



**M&A for the  
digital markets**

## QUARTERLY VIEWPOINT:

For the Quarter Ended June 30, 2001  
and the Latest Twelve Months

### **IT Services**

#### **Software**

- Enterprise
- Security

#### **Communications**

- Equipment
- Software

### **DecisionPoint International**

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This quarterly VIEWPOINT covers stock index performance, public valuation multiples and relevant M&A activity for the IT Services sector, the Enterprise and Security Software sectors and the Communications Equipment and Software sectors. The stock market experienced an upswing in the 2<sup>nd</sup> quarter due to interest rate cuts and improved investor confidence. The NASDAQ finished the quarter at 2,161, up approximately 21% from the beginning of the quarter, although down 46% over the Latest Twelve Months ("LTM"). In the 2<sup>nd</sup> quarter, M&A activity was impacted by acquirors still suffering from devalued stock currency when financing transactions (detailed M&A activity for the last 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 and stock prices are from June 30, 2001.

DecisionPoint International is a boutique Investment Bank providing merger and acquisition services to technology companies in the IT Services, Communications and Software 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 Don Holbrook at DecisionPoint International.

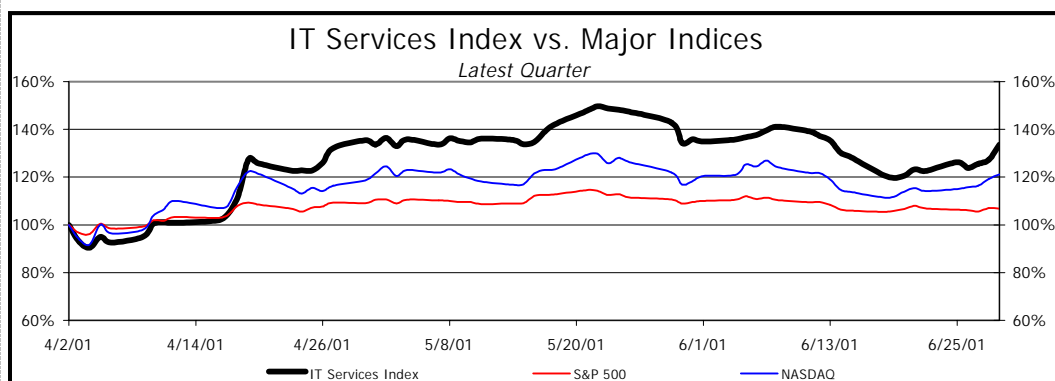
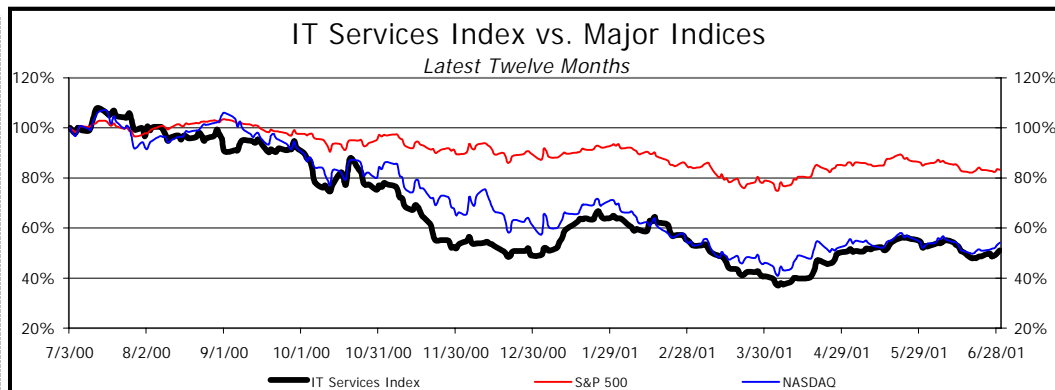
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# IT Services Sector

## Stock Performance and Recent M&A Activity

### Highlights

- The IT Services Index is down almost 50% for the LTM, but rebounded 33% for the quarter.
- Profitability (EBITDA) continues to be a major valuation driver.
- Traditional product companies are acquiring service firms to gain revenue and to provide complementary solutions.
- Return to dominance of large, established players (e.g. Big 5).
- Cross-border M&A activity remains strong.
- Increasing public sector consolidation (7 deals in latest quarter).
- Smaller, regional firms struggle to maintain pipeline visibility.
- Off-shore development models are growing in popularity.
- Increasing numbers of private buyers attempting to consolidate the private market (offering large percentages of stock).



