
THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Insevo

GEORGE LANGAN is President of Insevo. After 18 years in a supervisory position at AT&T, Mr. Langan entered the software industry as a sales manager for Goal Systems in Columbus Ohio. In 1988 he founded TAI Corporation (consulting firm providing online training for back office applications to financial and telecommunications firms). Legent Corporation purchased TAI and appointed Mr. Langan Vice President of Marketing and the company was soon acquired by Computer Associates. Langan's forte has been in turnaround management of struggling companies. Bell & Howell tapped him to breath new life into a stalled Cleveland division. That success led to another Bell & Howell assignment at its Powersports division in Salt Lake City. A venture-backed legacy data integration firm, CrossAccess Corporation in Santa Clara, California, recruited Langan to move the 6-year old stagnant company forward. In three years he sold the company to IBM. He then consulted with venture capital firms and start up companies on rapid growth strategies. In February of 2004, he agreed to become president of Insevo and remains involved with tactics and strategies with several clients and associated companies.

TWST: Can we begin with a brief history of Insevo and an overview of the company's operations?

Mr. Langan: Sure. Insevo is a very interesting company. It's really a classic case of a great company and great technology that lost its way during the dotcom bubble and then the burst. After starting as Smart Corporation in 1994, the company was renamed SmartDB and focused on Oracle conversions and upgrades. They developed a series of intelligent templates to help companies move data from various sources into Oracle applications. SmartDB became very successful, very quickly. In fact, at one point in time, they had a \$10 million or \$12 million year. As is typical under those circumstances, the VC people began having IPO visions dancing in their heads. When the EAI market began heating up, it wasn't uncommon for companies doing \$20 million to \$30 million in revenue to have valuations of several hundred million dollars. So the company changed its name to Taviz, expanded its development and channels, and entered the e-business space. That didn't work out as well as they had hoped, so here comes

another change in strategy. With new management, the thinking was to abandon the idea of organic growth in favor of acquisitions. With another name change to Bordeaux Acquisition Corporation, it acquired another small JCA provider named Insevo. The hot JCA market turned into a commodity market almost overnight.

When I joined the company last February, we took a look at what was the real core of the business. We had over 450 marquis name companies using our Oracle upgrading/conversion software over the years. We decided to focus the company going forward on what we do very well - Oracle Upgrades and Conversions. We jettisoned the JCA software and repackaged and re-priced the Oracle utilities and tools. And we're doing something else. The days of SmartDB were the best in this company's history. Worldwide, people know and respect the name and the technology. So coinciding with our move to new headquarters in June, we're going back to the SmartDB name. My job here at Insevo, let me correct myself - SmartDB, is to make sure we're focused on what we do best and execute the plan with precision.

TWST: Give us a sense of your client population?

Mr. Langan: We have two different groups we target. The first is the direct sale of SmartDB Workbench products for Oracle Upgrades and Conversions to end-user customers. We have had a big name client list such as Ford, the New York Stock Exchange, Raytheon, EDS, Pratt & Whitney, and Pacific Gas and Electric. Some of our newest clients are people like Louisville Gas and Electric, IBM in Hong Kong, and the Finance Group in Geneva.

Our other target audience is System Integrators. By utilizing our SmartDB Workbench, they can execute client projects faster and less expensively than with any other tool. We're trying to work with everyone from the small 3 person mom-and-pop shop to regional operations like BOSS in Atlanta and large systems integrators such as Bearing Point, IBM, and CSC.

TWST: This is a very competitive space. Who would you count as your closest competitor, and what would you consider to be Insevo's strengths and advantages within the space?

Mr. Langan: Most vendors that have ETL tools claim to fit into this space, but what they are really doing is selling you a crescent wrench to use for any kind of an application. There really aren't a lot of software vendors that have a comprehensive toolkit and do what we do. The old model of the System Integrator wanting to rent bodies has been turned on its head. SIs are facing all sorts of pressures from their customers: fixed price bids, shorter development times, and the overseas outsourcing alternative. So now we see as allies a group that we used to consider competitors. Our new pricing model makes it very attractive for the SI to adopt our tools and execute projects faster, less expensively, and with more profit.

