

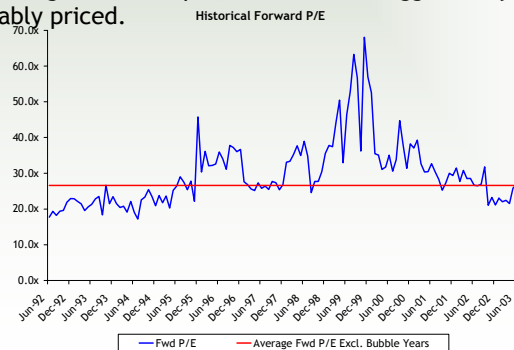
# Financial Technology Monitor

August 2003

## FinTech Equity Performance: Leading the Markets Higher

In a year which has been characterized by concurrent fiscal and monetary stimulus, the U.S. economy and securities markets have proven to deliver unusual and erratic results. Even though the full impact of these forces has yet to materialize, the long subdued equity markets have recently staged a solid comeback. The S&P 500 and the NASDAQ are up 21% and 34% over the last year and are up 12% and 29% year to date.

Given the favorable backdrop in the technology sector, financial technology companies have been among the leading performers this year thanks to improving company fundamentals, sector rotation, increased trading activity, and low interest rates. The Udata FinTech Composite Index is up 64% over the past year, and up 62% YTD. Despite the stock price run up, these stocks are currently trading at their long-term average P/E multiple, which would suggest they are still reasonably priced.



## Financial Technology Industry News Briefs

- **Electronic retail payments are becoming mainstream by the day:**

A recent study by the Federal Reserve affirmed the trend towards electronic payments as a preferred medium of executing transactions. Electronic retail payments have doubled from 1995 - 2000, accounting for nearly 40% of all non-cash payments. This increase has been proportionate to the decline in check usage. For example, in 2002, checks account for only 59.5% of non-cash payments down from nearly 86% in 1979. Industry experts believe that this decline will continue as both banks and billers move to reduce paper volumes.

- **Financial services IT spending is poised for growth once again:**

According to a recent report by Gartner, the financial services sector's IT spending growth that slowed to 0.6% and 0.7% in 2001 and 2002, respectively, is forecast to resume mid-single digit growth in 2003. The research firm estimates that FIs spent \$367 billion on software and services in 2001. Gartner expects this spending to grow at a CAGR of 5.3% through 2006. Within this broad sector, banks and securities firms dedicated the highest proportion of their revenue (6%) towards IT in 2002, while the insurance sector trailed at 3.4%.

- **Billers vs. Banker -- EBPP tug of war:**

Billers' website continues to remain the site of choice when it comes to paying bills online. A recent Gartner survey revealed that 75% of the EBPP activity takes place at the biller's site while only 10% occurs at the bank's site. With online bill pay users increasing from 25 million in 2002 to an estimated 33 million by end of 2003, EBPP continues to remain a top priority for bank CIOs. The growth in online bill pay is being predominantly driven by need to save time and because it offers tremendous cost savings for both banks and consumers. An additional benefit to banks is customer stickiness. Gartner estimates on-line bill payment customers will be 2.5x as likely to stick with their banks than non-bill pay customers in 2003.

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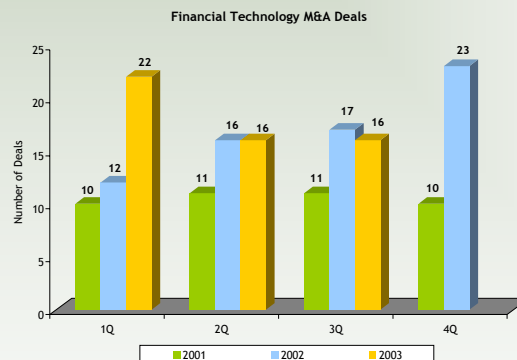
### FinTech Equity Performance: Leading the Market Higher