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

June 30, 2001

### Metrics

Ticker	Enterprise Value (\$ in M)	LTM Revenue Multiple
AMSY	\$1,025.9	0.8x
ANSR	\$411.4	1.3x
AXO.LSE	\$226.8	3.7x
GIB	\$1,673.3	1.9x
DTPI	\$239.4	0.9x
DTAS	\$228.9	0.8x
KEA	\$1,207.7	1.4x
KCIN	\$2,413.5	0.9x
LOG.LSE	\$5,702.0	8.0x
SAPE	\$936.6	1.8x

### Representative IT Services Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/28/01	CGI Group	Larochelle Gratton	\$6.1
06/26/01	COGNICASE	Personus	\$0.7
06/26/01	Camstar	Unifi Technology Grp. (sup. chain group)	NA
06/25/01	ACS	Global Government Solutions (unit of SCT)	\$85.0
06/21/01	G. Drew Conway (MBO)	Renaissance Worldwide	\$44.9
06/14/01	Silverline Technologies	CTC Corporation	\$31.5
06/14/01	CIBER	Aris Corporation	\$20.6
05/30/01	COGNICASE	Radius Information Systems	NA
05/23/01	EDS	Structural Dynamics Research Corporation	\$950.0
05/15/01	Motient	Rare Medium	\$25.6
05/14/01	Seneca Investments	AGENCY.COM	\$68.6
05/14/01	Telus	Daedalian eSolutions	\$18.9
05/14/01	Primix	Extrio Corporation	\$12.7
05/08/01	INRANGE Technologies	ONEX Incorporated	NA
04/26/01	Dimension Data Holdings	Proxicom	\$378.0
04/25/01	Enerva Corporation	Live Technologies	NA
04/23/01	SBI	marchFIRST (certain assets)	NA
04/19/01	FI Group plc	Synergy Consulting	\$39.7
04/19/01	IBM	Mainspring	\$20.2
04/11/01	xChange21	NetAcross OLS	NA
04/06/01	Wilco International	Terence Chapman	\$22.8
04/06/01	QCC Technologies	Jaratech Business Solutions	\$2.4
04/04/01	CNT	Articulent	\$46.0
04/04/01	UBICS	Oakwood Technical Services	\$2.2
04/03/01	divine	marchFIRST (20 offices)	NA
04/02/01	EDS	Systematics AG	\$570.0

