FTA 50 IT Industry Index

International IT Industry Survey

September 2003 update

Analysis & Graphs

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September 2003

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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 September 2003 update. For commentaries on the results, please see the corresponding newsletter on FronTier Associates’ Web site at www.frontierassociates.com.

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 September 2003 update, the FTA 50 IT Industry Index is worth 1317 point, a 36% increase over the March 2003 update. All categories had a positive growth. Overall revenue kept growing while overall headcount kept declining with some variation across categories.

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

	Market Cap (index Sept 03*)	**Revenue** (index Sept 03*)	**Employees** (index Sept 03*)
Hardware Manufacturers	129	119	103
Network Equipt. Providers	143	90	90
Software Vendors – Others	148	98	102
Software Vendors – Large	126	109	98
Systems Integr. – Others	123	98	104
Systems Integr. – French	168	106	95
Telcos	136	102	93
Total**	**1 317**	**1 072**	**979**

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

Main ratios

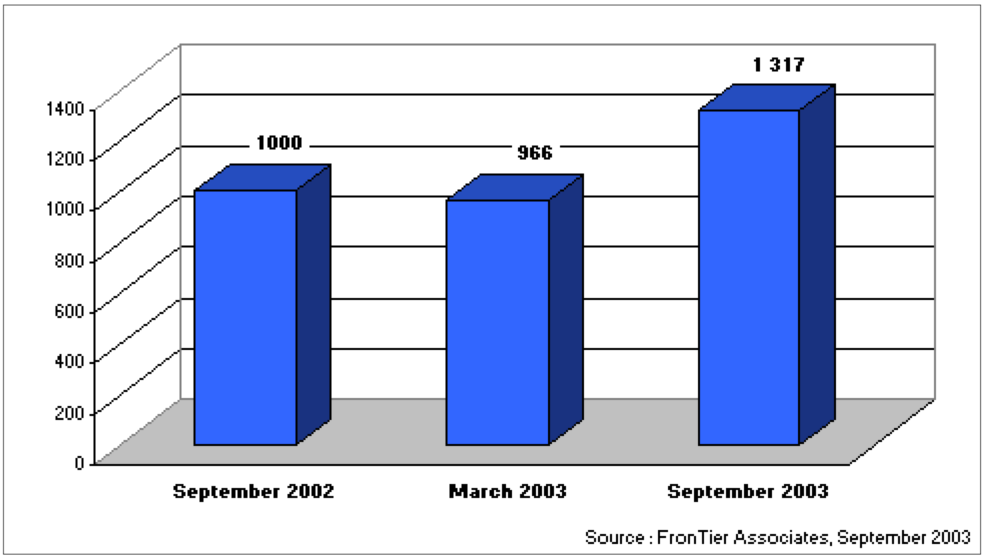
Market value as a multiple of revenue progressed from 1.47 in March 2003 to 1.93 in September 2003 and increased for all categories of companies. Net sales by employee rose 6.4% over the last update in March 2003 although with significant differences between categories.

The table below presents the main ratios by category.

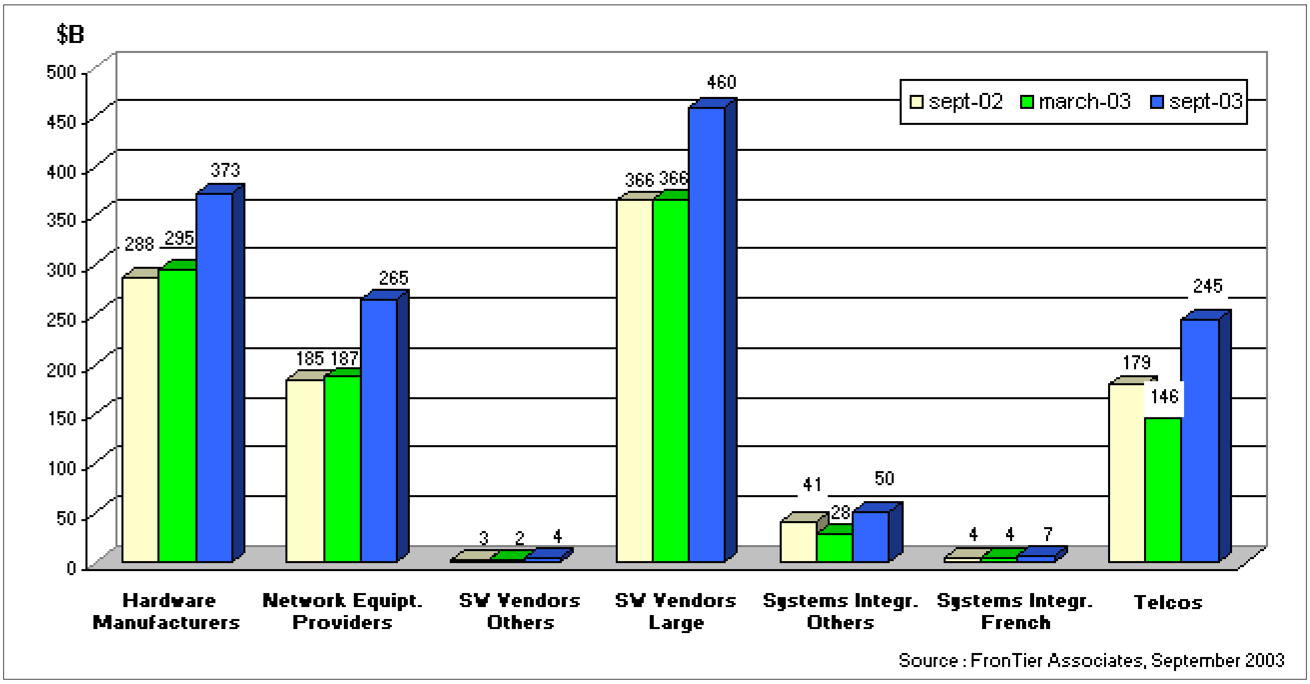
	Market Cap.* as a Multiple of Net Sales **	**Net Sales by Employee (US$000)****	**Net Sales Growth by employee *****
Hardware Manufacturers	1.18	363	11.48%
Network Equipt. Providers	2.99	318	-4.00%
Software Vendors - Others	4.37	182	-3.09%
Software Vendors - Large	7.93	364	3.13%
Systems Integr. – Others	1.00	150	-2.30%
Systems Integr. – French	0.68	115	-2.50%
Telcos	1.19	287	9.29%
Total	**1.93**	**298**	**6.36%**

