



M&A for the  
digital markets

## QUARTERLY VIEWPOINT:

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

### **Services**

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

### **Software**

- Enterprise
- Spotlight: Content 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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# IT Solutions / IT Staffing

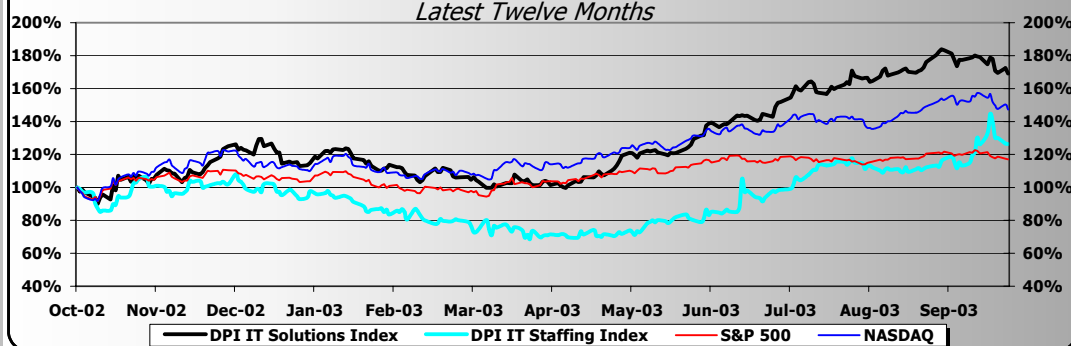
## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the IT Solutions Index was up 69% and 26%, respectively. For the LTM and quarter, the IT Staffing Index was up 26% and 30%, respectively.
- Both solutions and staffing firms are seeing early signs of recovery as bill rates have stabilized in conjunction with improving utilization rates.
- Offshore services continue to gain momentum among Fortune 1000 clients and are becoming more prevalent with middle-market firms. Large services providers are actively adding offshore delivery capacity through a combination of green field expansion (e.g. Sapien), acquisitions (e.g. Keane) and partnerships (e.g. Ciber). While India remains dominant, investment is growing in Canada, Eastern Europe, China, Vietnam and the Philippines.

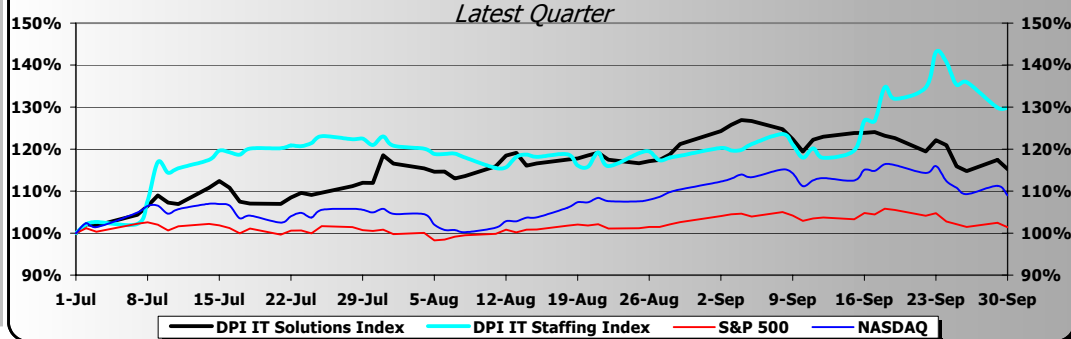
**DPI IT Solutions and IT Staffing Index vs. Major Indices**

*Latest Twelve Months*



**DPI IT Solutions and IT Staffing Index vs. Major Indices**

*Latest Quarter*



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.

**September 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
<b>IT Solutions</b>		
ACN	1.5x	11.2x
AMSY	0.5x	4.1x
ANSR	0.5x	NM
AXO.LSE	1.2x	14.1x
BE	0.6x	12.3x
GIB	1.3x	8.2x
CBR	0.8x	11.1x
DTPI	1.1x	NM
DTAS	1.1x	25.8x
KEA	0.9x	15.8x
<b>IT Staffing</b>		
BUTL	0.3x	NM
CFS	0.4x	9.2x
CTG	0.3x	10.2x
HAKI	0.4x	NM
MPS	0.8x	15.6x
TEAM	0.2x	2.5x
RCMT	0.3x	4.8x