# Enterprise Software Sector

## Stock Performance and Recent M&A Activity

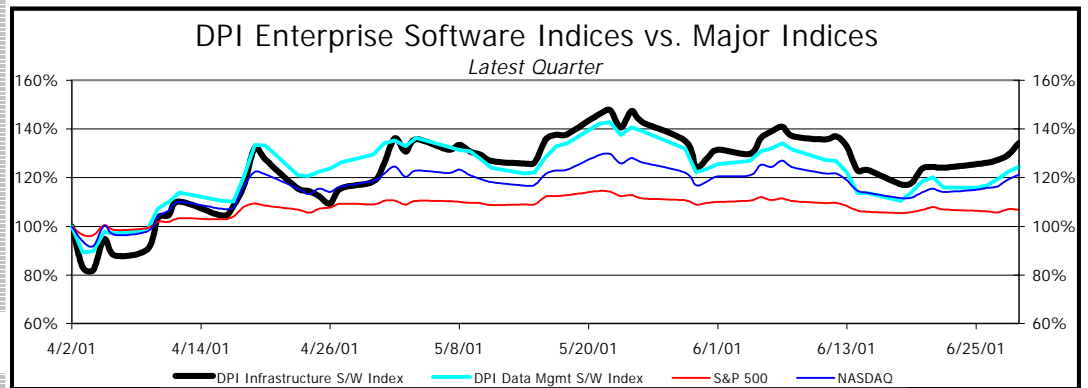
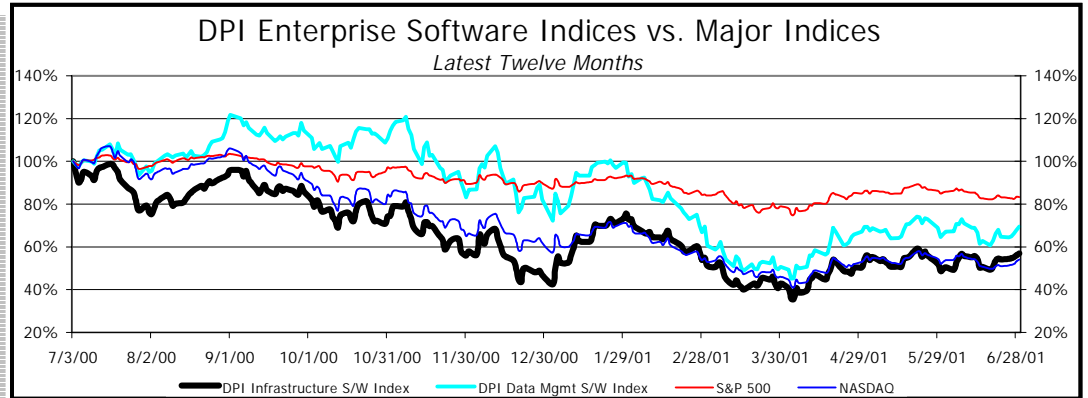
### Highlights

- The Enterprise Software sector has performed poorly for the LTM, down 43% and 30% for Infrastructure and Data Management, respectively. However, the sector rebounded in the quarter, up 34% and 24% for Infrastructure and Data Management, respectively.
- Many emerging software companies are having trouble closing new business as customers gravitate towards established vendors.
- Most Data Management software companies are expecting flat to down license revenue in Q2 and Q3 '01.
- Infrastructure software companies are suffering as enterprises are reducing IT budgets and delaying purchase decisions.
- Enterprise Software M&A activity remains strong.

June 30, 2001

### Metrics

Ticker	Enterprise Value (\$ in M)	LTM Revenue Multiple
<b>Data Management</b>		
ITWO	\$7,662.9	5.9x
BEAS	\$11,918.9	12.9x
BVSN	\$1,196.3	2.7x
BOBJ	\$1,226.8	3.3x
COGN	\$1,251.4	2.5x
MSFT	\$388,591.0	15.8x
ORCL	\$101,909.0	9.3x
PSFT	\$13,466.7	7.2x
SAP	\$42,863.1	7.6x
SEBL	\$20,208.6	9.8x
SSSW	\$70.5	0.8x
SY	\$1,386.0	1.4x
<b>Infrastructure</b>		
AKAM	\$989.7	8.1x
BMC	\$5,350.0	3.6x
CTXS	\$6,452.7	13.6x
CA	\$24,359.0	5.8x
INKT	\$1,096.4	4.2x
LGTO	\$1,244.6	5.4x
NETM	\$83.3	0.8x
STOR	\$1,537.5	21.8x
SUNW	\$56,026.0	2.9x
VRTS	\$26,950.4	20.0x



Note: The DPI Data Management Software Index includes: ITWO, BEAS, BVSN, BOBJ, COGN, MSFT, ORCL, PSFT, SAP, SEBL, SSSW and SY.

The DPI Infrastructure Software Index includes: AKAM, BMC, CTXS, CA, INKT, LGTO, NETM, STOR, SUNW and VRTS.