**As of 15 September 2003, **Last four quarters available, ***September 2003 compared to March 2003*

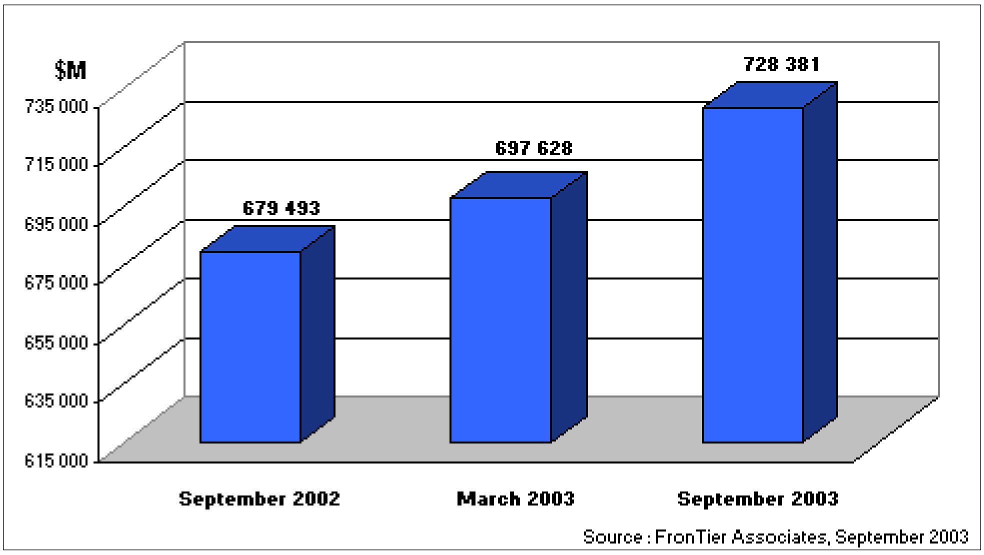
Key IT Industry Indicators



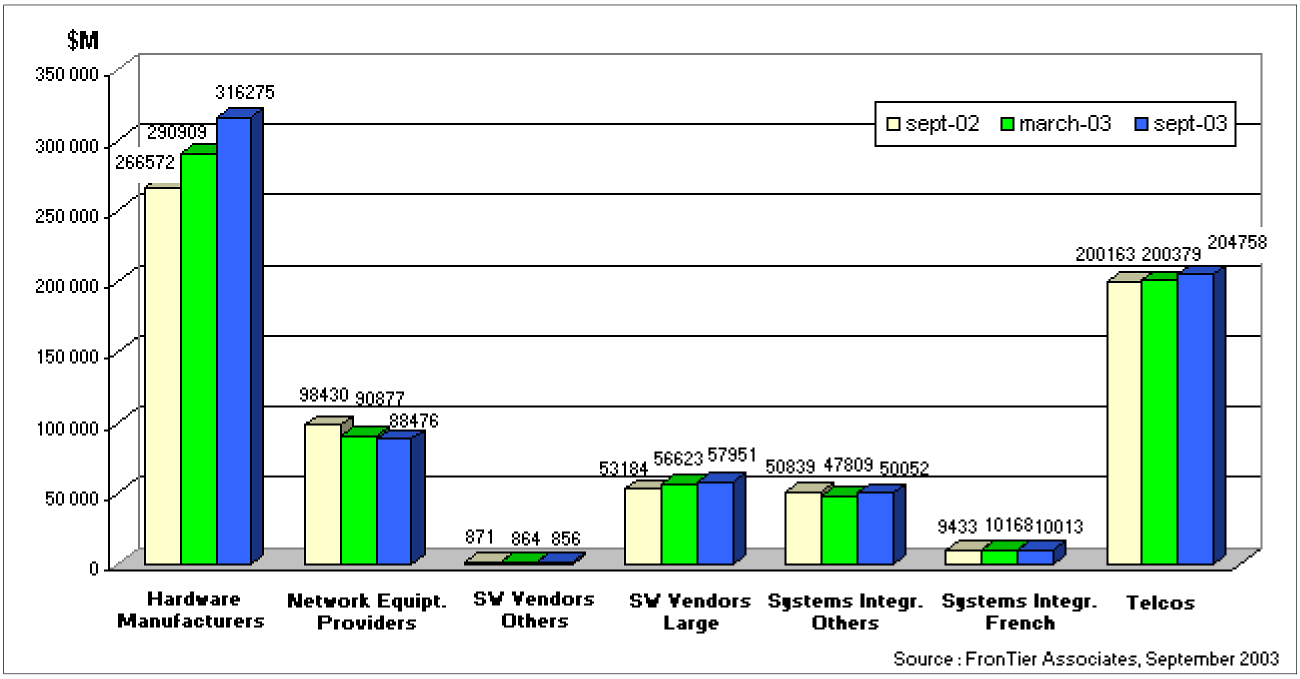
FTA 50 Index
Industry Sample Market Capitalization Growth since September 2002



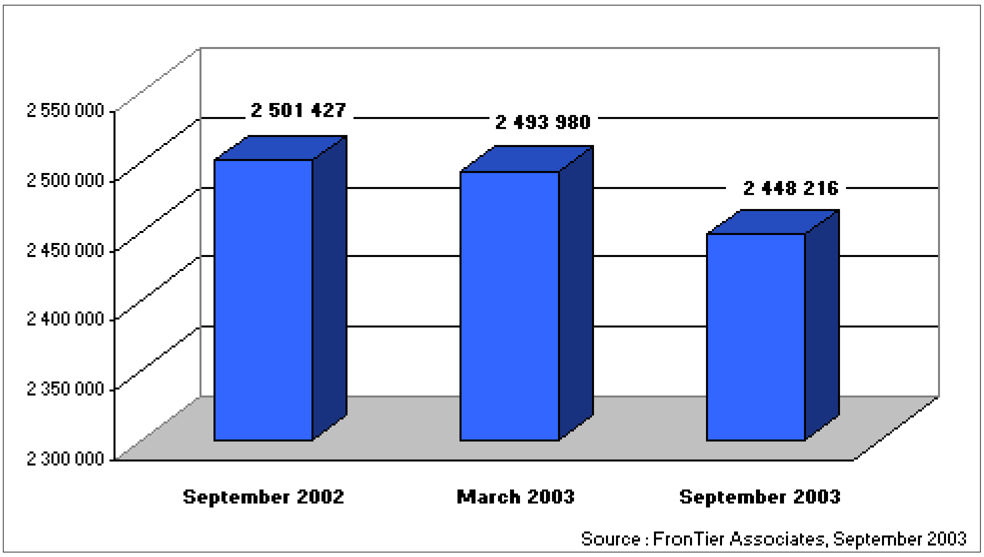
Market Capitalization Growth by Category
in Billion US Dollar since September 2002,



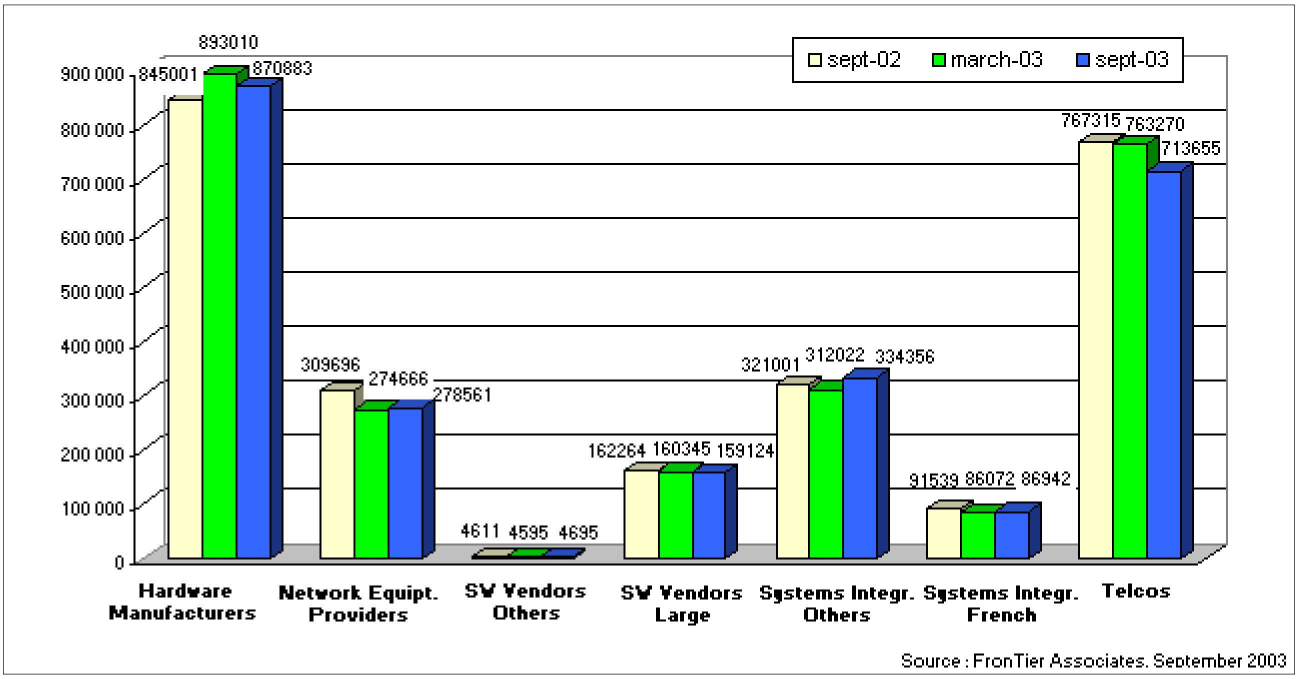
Industry Revenue Growth
in Million US Dollar since September 2002



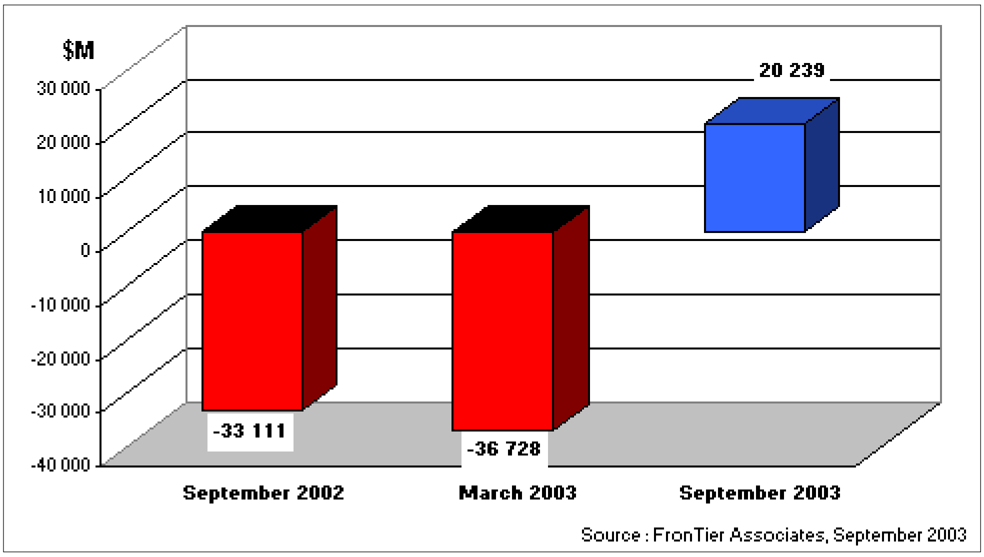
Revenue Growth by Category
in Million US Dollar since September 2002



