



Valuation & Deal Insights

Second Quarter 2006

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

Inside this Issue

Viewpoint

- ◆ Adding value by acquiring low-growth companies

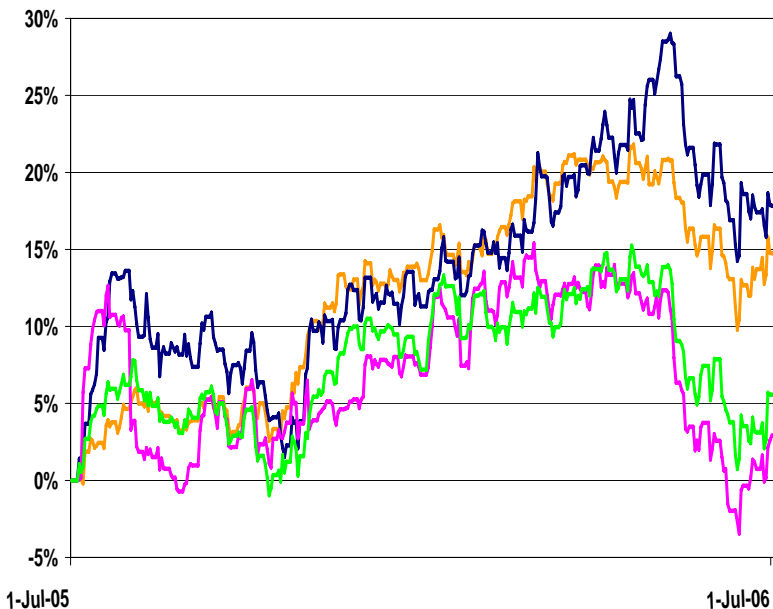
Selected Transactions

- ◆ Hansen acquires Spear Technologies
- ◆ Electrograph Systems acquires ICG
- ◆ Saber Consulting acquires Covansys' State and Local Government Practice
- ◆ Black Box acquires Nu-Vision Technologies & NextiraOne USA & Canadian Operations

Private Equity Sector

- ◆ Unprecedented funding promotes PE investment
- ◆ Growing number of portfolio companies for sale
- ◆ Buyout trend continues in 2006

MWS Index® vs. NASDAQ Composite Index



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

Transaction Highlights

IT Services

- ◆ **06/22/06** Accenture (NYSE: ACN) entered into a definitive agreement to acquire New York based Random Walk Computing, Inc., which provides trading and risk management solutions. The financial terms of the transaction were not disclosed.
- ◆ **04/30/06** MTM Technologies, Inc. (NASDAQ: MTMC) acquired Southern California-based Accent Solutions, Inc. The financial terms of the transaction were not disclosed
- ◆ **04/16/06** Kohlberg Kravis Roberts & Co. signed a definitive agreement to acquire 85% stake of Flextronics Software Systems Ltd. from Flextronics International Ltd. (Nasdaq: FLEX) for \$900MM (or 9.09x LTM revenue as of 09/30/05).

IT-Enabled Outsourced Services

- ◆ **06/23/06** Indian based TransWorks Information Services Ltd. entered into a definitive agreement to acquire Canadian BPO firm Minacs Worldwide Inc. (TSX: MXW) for C\$121.40 MM (about \$170MM).
- ◆ **06/15/06** TeleTech Holdings Inc. (Nasdaq: TTEC) announced acquisition of Direct Alliance Corp. from Insight Enterprises, Inc. (Nasdaq: NSIT) for \$46.5MM in cash, excluding \$45 - \$50MM real estate and inter-company receivables (or 1.2x 2005 revenue). **Martin Wolf Securities advised the seller in this transaction.**
- ◆ **05/31/06** Thomas H. Lee Partners and Quadrangle Group LLC entered into a definitive agreement to acquire BPO giant West Corporation (Nasdaq: WSTC) for about \$3,602.47MM (or 2.27x LTM revenue as of 03/31/06).
- ◆ **04/20/06** Infosys Technologies Limited (Nasdaq: INFY) signed a definitive agreement to acquire the remaining 23% stake in Progeon Limited from Citigroup Private Equity for \$115.15MM in cash (or 5.89x FY06 revenue).

