

Investment Research

Government statistics, syndicated research, industry publications, and other sources are shared among investors. This is the research that everyone else has. In an attempt to offer unique information, some research firms provide access to for-hire industry experts, but this requires substantial time to set up and hold the interview. Other firms may provide better-quality investment intelligence than the norm, but they may not be scalable enough to handle more than a few projects at one time.

Boardwalk's focus, in contrast, is customized interview-based research. After you briefly describe your interests, Boardwalk's 80-person staff informs you of what questions it will ask as it finds and speaks to key individuals beyond the statements of CEOs and the Street.

Interview Targets

- | | |
|------------------------------|-------------------------------------|
| • Regional Sales VPs | • Customers and Suppliers |
| • Product Marketing Managers | • Channel Partners and Distributors |
| • Plant Managers | • Store Managers |
| • Government Regulators | • Competitors |

"I was awestruck by the information you got from these people."

RESEARCH DIRECTOR

"Without your interviews with the company's salespeople [about current trends], we never would have moved on the stock."

SENIOR ANALYST

"These interview results are so great. They are dead on."

FUND MANAGER

At your convenience, Boardwalk can hold interviews to coincide with a company's earnings cycle or major industry event. It can respond to urgent requests, with one-day turnaround.

Interview Questions

- | | |
|----------------------------|---------------------------------------|
| • New product sales | • Losses and wins against competitors |
| • Quarterly revenue trends | • Key investment theses |
| • Management changes | • Validity of CEOs' claims |

Boardwalk's ability to obtain high-value and sensitive information stems from its heritage as a provider of richly detailed reports on companies' buying trends. This requires finding and holding hour-long interviews with CFOs and CIOs about how they will spend their technology and marketing budgets.

Boardwalk delivers results in both text and tabulated formats. The latter can be used to sort data and spot trends. Sources are handed over to clients, including names, titles, and phone numbers. From there, Fund Managers and Analysts have the option of conducting follow-up discussions on their own or having Boardwalk conduct periodic interviews.

Case Studies

Fund Manager Caught Off Guard

Last quarter, a Fund Manager missed out on a buying opportunity when two large deals had closed for a company he was considering. Additionally, a major holding collapsed when the company announced that a new product was cannibalizing sales. Seeking to avoid repeated failures, the Fund Manager hires Boardwalk to conduct quarterly interviews with 4-8 Sales Vice Presidents at each of several companies. Further validation comes through interviews of at least 2 competitors and customers, thereby uncovering events in time to buy or sell. For the final degree of comfort, Boardwalk sets up six follow-on interviews that the Fund Manager conducts on his own.

Analyst With Minimal Raw Data

Seeking to understand whether a retailer has finally turned around after several false starts, an Analyst can only look at monthly same-store sales and speak periodically with the tight-lipped CFO. He has no time to interview Store Managers about mid-month trends – nor ability to get many of them to talk. So, the Analyst has Boardwalk's seasoned staff speak to the Managers, using their decades' worth of interview experience to get the Managers to openly discuss their monthly outlook. Boardwalk's multi-lingual staff also speaks to mid-level executives at the store's French parent company. Result: the turnaround is confirmed to be in place.

Research Director Flooded With Research Requests

Three of a Research Director's top Fund Managers rely on every word from her "outsourced" research team of former Analysts. When the Managers give her 12 research assignments in a two-day period, she is overwhelmed. Supported by a virtual staff of at-home MBA students, these outsourced Analyst firms tell the Research Director that it will be two weeks before they can begin work. Worse, one of the outsourced Analysts unexpectedly plans to take a month off. Frustrated with the limited bandwidth, the Director hires Boardwalk's staff of 80-plus researchers that finish all research assignments before the other firms would have started.

Data-Poor Company or Product Line

A Fund Manager concedes that the market he's analyzing has large information gaps that he wants to exploit, so he tasks Boardwalk with interviewing key individuals in the supply chain: distributors, resellers, and corporate buyers. Within weeks, the Portfolio Manager can closely monitor the industry. Further, the knowledge he gains from reading the company-specific responses obtained by Boardwalk enables him to gain credibility with a company's CEO and CFO – and ask questions that are beyond the standard Q&A drill.

Excerpts From Our Investment Survey

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“Pricing will have to go down.”

“My Director tells me that it looks like about 80% of users have already upgraded.”

He predicts that a competitor will have a “phenomenal year.”

This problem in slow license approvals and renewals “will” cause some large resellers to seek a competitor’s product to offer.

For this quarter, “my region will beat its quota and then some.”

Mr. Hollins is willing to take a call from [Boardwalk’s Client] to further discuss these topics.

