



## **FTA 50 IT Industry Index**

### International IT Industry Survey

*March 2004 update*

*Analysis & Graphs*

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**March 2004**

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## **Introduction**

At FronTier Associates, we have often felt that generic financial indices such as FTSE80 or CAC40, while useful for most investors, were not the right source of information for economic trends in the IT industry. This is the reason why we have undertaken the development of a special index dedicated to the IT industry.

The result is the “FTA 50 IT Industry Index”, based on a methodology inspired by the CAC40. As we are mainly looking for mid to long-term trends in this industry, the index is updated every six months.

This document provides the main results of the March 2004 update. For commentaries on the results, please see the corresponding newsletter on FronTier Associates’ Web site at [www.frontierassociates.com](http://www.frontierassociates.com).

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## **Methodology**

The FTA 50 IT Industry Index is based on the analysis of a sample of public companies representative of FronTier Associates business environment. These companies fall into seven categories:

- Hardware Manufacturers
- Network Equipment Providers
- Software Vendors
- Software Vendors (Large companies with revenue over US\$ 150 million)
- Systems Integrators
- Systems Integrators (French companies)
- Telecommunications Operators

The FTA 50 IT Industry Index is updated every six months. Each update is computed from data covering the four latest quarters available for each company. Although the FTA 50 IT Industry Index is mainly a market capitalization index, it comes with six equally important indicators:

- Revenue Growth
- Employee Growth,
- Net Income Growth,
- Market Value / Revenue ratio (or “market valuation multiple”)
- Revenue / Headcount ratio (or revenue per head)
- Net Income / Revenue ratio (or profitability)

The FTA 50 IT Industry Index is more a mid-term economic indicator than a purely short-term financial tool. The ambition of the FTA 50 IT Industry Index is to draw a picture of the international IT industry and to highlight its trends.

## Main results

For the March 2004 update, the FTA 50 IT Industry Index is worth 1320 point, a 0,25% increase over the September 2003 update. Only three categories had a positive growth. Overall revenue kept growing while almost overall headcount kept declining with some variation across categories.

The table below shows the main results overall and by category:

	<b>Market Cap</b> (index March 04*)	<b>Revenue</b> (index March 04*)	<b>Employees</b> (index March 04*)
Hardware Manufacturers	126	124	105
Network Equipt. Providers	144	94	81
Software Vendors – Others	297	112	109
Software Vendors – Large	120	122	105
Systems Integr. – Others	125	106	108
Systems Integr. – French	149	108	97
Telcos	154	113	89
<b>Total**</b>	<b>1 320</b>	<b>1146</b>	<b>971</b>

\*index 100 in September 2002, \*\*index 1000 in September 2002

## Main ratios

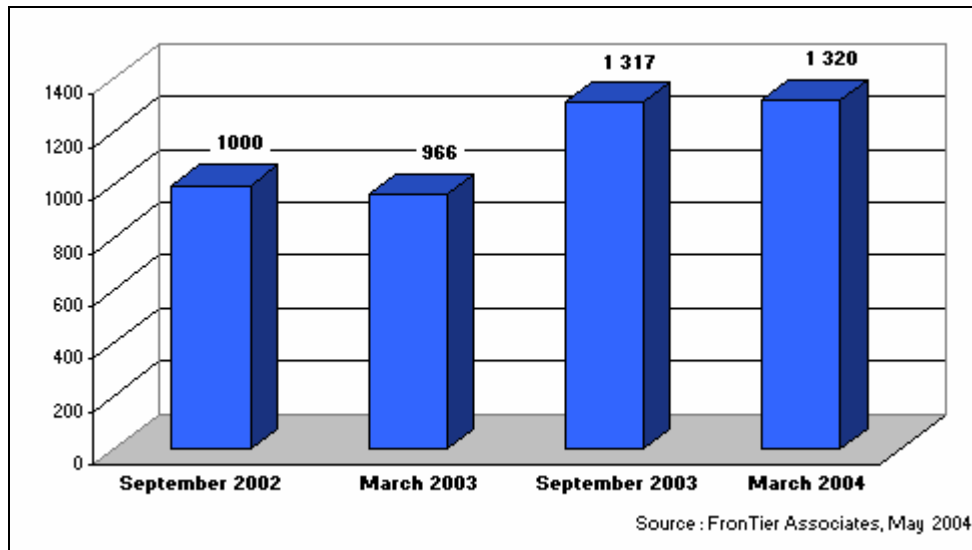
Market value as a multiple of revenue fell from 1.93 in September 2003 to 1.81 in March 2004 and decreased in almost all categories of companies. Net sales by employee rose 7.7% over the last update in September 2003 although with significant differences between categories.

The table below presents the main ratios by category.

	<b>Market Cap.*</b> <b>as a Multiple</b> <b>of Net Sales **</b>	<b>Net Sales by</b> <b>Employee</b> <b>(US\$000)**</b>	<b>Net Sales Growth</b> <b>by employee ***</b>
Hardware Manufacturers	1.10	373	2.63%
Network Equipt. Providers	2.86	371	16.78%
Software Vendors - Others	8.64	205	10.76%
Software Vendors - Large	6.75	380	4.33%
Systems Integr. – Others	0.95	155	3.51%
Systems Integr. – French	0.61	122	1.39%
Telcos	1.22	331	15.28%
<b>Total</b>	<b>1.81</b>	<b>322</b>	<b>7.73%</b>

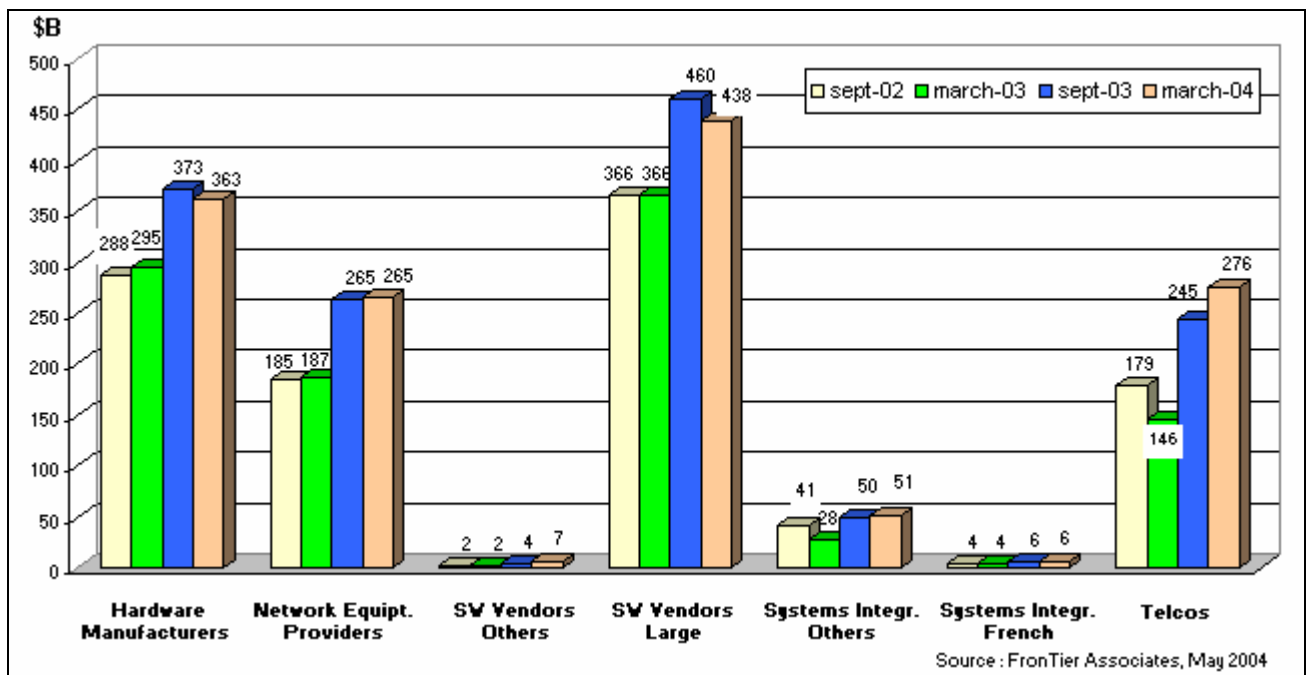
\*As of 19 May 2004, \*\*Last four quarters available, \*\*\*March 2004 compared to September 2003

