



Valuation & Deal Insights

Third Quarter 2006

Industry Coverage—IT & IT-Enabled Outsourced Services and IT Supply Chain Services

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- ◆ Consolidation trend in IT supply chain segment

Selected Transactions

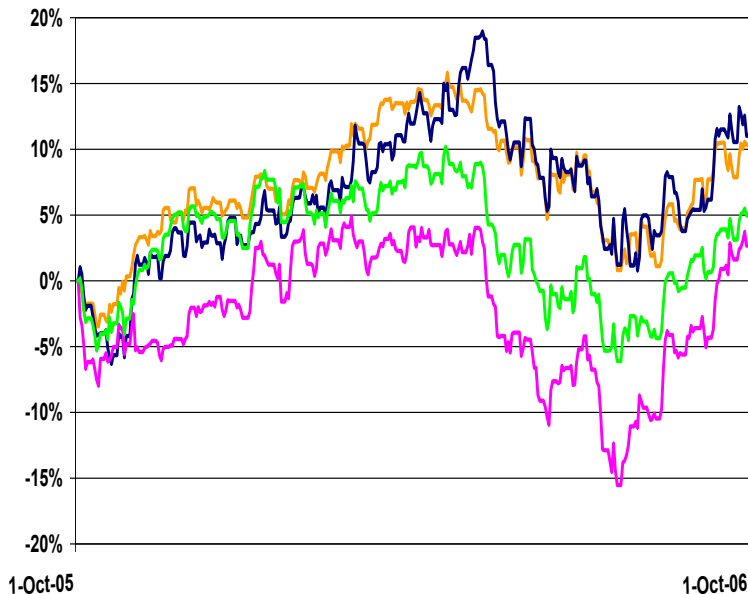
- ◆ CDW to acquire Berbee Information Networks
- ◆ PC Mall acquired Government Micro Resources Product Business
- ◆ Logicalis acquired Computech Resources
- ◆ Insight acquired Software Spectrum

India-based M&A Activity

- ◆ Tier II acquirers emerging
- ◆ Tier I uncharacteristically acquisitive
- ◆ U.S.-based buyers driving large deals
- ◆ BPO transactions moving at moderate pace

MWS Scoreboard

MWS Index® vs. NASDAQ Composite Index



IT & IT-Enabled Outsourced Services
IT Supply Chain Services
Software
NASDAQ Composite

Transaction Highlights

IT Services

- ◆ **09/05/06** Cognizant Technology Solutions Corp. (NASDAQ:CTSH) acquired managed and professional services provider AimNet Solutions for \$15 million in cash.
- ◆ **08/17/06** Accenture Ltd. acquired insurance and annuity IT solutions provider NaviSys, Inc. for an undisclosed amount.
- ◆ **08/11/06** Bain Capital and CEO James Kellner have signed a definitive agreement to purchase automatic insurance solution provider Applied Systems from Vista Equity Partners, LLC in a secondary buyout for an undisclosed amount.
- ◆ **07/21/06** Perficient, Inc. (NASDAQ: PRFT) acquired the Energy, Government and General Business division of Digital Consulting & Software Services, Inc. for 12.97 million.
- ◆ **07/18/06** Alliance Consulting, Inc. acquired IT consultancy firm Fusion Technologies Inc. for an undisclosed amount. Fusion Technologies generates revenues of \$15 million.

IT-Enabled Outsourced Services

- ◆ **09/07/06** Indian-based WNS (Holdings) Ltd. (NYSE: WNS) acquired airline revenue recovery business assets of PRG Airline Services Ltd. from PRG-Schultz International, Inc. (NASDAQ: PRGX) for an undisclosed amount.
- ◆ **09/06/06** DST Systems, Inc. (NYSE: DST) entered into a definitive agreement to acquire healthcare outsourcing services provider Amisys Synertech, Inc. for an undisclosed amount.
- ◆ **07/11/06** Accenture Finance Solutions acquired audit solutions provider Advantium, Inc. and its UK alliance Meridian Informed Purchasing Ltd for an undisclosed amount.

