are becoming more popular as they combine firewall, gateway-level anti-virus, intrusion detection and content filtering.
- Buying decisions by outsourcing customers are expected to become increasingly driven by service and pricing rather than by technology differences.



*Note: The DPI Security Software Index includes: Check Point Software Technologies, CyberGuard Corporation, Entrust, Internet Security Systems, Network Associates, RSA Security, SonicWALL, Symantec Corporation, Verisign and WatchGuard Technologies.*

### September 30, 2002

#### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
CHKP	4.7x	7.6x
CFW	2.3x	NM
ENTU	0.6x	NM
ISSX	1.8x	13.1x
NET	1.4x	8.5x
RSAS	0.8x	NM
SNWL	NM	NM
SYMC	3.4x	13.6x
VRSN	0.8x	NM
WGRD	0.8x	NM

### Representative Security Software Transactions

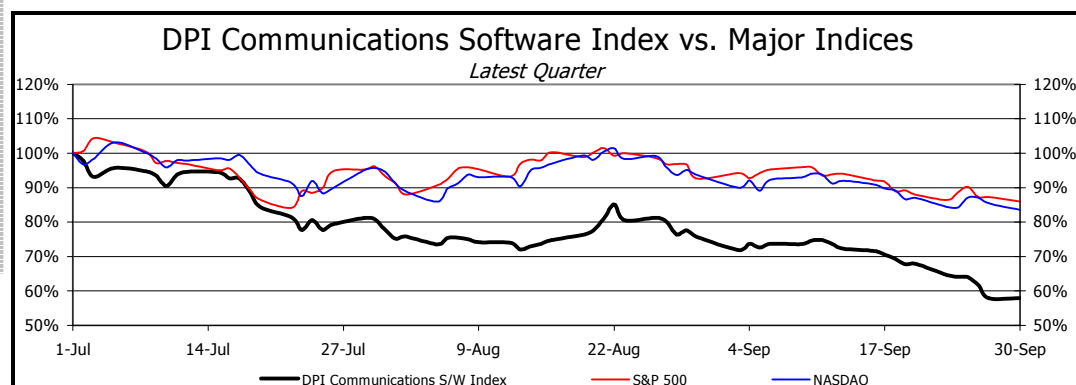
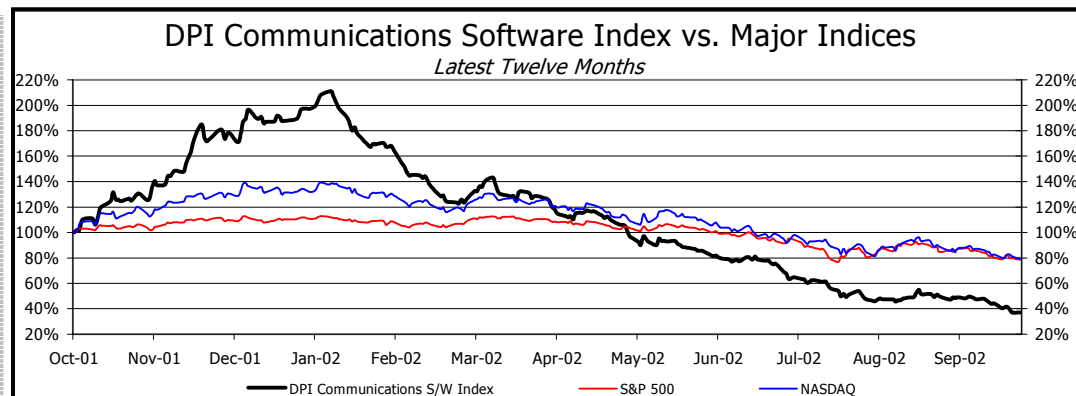
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/10/02	Microsoft	XDegrees, Inc.	NA
09/03/02	IBM	Access360	NA
08/27/02	Internet Security Systems	vCIS Technology	\$20.0
08/22/02	NetScreen Technologies, Inc.	OneSecure, Inc.	\$40.1
08/01/02	ASG	Entact Information Security Corporation	NA
07/25/02	Diamond Hitts Production	Secure For Sure, Inc.	NA
07/17/02	Symantec Corporation	Riptech, Inc.	\$145.0
07/17/02	Symantec Corporation	Recourse Technologies	\$135.0
07/17/02	Symantec Corporation	SecurityFocus	\$75.0
07/02/02	Symantec Corporation	Mountain Wave, Inc.	\$20.0

# Communications Software

## Stock Performance and Recent M&A Activity

### Highlights

- The Communications Software Index was down 63% and 42% for the LTM and the quarter, respectively.
- Among the profiled sectors in this report, the Communications Software sector has experienced the largest drop in value for both the LTM period and the quarter.
- As the Communications Software space offers carriers positive ROI and comprises a relatively small portion of capital expenditures, we continue to believe the space is likely to be one of the first to rebound as the capex environment stabilizes.
- M&A activity slowed down in the 3<sup>rd</sup> quarter compared to previous quarters.



