



ADB SYSTEMS INTERNATIONAL INC.

(ADY:TSX – ADBI:NASDAQ)

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Initiating Coverage

Speculative Buy

- Bid.Com restructures to offer enhanced technology footprint -

Price (06/24/02): \$0.26

12 Month Price Objective: \$0.95

Selected Financial Data

December 31	FY2000A	FY2001A	FY2002E	FY2003E
Revenue	\$ 12,497,000	4,455,000	7,982,000	16,552,000
Net Earnings/(Loss)	\$ (20,366,000)	(18,714,000)	(8,198,000)	(3,115,000)
EPS/(LPS)	\$ (0.76)	(0.64)	(0.19)	(0.07)
Cash	\$ 7,363,000	2,557,000	3,341,000	6,059,000
Total Assets	\$ 20,801,000	10,592,000	10,360,000	12,544,000
Long Term Debt	\$ 59,000	18,000	0	0
Shareholder's Equity	\$ 15,860	8,014	7,850	9,908
Book value	0.59	0.27	0.19	0.24
Price/Book	1.68	1.67	4.5	4.8

All financials are in Canadian dollars unless otherwise noted

Source: Mundus Estimates

Stock Data

Symbol / Exchange:	ADY / TSX
52-week range:	\$0.26 - \$0.80
Ordinary shares:	41.5 m
Fully diluted shares:	45.9 m
Market Capitalization (f.d.):	\$11.93 m

All stock figures are in Canadian dollars unless otherwise noted

Price Chart



FUNDAMENTAL HIGHLIGHTS:

- During 2001, Bid.com acquired ADB Systemer and changed the company name to ADB Systems International Inc.
- ADB Systems International is a leading provider of asset lifecycle management solutions.
- The Company delivers innovative technology solutions that enable its customers to source assets at reduced costs, track assets, monitor assets, schedule preventative and corrective maintenance, procure goods on-line, and sell surplus assets.
- ADB Systems has an impressive list of customers primarily within asset-intensive industries such as oil & gas, and utilities.
- The company also has a growing number of customers from the public sector helping them to reduce purchasing costs and improve procurement processes.
- The company improved earnings per share by 17 percent over 2000.
- The company reduced operating expenses by 57%, and operating loss per share by 53% over 2000.
- The company has increased revenue for the past two quarters, and management has guided for a 10-20% sequential increase for Q2, 2002.
- ADB Systems has forged strategic alliances with several key channel partners and distributors.
- Company management is very experienced in Enterprise Asset Management and procurement processes.
- The Company recently received approval from NASDAQ to transfer its listing from the National Market to the Small Cap Market effective June 3, 2002. This enables the Company to maintain its share liquidity in a well-regulated, transparent market.

COMPANY DESCRIPTION

ADB Systems International (ADY:TSX – ADBI:NASDAQ) is a leading provider of asset lifecycle management solutions, primarily to asset-intensive industries. The company delivers innovative technology solutions enabling its customers to:

- Source assets at reduced costs
- Track assets ensuring that capital equipment is available and properly utilized
- Monitor assets to ensure they are operating optimally
- Schedule preventative and corrective maintenance to reduce down-time
- Procure goods on-line at improved savings
- Sell surplus assets while generating the highest yield.

ADB Systems is based in Toronto, Canada and trades on both the Toronto and NASDAQ stock exchanges. The company has more than 70 employees located in offices around the world servicing customers across a wide range of industries.

OVERVIEW & BACKGROUND

The Company refers to its product and services ‘footprint’ as a complete asset lifecycle management solution. The Company’s product offering can reduce the costs of sourcing, procuring, and tracking assets, improve tracking and monitoring of asset performance, and reduce asset down-time. ADB System’s asset management solutions have traditionally been utilized largely in the asset intensive oil and gas industry, however implementation has been growing within a number of other sectors as well.

The Company traces its roots back to Internet Liquidators Inc., a business corporation formed under the laws of Ontario, Canada, in September 1995. In May 1996, Internet Liquidators International Inc., also an Ontario company, acquired all of the shares of Internet Liquidators Inc. The two companies were amalgamated in January 1997, and in June 1998 the company changed its name to Bid.Com International Inc.