### Representative Enterprise Software Transactions

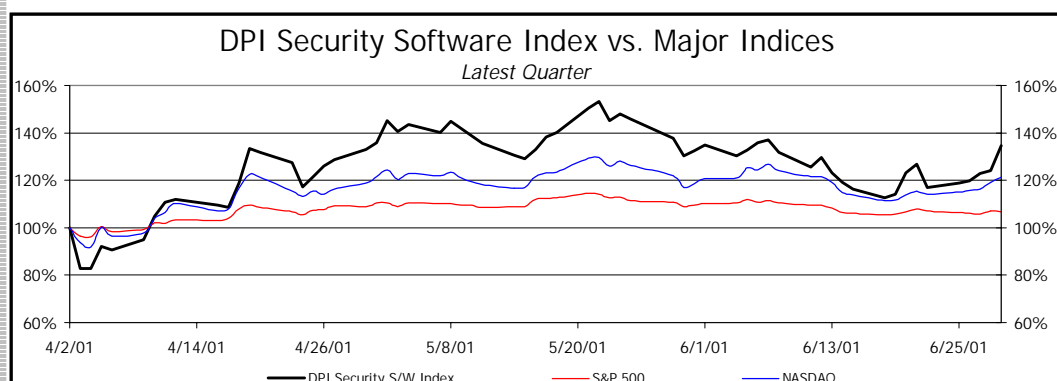
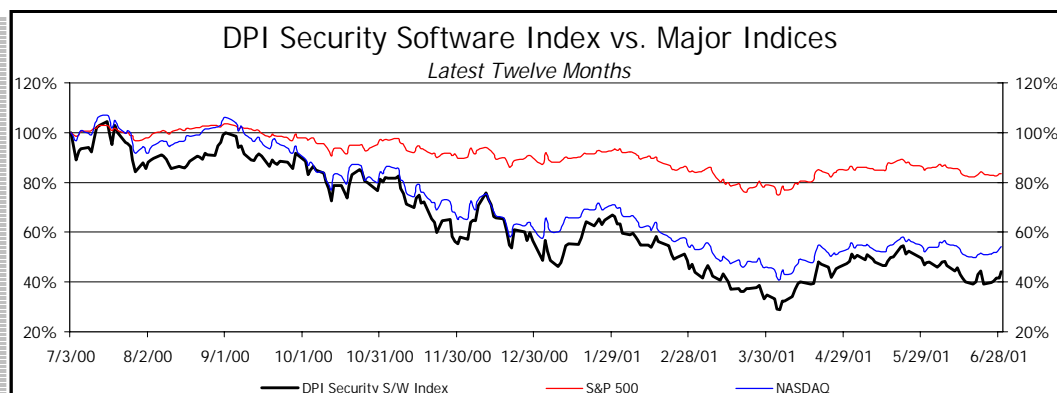
Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/29/01	SAP AG	Commerce One (minority interest)	\$225.0
06/20/01	Loudeye Technologies	Addition Systems	NA
06/11/01	Peregrine Systems	Remedy	\$861.5
05/23/01	Evolve	Vivant Solution	\$2.7
05/21/01	Kewill Systems plc	Alliance Manufacturing Software Intl.	NA
05/21/01	Mercury Interactive	Freshwater Software	\$147.0
05/21/01	Primus	AnswerLogic	\$2.3
05/21/01	Sage Software	Platinum for Windows (Epicor Software)	NA
05/14/01	NEXIQ Technologies	Diversified Software Industries	\$4.3
05/02/01	Actuate Corporation	Tidestone Technologies	\$10.6
04/30/01	Microsoft	NCompass Labs	\$36.0
04/24/01	IBM	Informix Software (database division)	\$745.4
04/11/01	EMC Corporation	FilePool NV	\$50.0
04/10/01	Kana Communications	Broadbase Software	\$71.4
04/10/01	TogetherSoft Corporation	Bergson Software Tools BV	NA

# Security Software Sector

## Stock Performance and Recent M&A Activity

### Highlights

- The Security Software sector continues to mirror NASDAQ's performance, down 56% for the LTM and up 35% for the quarter (10%+ move on last day of Q).
- Despite overall declining VC funding, the infosecurity market has been fueled with significant VC during the first two quarters (over \$500M in 1H'01).
- The security industry has some of the highest ROI metrics of any sector related to e-commerce. These companies tend to have a shorter path to profitability.
- Currently, the majority of VC security dollars are funding the Managed Security Service Providers (MSSP). This industry is predicted to reach \$1.7B by 2005 (source: Information Security Magazine).



