



M&A for the
digital markets

QUARTERLY VIEWPOINT:

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

IT Services

- IT Solutions / IT Staffing
- Network Services / VAR

Software

- Enterprise
- Security

Communications

- Software

Sector Spotlight

- Business Process Outsourcing (BPO)

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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 2nd 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.

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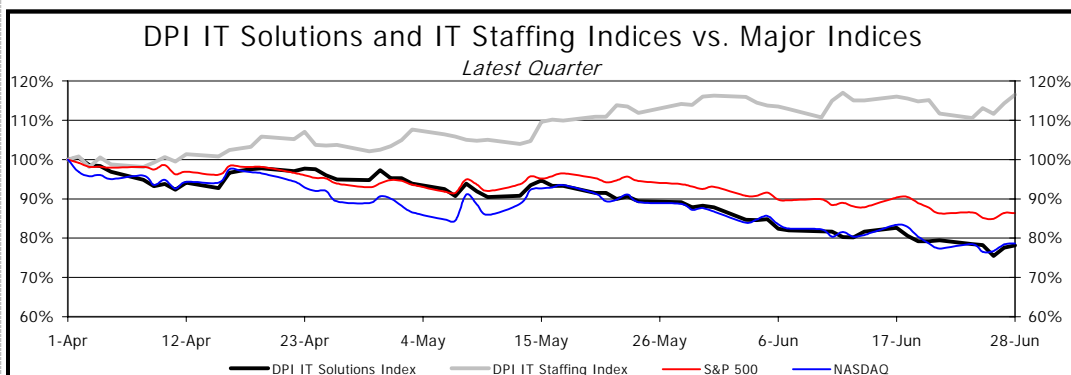
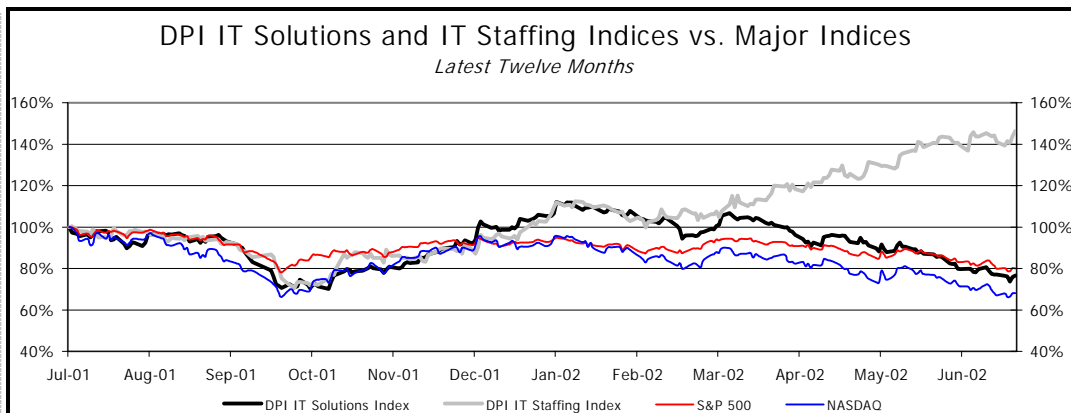
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IT Services Sector – IT Solutions / IT Staffing

Stock Performance and Recent M&A Activity

Highlights

- For the LTM period, the IT Staffing Index was up a remarkable 46% while the IT Solutions Index was down 23%. The IT Staffing Index was up 17% for the quarter, while the IT Solutions Index was down 22%.
- Mid-tier IT solutions firms are expected to take advantage of any financial rules that prevent large accounting firms from having both accounting and consulting accounts with clients.
- Companies struggle for long-term contracts and continue downsizing to meet current demand and reach profitability.
- 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.
- 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, CBR, DTPI, DTAS, KEA and KCIN.