TWST: What is the average selling price of your products?

Mr. Langan: In the past the average price of our product was creeping up into the several hundred thousand dollar range. So for the SI, there isn't a whole lot of room for a profit margin. Similarly, end users who bought us had to make a substantial investment to get the benefit of our tools.

We've taken a close look at our pricing and changed the whole model to make it as inexpensive as possible. In fact, we put together a comprehensive SmartDB Workshop package that includes everything you need to do the average conversion for just \$49,000. For more complex projects, you can add from an ala-carte price list. We think our average sale price now is going to be in the \$50,000 or \$60,000 range.

TWST: We all know what has occurred over the last 2 to 3 years as far as capital and technology spending is concerned. What's been the selling environment over the last 6 months? Have you seen any significant changes?

Mr. Langan: We've seen a dramatic change over the last 3 to 4 months. I think a lot of it has to do with re-pricing and re-packaging. I also believe that more and more people are willing to invest in those IT projects and enterprise-scale initiatives they have been putting off for the last 24 to 36 months. There's more confidence in the economy now, plus people are up against a wall on all these delayed projects and they finally have to take some action.

TWST: Have you seen any changes, developments, or trends that you will be able to take advantage of as you look forward?

Mr. Langan: In a way, we are a kind of Oracle symbiont and Oracle 11i will really benefit us and keep us busy. Initially there were some issues with 11i that slowed its adoption, but now there are a lot of people that are ready to convert to 11i. The Oracle people probably don't realize this yet, but we are a great asset to their business. Customers or SIs that use SmartDB get conversions easier, faster, and less expensive. This makes the decision to make the 11i move more attractive. SmartDB actually lowers the TCO of Oracle products.

Secondly, the pressure on database technology has grown tremendously in the past 5 or 10 years ago. IBM's new DB2 offering, Stinger, is going to compel Oracle and Microsoft to respond. Anytime database technology and application technology get better and better, people need to move and that's opportunity for us.

TWST: Are there any verticals that you have not tapped, that would be suitable for your products?

Mr. Langan: Just about the only vertical we haven't pursued is Government. In my past companies, we did significant amounts of business in the Federal Government. It is a fairly intense process to get in their pipeline, but once you are in, there is tremendous opportunity. I'd like to find a partner that could help us penetrate that market.

TWST: What are your thoughts on future partnerships and alliances?

Mr. Langan: We are looking for System Integrators with strong Oracle Practices. Now that we see a synergy with Systems Integrators and our tools are priced correctly, the SIs can benefit both of us by placing tools into client accounts.

TWST: How do you market the SmartDB Workbench and the other products?

Mr. Langan: The huge direct sales approach used prior to my coming on board didn't work and has since been scuttled. We're rebuilding our whole channel strategy. We just signed three new distributors in Europe and one in Japan. These distributors are very familiar with the SmartDB product and they know it well.

Domestically, we are busy spreading the word to SIs here in the states. One of the interesting things about SmartDB is there is a cult of people out there that have used it over the years and that love the tools. So, when I call or visit them, I tell them what we are doing with the company. They usually have two comments, the first is, 'What took you so long to get on the right track again?' and secondly, 'Where do I need to sign?' It's nice to be in that kind of a position: the prodigal son returning home.

TWST: Are there any major opportunities that lie ahead of you?

Mr. Langan: I don't really see any life-changing events for us. This company has tried that three or four times and it has never changed anyone's life for the better. What I really see is a lot of back to basics blocking, tackling; just good solid marketing, focused sales approach, and realistic pricing. And if we take care of our partners and offer unparalleled customer support, I think we'll be very successful.

TWST: Would you share with us the expertise of some of the key members of your management?