Prior to October 24, 2000, the Company operated two national business-to-consumer auction sites, one in the United States, and one in Canada. Following an extensive strategic review by Management and the Board of Directors, the Company chose to close its retail operations, and focus solely on its software business, enabling its customers to buy and sell on-line. In October 2001, the Company acquired ADB Systemer ASA of Sola, Norway, and changed its name from Bid.Com International Inc. to ADB Systems International Inc.

For more than ten years, ADB Systemer provided Enterprise Asset Management (EAM) solutions to customers in Norway and across Europe. For the past three years, the company has provided solutions to customers in North America and Europe, and during the past two years the Company has introduced sourcing and procurement solutions to the same regions.

In addition to Enterprise Asset Management solutions, ADB Systems offers sourcing, procurement, and sales solutions. These are natural extensions to the EAM offering as organizations continue to seek to extend asset management and corporate level planning onto other elements of the asset lifecycle.

The company’s customer list includes several leading organizations such as BP, GE Capital, Halliburton, Dow Chemical, Irish Permanent Finance, and Forest Oil.

INDUSTRY OVERVIEW

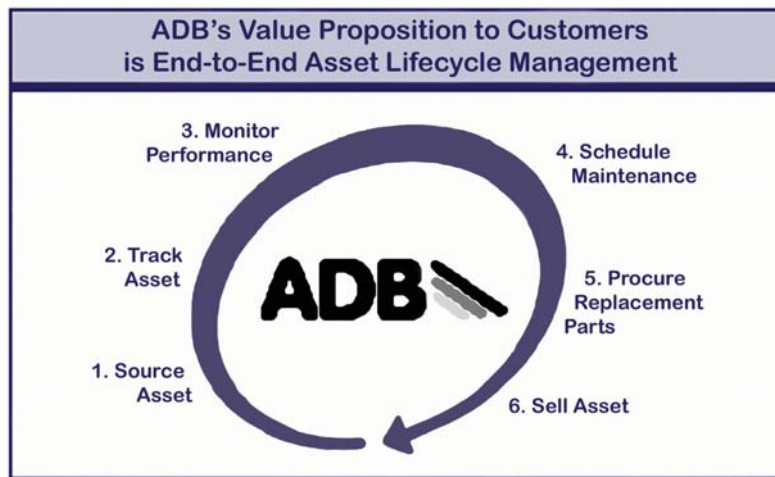
Today's competitive environment is placing increasing demands on the maintenance of physical assets. In short, companies are striving for a greater return on their assets and improved reliability of their operations.

Asset management software has been in existence for more than thirty years, initially through computerized maintenance management systems (CMMS), but now through a more comprehensive and robust product offering known as Enterprise Asset Management (EAM) or Enterprise Resource Planning (ERP). The earlier solutions automated the daily management of assets, while ERP solutions take the process a step further and consolidate asset information with financial information at the corporate level. EAM solutions on the other hand, encompass elements of both, serving as the next level of CMMS solutions by bridging the gap between asset management and corporate planning and tracking requirements. The key value proposition for EAM solutions is that they can provide a quick and quantifiable return on investment (ROI) and return on assets (ROA). Cost and productivity gains can quickly benefit organizations, and are thus highly desirable to potential customers, particularly in tough economic times where the focus is more bottom-line oriented.

In a recent study, ARC Advisory Group reports that the market for EAM and CMMS solutions was U.S. \$1.2 billion in 2001 and will grow at a compounded annual growth rate (CAGR) of 5.3% over the next five years reaching U.S. \$1.8 billion in 2006. The author of the report goes on to say that "The majority of the EAM market growth will come from application service provider (ASP) Web-hosted solutions and electronic maintenance, repair, and operations procurement. The EAM market has matured causing software license sales to decline and customers to request more services for better performance and continuous improvement."

ADB's PRODUCT OFFERING

ADB's Value Proposition



Source: ADB Systems

ADB offers solutions for all aspects of the asset lifecycle including sourcing, buying, tracking, managing and selling. The company's suite of products include:

Dyn@mic Buyer™: A flexible procurement application that enables organizations to make sourcing decisions based on the best value delivered by suppliers – not just the lowest price.

