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Seeing The Future

It's Closer Than It Looks

Peter Kuper (617) 856-8751 peter.kuper@morganstanley.com

Keith Weiss, CFA (212) 761-4149 keith.weiss@morganstanley.com

Brian Essex, CFA (617) 856-8753 brian.essex@morganstanley.com

Wall Street and IT

- **Overview of a Wall Street analyst's view of the software market from concept to product reality**
 - The honest perspective – call it as we see it, like it or not
- **Where we are in the “bell curve” of the software life cycle and where we are heading**
- **How the markets impact the buyers' choices and what to do while this all plays itself out**

Today is for discussion of the industry, NOT official research investment opinions

Changes Underway— Some Slow, Others Fast

- **Software becoming a maturing market overall**

- Overall growth for software mid single digits
- Hotter areas exist but selectivity key – Security value trap

- **SOA an Evolution, not a Revolution**

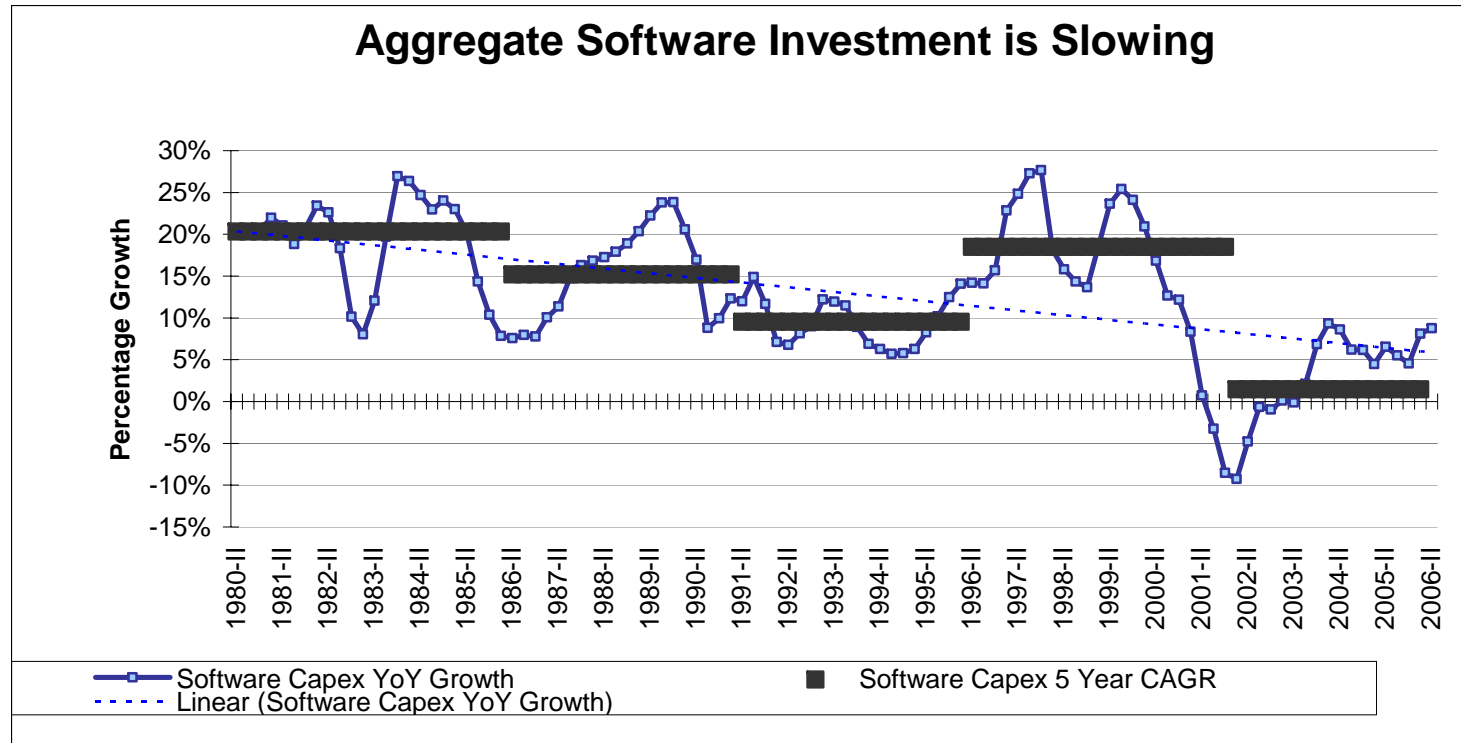
- Services Oriented Architecture movement very real in our view but not overnight
- But SOA will directly if not indirectly fuel massive changes within software