### Representative IT Solutions and IT Staffing Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/25/03	iSoft Group	Torex	\$661.2
09/25/03	Sysopen	Novo Group	\$169.3
09/23/03	WHITTMANHART	Big Orbit Solutions	NA
09/15/03	Lockheed Martin Technology	Titan Corporation	\$2,333.0
09/11/03	Hire Calling	SOS Staffing Services	\$27.5
09/02/03	TEKsystems	Directfit	NA
08/13/03	Hewlett Packard	Extreme Logic	NA
08/01/03	ACS	Lockheed Martin (assets)	\$107.0
08/01/03	Lockheed Martin Tech	ACS (assets)	\$658.0
07/29/03	Answerthink	Beacon Analytics	\$5.7
07/22/03	Atlantic Data Services (MBO)	Atlantic Data Services	NM
07/15/03	American Management Systems	R.M. Vredenburg & Co.	\$50.9
07/10/03	SunGard	Sherwood International	\$105.0
07/09/03	Computer Horizons	RGII Technologies	\$28.5
07/09/03	Knightsbridge Solutions	BASE Consulting Group	\$8.5

**VIEWPOINT**

**IT Solutions / IT Staffing**

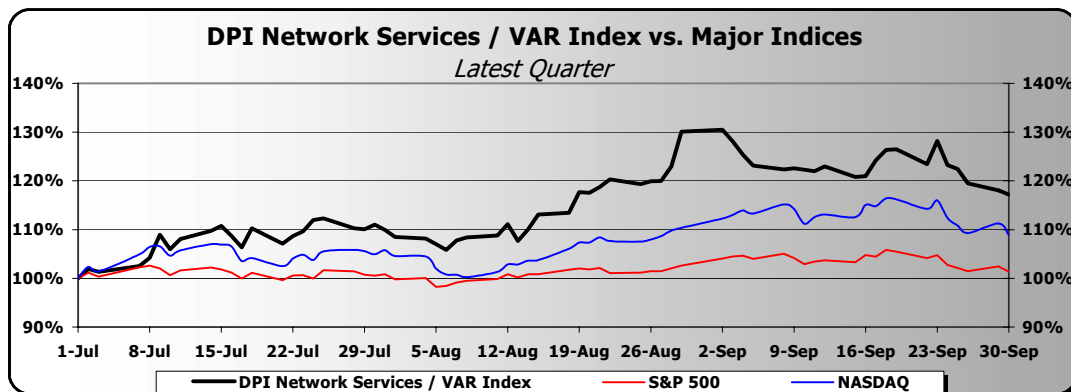
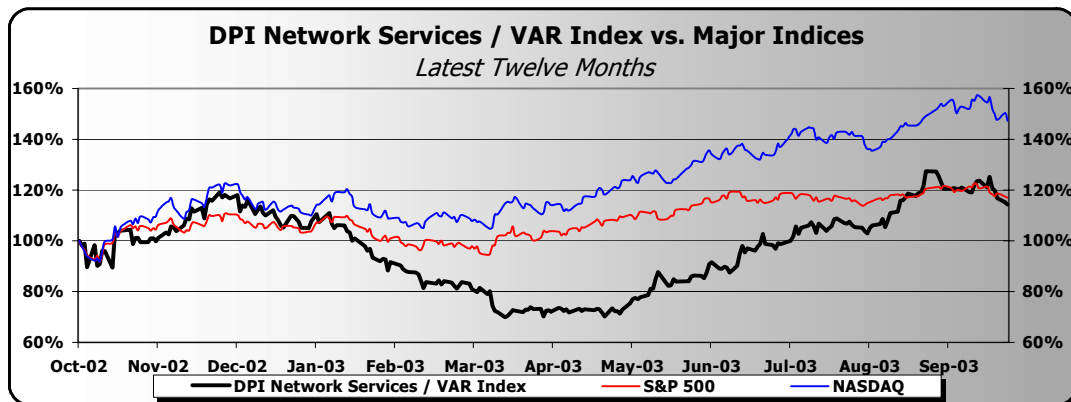
Please call DecisionPoint for further details on listed transactions.

# Network Services / Value Added Resellers (VAR)

## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Network Services / VAR Index was up 14% and 17%, respectively.
- The sector outperformed the broader market indices this quarter in a sign that investors are anticipating improvement in tech product spending in 2004.
- Direct marketers employing the Internet for low-cost sales continue to take market share from smaller VARs. This pressure, as well as profitability challenges among smaller firms, is driving channel consolidation.



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

September 30, 2003

### Metrics

Ticker	Enterprise Value /	
	LTM Gross Profit	LTM EBITDA
BBOX	3.3x	8.7x
CMPC	0.4x	1.8x
ENPT	0.6x	NM
MANC	0.7x	12.2x
PMRY	1.4x	4.7x

