

# Billing & OSS Finance Newsletter

January 2008

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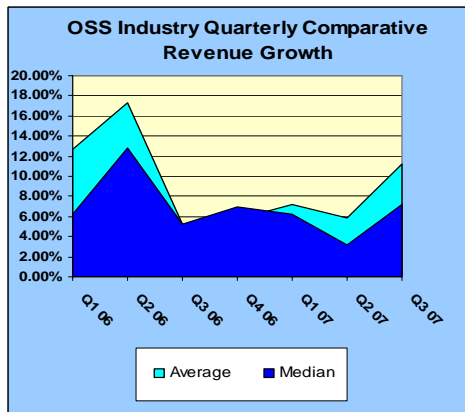
Volume IX, Issue 1

## SOKOLOFF RANKINGS

The Sokoloff & Company Index, which shows the combined stock value of 28 selected public companies serving the BSS/OSS sector, gave back all of its gains this year as it entered December at the same level as it began in January. Despite generally good Q3 reports and strong evidence of industry growth, the Index fell after reaching a yearly high at the beginning of October. **In contrast to the decline in the Index, company revenue growth picked up in the third quarter.**

Another surprising trend that was seen over the past two years is the difference in the averages seen by the top companies in the rankings in comparison to the lower companies.

Companies that round out the upper half of the list have either shown incredible growth like **Synchronoss Technologies, Inc.** (Nasdaq:SNCR), which came in at an EVS of 3.35 in Q2 2006 and has since more than doubled to 8.17 for Q3 2007, or steady growth like **VeriSign, Inc.** (Nasdaq:VRSN) which has not declined once in EVS in the last eight quarters. **Meanwhile, companies at the bottom continue to do poorly,**



## widening the gap between the strong performers and the weak.

The highest mover in the Sokoloff Rankings this quarter was **NetScout Systems, Inc.** (Nasdaq:NTCT).

**NTCT**, a developer of network and service assurance solutions moved from #10 to #6. **The stock began moving up on September 20 after the company announced for the second consecutive quarter in a row that they would be raising their guidance.** They issued a Q2 estimate of \$29 million to \$30 million in comparison to their original figure of \$28 million to \$29 million. Their net income per diluted share also increased, denoting growth of 43% over the same quarter last year. The forecast surpassed the estimates of Wall Street analysts and the stock moved from \$9.12 on September 19<sup>th</sup> to a 52 week high at the close on November 2<sup>nd</sup> of \$15.46. **Anil Singhal, President & CEO of NetScout** said *"We are very pleased with the strength of our business this quarter... and based upon preliminary assessments we expect record Q2 revenue."*

**That same morning, the company also announced that they would be acquiring Network General Corp., a provider of network analysis and data mining, for \$206 million in a combination of stock, debt securities, and cash.** After closing the acquisition on November 1, **Michael Szabados, Chief Operating Officer of NTCT** stated *"By throwing our combined weight at tomorrow's most difficult network management challenges, we will elevate and advance the state of the art in packet-flow performance management solutions to the benefit of our customers and the networking industry as a whole."*

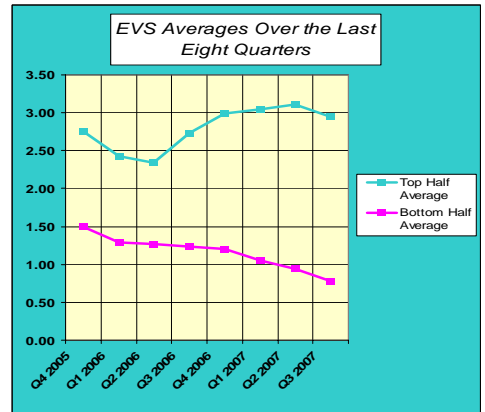
**On October 26<sup>th</sup>, the stock accelerated as NTCT confirmed their Q2 guidance**

**estimates with a strong second quarter earnings release.** Record revenue was achieved, up 18% compared to the previous year, and product and operating margins were also up. In response, investors snapped up **NTCT** stock and the shares climbed nearly two dollars on the 26<sup>th</sup>, from \$12.54 to \$14.40.