- **Acquisitions to continue**

- While not anything new, pace to remain as vendors need to sustain growth and buyers seeking better total management
 - Too many vendors complicates managing procurement
 - Oracle strategy to maintain the entire(?) stack

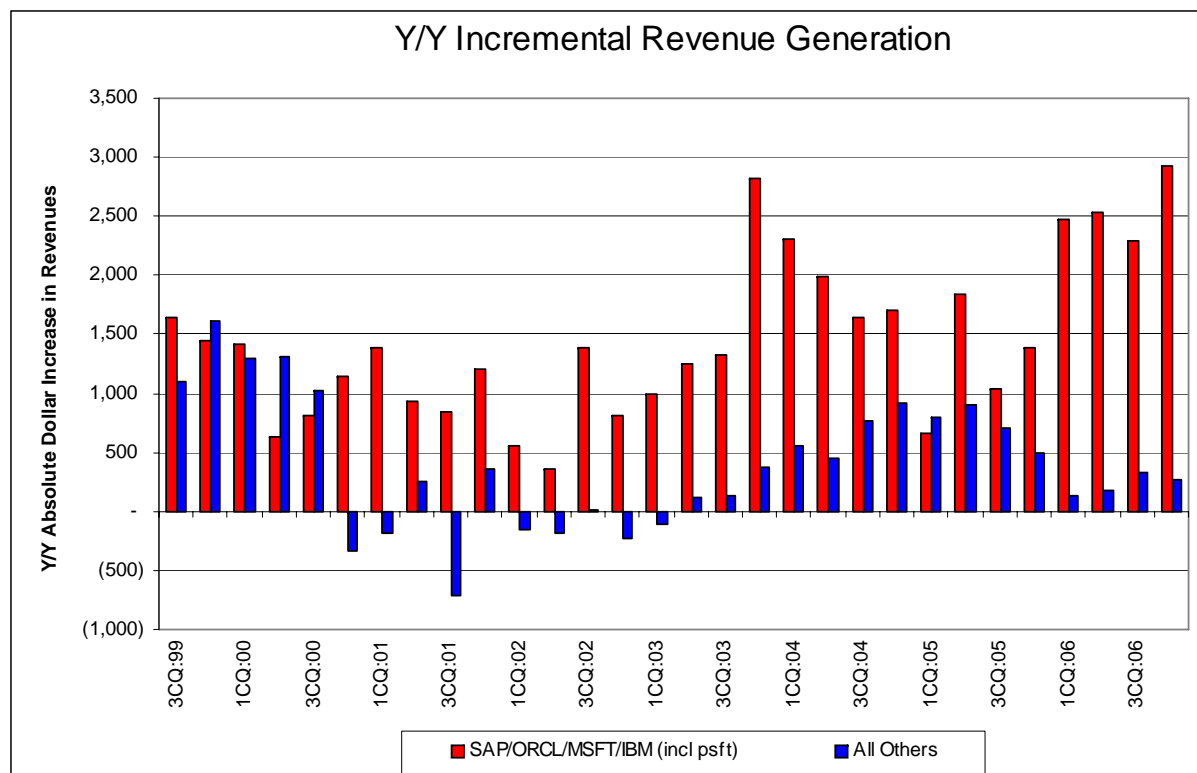
Where's the Growth?