### Representative Network Services / VAR Transactions

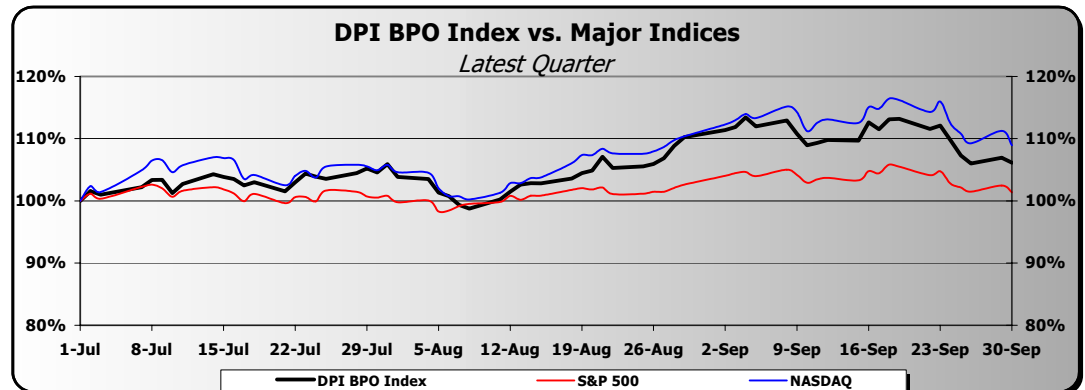
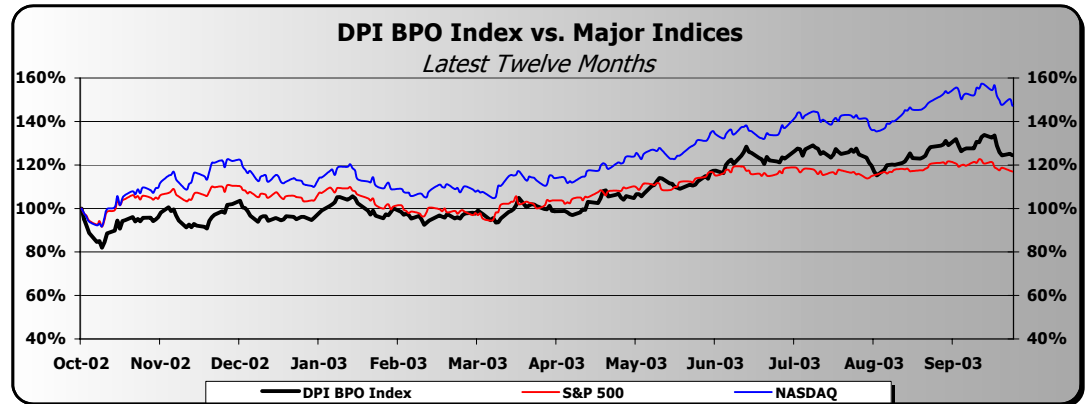
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/25/03	Avaya	VISTA IT (assets)	NA
09/23/03	CACI	C-CUBED Corporation	NA
09/22/03	Atos SA	SchlumbergerSema (assets)	\$1,500.0
09/18/03	PanAmSat	Esatel Communications	NA
09/16/03	Agilysys	Kyrus	\$51.0
09/15/03	Cerberus Partners	Exp@nets	\$128.1
09/15/03	SAIC	Jullien Enterprises	NA
09/08/03	CDW Computer Centers	Micro Warehouse	\$22.0
08/26/03	Gores Technology Group	Omni Tech (division)	NA
08/19/03	LiquidationBid.com	SoftLEAD	NA
07/28/03	En Pointe Technologies (MBO)	En Pointe Technologies	\$16.6
07/25/03	Halifax Corporation	Microserv	\$3.0
07/24/03	MCI	Digex (assets)	\$18.0

# Business Process Outsourcing (BPO)

## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the BPO Index was up 25% and 6%, respectively.
- Similar to the IT and software development space, offshore labor is being utilized by most of the large BPO organizations that have a high degree of labor-intensive functions. Many of these organizations are purchasing facilities offshore and divesting domestic operations.
- The movement to offshore resources should continue as pricing pressure is forcing companies to use cheaper labor to compete and survive.
- Offshore BPO reduces cost but also creates management challenges. The competitive differentiation for companies will come from how they manage outsourced relationships.
- Based on Enterprise Value, for the LTM period, the median M&A revenue multiple was 1.6x while the median EBITDA multiple was 8.9x.



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.

### September 30, 2003

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
ACS	1.8x	10.0x
AZPN	0.5x	NM
ADP	2.7x	10.1x
BSG	2.1x	7.7x
CEN	2.3x	11.6x
GIB	1.3x	8.2x
EXLT	1.7x	24.4x
GVP	0.5x	NM
MEDQ	1.2x	6.3x
PAYX	8.7x	20.7x
PSTI	1.8x	17.4x
TIER	0.8x	5.8x

