

Billing & OSS Finance Newsletter

September 2007

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Volume VIII, Issue 3

SOKOLOFF RANKINGS

For the past year and a half, **Management Network Group, Inc. (NasdaqGM:TMNG)**, a provider of management consulting services, has hovered between #21 and #27 in the **Sokoloff Rankings**.^{*} This quarter has seen some good news for TMNG and a jump in the ratings from #24 to #18. **A major factor in the improved status was the May 31 announcement that the company is back in compliance with SEC and NASDAQ regulations.** With compliance, the company's share price cracked the two dollar mark for the first time in nearly a year.

TMNG also witnessed an uptick on June 18 with the addition of the President title for COO **Micky Woo**. **Rich Nespola** continues as Chairman/CEO.

In July the company signaled to investors that TMNG was blazing a new path. **They announced that Behrman Capital sold their 34.9% interest in TMNG to a group of investment banking firms.** The firms were largely made up of current holders of TMNG common stock. **Rich Nespola** stated that he believed the transaction should ultimately diversify their common stock ownership and provide greater market liquidity in the trading of their shares.

Lastly, the announcement of TMNG's acquisition of RVA Consulting, a privately held telecommunications consulting firm, and a positive second quarter earnings release helped to keep the company moving in an upward trend. The company said the acquisition reaffirms its leadership in telecom consulting and that it anticipates that the transaction would be immediately accretive. **Revenue for the second quarter showed a 58.5% increase over the same quarter last year.**

This quarter we also added to the rankings **Openwave Systems, Inc. (NASDAQ: OPWV)**, a provider of software services for the communications and media industries. **OPWV** has had quite an interesting ride of late, plagued with losses, investigations into their stock-option-granting practices and a hostile takeover bid. **At the end of the first quarter, unhappy investors filed class action suits for violations of the Securities Exchange Act and clamored for a sale of the company.**

In May, Harbinger Capital Partners, which

workforce. Additionally the board authorized a special one time dividend of \$100 million or \$1.20 per share from the company's cash hoard of nearly \$400 million.

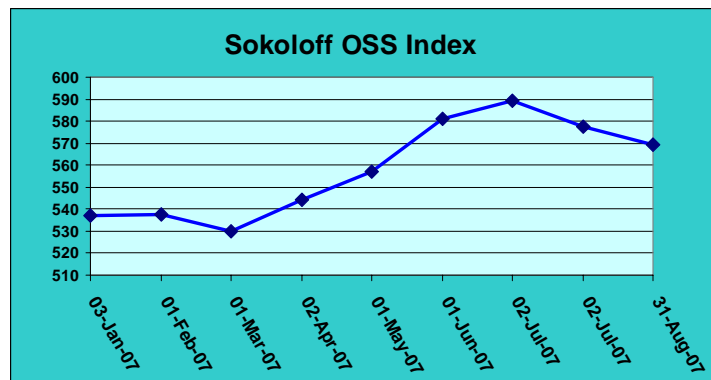
Investors were not pleased with the rejection of the offer and shares fell 16.1% the morning after the announcement. **Perhaps, taking this as a sign, Harbinger announced an extension of the offer two days later and appealed the May 18 decision of the Delaware court which had ruled in favor of Openwave's rejection of Harbinger's board nominees.** Openwave then went on to retaliate by updating their progress on their stand-alone plan and once again recommending that stockholders not tender their shares.

In a last ditch effort Harbinger sent out a letter on June 20 informing investors that tendering their shares would send the strongest message to the board that they must resign, that a special preferred rights provision (a so called "poison pill") created in 2000 to defend

against hostile takeover must be retracted, and that the Delaware court's ruling should be overturned.

All of this was to no avail. Harbinger withdrew its offer two days later, as it had failed to have tendered to it the minimum number of shares required and OPWV's board declined to comply with the other conditions. With this battle behind them, **Openwave** must now move forward and be true to the promises they made their shareholders.

^{*}Determination of rankings is based on the Enterprise Value to Sales Multiple (EVS). This is market cap plus debt and any preferred stock, less cash, divided by trailing twelve month sales. EVS is an indicator of the relative value of the company compared to others in the same market.



already owned 13% of the company, stepped in and offered to takeover the company. They proposed to buy 40.4 million shares at \$8.30 per share, a discount from the day's closing price of \$8.65. This would then bring their ownership up to 62%. **Harbinger** made the offer more attractive to investors by suggesting that if 100% of stockholders tender their shares for cash, they would pay out a special dividend once the deal closed.