There are a multitude of factors that have caused the FinTech companies to lead this current equity market rally. At a macro level, relatively healthy IT spending by small to mid sized FIs has helped software vendors that sell into this market. Small to mid-sized FIs, whose operations are mainly comprised of consumer and small-business offerings, have fewer of the pressures faced by larger more diversified FIs that are plagued by a slowdown in brokerage and investment banking operations and compressed net interest margins. This has led to relatively freer spending of IT dollars by smaller FIs. Furthermore, vendors that offer point solutions with a relatively small average selling price have seen more favorable top-line performance than those core processing vendors like Jack Henry or Fiserv whose businesses depend on larger more comprehensive solutions sales. One reason for this is that major IT investment decisions are no longer made at the CIO or related IT personnel level, but instead are scrutinized by senior management and often delayed in today's environment. As a result, CIOs are more inclined to allocate budget dollars and focus on smaller ticket items whose ROI is quickly and easily demonstrable.

Over the past few quarters, the performance of many financial technology companies has been marked by strong fundamental improvement. This has been especially true for companies that are either directly exposed to securities trading activity or have business models that provide strong earnings visibility through a steady and recurring revenue model. For example, the Udata Liquidity Index is up 133% in 2003, benefiting from increased trading volumes that have propelled earnings growth for companies such as Tradestation and Knight Trading, leading them to increase 2H'03 guidance. Other beneficiaries of the improved trading environment and money flow into equities have been the online brokerage firms. E\*Trade and Ameritrade have both seen their stocks rise 91% and 74% YTD, respectively. Fundamental and market performance of some financial technology sub-sectors has also been aided by favorable secular sector trends. For example, payment processors such as Total System Services, Global Payments, and Certegy continue to be favorably impacted by the increasing adoption of convenient electronic transactions as consumers gradually shift away from cash and check based transactions. Furthermore, the anticipation of tax relief checks to eligible families will help partly to boost consumer spending, which should in turn catalyze electronic transaction growth for some companies in the second half.

Some may even argue that the financial technology rally has been in part propelled by overall sector rotation back into technology stocks. In mid-July, technology accounted for 17% of the overall market capitalization of the S&P 500. This is flat compared to the beginning of the year, and up 0.6% in comparison to July 2002.

