



Stock watch

Stocks are looking up

Pete Sokoloff, managing director, Peter A. Sokoloff & Co gives his take on the billing stock market performance in the first part of 2001.

Mildly optimistic investors pushed the Billing/OSS Index up by 5.7% in January, roughly tracking the NASDAQ Composite Stock Index, which was up 7.7%. This reflected interest rate cuts and toe dipping by investors expecting a January rally. The NASDAQ Index fell by nearly 55% in 2000. The BACC/OSS index fared rather better, posting a 20.7% drop. Billing and OSS companies seem to track more closely with the Communications industry sector. Last year, according to **Morningstar, Inc.**, communication companies' equity funds lost 28.6% in value. In January, these same funds were up 6.6%. Last year there were also month-long NASDAQ rallies in June and August, similar to January; cautious watchers are waiting for the market to show it can sustain significant improvement over greater than a thirty day period.

BACC/OSS outlook

hopeful

On the positive side, the Billing/OSS Index showed twice as many gainers as losers in January. Eight of the gainers were up over 50% from year-end. **Portal Software** reaffirmed its market leadership and its potential to continue to grow earnings as well as revenues. **DSET** and **Metasolv** appeared to regain some momentum, perhaps being driven too low in a correction that began when concerns about the unhealthy CLEC market frightened investors away. Intuitive investors may be realising that a large part of the solution for ailing CLECs lies in the OSSs that **MSLV** and **DSET** provide. **Evolving Systems** has also drawn some good news out of the CLEC market space, securing two substantial long term contracts for its LNP (Local Number Portability) services and software. **Remedy Corp.** experienced a strong comeback in January. The help desk and enterprise solutions

company posted a strong Q4 revenue and earnings report. **RMDY** added 250 new customers in Q4 and began shipping its new WAP-enabled cellular handset application. An aggressive stock repurchase programme, and its acquisition of Paris-based CRM integrator and asset management company **Deodis SA** also helped send the message to investors that **RMDY** can sustain its growth.

Has good sense prevailed?

Investment decisions, fuelled by corporate performance rather than futures speculation, are back in style. Provided the world economy co-operates, a longed-for stability and strengthening of markets should result.

Despite signs of economic slow-down, evidence of continuing economic health is also strong. The US government estimates that American businesses created net 268,000 jobs in January. Consumer spending indices,

while subdued, are holding rather well. Technology spending rose only 9.6% during 2000, the weakest gain since 1994 (Source: Merrill Lynch & Co.). Not surprisingly, all businesses are feeling a greater need to increase immediate earnings and a slow down in technology spending is inevitable. This has been affecting Billing/OSS companies to a lesser degree, since many of the systems these companies install directly contribute to greater profitability. Analysts remain bullish on Billing/OSS. Zacks Investment Research reports that, among 228 analyst recommendations covering most of the companies in the Billing/OSS Index, there are 98 "Strong Buy," 85 "Buy," and 30 "Hold" recommendations. Curiously, there was only 1 "Strong Sell" recommendation, awarded to **Crosskeys Systems Corp. (CKEY)**.

Hearing from the London Stock Exchange

Proving the analyst a bit →

on the wrong side, on January 30th, **CKEY** announced that **Orchestream** (London Stock Exchange, **OCH**) was acquiring it for £24.7 million (\$36.3 million US). **OCH** provides IP service activation software. **CKEY** has a suite of performance monitoring products. According to the announcement the merger "will enable the combined

company to expand its product offering to bring an advanced software platform to telecom carriers and service providers that is capable of defining, activating, monitoring and reporting services on Internet Protocol networks." Another London Stock Exchange company that has been on the move recently is **Intec Telecom Systems, Inc.** (LSE, **ITL**). Leader in the

worldwide carrier interconnect market, **ITL** acquired Atlanta-based mediation company **Computer Generation Inc.** in December, and then broke into the US interconnect market in January by acquiring Dallas headquartered, **CHA Systems Inc.** **CHA** has a leading CABS application. CABS is the US interconnect standard,

which, due to an extensive regulatory framework, differs from the intercarrier billing protocols used almost everywhere else. **CHA's** CABS solution is currently installed with some 40 US ILEC and CLEC operators. Additionally, **CHA** provides plant management and other OSS software to national carriers outside the US. ■