- US Software investment shows a declining growth trend over past 25 years
- Above-trend growth in the past three quarters
- Was the below average growth seen in '01 thru '05 a “hangover” period from the exuberance of the 96' to '00 period, or merely a return to the mean?



Got Scale? More \$ To Fewer Vendors

- The Big 4 Software Vendors (IBM/MSFT/ORCL/SAP) have accrued 9 out of 10 of the incremental software spending we cover since 2002.
- But this includes several significant acquisitions over this period



Future: SOA To Enable Full Data Leverage

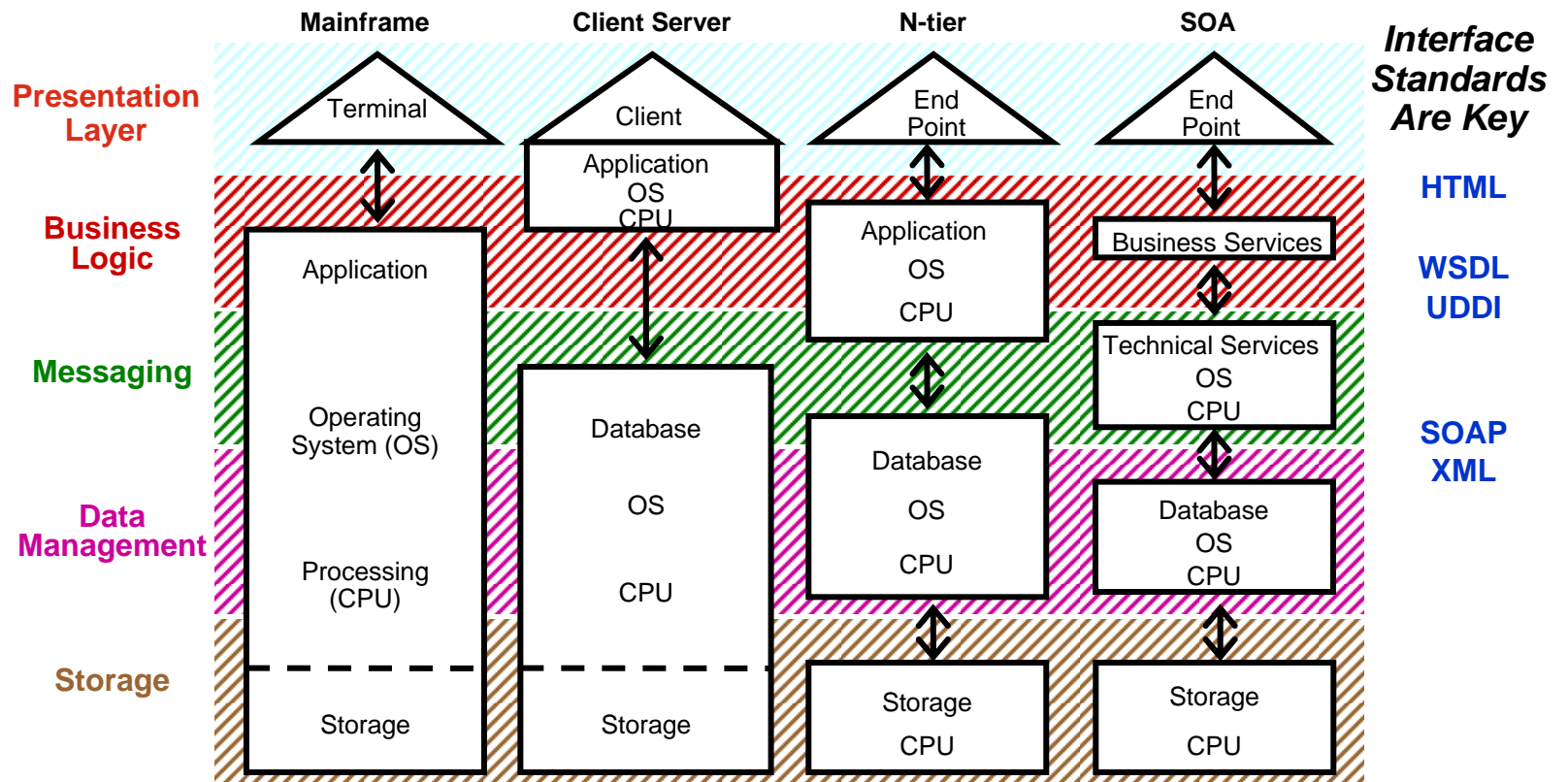
- **Key Drivers to open opportunity for visualization**