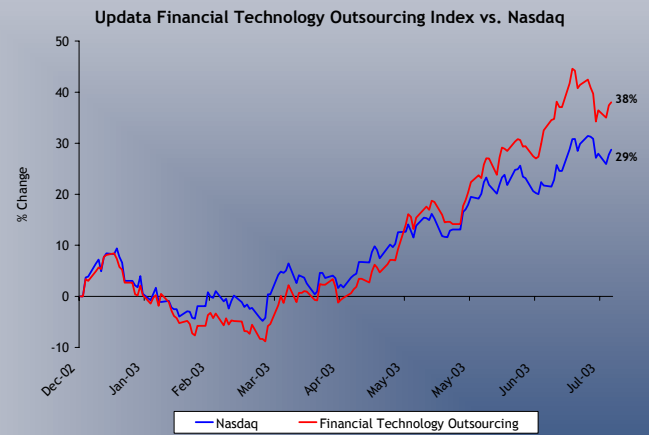
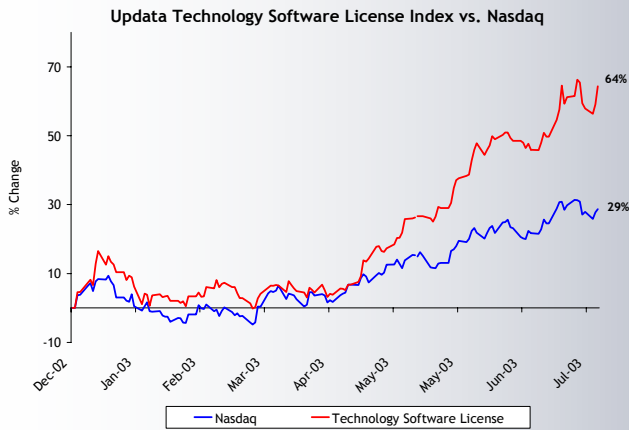
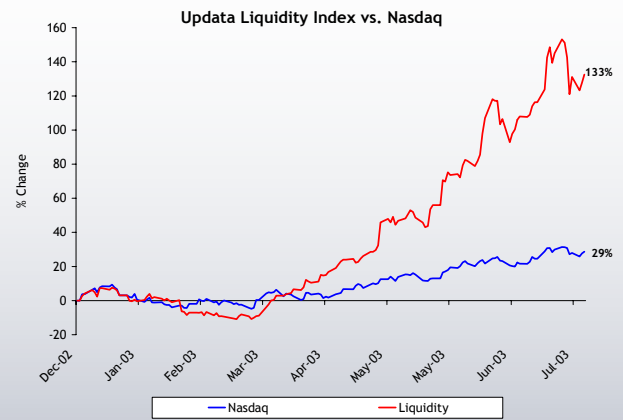
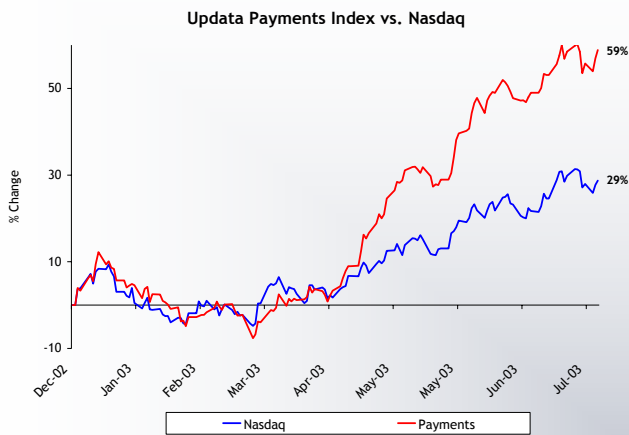
Another significant factor attributable to the rally has been the realignment of cost structures coupled with meeting or beating, albeit conservative, guidance provided by companies in early 2003. In addition, given some early signs of an economic recovery, many investors are heavily pricing in a 2H'03 rebound in demand for software and services. While the magnitude of this recovery is debatable, there is a general sense that the pipelines of software vendors have started to build slowly.



The recovery in the financial technology space has also led to an acceleration of M&A activity. A total of 54 transactions have been executed year-to-date in 2003 compared to 32 during the same period in 2002. In light of the favorable investor sentiment towards amalgamations, management teams are increasingly embracing M&A as a key component of their growth strategy. By acquiring additive technologies, extending product lines, and buying into growth markets, companies are aggressively looking to increase their customer base in light of the pending economic upturn.

We believe that reducing time to market with new technologies and products will be a critical determinant of success for financial technology companies as we emerge from this subdued economic period. Moreover, large FIs are increasingly demanding a wider array of products and services from their vendors as they seek to narrow the list of companies from whom they purchase goods and services. We believe this provides an exciting opportunity for financial technology companies that are seeking a leadership position within their markets to look for partnership opportunities that provide scale and a wider customer base. Given the recent performance of financial technology stocks and the need for continued consolidation across the various sectors, we expect to see a continued acceleration of M&A deal momentum within the group.