### Representative BPO Transactions

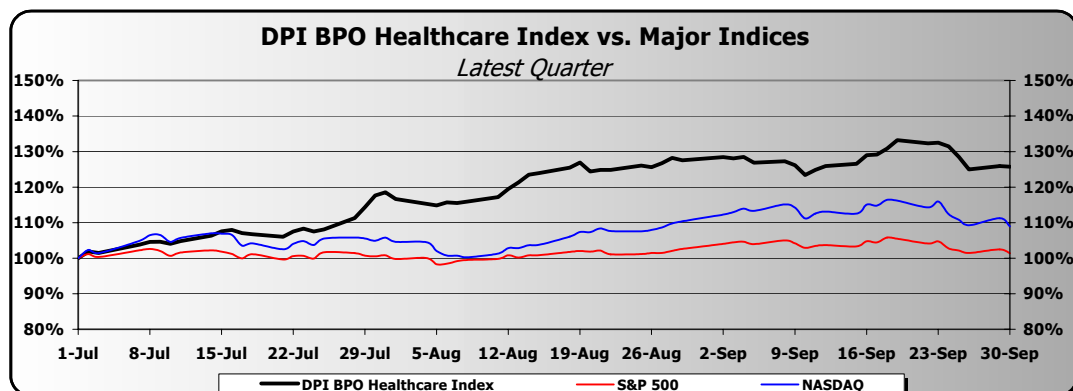
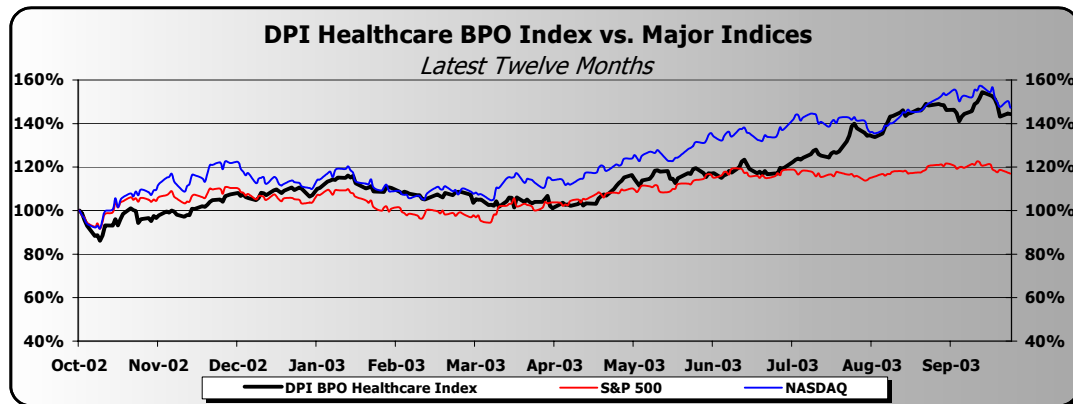
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/26/03	First Chesapeake Financial	iShiva Back Office Services	NA
09/23/03	Alliance Data Systems	Conservation Billing Services	\$15.0
09/23/03	Epixtar	I-Call Global Services (assets)	NA
09/22/03	Fiserv	General American	NA
09/04/03	Brown & Brown, Inc.	Washington Insurance Services	NA
09/02/03	Intuit, Inc.	Innovative Merchant Solutions	\$116.0
08/12/03	Global Payments, Inc.	Latin America Money Services	\$200.0
08/06/03	iPayment	Card Payment Solutions	\$18.3
07/31/03	ICICI Group	FirstRing	\$17.0
07/30/03	iGATE	Quintant Services	\$19.0
07/21/03	PPM Ventures	SPI Technologies	\$78.2
07/15/03	Century Business Services	BeneCor	NA
07/15/03	Fiserv	Chase Credit	NA
07/14/03	Allserve Systems	Aegis Communications Group	\$44.3
07/11/03	Fiserv	EDS (CUIG)	\$218.0

# Spotlight: Healthcare BPO

## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Healthcare BPO Index was up 44% and 26%, respectively.
- The healthcare BPO space is highly fragmented with many "mom & pop" shops with annual revenue below \$10m. There are very few companies in this space with revenue in excess of \$100m.
- Over the past year, significant consolidation has occurred in the sector. This trend should continue as companies combine to benefit from lower back-office costs and a larger client base and service offering.
- Offshore resources are being utilized by most of the larger providers to perform accounts receivable management, transcription and coding. Ultimately, the availability of skilled offshore resources will drive further M&A consolidation as smaller, less sophisticated players (without an offshore strategy) will be forced to join with larger organizations.



The DPI Healthcare BPO Index includes: Health Management Systems, IDX Systems, Mediware Information Systems, MedQuist, NDCHealth, Per-Se Technologies, Quality Systems, VitalWorks and WebMD.