IT Supply Chain Services

- ◆ **04/28/06** Westcon Group North America acquired the Buffalo, NY-based distribution arm of Ronco Communications and Electronics, Inc. for an undisclosed sum.
- ◆ **04/25/06** SYNEX Corporation (NYSE: SNX) signed a definitive agreement to acquire the Telpar distribution business unit of PEAK Technologies, Inc for \$5MM (or 0.25x LTM revenue as of 03/31/06).

“This Page is intentionally left blank.”

Viewpoint



*Martin Wolf — President
& Managing Director*

Global M&A was up 38% in 2005 to \$2.9 trillion, 2006 is on pace to top the record set in the Internet go-go year 2000 at \$3.5 trillion, and economists worry about a housing bubble. Readers of the Valuation & Deal Insights (VDI) will be particularly interested that the US technology mid-market sector was the most active over the last twelve months, contributing 20% of the total deal volume.

The meaning to owners and shareholders is crystal clear. In as much as financial resources, technological and operational excellence are critical factors in creating value, acquiring revenue to accelerate growth is to be feted as genius with handsome financial rewards. In a low-growth environment, accelerating growth is a key to success.

With size and growth being strategic objectives, mid-market companies like Hansen Information Technologies, Saber Corporation and Electrograph Systems have all made aggressive moves. Shortly after completing recapitalizations with private equity firms, each of these companies announced acquisitions that have expanded their businesses. Hansen, a software company that manages transactions for government agencies is backed by Golden Gate Capital, acquired Spear Technologies, Inc.; the size of the company and the transaction were not disclosed. Saber, a provider of solutions to state and local government agencies and backed by Accel-KKR, acquired a division of Covansys (Nasdaq: CVNS), tripling its revenue run rate to \$100 million. Electrograph Systems, a leading provider of flat panel displays and backed by Caxton-Iseman Capital, acquired International Computer Graphics (ICG), doubling its revenue run rate to greater than \$500 million.

Warren Buffet (NYSE: BRKA) talks about waiting for a “fat pitch” when you get your at bats. These companies each got one.

Selected Transactions

Target

06/16/06 Electrograph Systems Acquired Int'l Computer Graphics

International Computer Graphics, Inc. (a distributor of desktop displays, A/V presentation products, and digital imaging peripherals in the U.S.)

Buyer

Electrograph Systems, Inc.

Synopsis

Electrograph Systems acquired International Computer Graphics for an undisclosed amount. GE Antares Capital and D.B. Zwirn & Co. provided financing for the transaction. GE Antares Capital provided \$87.5 Million Senior Credit Facility to Electrograph and GE Capital Markets acted as a sole lead arranger. Both Electrograph and ICG have \$275 million in revenue annually.

Transaction Highlights

The acquisition of ICG roughly doubles Electrograph's revenues and greatly strengthens its presence on the West Coast. The companies combined have over 45 years in business, with 16 sales offices and 10 distribution centers across the U.S. It is Electrograph's third strategic acquisition since it was acquired in August 2005 by Caxton-Iseman Capital, Inc.

04/20/06 Hansen Information Technologies Acquired Spear Technologies

Target

Spear Technologies, Inc. (a California based provider of enterprise asset management systems and services for the public transit and rail market)

Buyer

Hansen Information Technologies

Seller

Abbot Group plc (LSE:ABG) and Marquette Venture Partners

Synopsis

Hansen Information Technologies acquired Spear Technologies, Inc. for an undisclosed amount. The financing was provided by Golden Gate Capital. Spear will be a part of Hansen's new Transit and Rail Business Unit.

Transaction Highlights

Spear solutions support the maintenance activities of four of the ten largest public transit agencies in the United States, including New York City Transit, Los Angeles County MTA, Dallas Area Rapid Transit, and San Francisco Municipal Railway. The acquisition of Spear Technologies is consistent with Hansen's strategy of building a suite of scalable Microsoft .NET business applications that serve the government enterprise.

06/01/06 Saber Acquired Covansys' State and Local Government Practice

Target	Covansys Corp., State and Local Government Practice (a governmental professional services division of Covansys)
Buyer	Saber Consulting, Inc.
Seller	Covansys Corp. (Nasdaq: CVNS)
Purchase Price	\$40 Million
Purchase Price / Revenue	0.53x annual revenue as of 12/31/2005
Synopsis	Saber Consulting, Inc. completed the acquisition of state and local government practice of Covansys Corporation for a value of approximately \$40 million in cash on June 1, 2006. The Covansys State & Local Government Practice will be merged into Saber and the combined company will operate under the Saber brand.

