



Valuation & Deal Insights®

Third Quarter 2007

Industry Coverage—IT Services, BPO and IT Supply Chain Services

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Viewpoint

- ◆ Current credit squeeze dried up PE activity
- ◆ Dollar decline create buying opportunity for Non-U.S. based buyers

Selected Transactions

- ◆ Court Square to acquire CompuCom
- ◆ Dell to acquire ASAP Software
- ◆ PC Mall to acquire SARCOM

Outsourcing Sector

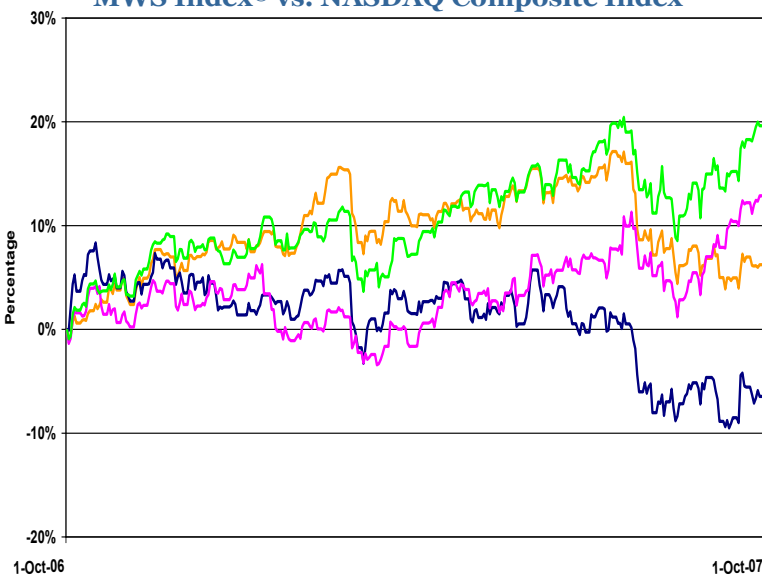
- ◆ India outsourcers are active in cross-border M&A
- ◆ Rising rupee and local wage threaten Indian out-sourcers
- ◆ U.S. and European companies prefer niche targets

Solution Provider Sector

- ◆ Cash plus earn-out is common deal structure
- ◆ Contingent consideration implies seller's risk to buyer or seller's confidence for the future
- ◆ Well defined earn-out structure is important

MWS Scoreboard

MWS Index® vs. NASDAQ Composite Index



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

Transaction Highlights

IT Services

- ◆ **09/25/07** Edgewater Technology, Inc. acquired Lynx Business Intelligence Consulting, Inc for \$5.5 million.
- ◆ **09/21/07** Perficient, Inc. (NASDAQ: PRFT) acquired BoldTech Systems, Inc. for \$20.92 million (1.05x 2006 revenue).
- ◆ **08/21/07** HCL Technologies Ltd. (BSE: 532281) acquired remaining 49% interest in HCL EAI Services, Inc for an undisclosed amount.
- ◆ **08/13/07** Perot Systems Corp. (NYSE: PER) announced the acquisition of JJWild, Inc. for \$89 million.
- ◆ **08/06/07** Wipro Technologies Ltd. announced the acquisition of Infocrossing, Inc. (Nasdaq: IFOX) for \$568 million (2.39x LTM revenue as of 06/30/07).
- ◆ **07/16/07** SunGard Availability Services announced the acquisition of VeriCenter, Inc. for an undisclosed amount.
- ◆ **07/11/07** Visionary Integration Professionals acquired SAP professional services firm MyITgroup for an undisclosed amount.

Business Process Outsourcing

- ◆ **08/30/07** Apollo Health Street Limited acquired health care BPO firm Zavata, Inc. for \$169 million.
- ◆ **07/19/07** Rainmaker Systems, Inc. (Nasdaq: RMRK) acquired Philippines Call Center Qinteraction for \$11.84 million (1.64x 2006 revenue).