**Key IT Industry Indicators**

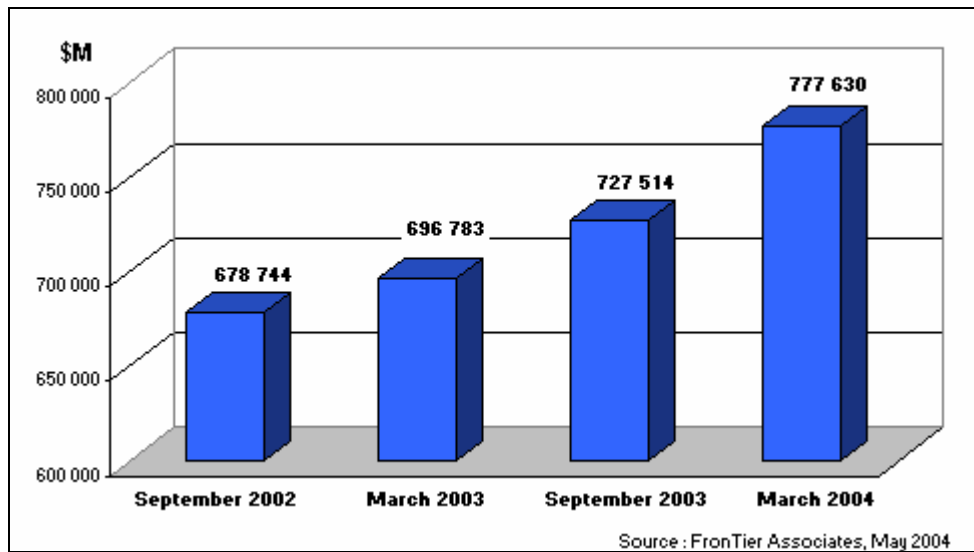


**FTA 50 Index**

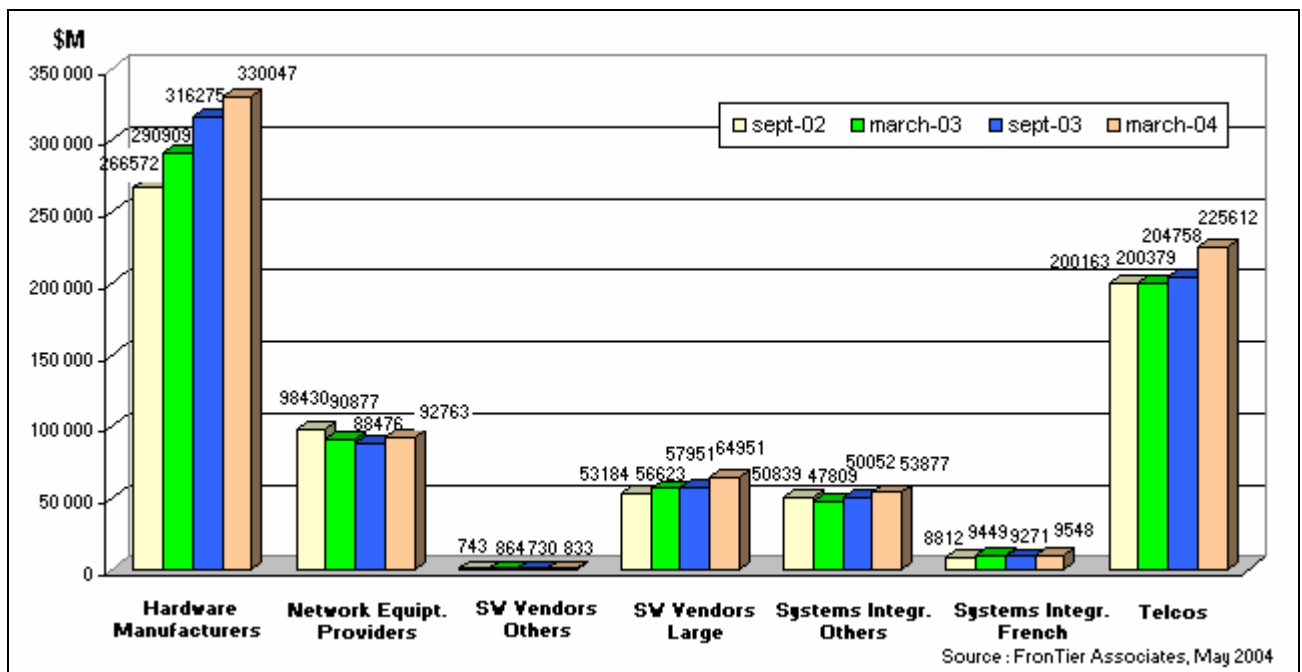
*Industry Sample Market Capitalization Evolution since September 2002*



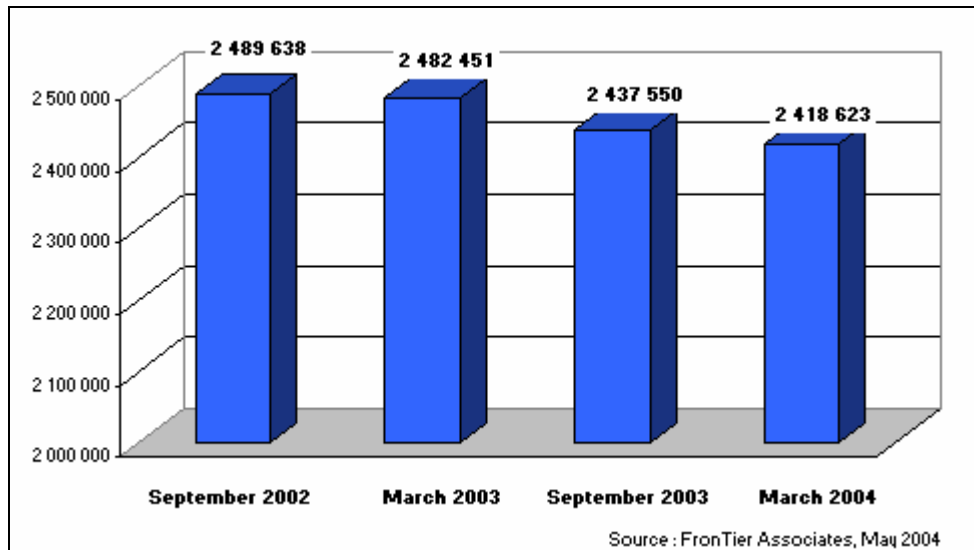
*Market Capitalization Evolution by Category in Billion US Dollar since September 2002*



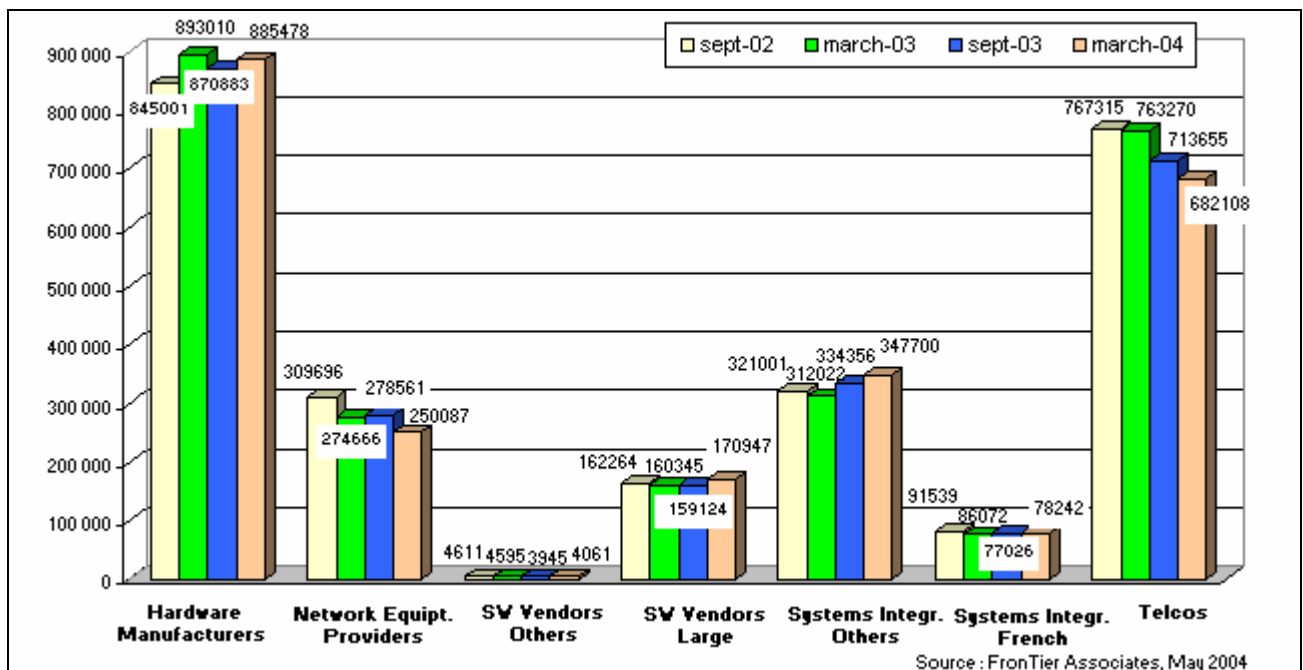
*Industry Revenue Evolution  
in Million US Dollar since September 2002*



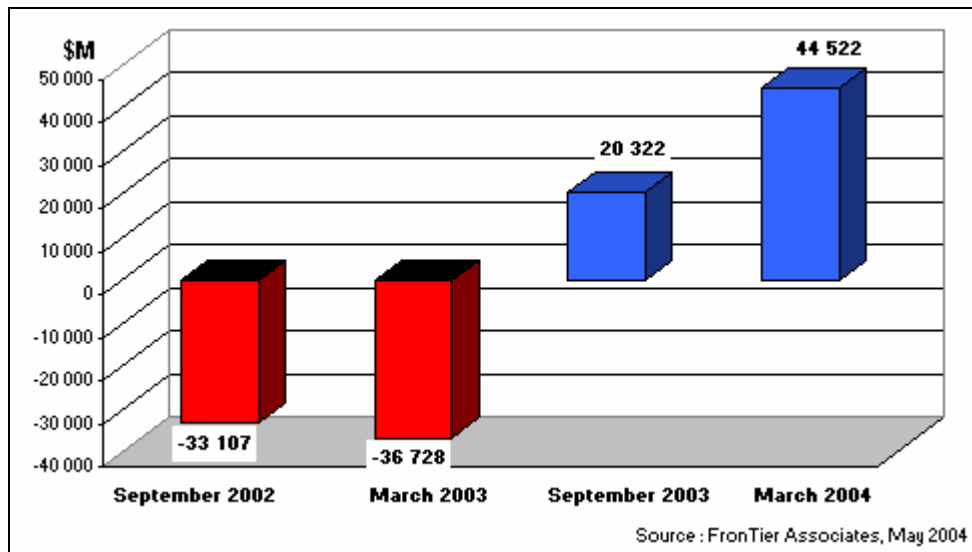
*Revenue Evolution by Category  
in Million US Dollar since September 2002*



