

Enterprise Software M&A Update

Summer 2003

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Recent Udata Enterprise Software Transactions



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Udata Enterprise Software Index up 59% YTD!

Market Update

Equity markets have staged a solid comeback after posting three years of disappointing performance. The NASDAQ and the S&P 500 are up 33% and 14%, respectively, this year benefiting from a strong 2Q'03 performance that pushed the NASDAQ and the S&P 500 to new 52-week highs. A combination of factors including stable to improving company fundamentals, modest IT spending recovery, and anticipation of growth has aided this recovery. Earnings for the S&P 500 Index companies were up 11.3% on average in the second quarter due in part to productivity improvements being realized from corporate restructurings which took place throughout 2002 and the first part of 2003. Furthermore, the technology sector posted earnings growth of 23.9% Y/Y in 2Q'03 versus 21.5% in the previous quarter, making it the second fastest growing sector behind energy.

The enterprise software sector has been a major beneficiary of industry rotation back into technology. The Udata Enterprise Software Index is up an impressive 59% YTD and up 33% in 2Q'03 alone, stemming from strong performance in mid-tier ERP (+162%), vertically focused enterprise software (+81%) and business intelligence companies (+43%). The biggest gainers on an individual basis include Epicor up 525%, Retek up 172%, QAD up 139% and Manugistics up 95%. Operating performance of several enterprise software companies was characterized by an up tick in license sales, improved utilization rates in the services business, lower headcount and tight cost controls.

From a valuation standpoint, large ERP vendors continue to lead the pack trading at 4.2x EV/LTM Revenue. Similar to 1Q'03, Business Intelligence companies maintained second position with average EV/LTM Revenue multiple of 2.5x. This is in part due to superior top-line performance aided by acquisitions and better sales force utilization. Even though EV/LTM Revenue and EV/LTM EBITA may paint a slightly different picture, premium PE multiples exhibited by sub-sectors such as CRM and Content Management are a result of recent reemergence into the black and corresponding low operating margins.

Enterprise Software Consolidation Continues

Mergers and Acquisitions in the enterprise software sector continued at a strong pace. The number of deals announced/completed totaled to 81 through mid-August 2003. Moreover, the second quarter was marked by a fair number of premium-priced (and sizable) deals including the acquisition of iManage by Interwoven, Crystal Decisions by Business Objects, JD Edwards by Peoplesoft, Timberline Software by Sage and Oracle's hostile bid for PeopleSoft. SSA Global Technologies continued to demonstrate its insatiable demand for mid-tier application vendors as it recently announced its third deal this year to acquire publicly held EXE Technologies. EXE is a supply chain execution company which rounds out SSA's supply chain portfolio which consists primarily of technologies acquired from Baan and Ironside. We expect SSA to continue to be active in the M&A market.

Business Object's recent acquisition of Crystal Decisions was used to jump-start

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BOBJ's license sales in light of evaporating organic growth in the maturing Business Intelligence market. In response to the Crystal Decision's acquisition, Hyperion Solutions snapped up Brio Software for \$142 million to fire back at BOBJ and claim its position in the business performance management market.

Going private transactions continued throughout Q2 highlighted by Battery Venture's buyout of Made2Manage. With \$30 million in mid-market ERP revenue we would expect Battery to be on the lookout for additional acquisitions to build on their Made2Manage platform.

As the economy continues to recover and business confidence builds, we expect the pace of acquisitions to continue to sweep the enterprise software arena.

Market Reaction to Significant M&A Deals

	JD Edwards/ PeopleSoft	Brio/Hyperion	Crystal Decision/ Business Objects	iManage/ Interwoven
Time	Acquirer Stock Price Change:			
T+1	0%	-14%	14%	-12%
T+5	20%	-10%	23%	-1%
T+15	19%	-1%	18%	NA
T+30	19%	NA	NA	NA

While it is difficult to arrive at any firm conclusions from the performance acquirer's stock post announcement (table to the left), it is interesting that the companies making the larger acquisitions have had the best post announcement stock performance.