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

June 30, 2002

Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
IT Solutions		
ACN	1.4x	7.8x
AMSY	0.6x	5.8x
ANSR	0.5x	11.0x
AXO.LSE	1.4x	9.6x
GIB	1.3x	8.7x
CBR	0.8x	18.1x
DTPI	0.5x	NM
DTAS	1.1x	NM
KEA	1.1x	16.9x
KCIN	0.9x	10.9x
IT Staffing		
BUTL	0.3x	18.5x
CFS	0.4x	8.5x
CTG	0.4x	22.3x
HAKI	0.5x	NM
MPS	0.6x	13.3x
TEAM	0.6x	NM
RCMT	0.4x	4.1x
TSRC	0.2x	17.3x

Representative IT Solutions and IT Staffing Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/28/02	NxTrend Technology, Inc.	CorpDNA	NA
06/26/02	KPMG Consulting, Inc.	Arthur Andersen	\$63.0
06/26/02	Cognicase	Groupe Genitique, Inc.	NA
06/24/02	Francisco Partners	GE Global eExchange Services	\$800.0
06/18/02	GFI Informatique	Thales Information Systems SA	\$245.4
06/12/02	CGI Group	Stewart & Stewart Consulting	NA
06/11/02	IntelliMark Holdings, Inc.	Technisource, Inc.	\$40.2
06/05/02	Atos SA	KPMG Consult. (UK, Netherlands divisions)	\$615.5
06/03/02	Dell Computer Corporation	Plural, Inc.	NA
05/31/02	HCL Technologies Ltd	Gulf Computers, Inc.	\$9.8
05/22/02	CGI Group	Netplex Systems, Inc. (retail division)	\$4.3
05/09/02	Adecco	Adecco Employment Services	NA
05/08/02	KPMG Consulting	Andersen Worldwide (23 member firms)	\$284.0
04/26/02	SunGard	Guardian iT plc	\$241.8
04/11/02	Cognicase	DBCORP	NA
04/08/02	CIBER, Inc.	Decision Consultants, Inc.	\$62.2
04/05/02	divine, inc.	Viant Corporation	\$12.0

VIEWPOINT

IT Solutions / IT Staffing

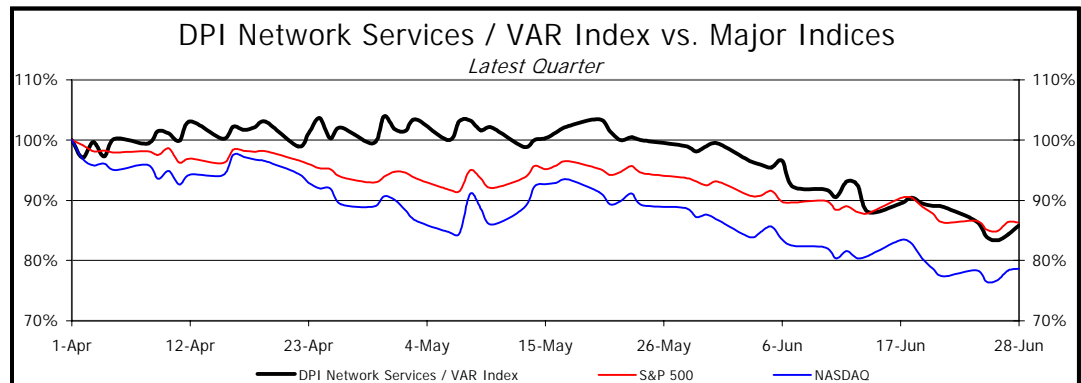
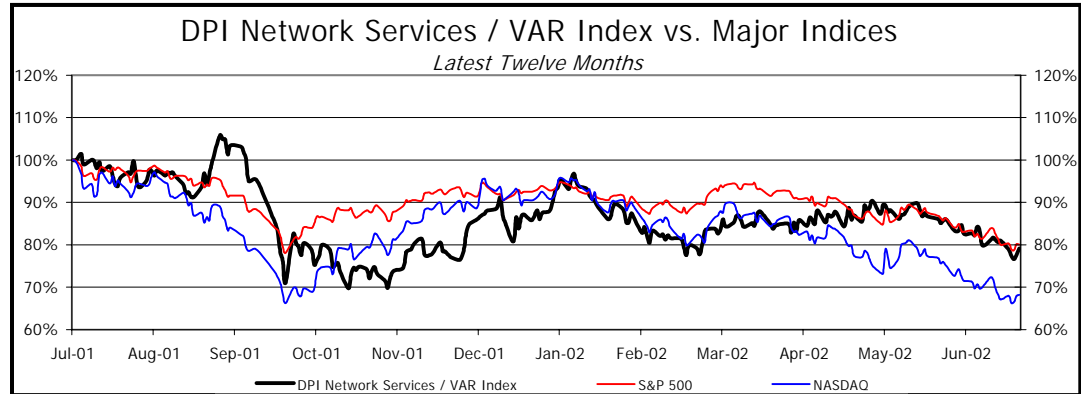
Please call DecisionPoint for further details on listed transactions.