Mr. Langan: My career began at AT&T years ago. My next stop was Columbus, Ohio with a software company called Goal Systems which later became Legent. My first start-up was a consulting company in New York performing back office consulting to banks and brokerage. Then I bought a software company, grew it, sold it, and went back to Legent Corporation as Vice President of Marketing. CA acquired them, so I did four more start-ups. The last one out here in the valley was CROSSACCESS Corporation that we sold to IBM a few months before Insevo recruited me. So my whole background is high tech sales and marketing. I've been growing companies now for probably the last 18 years.

TWST: Besides the economy, what would be some of your challenges or concerns, what keeps you up at night? What could go wrong here?

Mr. Langan: Execution. What kills more small companies than anything else is the first unrealistic marketing and sales plan. A marketing plan that says the market is \$x and I only need 1.5% of the market to succeed should be tossed into the trash.

Especially over the last four years, in this market you must be specific about who your customers are, what you are going to provide to them, what are they willing to pay, and how are you going to deliver it.

I've seen a lot of business plans in the recent past that just aren't in tune with today's reality. Plans with pie-in-the-sky projections, blind large-scale marketing, long ramp-ups and an obscene burn rate remind me of stuff I saw five to ten years ago. I just don't think that's viable in today's marketplace.

TWST: George, how has Insevo been financed thus far? Could you tell us who some of the investors have been up to this point?

Mr. Langan: Sure. The two major investors have been Novus Ventures and Rocket Ventures.

TWST: If you were to sit down today with a group of investors, what would be the two or three reasons you would give them to invest in Insevo?

Mr. Langan: The first thing I would want to know is what are their expectations. Especially during the whole eBiz boom, a lot of people invested in businesses only if you have a business plan that gave you a \$500 million valuation in a year and a half. Consequently, there are many business plans floating around that probably didn't have a lot of validity to them. What Insevo brings to the table right now is a core technology, proven products, and a customer list that reads like the who's who of Fortune magazine. We haven't treated those customers very well over the years but we've changed our entire marketing philosophy, pricing model, and customer support. Our customers are responding. So, we have the ability to grow this company at a substantial rate and project results based on history.

Money Ball is a book about Major League Baseball I read recently. It's remarkable how many business and investment lessons are in a book about sports. Oakland GM Billy Beane and his group of Harvard graduates contend the most important thing that you can bet on is past performance. So, when the draft comes around, most teams pay millions of dollars for high school players with no big league history. But with college or Minor League players, there is credible evidence with statistics to gauge how many times this guy is going to get on base. That's what the game is about: getting on base and not making an out. It's not necessarily about hitting home runs.

And if you look at SmartDB portion of Insevo, we have a ten-year history of being able to get on base. And the couple of times we've changed our business plan to hit home runs, we've failed. But we will be able to get on base day after day with satisfied client after satisfied client who will continue to pay maintenance fees for a long, long time.

TWST: Give us a realistic picture of where you see Insevo two to three years down the road?

Mr. Langan: We have an opportunity to become the De Facto Standard Oracle Upgrade and Conversion tool. Going back in history, we were the De Facto Standard before we went off in so many other directions. Fortunately we have the ability and opportunity to become that again. If you are an end user, if you an SI, if you have hired an SI to do your conversion, you'll get it done easier, faster, and less expensively with SmartDB Workbench. I think the market will understand that very soon.

TWST: Given the appeal of Insevo's approach, are you likely to become a target for someone?

Mr. Langan: There's always that possibility. I think what we really need to concentrate on is just building a good strong business and we'll see where the cards fall.

TWST: Is there need at this time to enhance your capital structure?

Mr. Langan: Not really. We'd rather grow internally - just grow from the revenues that we generate. Our financial model should allow us to do that without going out to grab a bunch of money and feel compelled to do something stupid again.

TWST: Is anything that you would like to add, anything we failed to cover today?

Mr. Langan: No, I think we've hit on it. After having done a number of start-ups, one of the things that attracted me to Insevo were the Money Ball tenets. The basics were in place - good product, receptive market, and historical proof of success. I looked at the things that we could tune and I saw a shining star. We're going to stay focused and execute the things we do best.

TWST: Thank you.

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