Enterprise Application Software M&A Update

Winter 2004

UPDATA CAPITAL

Recent Updata Transactions

LEGATO has been acquired by EMC²

STORAGE SOFTWARE

an investment has been made in GET PAID by the firms UPDATA PARTNERS INSIGHT VENTURE PARTNERS

APPLICATION SOFTWARE

PS Printing For Systems, Inc. has been acquired by Metavante®

IT OUTSOURCING

V3 has been acquired by optum

SUPPLY CHAIN SOFTWARE

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Updata Enterprise Application Software Index up 98% for 2003 – Double the NASDAQ increase!

Market Update

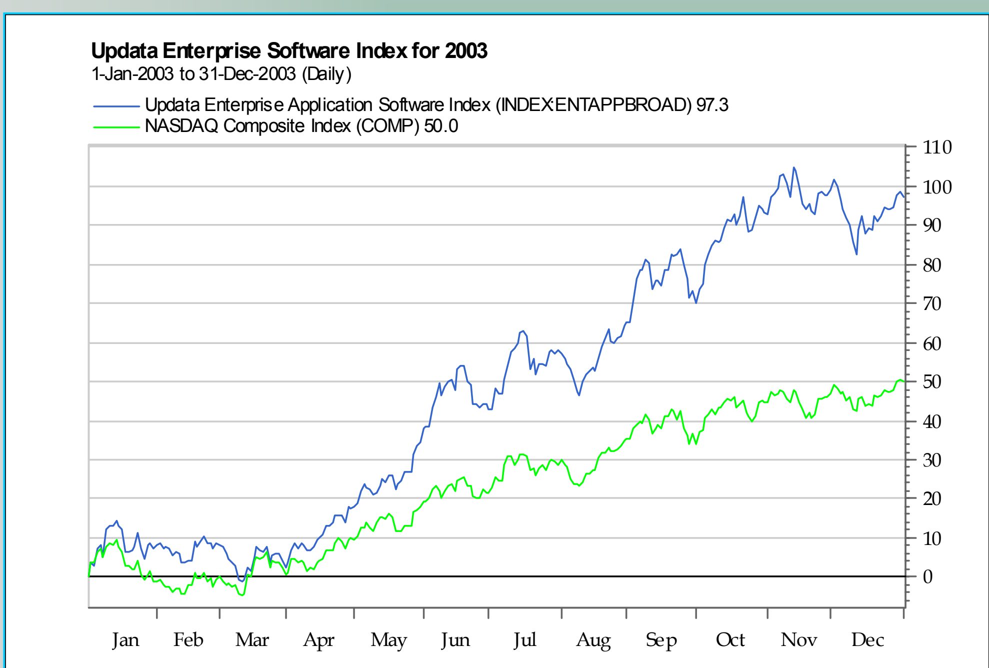
Equity markets have staged a solid comeback after posting three years of disappointing performance. The NASDAQ was up an impressive 50% in 2003 but was dwarfed by the 97% increase by Updata's Enterprise Application Software Index. A combination of macro and micro economic factors contributed to the tremendous gains. The progress made in Iraq and the battle against terrorism has provided some positive momentum in the broader economy which we have not experienced since 9/11/01.

Gone from the Application Software market is the complete lack of visibility on the top-line which characterized late 2002 and early 2003. In its place is guarded optimism and a return to

CFO CORNER: Goodwill Revisited

In June 2001, the FASB unanimously voted to adopt FAS 142 and change the rules for accounting for Goodwill in business combinations. Now that 2003 is complete and these rules have been in place for 2 full years, we decided to take a look at how they are being implemented in practice. We hope to gain some insights to better enable forecasting the pro forma financial accounting impact of M&A activity.

According to FAS 142, the value of a transaction is allocated to tangible assets and liabilities at fair market value. The remaining purchase price is allocated to intangibles, which determines the extent to which the company will incur annual amortization charges on its P&L. Intangibles assets are split between Goodwill and non-Goodwill. The latter category is further split between



Market Update *continued*

moderate growth expectations.

As evidenced by our analysis of the sector (refer to pg. 4,) the average revenue growth was modest at 8%. This average is skewed by the leaders in Business Intelligence, particularly Cognos, Ascential and Hyperion (average growth of 28%) and the leaders in the middle market ERP sector such as Chinadotcom and Mapics. It should be noted that much of the growth exhibited by these companies has less to do with improving economic conditions and more to do with active M&A strategies.

The Business Intelligence sector finally started to consolidate in 2003 as many had been predicting and the activity was highlighted by a number of marquee deals including the Business Objects/Crystal Decisions and Hyperion/Brio transactions.

