



nexaweb
Business Applications - Meet the Web

*Enterprise Application Transformation:
Business Opportunities with Nexaweb*

November 2008



I. The Opportunity: Sizing the Application Modernization Market

In January and February of this year, Gartner, Forrester and other analyst groups released research findings that quantified the market for IT modernization available to System Integrators at an estimated at \$7.1 billion for the year ahead. Based on this figure, Nexaweb estimated the technology tools and applications segment within this market to equal 10% or about \$700 million of that total.

\$MM	Source	Japan	North America	EMEA	Total
Enterprise Application Market	Gartner "Enterprise software Markets: 2007-2012"	\$ 12,141	\$ 88,010	\$ 74,475	\$ 174,626
% Custom Apps	Gartner April 2008 "Cost Cutting by"	60%	30%	30%	
Custom application Market		\$ 7,285	\$ 26,403	\$ 22,343	\$ 56,030
% Modernization	Gartner ITExpo May 2008	30%	30%	30%	
Modernization Market		\$ 2,185	\$ 7,921	\$ 6,703	\$ 16,809
% Web Applications	Forrester "The State of Enterprise Software Adoption 2007-2008"	42%	42%	42%	
Modernized Web Application Market		\$ 918	\$ 3,327	\$ 2,815	\$ 7,060
% Attributable to Technology Enablement	Nexaweb Customer Analysis	10%	10%	10%	
Nexaweb TAM		\$ 92	\$ 333	\$ 282	\$ 706

Obviously, these figures were developed prior to the on-going global economic downturn. In fact, reports released in October 2008 show that nearly 90% of enterprises plan to trim IT budgets in 2009, many significantly. The cost-cutting strategies planned by these enterprises will focus on reducing the technology-associated costs, risks and vulnerabilities that threaten their operational strength and business models in 2009.

The major source of these costs, risks and vulnerabilities are large portfolios of proprietary, customized legacy software applications such as Sybase PowerBuilder, Microsoft Visual Basic, Oracle Forms and others that support mission critical business processes. According to Forrester, under-performing legacy applications monopolize IT resources, with maintenance of outdated applications consuming 60-85% of IT budgets. A significant element of this problem is that current IT professionals are not proficient in legacy applications. Supporting Forrester's research, Gartner has stated that more than one-third of all application development projects will be driven by this dearth of knowledge about legacy technologies by year-end 2010.

II. The Value: Increase Margins, Improve Productivity, Reduce Risks

The chart below illustrates the services opportunity, broken down by phase, of a transformation project based on Nexaweb's Advance technology and process. The total available services revenue for a \$1.193 million project, based on a 90 screen C application, would be approximately \$862,500.00. This scoping estimate is for a single, one-time project that commonly sets the foundation for a portfolio-oriented engagement that will return greater margins with each additional transformed application.

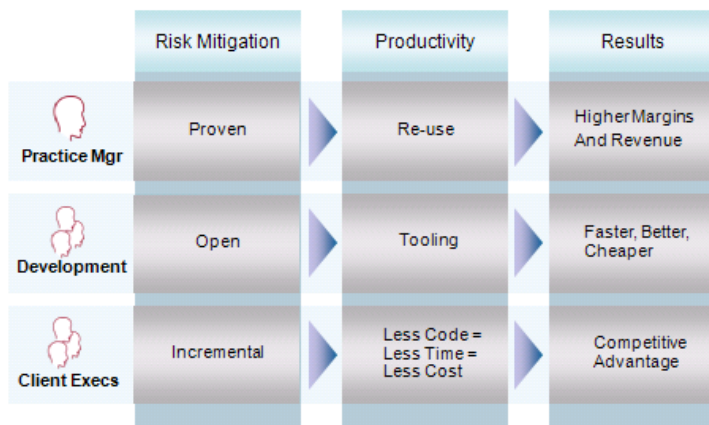
		Nexaweb		SI	
Phase		Days	Fee	Days	Fee
Illustrative Project Scoping					
90 screens, C Language, 750k SLOC (Medium)					
		Average Screen Rate		\$	7,500
		DayRate		\$	1,500
Capture					
Modernization Project Workshop	0	\$ -	-	5	\$ 7,500
Requirements Gathering	0	\$ -	-	30	\$ 45,000
Application Modeling (SLOC)	750,000	\$	286,250		
Transform					
Gap Analysis & Functional Design	0	\$ -	-	45	\$ 67,500
System Design & Architecture [One time]	30	\$ 45,000	-	30	\$ 45,000
Training	0	\$ -	-	15	\$ 22,500
Re-Compose (Screens)	0	\$ -	-	90	\$ 675,000
		\$	331,250	\$	862,500
				\$	1,193,750
Custom Cartridge Development [Optional]		\$	50,000		