IT Supply Chain Services

- ◆ **09/04/07** MPC Corporation (AMEX: MPZ) announced the acquisition of Gateway professional business for \$90 million (0.10x 2006 revenue).
- ◆ **08/30/07** Incentra Solutions Inc. (OTCBB:ICNS) acquired Sales Strategies, Inc. for \$9 million (0.23x LTM revenue as of 06/30/07).
- ◆ **08/27/07** Acer Inc. (TSEC:2353) announced the acquisition of (NYSE:GTW) for a total enterprise value of \$757 million in cash (0.20x LTM revenue as of 06/30/07).
- ◆ **08/20/07** Incentra Solutions Inc. (OTCBB:ICNS) acquired Helio Solutions, Inc. for \$10.27 million (0.14x LTM revenue as of 06/30/07).
- ◆ **08/10/07** FusionStorm, Inc acquired Cisco VoIP VAR - Technology Services and Integration for an undisclosed amount.
- ◆ **07/17/07** Westcon Group North America, Inc. acquired ReView Video, LLC for \$25 million.

Viewpoint



Marty Wolf – President

The third quarter came in like a lion and left like a lamb.

Some key themes to consider pertinent to your business are as follows:

The subprime mortgage / CDO meltdown has created a credit freeze, and many deals are still stuck in the pipeline, with some now being dropped entirely. Expect some interesting, long lasting, and expensive legal cases testing the heretofore rarely used “material adverse change” out. A notable IT outsourcing deal recently announced killed is the \$2.25 billion Axciom deal.

The credit squeeze has dried up private equity activity overnight, reestablishing strategic acquirers as the go-to-guy. This lack of PE buyers, who had made up, depending who you believe, 20-40% of all M&A activity, means overall demand by buyers is off, prices accordingly have, and will, go down. Emotions aside, those who think differently are off cycle. Many sell-side engagements are not closed due to this expectation imbalance. Transaction data suggests valuations across our tracked space have stopped increasing.

The dollar decline has placed certain U.S. assets on sale and created buying opportunities for select non-U.S.-based buyers. We are currently involved with two non-U.S. international buyers with a short shopping list who have been helped with favorable currency movements. Over the past months, the Rupee is up nearly 10% over the U.S. dollar, and it dramatically effects the big three Indian companies: TCS, WIPRO, and Infosys. While the overall Indian stock exchange is up nearly 50% YTD, their respective share prices are off 10-20%. Today, when your customers pay in U.S. dollars and your expenses are in Rupees, you are in the wrong quadrant.

In the solutions space, there were a few noteworthy deals. CDW did not close yet, and has been pushed to the beginning of Q4. This landmark transaction has been delayed due to debt markets delays, but we expect it to close and create some market uncertainty once it does.

The Dell acquisition of ASAP Software was just plain brilliant. Dell will extract maximum marketing synergies by replacing incumbents HP and IBM in certain accounts, and realize meaningful cost reductions. This is an example of a deal a strategic should have acquired, but six months ago this fine asset would likely been bought by a PE group at top dollar with no marketing or cost synergies. Further accentuating the benefits of this deal, ASAP has one of the best management teams in this space that we have worked with. Let’s see if Dell can leverage them.

Finally, Sarcom was sold again. This emphasizes the old aphorism “I know how to create a small fortune...start with a large one.” Between debt and equity holder write-downs, \$100+ million of value was destroyed from the time the founder initially sold to private equity, all the other legal machinations in between, culminating in the eventual sale to PC Mall.

Selected Transactions

07/09/07 Court Square Capital Partners to Acquire CompuCom

Target	CompuCom Systems, Inc. (An IT reseller providing both services and hardware & software)
Buyer	Court Square Capital Partners
Total Transaction Value	\$628 Million
Transaction Value/Revenue	0.42x 2006 revenue
Synopsis	Court Square Capital Partners signed a definitive agreement to acquire CompuCom Systems, Inc. from Platinum Equity, LLC for \$628 million. In connection with the consummation of the merger, CompuCom intends to make a tender offer to purchase for cash any and all of its outstanding 12% senior notes due 2014, and intends to make a tender offer to purchase for cash any and all of its outstanding senior floating rate toggle notes due 2013.