- Time to market advantage
- Reduced Vendor lock in
- Reuse of “services” (lower costs)
- Leverage of data across all platforms (SaaS itself too limited, needs to be a part of a total SOA deployment)

- **Service Oriented Architecture is at the inquiry phase in the overall market**

- Look for increasing momentum into 2007
- Caution, need for education weighing on sales cycles

SOA Migration Forcing New Construct



Changes Underway Create New Opportunities

- **Changes are setting foundation for entire new model**

- SOA evolution to free data, exponentially lever it
- Massive volume of data seen today will pale in comparison
- Actionable information remains the key

- **SOA drive services management need**

- How to manage the data as data gets even more “liberty”
- A Ferrari without brakes?
- Scale issues with massively growing data sets
 - Too much information not a good thing
 - Not knowing what the data is doing even worse

What You Can't See Can Hurt You

- **How to lose \$6BN in 30 days or less**

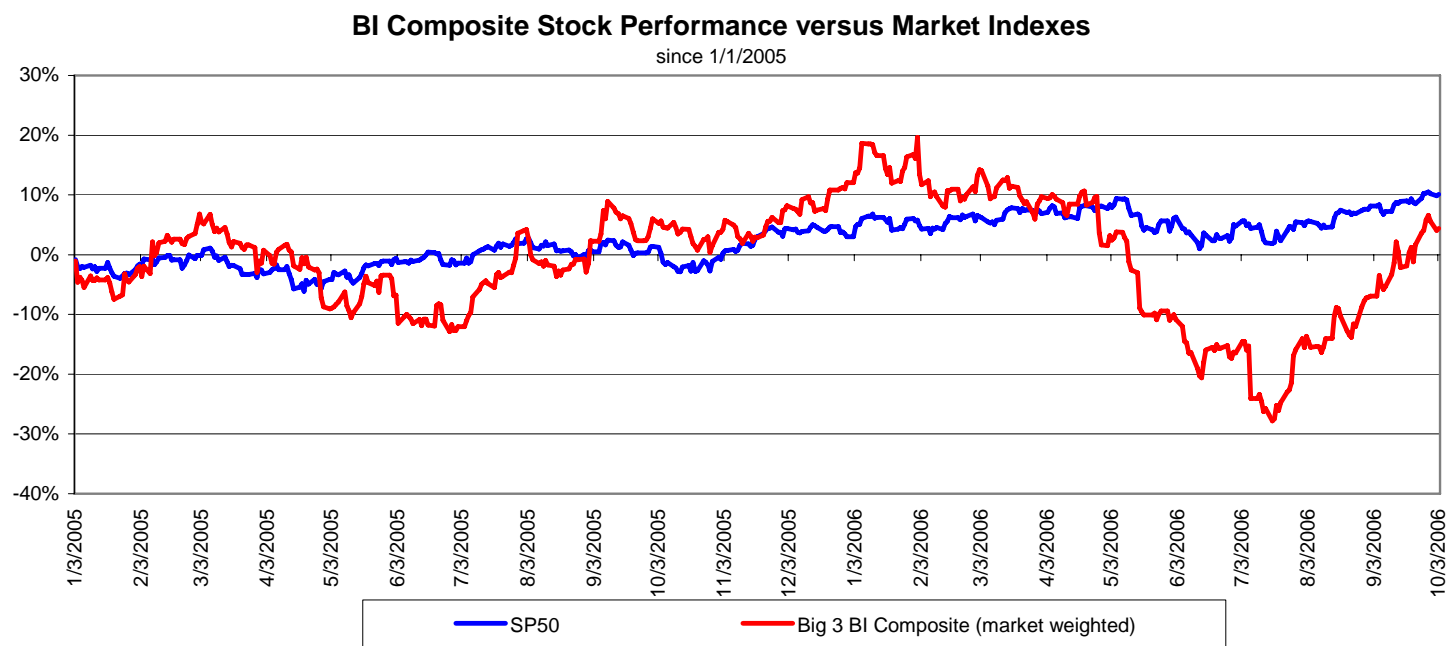
- Greenwich-based Amaranth Advisors, a Connecticut hedge fund that bet heavily on the natural gas market lost almost \$6 billion over one month
- For those keeping score that's \$200 million per day
- Fund lost about 65 percent of total assets
- Liquidation of portfolio has left firm in tatters



