

**MWS Tracker Spotlight:
Citi Venture Capital International to acquire Ness Technologies (NasdaqGS:
NSTC)**

June 13, 2011

Financial Overview:

Transaction Value: \$337.4M
Revenue: \$576M

Transaction Structure: Cash
EV / EBITDA: 8.17x

MWS Analysis:

Key Highlights

- “Inside Deal” – CVCI had purchased a 9.33% stake in 2008.
- The acquisition represents a 21.5% discount to the median EV/EBITDA for Commercial IT Professional Services companies.
- Share price stagnation since early 2010 due to wide and unfocused range of operations.
- MWS anticipates CVCI to make more strategic acquisitions with an IPO to follow.

Overview

Ness Technologies, Inc. provides information technology and business planning services worldwide. The company operates in three segments: Software Product Engineering; System Integration, Application Development, and Consulting; and Software Distribution. The company serves various industries, including high-tech, utilities and government, financial services, defense and homeland security, manufacturing, media, life sciences and healthcare. Ness Technologies has strategic alliances and partnerships with Chordiant, EMC Documentum, IBM, Hewlett Packard, Microsoft, Oracle, and SAP. It employs 6,900 people, serving approximately 500 clients with operations in 18 countries. The company was founded in 1999 and is based in Tel Aviv, Israel.

Acquisition

CVCI has been an investor in Ness for the past three years, having acquired a 9.33% stake in March 2008, and one of its Managing Directors, Ajit Bhushan, currently sits on Ness’ Board of Directors. The \$331.03M implied enterprise value represents an EV/EBITDA multiple of 8.17x, which represents a 21.5% discount to the 9.9x median multiple for similar large publicly traded Commercial IT Professional Services companies. This discount may be the result of the fact that Ness had been on the market for months, having hired Jeffries Broadview last summer, without finding a buyer. However, numerous law firms have announced that they will begin investigations into the fairness of the deal on behalf of Ness shareholders. CVCI agreed to purchase the remaining shares for \$7.75 per share which was approved by Ness’ Board of Directors.

In the event that the investigations do not yield fraudulent results, CVCI still has work to do in order to realize a significant return on the acquisition. Ness’ operations have been strongest in Israel, while its Central European and US operations have been poor in the last year. The recent

recession has played its role, however Ness' wide and unfocused range of operations may have contributed to the discounting of Ness' enterprise value in the acquisition.

We expect CVCI to make further strategic acquisitions to strengthen and focus the business prior to an IPO down the road. CVCI's acquisition follows in line with what we have been seeing as a common pattern in the marketplace: private equity firms have been more active than strategic buyers.

Deal Overview:

Citi Venture Capital International signed a definitive agreement to acquire the outstanding shares of Ness Technologies, Inc. (NASDAQ: NSTC) for approximately \$267 million on June 10, 2011. Citi Venture will pay \$7.75 in cash for each outstanding share of Ness Technologies. Under the terms of the deal, a termination fee of \$8.35 million will be paid by Ness Technologies to Citi Venture. On completion of the transaction, Sachi Gerlitz, President of Ness Technologies, will receive a bonus payment of \$1 million. Ofer Segev, Chief Financial Officer and Executive Vice President, will receive a bonus payment of \$0.65 million. Ness Technologies is subject to a "no shop" restriction on the company's ability to solicit and participate in negotiations regarding third party proposals, and to provide information to and engage in discussions with third parties. The transaction is subject to customary closing conditions, refinancing certain indebtedness with maturities prior to the closing, replacing or renewing any performance bond or note guarantee expiring prior to the closing to the extent required by the associated company contract, and having no less than \$25 million of committed working capital lines of credit. Ness expects the transaction to be completed in the next three to six months.

Ness Technologies had revenues of approximately \$576M for the LTM ended March 31, 2011. The \$331.03M implied enterprise value results in an EV/EBITDA multiple of 8.17x, which represents a 21.5% discount to the median multiple for similar large publicly traded Commercial IT Professional Services companies.