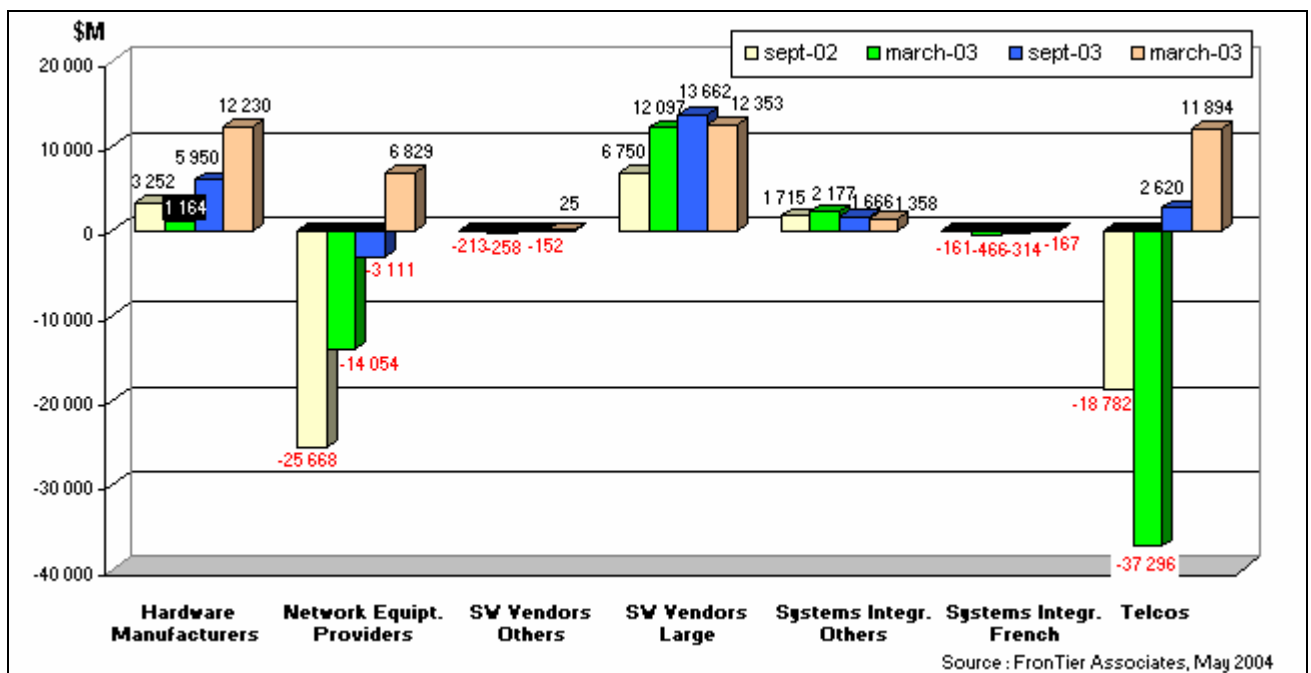
*Industry Headcount Evolution since September 2002*