(Associated Press)

Market Waiting

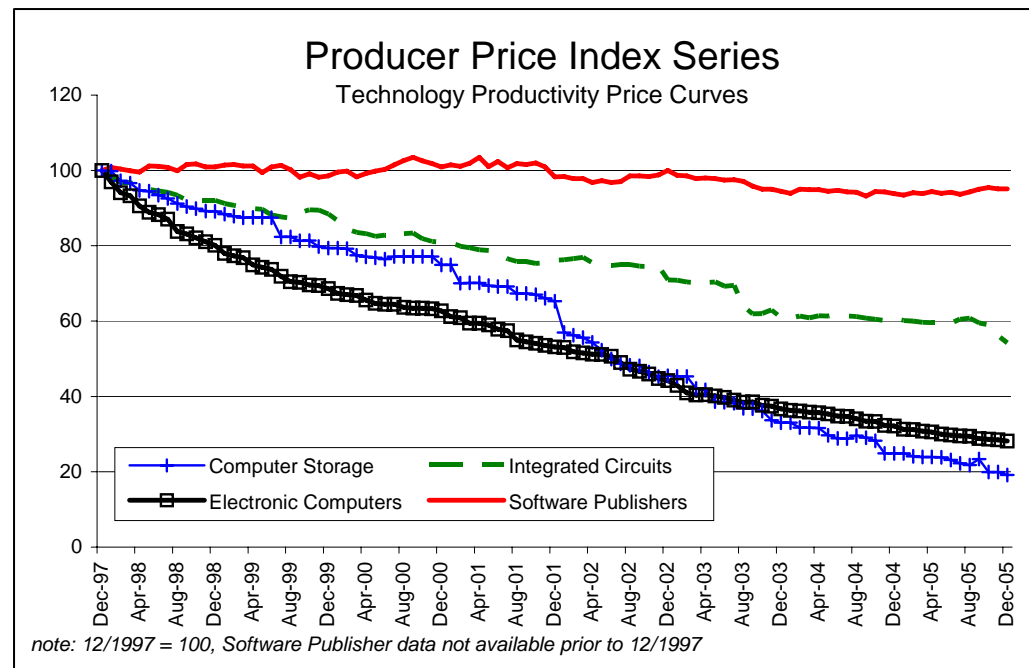
- **And stock market suggesting need for entire new model**
 - BI current offerings not getting it done – at least stock prices say so
 - Need becoming obvious but where are the solutions?



Note: Big 3 BI Composite includes BOBJ, COGN, HYSL

All Systems Go: Capability to Do More

- **Price/Performance steady gains provide the firepower to enable far more dynamic software**
 - Multicore chips to further the curve