Enterprise Software M&A Transactions (June To Date)

(\$ in Millions)

Date Closed	Seller	Buyer	Enterprise Value	Mult of Rev	Mult of Op Inc
Pending	EXE Technologies	SSA Global Technologies	\$15.1	0.2x	NM
Pending	iManage	Interwoven	\$122.7	2.9x	NM
Pending	Mercator	Ascential	\$97.5	1.0x	NM
Pending	Brio Software	Hyperion	\$116.4	1.1x	297.0x
Pending	Timberline Software	Sage Group	\$86.4	1.4x	50.8x
Pending	Crystal Decisions*	Business Objects	\$820.0	3.0x	21.7x
Pending	Comshare	GEAC	\$31.2	0.5x	NM
Pending	PeopleSoft	Oracle	\$4,240.5	2.2x	16.9x
Pending	Sherwood International	SunGard Data Systems	\$105.7	1.3x	NA
Pending	GE's Internal U.S. Customs Operation	Vastera	ND	NA	NA
Pending	Corel	Vector Capital	\$25.0	0.2x	NM
Pending	MediaBin	Interwoven	\$5.0	1.2x	NA
Pending	ReturnCentral	Manhattan Associates	ND	NA	NA
Pending	Alcar Group	Hyperion	ND	NA	NA
Pending	Evolve Software	Primavera Systems	\$6.8	0.4x	NM
Pending	Optimum Logistics	Elemica	ND	NA	NA
Pending	Loadbook	OrderPro Logistics	ND	NA	NA
Pending	Sagent Technology *	Group 1 Software	\$17.65	0.5x	NM
Aug-03	Made2Manage	Battery Ventures	\$11.6	0.4x	NM
Aug-03	Engage	JDA Software	\$3.80	0.3x	NA
Jul-03	Nimble Technology	Actuate	ND	NA	NA
Jul-03	Numbercraft	Lawson	ND	NA	NA
Jul-03	Elevon	SSA Global Technologies	\$3.7	0.2x	NM
Jul-03	Baan NV	Cerberus Capital & General Atlantic Partners	\$135.0	0.5x	NM
Jul-03	JD Edwards	Peoplesoft	\$1,349.9	1.5x	29.1x
Jul-03	Income Dynamics	Intuit	\$10.0	NA	NA
Jul-03	ROI Systems*	Epicor Software	\$20.7	1.0x	NA
Jul-03	GERS Retail Systems	Symphony Technology	ND	NA	NA
Jul-03	Arcidea	Impact Information Technologies	ND	NA	NA
Jul-03	Valid Information Systems *	Hummingbird	\$29.5	NA	NA
Jul-03	Viva Business Intelligence	Mc3 Intel	ND	NA	NA
Jun-03	Faspac Systems	Prophet 21	ND	NA	NA
Jun-03	Ironside Technologies	SSA Global Technologies	ND	NA	NA
Jun-03	Synavant	Dendrite International	\$43.5	0.3x	NM
Jun-03	Qjva	TradeBeam	ND	NA	NA
Jun-03	Chorus Application Software	Computer Software Group	ND	NA	NA
Jun-03	HireWorks	Ultimate Software	ND	NA	NA
Jun-03	Future Three	Agilisys	ND	NA	NA
Jun-03	Boldfish	Siebel	ND	NA	NA
Jun-03	Celarix	Global eXchange Services	ND	NA	NA
Jun-03	OpRisk Analytics	SAS Institute	ND	NA	NA
Jun-03	divine's Content Management Business	FatWire	ND	NA	NA

The overall Venture financing environment continues to be difficult. Even though there is significant capital on the sidelines the pace of investments is slow. For the most part, the investing that is occurring is in much more mature, later-stage companies. Many venture groups who considered themselves early-stage investors have moved on to growth and even buyout investments. Battery Ventures recent buyout of Made2Manage is a prime example. The A round investments that are taking place are for companies with product validation and revenue and not the financing of an idea as was common 2-3 years ago.

Enterprise Software Financings (YTD)