Transaction Highlights The acquisition of Covansys' State and Local Government Practice is being facilitated by Accel-KKR's investment. Both companies are leaders in State and Governmental IT services sector. The combined company will list state and local governments in more than 45 states as customers for its products and services. The acquisition adds technology and resources to continue and grow Saber's leadership role in US, increases Saber's employees from 250 to 650 and revenue from \$25M to \$100M.

04/30/06 Black Box Acquired NextiraOne USA and Canadian Operations

Target	NextiraOne, LLC USA and Canadian Commercial and USA Government Operations (a division of NextiraOne providing integrated enterprise network solutions)
Buyer	Black Box Corp. (Nasdaq: BBOX)
Seller	NextiraOne, LLC
Purchase Price	\$97.31 million
Purchase Price / Revenue	0.35—0.36 x projected annualized revenues
Synopsis	Black Box Corporation completed the acquisition of USA and Canadian Commercial and USA Government Operations of NextiraOne, LLC for the total net purchase price of \$97.31 million on April 30, 2006. Black Box will operate the acquired businesses under the Black Box name. Platinum Equity, LLC is the parent of NextiraOne.

Transaction Highlights NextiraOne has significant revenues with a large installed base of many high quality clients. Black Box is an industry leader in data, voice and hotline services. The combined company will be able to offer full life-cycle support, to enhance quality of design and deployment, and to increase operating efficiency.

05/02/06 Black Box Corporation Acquired Nu-Vision Technologies

Target	Nu-Vision Technologies (a New York based technology distributor specializing in customer-focused telecommunications and networking products and services)
Buyer	Black Box Corp. (Nasdaq: BBOX)
Synopsis	Black Box Corporation acquired Nu-Vision Technologies on May 2, 2006. The financial terms of the transactions were not disclosed. Annual revenues of Nu-Vision were approximately \$55 million for the twelve-month ended December 31, 2005. Dwayne Disesu, former owner and President of Nu-Vision, will remain active as Vice President and General Manager.

Transaction Highlights Nu-Vision has an active customer base which includes commercial, education and various government agency accounts. It has reputation for providing high quality voice and data services. Together, the combined company will be able to enhance their national operating coverage and provide their client base with a broader suite of data, voice and hotline technical services.

Private Equity Sector

We believe private equity (PE) firms will continue to be one of the major participants driving M&A activity over the next twelve months. The amount of capital raised by PE firms sharply increased in 2005 to \$152 billion (Figure 2), which represents a 65% increase over the prior year. Figure 1 presents a short list of selected buyouts involving targets in the IT services, IT enabled services and software space during the last twelve months. Easy access to credit, relatively low cost of financial leverage and the vast amount of capital needed to be deployed has provided a favorable environment for M&A activity.

Even with the relatively high level of deal interest and activity, PE firms, collectively, maintain more un-invested capital than they had last year. At the same time, strategic buyers are active in acquiring quality companies to augment their organic growth. This would suggest a seller's market, as both financial and strategic buyers are actively pursuing acquisition targets. Nonetheless, PE firms have been selective in the IT services, IT enabled services and software space, bidding aggressively on the limited supply of high quality companies. As a result, leveraged buyout (LBO) mid-market deal volume in this space has remained relatively flat over the past few years (Figures 3 and 4, collectively). This means we have an environment where more and more dollars are chasing few good deals. Also note, the majority of the transactions are occurring at the low end of the mid-market, with most valued at less than \$100 million in consideration.

While active on the acquisition front, PE firms are also counteracting their aggregation by increasing the number of exits. Given the favorable deal environment, firms are now open to divesting more mature investments. Internal pressures are also a factor. For example, many funds are aging, creating added demands on firms to sell investments to post positive returns. Solid historical returns, obviously, make it a lot easier to raise capital for new funds. Further, unfavorable economic conditions in 2002 and 2003 created pent up demand, as firms often waited for improved fundamentals in their companies before considering an exit. Therefore, there is a growing number of portfolio companies available to strategic acquirers.

Even with healthy and vibrant deal volume overall, strategic acquirers are also selective. Nonetheless, portfolio companies tend to have attractive attributes for a potential acquirer, including focused product/services offerings and/or vertical concentration, as well as solid financial performance. Highly-focused, well-run companies will continue to be targets, while companies with a myriad of revenue sources will be difficult to sell.