**September 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
HMSY	0.6x	22.9x
IDXC	1.4x	12.9x
MEDW	2.9x	9.9x
MEDQ	1.2x	6.3x
NDC	2.4x	8.3x
PSTI	1.8x	17.4x
QSII	3.5x	14.2x
VWKS	1.8x	10.5x
HLTH	2.8x	26.5x

### Representative Healthcare BPO Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/17/03	CONEXIS	CompLink	NA
09/03/03	WNS (Holdings)	ClaimsBPO	NA
08/27/03	TA Associates	One Call Medical, Inc.	\$115.0
08/06/03	Piezo Instruments Inc.	Omni Medical Holdings	NA
07/15/03	Century Business Services	BeneCor	NA
07/14/03	MedAmerica	ERC Long Term Care Solutions	NA
07/02/03	Perot Systems	Vision Healthsource	\$8.3

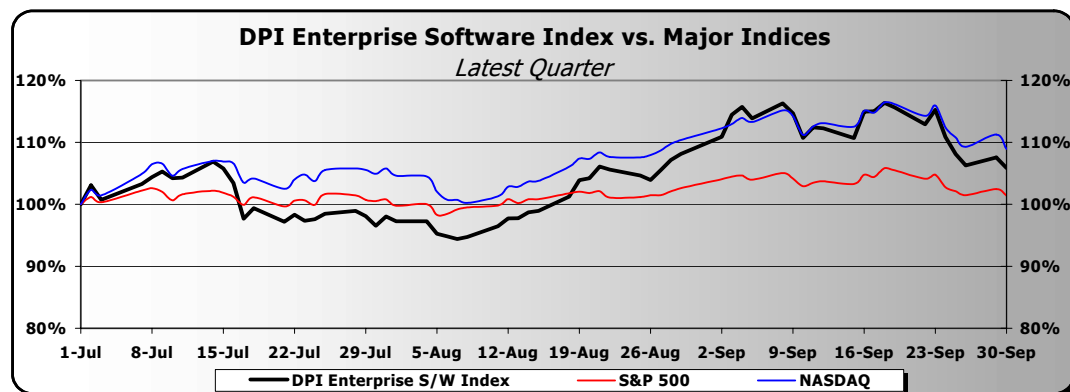
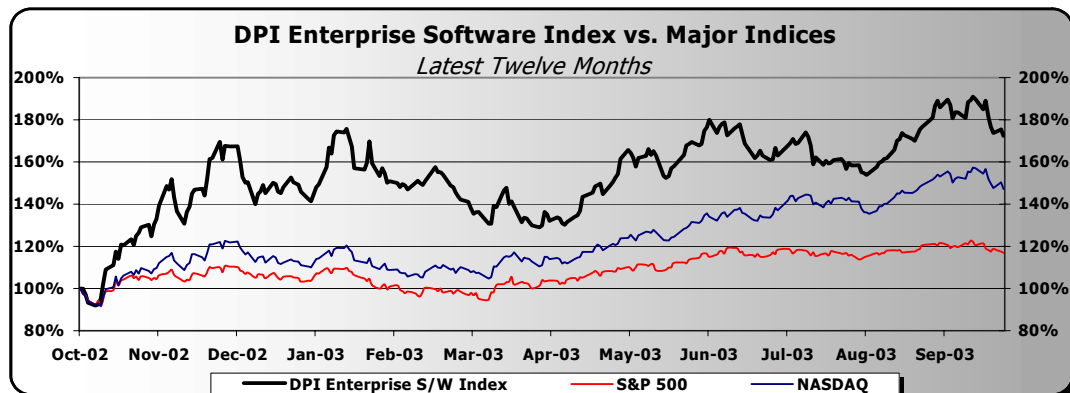


# Enterprise Software

## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Enterprise Software Index was up 72% and 6%, respectively.
- CIOs are demanding seamless application integration and lower costs of ownership (lower ongoing maintenance and licensing fees).
- M&A activity remains strong within the Enterprise Software space as security, storage management and web services deals remain hot.
- The stringent reporting issues related to Sarbanes-Oxley, tight equity markets and additional expenses associated with being public, have triggered more LBOs and "going-private" transactions led by private equity sponsors. These deals are typically being valued between 0.5x-1.0x trailing revenue.



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, Manhattan Associates, PeopleSoft, Siebel Systems, Symantec Corporation, Tibco Software, Veritas Software Corporation, Vignette Corporation and webMethods.

**September 30, 2003**

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
BMC	1.8x	9.3x
BORL	2.0x	26.7x
DCTM	3.5x	48.1x
EMC	4.4x	43.2x
ISSX	1.6x	8.7x
MANH	3.7x	16.0x
PSFT	2.9x	15.2x
SEBL	1.9x	17.7x
SYMC	5.5x	NM
TIBX	2.1x	34.3x
VRTS	7.2x	22.2x
VIGN	2.3x	NM
WEBM	1.2x	NM