IT Supply Chain Services

- ◆ **09/18/06** CDW Corp. (NASDAQ: CDWC) signed a definitive agreement to acquire Berbee Information Networks Corporation for \$175 million in cash (0.45x LTM Revenue as of 07/31/06).
- ◆ **09/07/06** Logicalis, Inc. acquired IBM Premier Business Partner Computech Resources, Inc for an undisclosed amount.
- ◆ **07/20/06** Insight Enterprises, Inc. (Nasdaq: NSIT) acquired Software Spectrum from Level 3 Communications, Inc. (Nasdaq: LVL3) for a reported consideration of approximately \$287 million in cash. **Martin Wolf Securities advised Insight in this transaction.**

Viewpoint



Martin Wolf – President & Managing Director

Just when you thought it was safe to go back in the water, consolidation in the IT supply chain segment heats up again. We are hearing lots of chatter in the industry as a result of recent M&A activity, including specific moves made by industry leaders. This segment has just finished the seventh-inning stretch, and fans have taken their seats for the remaining innings.

In the reseller and direct marketer category, two industry heavy weights recently took big swings. First, Insight Enterprises acquired software reseller Software Spectrum from Level 3 Communications*, adding \$1.8 billion in revenue to their top line. On the heels of this deal, CDW announced its acquisition of Berbee, one of the nation's largest independent IT solution providers, adding a respectable \$390 million in revenue. The following statements were made by the respective CEOs commenting on their deals:

"Combining the software expertise of Software Spectrum with Insight's expertise in hardware and services solidifies our value proposition as a trusted advisor of business solutions to our clients" said Rich Fennessy, Insight Enterprises.

"We are committed to being the best-in-class, single source for both core technology needs – and now with this acquisition, more advanced IT services and solutions" said John A. Edwardson, CDW.

In this industry segment, size, scale and breadth are paramount. Insight and CDW acquired different types of companies, but both have a similar vision of becoming a "one stop shop." Clearly, these two companies are leading the way. Those behind cannot execute their way into a leading position and will be forced to either acquire or be acquired.

Although other large combinations have been considered, they failed for various reasons. Some of these will be revived and likely close in 2007. Do not be surprised if private equity makes its way into the overlooked mid-market segment. Large transactions, involving multiple billions in revenue, are inevitable.

Lastly, I would like to comment on market timing. I have been hearing with more regularity from owners their wish to cash out "at the top." I apologize but it demands repeating, "Bulls and bears make money, but pigs get slaughtered. Take the Money and Run!"

*Disclosure: Martin Wolf Securities advised the buyer in this transaction.

Selected Transactions

Target

Berbee Information Networks Corp. (an independent provider of IT solutions)

Buyer

CDW Corp. (Nasdaq:CDWC)

Purchase Price

\$175M

Purchase Price/ Revenue

0.45x LTM Revenue as of 07/31/06

Purchase Price / EBITDA

7.95x LTM EBITDA as of 07/31/06

Synopsis

CDW Corp. (NASDAQ:CDWC) signed a definitive agreement to acquire Berbee Information Networks Corporation for \$175 million in cash. Berbee will operate as a separate strategic business unit of CDW with its current product and service offerings, management team, staffing, operations and locations.

Transaction Highlights

Berbee provides a scalable platform for CDW to grow its solutions and services capabilities. The transaction is consistent with CDW's strategies to expand its customer base, capture a greater share of its customers' IT spending and increase its addressable market. CDW expects the transaction to be accretive to 2007 earnings by approximately \$0.05 per diluted share.

09/07/06 PC Mall Acquired Gov't Micro Resources Product Business

Target	Product Business of Government Micro Resources, Inc (a government reseller of high-technology products including Sun Microsystems, IBM, Saba, and Apple)
Buyer	PC Mall Gov, Inc
Seller	Government Micro Resources, Inc.
Purchase Price	\$3.25M
Purchase Price / Revenue	0.11x annualized first eight months of 2006 revenue
Synopsis	PC Mall Gov, Inc. (a wholly owned subsidiary of PC Mall, Inc. (Nasdaq:MALL)) acquired the products business from Government Micro Resources (GMRI), Inc. for \$3.25 million. PC Mall Gov, Inc. has hired certain employees of GMRI who were associated with GMRI's products business. Through the first eight months of 2006, GMRI's records of its products business reflected approximately \$43 million in sales.