In summary, PE firms are playing an increasingly important role in IT M&A, on both the buy-side and sell-side.

Date	Target	Target Business Description	Buyers/Investors	Total Purchase Price (\$mm)	P/S	P/EBITDA
05/31/2006	West Corp. (NasdaqNM:WSTC)	Communication Services, Conferencing Services and Receivables Management	Quadrangle Group, L.L.C. , Thomas H. Lee Partners, L.P.	3602.47	2.27	9.10
05/01/2006	Primavera Systems, Inc.	Collaborative resource, project, and portfolio management software solutions	Francisco Partners Management LLC, InSight Venture Partners	200.00	2.46	-
04/16/2006	Flextronics Software Systems Ltd.	Network development consulting and back office services	Kohlberg Kravis Roberts & Co.	900.00	9.09	17.80
04/03/2006	Global 360, Inc.	Business process management and analysis solutions	JMI Equity Fund, TA Associates, Inc., Technology Crossover Ventures	200.00	-	-
03/12/2006	Activant Solutions Holdings Inc.	Business management solutions	Hellman & Friedman Capital Partners V, L.P., Hellman & Friedman, LLC, JMI Equity Fund, Thoma Cressey Equity Partners, Thoma Cressey Equity Partners Fund VIII, L.P.	674.68	2.23	9.52
03/08/2006	Sourcecorp Inc. (NasdaqNM:SRCP)	High value consulting services	Appollo Advisors, L.P.	469.72	1.14	8.00
12/19/2005	Pegasus Solutions Inc.	Central reservation systems, electronic distribution services, commission processing & payment services	Belfer Management, Prides Capital LLC, Tudor Investment Corporation	242.04	1.67	10.78
07/28/2005	SS&C Technologies Inc.	Investment and financial management software & services	Carlyle	940.99	8.00	22.15
07/13/2005	Axiom Corp. (NasdaqNM:ACXM)	Customer and information management solutions	ValueAct Capital	2548.27	1.99	7.81