Index of Public Billing & OSS Companies

Company	Ticker	-----Price-----		% Change	52 Week High	Mkt Cap (millions)
		2/2/01	12/29/00			
Ace Comm	ACEC	2.1875	2.31	-5.4%	18.87	20.1
Affiliated Comp Services	ACS	63.8	60.69	5.1%	65.75	3,389.4
ADC Telecom	ADCT	14	18.13	-22.8%	49	10,784.2
American Mgmt. Sys.	AMSY	21.8125	19.81	10.1%	44.37	905.2
Alltel Corp.	AT	57.27	62.38	-8.2%	74.87	17,905.8
Astea International	ATEA	1.1875	0.88	35.7%	7.62	17.6
Boston Comm.	BCGI	16.0625	27.88	-42.4%	29.87	271.0
Corsair Comm.	CAIR	7.4062	7.13	3.9%	34.62	127.2
Crosskeys Tech.	CKEY	1.5	0.94	60.0%	15.62	28.5
Converse Technology Inc	CMVT	106.9375	108.63	-1.6%	124.75	17,750.9
CSG Systems	CSGS	40.8125	46.94	-13.0%	74.5	2,142.8
Cellular Tech Serv	CTSC	5.5	2.81	95.6%	18.56	12.6
Convergys Corp.	CVG	46.88	45.31	3.5%	55.43	7,230.6
Daleen Technologies	DALN	2.7812	4.00	-30.5%	35.25	60.6
AMDOCS Corp.	DOX	77.4	66.25	16.8%	96	17,118.2
DSET Corporation	DSET	3.4062	1.81	87.9%	48.62	39.3
DST Systems	DST	55.64	67.00	-17.0%	74.93	6,947.4
Evolving Systems Inc	EVOL	3.875	2.16	79.7%	15.21	49.6
Illuminet Holdings	ILUM	25.625	22.94	11.7%	94	819.7
Lightbridge	LTBG	12.5625	13.13	-4.3%	27.5	219.7
MDSI Mobile Data Solutions Inc	MDSI	10.8125	7.88	37.3%	90	88.9
Mind CTI**	MNDO	7.8125	6.69	16.8%	14.12	157.2
MetaSolv Software	MSLV	18	9.13	97.3%	126	643.3
Micromuse	MUSE	82.75	60.38	37.1%	108.37	5,835.5
Portal Software Inc.	PRSF	13.8125	7.88	75.4%	86	2,371.2
Remedy Corp.	RMDY	26.875	16.56	62.3%	68.37	826.6
Siebel Systems	SEBL	63	67.63	-6.8%	119.87	27,061.1
SEMA Group**	SEMA	11.25	8.63	30.4%	41.12	5,213.4
TCSI	TCSI	1.75	1.38	27.3%	9	40.5
Management Network	TMNG	10.6875	11.88	-10.0%	41.87	309.9
T-Netix Inc.	TNTX	2.75	2.06	33.3%	9.62	35.7
TTI Team Telecom	TTIL	17.875	15.00	19.2%	51.12	178.6
Ulicom**	ULCM	41.625	34.06	22.2%	63	1,686.3
Veramark Tech	VERA	2.125	0.63	240.0%	10.75	17.2
Vertel Corp.	VRTL	3.0625	2.38	28.9%	51.93	86.7
Total Index		880.83	833.22	5.7%		

KEY: Gainers for the month are in Blue, Losers are in Red.

Eliminated from List: Objective Systems Integrators, Inc. (OSII). Acquired by Agilent Technologies (NYSE Ticker: A) on Jan 5, 2001.

Eliminated from List: Billing Concepts (BILL) sold all of its billing/OSS assets to privately held Platinum Equity Holdings, Inc. on 10/23/00.

NB. All prices shown in US\$

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