Transaction Highlights This transaction is believed to represent a further opportunity to build CompuCom's business and expand its customer offerings.

08/02/07 Dell Inc. to Acquire ASAP Software

Target	ASAP Software Inc. (An International Microsoft reseller)
Buyer	Dell Inc. (Nasdaq:DELL)
Total Transaction Value	\$340 Million
Transaction Value/Revenue	0.34x LTM Revenue as of 06/30/07
Transaction Value/EBITDA	8.95x LTM EBITDA as of 06/30/07
Synopsis	Dell Inc. (NASDAQ: DELL) agreed to acquire ASAP Software, Inc. from Corporate Express, Inc. for \$340 million in cash. The deal is expected to close by the third quarter of 2007. The acquisition of ASAP furthers Dell's long-term initiative to radically simplify IT.

Transaction Highlights The acquisition will strengthen Dell's existing software business by integrating ASAP's complementary expertise in managing software licensing, purchasing, renewals, and compliance.

08/17/07 PC Mall Acquired SARCOM

Target	SARCOM Inc. (IT Reseller based in Lewis Center, Ohio)
Buyer	PC Mall Inc. (Nasdaq:MALL)
Total Transaction Value	\$55 Million
Transaction Value/Revenue	0.20x LTM Revenue as of 07/31/07
Synopsis	PC Mall Inc. (Nasdaq:MALL) acquired SARCOM, Inc. for \$55 million . The purchase consideration includes \$47.5 million in cash and \$7.5 million in stock of PC Mall Inc. The Abreon Group, a high-end consulting division of SARCOM, will also join the PC Mall family. The transaction is expected to close by September 30, 2007.

Transaction Highlights PC Mall believes that this acquisition will enhance PC Mall's capabilities as a reseller of advanced technology product solutions and services, and is consistent with PC Mall's commitment to grow its business through expansion of PC Mall's share of its customers' IT spending. PC Mall expects that the transaction will be accretive to earnings beginning in the fourth quarter of 2007.

Outsourcing Sector

Cross-border M&A activity involving India based outsourcing providers continued to be vibrant. However, Wipro \$600 million acquisition of US based outsourcer Infocrossing supports two of our earlier predictions that: 1) India based providers will increase their acquisition size and 2) they will bring more value added service to its clients. FirstSource \$330M acquisition of MedAssist and Apollo Health Street \$180M acquisition of Zavata support this trend. In addition to expanding capabilities, these acquisitions will be important to keep the growth momentum going to sustain high valuations of these IT offshore outsourcing providers. One benefit of rising rupee is that these acquisitions are more affordable to stronger currency. We think this trend will continue with other Tier 1 players and selected Tier 2 players in India make large acquisition.

Companies in India have started feeling pressure in their financial performance because of continually strengthening rupee (See figure 1 Rupee vs. Dollar and Euro below) and increasing local wages. Despite meeting its profit forecasts, Infosys fell sharply as much as 6.6% after announcing Q2 FY08 results mainly because of the fear of the rupee's appreciation and its impact on the company's performance. This fear is evident by the performance of these IT companies compared with SENSEX (See figure 2 SENSEX vs. WIT vs. INFY). This trend of appreciating rupee will be a key motivating factor behind large deals to come from India based providers. Furthermore, Indian IT companies are flushed with extra cash, making it easier to finance the acquisitions.

Meanwhile in the US and Europe, IT companies continue to acquire niche services companies. These pure play targets especially in the ERP, networking and call center space remained attractive (See figure 3 3Q07 Selected IT Services Transactions below). Based on our research and intelligence, we think that these kind of companies have mostly been picked in last couple of years and the supply of quality assets with niche focus has dwindled. Buyers will have to add flexibility on their acquisition criteria to acquire certain capabilities with less niche companies.