The year did not bode as well for **ACE\*COMM(OTCBB:ACEC.OB)**, a provider of OSS systems, which has experienced a steady decline in the rankings since the end of 2006. It started its slide in Q3 of 2006 where it dropped from #12 to #23. This quarter it moved from #20 to its all time low of #26. **The decline in stock was a result of the delisting by NASDAQ on September 14.**

**ACE\*COMM** however, has been working diligently to recover. Though still not meeting the minimum requirements to re-list on the NASDAQ, trading instead on the Over-the-Counter Bulletin Board, **ACEC** has reported improved financials for two quarters in a row.

**Jim Greenwell, President & CEO** said, "For the second consecutive quarter, our results demonstrate progress in key financial measures. This progress was driven by



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improved discipline in our approach to the market combined with growth in our advanced OSS and Enterprise businesses.” CFO, Steve Delmar added “We continue to realize the cost savings we planned from last year’s actions to position ACE\*COMM for a return to profitability.”

\*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.

OSS CEO Spotlight

**MIND CTI’S MONICA EISINGER**

Though many women work in the OSS industry, few have started their own business and had as much success as **Monica Eisinger**. Ms. Eisinger founded **Mind CTI** in 1995 and has since grown it to a \$50 million dollar public company traded on the Tel Aviv and NASDAQ exchanges. A global provider of real-time, product-based mediation, billing and customer care solutions, **MIND CTI** serves some of the world’s largest communications providers in more than forty countries. Sokoloff & Company had the pleasure of interviewing Monica about her interest in the OSS industry and the personal background which helped form her business career.

**What were the highlights of your childhood?**

I always felt loved by my family and education was very important. I especially enjoyed our family trips. I had close friends as far back as kindergarten and learned to appreciate good relationships at an early age. One of the lessons of my childhood was that if you set a goal and are devoted to it, you can get there. It really became my mantra for my whole life and career.

**Being of Romanian descent, what was it like growing up in Romania during Communism and what made you come to Israel?**

The lack of freedom, the continuous fear, the basic needs that you’re deprived of make Communism the worst experience of

**“...if you set a goal and are devoted to it, you can get there.”**

anyone’s life. Growing up Jewish in Romania made me feel like an outsider. We didn’t belong and we weren’t wanted. The first fight I had was when I was six or seven years old. A girl said to me “Go to Palestine.” I left Romania when I was 16 and the first thing that I gained was the freedom of speech. I wanted to be treated as a human being and not looked at as just a Jew. I wanted to belong. It was the reason I came to Israel.

wanted some practical field and software was the new thing (this was in the early seventies). At **Technion** I discovered the telecom area and did my Masters Degree thesis on Voice and Data integration over Ethernet. It was the beginning of the IP world and I saw it in its diapers! I hope I helped enable at least a small piece of it.

**What were your first jobs?**

I was never a “standard” full-time employee. I started my career as an information systems consultant. I wrote software, served as a business analyst, and after two years, in 1987, I founded the first **MIND** company. It started as a software consultancy; I directed over 40 projects that I first sold then designed and supervised the development and installation.

**When and why did you start MIND?**

I started the original **MIND Solutions** in 1987. A second **MIND (MIND Israel)** was founded in 1992 when the business changed from a software only house to a hybrid product and consultancy firm. In 1995, a third **MIND (MIND CTI)**, replaced the former ones to market and develop product-based solutions in the telecom field.

**What was most difficult about starting the company?**

It wasn’t difficult, it was demanding. Getting funding and getting VC’s to believe in the product and me was stressful in the beginning and even later. But it was also very exciting.