### Udata Various Financial Technology Composites: 2003 YTD Price Performance



Technology Outsourcing index includes BSG, DGIN, DST, FISV, TREE, SEIC, STT, SDS, ADP, FIC, JH  
 Technology Software License index includes SVNX, ADVS, BARZ, CORI, JKHY, INTD, INTU, JH, SONE, SCAI  
 Liquidity index includes ESPD, ITG, INET, NITE, NYFX, TRAD, CME  
 Payments index includes ADS, ACRT, EPAY, CEY, CKFR, CEFT, EFDS, FDC, GPN, NAP, TSS, TSAI, TTPA, FNDD, ORCC, INTD

## Financial Technology Company News Briefs

CALABASAS, CA, June 24 (PRNewswire-FirstCall) -- **Digital Insight Corp.** (Nasdaq: DGIN), a leading eFinance enabler, today announced **Bankers Trust** selected Digital Insight as their Internet banking solutions provider. Bankers Trust has purchased Digital Insight's AXIS Internet Banking and Bill Payment, Online Statements and Check Imaging. Bankers Trust will convert approximately 5,500 active users and brings a current count of 48,406 potential end users to Digital Insight. In addition, Digital Insight will provide online banking service to Bankers Trust, Cedar Rapids, Iowa, an affiliate of Bankers Trust, Des Moines.

NEW YORK, NY, June 17 (BUSINESS WIRE) -- **eSpeed, Inc.** (Nasdaq: ESPD), a subsidiary of Cantor Fitzgerald, and **Unisys Corporation** (NYSE: UIS), today jointly announced an innovative solution that combines eSpeed's automated trading tool, AutoSpeed, with Unisys fixed income analytics program, @nalyst, developed by its TechHackers subsidiary. The new solution lets traders analyze and execute transactions in fixed income marketplaces powered by eSpeed, directly from Microsoft Excel spreadsheets. provides fixed income traders with greater speed, flexibility and control than traditional program trading interfaces. By embedding sophisticated analytics and the market's leading tools for fixed-income trading into a user-friendly Excel interface, AutoSpeed @nalyst allows traders to model and execute market-making, relative value and sophisticated proprietary strategies through one worksheet, all in real time.

NEW YORK, NY, June 25 (PRNewswire-FirstCall) -- **E Commerce Group (ECG)**, a division of First Data Corp. (NYSE: FDC), and a leading provider of integrated electronic payment solutions and financial services software, today announced its Speedpay electronic bill payment technology now enables billers to accept ATM and debit card payments from customers using NYCE-branded debit cards. Potential billers include insurance companies, utilities, educational lenders and government agencies. With debit payment capability, cardholders of participating financial institutions now have the convenience of paying electricity, water, credit card and mortgage bills electronically by direct debit from their savings or checking account.

ATLANTA, GA, June 24 (PRNewswire-FirstCall) -- **Global Payments Inc.** (NYSE: GPN), a world leader in payment processing solutions, today announced an extension of its agreement to serve **Metavante Corporation's** extensive merchant portfolio with front-end, Point-of-Sale (POS) payment card processing services. "Global Payments offers Metavante a diversified transaction processing product line that well serves our need for merchant ease of use," said Frank G. D'Angelo, executive vice president of the Metavante Electronic Funds Transfer (EFT) and Card Solutions Division. Metavante offers financial technology solutions that drive customer relationship management, electronic banking, electronic funds transfer and card solutions, electronic presentment and payment, financial account processing, and wealth management. Metavante EFT and Card solutions include debit, stored value, and credit card processing, card personalization, ATM management, gateway transaction processing, merchant processing, and transportation payment solutions.

LONDON & BERKELEY, CA, May 12 (BUSINESS WIRE) -- **Reuters** (LSE:RTR), the global information company, and **Barra Inc.** (NASDAQ:BARZ) a global leader in risk management technology for investment professionals, have formed an exclusive alliance to integrate Barra's market leading buy-side risk analytics with Reuters products for the buy-side. The deal reflects Reuters strategy to increase the competitiveness of its core information business by providing financial professionals with indispensable content and analytical tools. Under the deal, institutional and private wealth managers will be offered Reuters market leading information and Barra risk analytics all within the same system. The combined service enables fund managers to manage risk in their portfolio from the same system they use to watch the markets, avoiding the current time consuming need to request information from elsewhere in their organization.