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Investment Survey

Company Name: Financial Software Firm (“FSF”)
Address: xxxx
City: xxxx
State: xx
Zip: xxxxx
Main Phone: xxx-xxx-xxxx

Name: Bud Hollins
Title: Regional Vice President — Central
Direct Line: xxx-xxx-xxxx
E-mail: xxx@xxxx.com

Boardwalk Investigator: Nelson Rudd
Date of Interview: xxxxx

How has the restructuring of FSF’s sales force affected you?
“It has not,” according to Mr. Hollins, FSF’s Product Manager for xxxx, the second largest of its product lines. He indicated that the result of this change has been one of “drama” in the sales organization, some of which have not yet been implemented. FSF has “at least” two good new products, but the sales organization has too many conflicts between them to sell xxxx and xxxx to the midmarket — which is really “where we expect the most growth.” He expects a second restructuring to occur, in conjunction with the departure last Thursday of two long-time Sales Directors. As a result, “we’re losing to xxx and xxx. It is not good for FSF, because they want to keep their expertise within the marketplace going forward.” “I realize that my [area of view] may be biased because of my role, but I think you’ll find that many salespeople will tell you the same thing [NOTE: other interviews indicated the weakness was limited to government, where a contract was lost during the quarter].”

product-by-product basis, where are you seeing the most growth?
“Recovery and recovery products, storage products, and enterprise management products are “doing well.” Enterprise management has performed because customers want to understand and leverage the data that they already own. Better data management is also important to customers in order to conform government regulations such as HIPAA and Sarbanes-Oxley. This is the perception and the reality, from a customer perspective.”

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The least?
“xxxx within the Web space is not doing as well as expected. Competition is fierce for the xxxx. There are two new competitors, xxx and xxx. Pricing will have to go down.” There are also smaller boutique companies that are dedicated to just this specialty. I definitely have concerns here that others may be overlooking. xxxx is a new threat. They will be introducing a new product in this space, as yet unnamed. It will be built into their server software. Our software is currently built into xxxx, so this may be a significant threat for us.

Have most users that you already upgraded to xxx?
The majority have upgraded soon. FSF’s user group did a survey in 2002 showing that people had not yet upgraded. That is not the situation now, although xxx’s survey has not been done to back this up. I expect to get the results in two weeks, but my Director tells me that it looks like about 80% of users have upgraded “so we’re not counting on this to hang our hat on.”

How are your competitors doing?
Other vendors in this space he sees most are xxx, xxx, and Mega-Tech Firm. Product X and Y have a “better price point.” They do not represent xxxx or xxxx. He predicts that xxx [a competitor] will have a “phenomenal year.” They predict growth of “25%.” Mega-Tech Firm is really emphasizing “educating and training resellers” on how to sell “solutions.” They are having special training sessions about how to approach specific vertical markets, such as medical, in terms of overall solutions, and then push Mega-Tech Firm products. He expects that xxx will grow at about 12% this year. He said that xxx is trying to “attack Mega-Tech Firm,” which is a “David and Goliath” contest. He does not think that this strategy will be successful. All vendors use “spiffs to motivate the channel. Wayward’s spiffs are in line with everyone else’s.”

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What are you hearing from the channel?
Mr. Hollins reports that since FSF’s acquisition of xxx, it has implemented more rigid purchase requirements. Distribution is still being done through three weeks to get serial numbers for Product X to activate the licenses. It used to take one day for this request and the delay is causing a real problem with xxx and its customers. Product X runs out of virus definitions, it shuts down leaving the end user without virus protection. The cause is ORP to be more proactive in determining licenses. Mr. Gantman reports that his channel sales for Wayward Systems has slowed down but has yet to follow through. This problem in slow license approvals and renewals “will” cause some large resellers to seek a competitor’s product to offer. In some instances they have sold xxx products just to offer that kind of functionality. They have also lost a couple of deals because FSF could not be responsive to the customer.

Based on a meeting with a large reseller he has known for years, Mr. Hollins indicated that the channel wants:
• Faster response to licensing, sales information and technical support requests.
• Better communication in general, they have stopped receiving calls from the FSF sales reps. Requests for information have also been slow that the company is considering other vendors. They would like to see more channel promotion programs to help resellers do a better job of generating leads. They have never received leads from FSF.

At what level do you think you can grow business in 2004? For the quarter?
“Realistically, I still expect growth of 40-200% for our products. This brand is part of FSF’s “core competency.” There is a lot of concentrated focus on the brand, making it compatible with J2EE, .NET, wireless, etc. For this quarter, “my region will beat its quota and then some.” Mr. Hollins declined to elaborate.

Have you been discounting aggressively to win deals?
Mr. Hollins is willing to take a call from [Boardwalk’s Client] to further discuss these topics. Boardwalk notes that he is best reached around noon PST. He will be traveling in two weeks, so he should be contacted before then. When making the call, refer to the conversation held on xx/xx with Nelson Rudd. Boardwalk is willing to be available for this discussion.

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