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

June 30, 2001

### Metrics

Ticker	Enterprise Value (\$ in M)	LTM Revenue Multiple
BALT	\$22.7	0.2x
CHKP	\$11,160.0	22.7x
ENTU	\$430.2	2.9x
ISSX	\$2,004.8	9.2x
NETA	\$1,803.4	2.6x
SNWL	\$1,385.2	17.2x
SYMC	\$2,587.1	3.3x
VRSN	\$11,146.1	17.0x
WGRD	\$160.9	2.4x
RSAS	\$1,518.6	5.2x

### Representative Security Software Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/18/01	Secour Communications, Dubra & Associates, and Morlok Research	MERGER to form Alebra Technologies	NA
06/11/01	RSA Security	3-G International	\$12.0
06/05/01	Universal Domains	Cavio Corporation	NA
05/24/01	AtomicTangerine	SecurityPortal	NA
05/18/01	Aladdin Knowledge Systems	Preview Systems - ESD Business	\$5.0
05/09/01	Nexxlink Technologies	Osiris (Logiciel)	NA
04/30/01	ProAct IT Group AB	JP Networking OY	NA
04/30/01	Internet Security Systems	Network ICE	\$185.0
04/23/01	Counterpane Internet Security	Security Design International	NA
04/19/01	Infineon Technologies	CRYPTOMATHiC (minority interest)	NA
04/04/01	VIGILANTe	Networks Vigilance	NA
04/04/01	VASCO Data Security Intl.	Identikey	\$2.0
04/02/01	Authoriszor	WRDC	\$3.0

# Communications Equipment Sector

## Stock Performance and Recent M&A Activity

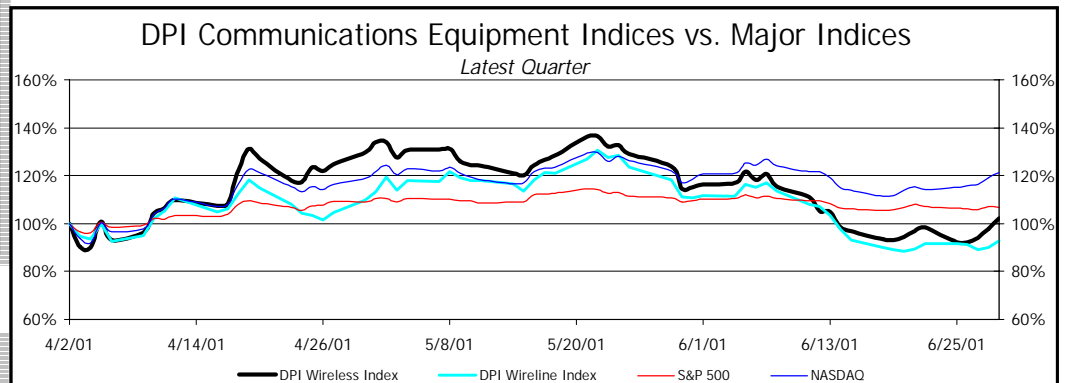
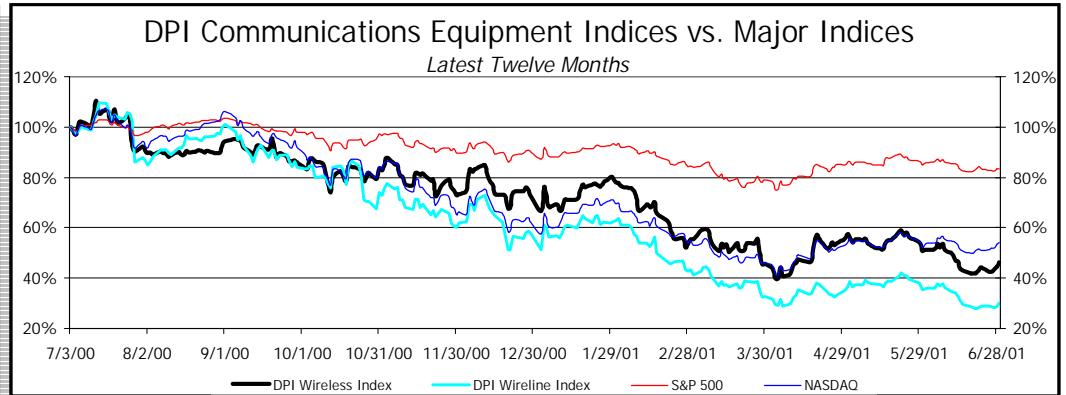
### Highlights

