

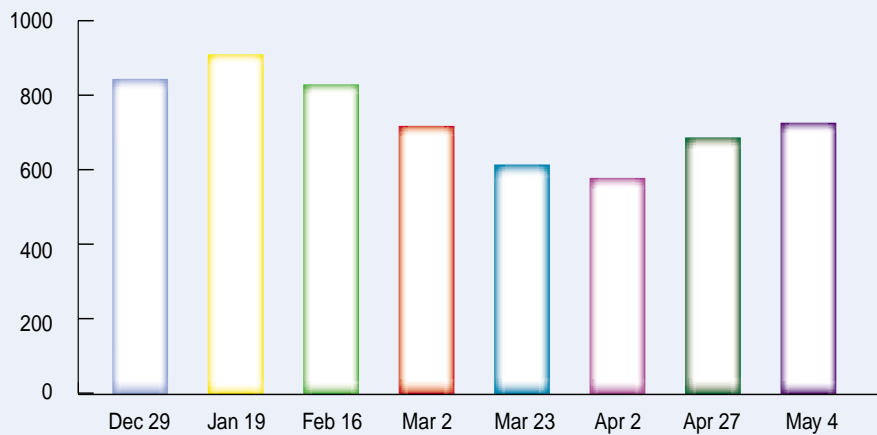


Stock watch

Growth continues to falter

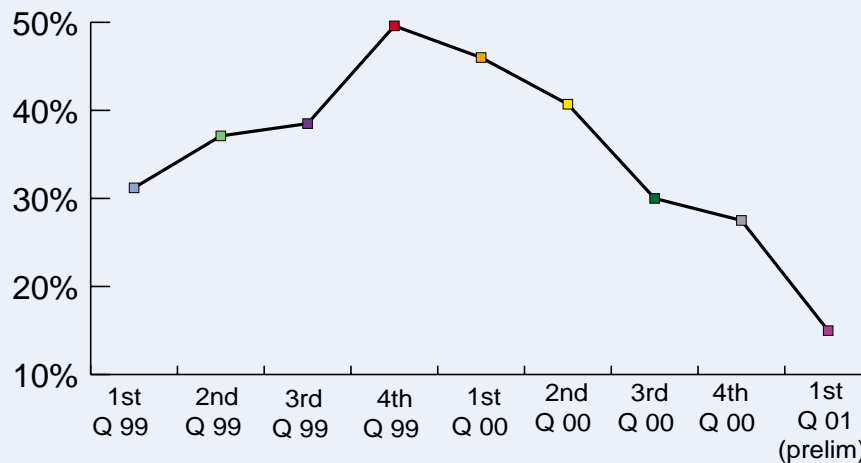
Pete Sokoloff, MD, Peter A. Sokoloff & Co gives his take on the market performance of billing stock this month.

Billing/OSS Index



Source: Sokoloff & Co

Billing/OSS Industry Average Revenue Growth



Source: Sokoloff & Co

At the time of writing in early May, mixed signals are being sent by market and economic indicators. The NASDAQ index rallied in April and early May, sending billing and OSS stocks up by about 25%. The NASDAQ had hit a 2 year low by April 4 and then rebounded by 34 percent as of the May 4 market close. While an encouraging recovery, the sector remains down by about 14% from year-end 2000. The FTSE 100 has shown less volatility, down 5.67% from year-end; its low thus far this year was March 22, down by about 14.6%.

The industry's revenue growth continued its slow-down during the first quarter. With ten of the 34 industry stocks we track not yet reported, preliminary average revenue growth for Q1 2001 over Q1 2000 was about 15%. This continues the slowing-growth trend that began early in 2000.

The fact that the sector and the NASDAQ are on the upswing, despite the evidence of a fizzling economy, is a little puzzling. Investors may perceive that various belt-tightening measures taken by companies, combined with government actions to ease financial conditions, are starting to work. Confidence in the American Federal Reserve is enormous. Alan Greenspan and the Fed are widely expected to continue to cut interest rates in the wake of growing →

unemployment and a slowing GNP. These cuts will be needed to stimulate market and economic improvement which, hopefully, will begin to show later in the year. This is the 'soft landing' the Fed would like to see.