The Company's **Dyn@mic Buyer™** product automates the delivery of bidding information and documentation between the user and its suppliers, and can be used to automate the decision-making process involved in sourcing goods, by providing automated analysis and selection among competing bids, based on a variety of pre-determined factors.

Key features:

- Request for quotations functionality allows users to post on-line offers to purchase that can be viewed by pre-qualified suppliers. Suppliers can download documentation related to the offer and then bid on-line. Users have the choice of whether to let bidders see the details of all other bids.
- Sealed bid functionality allows users to post their product or service requirements to selected vendors. The sealed bid system differs from the request for quotation in that the vendors have only one opportunity to supply a bid. Only after the close of the auction is the user able to view the vendor bids.
- The ability for users to assign values to criteria involved in the purchase decision, such as price, product availability, post-sales support and certification standards. Bidders input responses to questions relating to these criteria and responses are weighted by the software for presentation back to the user.
- Posting of detailed technical information, question and answer forums, and automatic e-mail notification of amended or new buyer-posted documents.
- Bidders or vendors can be pre-qualified by the user and provided with access to view and download only the documentation that the user specifies.
- **Dyn@mic Buyer™** is offered on the basis of number of seats (users). Service fees are charged separately.

Dyn@mic Buyer™ customers include: DBI Logistics, and Vesta..

ProcureMate™: An end-to-end procurement solution that streamlines purchasing activities, reduces purchasing costs, and improves collaboration with suppliers.

ProcureMate™ is the company's web-based business-to-business e-procurement solution. Using **ProcureMate™**, users can automatically post purchase orders from their purchasing system onto a private-labeled, dedicated web site where suppliers can examine and respond to them online.

Key features:

- Suppliers are notified automatically of new purchase orders through an email message with an embedded URL address that takes them directly to the web site and purchase order.
- The system allows an online dialogue to take place between the user and its suppliers
- **ProcureMate™** includes a number of adaptors designed for direct plug-in to the supplier's enterprise resource planning (ERP) system, thus reducing manual efforts by the supplier, and

completing an electronic workflow from the person making the requisition to the suppliers staff who are picking items in their warehouse.

- Functionality that eliminates ordering material that is in stock either locally or in remote warehouses, provides prioritized lists per location, and helps users to procure from master service agreements or direct from preferred suppliers.
- Goods receiving can be performed in a distributed manner directly against the purchase order, reducing manual efforts, paperwork and the chance for error.
- Facilitates the triggering of direct payment and electronic funds transfer.
- Seamless integration of the customer's workflow and approvals into the procurement process.
- **ProcureMate™** is offered on the basis of number of users. Service fees are charged separately.

ProcureMate™ customers include: BP (Norway), Forest Oil (USA) and Hordaland HFK County, a large local government entity in Norway.

WorkMate™: A comprehensive enterprise asset management solution that delivers maintenance management, materials management and procurement capabilities

WorkMate™ is the core product behind the company's suite of asset lifecycle solutions. **WorkMate™** is a client-server solution that operates as an extension of, and can be fully integrated with, a customer's existing ERP system. The **WorkMate™** product (specifically the recently released version 2.8) incorporates asset maintenance, asset tracking, materials management and procurement functionality.

WorkMate™ is designed for use by customers in asset intensive industries - typically those where maintenance, repair and operations purchases outnumber raw material purchases by more than ten to one on a transaction/ volume basis. Examples of asset intensive industries are oil and gas, process industries (for example mining) and the utilities sector.

The three main modules (procurement, materials management and maintenance functionality) may be licensed independently or together as a fully integrated system:

- **Procurement Module** - for sophisticated domestic and international purchasing operations. Key features include: requisitioning, quotations, purchase orders, contracts, cost controls and vendor catalogues. The procurement module also monitors supplier performance in terms of accuracy, punctuality and cost.
- **Materials Management Module** - for managing inventory and logistics operations. Key features include: inventory status, goods receipt, stock issue, reordering, packing/unpacking, transportation, goods return and equipment rentals. This Module will log all movements of an item and generates the necessary financial transactions.
- **Maintenance Module** - for all types of maintenance, whether it is corrective, preventive or condition based.