- The Communications Equipment sector has performed very poorly for the LTM, down 54% and 70% for Wireless and Wireline, respectively. However, the sector rebounded modestly in the quarter, up 2% and 7% for Wireless and Wireline, respectively.
- Telecom equipment vendors continue to be impacted by reductions in capital spending by carriers.
- Wireless equipment manufacturers are suffering from delayed 2.5G / 3G network buildout.
- Carriers are shifting to a demand-driven capital expenditure model.
- Continued softness in the equipment sector is negatively impacting the optical component sector.

June 30, 2001

### Metrics

Ticker	Enterprise Value (\$ in M)	LTM Revenue Multiple
<b>Wireless</b>		
ERICY	\$46,967.8	1.7x
XTND	\$70.2	1.4x
MOT	\$43,645.0	1.2x
NOK	\$100,884.5	3.7x
QCOM	\$42,361.7	15.4x
SWIR	\$232.4	3.4x
SBL	\$5,247.6	3.3x
<b>Wireline</b>		
COMS	(\$629.6)	NM
ADCT	\$4,912.4	1.5x
ALA	\$29,058.0	1.0x
CS	\$3,531.4	3.3x
CIEN	\$10,905.6	8.4x
CSCO	\$127,024.0	5.4x
LU	\$25,144.1	0.9x
NT	\$30,808.7	1.0x
TLAB	\$6,914.0	2.0x



Note: The DPI Wireless Index includes: ERICY, XTND, MOT, NOK, QCOM, SWIR and SBL.

The DPI Wireline Index includes: COMS, ADCT, ALA, CS, CIEN, CSCO, LU, NT and TLAB.

## Representative Communications Equipment Transactions

Announced Date	Acquiror Name	Target Name	Enterprise Value (\$M)
06/25/01	The Titan Corporation	Datron Systems	\$51.2
06/13/01	Kestrel Solutions	TeON Optical Networks	NA
06/05/01	National Semiconductor	Wireless Solutions Sweden AB	\$23.5
05/30/00	ANDA Networks	Wuhan Snow City Communications	NA
05/29/01	Solectron	Cisco (Optical Modules division)	NA
05/25/01	Redback Networks	Merlin Systems	\$57.0
05/21/01	Agilent Technologies	Sirius Communications NV	NA
05/17/01	Exus Networks	NEGEN Access	\$1.5
05/15/01	EMS Technologies	CI Wireless	\$4.0
05/15/01	TriQuint Semiconductor	Sawtek	\$1,134.0
04/25/01	Endwave Corporation	M/A-Com's wireless business (assets)	\$6.0
04/10/01	Lantronix	Lightwave Communications	\$57.3
04/09/01	Seagull Holding N.V.	Renex Corporation	NA