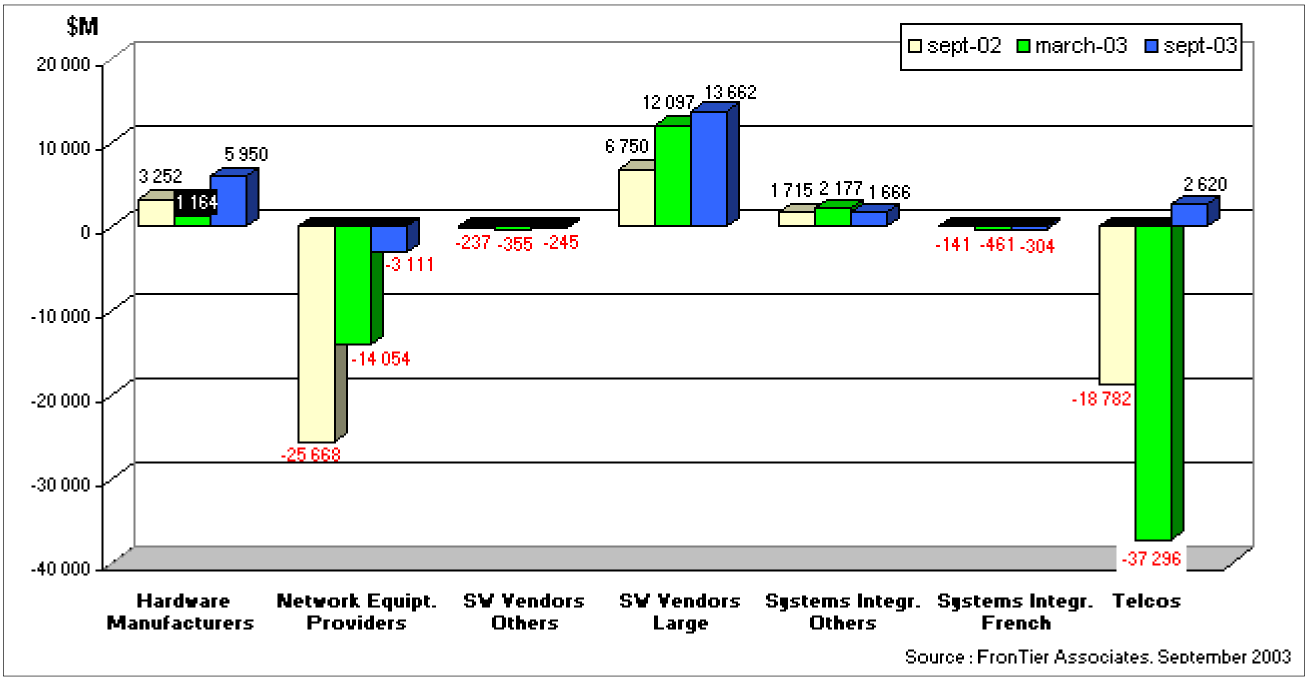
Industry Headcount Growth since September 2002