Openwave rejected the offer saying that it was inadequate and not in the best interest of their shareholders. Said, **OPWV Chairman, Bernard Puckett**, "The board believes that implementation of **Openwave's** stand-alone plan will generate greater value for stockholders than Harbinger's offer." The company hopes to cut quarterly expenses and plans to restructure the business by cutting 20 percent of its

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SYNCHRONOSS: AN APPLE IN THE EYE OF OSS

Synchronoss Technologies, Inc. (NASDAQ:SNCR), a provider of on-demand transaction management software to Tier One communications service providers (CSPs), has had quite a ride since opening for business in the fourth quarter of 2000. They raised \$34 million in Series A Funding in 2001, became EBIT positive in 2002, profitable by 2004, and had their IPO in 2006.

Sokoloff & Company began reporting on the company soon after it became public and SNCR has consistently held the number one spot in our rankings based on its enterprise value to sales multiple. **Synchronoss continued its successful run this past quarter with the announcement of its multi-year contract with AT&T to provide services for the Apple iPhone.**

Sokoloff & Company interviewed CFO, **Larry Irving**, to get an insight on how this company has been able to grow its business so successfully.

What's the origin of Synchronoss?

It was a spin off of **Vertek**, a professional services corporation. **Steve Waldis**, who is now our CEO, was a principal there. Early on, Steve realized that there were many problems surrounding back office efficiencies. CSPs were solving them by spending significant amounts of money on bodies instead of using software and technology.

Synchronoss has an atypical model, providing complex OSS functionality in a services model rather than a license sale model. How were you able to convince carrier customers to buy into a

SaaS (Software as a Service) model rather than license sale along customary lines?

Service providers over the past number of years have spent significant amounts of money and capital which has not given them what they needed. Our model, from the beginning, has always focused on the transaction and improvement of operational efficiencies. We maximize automation and increase

quality which results in a lower cost per transaction for the CSP. **Our model doesn't require significant cost for upfront investment or upgrades.** The provider pays a per click fee for each transaction and in effect is only paying for consumption. We back our performance with service level guarantees in both processing time and quality. ***This results in a business model which ensures speed to market, lower cost for transactions and improved quality which is what the carrier wants.***

How did the SaaS model evolve for Synchronoss?

Right from the first day. We've added more transactions and customers over the years, but we began the business with that model in mind.

Tell us about the experience with AT&T of rolling out the iPhone.


We believe the **Apple iPhone** to be a revolutionary product and the biggest industry event in awhile. **It was extremely critical that the launch be without a flaw, so we did numerous processing and scalability tests with both AT&T and Apple.** We had to make sure that the platform and overall service offering was ready to support significant transaction volumes with the highest automation levels. It was a very successful launch and was the highlight of the industry. Our selection by **AT&T** is a testament of the faith and trust they have in us and our partnership with them has become larger and stronger as a result.

Have you had any reason to work directly with Apple? If so, in what respect and how has that experience been?

Our relationship is with **AT&T** directly but we also worked closely with **Apple** engineers during the iPhone launch. The coordination with **Apple** and **AT&T** was very successful, and it contributed strongly to the flawless launch.


With 81% of your most recent quarter's revenue coming from AT&T, describe what services you're providing for them and in which domain(s).

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In the prior quarter revenues from AT&T was 68%. Services continue to expand throughout AT&T, driven most recently by the launch of the iPhone. Although the bulk of the recent growth continues to be with AT&T Mobility for both consumer and business sectors we also service VoiP, and other wire line services.

With all of your clients being in North America, what, if any, are your plans for expansion internationally?

Our recent launches have led to significant awareness of our services on a more global basis; as a result we have begun to explore international markets. That said, it's only in an exploratory stage right now. The success of our eCommerce channel has brought us a lot of awareness and a desire for companies to talk with us so we have accelerated our focus in exploring new markets.

What can you tell us about new products and services you're working on?

As CSPs continue to offer more complex services and devices across multiple networks the need to process these transactions is expected to grow. **Synchronoss spends in the neighborhood of 10% of its revenue dollars in research and development.** Earlier this year, we announced our ConvergenceNow™ platform which allows for new transaction types such as the iPhone as well as many other services. Both **Time Warner Cable** and **Comcast** are delivering their wireless offerings through the ConvergenceNow™ platform.

Understanding that this is not a guidance and would be strictly a personal opinion, describe the

Lawrence R. Irving
CFO, and Treasurer, Synchronoss Technologies, Inc.