VIEWPOINT

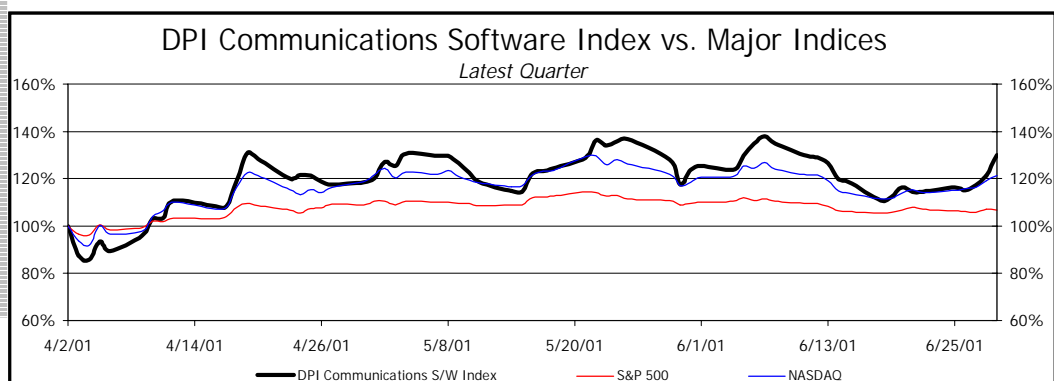
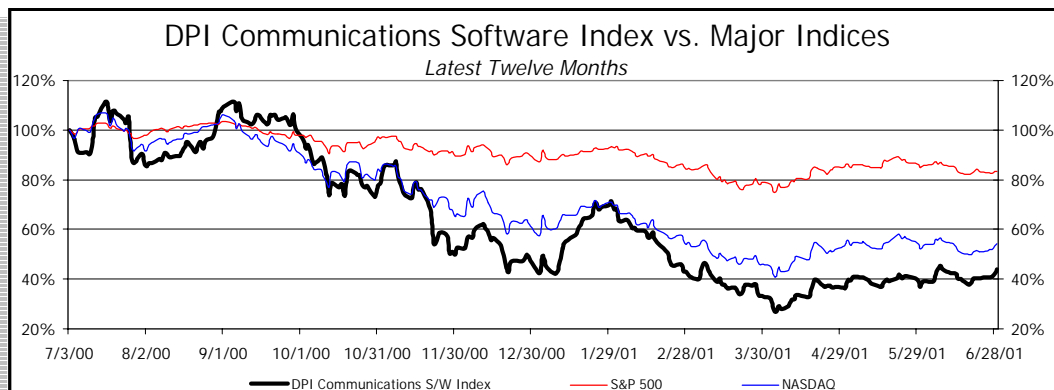
Communications Equipment

# Communications Software Sector

## Stock Performance and Recent M&A Activity

### Highlights

- The Communications Software sector is down 56% for the LTM and up 30% for the quarter.
- Winners in this market will be characterized by the following three criteria: 1) a Tier 1 service provider customer base, 2) an annuity-based pricing model, 3) a convergent, platform-based architecture approach.
- Further sector growth and M&A activity is forecasted to increase as the predicted 2.5G buildout becomes reality.
- Spending on software and services infrastructure will continue to increase as a percentage of service providers' capital expenditure budgets.
- M&A activity remains high for Communications Software companies.



Note: The DPI Communications Software Index includes: SVNX, AETH, CMVT, EVOL, MSLV, OPWV, PUMA, TSYS, ULCM and VNWK.

June 30, 2001

### Metrics

Ticker	Enterprise Value (\$ in M)	LTM Revenue Multiple
SVNX	\$263.7	8.2x
AETH	(\$49.8)	NM
CMVT	\$8,944.9	6.8x
EVOL	\$62.6	1.1x
MSLV	\$140.3	1.0x
OPWV	\$5,508.0	14.6x
PUMA	\$75.4	2.0x
TSYS	\$33.3	0.5x
ULCM	\$1,168.2	21.0x
VNWK	\$277.6	3.7x

### Representative Communications Software Transactions

Announced Date	Acquiror Name	Target Name
06/21/01	fusionOne	Sinia Corporation
06/21/01	fusionOne	Levient Corporation
06/14/01	eTesting Labs	Internet BenchMark (Visual Networks)
06/12/01	ADIR VoIP Technologies	NetSpeak Corporation
05/30/01	SignalSoft Corporation	mobilePosition AB
05/25/01	Marconi plc	Northwood Technologies
05/25/01	Polycom	PictureTel Corporation
05/10/01	Openwave Systems	Avogadro
05/08/01	Jacobs Rimell	Broadcentric
05/07/01	Verso Technologies	Telemate.Net Software
04/24/01	MobileSys	BITMO
04/20/01	Mbrane	Veriprise Corporation
04/16/01	Eyak	Brooktrout Software
04/11/01	Natural Microsystems	Mobilee

VIEWPOINT

Communications Software