IT Services Sector – Network Services / VAR

Stock Performance and Recent M&A Activity

Highlights

- The Network Services / VAR Index was down 21% for the LTM and down 14% 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.
- 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.
- Profitable companies with established partnerships and clients are being acquired by larger industry players.
- Industry vertical expertise remains critical to acquirors, with Federal Government and Healthcare / Life Sciences remaining most popular.



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

June 30, 2002

Metrics

Ticker	Enterprise Value /	
	LTM Gross Profit	LTM EBITDA
BBOX	3.1x	7.9x
CMPC	0.3x	2.2x
ENPT	0.5x	NM
MANC	0.3x	2.9x
PMRY	1.8x	4.3x
PRDS	NM	NM

Representative Network Services / VAR Transactions

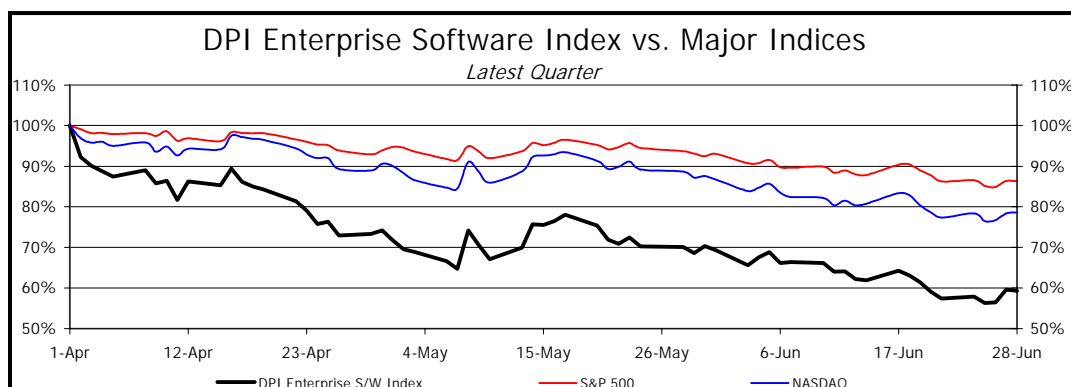
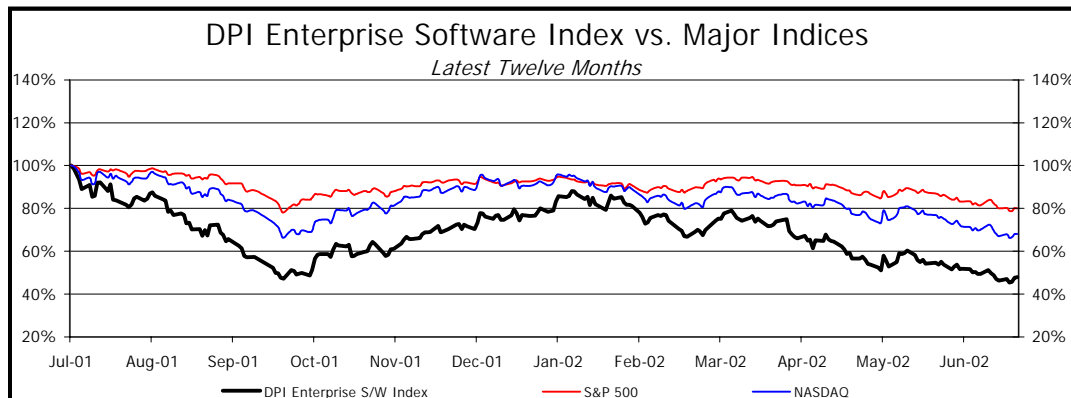
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/10/02	nStor Technologies, Inc.	Stonehouse Technologies	NA
06/03/02	F + F Consulting	Scheyer-Austin Ltd.	NA
05/17/02	Convergion	Unicorp, Inc.	NA
05/15/02	Westcon Group, Inc.	Landis Group NV (division)	NA
05/14/02	Speer Corporation	Venture Catalyst Incorporated	NA
05/10/02	SYNNEX Information Technologies	License Online, Inc.	NA
05/09/02	PC Mall, Inc.	Wareforce, Inc.	NA
05/06/02	SYNNEX Information Technologies	Gates/Arrow Distributing	NA
04/25/02	Insight Enterprises, Inc.	Comark, Inc.	\$150.0
04/22/02	OmniHub	Vglue, Inc.	NA
04/09/02	Allco	Comdisco (assets)	\$44.0
04/09/02	CTI Gateway	SCB Computer Technology (assets)	4.6
04/08/02	AI-Asia, Ltd.	Kangrun Jia Yuan Technology Ltd.	NA
04/03/02	PC Mall	Pacific Business Systems, Inc.	NA
04/03/02	Chell Group Corporation	EMTEC, Inc.	NA