*Headcount Evolution by Category since September 2002*

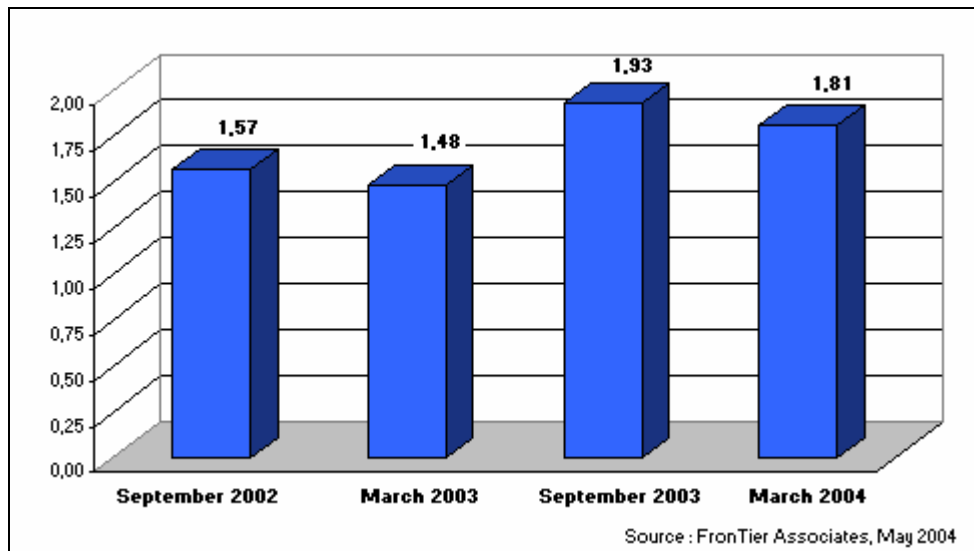


*Industry Net Income Evolution  
in Million US Dollar since September 2002*

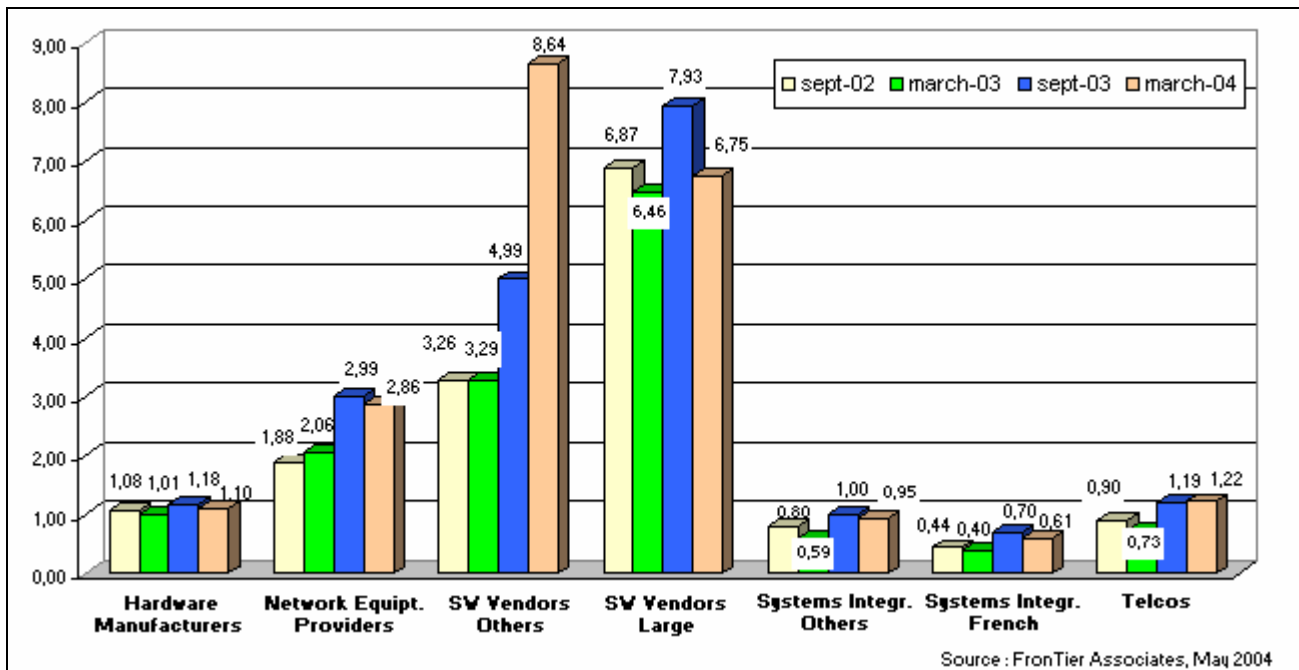


*Net Income Evolution by Category  
in Million US Dollar since September 2002*

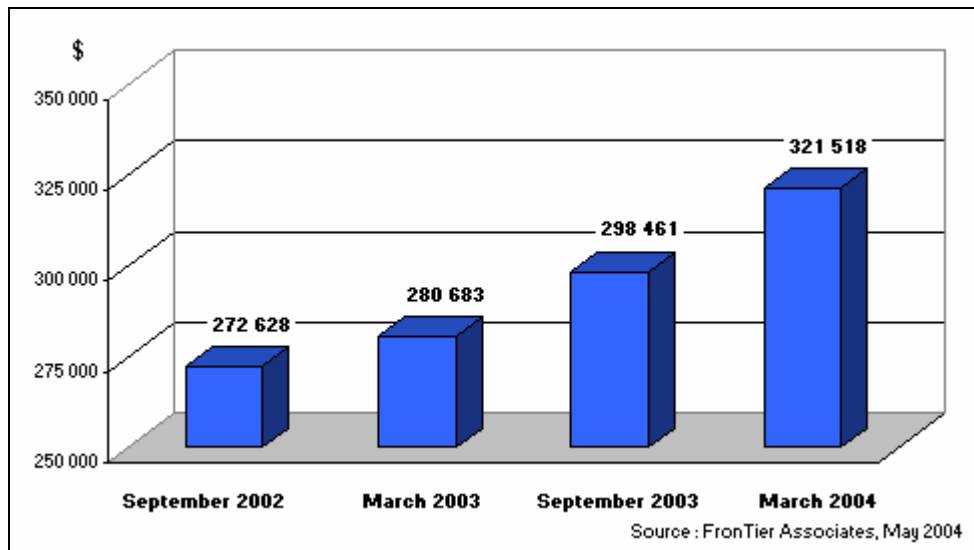
**Key IT Industry Ratios**



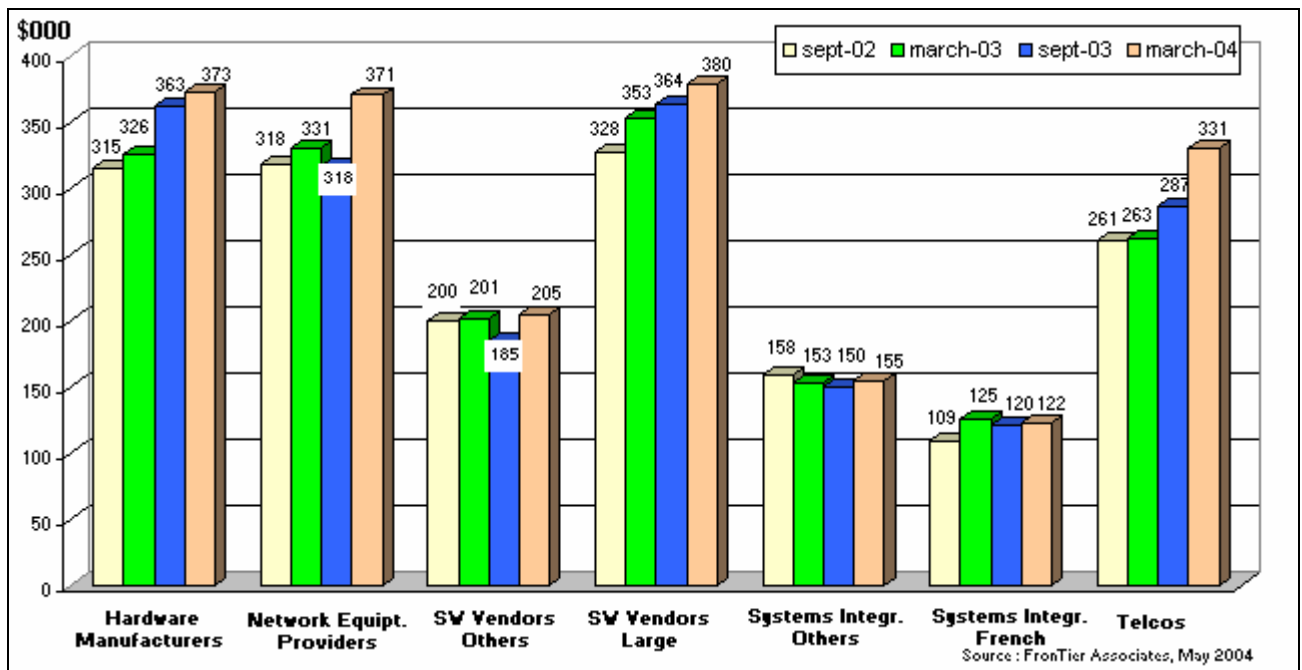
*Industry Market Cap / Revenue Ratio Evolution since September 2002*



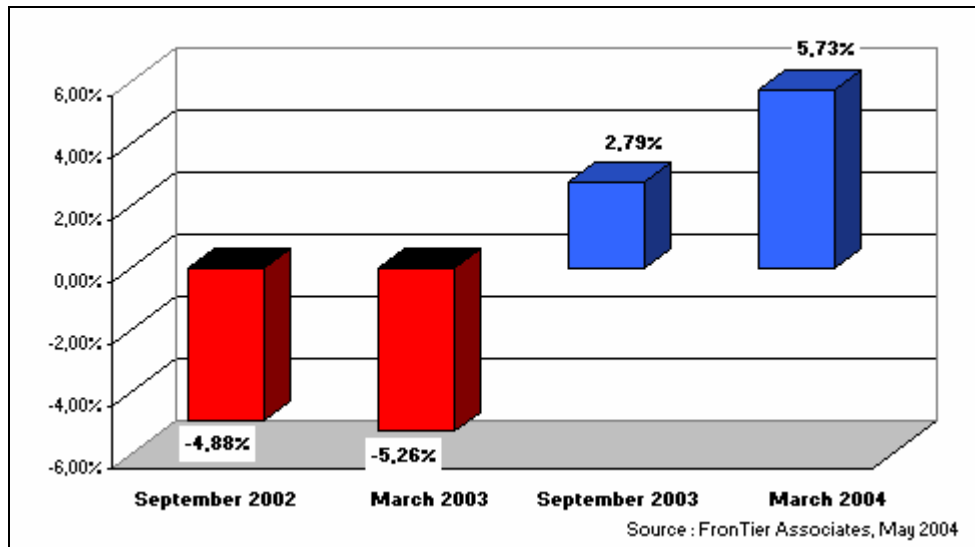
*Market Cap / Revenue Ratio Evolution by Category since September 2002*



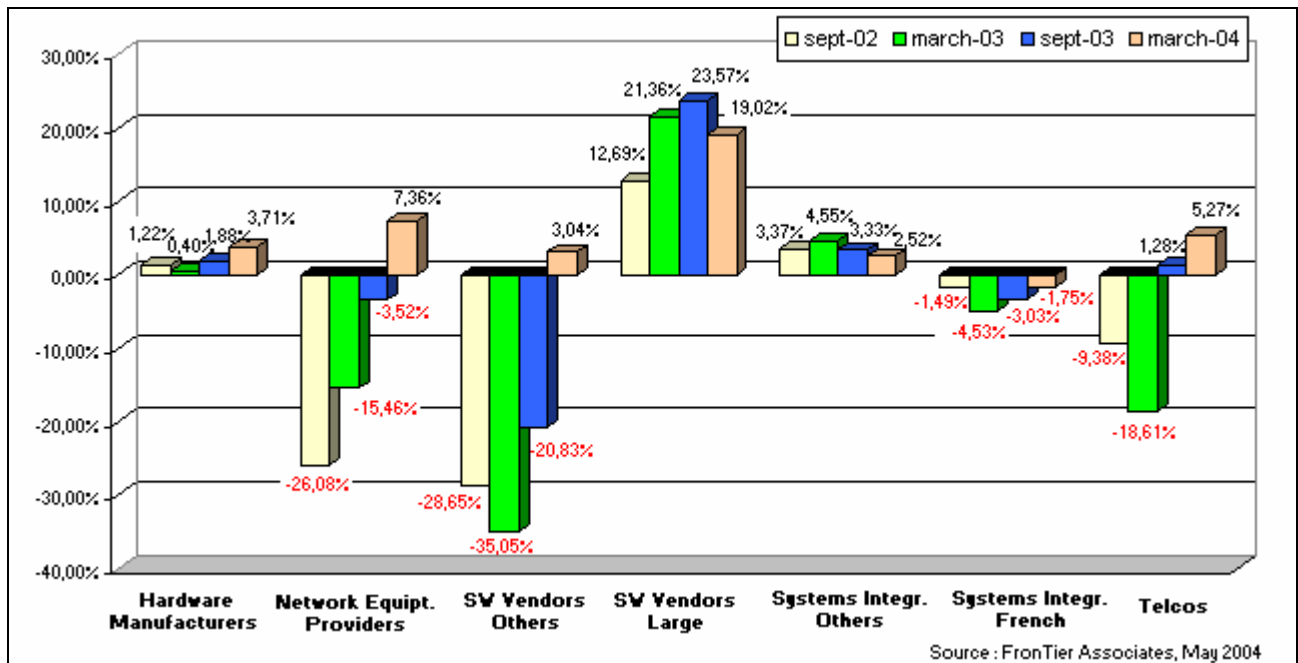
*Revenue per Employee Evolution  
in US Dollar since September 2002*



*Revenue per Employee Evolution by Category  
in Thousand US Dollar since September 2002*