**What folks are saying about Peter A. Sokoloff & Company:**

**Lisa Marie Maxson, CTO, Telecom Software Enterprises**

“Choosing Peter A. Sokoloff & Co. to sell our company was one of the smartest moves we made. They helped us to understand the true value of our company and who the potential acquirers could be. I am happy with the results and would recommend Peter A. Sokoloff & Co. to any company on the buy or sell side of a deal.”

**Moshe Levy, CEO, Safeguards Technology LLC**

“I cannot say enough about the wonderful care and expert guidance that Sokoloff provided during every step of the complex process through negotiations, due diligence, documentation and closing. Thanks to Pete and his staff for a job very well done.”

**Nancy Kersten, President, AllCom Global Services**

“I would recommend Peter A. Sokoloff & Co. to anyone who is considering the M&A process. Over the course of the engagement, we developed a personal relationship that allowed us to discuss any topic at any time of the day or night. Their professional manner and advice was just the right thing we needed to help us through this demanding process.”



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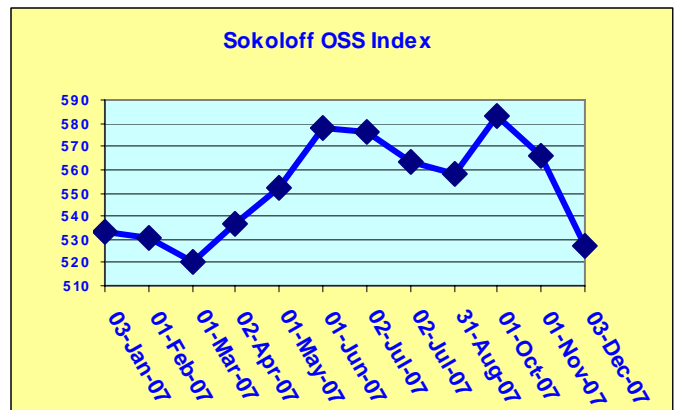
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**What is your educational background?**

I hold a Bachelors of Science in Computer Sciences and a Masters Degree in Telecommunications from the **Technion, Israel Institute of Technology**.

**When and how did you become interested in software and telecommunications?**

When I was 14 and very much in love with mathematics, I decided I



**How did you get VC's to believe in you and your product when starting the company?**

The company was started without any VC funding. The first steps were financed by the projects we developed for different customers and we invested the profit in developing the product. We also received some loans from Israeli institutions such as the Chief Scientist Office.

Getting VC's to believe in us was not easy even when we were already selling our products. The VC's did not look for profitability in a company, but for aggressive business plans that showed future high growth. A lot of companies lost money in trying to achieve that growth. **MIND** was profitable since inception as it was self financed. Building a real business, with moderate growth while being profitable was a model they did not understand or invest into in the late 90's. The "new economy" was appreciated, not the earnings. Only when we came to the table with the VoIP dream and learned to speak the VC language did we secure our first investment.

**What setbacks have you experienced at MIND and how have you overcome them?**

We went public in August 2000 which was the worst possible market. Everything was red on investor's screens. Perseverance and the belief that there was no way back, helped finish the road-show and finalize the process.

**Describe the experience of taking MIND public.**

There was lots of travel and many rules to understand. I also learned to follow my instincts, not to give in to requests that are unreasonable, talk investor's language and believe in my dream. I like sales so I enjoyed presenting the company and the process of selling shares to investors. It

***"We went public in August 2000 which was the worst possible market...Perseverance and the belief that there was no way back, helped finish the road-show and finalize the process."***

**Monica Eisinger  
Founder, Chairperson, CEO & President MIND CTI LTD**



has been a totally positive experience.

**What's it like running a company as a woman in a male dominated industry?**

It's very gratifying. In the long run, it's worth making the sacrifices that are needed and the rewards come from the business community, family, and friends.

**What are your plans for growing the company?**

adjusting them as market conditions alter).