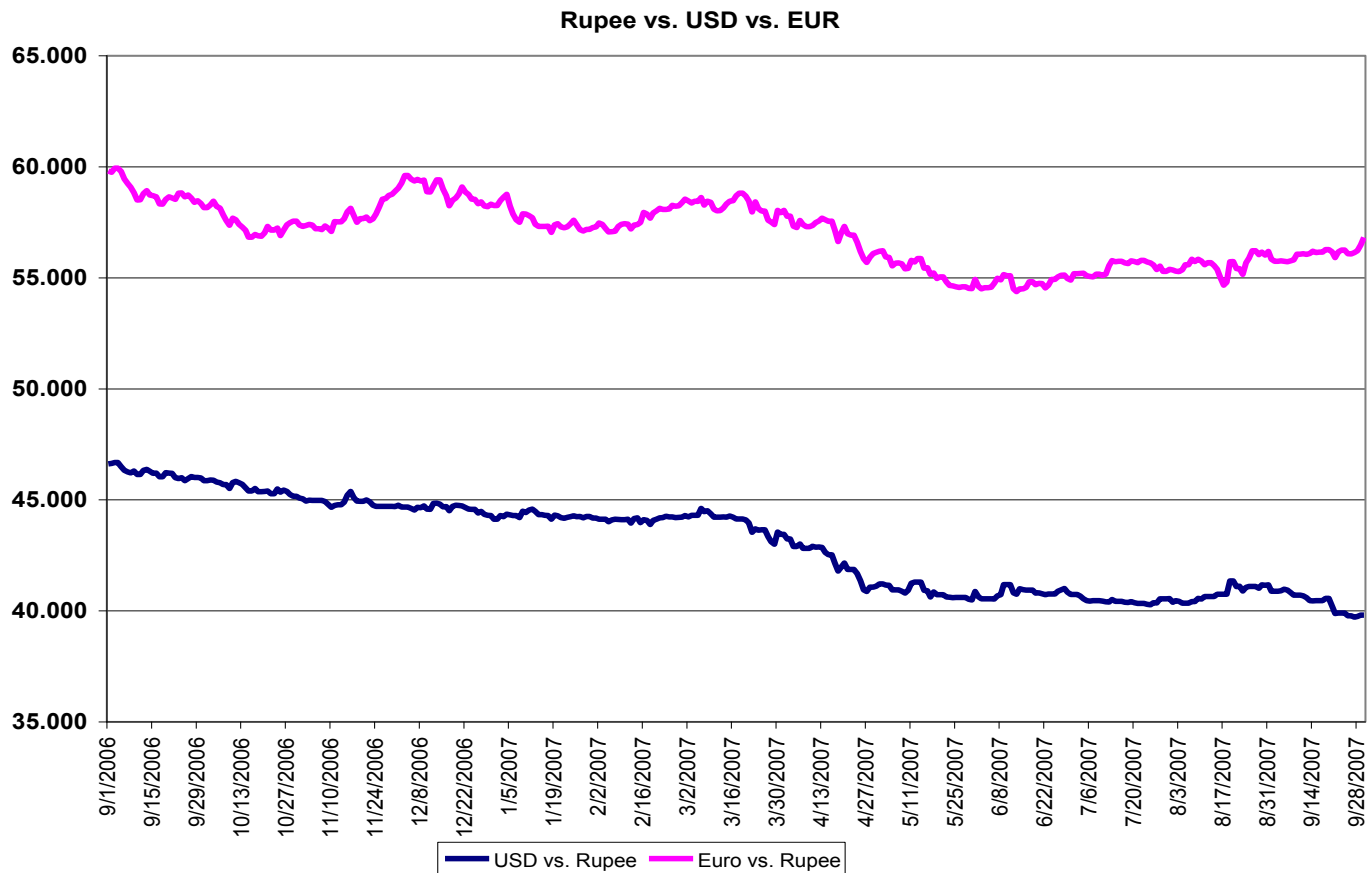


Figure 1— Rupee vs. USD vs. EUR

Outsourcing Sector

SENSEX vs. INFY vs. WIT

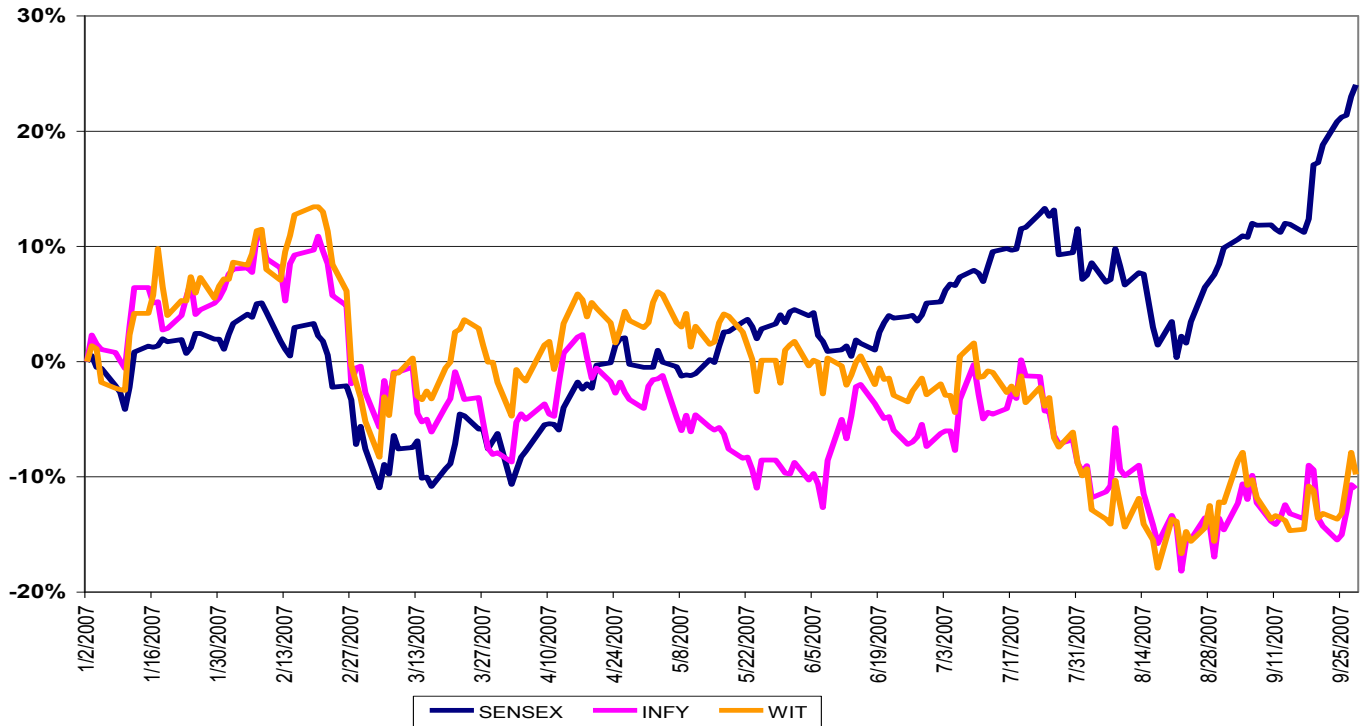


Figure 2— SENSEX vs. WIT vs. INFY

Date	Target	Target Descriptions	Buyer	Purchase Price (\$mn P/S)	Buyer Location	Target Location
ERP						
9/27/2007	B2B Workforce, Inc.	SAP, Siebel, PeopleSoft, Oracle, JD Edwards, and Business Intelligence/EAI consulting	Vedior NV (ENXTAM:VDOR)	Not Disclosed	Netherlands	US
9/3/2007	TeamR3 A/S	SAP consulting	EDB Business Partner ASA (OB:EDBASA)	DKK108 (\$19.74)	Norway	Denmark
7/11/2007	MyITgroup, Ltd.	SAP professional services	Visionary Integration Professionals	Not Disclosed	US	US
Networking						
10/4/2007	Corliant, Inc.	Global network professional services	Accenture Ltd. (NYSE:ACN)	Not Disclosed	Bermuda	US
10/1/2007	Lynx Technology Ltd.	IT consulting, infrastructure, managed and outsourcing services	BT Group plc (LSE:BT.A)	Not Disclosed	UK	UK
8/24/2007	Potomac Management Group Inc.	IT maritime operations and security, project management, and multimedia consulting	ATS Corporation (OTCBB:ATCT)	18.02	US	US
Call Center						
9/10/2007	Telecom Service Centres Ltd.	Contact center and customer relationship management (CRM) services to retail, finance, and telecommunication	TSC Hero	£40 (\$81.24)	India	UK
8/27/2007	NuComm International, Inc.	Inbound/outbound service and customer support	Transcom WorldWide SA (OM:TWWSDB A)	CAD90 (\$85.55)	Luxembourg	Canada
7/19/2007	Qinteraction	Offshore call center in the Philippines	Rainmaker Systems Inc. (NasdaqNM:RMKR)	11.15	US	Philippines
Others						
8/20/2007	BusinessEdge Solutions, Inc.	Business and technology consulting to communications, financial services, life sciences, and insurance	EMC Corporation (NYSE:EMC)	Not Disclosed	US	US
8/13/2007	JJWild, Inc.	Consulting services for the MEDITECH community	Perot Systems Corp. (NYSE:PER)	89	US	US
7/9/2007	Geniant	Digital business consulting	EMC Corporation (NYSE:EMC)	Not Disclosed	US	US