### Representative Enterprise Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/12/03	Informatica	Striva	\$62.0
09/04/03	chinadotcom	Ross Systems	\$66.1
09/02/03	Zix Corporation	Elron Software	\$7.0
08/25/03	McDATA	Sanera Systems	\$102.0
08/20/03	Micromuse	NETWORK HARMONI	\$23.0
08/18/03	SSA Global Technologies	EXE Technologies	\$16.1
08/12/03	Primus Knowledge Solutions	Broad Daylight	\$2.6
08/11/03	Pervasive Software	Data Junction	\$45.2
08/04/03	Ascential Software	Mercator Software	\$90.3
08/04/03	Mercury Interactive	Allerez (assets)	\$1.3
07/30/03	Sun Microsystems	CenterRun	\$66.0
07/28/03	Fair, Isaac and Co.	NAREX Inc.	\$10.0
07/18/03	Business Objects	Crystal Decisions	\$820.0
07/09/03	Epicor Software	ROI Systems	\$20.7
07/08/03	EMC	LEGATO Systems	\$1,304.8

# Spotlight: Content Management

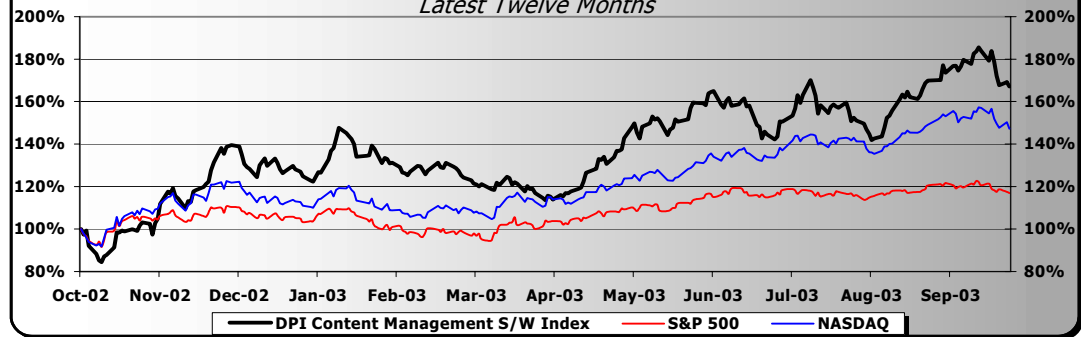
## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Content Management Index was up 67% and 17%, respectively.
- Significant consolidation occurred during the 3<sup>rd</sup> quarter in the Content Management sub sector. DecisionPoint tracked 11 deals during the quarter with notable acquirors being Hummingbird, Interwoven, Versant and Vignette.
- Strategic rationale drove M&A activity during the quarter as acquiring companies sought to fill product line gaps with complementary offerings. Most of the acquired companies were private, had strong brand identity and a solid customer base.
- As consolidation continues, software vendors that can offer organizations an integrated set of best-of-breed applications such as content management, portals and collaboration are well positioned to capture market share.

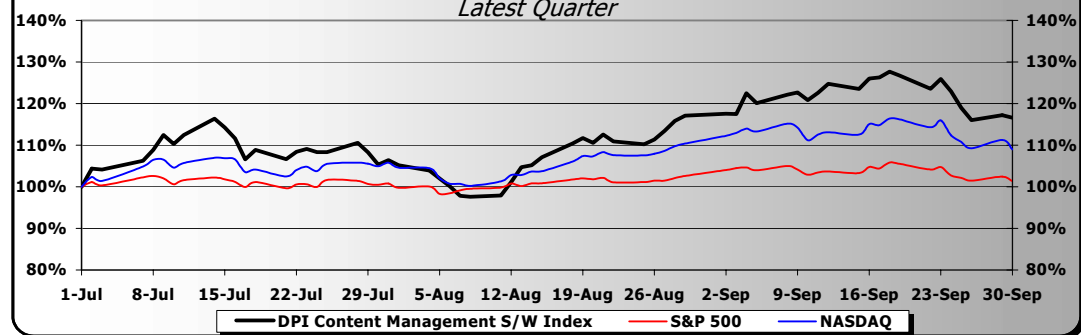
**DPI Content Management Software Index vs. Major Indices**

*Latest Twelve Months*



**DPI Content Management Software Index vs. Major Indices**

*Latest Quarter*



Note: The DPI Content Management Software Index includes: DocuCorp International, FileNet, Hummingbird, Interwoven, Open Text, Stellent, Verity and Vignette.