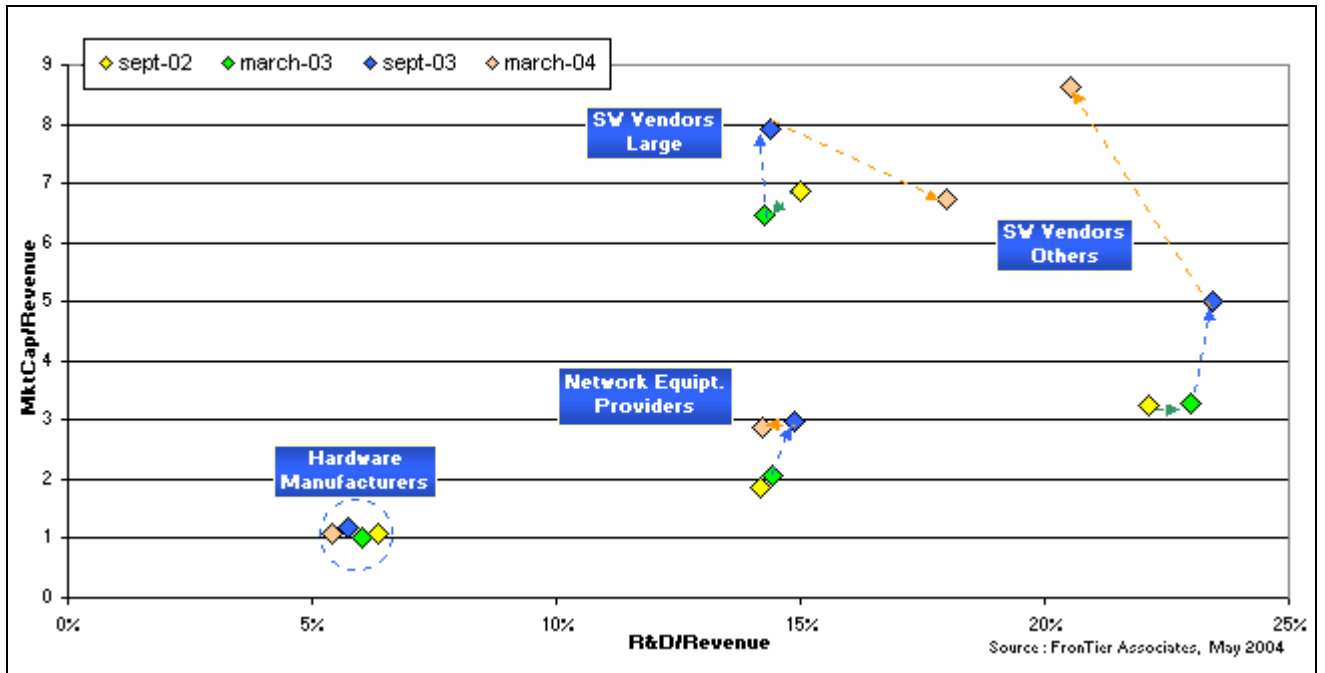


*Industry Net Income / Revenue Ratio Evolution since September 2002*

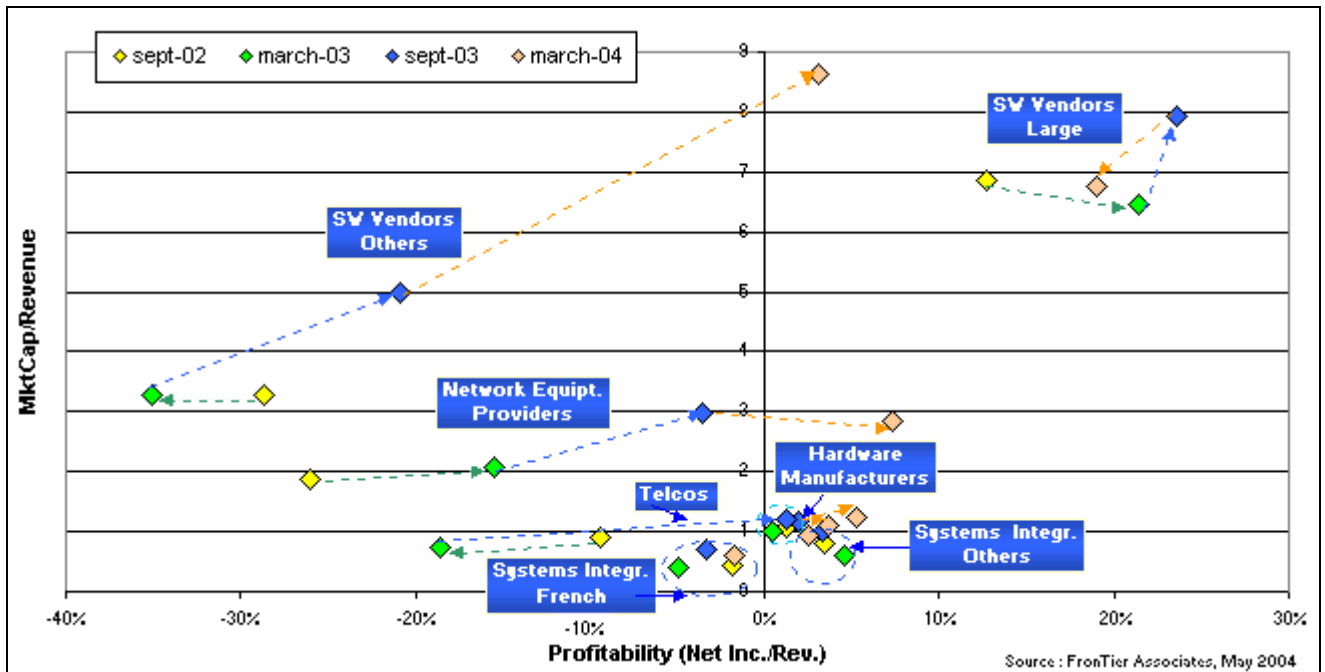


*Net Income / Revenue Ratio Evolution by Category since September 2002*

**Other IT Industry Ratios**

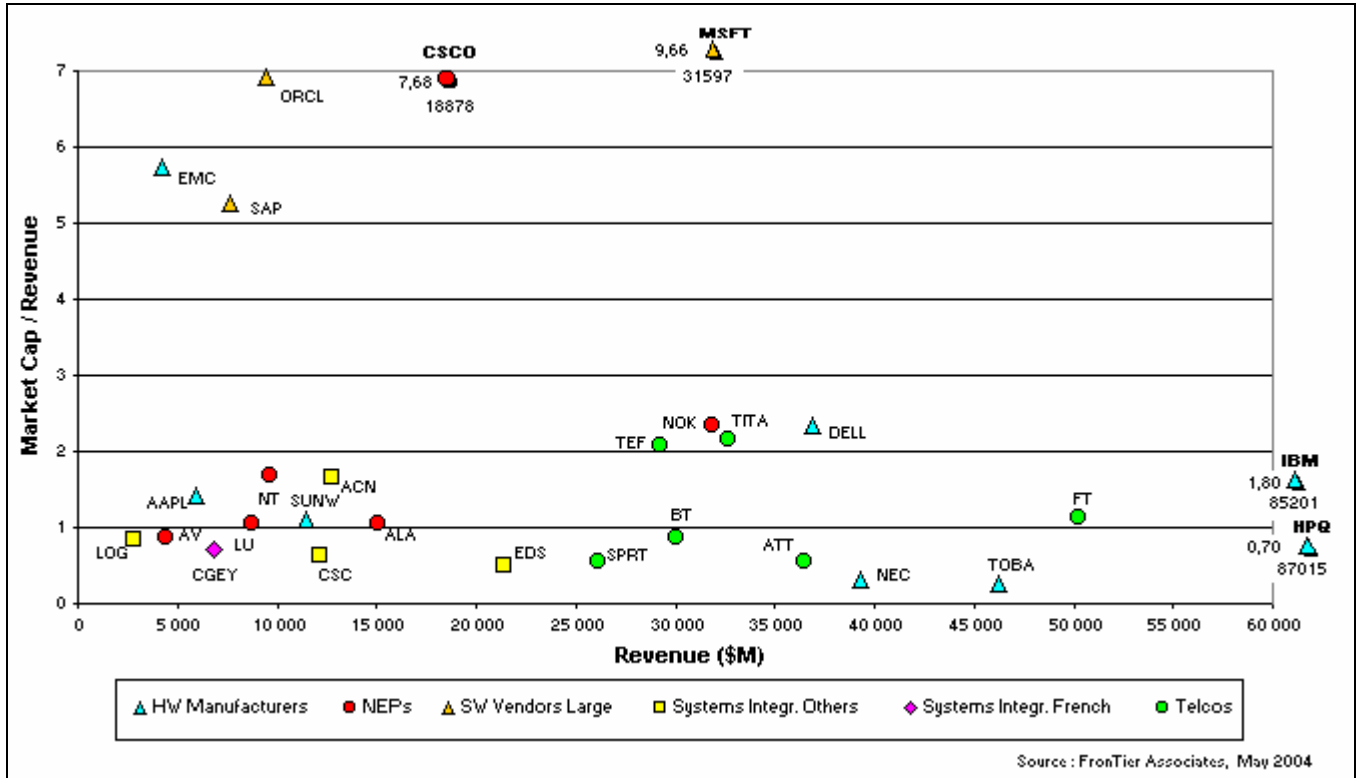


*Market Cap Multiple and R&D Effort Comparison  
average by category since September 2002*

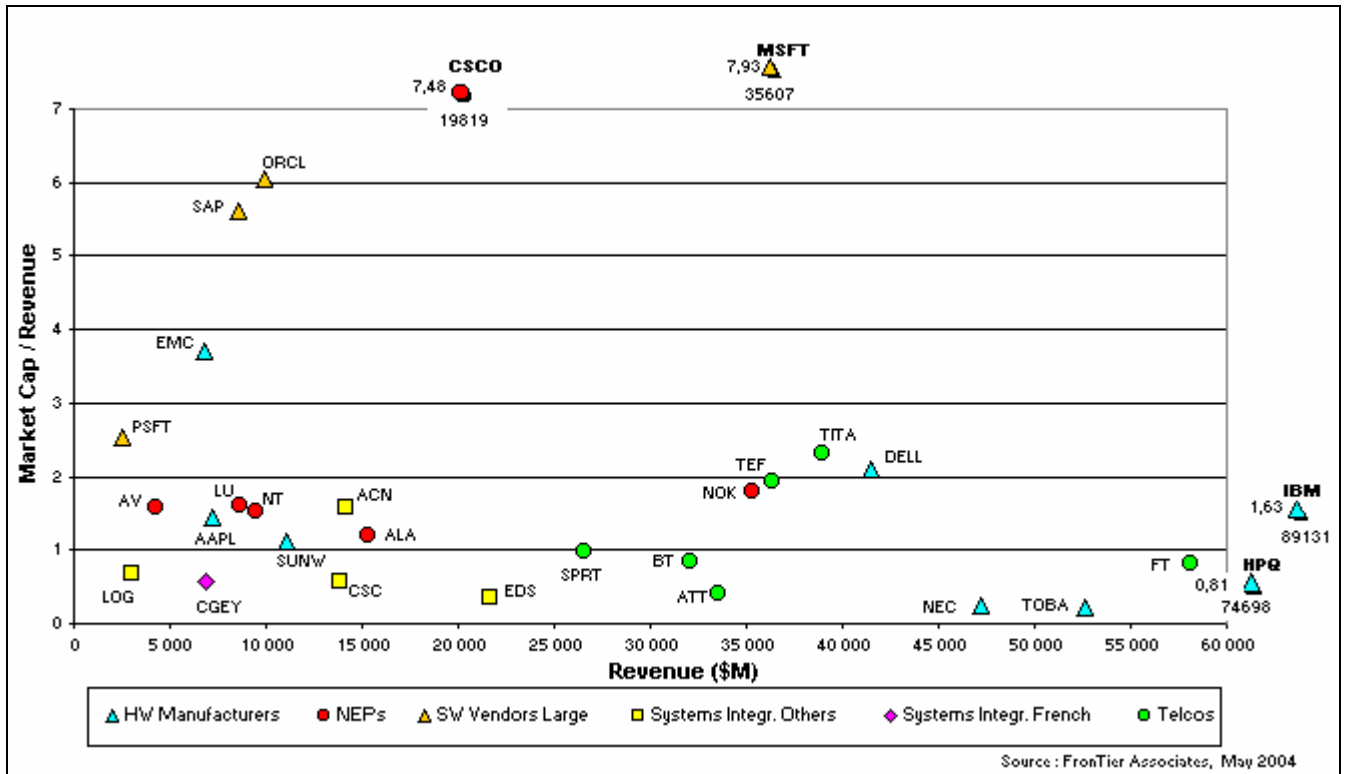


*Market Cap. Multiple and Profitability Comparison  
average by category since September 2002*