Enterprise Software Sector

Stock Performance and Recent M&A Activity

Highlights

- The Enterprise Software Index was down 52% and 41% for the LTM and the quarter, respectively.
- In the last months, more companies have re-evaluated their IT budgets/spending plans due to the slowing economy. Unfortunately, an improving profit picture is unlikely to translate into a significant increase in technology spending in the next 3-6 months.
- Application integration continues to be an issue in regards to rolling 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.



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

June 30, 2002

Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
AKAM	1.8x	NM
BEAS	3.5x	20.0x
BMC	2.7x	21.6x
COGN	3.2x	15.0x
CA	4.0x	NM
ITWO	0.5x	NM
NOVL	0.4x	9.9x
ORCL	4.8x	12.0x
PSFT	1.4x	7.7x
SAP	4.0x	19.0x
SEBL	2.7x	10.8x
VRTS	4.5x	13.9x

Representative Enterprise Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/28/02	NxTrend Technology, Inc.	CorpDNA	NA
06/27/02	Golden Gate Capital	Peregrine Systems, Inc. (SCE division)	NA
06/27/02	Front Porch Digital, Inc.	ManagedStorage Intl. (DIVArchive division)	NA
06/25/02	IBM	Metamerge	NA
06/24/02	CNT	BI-Tech Solutions	\$24.3
06/17/02	Hitachi, Ltd.	Comstock Systems Corporation	\$20.0
06/11/02	Solectron Corporation	Magnetic Data Technologies	NA
06/10/02	Novell, Inc.	SilverStream Software, Inc.	\$112.0
05/29/02	MRO Software, Inc.	MainControl, Inc.	\$19.0
05/07/02	Microsoft Corporation	Navision	\$1,300.0
05/02/02	Level 3 Communications, Inc.	Software Spectrum, Inc.	\$122.0
05/02/02	Endymion Systems, Inc.	ZNOW, Inc.	NA
04/29/02	Fair Isaac & Co.	HNC Software, Inc.	\$810.0
04/17/02	Blue Martini Software	Cybrant Corporation	NA
04/08/02	Fujitsu Software Tech. (Softtek)	Vixel (InSite division)	\$10.0
04/03/02	Stellent, Inc.	Kinecta Corporation	NA
04/02/02	Chordiant Software, Inc.	OnDemand, Inc.	\$12.0
04/02/02	FileNET Corporation	eGrail, Inc.	\$10.0