Company	Sector	Amount Raised	Round
Centive	Incentive Management	\$18.0	D
Corticon	Decision Management	\$3.0	C
Headsprout	eLearning	\$6.3	C
Veridium	Marketing Analytics	\$6.0	C
Callidus Software	Incentive Management	\$8.0	NA
IE-Engine	HR Cost Management	\$6.4	B
Exactus	ERP	NA	NA
RSS Solutions	Planning, Scheduling	\$1.6	A
Deploy Solutions	Recruiting/Hiring Management	\$21.0	NA
SupplierInsight	Supply Chain	\$2.0	B
Convio	eCRM/Content Management	\$5.6	C
Nistevo	Collaborative Logistics	\$8.0	C
Vcommerce	Supply Chain Execution	\$8.0	NA
Element K	eLearning	\$24.5	D
Optiant	Supply Chain Optimization	\$10.5	B
Brickstream	CRM	\$6.2	A
Spoke Software	Enterprise Sales	\$5.0	B
Speedware	Enterprise Software	\$17.5	Private Placement
SSA GT	Enterprise Software	\$75.0	Private Placement
Clareos	Business Intelligence	\$3.0	A
Remanage	Property Management	\$3.5	NA
NetRegulus	Data Management	\$7.2	B
Demantra	Supply Chain	\$16.0	B
Broad Daylight	Call Center	\$5.0	D
Net Update	Mortgage	\$2.6	E
Emagia	Cash Flow Management	\$7.5	B
Intalio	Business Process Management	\$5.0	B
Sabrix	Tax Management	\$10.5	C
True Context	Content Management	\$1.1	B
NuTech	Predictive Analytics	\$2.0	NA
Pilot Software	Business Analytics	\$5.0	A
Planitax	Tax management	\$7.5	A
Capital Stream	Commercial Finance CRM	\$21.0	E
Velosel	Collaborative Product Information Management	\$10.0	C
Invivodata	Clinical trials management	\$3.5	B
Unveil Technologies	Self Service Applications	\$4.5	A
SPS Commerce	Supply Chain	\$18.0	B
Satori Group	Business Performance Management	\$4.0	A
Ketera Technologies	Spend Management	\$10.0	B
Intelligent Results	Business Analytcs	\$8.0	B
Fidesic	Electronic invoicing and payments	\$3.0	B
Pragmatech	Sales Force Automation	\$12.0	A