Larry has over 25 years of financial and telecom experience. Prior to Synchronoss, Larry served as CFO/Treasurer for both publicly traded and venture backed companies. In addition, he has held extensive financial management and business development responsibilities at various companies.



Synchronoss of 2012.

Though we don't provide guidance beyond 2007, I can say that we have continued to build strong customer

always look for ways to maximize shareholder value. **Whether it's through partnership activities, or mergers and acquisitions, if it made sense for us, we would not hesitate to act.**

What was market acceptance like for your IPO?

During our IPO last year, the market was in a tailspin. The market had been down almost every day of our roadshow which was approximately 14 days. As a result we ended up pricing at eight dollars, which was below our price target. **Since then, our stock price has more than quadrupled.**

Contact
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Has acquired



The undersigned advised Subex Azure Limited.



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relationships in helping them provide services better, faster, and cheaper. We expect that transactions will continue to become more complex as more services are bundled and we are confident that we will be in a position to provide the needed solutions.

Are there any mergers and acquisitions in your future, and if so what kinds of companies?

We don't have any formal merger and acquisition objective; however we

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While at our website, surf around. There's plenty of useful information, including our archive of M&A Transaction Case Histories.

"Always do right. This will gratify some people and astonish the rest."
- Mark Twain (1901)

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC BILLING & OSS COMPANIES
Q2 2007 Numbers & Stock Prices as of August 22, 2007

Sokoloff & Company compiles a quarterly review of selected public Billing & OSS companies (and companies that dedicate a portion of their business to Billing & OSS) and compares how each is valued by the public marketplace. Comparative values for each company are expressed as: **EVS**, which is Enterprise Value divided by Sales and **P/E**, Price to Earnings (market cap divided by earnings). **EVM** is Enterprise Value Multiple; Enterprise Value is the sum of the company's market capitalization plus any debt or preferred stock and minus cash on hand. **EVM** is the Enterprise Value divided by **EBITDA** (Earnings Before Interest, Depreciation and Amortization). All multiples are based on trailing twelve months (TTM) numbers through the most recently reported quarter.

Note: The quarterly revenue percentage column is the increase (or decrease) from the same quarter in the previous year. Where fiscal year has differed from calendar year, the most recently reported information is used. Changed from previous list: Boston Communications Group, Inc. (BCGI) was acquired by Megastar, Ltd. Openwave Systems, Inc. (OPVV) has been added. Information provided strictly for informational purposes to industry senior executives. Sokoloff & Co. makes no representations as to its accuracy. Sokoloff & Co. does not advise public investors; this information should not be used for investing purposes.