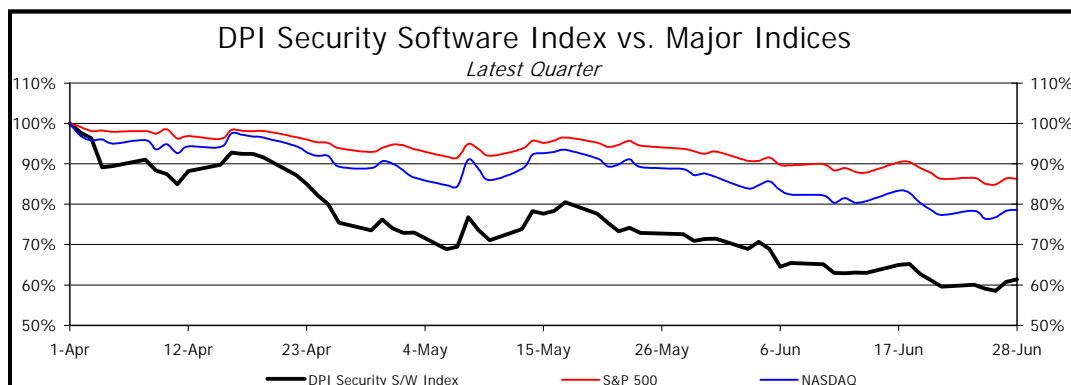
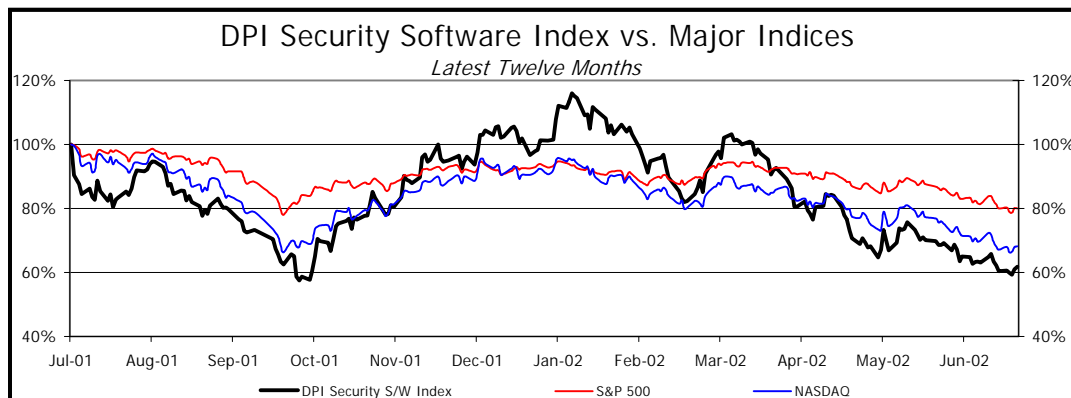
Please call DecisionPoint for further details on listed transactions.

Security Software Sector

Stock Performance and Recent M&A Activity

Highlights

- The Security Software Index was down 38% and 39% for the LTM and the quarter, respectively.
- Revenue growth for security companies is a derivative of overall network spending by carriers and enterprises.
- Recent announcements from some network vendors cast a long shadow over not only the 2002 revenue opportunity, but possibly over early 2003 as well.
- Technology budgets appear to have stabilized, however, the pace of recovery could be muted as enterprises selectively undertake new investments other than security.
- Many of the security firms are suffering from increased DSOs and expenses for bad debt.
- At this point, many analysts lack the conviction to proclaim that the security software market has bottomed. Though many vendors have suggested the worst is over, few, if any, have been accurate in forecasting their own level of business.