Publicly Traded Enterprise Software Companies

(\$ in Millions)												
Company	Market Value				EBITA Margin	MRQ Y/Y Rev Gwth	Enterprise Value as a Multiple of				P/E Multiples	
	Current Price	% of 52 Week High	Market Cap.	Enterprise Value			Revenues		EBITA		LTM	CY 2003
							LTM	CY 2003	LTM	CY 2003	LTM	CY 2003
ERP Software												
ORACLE	\$12.16	86.9%	\$63,755	\$57,564	36%	2%	6.1x	5.9x	16.7x	16.4x	27.6x	26.4x
PEOPLESOFT	\$16.89	73.4%	\$6,229	\$4,290	13%	3%	2.3x	2.3x	16.8x	15.1x	29.1x	31.3x
SAP AG ADR	\$28.95	85.1%	\$36,028	\$33,996	25%	-8%	4.2x	4.2x	17.0x	16.0x	29.2x	29.8x
Mean		81.8%			25%	-1%	4.2x	4.1x	16.8x	15.9x	28.6x	29.2x
Median		85.1%			25%	2%	4.2x	4.2x	16.8x	16.0x	29.1x	29.8x
Mid-Tier ERP Software												
EPICOR SOFTWARE	\$7.81	97.6%	\$340	\$296	7%	0%	2.1x	1.9x	30.0x	39.3x	43.4x	37.2x
LAWSON SOFTWARE	\$7.22	80.2%	\$704	\$450	-1%	-15%	1.3x	1.3x	NM	112.6x	180.5x	103.1x
MAPICS	\$9.25	77.1%	\$210	\$207	6%	51%	1.4x	1.2x	24.2x	NA	48.7x	NA
QAD	\$8.14	81.4%	\$260	\$230	5%	27%	1.1x	NA	20.4x	NA	18.1x	NA
ROSS SYSTEMS	\$15.53	91.4%	\$43	\$43	7%	-2%	0.9x	NA	14.1x	NA	23.9x	11.7x
Mean		85.5%			5%	12%	1.4x	1.5x	22.2x	39.3x	33.5x	24.4x
Median		81.4%			6%	0%	1.3x	1.3x	22.3x	39.3x	33.7x	24.4x
Vertical Application Software												
AMER SOFTWARE 'A'	\$4.90	81.7%	\$110	\$50	8%	-10%	0.9x	NA	11.1x	NA	19.6x	NA
DENDRITE INT'L	\$14.48	90.5%	\$582	\$561	12%	4%	2.3x	1.7x	19.6x	14.8x	29.0x	26.8x
JDA SOFTWARE GROUP	\$16.90	93.9%	\$482	\$367	2%	-8%	1.9x	1.8x	80.3x	23.4x	67.6x	62.6x
MANHATTAN ASSOCIATES	\$30.11	88.6%	\$882	\$761	18%	13%	4.1x	3.8x	22.7x	22.9x	36.7x	35.4x
QRS	\$8.63	95.9%	\$137	\$101	6%	-13%	0.8x	NA	14.0x	NA	32.0x	NM
RETEK	\$7.40	82.2%	\$398	\$316	-2%	-29%	2.0x	1.9x	NM	NM	NM	NM
SS&C TECHNOLOGIES	\$19.00	95.0%	\$239	\$193	24%	0%	3.1x	2.9x	12.8x	12.4x	25.3x	22.6x
TYLER TECHNOLOGIES	\$6.33	90.4%	\$256	\$228	11%	8%	1.6x	1.6x	14.8x	11.6x	42.2x	33.3x
Mean		89.8%			10%	-4%	2.1x	2.3x	16.2x	17.0x	36.7x	36.1x
Median		90.5%			9%	-4%	1.9x	1.9x	14.8x	14.8x	32.9x	33.3x
CRM Software												
FIRSTWAVE TECH	\$6.89	32.8%	\$18	\$15	29%	-17%	1.1x	0.8x	3.7x	3.7x	11.3x	5.8x
I-MANY	\$1.08	27.0%	\$44	\$18	-33%	-29%	0.4x	0.4x	NM	NM	NM	NM
ONYX SOFTWARE	\$3.51	29.3%	\$49	\$38	-6%	-15%	0.6x	0.6x	NM	NM	NM	NM
PIVOTAL	\$1.35	45.1%	\$33	\$15	-26%	-24%	0.3x	0.3x	NM	NM	NM	NM
SIEBEL SYSTEMS	\$10.18	78.3%	\$4,984	\$2,982	3%	-18%	2.1x	2.3x	69.3x	22.4x	92.5x	78.3x
Mean		42.5%			-7%	-20%	0.9x	0.9x	3.7x	13.0x	51.9x	42.1x
Median		32.8%			-6%	-18%	0.6x	0.6x	3.7x	13.0x	51.9x	42.1x
Business Intelligence Software												
COGNOS	\$30.26	91.7%	\$2,682	\$2,418	18%	25%	4.2x	3.8x	23.5x	21.8x	36.0x	34.0x
ASCENTIAL SOFTWARE	\$16.85	88.7%	\$977	\$353	-21%	43%	2.5x	2.3x	NM	NM	337.0x	93.6x
INFORMATICA	\$8.60	95.6%	\$691	\$450	2%	3%	2.3x	2.2x	146.2x	61.6x	122.9x	71.7x
BUSINESS OBJECTS ADR	\$25.55	94.6%	\$1,635	\$1,283	10%	16%	2.7x	2.5x	26.1x	20.4x	39.9x	35.0x
HYPERION SOLUTIONS	\$31.80	81.5%	\$1,159	\$793	10%	2%	1.6x	1.5x	15.4x	12.2x	33.1x	33.1x
SPSS	\$19.51	97.6%	\$337	\$325	7%	-3%	1.6x	1.5x	21.1x	17.5x	32.5x	30.5x
Mean		91.6%			4%	14%	2.5x	2.3x	21.5x	26.7x	35.4x	33.2x
Median		93.2%			9%	10%	2.4x	2.3x	22.3x	20.4x	34.6x	33.6x
Content Management												
DOCUMENTUM	\$18.88	78.7%	\$923	\$782	4%	26%	3.0x	2.8x	68.4x	31.1x	62.9x	59.0x
FILENET	\$20.50	93.2%	\$742	\$559	1%	-1%	1.6x	1.6x	112.5x	87.4x	93.2x	89.1x
HUMMINGBIRD	\$19.46	81.1%	\$345	\$235	22%	9%	1.3x	1.2x	5.9x	6.9x	16.5x	16.5x
INTERWOVEN	\$2.49	62.3%	\$264	\$102	-22%	-21%	0.9x	1.0x	NM	NM	NM	NM
OPEN TEXT	\$34.50	98.6%	\$672	\$556	17%	29%	3.1x	2.8x	18.4x	18.4x	25.2x	25.7x
PLUMTREE SOFTWARE	\$4.14	82.8%	\$127	\$61	4%	-25%	0.9x	0.9x	20.2x	47.8x	29.6x	82.8x
STELLENT	\$7.80	86.7%	\$170	\$109	-6%	2%	1.6x	1.5x	NM	NM	NM	NM
VIGNETTE	\$2.35	78.3%	\$595	\$321	-17%	11%	2.1x	2.0x	NM	NM	NM	NM
Mean		82.7%			0%	4%	1.8x	1.7x	14.8x	26.1x	41.1x	54.6x
Median		82.0%			3%	5%	1.6x	1.6x	18.4x	24.8x	27.4x	59.0x

Note: Outliers, as represented by a box, are excluded from mean and median calculations