The telecoms sector remains very uneven. Hardware manufacturers in the Internet,

wireless and other sectors have been cutting personnel and struggling to unload excess inventory. Service providers are hunkering down and are proving reluctant to put their hands in their pockets for OSS or other infrastructure buys. Behind closed doors, OSS vendors are concerned that sales cycles are lengthening, as more companies would rather study and

review than buy and implement.

Outsourcing

Arguably, the brightest spot in OSS today is outsourcing. Companies like **CSG Systems** (CSGS), **Affiliated Computer Systems** (ACS), and **Illuminet** (ILUM) are beating the trend with better stock performance and dependable

revenue growth. More service providers are electing to outsource to service bureaus and IT service companies rather than build inhouse IT strength in an uncertain climate. No one wants to add personnel and systems today only to be given a management mandate for a reduction-in-force tomorrow. ■

Index of public billing and OSS companies

Company	Ticker	-----Price \$-----		YTD % Change	52 Week High	Mkt Cap (000s)
		4 May 01	29 Dec 00			
Ace Comm	ACEC	1.75	2.31	-24.3%	10.5	16,151
Affiliated Comp Services	ACS	71.89	60.69	18.5%	74	3,591,553
ADC Telecom	ADCT	7.86	18.13	-56.6%	49	6,143,360
American Mgmt. Sys.						
Alltel Corp.	AT	55.88	62.38	-10.4%	68.81	17,494,072
Astea International	ATEA	1.06	0.88	21.1%	4.12	15,710
Boston Comm.	BCGI	10.83	27.88	-61.1%	29.87	182,735
Converse Technology Inc	CMVT	67.05	108.63	-38.3%	124.75	11,129,831
CSG Systems	CSGS	56.95	46.94	21.3%	62.75	2,990,103
Cellular Tech Serv	CTSC	3.61	2.81	28.4%	12.25	8,274
Convergys Corp.	CVG	38.94	45.31	-14.1%	55.43	6,047,343
Daleen Technologies	DALN	1	4.00	-75.0%	22.25	21,782
AMDOCS Corp.	DOX	62	66.25	-6.4%	88.75	13,712,230
DSET Corporation	DSET	1.11	1.81	-38.8%	33.12	12,802
DST Systems	DST	49.63	67.00	-25.9%	74.93	6,175,659
Evolving Systems Inc	EVOL	3.55	2.16	64.6%	12	45,472
HNC Software, Inc.	HNCS	29.95	29.69	0.9%	82.25	966,966
Illuminet Holdings	ILUM	31.5	22.94	37.3%	57.12	1,013,135
Lightbridge	LTBG	13.36	13.13	1.8%	27.5	370,807
MDSI Mobile Data Solutions Inc	MDSI	5.45	7.88	-30.8%	39	44,804
Mind CTI	MNDO	2.5	6.69	-62.6%	14.12	50,290
MetaSolv Software	MSLV	10.75	9.13	17.8%	60	384,205
Micromuse	MUSE	45.9	60.38	-24.0%	108.37	3,310,997
Portal Software Inc.	PRSF	9.28	7.88	17.8%	73.5	1,593,098
Remedy Corp.	RMDY	19.11	16.56	15.4%	56.81	587,747
Siebel Systems	SEBL	47.9	67.63	-29.2%	119.87	21,419,156
TCSI	TCSI	1.29	1.38	-6.2%	2.87	29,856
Management Network	TMNG	6.43	11.88	-45.9%	40	186,457
T-Netix Inc.	TNTX	2.76	2.06	33.8%	6.25	35,819
TTI Team Telecom	TTIL	15.66	15.00	4.4%	40.37	156,475
Ulticom	ULCM	28	34.06	-17.8%	63	1,134,308
Veramark Tech	VERAC	1.61	0.63	157.6%	4.62	13,049
Vertel Corp.	VRTL	2.98	2.38	25.5%	21	84,397
Total Index		728.58	846.22	-13.9%		

Highlighted stocks were up for the year as of May 4, 2001.
Source: Peter A. Sokoloff & Co.