## Representative Content Management Software Transactions

### September 30, 2003

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
DOCC	0.9x	4.8x
FILE	1.6x	20.8x
HUMC	1.3x	NM
IWOV	1.1x	NM
OTEX	3.1x	15.7x
STEL	1.6x	NM
VRTY	3.5x	17.7x
VIGN	2.0x	NM

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/29/03	Versant	Poet Holdings	\$16.6
09/17/03	IceWEB	iPlicity	\$1.0
09/15/03	Vignette	Intraspect Software	\$15.7
09/10/03	INSCI	WebWare	NA
09/05/03	Thoma Cressey Equity Partners	Daticon	NA
08/27/03	Open Text	Gauss Interprise	\$10.1
08/06/03	Interwoven	iManage	\$135.1
07/30/03	SAVVIS Communications	WAM!NET (assets)	\$12.8
07/16/03	Product Sight	Maxim I/T	NA
07/15/03	IBM	Apatrix	NA
07/01/03	Hummingbird	Valid Information Systems	\$29.5



# Communications Software

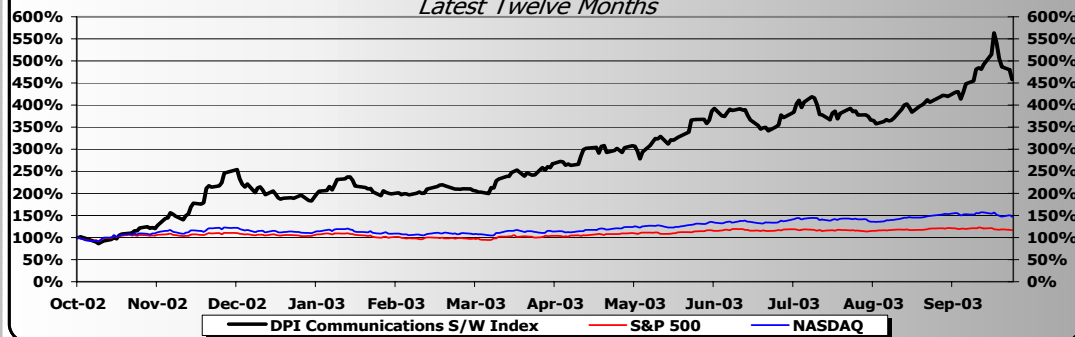
## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Communications Software Index was up 358% and 25%, respectively.
- A significant portion of the dramatic increase in stock performance for the Index over the LTM can be attributed to PUMA and Openwave's stock appreciation of 1,700%+ and 500%+, respectively.
- Although significant M&A activity occurred during the quarter, many of the announced transactions were asset purchases with struggling targets.
- M&A is expected to remain strong in Q4 as public acquirors are enjoying higher stock valuations, therefore making stock transactions more attractive.

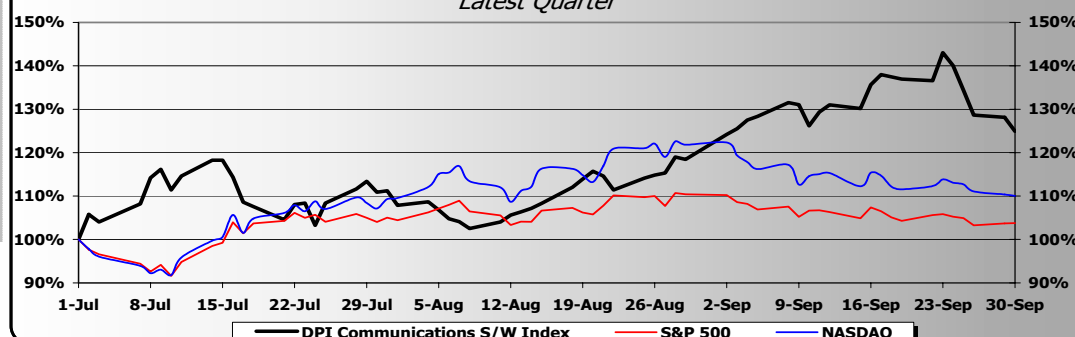
### DPI Communications Software Index vs. Major Indices

Latest Twelve Months



### DPI Communications Software Index vs. Major Indices

Latest Quarter



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.

September 30, 2003

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AETH	0.4x	NM
DOX	2.0x	16.1x
CMVT	1.8x	NM
CCRD	1.6x	NM
MSLV	0.4x	NM
MUSE	3.6x	NM
OPWV	2.2x	NM
PUMA	8.6x	NM
TSYS	1.4x	NM
VNWK	1.0x	12.6x