Figure 1

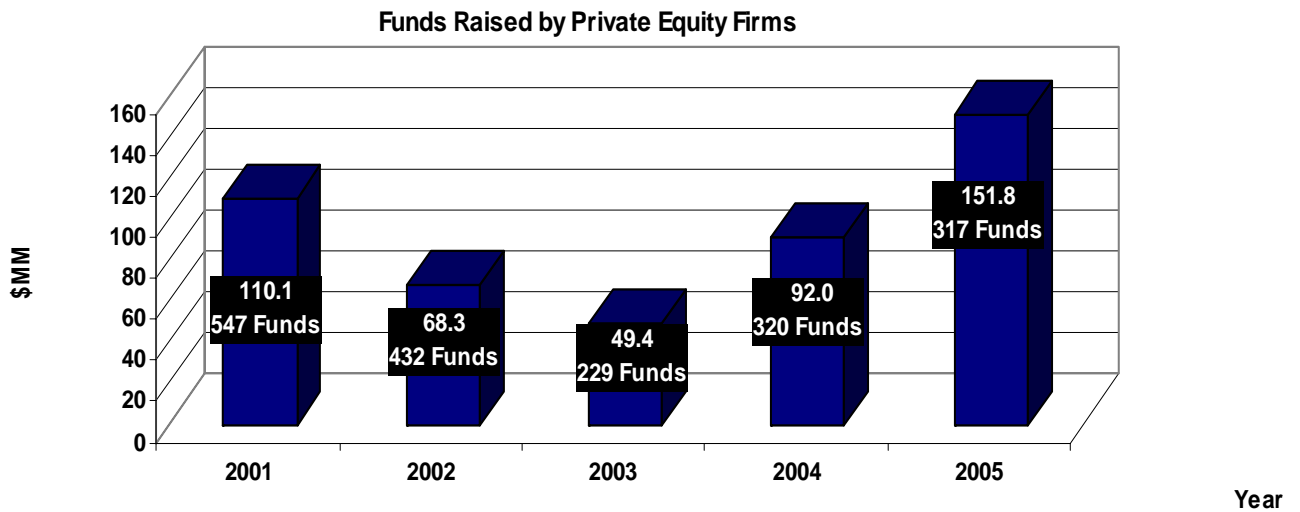


Figure 2

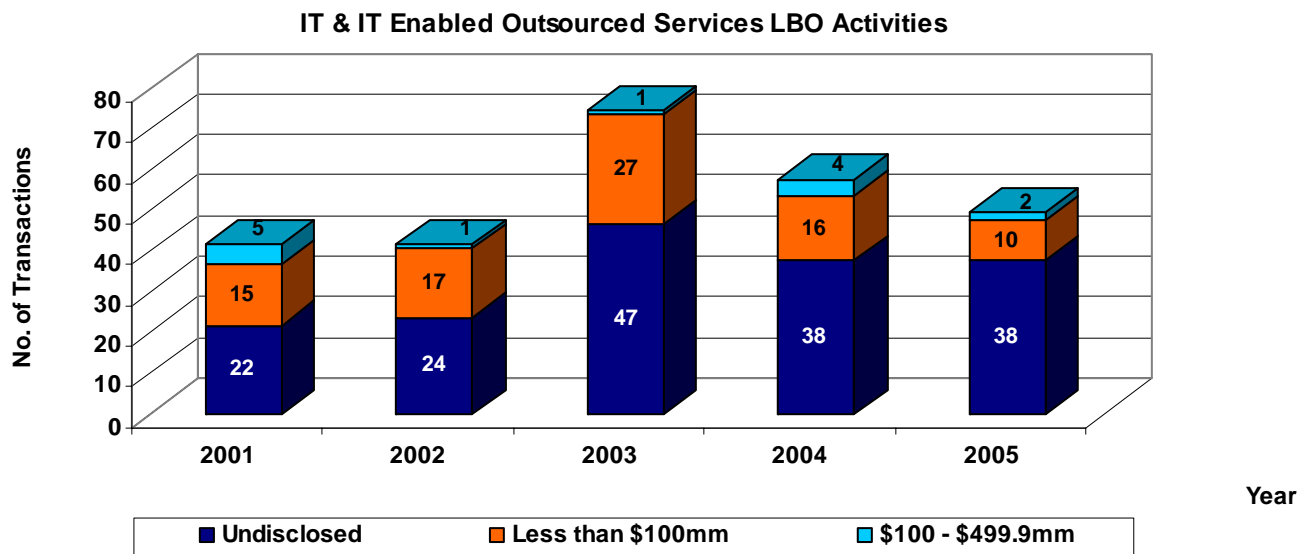


Figure 3

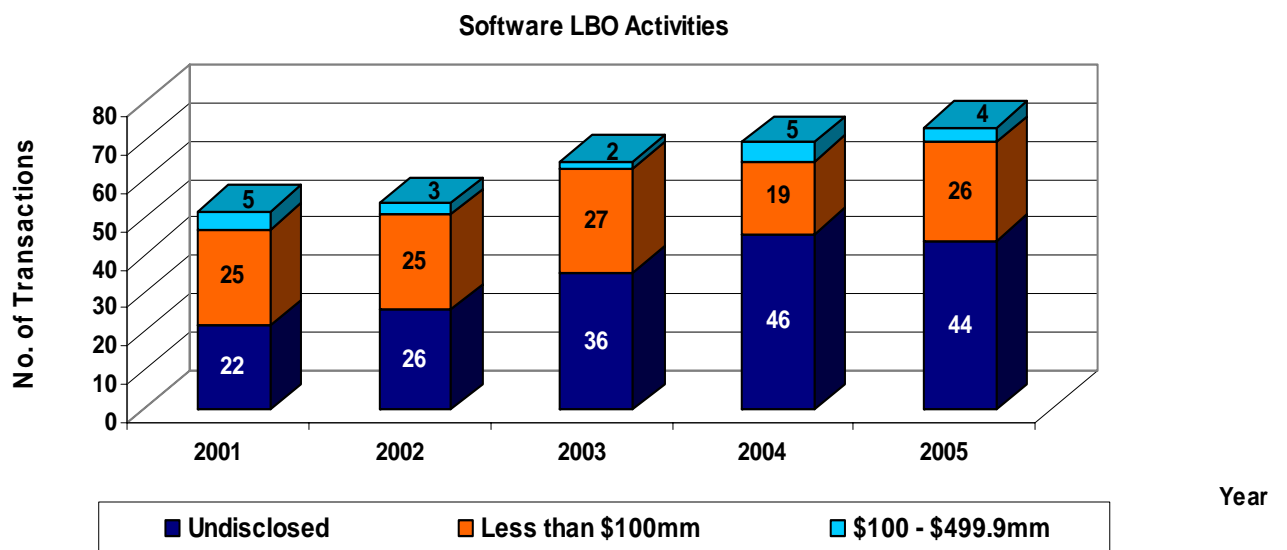


Figure 4

MWS Scoreboard

SECTOR	Revenue Growth%	GM%	EBITDA%	Debt / Asset %	P/S	P/E	EV/Revenue	EV/EBITDA
IT Conglomerates	9.6%	43.0%	19.5%	13.8%	1.34	22.5	1.45	11.1
IT & IT-ENABLED OUTSOURCED SERVICES								
Financial IT Services	10.3%	56.1%	22.3%	0.5%	2.92	36.4	2.63	10.9
Offshore Outsourcing	30.2%	45.7%	22.3%	0.4%	2.60	20.5	2.49	13.2
Business Process Outsourcing	12.0%	45.3%	15.4%	9.9%	1.29	22.5	1.37	9.2
IT Outsourcing	4.0%	27.4%	13.6%	21.5%	1.23	27.7	1.12	12.7
Governmental IT Professional Services	19.9%	17.4%	9.7%	16.6%	0.92	20.0	0.94	10.8
European IT & Business Services	8.1%	36.0%	10.9%	14.2%	0.84	22.4	0.90	8.6
Commercial IT Professional Services	7.4%	28.3%	4.5%	2.7%	0.80	22.4	0.77	9.9
IT Staff Augmentation	12.6%	23.8%	3.4%	9.8%	0.42	31.1	0.48	12.1
IT SUPPLY CHAIN SERVICES								
IT Retailers	5.3%	28.7%	6.7%	9.8%	0.76	30.9	0.76	11.3
European IT Supply Chain	4.1%	8.5%	3.7%	6.4%	0.30	17.5	0.29	7.6
IT Products Distributors	8.9%	8.8%	2.5%	12.5%	0.15	14.4	0.20	8.2
IT Resellers	11.4%	16.7%	-0.5%	15.5%	0.16	16.9	0.17	9.6
IT Direct Marketers	11.2%	12.4%	2.3%	4.9%	0.23	17.2	0.16	7.2
SOFTWARE								
IT Management Software	11.9%	78.1%	15.7%	0.0%	2.81	50.9	2.28	12.1
Business Software	8.8%	75.4%	18.9%	0.0%	2.63	27.1	1.96	11.4
Middleware, Tools and Integration	7.6%	76.6%	18.3%	0.2%	2.57	26.9	1.84	12.1
Enterprise Applications	7.7%	65.6%	14.6%	0.1%	2.18	32.1	1.80	11.7

Figure 5