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

June 30, 2002

Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
CHKP	4.5x	7.0x
CFW	2.1x	NM
ENTU	0.7x	NM
ISSX	2.0x	44.9x
NET	0.7x	13.8x
RSAS	1.1x	NM
SNWL	0.9x	5.6x
SYMC	2.8x	12.9x
VRSN	1.3x	7.2x
WGRD	0.9x	NM

Representative Security Software Transactions

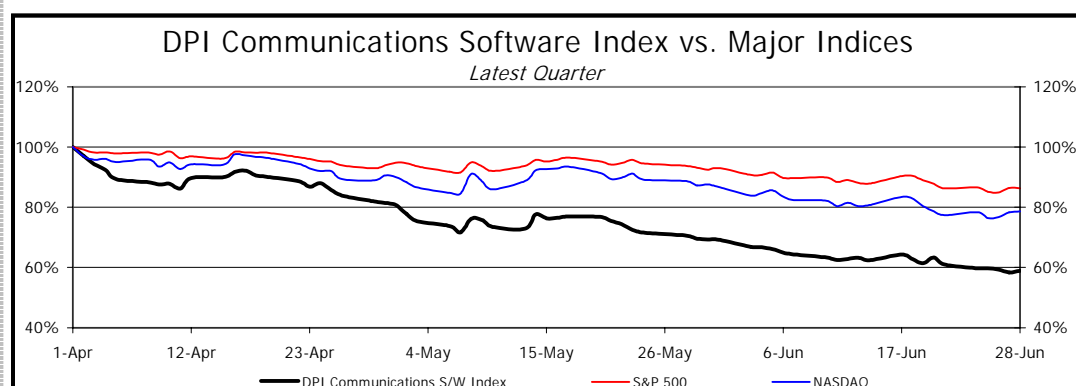
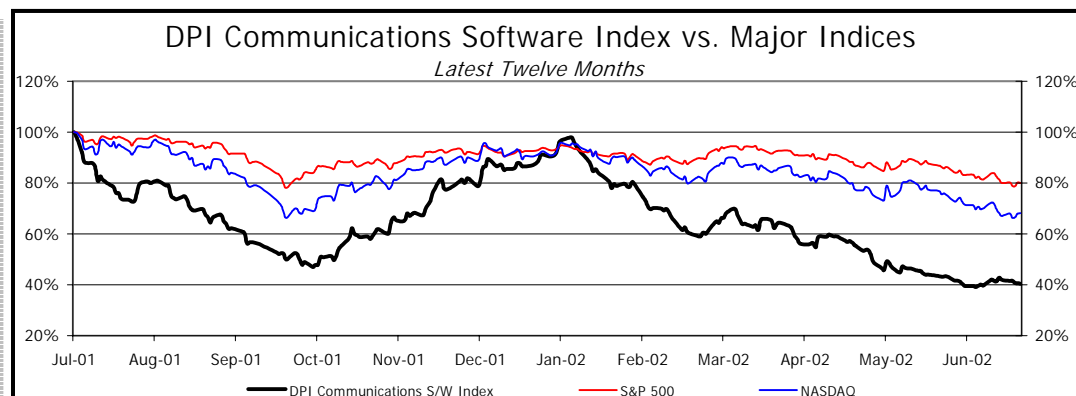
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/19/02	RedSiren Technologies	Veritect	NA
06/14/02	Technology Nexus AB	Blueice Research AB	NA
06/13/02	Discovery Investments, Inc.	Cavio Corporation	NA
06/13/02	Privacy Council, Inc.	Idcide (assets)	NA
06/11/02	Secure Computing Corporation	SmartFilter	NA
05/21/02	Secure Computing Corporation	FiPass	NA
05/08/02	RedSiren Technologies	Secure Network Group	NA
04/29/02	IntelliReach Corporation	MicroData Software, Inc.	NA
04/17/02	Nexus Group International, Inc.	iView Systems	NA
04/17/02	Fort Washington Capital Partners	ServerVault, Inc.	\$2.2
04/15/02	Kasten Chase	Karthika Technologies, Inc.	NA