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

September 30, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
SVNX	NM	NM
AETH	NM	NM
DOX	0.5x	2.3x
CMVT	NM	NM
CCRD	0.1x	NM
MSLV	NM	NM
MUSE	0.3x	5.9x
OPWV	NM	NM
PUMA	NM	NM
TSYS	0.2x	NM
VNWK	0.4x	NM

### Representative Communications Software Transactions

Announced Date	Acquirer Name	Target Name	Enterprise Value (\$M)
09/19/02	Open Text Corporation	Centrinity, Inc.	\$19.4
09/16/02	Motorola	4thpass	NA
08/14/02	Agilera	United Messaging	NA
08/12/02	International Datacasting	Datacast Communications Inc.	NA
08/05/02	Quantum3D	CG2, Inc.	NA
07/23/02	SpeechWorks International, Inc.	T-NETIX, Inc. (SpeakEZ division)	NA
07/16/02	FalconStor Software, Inc.	IP Metrics Software, Inc.	NA
07/15/02	Convergys Corporation	iBasis Inc. (iBasis Speech Solutions)	\$16.0

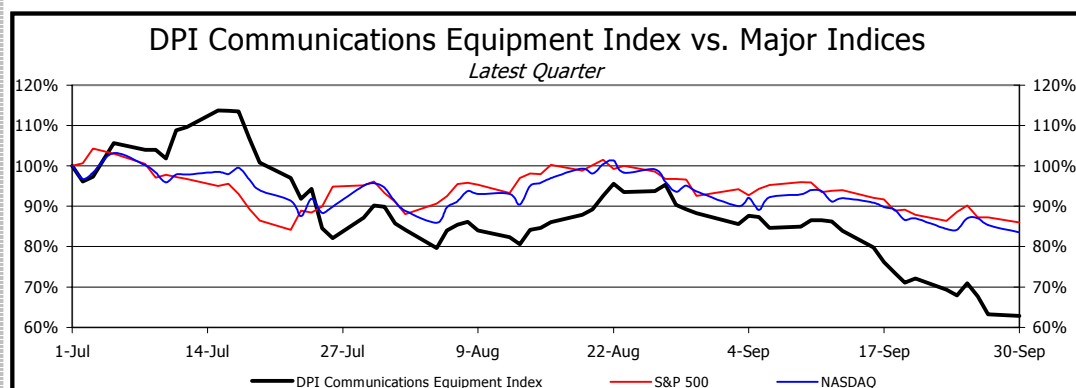
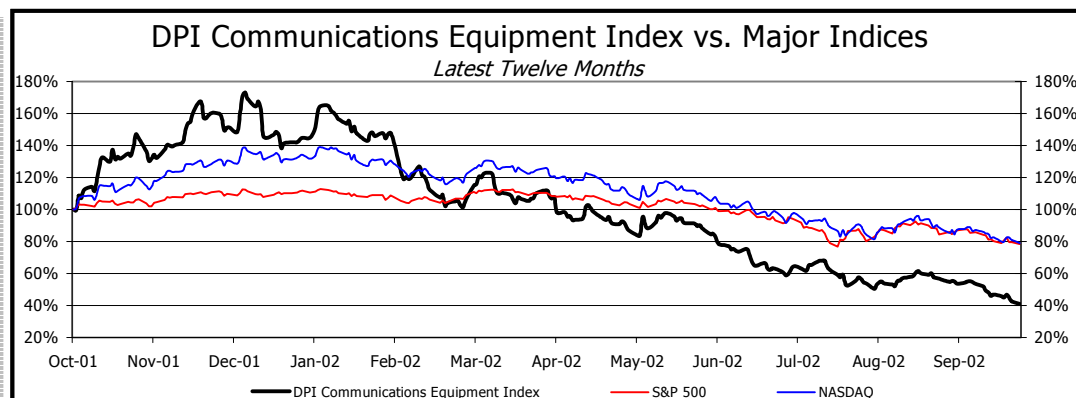


# Communications Equipment

## Stock Performance and Recent M&A Activity

### Highlights

- The Communications Equipment Index was down 59% and 37% for the LTM and the quarter, respectively.
- Many of the sector's larger players released earnings warnings in Q2, dragging down the sector to historically low levels.
- Total capital expenditures are expected to decline over the next six months in the communications equipment sector, adding more bad news to a sector already hurting.
- Many of the larger equipment companies are undergoing restructuring in an attempt to cut cost and get back to break-even cash flow.
- The telecom crisis is now showing signs of crossing over to the mainstream as U.S. investment banks and European insurance companies are showing signs of distress due to the massive losses in the telecom space.