Headcount Growth by Category since September 2002

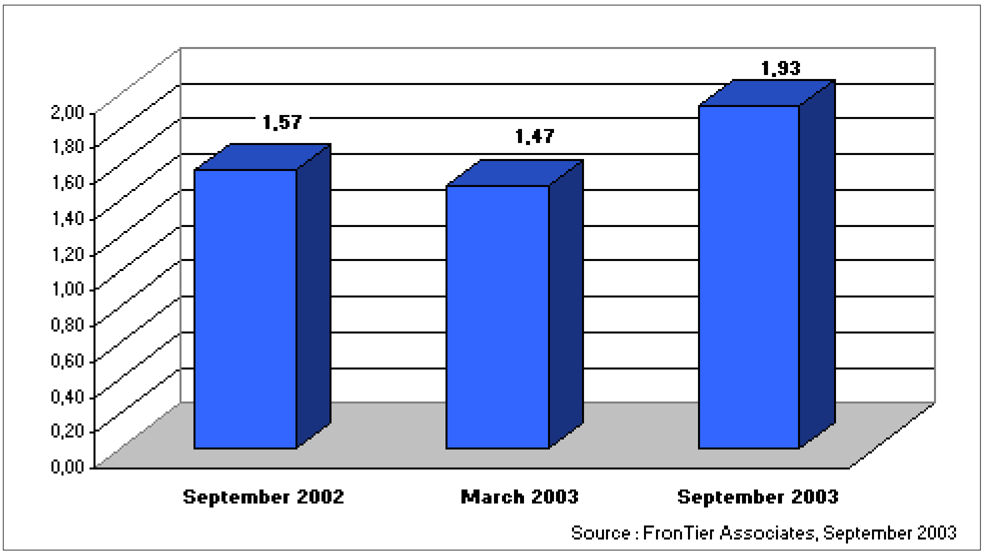


Industry Net Income Growth
in Million US Dollar since September 2002

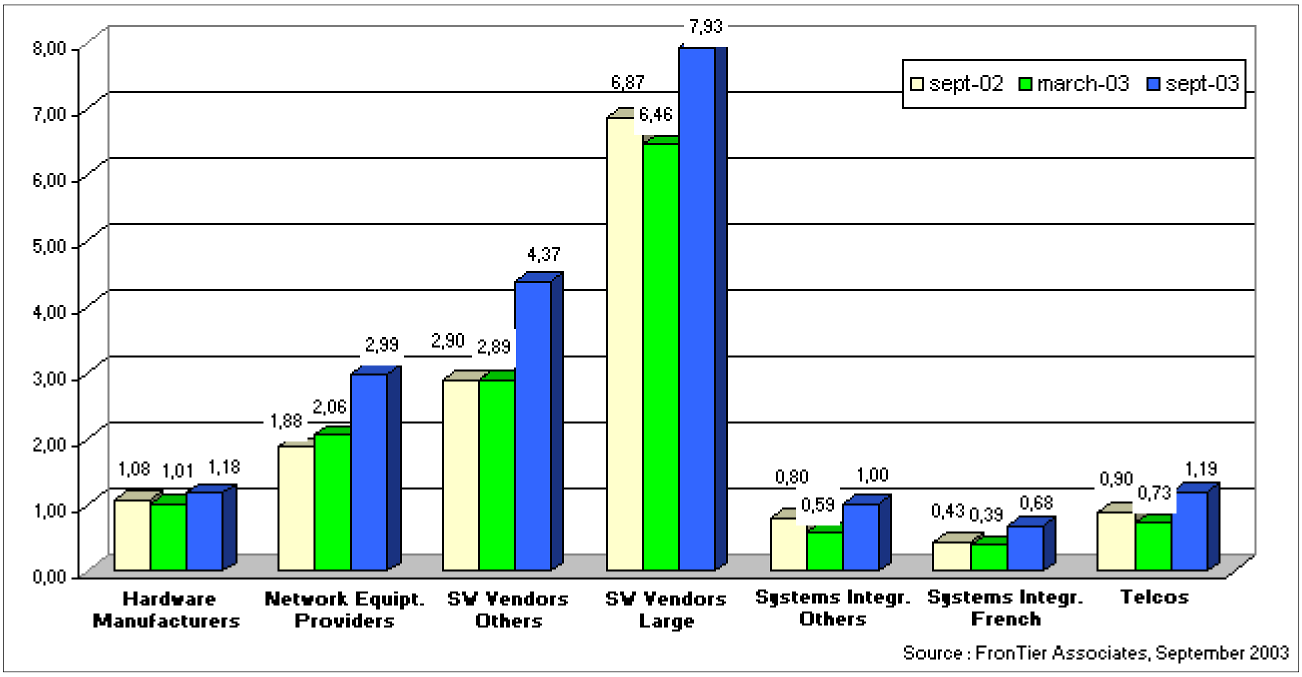


Net Income Growth by Category
in Million US Dollar since September 2002

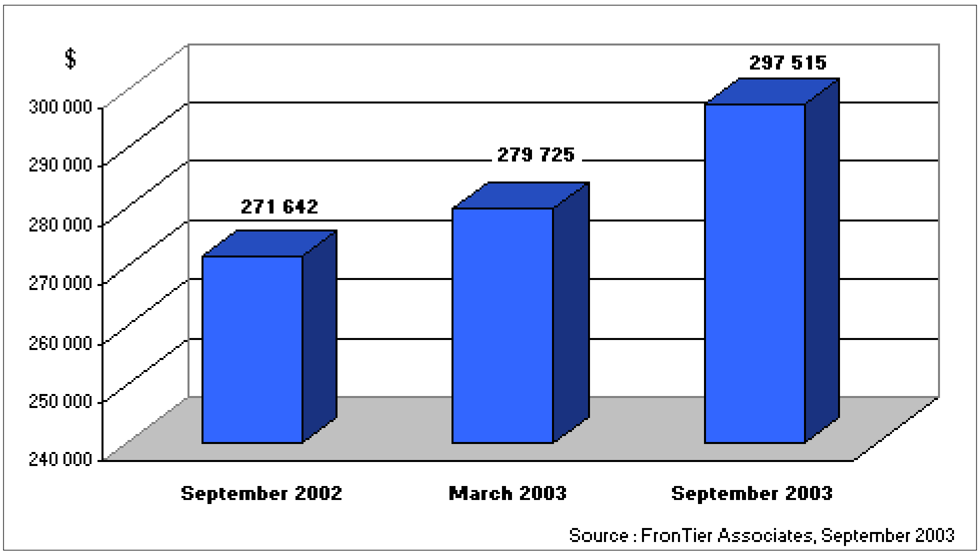
Key IT Industry Ratios



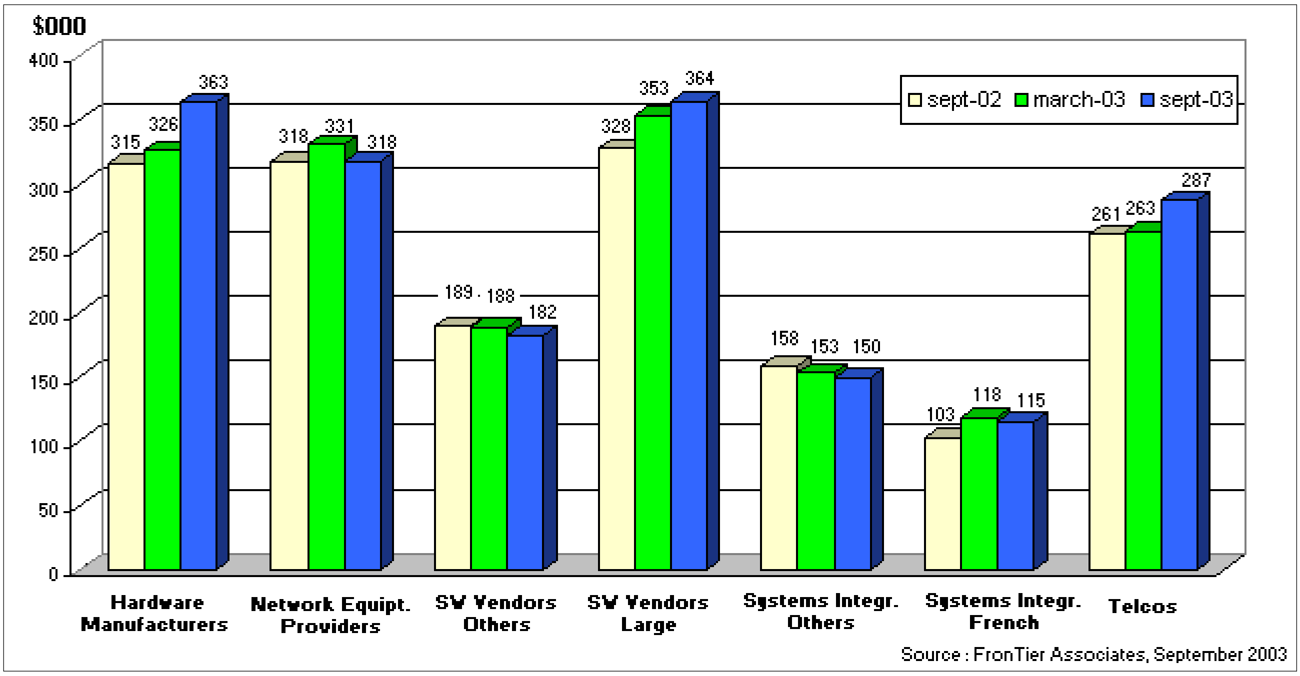
Industry Market Cap / Revenue Ratio Growth since September 2002



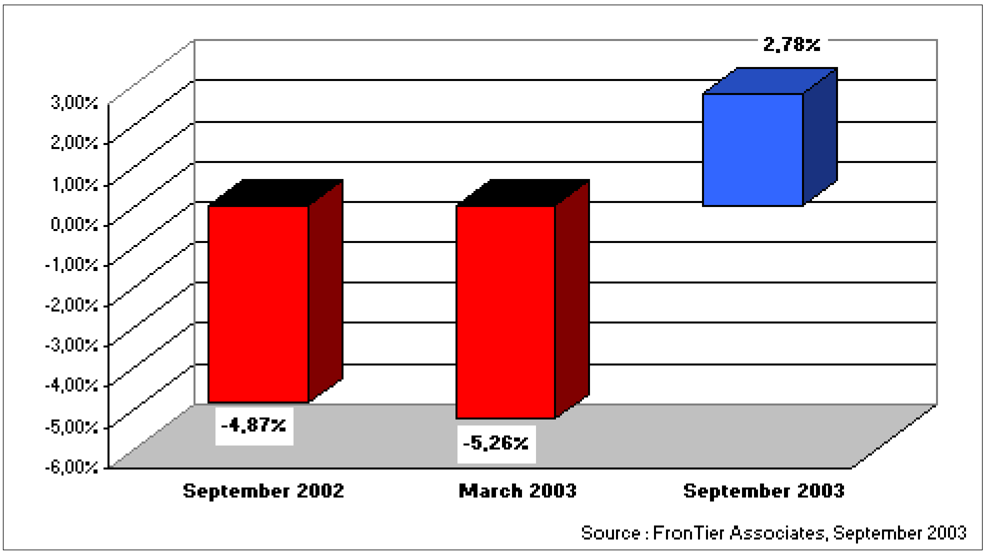
Market Cap / Revenue Ratio Growth by Category since September 2002



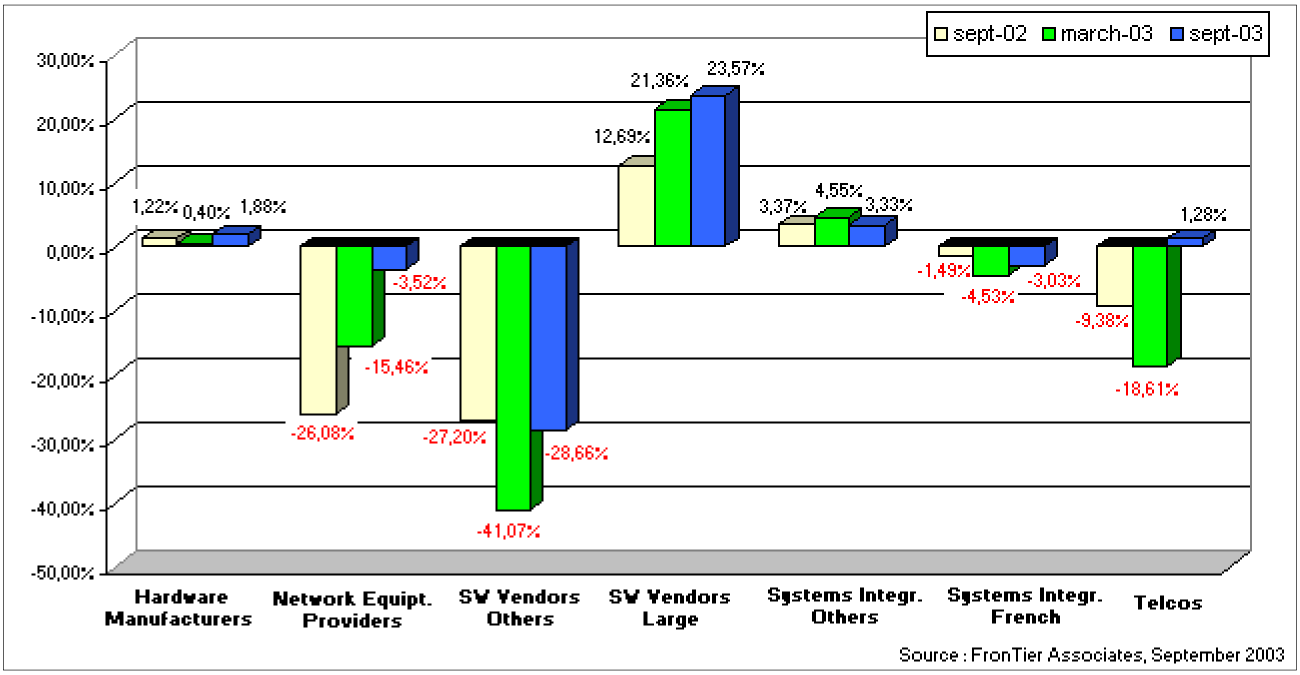
Revenue per Employee Growth
in US Dollar since September 2002