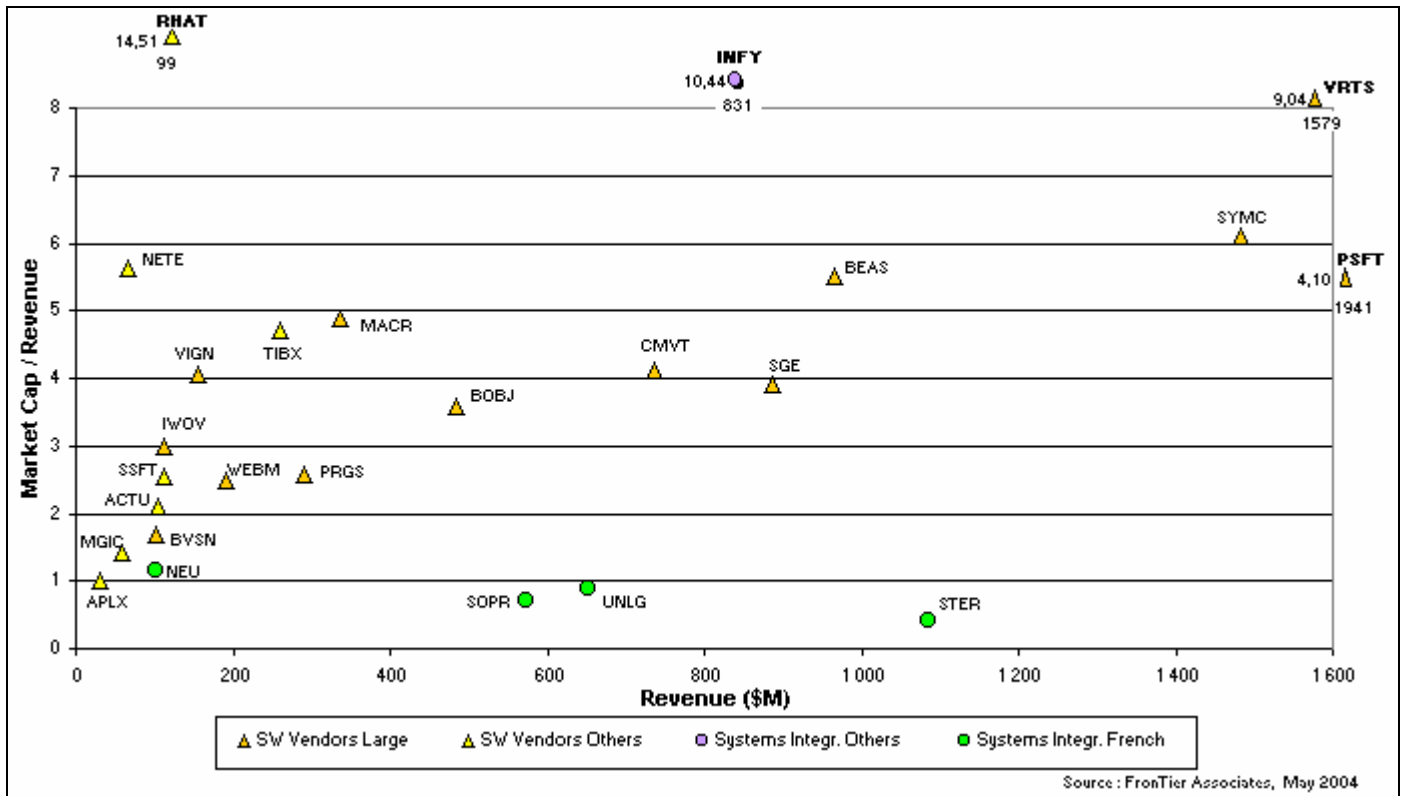
Analysis by Company



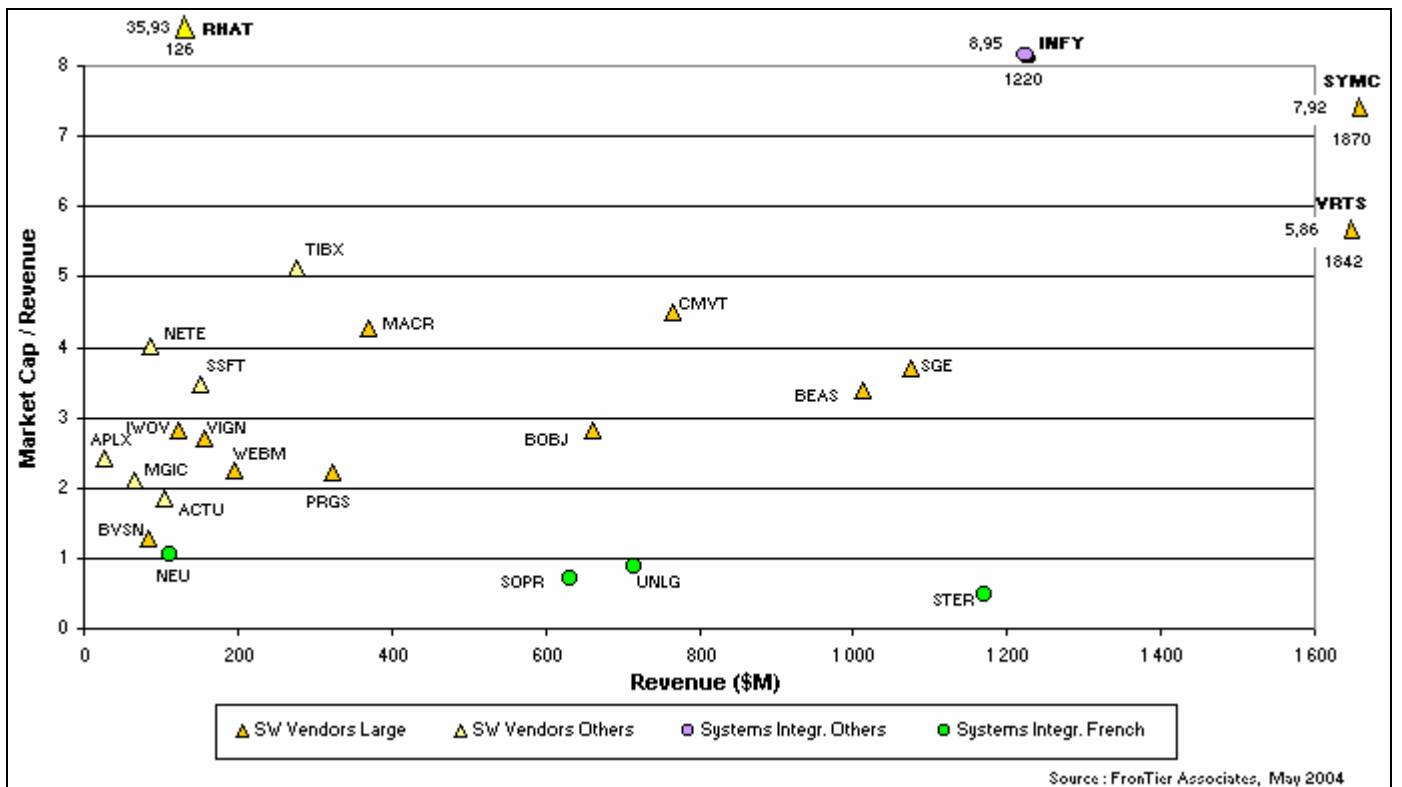
Market Cap. Multiple of Companies with Revenue over 2000 US\$M as of September 2003



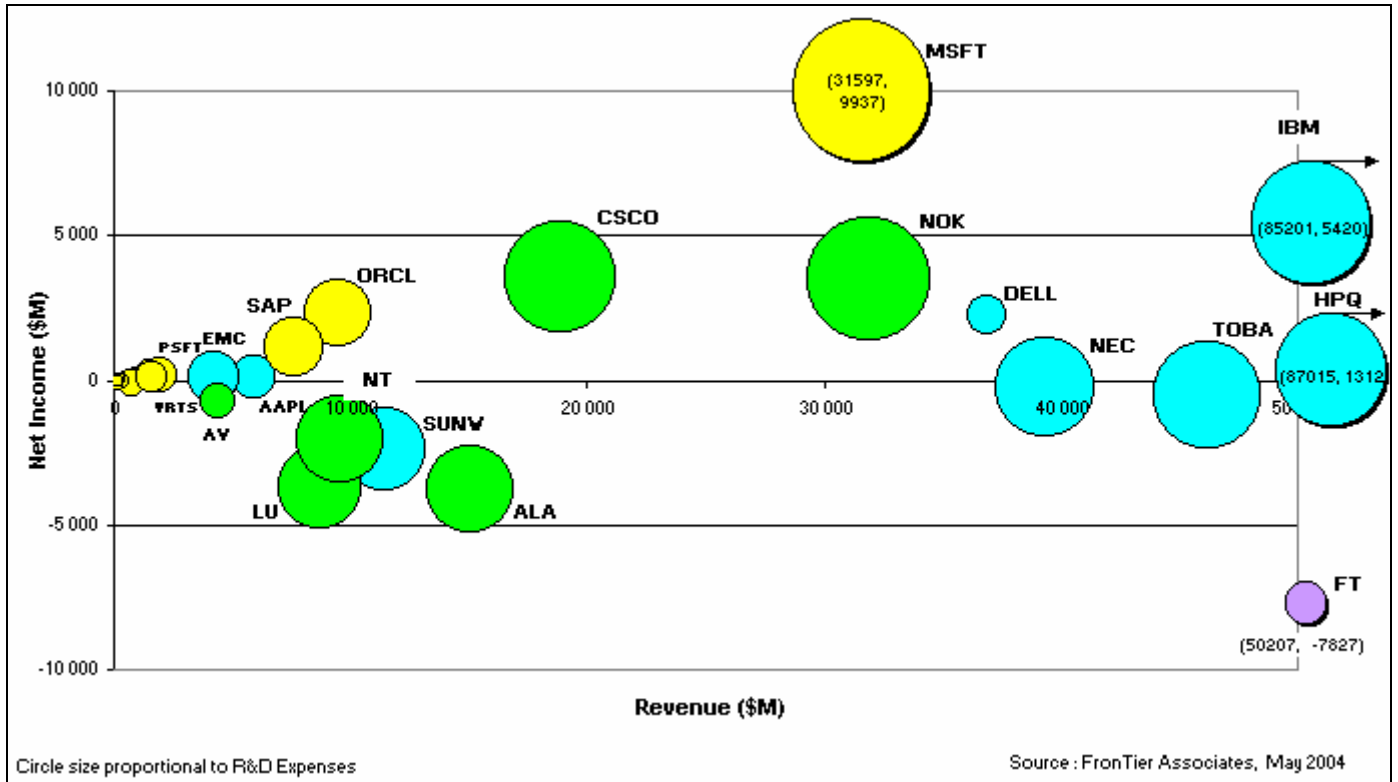
Market Cap. Multiple of Companies with Revenue over 2000 US\$M as of March 2004