Figure 3— 3Q07 Selected IT Services Transactions

Solution Provider Sector

A note on deal structure in Solution Provider space (Deal Size < \$200M)

Transactions in the Solution Provider space are generally structured with a combination of upfront cash and earn-outs or contingent consideration based on performance. While contingent consideration provides less risk for the buyer, it gives the seller the opportunity to increase the total consideration as they share risk with the buyer. If you are contemplating a sale of your business, you can expect to receive an offer that includes contingent or performance based consideration.

To provide more visibility in these deal structure, we reviewed publicly reported solution provider transactions valued between \$8 million and \$200 million that occurred from January to September 2007 (Please see figure 4 below). We define Solution Providers as companies whose service revenue as a percentage of the total revenue is at least 15%. We found eight transactions that met the criteria and had publicly reported data. Of the eight transactions, four had contingent consideration as part of the deal structure. The percentage of contingent consideration to total consideration ranged from 62% to 22%. A high percentage of contingent consideration can indicate that either the seller has attached great risk to the buyer, or may indicate the seller is bullish on his future growth and seeks to participate in the growth even after the sale of his business.

Contingent consideration adds complexity to a transaction for both the buyer and the seller. Buyers often leave the seller's systems in place to be able to measure the performance goals accurately. This may lead to slower integration of the selling entity, and thus reduced synergies. For a Seller, the major concern is how to ensure the seller achieves the earn-out without having control of their company. Therefore, for a successful combination, it is extremely important that the buyer and seller must have a well defined earn-out structure in the purchase agreement. Experienced business and legal advisors can help the seller through the maze of earn-out issues.

Transaction Information			Transaction Consideration					Transaction Multiple		
Close Date	Seller	Buyer	Cash (\$M)	Stock (\$M)	Notes (\$M)	Total Non-Contingent (\$M)	Contingent (\$M)	Total Consideration (\$M)	Total Consideration / Revenue	Total Non-Cont. Consideration / Revenue
8/31/2007	Select, Inc.	INX Inc. (NasdaqNM:INXI)	6.25	2.25	0.10	\$ 8.60	2.40	\$ 11.00	0.28	0.22
9/5/2007	Sales Strategies, Inc.	Incentra Solutions Inc. (OTCBB:ICNS)	4.35	1.00	0.25	\$ 5.60	3.40	\$ 9.00	0.23	0.14
9/17/2007	SARCOM, Inc.	PC Mall Inc. (NasdaqNM:MALL)	54.30	0.00	0.00	\$ 54.30	0.00	\$ 54.30	0.22	0.22
8/17/2007	Helio Solutions, Inc.	Incentra Solutions Inc. (OTCBB:ICNS)	4.25	4.80	0.77	\$ 9.82	15.75	\$ 25.57	0.34	0.13
7/2/2007	Innovativ Systems Design, Inc.	Agilysys Inc. (NasdaqNM:AGYS)	100.00	0.00	0.00	\$ 100.00	90.00	\$ 190.00	0.77	0.41
4/2/2007	Stack Computer Inc.	Agilysys Inc. (NasdaqNM:AGYS)	28.00	0.00	0.00	\$ 28.00	0.00	\$ 28.00	0.51	0.51
1/30/2007	Midrange Computer Solutions, Inc.	Datalink Corp. (NasdaqNM:DTLK)	5.00	9.00	0.00	\$ 14.00	0.00	\$ 14.00	0.09	0.09
1/5/2007	Sierra Systems Group Inc.	Golden Gate Capital	93.20	0.00	0.00	\$ 93.20	0.00	\$ 93.20	0.55	0.55
		Median							0.31	0.22