Transaction Highlights	The acquisition expands PC Mall's footprint in the government marketplace and further enhances the breadth of products it sells to include Sun. The acquisition complements PC Mall Gov's existing business and provides it with the opportunity to leverage PC Mall Gov's strengths across GMRI's experienced sales organization.
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09/06/06 Logicalis acquired Computech Resources

Target	Computech Resources, Inc. (a solution provider of IBM products and services)
Buyer	Logicalis, Inc.
Synopsis	Logicalis, Inc. acquired Computech Resources, Inc., an IBM Premier Business Partner and a \$35 million solution provider of IBM products and services, based in Green Bay, Wisconsin. The financial terms of the transaction were not disclosed. Computech will become a wholly owned subsidiary of Logicalis.

Transaction Highlights	The acquisition strengthens Logicalis' IBM solution capabilities and Midwest presence by adding 65 professionals, bringing its number of employees to over 500 nationwide and increasing Logicalis US revenue to nearly \$500 million. It also extends Logicalis' capability to provide IBM based solutions to the Small and Medium Business environment.
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07/20/06 Insight acquired Software Spectrum

Target	Software Spectrum, Inc. (a software reseller based in Texas)
Buyer	Insight Enterprises Inc. (Nasdaq:NSIT)
Seller	Level 3 Communications Inc. (Nasdaq:LVLT)
Purchase Price	\$287M
Purchase Price / Revenue	0.15x annual revenue as of 12/31/05
Synopsis	Insight Enterprises, Inc. (Nasdaq: NSIT) acquired Software Spectrum from Level 3 Communications, Inc. (Nasdaq: LVLT) for \$287 million in cash. Also Insight Enterprises will pay a preliminary working capital adjustment of \$33.3 million, net of cash acquired. Martin Wolf Securities advised Insight in this transaction.

Transaction Highlights	This acquisition provides Insight the opportunity to expand its global presence in Europe and Asia-Pacific, increase sales to existing and new clients, leverage its capabilities to deliver custom IT solutions, and realize cost savings through economies of scale and operational synergies. The combination of Software Spectrum's software expertise with Insight's hardware and services prepares Insight to further penetrate global market.
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Indian IT Services Sector

Cross-border deal flow that involves Indian-based entities has certainly accelerated. This trend had been predicted by many for quite some time, but it has been slow to evolve. Not until this year has activity been notably higher. Transactions have involved companies from across the globe, big and small. Although a majority of the transactions were consummated by India-based strategic acquirers, the largest deals were made by U.S.-based buyers.

While much of the press this year has been focused on large transactions, we believe the interesting development is the emergence of India's Tier II outsourcers (i.e., revenues between \$100 million and \$1 billion) as strategic acquirers. Many Tier II outsourcers have recognized the need to become larger, quickly. Scale (both in terms of headcount and breadth of services), domain expertise, services specialization and recognizable clients are critical to long-term success. These attributes can often be achieved through carefully planned and executed acquisitions. There is a window of opportunity to become a legitimate contender in this highly competitive and fragmented marketplace, which will eventually close. Three of the largest transactions made by India-based companies this year have come from Tier II outsourcers, including Kanbay's acquisition of Adjoin Consulting for \$165 million, i-flex's acquisition of Mantas for \$123 million, and TransWorks' acquisition of Minacs Worldwide for \$170 million. These transactions were all significant to their respective buyers. Figure 1 summarizes the impact of two selected transactions.

	TransWorks acquired Minacs Worldwide	Kanbay acquired Adjoined Consulting
Target's Offerings	BPO	IT Services
Total Transaction Value (\$MM)	170	165
Enterprise Value Before Acquisition (\$MM)	N/A	504
Transaction Value / Enterprise Value (%)	N/A	33%
Target Revenue (\$MM)	264	96
Buyer Revenue Before Acquisition (\$MM)	36	230
Target Revenue / Buyer Revenue (%)	733%	42%
Target Employees	5,000	500
Buyer Employees Before Acquisition	4,200	5,242
Target Employees / Buyer Employees (%)	119%	10%