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 92 IT and IT-Enabled Outsourced Services, 31 IT Supply Chain Services, and 70 Software companies listed in US stock market. It is based on the closing price as of June 30, 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 June 30, 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

If you have any questions, or want to subscribe to our periodic intelligence information, or to be removed from the distribution list, please contact Hao He at hhe@martinwolf.com.

The information contained herein is obtained from sources we believe to be reliable, but its accuracy and completeness, and that of the opinions based thereon, are not guaranteed. Nothing contained in this publication is intended to be a recommendation of a specific security or company nor is any of the information obtained herein intended to constitute an offer to buy or sell or the solicitation of an offer to buy or sell any security. Martin Wolf Securities LLC may have an interest in any of the securities or companies discussed herein. All rights reserved by Martin Wolf Securities. May not be reproduced in whole or in part without prior written authorization. © 2006 Martin Wolf Securities.

Martin Wolf Securities LLC

4000 Executive Parkway
Suite 515
San Ramon, CA 94583

925.355.0110

www.martinwolf.com

Martin D. Wolf
President & Managing Director
mwolf@martinwolf.com

H. Christopher Covington
Principal
hccovington@martinwolf.com

Anthony Lembo
Principal
alembo@martinwolf.com

Scott A. Messier
Vice President
smessier@martinwolf.com

Gaurav Sharma
Associate
gsharma@martinwolf.com

Hao He
Analyst
hhe@martinwolf.com