Customers can automate manual routines and track maintenance costs and equipment history.

Each **WorkMate™** module also includes workflow, asset tracking and reporting tools.

WorkMate™ is a licensed client-server application and pricing is determined on the basis of number of users. Implementation work is estimated and offered at a fixed price or at hourly rates for consulting.

WorkMate™ customers include: BP (Norway), Halliburton and Forest Oil (USA).

Dyn@mic Seller™: An on-line sales and marketing solution that enables companies to reduce surplus inventory while generating maximum yield and lower cost of sales.

Dyn@mic Seller™ is an on-line sales solution incorporating one or more of the following pricing methods - top bid (ascending) auction, Dutch (declining price) auction, hybrid auction or fixed price. The Company develops, hosts and maintains customer-branded websites or sub-sites for customers using its sales solutions. **Dynamic Seller™** is delivered through an application service provider model (remotely through the internet).

Key features:

- Conventional rising price auctions, under which the highest bids win the items auctioned. The rising price auction allows participants to competitively bid on available products and services by incrementally adjusting their bid positions. ADB System's user interface allows users to easily identify current leading bidders, minimum new bids and initial bid pricing. Participants are informed of their bid status, stating whether they have won, been outbid, approved or declined via electronic mail.
- The Company's patented Dutch (declining) auction format, in which a starting price is set and a limited time period is allocated for a fixed quantity of the product to be auctioned. As time advances, the price drops in small increments. The longer one waits, the lower the price. However, if a bidder waits too long the limited quantity of the product being auctioned may be sold out. The declining bid auction allows participants to bid in a real-time format utilizing on-screen data which provides the time and quantity remaining as well as the falling price of the items for sale. The bidders remain online and actively participate throughout the auction process.
- Hybrid auction formats to meet a customer's particular needs. One example of a hybrid format is an auction which begins on a declining (Dutch Auction) basis until the first bid is received, and then converts to a rising price (Top Bid) auction to reflect demand. This format mimics the 'true auction' format seen in many off-line auctions.
- Fixed price sales, under which the user posts the good or service and the price in a catalogue or directory format. The purchaser cannot bid on the price, but merely elects whether or not to purchase the good or service.
- **Dyn@mic Seller™** is offered on the basis of monthly hosting fees, typically with some form of revenue sharing arrangements. Service fees are charged separately.

Dyn@mic Seller™ customers include: GE Capital (USA), ShopNBC (USA) and Irish Permanent Finance (Ireland).

Strategic Sourcing	Enterprise Asset Management		Strategic Selling
 <ul style="list-style-type: none"> • Automated RFQs • Reverse auctions • Tenders • Sealed bids 	 <ul style="list-style-type: none"> • On-line orders • Integration to marketplaces 	 <ul style="list-style-type: none"> • Materials management • Asset tracking • Maintenance • Logistics 	 <ul style="list-style-type: none"> • On-line disposition of surplus assets

Source: ADB Systems

Related Services

In connection with the Company's software offerings, ADB Systems also provide the following services to its customers:

Consulting - A significant number of the Company's customers request advice regarding their business and technical processes, often in conjunction with a scoping exercise conducted both before and after the execution of a contract. This input can include comments with respect to the customer's sourcing or procurement processes, assisting in the development of technical specifications, and recommendations regarding internal workflow exercises.

Customization and Implementation - Based generally upon the up-front scoping exercise, ADB Systems is able to customize its solutions as required to meet the customer's particular needs. This process can take as little as a few days, or as long as many months, depending on the degree of customization, the resources applied by the customer and the customer's business requirements. ADB works closely with customers to ensure features and functionality meet their expectations.

Training - Upon completion of implementation (and often during implementation), ADB trains customer personnel to utilize the Solutions through the Company's administrative tools. Training can be conducted one-on-one or in groups. ADB also conducts "train the trainer" sessions.

Maintenance and Support - ADB Systems provides software upgrades and ongoing support to its growing list of customers.

TARGET MARKETS

ADB's customers are typically asset-intensive organizations with complex manufacturing processes. The Company's complete product offering allows these organizations to eliminate costly production downtime, improve operational performance, and get increased value from their assets.

