

E - FINANCE



What's all the hoopla?

By Peter L. Martin

Since the last column, there has been a tremendous amount of hoopla about LCMSs (learning content management systems), or what we at Jefferies & Co. term knowledge management systems (KMSs). Centra, Click2Learn, and KnowledgePlanet have recently made acquisitions of KMSs to enhance their product offerings. We think that was a wise decision on their part and a keen way to differentiate themselves, especially for Centra and Click2Learn.

We view the KMS application as a great niche product that actually begins to deliver on the early promise of e-learning to personalize the learning

experience of users. We believe KMSs or LCMSs have a bright future, but we'd let out some of the air in the hype generated by various research groups. I'd hate to see this technology become the next piñata of e-learning at such an early stage of deployment. Based on our due diligence, we estimate that only 100 to 200 KMSs are currently up and running—a fraction of other, more established e-learning applications.

If you're unfamiliar with KMSs, they manage and deliver learning objects at the request or according to the profile of the learner. KMSs let you create and receive granular information, or chunks,

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Company <i>eLearning</i>	Rating	Ticker	Price	52 Week		Mkt
			7/31	High	Low	Cap (mm)
Centra Software Inc	NR	CTRA	\$16.36	\$17.14	\$2.75	\$407.3
Insightful Corp	NR	IFUL	\$3.19	\$3.25	\$1.25	\$34.2
VCampus Corp	NR	VCMP	\$1.57	\$8.13	\$0.38	\$17.2
SkillsSoft Corp	NR	SKIL	\$34.65	\$38.94	\$10.13	\$549.0
Futuremedia Plc	NR	FMDAY	\$0.25	\$1.47	\$0.16	\$5.1
Webex Inc	NR	WEBX	\$22.91	\$58.00	\$5.06	\$851.6
Rwd Technologies Inc	NR	RWDT	\$3.30	\$8.75	\$2.35	\$50.4
SmartForce Pub Ltd	Buy	SMTF	\$38.72	\$57.25	\$18.13	\$2,054.6
Zi Corp	NR	ZICA	\$7.95	\$9.44	\$3.13	\$294.8
Wiley (John) & Sons	NR	JW.A	\$20.40	\$23.89	\$17.90	\$1,001.6
DigitalThink Inc	NR	DTHK	\$14.50	\$58.75	\$5.34	\$510.2
Saba Software Inc	Buy	SABA	\$12.85	\$38.81	\$3.56	\$578.2
Polycom Inc	NR	PLCM	\$25.45	\$72.25	\$10.75	\$2,111.8
ITC Learning Corp	NR	ITCC	\$0.13	\$2.00	\$0.12	\$0.5
Docent Inc	NR	DCNT	\$6.31	\$27.13	\$2.75	\$264.8
Raindance Communications Inc	NR	RNDC	\$1.23	\$12.75	\$0.94	\$57.9
Adobe Systems Inc	NR	ADBE	\$37.49	\$87.31	\$24.56	\$8,955.0
Innodata Corp	NR	INOD	\$3.33	\$9.25	\$2.19	\$71.0
Eloquent Inc	NR	ELOQ	\$1.00	\$6.19	\$0.50	\$18.0
Intranet Solutions Inc	NR	INRS	\$23.56	\$64.00	\$14.75	\$527.3
Vignette Corp	NR	VIGN	\$7.94	\$42.63	\$3.63	\$1,948.0
Learn2.com Inc	NR	LTWO	\$0.14	\$3.00	\$0.13	\$7.4
Interwoven Inc	NR	IWOV	\$10.29	\$68.47	\$5.84	\$1,058.7
Click2learn Inc	Accum	CLKS	\$3.02	\$18.25	\$1.00	\$54.7
Documentum Inc	NR	DCTM	\$14.95	\$63.88	\$5.88	\$562.6
Macromedia Inc	NR	MACR	\$17.20	\$90.00	\$13.38	\$1,021.9
Mentergy Ltd	NR	MNTE	\$0.55	\$17.00	\$0.35	\$5.0
ProsoftTraining.com Inc	Hold	POSO	\$1.23	\$15.75	\$1.03	\$28.9
HearMe Corp	NR	HEAR	\$0.06	\$9.25	\$0.04	\$1.7
Caliber Learning Network Inc	NR	CLBRQ	\$0.01	\$3.94	\$0.01	\$0.1
Corporate eLearning Average						\$768.3
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Traditional						
Aris Corp	NR	ARSC	\$2.53	\$4.50	\$1.10	\$28.6
New Horizons Worldwide Inc	NR	NEWH	\$13.68	\$24.25	\$11.00	\$136.3
Learning Tree Intl Inc	NR	LTRE	\$22.97	\$78.88	\$14.50	\$441.8
Provant Inc	Hold	POVT	\$1.80	\$9.00	\$1.40	\$39.1
Corporate Traditional Average						\$161.4
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Total Corporate Average						\$696.9
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Indices						
Russell 2000			\$484.78	\$542.82	\$419.70	
S&P 500 Composite			\$1,211.23	\$1,530.01	\$1,081.19	
Nasdaq Composite Index			\$2,027.13	\$4,259.87	\$1,619.58	