Figure 1— Selected India-based Tier II Transactions

India-based Tier I outsourcers (i.e., revenues greater than \$1 billion), generally speaking, have become uncharacteristically acquisitive. Most acquisitions made by this group have ranged between \$20 million to \$50 million, and have been made to gain: 1) deep domain expertise or specialized capabilities, 2) a stronger foothold in their respective onshore markets and 3) valuable customer relationships. Tier I outsourcers, however, have not made any large acquisitions. To date, only U.S.-based companies have made significant deals. For example, Oracle's \$1.5 billion investment in i-flex Solutions and KKR's \$900 million buyout of Flextronics Software Systems represent bold moves in the industry. We will likely see similar type activity by these two groups - India-based Tier I outsourcers and U.S.-based companies extending into next year. Figures 2 and 3 present the transactions made by India-based Tier I and U.S.-based companies, respectively.

Transactions involving business process outsourcing (BPO) targets will likely continue at a moderate pace, too. There is a history of good-sized deals in this space, including Spectramind (Wipro, January 2003, \$95.5 million), Daksh (IBM Business Consulting Services, April 2004, \$160-\$170 million), Genpact (General Atlantic Partners and Oak Hill Capital Partners, December 2004, \$500 million), OfficeTiger (RR Donnelley & Sons, April 2006, \$250 million), Progeon (Infosys Technologies, June 2006, \$115 million) and Minacs Worldwide (TransWorks Information Services, August 2006, \$170 million). Proven, platform BPO companies are considered attractive targets by a wide array of strategic and financial acquirers.

Buyer	Target	Target Description	Country
Infosys Technologies Ltd. (BSE:INFOSYSTCH)	Progeon Limited (nka:Infosys BPO Ltd)	Business Process Management (BPM) services	India
Tata Consultancy Services Limited (BSE:TCS)	Comicro SA	IT outsourcing services	Chile
	Financial Network Services Pty Ltd	Software and integrated solutions for the banking and finance industry	Australia
Wipro Ltd. (BSE:WIPRO)	Saraware Oy	Real-time software systems development and IT Services	Finland
	Enabler Informatica SA	IT services for distribution sector	Portugal
	Quantech Global Services, LLC	Computer aided design and engineering services	US
	cMango, Inc.	Business service management solutions	US
	mPower Software Services Inc.	Custom developed software consulting services	US
	MPACT Technology Services Pvt. Ltd.	Master Card-owned software development services	India
	NewLogic Technologies AG	Semiconductor design	Austria
Cognizant Technology Solutions Corp. (NasdaqNM:CTSH)	AimNet Solutions, Inc.	Managed network and professional services	US
	Fathom Solutions, LLC	Business solutions for communications, financial services, government, and life sciences industries.	US
Satyam Computer Services Ltd. (BSE:SATYAMCOMP)	Sify Ltd. (NasdaqNM:SIFY)	Integrated Internet, network, and electronic commerce services	India
	Knowledge Dynamics Pte. Ltd.	Business intelligence solutions for consumer-oriented organizations	Singapore
	Citisoft plc	Business consulting for wealth investment management sectors.	UK

Figure 2— India-based Tier I Transactions

Date	Buyer	Target	Price (\$MM)	% Acquired	P/S	P/EBITDA
09/13/2006 - 08/02/2005 *	Oracle (Nasdaq:ORCL)	i-flex Solutions (BSE:I-FLEX)	1,564.5	75.0%	6.0	27.1
05/02/2006	Fidelity National Financial (NYSE:FNF)	Fortune Infotech	-	45.5%	-	-
04/13/2006	Kohlberg Kravis Roberts & Co.	Flextronics Software Systems	900.0	85.0%	9.1	17.8
4/12/2006 **	Metavante	ICICI OneSource	-	11.5%	2.5	-
04/03/2006	Electronic Data Systems (NYSE:EDS)	Mphasis BFL (BSE:MPHASISBFL)	380.1	51.7%	1.8	8.6
03/20/2006	RR Donnelley & Sons (NYSE:RRD)	OfficeTiger	250	100.0%	3.2	-

Notes: * Valuation multiples are based on numerous transactions during the period.