Current Rank*	Previous Rank	Company	Symbol	Stock Price 8/22/2007	52 Week Range	Market Cap 8/22/2007	2004 Revenue (000's)	2005 Revenue (000's)	2006 Revenue (000's)	2nd Q 07 Revenue (000's)	2nd Q 07 Incr. (decr)	P/E	EVS	EVM
1		1 Synchronoss Technologies, Inc.	<u>SNCR</u>	36.86	7.55 - 40.00	1.19B	27,191	54,218	72,400	31,321	79.6%	74.31	10.98	35.60
2		2 Oracle	<u>ORCL</u>	19.32	15.23 - 20.98	98.78B	10,156,000	11,799,000	14,380,000	5,828,000	20.1%	23.82	5.51	13.29
3		3 Verisign	<u>VRSN</u>	31.60	18.66 - 34.68	7.87B	1,166,455	1,609,500	1,580,000	363,217	-6.3%	181.61	4.41	17.33
4		4 Authorize.Net Holdings	<u>ANET</u>	18.48	10.88 - 20.24	521.76M	133,055	108,300	95,600	17,227	23.8%	20.29	3.78	15.79
5		6 Fair Isaac	<u>FIC</u>	36.23	33.41 - 42.97	2.01B	706,206	798,671	825,365	205,782	-0.7%	21.89	2.71	8.76
6		5 Agilent	<u>A</u>	34.38	30.26 - 40.42	13.31B	4,556,000	4,685,000	4,973,000	1,374,000	10.9%	23.40	2.48	6.81
7		7 AMD/DCS Ltd.	<u>DOX</u>	35.27	32.50 - 41.01	7.41B	1,773,732	2,038,621	2,480,050	712,091	13.7%	22.52	2.40	11.60
8		8 CSG Systems	<u>CSGS</u>	23.43	19.64 - 28.45	975.41M	529,746	377,300	383,100	99,504	4.7%	17.55	2.19	6.86
9		10 Tektronix Inc.	<u>TEK</u>	32.15	26.40 - 35.38	2.44B	920,620	1,034,654	1,040,000	298,500	3.2%	29.10	1.99	12.67
10		13 NetScout Systems, Inc.	<u>NTCT</u>	9.26	6.43 - 10.04	299.10M	71,500	85,200	97,876	27,912	18.4%	33.92	1.84	12.30
11		11 IBM	<u>IBM</u>	110.00	78.42 - 118.82	149.64B	96,293,000	91,134,000	91,424,000	23,772,000	8.6%	16.86	1.83	8.86
12		9 Comverse Technology	<u>CMVT.PK</u>	17.10	16.00 - 24.25	3.45B	959,442	1,193,673	1,588,554	405,700	9.9%	31.15	1.49	10.61
13		12 ADC Telecom	<u>ADCT</u>	17.14	13.17 - 21.06	2.01B	733,900	1,129,400	1,281,900	349,400	1.7%	14.49	1.32	11.11
14		14 Affiliated Comp Services	<u>ACS</u>	49.29	45.62 - 61.67	4.89B	4,106,393	4,351,159	5,353,661	1,519,734	10.1%	17.36	1.30	7.24
15		16 Ultron	<u>ULCM.PK</u>	7.80	7.25 - 10.91	337.59M	38,400	63,436	63,016	11,414	-27.0%	17.14	1.30	4.31
16		21 ECTel	<u>ECTX</u>	3.10	2.72 - 5.50	51.66M	12,605	23,151	28,800	4,964	-30.6%	N/A	1.19	NA
17		15 Opnet	<u>OPNT</u>	10.20	9.41 - 16.82	209.95M	56,453	64,243	76,115	23,332	3.1%	31.19	1.12	10.93
18		24 Management Network	<u>TWNG</u>	2.26	1.27 - 2.48	80.94M	23,700	30,378	34,000	15,120	58.5%	N/A	1.10	NA
19		20 CGI Group	<u>GIB</u>	10.17	6.17 - 11.56	3.34B	2,704,487	3,164,597	2,986,150	933,300	7.7%	17.06	1.07	6.92
20		23 Ace Comm	<u>ACEC</u>	0.85	0.66 - 2.65	15.83M	13,700	20,000	26,700	No report	N/A	N/A	1.02	NA
21		17 Mind CTI	<u>MNDO</u>	2.38	2.20 - 3.12	51.38M	17,806	15,600	20,060	4,049	-20.2%	21.25	1.01	6.30
22		22 Evolving Systems Inc	<u>EVOL</u>	1.81	0.93 - 2.55	32.01M	26,342	39,452	33,800	9,122	10.7%	43.10	0.97	5.66
23	New	Openwave Systems, Inc.	<u>OPVV</u>	4.82	4.15 - 10.58	398.85M	290,791	383,635	412,010	68,100	-18.4%	N/A	0.94	NA
24		19 Telecel	<u>TKLC</u>	12.36	10.96 - 16.50	881.03M	397,072	486,500	553,600	109,984	-7.7%	28.48	0.90	13.32
25		18 Convergys Corp.	<u>CVG</u>	17.61	14.67 - 27.26	2.39B	2,487,700	2,582,100	2,800,000	707,000	2.2%	14.41	0.85	5.89
26		25 MER Telemangement Solutions Ltd.	<u>MTSL</u>	1.00	0.75 - 2.49	5.77M	9,413	11,560	10,484	2,505	-7.4%	N/A	0.55	NA
27		26 StarTek, Inc.	<u>SRT</u>	10.36	8.91 - 15.46	152.55M	258,100	216,370	237,600	58,832	-1.2%	N/A	0.52	6.02
28		27 TTI Team Telecom	<u>TTIL</u>	2.60	2.30 - 5.09	41.60M	37,798	43,200	46,100	11,275	-10.2%	N/A	0.27	NA
Sokoloff Index				557.83	Total:		128,507,607	127,542,918	132,903,941	36,963,385	Quarterly Growth			
				Growth over Previous Period:			8.63%	-0.75%	4.20%	9.82%	5.82%	33.38	2.04	10.83
No report - As of press time, these companies had not yet announced their Q2 results.										Average	3.18%	22.52	1.30	9.74
										Median				

* Companies are ranked according to EVS. Enterprise Value to Sales is calculated by dividing the Enterprise Value by trailing twelve month revenues.

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