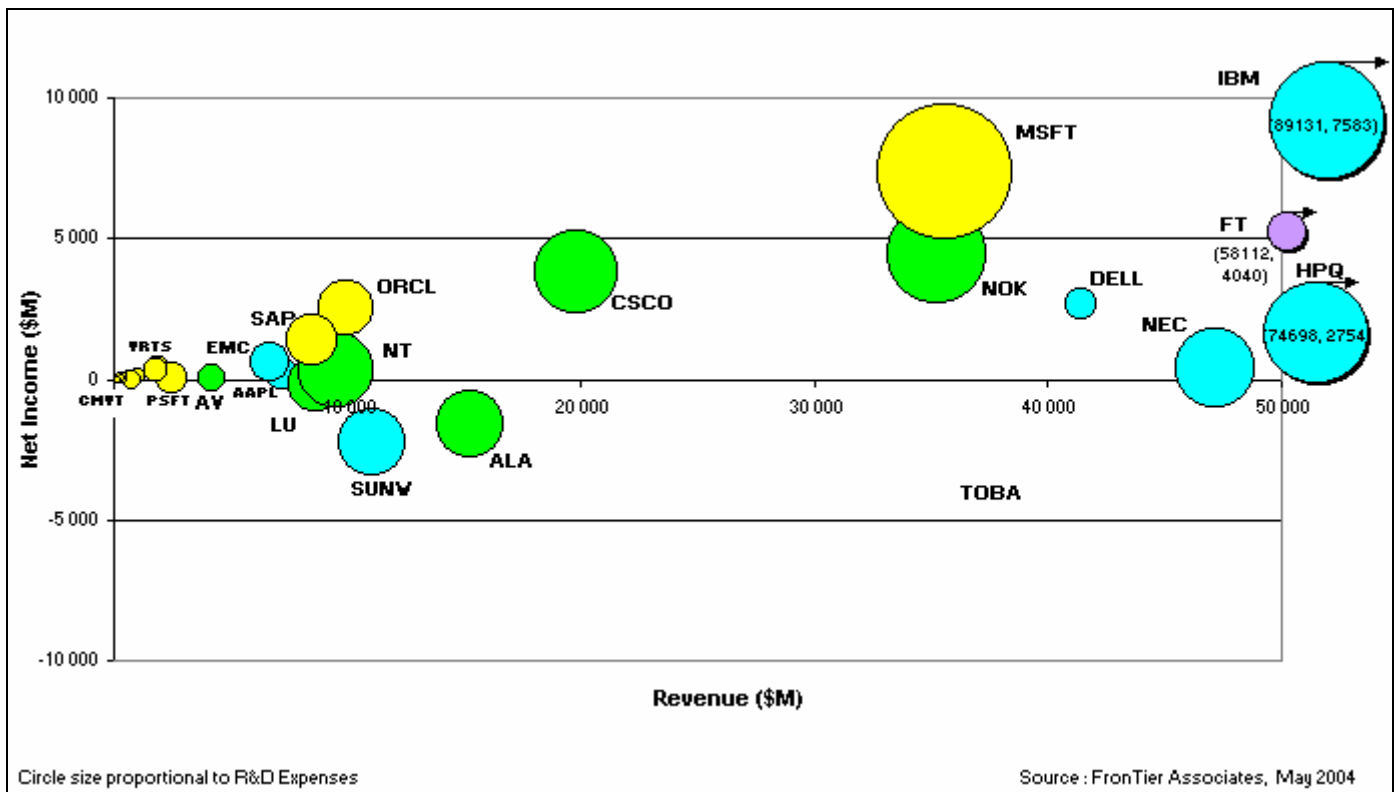
Market Cap. Multiple of Companies with Revenue under 2000 US\$M as of September 2003



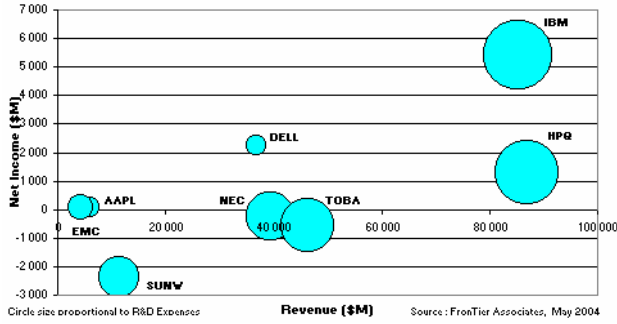
Market Cap. Multiple of Companies with Revenue under 2000 US\$M as of March 2004



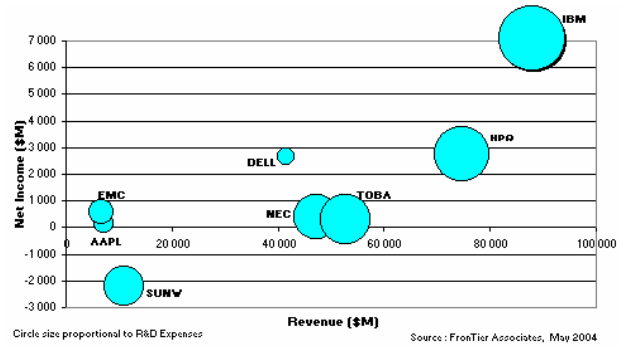
*Company Comparison  
Main Data as of September 2003*