**What do you think the future of OSS will be and how will MIND be part of that?**

*This notice appears as a matter of record only.*

**SUBEX AZURE**  
...Powering the ROC

has agreed to acquire

**SYNDESIS**

*The undersigned advised Subex Azure Limited.*

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OSS and BSS are ongoing needs. Telecom industry technology changes continuously and the solutions adjust accordingly, but the need is always there. **MIND** is a solid company with a good reputation. We enhance and adapt our products and we have a great team that works hard to satisfy our customers.

We will continue to build our company to lead in the billing space for tier 2 and 3 operators.

**Contact  
Sokoloff & Company**

**Please contact  
Mark Schwartz,  
Managing Director, New  
Business Development  
for a confidential  
consultation about your  
company's merger and  
acquisition needs.**

**(818) 547-4500**

**mschwartz@sokoloffco.com**

In 1997 I said that I wanted to be the first Israeli woman to lead a NASDAQ public company with 1000 employees. We are public, but just over 300 now. We are always looking for new acquisitions as well as opportunities for growth while reaching new markets and new customers.

**What do you think your biggest success has been at MIND?**

Creating something from nothing, making the right decisions, concentrating on the goal, and of course, becoming a public company. Specific successes include winning large accounts based on superior technology, building realistic plans and planning many steps ahead (but also

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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**  
**Q3 2007 Numbers & Stock Prices as of November 27, 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 Taxes, 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: Authorize.Net Holdings (ANET) was acquired by CyberSource Corporation (CVBS) and Tektronix (TEK) was acquired by Danaher (DHR). Cisco Systems, Inc. (CSCO) and Packateer, Inc. (PKTR) have been added. Information provided strictly for informational purposes to industry senior executives. Sokoloff & Co. makes no representations as to its accuracy.