Changes Create Need, Opportunity

- **Data liberation requires better presentation, digestion**

- Dashboard limitations – dimensional needs

- Integrity, Availability, Analysis demands

- Context key

- Peter Kuper vs. Peter Kuper Analyst

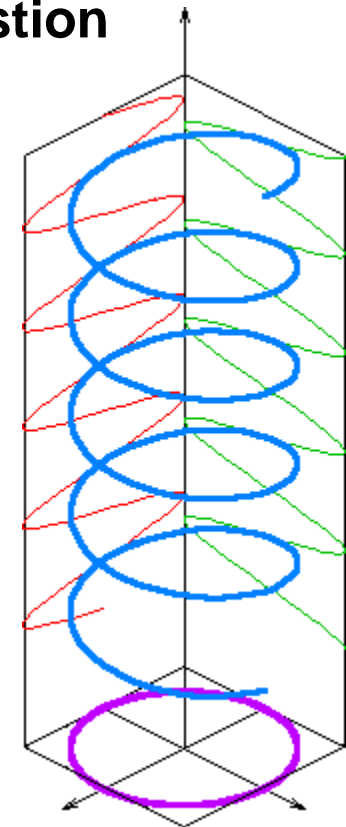
- 417,000 hits vs. 13,400

- Images 542 vs. 2

- RHCP vs. RHCP



Right-hand
Circular
Polarization



Changes Create Need, Opportunity

- **Good news is evolution momentum building**

- Standards in place – WSDL, XML, etc

- Mash ups, RSS phases of the evolution

- User expectations heightened by improvements

- Google takes 2 seconds to reveal the population of Uruguay

- So why does it take weeks to get a sales report?

- More to come – and plenty to reflect upon

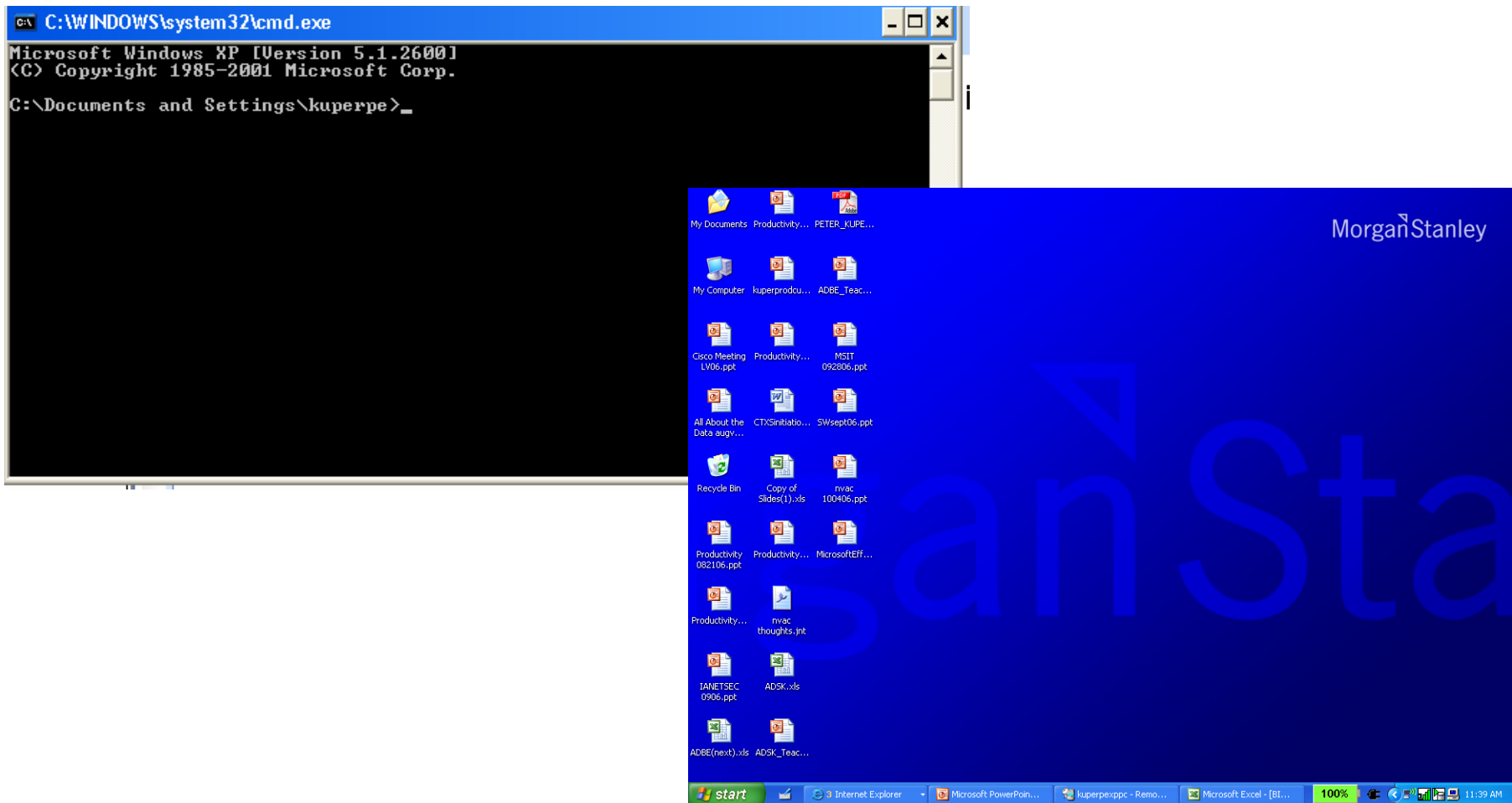
From....

