



# Stock watch

**Pete Sokoloff, managing director, Peter A. Sokoloff & Co. keeps you up to date with the billing stock financial markets.**

## A look at Geneva Technology and Convergys

The announcement on March 6<sup>th</sup> was an exhilarating spoonful of sugar amidst a bushel of bad news for billing and OSS stocks. Convergys Corp. (CVG) is acquiring privately held UK firm, Geneva Technology for stock that was valued at \$692 million as of the date of the announcement. This equated to more than 23 times Geneva's 2000 revenues of \$29 million and nearly 10 times projected 2001 revenues of \$70 million.

CVG's share price has suffered in lock step with other tech stocks, continuing to fall almost daily, a trend that began at the end of January. As of late March, the deal, which is for 17.6 million shares of CVG stock, had dropped below \$600 million. Nevertheless, it appears that it will provide an excellent investment return for Geneva's management team and its venture capital investors,

Spectrum Equity Investors and Geocapital Partners.

CVG management, explaining the purchase during an analysts' conference call, cited further projections for Geneva revenue of \$125 million in 2002 and \$210 million in 2003. CEO Jim Orr said that CVG expects the worldwide CCB market to approach \$20 billion by 2003, with "decisions to replace several hundred CCB systems, end-to-end, being made in the next 36 months." Orr also said that Europe is ripe and will witness "more system changes in the next five years than occurred in the previous fifteen." Geneva expects to become profitable in late 2001 and CVG expects to improve that picture with as much as \$15 million in cost efficiencies.

Geneva gives CVG a long missing European market strategy. With 40 customers in 17 countries, Geneva has rapidly built market share throughout Europe. Geneva also contributes a next generation award-winning

product to CVG that, as evidenced by sales, is capable of taking on all comers.

Geneva founder, chairman and CTO, Steve Edwards will serve as Senior Technology Advisor to CVG and CEO Steve Thomas will continue as President of the new Geneva division, reporting to Dave Dougherty, president of CVG's Customer Management Group. Combined, the two companies will have over 2,600 software professionals and 150 sales people, growing to 230 by 2003.

Despite the high premium paid, kudos must go to CVG CEO Jim Orr for exhibiting rare courage under fire. CVG was one of the few winners in 2000, with its stock price appreciating against the trend. They did this by building on basics like steadily improving earnings. Another basic is to never get so comfortable that your company fails to take advantage of market changes. Taking this advantage often comes with

a negative impact on earnings. Thus the courage under fire analogy is really quite apt, since the deal is expected to reduce CVG's earnings by .11-.15 cents this year and .05-.11 cents in 2002.

## Patenting business processes

In the high speed information world we live in, getting patents, defending them and defending oneself from claims made by patentholders is a sticky, difficult battle. Witness the precipitous drop this year in the stock price of Boston Communications Group (BCGI). While most of the stock drop should be attributed to the loss of 800,000 Rogers AT&T prepaid customers (the carrier has elected to bring its prepaid business inhouse), there is also a patent storm brewing.

Freedom Wireless, a small Arizona-based company that was formerly a reseller of prepaid services was granted last year an →

extensive cellular prepaid patent by the US Patent Office. The patent relates to business processes developed by Freedom in 1993. If upheld, the patent would likely deny legitimacy to every cellular prepaid

application in use today. A spokesperson for Freedom Wireless indicates that the company is suing a number of carriers, software providers and service bureaus to force them to pay royalties for the use of the patent.

In an interesting defence, lawyers for one or more of the defendants being sued by Freedom have posted rewards on patent-busting web site [www.bountyquest.com](http://www.bountyquest.com). A total of \$60,000 in rewards

would be paid to someone who can produce evidence of use of the prepaid business processes prior to the submission date of Freedom's patent application, December 23, 1993. ■

### Index of public billing and OSS companies

Company	Ticker	-----Price \$-----			YTD % Change	52 Week High	Mkt Cap (millions)
		23 Mar 01	02 Mar 01	29 Dec 01			
Ace Comm	ACEC	1.8125	1.9375	2.31	-21.6%	18.87	16,728
Affiliated Comp Services	ACS	61.99	63.85	60.69	2.1%	68.6	3,293,219
ADC Telecom	ADCT	10.1875	11.4375	18.13	-43.8%	49	7,847,431
American Mgmt. Sys.	AMSY	17.25	22.625	19.81	-12.9%	44.37	715,892
Alltel Corp.	AT	51.12	54.1	62.38	-18.0%	73.37	16,003,883
Astea International	ATEA	0.9375	0.9375	0.88	7.1%	6.43	13,895
Boston Comm.	BCGI	7.4375	7	27.88	-73.3%	29.87	125,493
Crosskeys Tech.	CKEY	0.875	1	0.94	-6.7%	15.62	16,615
Comverse Technology Inc	CMVT	66.19	76.0625	108.63	-39.1%	124.75	10,987,077
CSG Systems	CSGS	40.625	40.9375	46.94	-13.4%	74.5	2,132,975
Cellular Tech Serv	CTSC	3.125	3.375	2.81	11.1%	16.37	7,163
Convergys Corp.	CVG	33.94	39.76	45.31	-25.1%	55.43	5,234,770
Daleen Technologies	DALN	1.0937	1.6562	4.00	-72.7%	35.25	23,818
AMDOCS Corp.	DOX	50.2	67.9	66.25	-24.2%	96	11,102,483
DSET Corporation	DSET	1.5	2.125	1.81	-17.2%	33.12	17,300
DST Systems	DST	47.4	59.79	67.00	-29.3%	74.93	5,918,506
Evolving Systems Inc	EVOL	2.75	2.75	2.16	27.5%	14.25	35,225
Illuminet Holdings	ILUM	22.1875	25.6875	22.94	-3.3%	94	709,756
Lightbridge	LTBG	10.3125	12.5	13.13	-21.4%	27.5	286,223
MDSI Mobile Data Solutions Inc	MDSI	5.5	6.875	7.88	-30.2%	90	45,216
Mind CTI**	MNDO	1.7187	6.125	6.69	-74.3%	14.12	34,574
MetaSolv Software	MSLV	15.6875	18.75	9.13	71.9%	96	560,671
Micromuse	MUSE	35.51	41	60.38	-41.2%	108.37	2,504,165
Portal Software Inc.	PRSF	7.3125	6.9375	7.88	-7.1%	79.87	1,255,337
Remedy Corp.	RMDY	19	23.75	16.56	14.7%	68.37	584,364
Siebel Systems	SEBL	30.06	36.0937	67.63	-55.5%	119.87	12,912,033
SEMA Group	SEMA	15.8125	16.0625	8.63	83.3%	41.12	7,327,702
TCSI	TCSI	0.9062	1.1875	1.38	-34.1%	7.37	20,974
Management Network	TMNG	6	11.125	11.88	-49.5%	41.87	173,988
T-Netix Inc.	TNTX	3.1875	3.1875	2.06	54.5%	9.62	41,367
TTI Team Telecom	TTIL	12.4375	19.5	15.00	-17.1%	51.12	124,276
Ulticom**	ULCM	25.6562	21.875	34.06	-24.7%	63	1,039,360
Veramark Tech	VERA	0.875	1.0312	0.63	40.0%	8.62	7,092
Vertel Corp.	VRTL	1.5	2.0625	2.38	-36.8%	51.93	42,482
<b>Total Index</b>		<b>612.10</b>	<b>710.99</b>	<b>826.09</b>	<b>-25.9%</b>		

Highlighted stocks were up for the year as of March 23 2001.  
Source: Peter A. Sokoloff & Co.