ADB's Enterprise Asset Management solutions are ideally suited for customers in the following sectors:

- Oil and Gas
- Energy (utilities)
- Food Processing

ADB also works with both public and private sector organizations that have complex or cumbersome procurement activities. The company's solutions allow these organizations to streamline procurement and sourcing processes while reducing purchasing costs.

ADB's sourcing and procurement solutions are currently being used by organizations in each of the following industry verticals:

- Insurance
- Government
- Healthcare

Building on the Bid.Com foundation, ADB Systems also works well with organizations wanting to reduce the cost of selling surplus assets and getting maximum yield. The company's web-based sell-side solutions are currently being used by organizations to sell off-lease assets, heavy machinery, and industrial products.

CUSTOMERS

As mentioned, ADB Systems provides solutions to customers across a wide variety of industries, including: oil and gas, public authorities, automotive, and transportation.

The following is a representative list of some of the customers for whom ADB has implemented its technology solutions:

<u>Customer</u>	<u>Solution(s)</u>	<u>Industry Segment</u>	<u>Geographic Location</u>
BP	ProcureMate, WorkMate	Oil & Gas	N orway
Forest Oil	WorkMate	Oil & Gas	N orway
Hordaland FK	ProcureMate	Public Authority	Norway
GE Capital CEF	Dyn@mic Seller	Leasing (Financial Heavy Equipment)	US
Skermans	Dyn@mic Seller	Manufacturing (Packaging Machinery)	UK
Vesta	ProcureMate, Dyn@mic Buyer	Insurance	Norway
Irish Permanent Finance	Dy@mic Seller	Leasing (Automotive)	Ireland
ShopNBC.com	Dyn@mic Seller	Retail	US

Source: ADB Systems

SALES & MARKETING

ADB Systems markets its services primarily through its direct sales force. The company's sales organization is regional, with personnel located in its principal offices in Toronto, Dublin, and Stavanger, Norway.

The company's marketing efforts are focused on targeted marketing campaigns, rather than broad based "awareness" programs. Potential customers are identified through direct contact, responses to request for information, attendance at trade shows, and industry contacts. ADB Systems principally focus on trade show participation, seminar series for specific industries or professionals, and outgoing lead generation.

The company uses reference customers to assist in its marketing efforts, both through direct contact with potential customers and through site branding and case studies. The company also relies on its alliance partners to assist in its marketing efforts.

FINANCIAL PERFORMANCE & RECENT DEVELOPMENTS

ADB's revenue declined to \$4.455 million for the year ended December 31, 2001 from \$12.497 million for the year ended December 31, 2000, representing a decline of 64.4%. The decline in revenue resulted from the company's exit from on-line retail operations in 2000.

Revenue outside North America was \$1.634 million for the year ended December 31, 2001, compared to \$86,000 for the year ended December 31, 2000, representing an increase of 1,800%. Sales penetration of the company's Ireland and UK operations as well as the acquisition of ADB Systemer contributed to the significant increase in revenue outside North America.

With the acquisition of ADB Systemer, the company anticipates that revenue outside North America will account for the majority of revenue in 2002, with reliance on European clients, particularly Norwegian, lessening over time.

ADB Systems recently announced financial results for its first quarter ended March 31, 2002, the first full quarter operating as ADB Systems. Gross revenue for the quarter was \$1.49 million representing a 28% increase over the \$1.17 million achieved in the fourth quarter of 2001. Revenue was comprised of software license sales, service fees for software implementation, application hosting, support and training, and transaction fees from on-line activities performed for customers.

Net loss for the period was \$2.27 million or \$(0.06) per basic share. This represents a sequential improvement of 81% over Q4, 2001 when the company posted a \$12.20 million net loss or \$(0.32) per basic share.

As of March 31, 2002, the company held cash and marketable securities totaling \$2.61 million. The company added to that balance with a \$1.1 million private equity placement in April, 2002, and management expects that current levels will sustain the company's operations through to the end of 2002.