** Valuation multiple is an estimate.

Figure 3— U.S.-based Transactions

MWS Scoreboard

	Revenue Growth%	GM%	EBITDA%	Debt / Asset %	P/S	P/E	EV/Revenue	EV/EBITDA
IT Conglomerates	13.7%	43.4%	18.5%	13.7%	1.41	24.2	1.54	10.5
IT & IT-ENABLED OUTSOURCED SERVICES								
Offshore Outsourcing	30.9%	38.5%	22.0%	0.5%	3.74	26.6	3.28	15.2
Financial IT Services	15.1%	52.9%	22.1%	0.3%	2.74	22.7	2.91	11.8
Business Process Outsourcing - Non-voice	10.1%	47.8%	21.3%	15.2%	1.82	25.6	2.10	9.6
Business Process Outsourcing - Voice	11.9%	38.7%	13.2%	14.0%	1.11	22.1	1.14	10.3
IT Outsourcing	2.7%	27.9%	10.9%	18.6%	0.96	27.8	1.02	11.3
European IT & Business Services	9.5%	59.0%	9.8%	15.7%	0.80	23.0	0.77	10.9
Governmental IT Professional Services	22.1%	18.0%	9.0%	13.3%	0.88	20.2	0.76	10.4
Commercial IT Professional Services	7.5%	28.6%	6.6%	3.2%	0.85	21.0	0.68	10.3
IT Staff Augmentation	11.7%	24.2%	3.4%	10.4%	0.34	21.1	0.34	9.6
IT SUPPLY CHAIN SERVICES								
IT Retailers	4.7%	28.6%	6.9%	9.9%	0.77	29.7	0.79	11.4
European IT Supply Chain	8.3%	13.1%	3.7%	2.3%	0.32	18.6	0.31	6.8
IT Direct Marketers	8.8%	12.5%	2.9%	4.5%	0.25	18.5	0.25	9.6
IT Products Distributors	11.6%	11.5%	3.4%	14.5%	0.22	14.1	0.24	7.3
IT Resellers	8.5%	16.7%	0.4%	21.5%	0.14	17.8	0.15	14.8
SOFTWARE								
IT Management Software	11.2%	75.9%	16.9%	0.0%	2.93	43.8	2.49	12.9
Business Software	11.3%	75.3%	19.9%	0.0%	2.89	35.5	2.47	13.5
Middleware, Tools and Integration	7.3%	76.4%	18.3%	0.1%	2.77	33.3	2.28	14.1
Enterprise Applications	13.4%	65.7%	14.8%	0.0%	2.26	38.2	1.88	12.8

Figure 4

Key Definitions:

1. Data Source: Capital IQ, The Private Equity Analyst
2. The defined industry categories are based on Martin Wolf Securities' in-house research
3. The MWS Index® is market-value-weighted. It starts on January 1, 2005 with a value of 1000. It includes 103 IT and IT-Enabled Outsourced Services, 32 IT Supply Chain Services, and 65 Software companies listed in US stock market. It is based on the closing price as of September 29, 2006.
4. Enterprise value = Market Cap + Minority Interests + Preferred Stock + Outstanding Debt - Cash and Cash equivalents
5. LTM means Last Twelve Months based on last reported period
6. MWS Scoreboard is based on the closing price as of September 29, 2006
7. Revenue Growth is growth in LTM revenue compared with previous period
8. Gross Margin = LTM Gross Profit * 100 / Revenue
9. EBITDA % = LTM EBITDA * 100 / Revenue
10. Net Income % = LTM Net Income * 100 / Revenue
11. Debt/Asset = LTM Total Debt / Total Assets
12. P/S = Market Cap / LTM Revenue
13. P/E = Market Cap / LTM Net Income
14. EV/Revenue = Enterprise Value / LTM Revenue
15. EV/EBITDA = Enterprise Value / LTM EBITDA

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Insight.

has acquired



*\$287 million
September 2006*

**DIRECT
ALLIANCE**

has been acquired by



*\$96.5 million
June 2006*

LOGICALIS

has acquired

s/w region of



May 2006



has sold majority interest to



December 2005

***The only firm focused exclusively on mid-market M&A in the
IT solutions and IT-enabled outsourced services segments.***