NEW YORK, NY, June 18 (PRNewswire-FirstCall) -- **Sanchez Computer Associates Inc.** (Nasdaq: SCAI), a leading provider of software and services to financial institutions worldwide, today announced that it has signed a co-marketing agreement to partner with **eMoney Advisor Inc.**, a leading provider of wealth planning solutions that focus on maximizing the advisor-client relationship. Under the arrangement, Sanchez will offer eMoney's AdvisorPlatform, a market-leading financial planning package, in conjunction with its Sanchez Wealthware(TM) suite of products, ultimately combining the offerings into an integrated wealth management solution. The Web-based platform provides robust, flexible planning capabilities, allowing the advisor to choose between comprehensive planning, which encompasses a client's entire financial portfolio (including retirement, estate, investments, and insurance), or stand-alone planning, based on minimal input and targeted to a specific item.

OAKS, PA, July 8 (PRNewswire-FirstCall) -- **SEI Investments** (Nasdaq: SEIC), the global provider of asset management and investment technology solutions, announced today it has been selected to provide account administration and back office support for First Tennessee's trust department. **First Tennessee** has signed a 7-year contract for these services. SEI Private Trust Company, a wholly owned subsidiary of SEI Investments, will assume responsibility for automating and centralizing trust accounting, income collection, and other processing functions. First Tennessee's trust department, with over \$15 billion in assets under management, will also utilize SEI's fully integrated, real-time solutions for order routing and execution and portfolio management. These integrated solutions will enable First Tennessee to operate in a straight-through processing environment.

NEWTON, MA, July 8 (BUSINESS WIRE) -- **IntraNet, Inc.** (Nasdaq: TSAI), a leading international provider of high value and bulk file payment and message processing solutions, today announced that it has signed a distribution agreement with **ACE Software Solutions**, the developer of STP Toolkit. ACE is a leading provider of specialist message processing and straight-through processing solutions to financial institutions worldwide. STP Toolkit will enhance IntraNet's PaymentWare suite of software solutions designed to meet the messaging and payment processing needs of the wholesale banking industry.

SAN MATEO, CA, June 30 (BUSINESS WIRE) -- **Fiserv Lending Solutions**, the national leader in Loan Origination and Processing Solutions, and **Dorado Corporation**, the leader in Demand Chain Management for home lending, today announced a strategic partnership to deliver end-to-end Web services-based mortgage origination solutions. Under the terms of the agreement, the two organizations will begin work on integrating Dorado's ChannelMaster products and .MOR(TM) Web Services platform with the UniFi® PRO Mortgage and easyLENDER Mortgage loan origination and processing systems from Fiserv. The integration of Dorado and Fiserv products will provide lenders with the most comprehensive and flexible mortgage origination solutions currently available. Together, Dorado and Fiserv will provide loan officers, brokers, and processors with fully transactional Web sites that offer seamless interaction with critical mortgage Web services and Fiserv LOS systems.

BOSTON, MA, June 25 (Reuters) -- Financial services company **State Street Corp** (NYSE:STT) said it will sell its private asset management business to **Charles Schwab Corp.**(NYSE:SCH)'s U.S. Trust unit for about \$365 million. The deal, which had been rumored by analysts for months, is part of Boston-based State Street's strategy to focus more exclusively on its core business of servicing institutional, not retail clients. The private asset management unit, which employs about 180 people, manages roughly \$11.5 billion in assets for wealthy individuals in New England and it is seen as highly desirable for U.S. Trust which had long wanted to establish a foothold in this region. The unit contributed roughly 2 percent to State Street's total revenue last year and the sale is expected to have no impact on operating earnings this year.

