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# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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**THE WALL STREET TRANSCRIPT**

## COMPANY INTERVIEW

### JAMES DAVIES ACCEPT SOFTWARE

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# ACCEPT SOFTWARE



**JAMES DAVIES**, President & CEO brings over fifteen years of business development, marketing, product development and professional services experience to Accept Software. Prior to joining Accept, James was the co-founder of The Future State, a product lifecycle management (PLM) consulting company assisting vendors and customers in understanding PLM strategy. James was also the co-founder and CTO of Novare Software, an award-winning pioneer in the PLM market that was acquired by

Parametric Technology Corporation. James previously held senior management consultant positions with KPMG Peat Marwick (now BearingPoint) and XIS. While at KPMG, James authored one of the industry-standard texts on business process management. James began his technology career in business development and marketing for the IT/software division of BSI, the world's largest standards body. James has a BS with Honors from University of Southampton, England.

**TWST: May we start with a short overview of Accept?**

**Mr. Davies:** Sure. Accept was founded about five years ago. The company was created by product directors – people who saw firsthand a clear problem with the way product teams brought new products to market. The way they defined them, the way they captured input from the market, the way they coordinated across the entire product team throughout the cycle of ideation through to actually building the product. So, essentially, Accept was founded to help companies identify and create the winning products of tomorrow.

We can do this by helping companies capture the voice of the market, and create a centralized knowledge base of all the market and product information that's related to each other in the form of product requirements. We then use analytical product planning tools to ensure alignment with

corporate strategy and the needs of customers. Which ultimately also helps bridge the disconnect between engineering and product development. It also fosters better collaboration. Because creating new products isn't just done by one individual – it's a team sport.

**TWST: How extensive is your solution?**

**Mr. Davies:** Well, for product development teams, we actually provide one of the most extensive solutions available. If you look at the way products are created, the solution has to be extensive to cover not only ideas that come from those internally, but also the extended enterprise, where you need to gather ideas from customers, partners, maybe even your competitors.

Anyway, there are three main components to our product line. First there are breakthrough voice-of-the-market technologies that enable product teams to reach outside and capture ideas from the company's market universe—customers, part-

ners, etc. Second, there's intelligent requirements management that allows companies to centralize information and provide views based on different participants in the product teams, ranging from product managers to release managers to product marketing and to the actual developers and engineers who are creating the products. Third, we provide analytical product planning capabilities that enable product teams to weigh various factors, see how a product stacks up against competitors, corporate strategy and other areas, and look at tradeoffs. It's also designed on a modern service-oriented architecture that provides access for distributed product teams, and that can scale to handle thousands of requirements and granular feature-level information. For example: many companies today are developing software either as a discrete product or embedded within another product, like a SmartPhone. Some of this development may be outsourced to an offshore team. Our solution supports that model really well by enabling collaboration and visibility throughout the process.

**TWST: How would automation make a decisive difference in product development and marketing?**

**Mr. Davies:** I think it's the word 'automation' – that gives me cause for hesitation. Automation is largely about efficiency, not necessarily effectiveness. But if you're trying to help companies bring winning products to market, the challenge is increasingly on effectiveness. Sure, the process has to run efficiently, and we help companies do that. But we are really all about helping companies with effectiveness. That's the key. So it's not just about doing things right – it's about doing the right things. Then we help companies with the "how" – centralizing the information, helping them make better decisions through efficiency tools. See, I think product management as

a discipline is very much an art. And what we're doing is transforming it into a science. So we're trying to tear down the walls that prevent collaborative relationships and to bring together the different parties that are involved in making intelligent product decisions.

**TWST: When was the product launched and what are you seeing in terms of deployment?**

**Mr. Davies:** The product was launched in May 2003. And what we have seen is consistent market traction in every quarter since then. So that today, many of the largest software companies in the world use our product across their entire product management and development teams. We have over 70 customers—which for a company of our size is tremendously validating for the value our solution brings to the problems we solve. In fact, it's common for our customers to continually extend our application to additional users across their product teams throughout every product cycle we go through.

**TWST: Who do you include within your customer base?**

**Mr. Davies:** Well, as I just mentioned, many of the largest companies in the world use our product. We've been extremely successful helping ISVs – independent software vendors, like BEA, Cadence, Intuit – and now we're increasingly selling into other types of high tech manufacturers and internal IT application groups, where the technology they develop is critical to successful service delivery. For example, a financial services company that's launching a new set of online banking services. Or a company in a highly-competitive industry, like a wireless provider who's continuously trying to stay ahead of the competition with new services that need technology to support them. And that impact critical systems, like their cus-

customer management systems, their billing systems, and so on.

**TWST: At what pace are you expanding your new customer list?**

**Mr. Davies:** We've been growing rapidly. Particularly over the past few years. We've grown year-on-year revenues by over 200% for three consecutive years. And we've increased our customer base by more than 50% in the last two quarters alone.