### Representative Communications Software Transactions

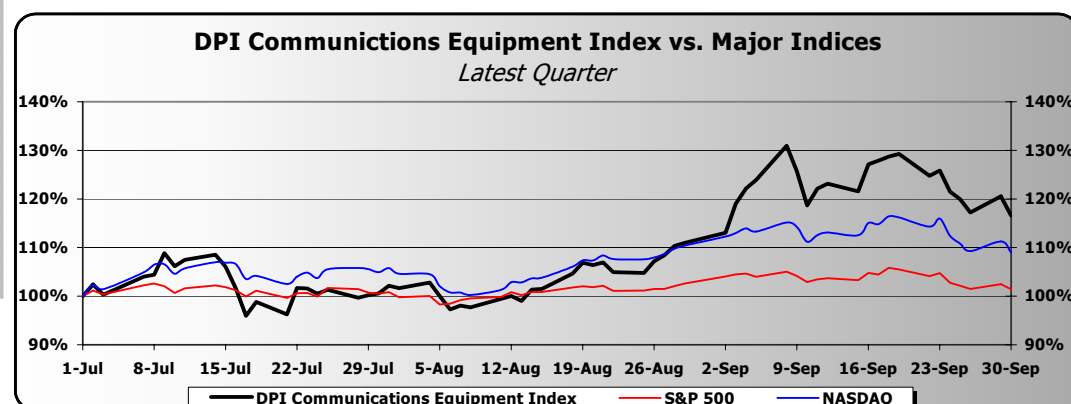
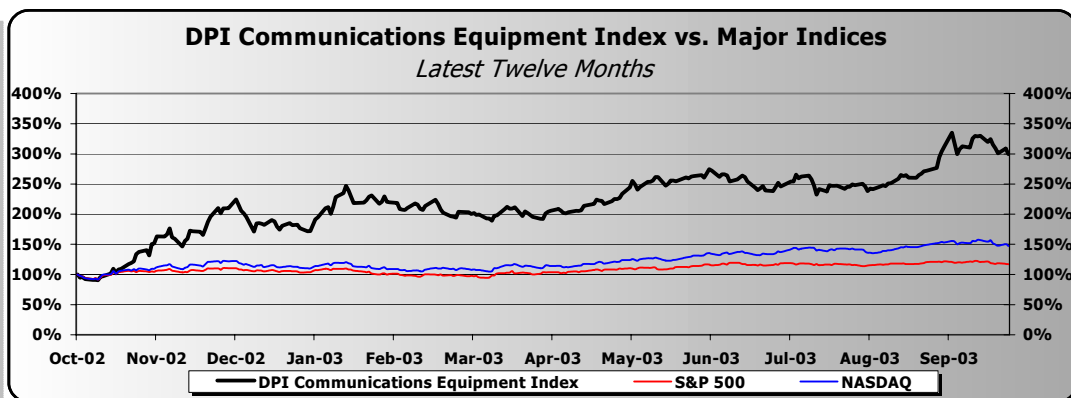
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/29/03	Sound Advantage	Captaris	\$3.3
09/24/03	Zeros & Ones	RocketStream	NA
09/24/03	Infowave Software	Sproqit Technologies	\$1.1
09/15/03	Pumatech	Synchrologic	\$60.0
09/11/03	Intec Telecom Systems	Digiquant	\$11.9
08/04/03	ATX	Vodafone PASSO	NA
08/05/03	ACE*COMM	i3 Mobile	NA
07/31/03	Pumatech	Spontaneous Technology	NA
07/30/03	Symbol Technologies	Covigo	NA
07/23/03	HP	PipeBeach	NA
07/23/03	TSI Telecom Services	Brience	NA
07/10/03	Autonomy	Virage	\$13.3
07/02/03	WaveRider Communications	Avendo Wireless	\$3.7
07/02/03	Pumatech	Loudfire	NA

# Communications Equipment

## Stock Performance and Recent M&A Activity

### Highlights

- For the LTM and quarter, the Communications Equipment Index was up 200% and 17%, respectively.
- Carrier spending is stable but still challenging and a year-end budget flush is unlikely from either carrier or enterprise spending.
- Carriers are predicted to focus on expanding DSL coverage and on initial moves toward an IP-based network. However, recent announcements by carriers on 3G expansions might indicate a shift in capex dollars to wireless initiatives from the wireline sector.
- Over 2 years of restructuring by equipment vendors has improved financial performance, but return on invested capital remains subpar.



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

### September 30, 2003

### Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
COMS	0.7x	NM
ADCT	1.5x	NM
ALA	0.9x	NM
CIEN	6.0x	NM
CSCO	6.8x	3.6x
LU	0.9x	NM
NT	1.5x	NM
TLAB	1.3x	NM

### Representative Communications Equipment Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
09/29/03	Applied Micro Circuits	IBM (assets)	\$47.0
09/25/03	Setram International	Agilent Technologies (assets)	NA
09/25/03	Silicon Laboratories	Cygnal Integrated Products	\$105.1
09/23/03	Tundra Semiconductor	Motorola (assets)	NA
08/28/03	Golden Gate Capital	Itronix	NA
08/25/03	Agere Systems	Massana	\$26.2
08/25/03	McDATA Corporation	Nishan Systems	\$85.0
08/25/03	McDATA Corporation	Sanera Systems	\$102.0
08/21/03	CIENA	Akara	\$45.0
07/28/03	Tellium	Zhone Technologies	NA
07/22/03	Verilink	Terayon (assets)	\$1.0
07/16/03	JDS Uniphase	Ditech Communications (assets)	\$5.3
07/10/03	Gores Technology Group	Forgent Networks (assets)	NA

### VIEWPOINT

### Communications Equipment

Please call DecisionPoint for further details on listed transactions.