Communications Software Sector

Stock Performance and Recent M&A Activity

Highlights

- The Communications Software Index was down 60% and 41% for the LTM and the quarter, respectively.
- We believe the communications software sector will lag the broader market recovery over the next six months due to the lack of near-term catalysts to drive revenue.
- Communication software should increase as a percentage of total carrier capital expenditure budgets.
- 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.
- Specifically, we believe that carrier spending has continued to deteriorate in the June quarter; this should negatively impact close rates and introduces revenue risk across the group for Q3 and the balance of 2002.



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

June 30, 2002

Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
SVNX	NM	NM
AETH	NM	NM
DOX	0.7x	2.7x
CMVT	0.4x	15.9x
CCRD	2.3x	NM
MSLV	0.5x	NM
MUSE	1.2x	10.3x
OPWV	1.8x	NM
PUMA	NM	NM
TSYS	0.5x	NM
VNWK	0.6x	NM

Representative Communications Software Transactions

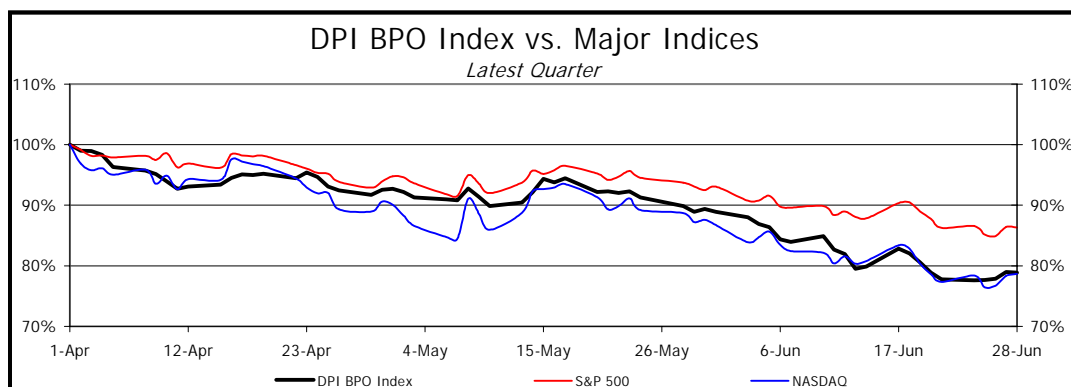
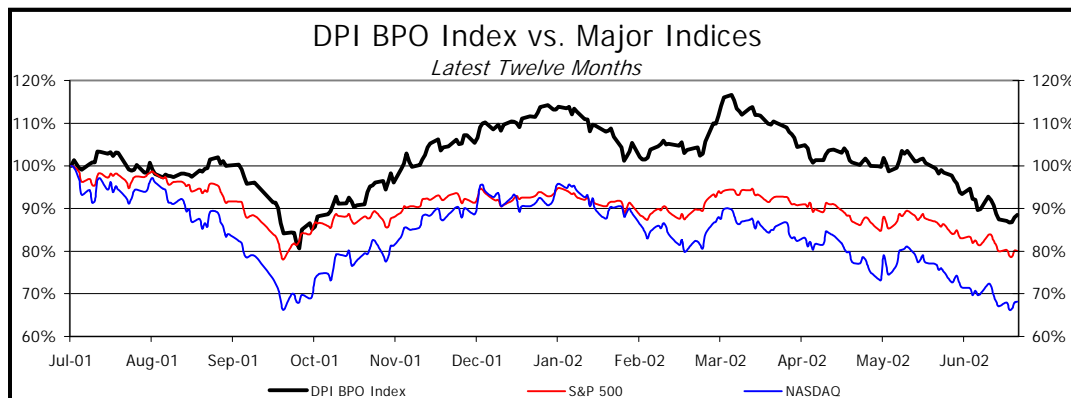
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/27/02	Loudeye Technologies	Digital Media Broadcast	NA
06/24/02	Ikimbo	Redmind	NA
06/19/02	Micromuse, Inc.	RiverSoft	\$64.0
06/05/02	SRM Networks, Inc.	weComm, Ltd.	NA
05/29/02	Alcatel	Telera Corporation	\$136.0
05/29/02	Openwave Systems, Inc.	SignalSoft Corporation	\$59.0
05/22/02	Loudeye Technologies	Wonderhorse Corporation	NA
05/20/02	Comverse	Odigo, Inc.	\$20.0
05/07/02	ProxyMed, Inc.	KenCom Communications & Services, Inc.	NA
05/07/02	Electronics For Imaging, Inc.	Unimobile, Inc.	\$2.5
04/22/02	XcelleNet, Inc.	Ehand AB	NA
04/10/02	NMS Communications	MessageMachines, Inc.	NA
04/09/02	Asyst Technologies, Inc.	domainLogix Corporation	NA