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

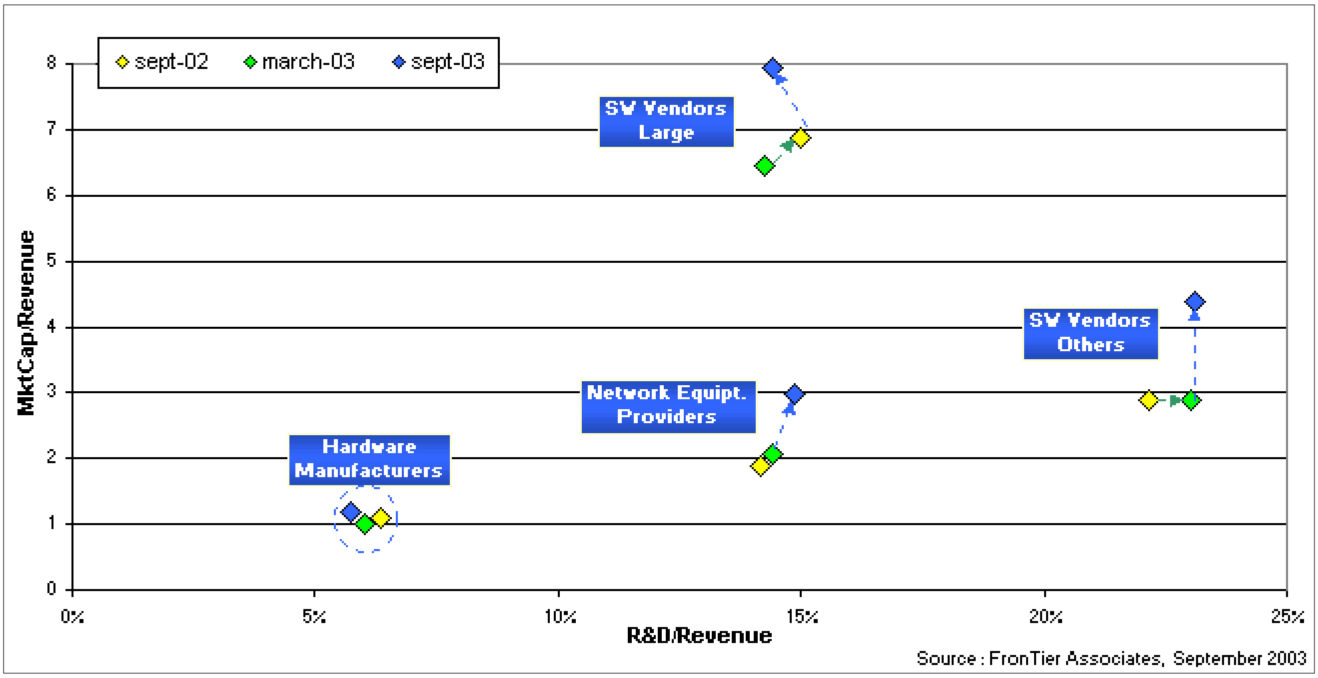


Industry Net Income / Revenue Ratio Growth since September 2002

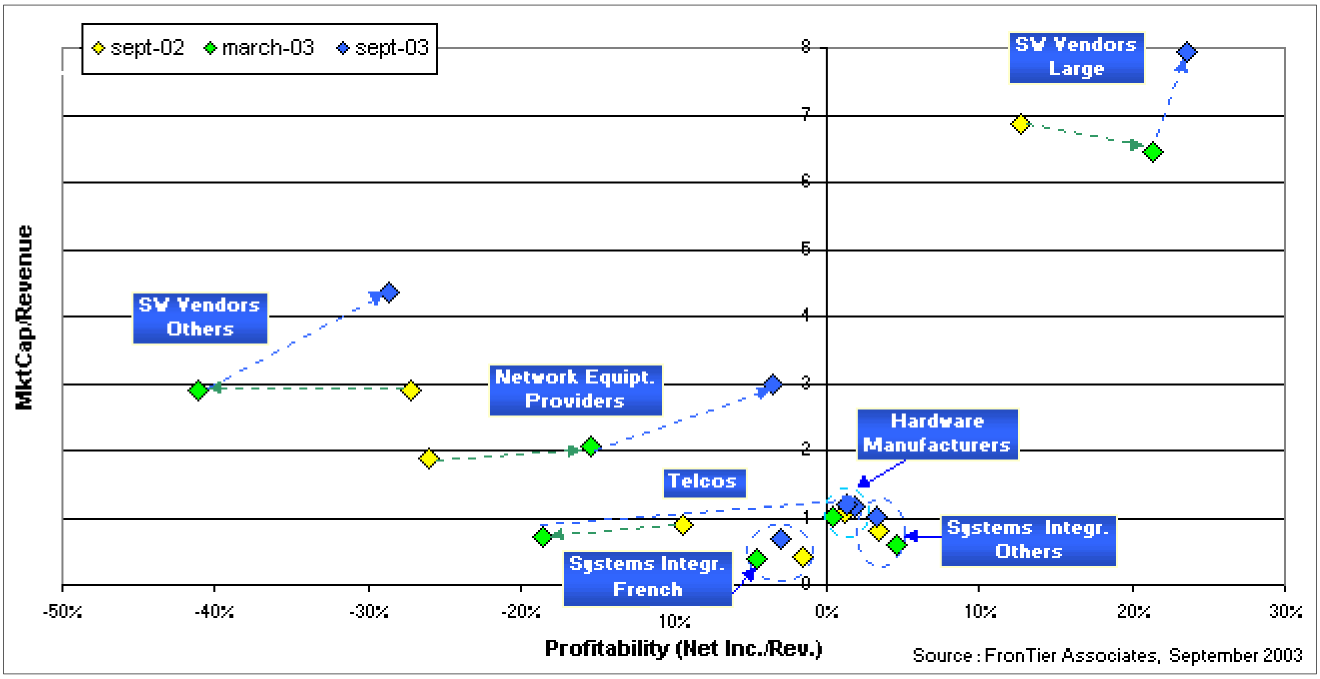


Net Income / Revenue Ratio Growth by Category since September 2002

Other IT Industry Ratios

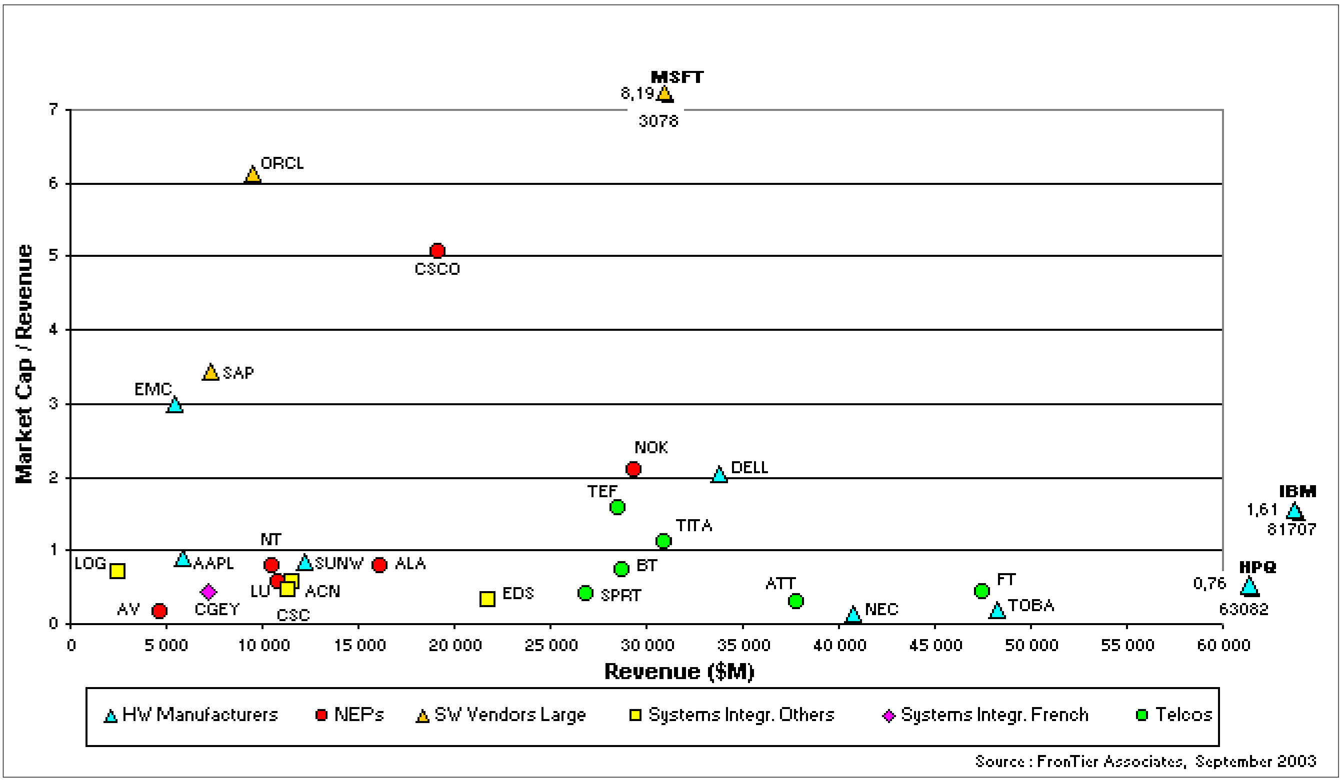


Market Cap Multiple and R&D Effort Comparison
average by category since September 2002