On the back of an active 2002, the middle market ERP sector also continued to consolidate, highlighted by SSA/Baan, Epicor/Scala, and Frontstep/Mapics.

The long awaited consolidation in the supply chain space appears to have begun. With 100's of small private companies and no dominant pure play, we expect consolidation in the sector to accelerate in 2004. Most of the transactions in 2003 involved smaller private companies, but the most notable deal in the space was the acquisition of EXE by SSA.

Outlook for 2004

The current rebound in the public markets and the broader economy are pushing companies to more aggressively pursue strategic opportunities. With a relatively tight public market over the past two years access to new equity capital has been limited. As a result companies have taken a conservative approach to deploying capital towards strategic M&A. The opening of the public markets has allowed public companies access to new equity capital and consequently increased interest in pursuing strategic M&A opportunities. These dynamics will result in a more active M&A market and consequently an expansion of M&A multiples.

2004 should see particularly strong activity in Supply Chain Management and segments around the SMB marketplace. Strategic deals should be more prominent as purely financial buyers will find it difficult to compete as valuations creep up.

CFO CORNER *continued*

intangibles with a finite life and intangibles with an infinite useful life. The only category which is subject to annual amortization according to FAS 142 is the group separated from goodwill and with a finite life.

Updata reviewed 16 Enterprise Application Software M&A transactions consummated in this FAS 142 era. Of the 16 transactions reviewed, we found a majority of the "excess purchase price" was allocated to goodwill and therefore not subject to amortization.

Allocation of Intangibles for Application Software Companies

Totals	
Definite Life	30.9%
Indefinite Life	2.7%
Goodwill	66.5%
Total Intangibles	**100.0%**

On average only 31% of the "excess purchase price" is being amortized and impacting earnings going forward. (This ignores the requirement of testing for impairment.)

Before the implementation of FAS 142, goodwill was allocated for a period of up to 20 years and was intended to be based on the useful life of the intangible. These guidelines were not closely adhered to prior to FAS 142, however now the guidelines are followed much more closely.

Of the companies Updata reviewed, the most common amortizable intangibles and their average useful life is shown in the table below.

Definite Life Class	Useful Life
Acquired Technology	3-5 years
Customer List/Relationships	7-15 years
Non Compete Agreements	2-3 years
Tradename/Trademark	6-10 years

($ in Millions)

Date Closed	Seller	Buyer	Enterprise Value	Mult of Rev
Dec-03	Unirez*	Pegasus Solutions	$38.0	2.5x
Dec-03	MIS AG	Systems Union Group Plc	$33.0	0.6x
Dec-03	Documentum	EMC	$1,565.89	5.7x
Dec-03	Intraspect Software*	Vignette	$20.4	1.7x
Dec-03	Crystal Decisions*	Business Objects	$820.0	3.0x
Dec-03	Eden Systems	Tyler Technologies	$12.0	1.0x
Dec-04	Orcom	Alliance Data Systems	$30.0	1.0x
Dec-03	Alltel	Convergys	$38.0	1.0x
Dec-03	Firepond	Jaguar Technology Holdings	($7.9)	NM
Dec-03	EXE Technologies	SSA Global Technologies	$11.1	0.2x
Nov-03	PWA Group Limited (subsidiary of Great Plains Software)	Northgate Information Solutions	$7.1	0.6x
Nov-03	iManage	Interwoven	$122.7	2.9x
Pending	Pivotal Corporation	CDC Software	$43.6	0.8x
Nov-03	Softline	Sage Group	$90.8	1.0x
Oct-03	Third Coast Media*	Reynolds & Reynolds	$8.0	1.6x
Oct-03	Grupo SP, S.A.	Sage Group	$83.3	2.2x
Oct-03	Gauss	Open Text	$16.1	0.7x
Oct-03	Brio Software	Hyperion	$116.4	1.1x
Oct-03	Sagent Technology *	Group 1 Software	$17.65	0.5x
Sep-03	Striva Corporation*[1]	Informatica	$62.0	2.5x
Sep-03	Mercator	Ascential	$97.5	1.0x
Sep-03	Corel	Vector Capital	$25.0	0.2x
Sep-03	Timberline Software	Sage Group	$91.9	1.4x
Aug-03	Comshare	GEAC	$31.2	0.5x
Aug-03	Sherwood International	SunGard Data Systems	$105.7	1.3x
Aug-03	Made2Manage	Battery Ventures	$11.6	0.4x
Aug-03	Engage	JDA Software	$3.80	0.3x
Jul-03	Elevon	SSA Global Technologies	$3.7	0.2x
Jul-03	Baan NV	Cerberus Capital & General Atlantic Partners	$135.0	0.5x
Jul-03	JD Edwards	Peoplesoft	$1,349.9	1.5x
Jul-03	ROI Systems	Epicor Software	$17.4	0.7x
Jun-03	MediaBin	Interwoven	$5.0	1.2x
Jun-03	Synavant	Dendrite International	$43.5	0.3x
May-03	Elite Information Group	Thomson Corporation	$85.4	1.0x
May-03	Vista Software *	JDA Software	$4.3	1.0x
May-03	Datavantage Corporation*	MICROS Systems	$59.0	1.4x
Apr-03	Evolve Software	Primavera Systems	$6.8	0.4x
Apr-03	Enterprise Computer Systems	Speedware	$12.0	0.6x
Apr-03	Caminus	SunGard Data Systems	$124.7	1.5x
Mar-03	Romulus Enterprises	Clarity Commerce Solutions	$7.9	10.3x
Mar-03	HTE Inc.	SunGard Data Systems	$97.0	1.4x
Mar-03	Assets of Active IQ Technologies*	Stellent	$0.7	1.0x
Mar-03	Extensity	GEAC	$5.5	0.2x
Mar-03	SCT's Global Energy & Utilities Soln. Unit*	Indus International	$37.8	0.6x
Feb-03	Frontstep	MAPICS	$47.2	0.5x
Jan-03	Obtree Technologies*	Ixos Software AG	$5.7	0.4x
Jan-03	PowerWork AG*	Ixos Software AG	$1.3	0.6x
Jan-03	Applix CRM Business	Platinum Equity	$5.7	0.6x
Jan-03	Thompson Associates	MapInfo	$13.0	0.8x