Not only was the first quarter of 2002 a financial success, but the company also reported a number of significant operating achievements, including:

- Signing an agreement with Halliburton Productos, the Brazilian affiliate of Halliburton, to provide materials management and logistics capabilities
- Extending its agreement with DBI Logistics and integrating sourcing capabilities to the customer's on-line transportation marketplace
- Expanding its sales and marketing personnel in north America to support increased sales opportunities
- Announcing the availability of **Dyn@mic Buyer™ 2.0**, an enhanced version of the company's flagship sourcing solution.

Management has guided the Street saying that ".....we believe that ADB will achieve a sequential revenue increase of 10 to 20 percent in the second quarter of 2002. When coupled with ongoing cost-containment activities that continue to reduce our cash burn rate, we believe that the trend towards profitability is sustainable and realistic."

2001 Operating and Financial Highlights

- Acquired ADB Systemer, a leading provider of enterprise asset management (EAM) solutions
- Changed name to ADB Systems to distinguish broader technology footprint
- Signed several agreements with a number of customers from the oil & gas, public, transportation, financial services, and food sectors
- Improved earnings per share (EPS) by 17% over 2000
- Reduced operating expenses by 57% over 2000
- Improved operating loss per share performance by 53% over 2000
- Formed strategic alliances with Eloqua and BankServe
- Realized \$2.6 million from the sale of the company's interest in Point2 Internet Systems Inc.
- Completed two organizational restructurings resulting in considerably reduce operating expenses
- Successfully completed the development of a business-to-business on-line global asset management marketplace for GE Capital Commercial Equipment Finance (CEF)
- Increased revenue in the fourth quarter by 100% over the third quarter 2001.

REVENUE MODEL

ADB's revenue is generated through a blended approach that encompasses traditional software sales and application service provider (ASP) models as well as related services from consulting, implementation, application hosting, training, maintenance and support activities. The appropriate model is determined based on specific customer requirements.

For licensed offerings the company generally collects a license fee based on number of users, service fees for implementation and training, and support and maintenance fees. For hosted offerings, the company generally collects an up-front implementation fee, monthly hosting fee, and a share of revenue or transaction volumes.

<u>Software License Model</u>	<u>ASP Model</u>
* Sales of Software installed on customer premises	* Monthly fees from applications hosted from ADB's facilities
* Software implementation and consulting services	* Implementation and consulting services
* Training Services	* Transaction fees for services provided to customers
* On-going maintenance and support	

Source: ADB Systems

MANAGEMENT

Jeff Lymburner - Chief Executive Officer

Mr. Lymburner co-founded Bid.Com in 1995 and served as President and CEO. The Company was renamed ADB Systems International October, 2001. Prior to the founding of Bid.Com, Mr. Lymburner was President, from 1990

to 1995, of Completely Mobile Inc., a company that he started and grew to five high profile retail outlets. In the 1980s, Mr. Lymburner held senior management positions with responsibilities for advertising, purchasing, store management, sales management and strategic planning for Multitech Warehouse Direct, a national consumer electronics retail chain. Mr. Lymburner helped build this retail chain from the start-up level to approximately 50 stores and annual revenues in excess of \$100 million. Mr. Lymburner began his professional career as a Systems Engineer with IBM in 1978.

Mark Wallace - President

As President, Mr. Wallace is responsible for the overall business development, management, and operations of ADB Systems International. Previously, Mr. Wallace was Chief Operating Officer of Bid.Com. Prior to joining Bid.Com, Mr. Wallace was Vice President, General Counsel & Corporate Secretary, and a member of the executive management of AT&T Canada Corp., a global telecommunications service provider. During his eight year tenure with AT&T Canada, the company introduced competition into the Canadian long-distance telecommunications industry, and increased its revenues from \$400 million to \$1.3 billion.

Jan Edvin Pedersen - President ADB Systems, European Operations

Mr. Pedersen founded ADB Systemer in 1988 and served as its president and CEO. He is currently responsible for ADB Systems International's European operations. He has a broad software experience with clients such as Saga Petroleum, Statoil, BP Norway, Elf Petroleum and the Norwegian Petroleum Directorate. He holds a Master Science degree in Civil Engineering, the technical university in Trondheim, Norway.