Figure 4— 2007 Selected Solution Provider Transactions

MWS Scoreboard

	Revenue Growth%	GM%	EBITDA%	Debt / Asset %	P/S	P/E	EV/Revenue	EV/EBITDA
IT Conglomerates	13.6%	43.7%	15.3%	18.1%	1.54	25.6	1.59	12.7
IT & IT-ENABLED OUTSOURCED SERVICES								
Financial IT Services	16.0%	47.8%	22.2%	4.4%	2.81	22.7	2.87	11.3
Offshore Outsourcing	35.3%	35.2%	19.4%	0.3%	2.39	22.6	2.30	13.3
Business Process Outsourcing - Non-voice	11.7%	42.7%	21.7%	14.7%	2.07	24.2	1.90	12.2
IT Outsourcing	10.5%	26.9%	11.5%	13.7%	1.40	28.2	1.21	12.2
Business Process Outsourcing - Voice	9.8%	33.0%	11.7%	8.0%	1.00	16.5	1.07	7.8
Governmental IT Professional Services	8.3%	23.5%	8.2%	12.7%	1.00	21.0	1.05	12.2
Commercial IT Professional Services	16.4%	27.6%	6.3%	0.9%	0.89	23.2	0.88	9.6
IT Staff Augmentation	4.1%	24.0%	3.6%	4.4%	0.27	14.5	0.28	7.2
IT SUPPLY CHAIN SERVICES								
IT Retailers	6.2%	25.6%	6.7%	9.5%	0.36	15.4	0.48	8.7
IT Products Distributors	10.1%	10.6%	2.3%	17.0%	0.23	16.2	0.41	9.6
IT Resellers	8.2%	17.8%	0.4%	22.4%	0.15	20.4	0.40	8.2
IT Direct Marketers	8.2%	13.3%	3.3%	5.3%	0.27	18.3	0.26	8.5
SOFTWARE								
IT Management Software	13.3%	80.0%	20.4%	0.0%	3.48	44.0	3.34	15.8
Business Software	13.6%	68.6%	17.6%	8.0%	3.13	33.9	2.78	17.7
Middleware, Tools and Integration	13.3%	74.4%	18.4%	0.1%	3.12	32.6	2.77	16.2
Enterprise Applications	14.1%	65.8%	13.7%	1.5%	2.55	31.7	2.26	17.3

Figure 5—Scoreboard

Key Definitions:

1. Data Source: Capital IQ
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 89 IT and IT-Enabled Outsourced Services, 28 IT Supply Chain Services, and 45 Software companies listed in US stock market. It is based on the closing price as of October 1, 2007.
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 28, 2007
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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Martin Wolf Securities—Selected Transactions


PC
WHOLESALE
Your Partner in Distribution

has been acquired by


SYNNEX
CORPORATION

\$30 million
February 2007


HTMT
Inspiring Integration

has acquired


AFFINA®
THE CUSTOMER RELATIONSHIP COMPANY

October 2006


Insight.

has acquired


Software
Spectrum

\$320.3 million
September 2006


DIRECT
ALLIANCE

has been acquired by


TeleTech®
The Science of Customer Management™

\$107.5 million
June 2006


LOGICALIS

has acquired
s/w region of


ALLIANCE
CONSULTING

May 2006


SABER

has sold majority interest to

ACCEL  KKR

January 2006

***Exclusively focused on mid-market M&A in the IT Services,
BPO & IT Supply Chain Services segments.***