



# Stock watch

## Building for the future

Pete Sokoloff, MD, Peter A. Sokoloff & Co interviews Mike Frayne, chairman of Intec.

**R**ather than dwell on the somewhat dreary market that exists at the end of July, this month's Stock watch takes an in-depth look at how one company, UK-based Intec Telecom Systems PLC is approaching the future. We interviewed Intec chairman, Mike Frayne.

With about 30% of the worldwide market, Intec is the market share leader for carrier interconnect billing systems. Brought public on the London Stock Exchange in June 2000, Intec quickly moved to make three acquisitions with the aim of creating worldwide coverage and achieving a comprehensive

product mix. Frayne describes Intec's approach:

"Our philosophy is to move into areas that mesh with our existing products and market activities, while achieving positive commercial and financial terms. i2i in Malaysia doubled our presence in Asia overnight. CHA Systems rounded out our intercarrier product offering with a high-quality US CABS offering. Computer Generation Inc.'s technology gave us what we believe is the best all-round convergent mediation solution in the world. Consolidated, Intec has a superb customer base, in the US and globally, and the opportunity to

cross-sell billing and mediation solutions worldwide."

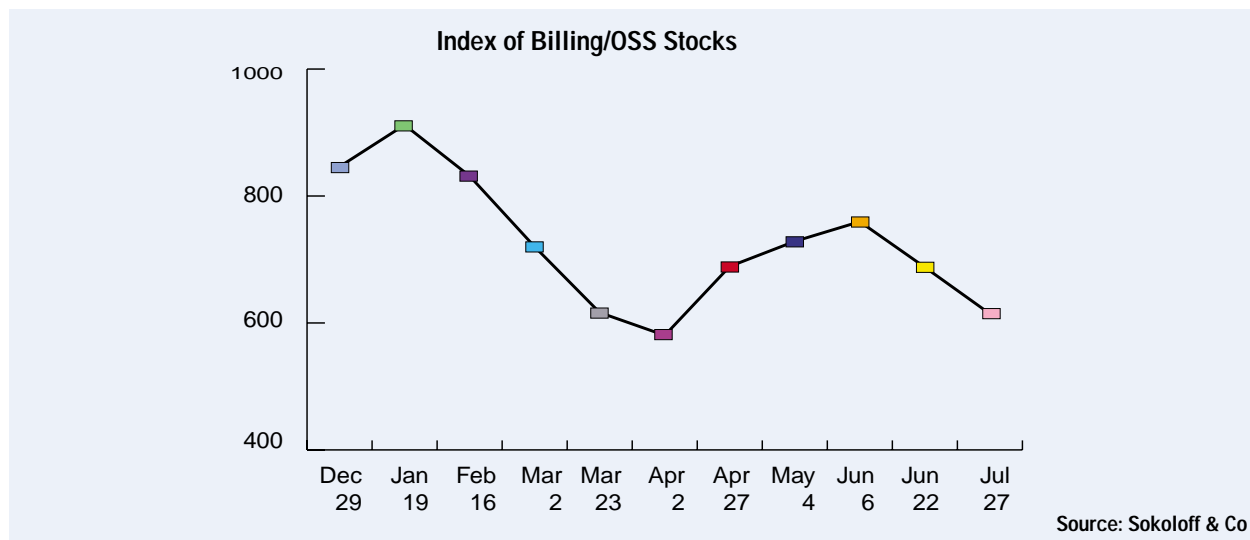
Integrating the three companies into Intec was a challenge. Frayne credits the management of all four companies for creating a successful transition.

"We found very few problems, as they were all well-managed companies with little duplication of structure, and highly complementary product lines. We took the strengths of these businesses - products, technology and people - and overlaid Intec's proven sales and marketing model. That meant rebranding the companies and the products, investing in

development, support, sales and marketing, and training all our people and business partners in these new product areas."

Current market conditions have chilled the pace of mergers and acquisitions; nevertheless, Frayne believes that industry consolidation is inevitable.

"Some of the larger vendors need to refresh product offerings, acquisitions may be the fastest way to do this. At the other end, there are many smaller players who need to grow fast to survive. Without substantial funding, it's going to be hard to do that. In this market, it is easier to be acquired than to IPO or →



raise capital independently. Then there are companies with doubtful revenue models - I don't see how many of them can survive in a very competitive market. Customers are very well-informed on this point; we know that many buying decisions are being taken on the strength of financials rather than just product issues, and I think that's wise."