3-Mon Avg Trdg Vol	Return (%)				
	1-Mo.	3-Mo.	6-Mo.	12-Mo.	YTD
677,275	-3.7	78.2	109.4	114.6	322.2
32,405	18.1	45.0	79.1	39.8	100.2
6,389	-0.9	-21.4	4.3	-79.1	85.5
153,225	1.2	26.2	132.9	146.4	84.8
23,091	-3.8	56.3	-33.3	-81.0	33.3
570,783	-14.1	91.6	25.5	9.7	9.7
17,029	7.1	-6.0	-30.5	-42.6	7.8
877,174	9.9	7.6	-3.5	-12.5	3.1
55,163	6.7	-11.8	-11.7	7.8	-0.2
44,443	-13.7	9.4	1.9	-6.7	-5.1
498,985	106.6	69.2	7.9	-70.7	-15.0
523,734	-21.7	60.6	-9.8	-37.3	-18.4
1,148,745	10.2	9.6	-9.7	-46.3	-20.9
2,283	-48.0	-27.8	-27.8	-93.5	-27.8
304,574	-36.9	22.5	-46.9	NA	-27.9
157,572	-14.6	-26.3	-1.6	-84.6	-29.7
3,997,036	-20.2	-16.5	-14.2	-34.5	-35.6
250,100	8.1	-60.1	-53.3	24.6	-39.5
100,289	-18.7	11.2	-23.8	-76.8	-44.8
559,772	-38.1	-28.8	-51.0	-37.6	-53.8
5,049,936	-10.5	18.5	-4.5	-76.6	-55.9
131,669	-30.0	-63.2	-79.6	-93.8	-65.5
3,600,185	-39.1	-29.7	-69.3	-68.1	-68.8
130,309	86.4	51.8	-30.0	-82.8	-69.0
573,262	15.7	-0.1	-65.4	-36.2	-69.9
1,187,248	-4.4	-24.1	-47.5	-77.5	-71.7
25,735	-45.0	-63.8	-84.0	-96.7	-72.5
307,815	-1.6	-59.8	-91.2	-91.9	-89.9
255,709	-85.4	-82.4	-96.1	-98.5	-90.4
39,763	-26.7	-97.3	-99.2	-99.7	-98.8
710,057	-6.9	-2.1	-20.8	-40.8	-14.2
82,577	-2.7	114.4	39.6	-13.9	42.0
42,660	-8.4	-6.6	-9.6	-38.0	-1.4
183,145	0.0	8.8	-53.5	-49.1	-53.6
41,448	0.0	-41.6	-72.4	-68.7	-58.0
87,457	-2.8	18.8	-24.0	-42.4	-17.7
636,810	-6.4	0.4	-21.1	-41.0	-14.6
	-5.5	-0.1	-4.6	-3.2	0.3
	-1.1	-3.1	-11.3	-15.3	-8.3
	-6.2	-4.2	-26.9	-46.2	-17.9

The larger and better-capitalized LMS and LCMS providers will champion further development of this value-added application.

as opposed to content blocks that traditionally put the onus on learners to ferret out what they need in order to have a successful learning experience. KMSs are learner-centric and prescriptive.

We've stated in the past that small suppliers will be put out of business due to lack of capital and distribution channels. In our minds, the larger and better-capitalized LMS and LCMS providers will champion further development of this value-added application. KMSs will either be embedded in an LMS offering or as a product module add-on. The robust features, functionality, and scalability of large LMS platforms will enable early KMS offerings to be honed and strengthened.

We think those improvements will, in the end, give the products more value in the marketplace and that, over time, they'll be a required aspect of human capital management platform deployments.

An update

To follow up on our August topic of earning reports and future insight, of

the 20 companies in our corporate training universe that reported, 16 either met or exceeded expectations. On a disappointing note, two firms on our list—Caliber Learning and HearMe Corporation—ceased operations.

Despite above-average performance by our reporting companies, it's apparent that the economy is continuing to weigh heavily on the sales cycle. The companies' management teams hesitate to raise guidance (upwardly revise earnings estimates) despite relatively positive second-quarter results. In some cases, companies are going to maintain past guidance through the use of cost-cutting measures, which brings about a quality of earnings issue that's a red flag to Wall Street. All and all, the tone was cautious on conference calls

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with management at those companies regarding 2Q earnings in terms of predicting future performance.

The declining nearly 7 percent performance of our corporate sector in July reflected the hesitant posture of management. That's compared to the NASDAQ and Russell 2000, which were down 6.4 percent and 5.5 percent. Shining stars during July were DigitalThink, up 107 percent on a strong earnings call, and Click2learn, up almost 90 percent as it

strengthened its technology platform and financial position. YTD, Centra is still far and away the best performing stock in the sector—up more than 300 percent.

Peter L. Martin, CFA, is a senior vice president with Jefferies & Co., San Francisco. He follows various segments within the knowledge services industry, which are broadly categorized under e-learning and traditional education and training.