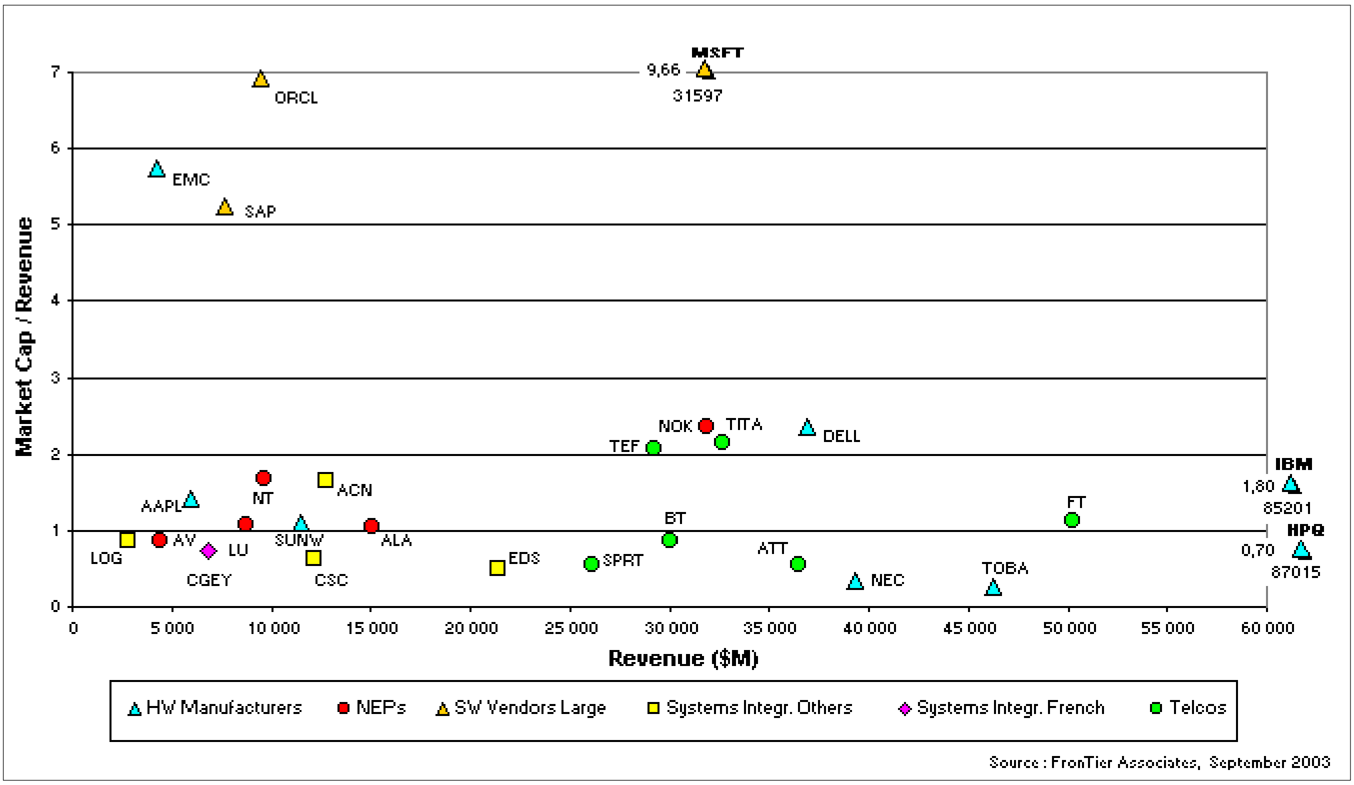


Market Cap. Multiple and Profitability Comparison
average by category since September 2002

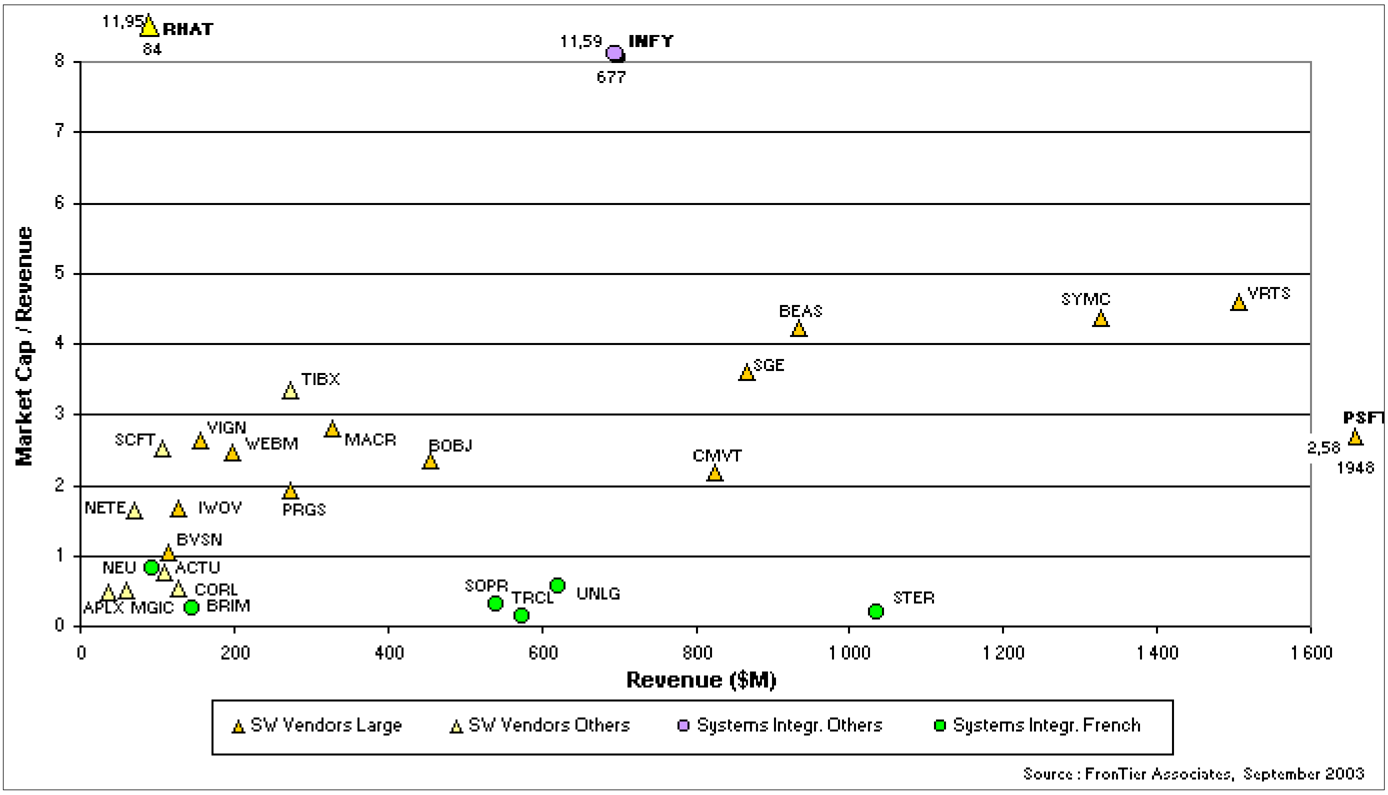
Analysis by Company



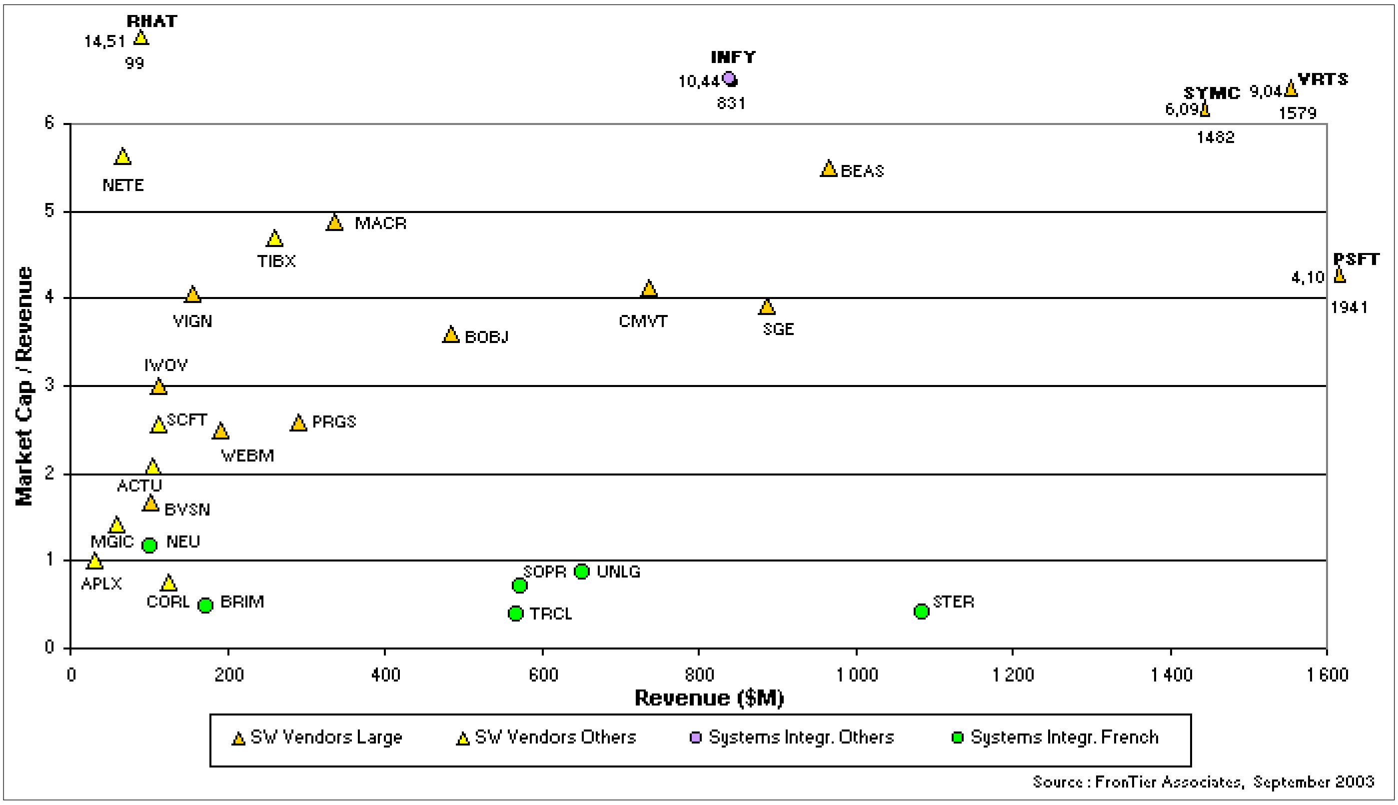
Market Cap. Multiple of Companies with Revenue over 2000 US$M as of March 2003