Additional to the hard dollars realized on an initial project and the increased margins that result from a 'land and expand' portfolio modernization engagement, the opportunity exists to create original solutions and work products (derivative intellectual property) based on Nexaweb's software and methodology. By composition, these solutions and work products will be highly differentiated in the marketplace and can offer tremendous competitive advantage across vertical markets and horizontal applications such as call centers, trading desks, asset management, sales force automation, logistics management, and others.

As equally important to the value equation for any services business as revenue and margin, are productivity and risk mitigation. Productivity in relation to application development and integration is a by-product of abstraction, re-use, and cost. With Nexaweb, development teams work in a visual tooling environment that abstracts them from the code, making development more dynamic and improving accuracy.

Likewise, Nexaweb enables the reuse of elements from preceding projects such as UI components, menu structures, workflow models, and application infrastructure (database and SOA APIs, role and access management procedures) to be used in follow-on applications. This can reduce the length of the development phase by nearly 50% while simultaneously streamlining quality assurance efforts. These efficiencies improve margins which positively impact the bottom-line and can be passed through to the customer as part of a loyalty program.

The cost ingredient to productivity relates directly to abstraction and re-use. Abstraction speeds development and re-use cuts time. The result is a more efficient and accurate development cycle that costs significantly less than traditional methods.



In the interest of reducing risk, mitigation comes from success, standards and avoiding the 'big bang' approach to change. Founded in 2001 and with an established global base of 75 customers, Nexaweb has proven its technology and methodology successful and trusted.

On the theme of trust comes Nexaweb's commitment to open, web standards such as HTML, XML, JavaEE, SWING, Struts, iBatis, Hibernate, SOA and Web services. This commitment is highlighted by Nexaweb's leadership and contributor roles with organizations such as the Open Ajax Alliance, the Eclipse Foundation, the World Wide Web Consortium (W3C) and the dojo foundation. Likewise, Nexaweb enjoys strategic technology partnerships with industry leading vendors including IBM, Oracle, HP, Sun, and Red Hat / JBoss.

And perhaps most important in the world of today's anxious, investment conscience customer is the ability to incrementally address projects and adopt technology. The architecture and design of Nexaweb's solution allows integrators to first extend a customer's existing legacy solution as an enterprise web application (RIA) to improve usability and market reach. This trend's into an opportunity for a broader transformative project aimed at

reducing the vulnerabilities created by those same legacy technologies based on the success and benefits of a project's initial elements. The ability to offer customers this level of incremental development creates a stronger client/integrator partnership, one where both parties are motivated by milestones that push a project and establish trust.

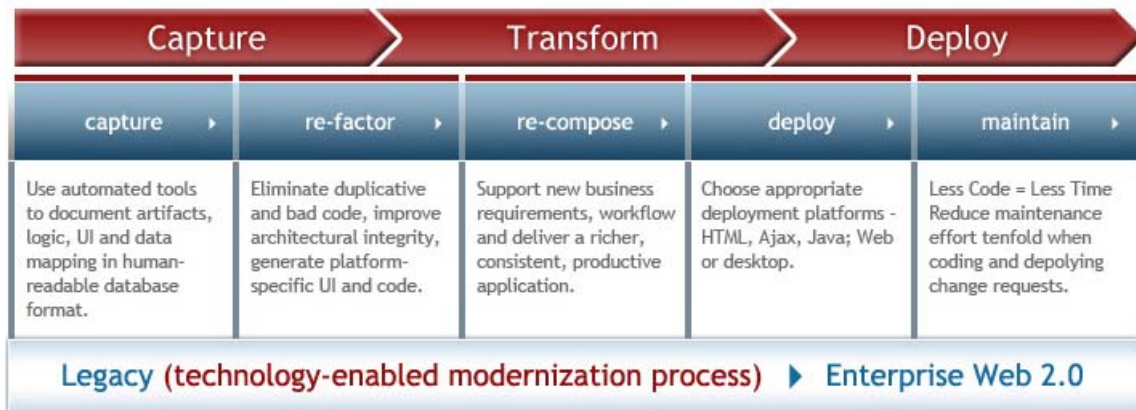
III. The Difference: Advantages of Partnering with Nexaweb