*Company Comparison  
Main Data as of March 2004*

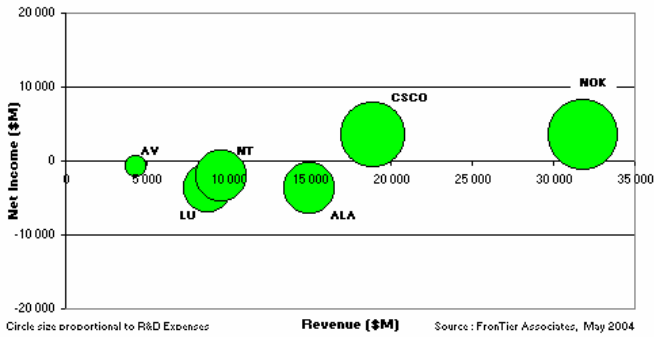


September 2003

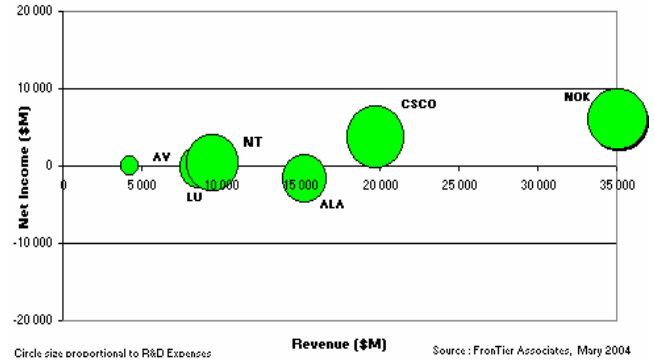


March 2004

Hardware Manufacturers Comparison

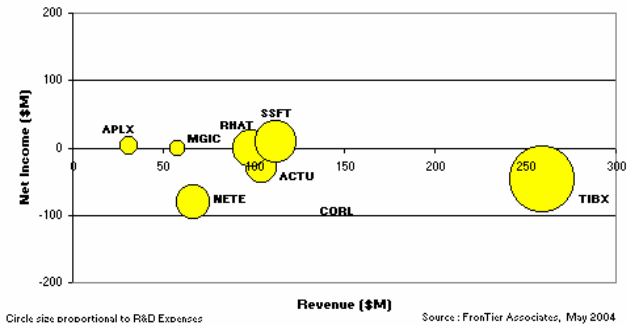


September 2003

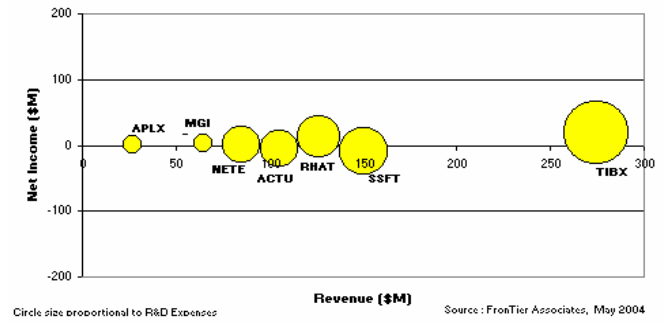


March 2004

Network Equipment Providers Comparison

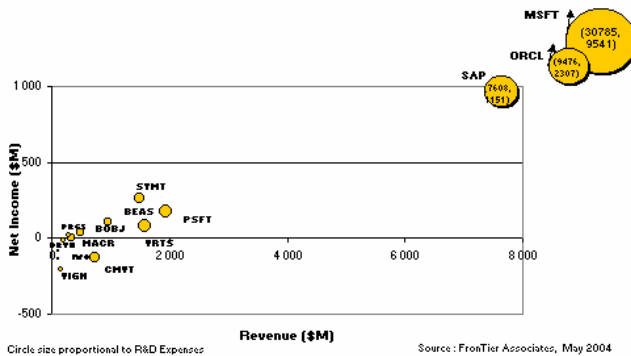


September 2003

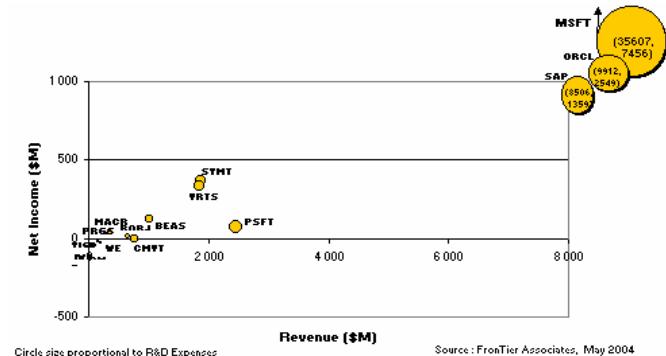


March 2004

Software Vendors – Others Comparison



September 2003



March 2004

Software Vendors – Large Comparison

**IT Industry Top 10 for September 2003 and March 2004**

Top 10	Net Income (US\$ million)	
1	Microsoft	9 937
2	IBM	5 420
3	Cisco	3 578
4	Nokia	3 482
5	Telecom Italia	2 624
6	Oracle	2 307
7	DELL	2 263
8	Sprint	2 233
9	BT	2 189
10	AT&T	1 830

Net Income Top 10 as of September 2003  
(last four available quarters)

Top 10	Net Income (US\$ million)	
1	IBM	7 583
2	Microsoft	7 399
3	Nokia	4 477
4	France Telecom	4 040
5	Cisco	3 779
6	Telefonica	2 773
7	HP	2 754
8	DELL	2 645
9	Oracle	2 549
10	BT	2 508

Net Income Top 10 as of March 2003  
(last four available quarters)

Top 10	Market Cap / Revenue Ratio	
1	Red Hat	14,51
2	Infosys	10,44
3	Microsoft	9,66
4	Veritas Software	9,04
5	Cisco	7,68
6	Oracle	6,93
7	Symantec	6,09
8	EMC	5,74
9	Netegrity	5,64
10	BEA Systems	5,50

Market Cap / Revenue Ratio Top 10  
as of September 2003

Top 10	Market Cap / Revenue Ratio	
1	Red Hat	35,93
2	Infosys	8,95
3	Microsoft	7,93
4	Symantec	7,92
5	Cisco	7,48
6	Oracle	6,05
7	Veritas Software	5,86
8	SAP	5,62
8	TIBCO	5,13
10	Comverse	4,49

Market Cap / Revenue Ratio Top 10  
as of March 2004

Top 10	Net Income / Revenue Ratio	
1	Microsoft	31,45%
2	Infosys	25,31%
3	Oracle	24,35%
4	Cisco	18,95%
5	Symantec	17,55%
6	Sage	16,93%
7	SAP	15,13%
8	BEA Systems	11,39%
9	Nokia	10,93%
10	Peoplesoft	9,12%

Net Income / Revenue Ratio Top 10  
as of September 2003

Top 10	Net Income / Revenue Ratio	
1	Infosys	38,01%
2	Oracle	25,72%
3	Microsoft	20,78%
4	Symantec	19,73%
5	Cisco	19,07%
6	Sage	18,44%
7	Veritas Software	18,10%
8	SAP	15,98%
9	Nokia	12,69%
10	BEA Systems	12,10%

Net Income / Revenue Ratio Top 10  
as of March 2004

**IT Industry Bottom 10 for September 2003 and March 2004**

Bottom 10	Net Loss (US\$ million)	
1	FT	-7 827
2	Alcatel	-3 788
3	Lucent	-3 678
4	Sun Microsystems	-2 378
5	Nortel	-2 007
6	Avaya	-698
7	Toshiba	-550
8	Capgemini	-374
9	NEC	-261
10	Vignette	-203

*Net Loss Bottom 10 as of September 2003  
(last four available quarters)*

Bottom 10	Net Loss (US\$ million)	
1	Sun Microsystems	-2 210
2	Alcatel	-1 605
3	Capgemini	-238
4	Sprint	-231
5	EDS	-229
6	Lucent	-168
7	Interwoven	-45
8	Broadvision	-38
9	WebMethods	-28
10	Vignette	-17

*Net Loss Bottom 10 as of March 2004  
(last four available quarters)*

Bottom 10	Market Cap / Revenue Ratio	
1	Toshiba	0,27
2	NEC	0,33
3	Steria	0,40
4	AT&T	0,47
5	EDS	0,49
6	Sprint	0,54
7	CSC	0,63
8	HP	0,70
9	Sopra Group	0,72
10	Capgemini	0,72

*Market Cap / Revenue Ratio Bottom 10  
as of September 2003*

Bottom 10	Market Cap / Revenue Ratio	
1	Toshiba	0,21
2	NEC	0,24
3	EDS	0,36
4	AT&T	0,41
5	Steria	0,49
6	CSC	0,57
7	Capgemini	0,58
8	LogicaCMG	0,68
9	Sopra Group	0,72
10	HP	0,81

*Market Cap / Revenue Ratio Bottom 10  
as of March 2004*

Bottom 10	Net Income / Revenue Ratio	
1	Vignette	-131,87%
2	Netegrity	-120,83%
3	Interwoven	-119,95%
4	Broadvision	-82,10%
5	Lucent	-42,18%
6	Actuate	-28,20%
7	Alcatel	-25,19%
8	Nortel	-20,91%
9	Sun Microsystems	-20,80%
10	Comverse	-18,09%

*Net Income / Revenue Ratio Bottom 10  
as of September 2003*

Bottom 10	Net Income / Revenue Ratio	
1	Broadvision	-44,57%
2	Interwoven	-36,76%
3	Sun Microsystems	-19,99%
4	WebMethods	-14,35%
5	Vignette	-10,91%
6	Alcatel	-10,52%
7	Scansoft	-5,58%
8	Actuate	-3,85%
9	Capgemini	-3,45%
10	Lucent	-1,94%

*Net Income / Revenue Ratio Bottom 10  
as of March 2004*

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**The FTA 50 IT Industry Index Companies**

Company	Graph Symbol	Category	Four Quarters Ended
Accenture	ACN	Systems Integr. - Others	29-feb-04
Actuate	ACTU	SW Vendors - Others	31-march-04
Alcatel	ALA	Network Equipt. Providers	31-march-04
Apple	AAPL	HW Manufacturers	27-march-04
Applix	APLX	SW Vendors - Others	31-dec-03
AT&T	ATT	Telcos	31-march-04
Avaya	AV	Network Equipt. Providers	31-dec-03
BEA Systems	BEAS	SW Vendors - Large	31-jan-04
British Telecom	BT	Telcos	31-march-04
Broadvision	BVSN	SW Vendors - Large	31-march-04
Business Objects	BOBJ	SW Vendors - Large	31-march-04
Capgemini	CGEY	Systems Integr. - French	31-dec-03
Cisco	CSCO	Network Equipt. Providers	24-jan-04
Comverse	CMVT	SW Vendors - Large	31-jan-04
CSC	CSC	Systems Integr. - Others	02-jan-04
Dell	DELL	HW Manufacturers	30-jan-04
EDS	EDS	Systems Integr. - Others	31-march-04
EMC	EMC	HW Manufacturers	31-march-04
France Telecom	FT	Telcos	31-dec-03
HP	HPQ	HW Manufacturers	31-jan-04
IBM	IBM	HW Manufacturers	31-dec-03
Infosys	INFY	Systems Integr. - Others	31-march-04
Interwoven	IWOV	SW Vendors - Large	31-march-04
Logica-CMG	LOG	Systems Integr. - Others	31-dec-03
Lucent	LU	Network Equipt. Providers	31-dec-03
Macromedia	MACR	SW Vendors - Large	31-march-04
Magic Software	MGIC	SW Vendors - Others	31-march-04
Microsoft	MSFT	SW Vendors - Large	31-march-04
NEC	NEC	HW Manufacturers	31-march-04
Netegrity	NETE	SW Vendors - Others	31-march-04
Neurones	NEU	Systems Integr. - French	31-dec-03
Nokia	NOK	Network Equipt. Providers	31-march-04
Nortel	NT	Network Equipt. Providers	30-sept-03
Oracle	ORCL	SW Vendors - Large	29-feb-04
Peoplesoft	PSFT	SW Vendors - Large	31-march-04
Progress Software	PRGS	SW Vendors - Large	29-feb-04
Red Hat	RHAT	SW Vendors - Others	29-feb-04
Sage	SGE	SW Vendors - Large	31-march-04
SAP	SAP	SW Vendors - Large	31-march-04
Scansoft	SSFT	SW Vendors - Others	31-march-04
Sopra Group	SOPR	Systems Integr. - French	31-dec-03
Sprint	SPRT	Telcos	31-march-04
Steria	STER	Systems Integr. - French	31-dec-03
Sun Microsystems	SUNW	HW Manufacturers	28-march-04
Symantec	SYMT	SW Vendors - Large	31-march-04
Telecom Italia	TITA	Telcos	31-march-04
Telefonica	TEF	Telcos	31-march-04
Tibco	TIBX	SW Vendors - Others	31-jan-04
Toshiba	TOBA	HW Manufacturers	31-march-04
Unilog	UNLG	Systems Integr. - French	31-dec-03
Veritas Software	VRTS	SW Vendors - Large	31-march-04
Vignette	VIGN	SW Vendors - Large	31-march-04
WebMethods	WEBM	SW Vendors - Large	31-march-04



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