Mean	1.1x
Median	0.9x

**Dollar amount is Deal Value.*
[1] Revenue multiple is an estimate based on confidential market information.

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

Publicly Traded Application Software Companies

Ticker	Company	Current Price	% of 52 week high	Avg Diluted shares	Enterprise Value	EBITDA Margin	MRQ Y/Y Revenue	LTM Rev	LTM EBITDA	Enterprise Value as Multiple of LTM Revenue	Enterprise Value as Multiple of LTM EBITDA
Tier I ERP											
Orcl	Oracle Corporation	$14.54	93.7%	5,337	$ 69,847	41.15%	8.19%	$ 9,708	$ 3,995	7.2x	17.5x
PSFT	PeopleSoft, Inc.	$22.57	93.9%	357	$ 6,497	18.08%	21.83%	$ 2,094	$ 379	3.1x	17.2x
SAP	SAP AG (ADR)	$42.06	91.8%	1,243	$ 49,613	28.46%	(1.67%)	$ 8,910	$ 2,535	5.6x	19.6x
Mean			93.1%	2,312	$ 41,986	29.23%	9.45%	$ 6,904	$ 2,303	5.3x	18.1x
Median			93.7%	1,243	$ 49,613	28.46%	8.19%	$ 8,910	$ 2,535	5.6x	17.5x
Mid Market ERP											
Epic	Epicor Software Corporation	$17.12	96.2%	51	$ 835	14.34%	11.48%	$ 148	$ 21	5.6x	39.3x
Lwsn	Lawson Software, Inc.	$9.63	99.9%	98	$ 726	7.13%	(4.03%)	$ 341	$ 24	2.1x	29.8x
Mapx	MAPICS, Inc.	$13.05	90.9%	23	$ 282	11.07%	45.30%	$ 161	$ 18	1.7x	15.8x
qadi	QAD Inc.	$15.56	99.2%	35	$ 509	7.73%	14.99%	$ 225	$ 17	2.3x	29.2x
ross	Ross Systems, Inc.	$18.53	93.9%	3	$ 42	20.14%	(3.48%)	$ 48	$ 10	0.9x	4.3x
China	chinadotcom corporation	$11.48	77.2%	101	$ 825	38.59%	135.32%	$ 72	$ 28	11.5x	29.7x
Mean			92.9%	52	$ 536	16.50%	33.26%	$ 166	$ 20	4.0x	24.7x
Median			95.0%	43	$ 617	12.71%	13.24%	$ 155	$ 20	2.2x	29.5x
Vertical Application Software											
amswa	American Software, Inc.	$7.74	91.1%	25	$ 129	21.03%	(8.44%)	$ 57	$ 12	2.3x	10.8x
drte	Dendrite International, Inc.	$15.54	86.9%	42	$ 624	19.04%	62.80%	$ 279	$ 53	2.2x	11.7x
jdas	JDA Software Group, Inc.	$16.15	72.2%	29	$ 359	11.17%	3.64%	$ 207	$ 23	1.7x	15.5x
manh	Manhattan Associates, Inc.	$28.70	84.0%	31	$ 757	24.70%	10.14%	$ 193	$ 48	3.9x	15.9x
qrsi	QRS Corporation	$9.77	85.4%	16	$ 121	13.32%	(2.19%)	$ 125	$ 17	1.0x	7.3x
retk	Retek Inc.	$11.37	94.8%	54	$ 528	1.45%	18.13%	$ 161	$ 2	3.3x	225.1x
tyl	Tyler Technologies, Inc.	$10.77	97.5%	43	$ 426	32.79%	4.06%	$ 143	$ 47	3.0x	9.1x