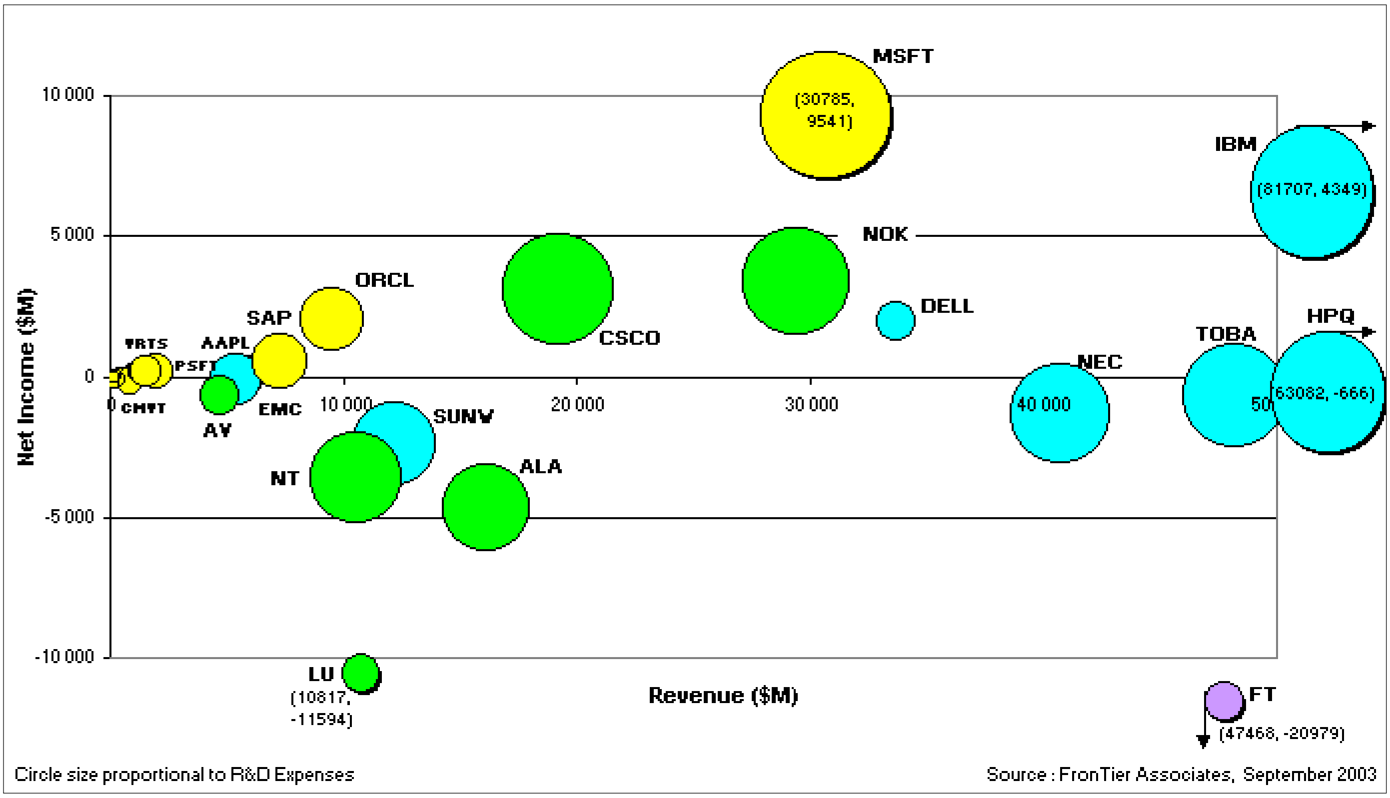
Market Cap. Multiple of Companies with Revenue over 2000 US$M as of September 2003



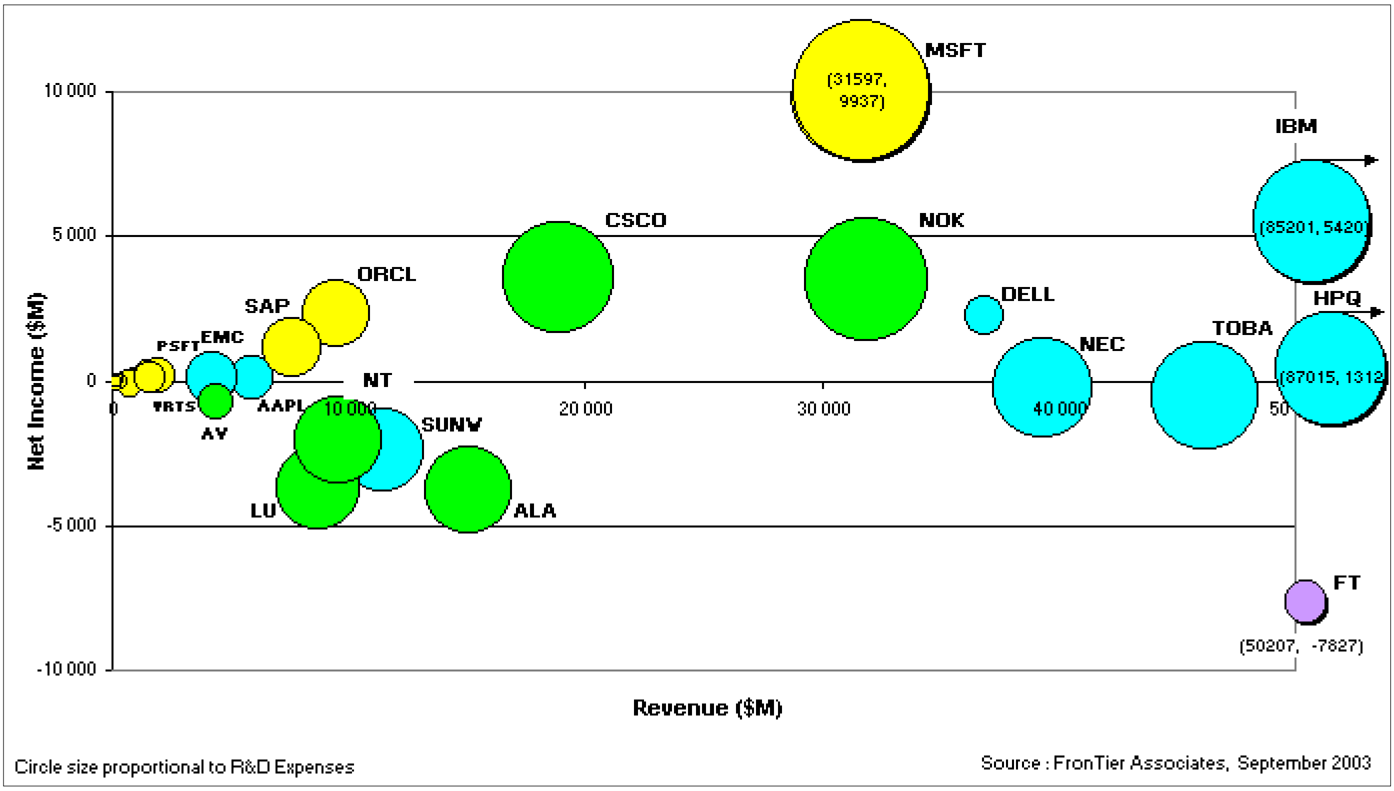
Market Cap. Multiple of Companies with Revenue under 2000 US$M as of March 2003



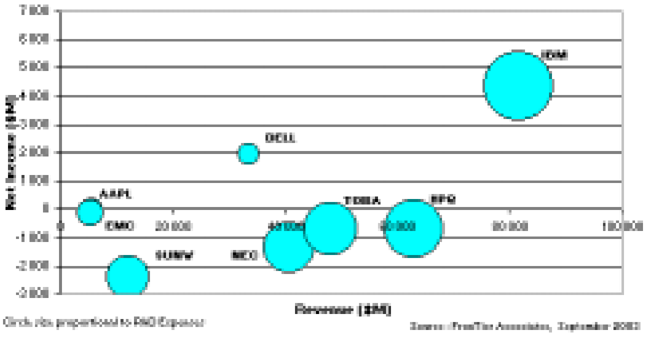
Market Cap. Multiple of Companies with Revenue under 2000 US$M as of September 2003