Commercial IT Professional Services									
Ticker	Company	Current Price (\$)	Revenue (ltm, \$M)	Revenue Growth % (ltm)	GM% (ltm)	EBITDA% (ltm)	Enterprise Value (\$M) ¹	EV/LTM Revenue	EV/LTM EBITDA
SAPE	Sapient Corp.	14.28	921.7	30.0	30.2	10.5	1,782.2	1.93	18.4
VRTU	Virtusa Corp.	18.29	218.0	32.6	38.3	11.9	370.8	1.70	14.3
PRFI	Perficient Inc.	10.10	222.3	19.7	29.5	8.7	295.2	1.33	15.3
ACN	Accenture plc	55.99	24,783.1	11.0	30.8	14.5	31,837.8	1.28	8.8
MATR	Mattersight Corporation	5.80	86.5	10.9	35.3	-9.4	93.2	1.08	NM
HCKT	The Hackett Group, Inc.	4.85	207.5	38.4	33.6	8.5	179.7	0.87	10.2
NSTC	Ness Technologies Inc.	7.61	575.8	10.9	28.5	7.0	290.2	0.50	7.2
ZANE	Zanett Inc.	0.56	49.7	20.9	26.4	1.1	20.6	0.41	39.4
LIOX	Lionbridge Technologies Inc.	2.80	404.1	0.6	31.1	3.7	156.7	0.39	10.5
CBR	CIBER, Inc.	5.11	1,091.1	4.7	24.7	2.3	395.9	0.36	15.8
EDGW	Edgewater Technology Inc.	2.78	91.9	65.6	37.0	5.1	27.0	0.29	5.8
UIS	Unisys Corporation	24.48	3,953.4	-7.9	26.4	10.9	1,109.8	0.28	2.6
RCMT	RCM Technologies Inc.	5.14	155.4	-8.8	28.9	6.6	42.1	0.27	4.1
DTLK	Datalink Corp.	6.09	316.8	57.8	23.6	3.8	78.7	0.25	6.6
TMNG	Management Network Group Inc.	2.37	66.7	-2.2	37.6	-0.4	14.0	0.21	NM
ANLY	Analysts International Corp.	3.22	104.5	-17.3	23.0	1.2	11.8	0.11	9.6
Median				11.0	29.9	5.8		0.40	9.9
High				65.6	38.3	14.5		1.93	39.4
Low				-17.3	23.0	-9.4		0.11	2.6

About CVCI

Citi Venture Capital International is a private equity firm specializing in restructuring and industry consolidations in developing markets. The firm seeks to invest in information

Martin Wolf Securities was not a financial advisor in this transaction. To learn more about this transaction or Martin Wolf Securities, please contact Yousif Abudra at yabudra@martinwolf.com or (925) 215-2760

technology services, business services outsourcing, retail, pharmaceuticals, telecommunications, renewable energy, and financial services.

About Martin Wolf Securities

Based in the San Francisco Bay Area, Martin Wolf Securities is a leading middle market investment bank focused on companies with services-based business models. Since 1997, our team has completed over 100 transactions in 6 countries. We are a 5 year member of the Merrill Lynch PS Referral Network, and effective June 25, 2010, have been selected as ICICI Bank's (India's leading private bank) exclusive strategic partner for acquiring U.S. IT companies. For more information, visit www.martinwolf.com.

On March 11, SS&C Technologies Holdings, Inc. (NASDAQ: SSNC) announced that it had acquired Glastonbury, Connecticut-based BenefitsXML. BenefitsXML is a leading provider of enterprise software and SAAS solutions for employee benefit service providers. Martin Wolf Securities advised the seller in this transaction. Please [click here](#) to read more.

On March 17, PC Connection, Inc. (NASDAQ: PCCC) announced that it had acquired Chicago, Illinois-based Valcom Technology. Valcom Technology delivers infrastructure management and onsite managed services utilizing its proprietary cloud-based IT service management software, WebSPOC™. Martin Wolf Securities advised the seller in this transaction. Please [click here](#) to read more.