ARLINGTON HIEGHTS, IL, May 28 -- **Meadows Credit Union**, a full service credit union based in Illinois, announced today a partnership with **CashEdge**, a provider of secure Online Money Movement and Advanced Account Aggregation platforms, to enhance its online payment channel with inter-institution funds transfer, person-to-person payment, and account opening and funding technologies. "CashEdge's solutions provide asset gathering and revenue generation opportunities for financial institutions and transform the online medium from a servicing channel to a customer acquisition channel," said Dilip Venkatachari, President, CashEdge Inc. "These technologies are particularly valuable for credit unions. Having moved over \$125 million for our clients, we have witnessed that in the case of credit unions, for every \$1.00 their members transfer out, \$3.00 flow in."

CONCORD, MA, April 21 -- **Financial Fusion, Inc.** and **Princeton eCom** announced today an agreement to provide the financial services industry with a complete end-to-end ASP solution for bill payment. The alliance will combine Financial Fusion Payments Solution including a bill payment GUI, and Bill Payment Warehouse with Princeton eCom Remittance Processing ASP. Because the service works with a Financial Institution's (FI) existing bill presentment offering, it allows the FI to select bill payment vendors based entirely on cost, which can result in cost reductions of more than 25% relative to current industry averages. As part of the agreement Financial Fusion Bill Payment Warehouse will be deployed in Princeton eCom's data center to store and process payment transactions and customer information. In addition to remittance processing, Princeton eCom will also provide the ongoing ASP management and client administration for the service.

LONG BEACH, CA, June 9 -- **J & B Software** announced at TAWPI 2003 that EZ-Remit, an Application Service Provider (ASP) service that delivers all of the advantages of TMS Image, the company's flagship product and the industry's leading remittance platform, will be available beginning August 4, 2003. EZ-Remit is an image-based "capture anywhere - access anywhere" service that uses the Internet as a conduit for document processing and archiving. There is a low, one-time charge for system configuration and site setup and a per-transaction fee.

## Upcoming Financial Technology Events



September 14 - 16, 2003:	9 <sup>th</sup> Annual Financial Services Technology Forum: Online 2003, Phoenix, AZ
September 21 - 23, 2003:	16 <sup>th</sup> Annual Benefits Management Forum & Expo, San Diego, CA
September 24, 2003:	Wealth Management Technology Conference, New York, NY
October 1 - 3, 2003:	4 <sup>th</sup> Annual Wealth Management Forum, Chicago, IL
October 14 - 16, 2003:	6 <sup>th</sup> World Financial Information Conference, Washington D.C.
October 15 - 17, 2003:	12 <sup>th</sup> Annual Credit Card Collections Conference, Orlando, FL
October 16 - 17, 2003:	Financial Services Marketing Symposium, Chicago, IL
October 27 - 28, 2003:	ATM & Debit Forum, New Orleans, LA
October 29 - 30, 2003:	Networked Financial Services Forum, New York, NY
November 6 - 7, 2003:	2 <sup>nd</sup> Annual Financial Services Outsourcing Conference, Washington, D.C.
November 18 - 20, 2003:	BAI Retail Delivery 2003, New Orleans, LA