Mean			87.4%	34	$ 421	17.64%	12.59%	$ 166	$ 29	2.5x	42.2x
Median			86.9%	31	$ 426	19.04%	4.06%	$ 161	$ 23	2.3x	11.7x
CRM											
fstw	Firstwave Technologies	$6.18	29.7%	3	$ 14	2.69%	(34.03%)	$ 13	$ 0	1.0x	38.2x
imny	I-Many, Inc.	$1.49	74.9%	40	$ 33	NM	(37.66%)	$ 40	$ (16)	0.8x	-2.0x
onxs	Onyx Software Corporation	$4.12	70.7%	14	$ 48	1.09%	(10.63%)	$ 63	$ 1	0.8x	70.8x
pvtl	Pivotal Corporation	$2.09	91.7%	26	$ 45	NM	(17.35%)	$ 57	$ (8)	0.8x	-5.6x
epny	E.piphany, Inc.	$8.83	96.7%	74	$ 513	NM	21.18%	$ 96	$ (17)	5.3x	-30.5x
sebl	Siebel Systems, Inc.	$13.86	85.6%	544	$ 5,510	20.23%	(7.09%)	$ 1,354	$ 274	4.1x	20.1x
Mean			74.9%	117	$ 1,027	8.00%	(14.26%)	$ 271	$ 39	2.1x	15.1x
Median			80.2%	33	$ 47	2.69%	(13.99%)	$ 60	$ (4)	0.9x	9.0x
Business Intelligence											
cogn	Cognos Incorporated	$30.11	83.2%	93	$ 2,468	22.14%	24.74%	$ 645	$ 143	3.8x	17.3x
ascl	Ascential Software Corp.	$26.01	92.9%	58	$ 989	7.67%	34.77%	$ 155	$ 12	6.4x	83.1x
bobj	Business Objects S.A. (ADR)	$37.37	96.2%	65	$ 2,052	17.91%	2.32%	$ 503	$ 90	4.1x	22.8x
hysl	Hyperion Solutions Corp.	$36.17	95.0%	40	$ 1,138	17.29%	23.88%	$ 544	$ 94	2.1x	12.1x
spss	SPSS Inc.	$21.60	95.3%	18	$ 367	15.95%	(3.56%)	$ 207	$ 33	1.8x	11.1x
Mean			92.5%	55	$ 1,403	16.19%	16.43%	$ 411	$ 74	3.6x	29.3x
Median			95.0%	58	$ 1,138	17.29%	23.88%	$ 503	$ 90	3.8x	17.3x
Supply Chain											
manu	Manugistics Group, Inc.	$8.30	91.2%	73	$ 707	2.48%	0.45%	$ 251	$ 6	2.8x	113.6x
itwo	i2 Technologies, Inc.	$2.27	92.7%	436	$ 665	22.47%	(30.53%)	$ 566	$ 127	1.2x	5.2x
vast	Vastera, Inc.	$3.75	53.9%	41	$ 102	7.41%	9.97%	$ 84	$ 6	1.2x	16.4x
arba	Ariba, Inc.	$3.47	85.7%	269	$ 806	14.78%	(4.21%)	$ 237	$ 35	3.4x	23.0x
dsgx	Descartes Systems Group	$3.21	87.9%	41	$ 102	1.92%	(8.43%)	$ 63	$ 1	1.6x	84.9x
Mean			82.3%	172	$ 476	9.81%	(6.55%)	$ 240	$ 35	2.0x	48.6x
Median			87.9%	73	$ 665	7.41%	(4.21%)	$ 237	$ 6	1.6x	23.0x
All											
Mean			86.6%	291	$ 4,615	16.01%	8.75%	$ 867	$ 250	3.1x	30.6x
Median			91.4%	43	$ 576	15.95%	2.98%	$ 177	$ 22	2.3x	17.2x

Less than $500 Enterprise Value											
Mean			79.6%	25	$ 159	12.60%	(4.83%)	$ 97	$ 11	1.4x	21.3x