- **Established Global Customer Base:** Nexaweb has established a global base of 75 customers in several large verticals, including insurance, government, manufacturing and financial services. Important customers include: Aflac, AmeriPath (now Quest Diagnostics), Bank of Tokyo-Mitsubishi, EMC, Oracle, Pepsi Bottling Group, Nokia Siemens and SunGard.
- **Significant Up-selling Opportunities:** Current customers provide a solid foundation for growth as they use Nexaweb to modernize large portfolios of legacy applications. Most of these customers initially deploy one application, but find that cost savings and efficiencies compound with each additional application modernized. Modernizing these portfolios provides a steady stream of follow-on license and maintenance opportunities.
- **Operational Business Application Focus:** Nexaweb's solutions address the unique challenges and demands of operational business applications originally developed using proprietary client/server technologies such as PowerBuilder, Visual Basic 6, and Oracle Forms. These applications are characteristically keyboard-intensive, process-driven, and have a multi-document interface (MDI) orientation. Users routinely work with large data-sets from disparate sources and must have capabilities such as reporting, printing, and messaging support. Most importantly, these applications emulate core business processes for which downtime means lost revenue, unsatisfied customers, and diminished brand.
- **Differentiated Technology:** Nexaweb's technology is exclusive in its suitability to support operational, transaction-oriented business applications for two reasons: User Experience and Code Portability. User Experience encompasses not just the user interface, but the speed, accuracy and availability of information. This requires a real-time messaging layer and data services much like those that comprise Nexaweb's technology platform. Code Portability is a concept that allows an application's logic and data to be weighted in its distribution across both the server and browser client to match its unique processing and usability demands. In the instance of Java, code portability also improves accuracy because the same code can be moved between client and server without change. Both User Experience and Code Portability are advantages distinct to Nexaweb's architectural design and reference framework.

IV. The Solution: Nexaweb Advance & Partner Enablement Group

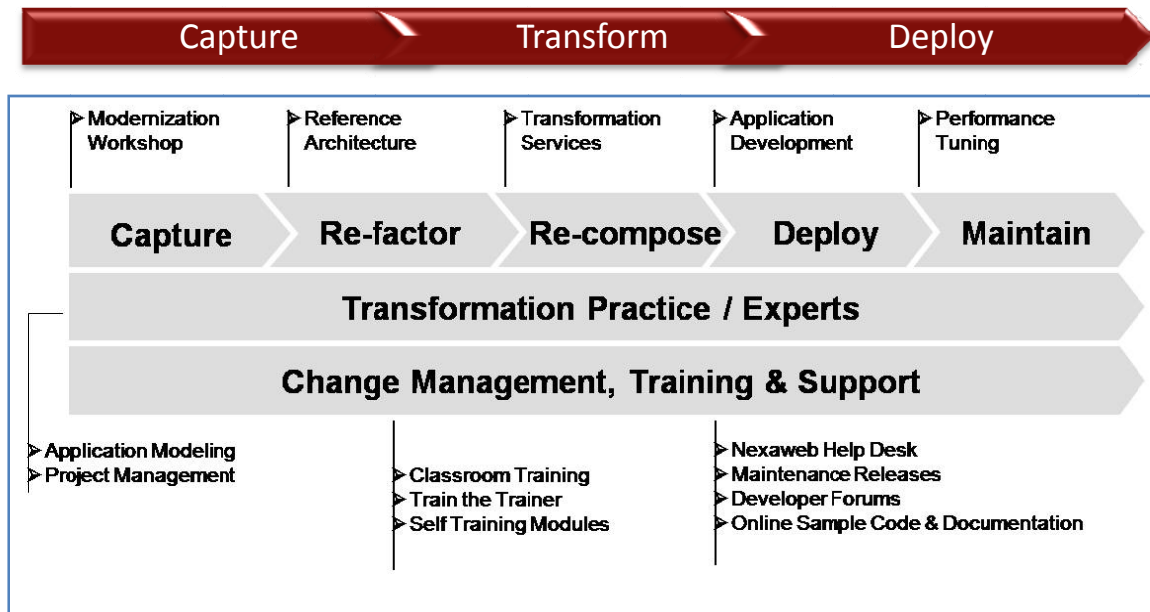
The sales and customer relationship management strategy for Nexaweb Advance is predicated on alliances with consulting and integrator partners. To support this strategy, Nexaweb has developed a dedicated partner enablement group organized to help partners create and grow a successful application transformation profit center.