## Recent Financial Technology Private/Venture Capital Financing

Date	Company	Description	Amount Raised (MIL.)	Investors
Jul-03	GoldK	Retirement-plan technology	\$7.0	Lazard Technology Partners, TH Lee Putnam Ventures
Jun-03	Zoologic	Provider of Web-based financial courseware	ND	Conning Capital Partners, Irwin Ventures
Jun-03	Network365	Provider of a mobile payment and service delivery software platform for wireless operators	\$12.0	Advent Venture Partners, Amadeus Capital Partners, Trinity Venture Capital, JAFCO and Enterprise Ireland
May-03	CapitalStream	Front office automation solutions for commercial finance	\$21.0	FTVentures, Bank of America, Polaris Venture Partners, Mobius Venture Capital, Voyager Capital, The Benaroya Company
May-03	Clear2Pay	Provider of alternative payment applications	\$6.2	Big Bang Ventures, Omega Pharma, members of the management team, individual investor
May-03	VhaYu Technologies	Real-time tick-data capture, storage and analytics for the financial industry	\$6.5	Menlo Ventures
May-03	Upstream Technologies	Developer of asset-management technology used by managers of separate accounts	ND	Lava Trading
May-03	Sabrix	Transaction tax management software and tax research	\$10.5	Trinity Ventures, Mohr, Davidow Ventures, Venture Strategy Partners
May-03	Mantas	Behavior detection technology for the financial services industry	\$4.0	Comerica
Apr-03	Netupdate	Mortgage software services	\$2.6	Alexander Hutton Venture Partners
Apr-03	Mavent	Provider of mortgage lending compliance services	\$6.0	Financial Technology Ventures
Apr-03	eCredit	Credit and collections automation software	\$9.0	Apex Capital Management, Internet Capital Group, Sterling Venture Partners
Apr-03	CardSystems	Electronic payment processing services	\$23.6	Camden Partners, Equity Dynamics, Principal Financial Group, Edgewater Private Equity Funds

## Financial Technology M&A Activity

(\$ In Millions)

Date Closed	Seller	Buyer	Deal Value	Revenue	Mult of Revenue
Pending	Sherwood International	SunGard Data Systems	\$105.7	\$82.8	1.3x
Pending	London Clearing House	Clearnet	ND	\$300.8	NA
Pending	Lexit Group	NeoNet	ND	\$8.0	NA
Pending	London Pacific Advisory Services	SunGard	ND	NA	NA
Pending	mPower	Morningstar	ND	NA	NA
Pending	American Stock Exchange	GTCR Golder Rauner	\$110.0	NA	NA
Pending	LendingTree	USA Interactive	\$716.1	\$129.3	5.5x
Pending	Concord EFS	First Data	\$6,748.3	\$2,174.4	3.1x
Pending	Telecash Kommunikations	First Data	ND	NA	NA
Pending	AVT Technologies	Reuters	ND	NA	NA
Jul-03	Renaissance Trading Technologies	NYFIX	\$7.5	NA	NA
Jul-03	Chase Credit Research and Chase Credit Systems	Fiserv	ND	\$25.0	NA
Jul-03	EDS' Credit Union Industry Group Business	Fiserv	\$218.0	\$115.0	1.9x
Jul-03	Income Dynamics	Intuit	\$10.0	NA	NA
Jul-03	Billserv	CyberStarts	\$4.8	\$4.2	1.1x
Jul-03	Certen	Amdocs	\$66.9	NA	NA
Jun-03	Chicago Securities Group	Automated Trading Desk	ND	NA	NA
Jun-03	FiTECH Systems	Open Solutions	ND	NA	NA
Jun-03	ProBusiness Services Inc	ADP	\$500.0	\$168.6	3.0x
Jun-03	OpRisk Analytics	SAS	ND	NA	NA
Jun-03	Premier Systems	Harland Financial Solutions	\$16.0	\$15.0	1.1x
Jun-03	Mortgage Asset Research Institute	ChoicePoint	ND	NA	NA
Jun-03	Reech Capital	SunGard	\$0.5	NA	NA
May-03	Dataphile Software	ADP Brokerage Services Group	ND	NA	NA
May-03	Landau Financial Services	Bisys Group	ND	NA	NA
May-03	Wausau Benefits	Fiserv	ND	NA	NA
May-03	Hamilton & Sullivan	Fidelity National Financial	ND	NA	NA
May-03	Computer Consultants Corporation	Aurum Technology	ND	NA	NA
Apr-03	Mydiscountbroker.com	Ameritrade	\$5.0	NA	NA
Apr-03	Core3	Ephinay	ND	NA	NA
Apr-03	Caminus Corp	SunGard Data Systems	\$159.3	\$89.2	1.8x
Apr-03	Arrakis	RiskMetrics Group	ND	NA	NA

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