James Moskos - President ADB Technologies Group

Mr. Moskos has spent more than 15 years in the management, development, delivery and deployment of large scale, mission-critical, information technology solutions for a wide array of clients. This includes recent and specific experience in the development and delivery of client/server and Inter/Intranet applications for a department with a staff of over 3,000 employees and a budget of \$4 billion dollars. Previously, Mr. Moskos held the position of Senior Technology Manager for the Department of Indian Affairs and Northern Development. In this role, he was responsible for setting the technical direction for all aspects of application development. In addition, he was responsible for reviewing emerging technologies and effectively positioning the Department to take advantage of leading edge advancements. Mr. Moskos was also responsible for delivery of a portfolio of mission critical applications to a diverse clientele. Mr. Moskos was a recipient of the 1996 and 1998 Canadian Information Productivity Award from Canadian Business Magazine, the 1995 Smithsonian Innovator Award for Information Technology, the 1995 Government Technology Achievement Award and is a two-time recipient of the Deputy Minister's Outstanding Achievement Award.

Aidan Rowsome - Vice President Global Sales

Aidan Rowsome has been with ADB since August 1999 when he joined as Managing Director, Europe, responsible for the company's expansion into the rapidly growing European marketplace. He brings a wealth of technical and general management expertise to ADB, having previously been Chief Operations Officer at Nua Internet Consultancy, responsible for all project operations. Prior to Nua, Mr. Rowsome spent 8 years as General Manager, European Operations for Quarterdeck Corporation, now part of the Symantec Group. During his tenure

Quarterdeck Corp saw revenue in Europe grow from US\$8 million to US\$30 million per annum. Quarterdeck Europe was the first company to release Internet browsers in French, German, Spanish and Italian. He also acted as a consultant and Project Director to the Alberta telco Telus, managing the merger of two of the largest ISPs in Alberta, Canada. Mr. Rowsome holds degrees in Experimental Physics and Mathematics. In his spare time he flies aeroplanes and plays soccer.

John Mackie - Vice President, General Counsel and Corporate Secretary

Mr. Mackie is the principal advisor to the company on all legal and corporate governance matters. Mr. Mackie joined ADB from Imax Corporation, where he was Assistant General Counsel. Prior to his position at Imax, Mr. Mackie was Associate General Counsel of AT&T Canada. Mr. Mackie began his legal career with the law firm of Fraser Milner Casgrain. Mr. Mackie is a member of the Law Society of Upper Canada and is a graduate of the University of Toronto and the University of Western Ontario.

Kjell Sigve Tveit - Product Manager

Mr. Tveit has been with ADB Systems for six years. He has played a key role in the development of WorkMate® during this period. He was promoted to Product Manager in May 1999, and has already taken important steps to ensure coherent product development of both WorkMate® and ProcureMate©. Prior to joining ADB, Mr. Tveit was a systems developer with CAP Gemini.

COMPARABLE ANALYSIS

The market for each solution comprising the company's asset lifecycle management suite of products is intensely competitive. It should also be noted that many of the companies that ADB competes with, currently have much greater financial, technical, research and development resources.

In the market for asset lifecycle management, management believes that only Datastream Systems, Inc. offers as broad a suite of solutions as ADB does. By component solution, however, ADB faces a number of different competitors:

- Sourcing - FreeMarkets, Procuri, B2E Markets, Emptoris, Moai
- Procurement - MRO Software, Ariba, Clarus, Commerce One, Purchase Pro
- EAM - related solutions - MRO Software, Inc., Indus International, Marcam Corporation, Mincom, Inc., Peregrine Systems, and broader ERP solution providers such as SAP, J.D. Edwards, and Oracle
- Sales solutions - Fairmarket, Ariba, Commerce One, Seibel

In addition, many organizations choose to develop their own solutions for certain elements of the asset lifecycle, or use third party exchanges or aggregations sites, such as eBay, FreeMarkets, VerticalNet or industry-specific exchanges such as Covisint.

In order to remain competitive, ADB will need to make continued investments in product development and improve its market visibility and financial situation.