Nexaweb has developed *Nexaweb Advance*, a solution for the modernization of applications which involves a complete transformation of applications from expiring programming languages to open, web-based architectures. Nexaweb Advance not only extends the life of applications (RIA), it completely recomposes an application from documented legacy code while adding new features, modifying workflow, designing Web UI's and improving functionality.



Nexaweb's Professional Services and Partner Enablement group offers a comprehensive Application Transformation curriculum engineered to educate and certify system integrator partners and their teams (see graphic on page 7). The curriculum includes extensive, classroom-based technology education programs, "Training the Trainer" classes, and Web-based self-training modules. Additional post-deployment revenue opportunities exist in the form of user training, performance tuning, and application maintenance agreements.

After completion of the initial training engagement, a consultant from Nexaweb's Partner Enablement group will be assigned to support the system integration technical team on an on-going basis and provide guidance on items such as help desk inquiries, software maintenance releases, developer forum access, and online sample code and documentation.



In addition to providing technical and project management guidance, Nexaweb's Partner Enablement Group can work with interested partners to establish an internal Transformation Practice. The purpose of a Transformation Practice is to serve as modernization advocates to the firm's customers, help the business development organization prioritize customers for engagement, and execute the modernization. Nexaweb supports the formation of this practice by injecting its proven modernization process and methodology, developing co-branded marketing assets and collateral and providing access to its experts.

V. Company Overview

Nexaweb provides software solutions and services to help enterprises modernize underperforming and expensive to maintain, legacy systems into rich, secure web applications.

The Company's solutions address several critical enterprise IT challenges including 1) the increasing costs of maintaining multiple legacy software applications, 2) the need to compete more effectively by making applications and data more widely available over the Web: 3) the declining number of IT professionals capable of supporting legacy applications and programming languages and: 4) improving agility to satisfy business/market needs of change.

Nexaweb's Advance application transformation solution helps enterprise customers:

1. Capture the business logic and processes hard coded into their legacy, mainframe and client/ server software assets;
2. Transform that logic into open programming languages, add new functionality, and streamline processes;
3. Deploy rich, secure Web applications to a standardized web infrastructure (Java/SOA) that is more cost-effective and that appeals to today's Internet-oriented IT professionals.

The Company's solutions are highly differentiated from pure RIA vendors, like Microsoft and Adobe, whose platforms target native, informational and consumer-oriented applications while dictating proprietary software architectures.

Nexaweb's solutions are also highly differentiated from niche modernization players, like Blue Phoenix and Relativity, who only provide solutions for one phase of application modernization (code migration and documentation). Other important technical differentiators include: a standards-based environment, the ability to provide a desktop-like experience in a browser, and a flexible, comprehensive architecture that can be reused within each customer to modernize a broad array of legacy applications irrespective of their complexity (from simple HTML through J2EE).

Nexaweb is headquartered in Burlington, Massachusetts with sales, service and engineering offices in Washington, D.C., Tokyo, Japan, Seoul, Korea, and Amsterdam, The Netherlands. Nexaweb is privately held, with Egan-Managed Capital, Masthead Venture Partners and Velocity Equity Partners as the Company's primary shareholders. To learn more, visit: www.nexaweb.com.