Sector Spotlight: Business Process Outsourcing (BPO)

Stock Performance and Recent M&A Activity

Highlights

- The BPO Index was down 12% for the LTM and 21% for the quarter.
- As enterprises seek to focus more on their core activities, BPO increasingly is being considered as a business strategy that provides access to "best in class" processes and cost predictability.
- The success of IT outsourcing has triggered companies to replicate the outsourcing process for other non-core areas.
- Many IT suppliers are expected to forge alliances with BPO providers to create a full range of service offerings in the BPO space.
- Many BPO firms offer front-end sales capabilities in the US, with a large portion of the work completed offshore (software development).
- M&A activity was strong in the 2nd quarter and is expected to remain active in the coming quarters.



Note: Due to the broad BPO market, the DPI BPO Index includes a variety of financial services, healthcare and IT services companies: ACS, ADP, BSG, CEN, GIB, EXLT, MEDQ, PAYX, PSTI, PRBZ and TIER.

June 30, 2002

Metrics

Ticker	Enterprise Value /	
	LTM Revenue	LTM EBITDA
ACS	2.3x	13.9x
ADP	3.3x	11.3x
BSG	4.7x	16.6x
CEN	2.3x	11.2x
GIB	1.3x	8.7x
EXLT	1.7x	NM
MEDQ	2.1x	8.9x
PAYX	9.5x	25.0x
PSTI	1.3x	16.7x
PRBZ	2.1x	NM
TIER	2.6x	15.6x

Representative BPO Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/28/02	Ingroup	Convergys Corporation	NA
06/27/02	Aladdin Systems, Inc.	Erevu Incorporated	NA
06/27/02	Golden Gate Capital	Peregrine Systems, Inc. (SCE division)	NA
06/27/02	Pitney Bowes, Inc.	PSI Group, Inc.	\$130.0
06/20/02	Provider HealthNet Services, Inc.	MedGrup Corporation	\$6.9
06/19/02	InterCept, Inc.	Affiliated Computer Services (assets)	\$7.5
06/18/02	Medifax-EDI, Inc.	Working Rx, LC	NA
06/06/02	First Data Corporation	E Commerce Group Products, Inc.	NA
06/03/02	First Consulting Group, Inc.	Codigent Solutions Group (53% stake)	\$9.4
06/03/02	Covansys Corporation	PDA Software Services, Inc.	\$16.5
05/31/02	Tier Technologies, Inc.	Official Payments Corporation	\$74.5
05/23/02	Voyus Ltd.	PCSupport.com, Inc.	NA
05/16/02	Affiliated Computer Services, Inc.	AFSA Data Corporation	\$410.0
04/17/02	Merge Technologies	eFilm Medical, Inc.	NA