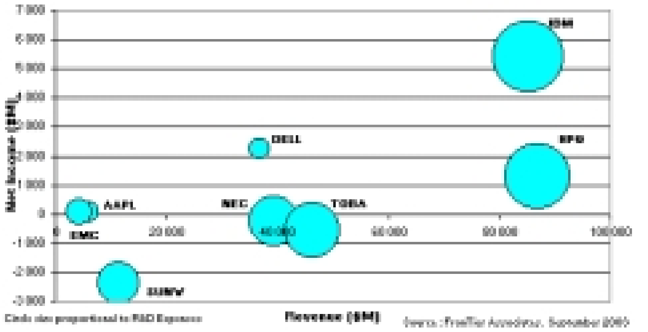
Company Comparison
Main Data as of March 2003



Company Comparison
Main Data as of September 2003

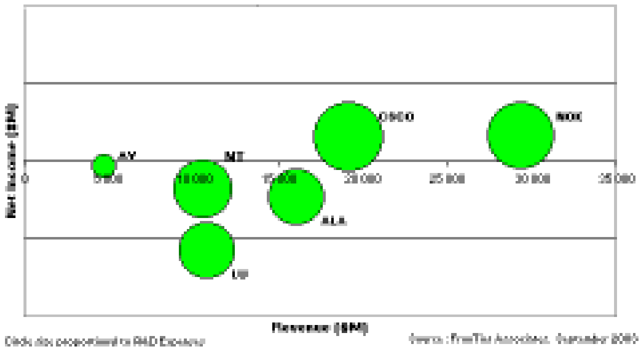


March 2003

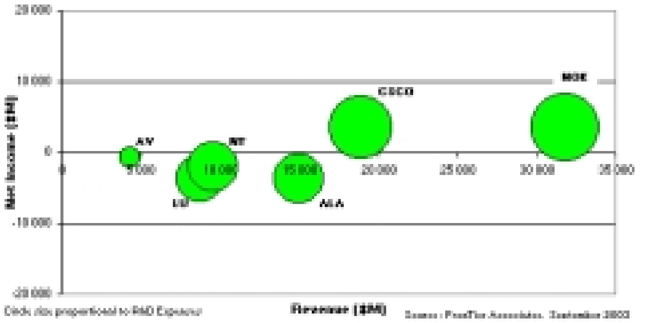


September 2003

Hardware Manufacturers Comparison

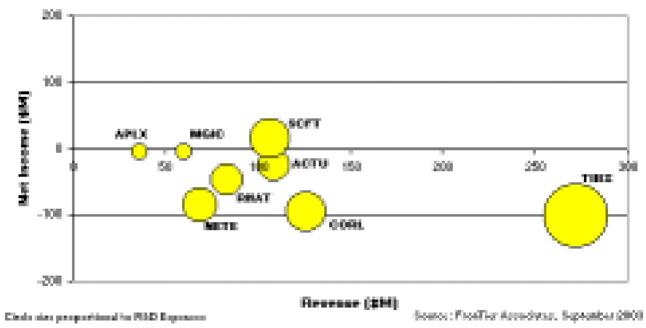


March 2003

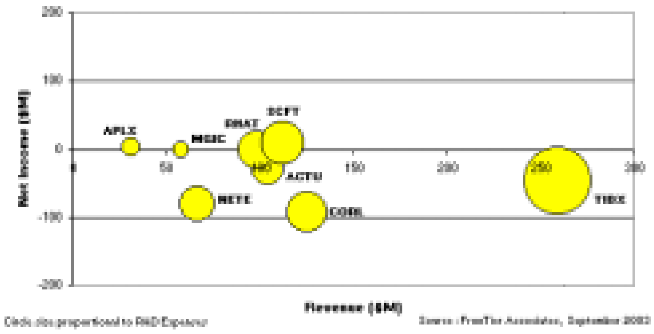


September 2003

Network Equipment Providers Comparison



March 2003



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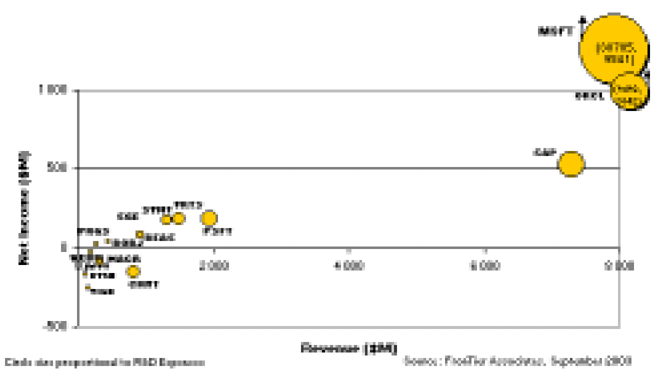
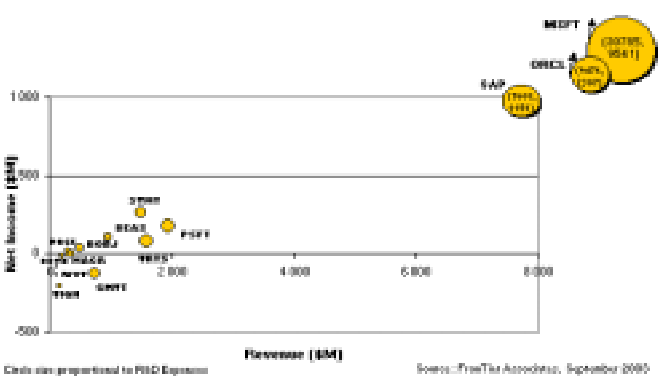
Software Vendors – Others Comparison



March 2003



September 2003

Software Vendors – Large Comparison

IT Industry Top 10 for March 2003 and September 2003

Top 10	Net Income (US$ million)	
1	Microsoft	9 541
2	IBM	4 349
3	Nokia	3 352
4	Cisco	3 110
5	Oracle	2 042
6	DELL	1 975
7	BT	1 757
8	EDS	1 116
9	Sprint	630
10	SAP	525

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

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	Market Cap / Revenue Ratio	
1	Red Hat	11,95
2	Infosys	11,59
3	Microsoft	8,19
4	Oracle	6,14
5	Cisco	5,07
6	Veritas Software	4,59
7	Symantec	4,38
8	BEA Systems	4,24
9	Sage	3,59
10	SAP	3,43

Market Cap / Revenue Ratio Top 10
as of March 2003

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
8	Netegrity	5,64
10	BEA Systems	5,50

Market Cap / Revenue Ratio Top 10
as of September 2003

Top 10	Net Income / Revenue Ratio	
1	Microsoft	30,99%
2	Infosys	27,17%
3	Oracle	21,51%
4	Cisco	16,19%
5	Sage	16,14%
6	Scansoft	13,23%
7	Symantec	13,22%
8	Veritas Software	12,03%
9	Nokia	11,39%
10	Peoplesoft	9,41%

Net Income / Revenue Ratio Top 10
as of March 2003

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

IT Industry Bottom 10 for March 2003 and September 2003

Bottom 10	Net Loss (US$ million)	
1	FT	-20 979
2	AT&T	-13 082
3	Lucent	-11 594
4	Telefónica	-5 472
5	Alcatel	-4 663
6	Nortel	-3 585
7	Sun Microsystems	-2 370
8	NEC	-1 344
9	Toshiba	-680
10	Avaya	-674

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

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	Cap Gemini E&Y	-374
9	NEC	-261
10	Vignette	-203

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

Bottom 10	Market Cap / Revenue Ratio	
1	Transiciel	0,13
2	NEC	0,15
3	Avaya	0,17
4	Toshiba	0,18
5	Steria	0,20
6	Brime Tech.	0,25
7	AT&T	0,30
8	Sopra Group	0,30
9	EDS	0,32
10	Sprint	0,40

Market Cap / Revenue Ratio Bottom 10 as of March 2003

Bottom 10	Market Cap / Revenue Ratio	
1	Toshiba	0,27
2	NEC	0,33
3	Transiciel	0,39
4	Steria	0,40
5	Brime Tech.	0,47
6	AT&T	0,47
7	EDS	0,49
8	Sprint	0,54
9	CSC	0,63
10	Sopra Group	0,72

Market Cap / Revenue Ratio Bottom 10 as of September 2003

Bottom 10	Net Income / Revenue Ratio	
1	Vignette	-162,96%
2	Broadvision	-148,41%
3	Netegrity	-124,61%
4	Interwoven	-117,18%
5	Lucent	-107,18%
6	Corel	-76,10%
7	Red Hat	-57,84%
8	FT	-44,20%
9	TIBCO	-37,15%
10	AT&T	-34,58%

Net Income / Revenue Ratio Bottom 10 as of March 2003

Bottom 10	Net Income / Revenue Ratio	
1	Vignette	-131,87%
2	Netegrity	-120,83%
3	Interwoven	-119,95%
4	Broadvision	-82,10%
5	Corel	-74,30%
6	Lucent	-42,18%
7	Actuate	-28,20%
8	Alcatel	-25,19%
9	Nortel	-20,91%
10	Sun Microsystems	-20,80%

Net Income / Revenue Ratio Bottom 10 as of September 2003

The FTA 50 IT Industry Index Companies

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

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