By the way, Uruguay Population: 3,415,920

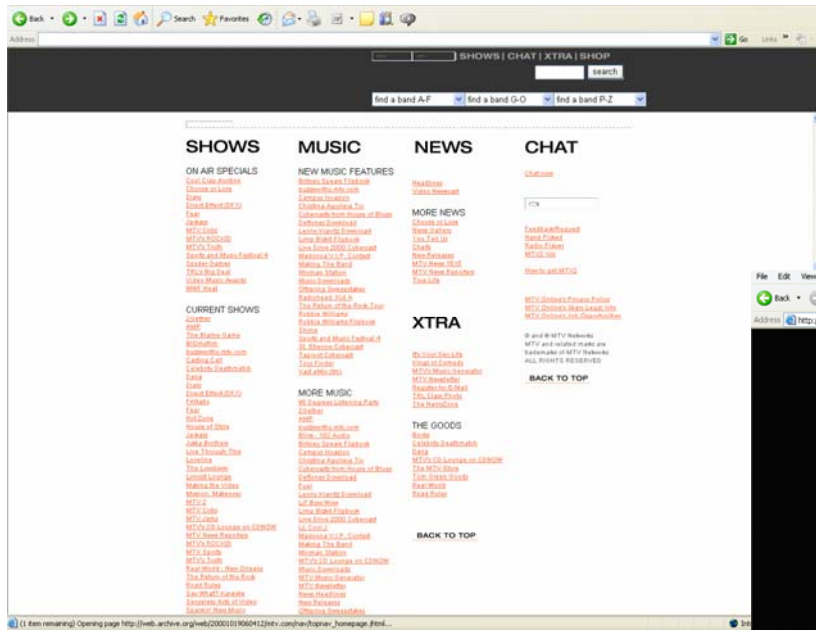
Source: CIA Fact Book

Google search time 0.07 seconds

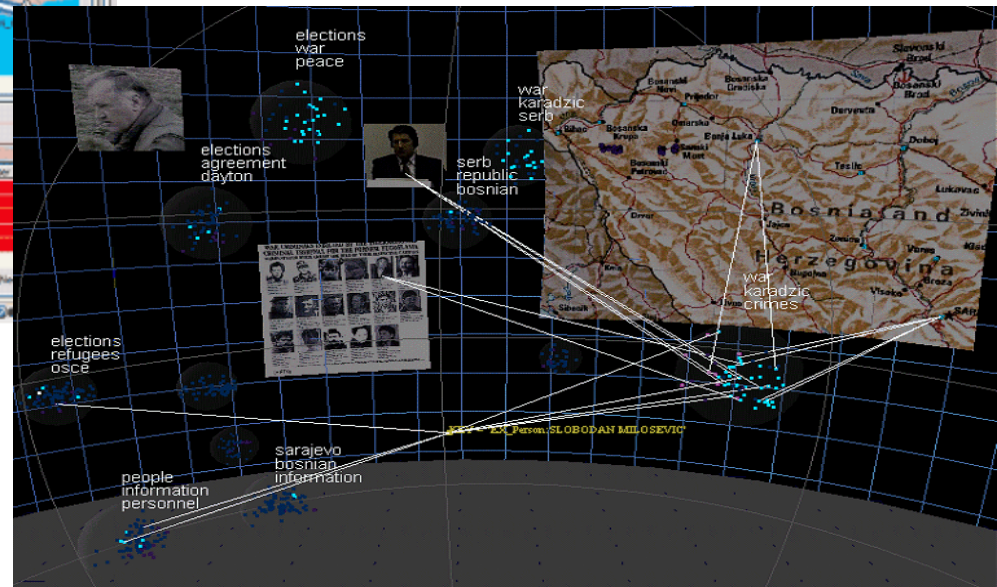
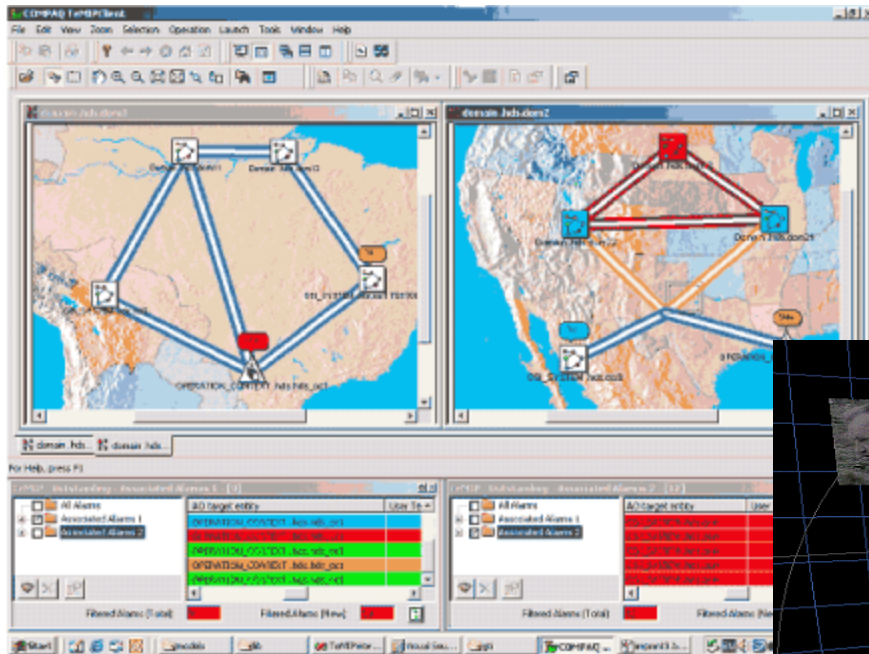
Changes Underway – Operating System



Changes Underway – User Experience



Changes Underway – Leveraging Data Sets



Wondering Aloud...Like it or Not

- **Final Four tech giants divide the software world amongst themselves – Microsoft, Cisco, IBM and Oracle divvy it up**
 - What about BI? Security? Open Source?
- **Where do guys in the middle (TIBX, CHKP) belong in this mix?**
- **Does M&A wave lead to lack of innovation (or is the EU that out to lunch?)**
- **Will advances take longer than demand requires? Another Amaranth? Another attack?**
- **Enterprises are not that much different than government**
- **Opportunities are there – if you know where to look...**
- **We are at the forefront of the opportunity – look forward to it**



Questions/Discussion

peter.kuper@morganstanley.com

Risks To Our Thesis

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(as of July 31, 2006)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	783	38%	305	44%	39%
Equal-weight/Hold	915	45%	305	44%	33%
Underweight/Sell	336	17%	79	11%	24%
Total	2,034		689		

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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