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Current Rank*	Previous Rank	Company	Symbol	Stock Price 11/27/2007	52 Week Range	Market Cap 11/27/2007	2004 Revenue (000's)	2005 Revenue (000's)	2006 Revenue (000's)	3rd Q 06 Revenue (000's)	3rd Q 07 Revenue (000's)	3rd Q 07 Inct. (decr)	P/E	EVS	EVM
1	1	Synchronoss Technologies, Inc.	SNCR	29.67	11.35 - 48.03	964.22M	27,191	54,218	72,400	18,909	34,477	82.3%	46.50	8.17	25.79
2	3	Verisign	VRSN	38.65	22.77 - 38.10	8.54B	1,166,455	1,609,500	1,580,000	396,418	373,587	-5.8%	205.59	5.54	26.39
3	2	Oracle	ORCL	19.89	15.97 - 23.00	101.86B	10,156,000	11,799,000	14,380,000	3,591,000	4,529,000	26.1%	23.48	5.25	13.04
4	New	Cisco	CSCO	27.49	24.82 - 34.24	166.78B	22,045,000	24,801,000	28,484,000	7,980,000	9,400,000	17.8%	21.83	4.10	14.17
5	5	Fair Isaac	FIC	37.49	33.72 - 42.92	2.08B	706,206	798,671	825,365	207,289	207,227	0.0%	20.62	2.96	12.17
6	10	NetScout Systems, Inc.	NICI	9.97	7.22 - 15.54	384.42M	71,500	85,200	25,080	20,612	29,612	18.1%	33.23	2.63	18.42
7	6	Agilent	A	36.83	30.26 - 40.42	13.63B	4,556,000	4,685,000	4,973,000	1,328,000	1,446,000	8.9%	23.44	2.55	17.80
8	7	AMDOCS Ltd.	DOX	31.40	30.42 - 40.36	6.57B	1,773,732	2,038,621	2,480,050	665,445	726,689	9.2%	19.01	1.89	10.27
9	11	IBM	IBM	103.83	88.77 - 121.46	143.07B	96,293,000	91,134,000	91,424,000	22,617,000	24,119,000	6.8%	15.36	1.68	8.48
10	8	CSG Systems	CSGS	16.31	16.18 - 28.22	579.23M	529,746	377,300	383,100	98,450	107,561	9.3%	11.37	1.56	5.48
11	12	Comverse Technology	CIMV.PK	15.85	14.46 - 28.95	3.20B	959,442	1,193,673	1,588,554	410,601	No report	N/A	28.87	1.37	N/A
12	13	ADC Telecom	ADCI	15.39	13.40 - 21.06	1.81B	733,900	1,129,400	1,281,900	307,300	329,600	7.3%	12.13	1.21	10.28
13	22	Evolving Systems Inc	EVOL	1.74	1.05 - 2.55	30.93M	26,342	39,452	33,800	8,667	9,311	7.4%	25.59	1.18	7.50
14	16	ECTel	ECTX	3.00	2.72 - 5.50	50.06M	12,605	23,151	28,800	7,310	5,767	-21.1%	N/A	1.16	N/A
15	New	Packateer, Inc.	PKTR	6.65	6.35 - 13.96	240.74M	92,437	112,941	145,123	35,986	36,386	1.1%	N/A	1.15	N/A
16	14	Affiliated Comp Services	ACS	42.10	39.46 - 61.67	4.23B	4,106,393	4,351,159	5,353,661	1,385,438	1,493,083	7.8%	16.43	1.06	5.95
17	19	CGI Group	GIB	11.10	6.61 - 11.73	3.60B	2,704,487	3,164,597	2,986,150	845,800	922,800	9.1%	15.50	1.03	6.76
18	18	Management Network	TMNG	2.35	1.28 - 2.76	84.80M	23,700	30,378	34,000	8,691	20,814	139.5%	N/A	0.97	N/A
19	15	Ullicom	ULCM.PK	7.35	7.25 - 10.56	318.12M	38,400	63,436	63,016	16,064	No report	N/A	16.15	0.93	N/A
20	17	Opnet	OPNI	9.05	8.07 - 16.82	185.94M	56,453	64,243	76,115	23,617	24,991	5.8%	29.38	0.92	13.11
21	24	Tekelec	TKLC	11.88	10.96 - 16.48	817.46M	397,072	486,500	553,600	134,297	97,797	-27.2%	N/A	0.89	N/A
22	25	Convergys Corp.	CVG	16.44	14.67 - 27.26	2.14B	2,487,700	2,582,100	2,800,000	702,700	703,700	0.1%	13.62	0.80	5.88
23	26	MER Telemanagement Solutions Ltd.	MTSL	1.17	0.75 - 3.26	6.75M	9,413	11,560	10,484	2,652	2,187	-17.5%	N/A	0.70	N/A
24	21	Mind CTI	MIND	2.29	2.20 - 3.12	49.45M	17,806	15,600	20,060	4,659	4,028	-13.5%	18.62	0.67	4.29
25	23	Openwave Systems, Inc.	OPWV	2.67	2.64 - 10.58	222.20M	290,791	383,635	412,010	83,811	62,972	-24.9%	N/A	0.64	N/A
26	20	Ace Comm	ACEC.OB	0.30	0.28 - 1.62	N/A	13,700	20,000	26,700	3,022	4,141	37.0%	N/A	0.49	N/A
27	27	SiarTek, Inc.	SRT	9.14	8.60 - 14.33	134.68M	258,100	216,370	237,600	61,865	63,169	2.1%	N/A	0.49	6.38
28	28	TTI Team Telecom	TTIL	2.45	2.30 - 3.29	39.20M	37,798	43,200	46,100	10,959	11,741	7.1%	N/A	0.20	N/A

<b>Sokoloff Index</b>														
512.45														
Total: 149,591,369 151,313,905 160,397,464 40,970,071 44,765,640														
Growth over Previous Period: 9.94% 1.15% 6.00%														
Average														
Median														
Quarterly Growth 11.26% 7.20%														
1.86 1.16 10.28														
31.41 20.62														

No report - As of press time, these companies had not yet announced their Q2 results.  
 \* 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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 Glendale, CA 91203