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

**September 30, 2002**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
COMS	0.1x	NM
ADCT	1.3x	NM
ALA	0.2x	NM
ETS	0.1x	NM
CIEN	0.8x	0.5x
CSCO	3.4x	3.8x
LU	0.0x	NM
NT	0.2x	NM
TLAB	0.4x	NM

### Representative Communications Equipment Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/24/02	Allot Communications	NetReality	NA
09/10/02	P-Com, Inc.	Telaxis Communications	NA
08/27/02	Lantronix, Inc.	Stallion Technologies Pty., Ltd	\$2.6
08/12/02	Sirenza Microdevices, Inc.	Xemod, Inc.	\$4.5
08/05/02	Avocent	2C Computing, Inc.	\$22.8
07/23/02	IP Unity, Inc.	empowerTel Networks	NA
07/15/02	Lattice Semiconductor	Cerdelinx Technologies, Inc.	\$23.0
07/09/02	Zhone Technologies	Vpacket Communications	NA

**VIEWPOINT**

**Communications Equipment**

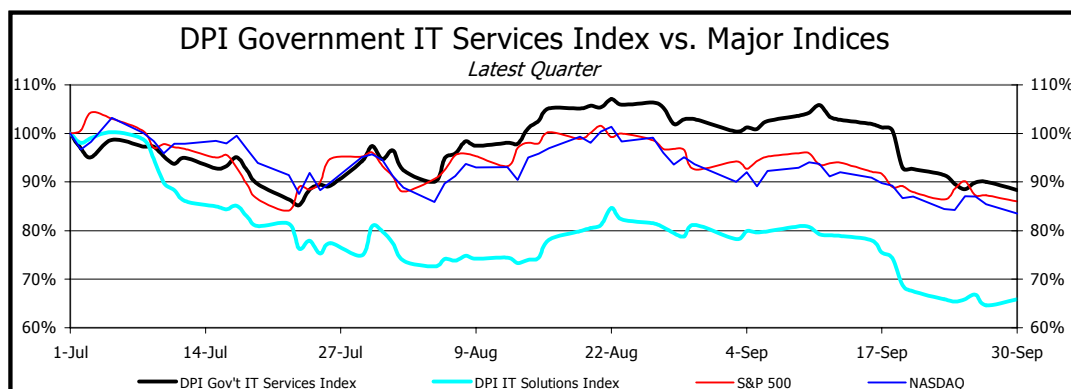
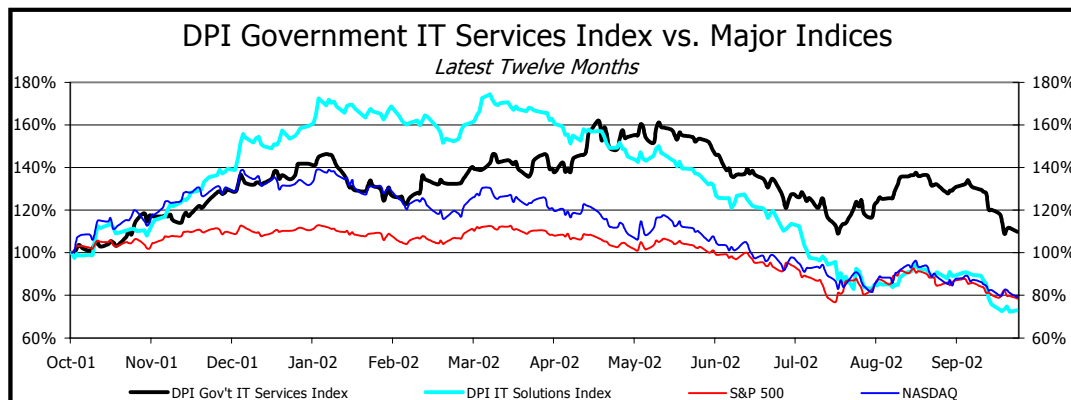
Please call DecisionPoint for further details on listed transactions.

# Vertical Spotlight: Government IT Services

## Stock Performance and Recent M&A Activity

### Highlights

- The Government IT Services Index was up 10% for the LTM and down 12% for the quarter.
- The federal government remains the strongest vertical in terms of IT spending.
- The Bush administration's fiscal 2003 budget includes a request for \$52 billion in spending on IT (services, hardware & software), a 15% increase over 2002 and up from \$3.7 billion in 1990.
- The government services space remains an attractive market because of an aging, downsized workforce, rampant obsolete technology, the existing and expected further reform of procurement regulations and the likelihood of accelerated spending.
- 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.



Note: The Government IT Services Index includes: American Management Systems, Anteon International Corporation, CACI International, GTSI Corporation, H.T.E., Maximus, PEC Solutions, Perot Systems Corporation and The Titan Corporation.

### September 30, 2002

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AMSY	0.4x	4.0x
ANT	1.4x	20.5x
CAI	1.3x	13.9x
GTSI	0.1x	6.8x
HTEI	0.4x	3.4x
MMS	0.7x	5.4x
PECS	3.9x	22.7x
PER	0.6x	15.6x
TTN	0.8x	15.6x

### Representative Government IT Services Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/30/02	GTCR Golder Rauner	Getronics Government Solutions	\$223.0
09/24/02	CACI International, Inc.	Acton Burnell, Inc.	NA
08/13/02	Veridian Corporation	Signal Corporation	\$252.0
08/07/02	Tribal Group plc	Yale Data Management Consultants Limited	\$9.3
07/10/02	CACI International, Inc.	Condor Technology Solutions, Inc. (Government Solutions Division)	NA
07/02/02	Perot Systems Corporation	ADI Technology Corporation	\$32.0