We asked Frayne to predict what we'll see during the next five years. Acknowledging this is a "very distant horizon in telecoms", he points to "3G mobile communications and broadband access to most

homes and businesses. These developments will drive demand for much more capable information systems within the telecoms carrier market. In particular, we think that mediation will be the pivotal OSS in telecoms in the next few years, as it is a hub through which information on all network events must pass. Billing, particularly intercarrier billing, which is really a B2B function and not just about calls, will also assume more importance as complex value-chain relationships between information providers, suppliers, financial intermediaries, carriers and consumers are created."

What does it take to build a world class billing/OSS company? "I

don't think there is any mystery in building a successful software business, other than a lot of hard work. It needs a mix of technical and business skills, and an understanding of what customers want, and how to sell to them and support them. In the OSS space, if you look at a typical carrier, they need reliable technology, good performance, the right level of functionality, and the ability to be installed and configured rapidly. But they also look for a stable, well-funded supplier that has the right investment in support and training infrastructure on a worldwide basis, and a credible

forward product and business strategy.

Intec has always had the benefit of complete focus on what we do, and that has enabled us to build market-share leadership in intercarrier billing. It was all we did and we had to do it well. In addition, we have always been financially very prudent, as we didn't have a VC or generous backer looking after us - the cash came from the founders' pockets or from sales. That has fed through to a very healthy cash position today, and an ongoing appreciation of the need to deliver revenues and profits." ■

### Index of public billing and OSS companies

Company	Ticker	-----Price \$-----		YTD % Change	52 Week High	Mkt Cap (000s)
		27 July 2001	29 Dec 2000			
Ace Comm	ACEC	1.59	2.31	-31.2%	10.5	14,700
Affiliated Comp Services	ACS	83.19	60.69	37.1%	84.6	4,180,880
ADC Telecom	ADCT	4.60	18.13	-74.6%	47.25	3,595,351
American Mgmt. Sys.	AMSY	17.84	19.81	-10.0%	25.75	742,269
Alltel Corp.	AT	61.89	62.38	-0.8%	68.68	19,375,593
Astea International	ATEA	1.07	0.88	22.3%	1.43	15,680
Boston Comm.	BCGI	14.42	27.88	-48.3%	29.87	245,904
Comverse Technology Inc	CMVT	28.93	108.63	-73.4%	124.75	4,958,226
CSG Systems	CSGS	51.51	46.94	9.7%	64.7	2,724,827
Cellular Tech Serv	CTSC	2.85	2.81	1.3%	11.37	6,532
Convergys Corp.	CVG	31.64	45.31	-30.2%	52.25	5,406,485
Daleen Technologies	DALN	0.94	4.00	-76.5%	17.75	20,486
AMDOCS Corp.	DOX	45.80	66.25	-30.9%	80.5	10,129,357
DSET Corporation	DSET	0.60	1.81	-66.9%	30.56	6,979
DST Systems	DST	47.95	67.00	-28.4%	74.93	5,879,102
Evolving Systems Inc	EVOL	4.00	2.16	85.5%	8.68	51,848
HNC Software, Inc.	HNCS	29.36	29.69	-1.1%	82.25	1,017,295
Illuminet Holdings	ILUM	29.97	22.94	30.7%	43	972,676
Lightbridge	LTBG	10.94	13.13	-16.6%	23.37	315,149
MDSI Mobile Data Solutions Inc	MDSI	2.93	7.88	-62.8%	18	24,088
Mind CTI**	MNDO	2.98	6.69	-55.4%	13	59,946
MetaSolv Software	MSLV	7.76	9.13	-15.0%	47.62	279,725
Micromuse	MUSE	15.09	60.38	-75.0%	108.37	1,102,053
Portal Software Inc.	PRSF	3.05	7.88	-61.3%	63.12	523,594
Remedy Corp.	RMDY	33.91	16.56	104.7%	35.4	1,041,512
Siebel Systems	SEBL	34.22	67.63	-49.4%	119.87	15,506,451
TCSI	TCSI	0.93	1.38	-32.4%	2.12	21,580
Management Network	TMNG	5.00	11.88	-57.9%	24.5	147,825
T-Netix Inc.	TNTX	2.52	2.06	22.2%	5	37,797
TTI Team Telecom	TTIL	16.65	15.00	11.0%	32.93	166,367
Ulticom**	ULCM	18.34	34.06	-46.2%	63	749,813
Veramark Tech	VERA	0.72	0.63	15.2%	3.75	5,896
Vertel Corp.	VRTL	1.24	2.38	-47.8%	16.12	35,179
<b>Total Index</b>		<b>614.43</b>	<b>846.22</b>	<b>-27.4%</b>		

Highlighted stocks were up for the year as of July 27, 2001.  
Source: Peter A. Sokoloff & Co.