**TWST: What is your delivery model?**

**Mr. Davies:** We let our customers choose the model. We can either install it on-premise. Or we can host the application for them.

**TWST: Are there particular verticals that may be best suited for your solution?**

**Mr. Davies:** Yes. We believe first and foremost that we are very applicable for companies in the software industry, plus high-tech and electronics. We focused on the software industry first, and we've built quite a strong customer base there. We also realized that the same types of challenges that are faced by these companies, that you find those same challenges across multiple verticals, because we've begun to see strong interest in our solution outside the software industry. And longer term, we believe the same challenges are felt by other industries, such as financial services. Fundamentally what all these verticals have in common is a very strong desire and need to make sure they focus their R&D spend into tomorrow's winning products.

**TWST: What is your company's geographical reach?**

**Mr. Davies:** We have users worldwide. In fact, in today's product development environment it's very common for teams to be collaborating throughout the world. This is partly for cost reasons, such as the example of off-shoring. But also

to drive innovation, where the best ideas can come from anywhere. Because expert knowledge isn't bound by geography. Our customers often have distributed teams in multiple countries, and we very much support that model.

**TWST: Have you assessed the market size and potential for your solution?**

**Mr. Davies:** Yes we have. We think that it is in excess of \$6 billion annually. We are relevant and highly needed by any company that is developing products and services. There are industry statistics that show that on average, 50% of a company's revenue comes from new products the company introduced over the last five years. Which begs the question, which new products does a company build? Historically companies have developed a lot of products that have failed to make it to market, or that have made it to market and then subsequently failed. In fact, according to the Harvard Business Review, only one in four dollars of U.S. R&D spend every year goes into products that succeed in the marketplace. So for us the opportunity is to help our customers to redirect that wasted R&D investment into the right products with the right features in order for them to be commercially successful.

**TWST: Given the size of the market, what are you seeing in terms of competition?**

**Mr. Davies:** Traditionally, we have seen various point solution competitors in various markets. So, for example, there are companies that simply do requirements management. There are other companies that help capture customer feedback. And there are still others that generate product plans for strategy teams. To our knowledge, we are the only company that brings together an integrated suite of applications to enable companies to manage the entire front end of the innovation process, from ideation and capture through to requirements man-

agement and handing off key feature/function data to traditional ALM and PLM systems.

**TWST: What might make you stand out?**

**Mr. Davies:** I think the answer to that question goes back to what I just said. What makes us unique, really, is that no one else is bringing together the applications and marrying them to a best-in-class process that supports the entire front end of the product lifecycle.

**TWST: What are your major challenges and hurdles as you look ahead?**

**Mr. Davies:** Essentially, from our perspective, the challenges we face are the good ones to have. Meaning, we have a market that's showing tremendous interest, we've grown significantly over the past few years, and for many companies we are applying a level of process that they haven't had before. So we see the main challenge as focusing our efforts, from our product investment through to our go-to-market and sales execution, on those areas of the market where we can achieve economies and continue our rapid growth.

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

**Mr. Davies:** We are very blessed to have attracted a very strong management team who have a wealth of experience not just in their personal areas of responsibility but a very deep understanding in the product management discipline, which has enabled us to really empathize with our customers and have a feel for the real life solutions that add value for very real business problems.

**TWST: What is the company's funding history? What could you share with us about your balance sheet?**

**Mr. Davies:** Initially the company grew organically, using a very small amount of seed capi-

tal. Once we achieved a few key customer wins and began to see adoption of our solution, that's when we started to seek investment capital-which is uncommon in the software start-up industry. Today we've raised two rounds of venture capital and are earnestly working on our third. We are private so we don't disclose any other financials.

**TWST: How extensive are your partnerships and collaborations and what do they mean to the company's future ?**

**Mr. Davies:** Partnerships and alliances are absolutely critical to our success. Whether it's with systems integrators, product lifecycle process consultants, or developing integrations with other vendors to provide a more complete solution for our customers. Or just to open up new sales channels. Per your question on globalization — partners are going to be a key driving force in our ability to address new markets beyond North America and EMEA. They bring a wealth of expertise in the markets where we're expanding.

**TWST: Any particular metrics or benchmarks that you will be targeting for success?**

**Mr. Davies:** One of the primary reasons why we've been so successful to date is that we share a key set of metrics across the executive team, and our employees are integrated in that process, from the perspective of knowledge and understanding as well as in the teamwork it takes to achieve our goals. And I can share a few of those with you. The most important metric to us is customer satisfaction. And we look at that on a number of levels. For example, how happy our user base is with our current applications. How broadly they are using the Accept 360 software across their product teams. And how they expand their deployments through additional product lines, users, and divisions. In our opinion, there's no better validation of tangible value than your customers.

**TWST: What else would you like to touch upon that I may have left out?**

**Mr. Davies:** Actually, I think we've covered things pretty comprehensively. Thank you very much.

**TWST: Thank you.**

**JAMES DAVIES**

**President and CEO**

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