The following table summarizes the vital statistics for a selection of key players that we will call ADB System's peer group. Specific comparison is made to ADB Systems current financial condition:

Company	Symbol (NASDAQ)	Recent Price	High	Low	Shares Out. (millions)	Market Cap (millions)	Revenue (Ttm) (millions)	Market Cap/ Revenue	BVPS	P/BVPS
MRO Software	MROI	\$ 11.40	\$ 29.85	\$ 8.43	22.8	\$ 259.92	\$ 182.60	\$ 1.42	\$ 3.12	\$ 3.65
Freemarkets Inc.	FMKT	\$ 14.47	\$ 29.09	\$ 8.90	40.9	\$ 591.82	\$ 160.57	\$ 3.69	\$ 3.30	\$ 4.38
Fairmarket	FAIM	\$ 1.37	\$ 1.72	\$ 0.77	29.2	\$ 40.00	\$ 7.67	\$ 5.22	\$ 2.10	\$ 0.65
Clarus Corp.	CLRS	\$ 5.24	\$ 8.91	\$ 3.10	15.6	\$ 81.74	\$ 16.37	\$ 4.99	\$ 5.06	\$ 1.04
Ariba	ARBA	\$ 2.82	\$ 7.81	\$ 1.42	258.8	\$ 729.82	\$ 260.40	\$ 2.80	\$ 0.21	\$ 13.43
Datastream Systems Inc.	DSTM	\$ 6.46	\$ 10.11	\$ 2.20	20.2	\$ 130.49	\$ 86.59	\$ 1.51	\$ 2.41	\$ 2.68
Peer Group Average						\$ 305.63	\$ 119.03	\$ 3.27	\$ 2.70	\$ 4.31
ADB Systems	ADBI	\$ 0.20	\$ 0.50	\$ 0.17	41.1	\$ 8.22	\$ 2.96	\$ 2.78	\$ 0.20	\$ 1.00

Source: *Mundus Estimates*

VALUATION & INVESTMENT SUMMARY

ADB Systems has clearly taken the time to carefully plan its market strategy for the future. With the acquisition of ADB Systemer late last year, the combined company has expanded its technology footprint, and has positioned itself with the potential of becoming a major player as a key provider of Enterprise Asset Management solutions.

The Company has realized substantial financial gains and operational achievements during the past few quarters. With an improving global economy, costs under tight control, and a growing customer base, ADB Systems is expected to see strong incremental revenue gains in the coming months. Although management's ultimate goal is to accelerate the company's path to profitability, we cannot say with any level of certainty when that might happen. Management has typically guided only one quarter out, and this is understandable given the unpredictability of the market and associated IT spending patterns.

Given all of these factors, we have undertaken a valuation of ADB Systems using both a peer group comparable analysis and a Discounted Cash Flow Analysis (DCF).

Peer Group Analysis

We have conducted a fairly extensive peer group analysis which shows that ADB is relatively undervalued when compared to some of the other players in the Enterprise Asset Management sector. Some of the companies are larger on a market capitalization basis, but none currently have positive earnings. We have therefore chosen to base our comparison using both a Price/Book and Market Cap/Revenue valuation. As you can see, ADB's current P/B multiple is significantly lower than the industry average. A low P/B multiple could very well mean that the company is currently being undervalued by the market. Price/Sales, otherwise calculated as Market Cap/Revenue proves also to be a useful metric in our analysis. This measure is a good alternative when companies currently have no positive earnings to report. As you can see, ADB Systems once again has a ratio that is lower than the industry average.

As is usually the case, it is difficult to compare with precision, given the disparity between company size, and the fact that earnings history is limited or non-existent at this stage. Based on our estimates, however, this peer comparison suggests to us that ADB Systems could trade at a Market Cap/Revenue multiple of up to 5.22x. If we discount this slightly and apply the industry average multiple of 3.27x to our 2002 estimates, this translates into a 12-month price target of approximately US\$0.63, or Cdn\$0.97 (using an exchange rate of 1.5398).

Discounted Cash Flow Analysis

In our discounted cash flow model, we have used a discount rate of 20% and a terminal value of 8x 2010 EBITDA. Discounting the expected future cash flows to the firm gives us an estimated target price of Cdn\$0.96, which is right in line with our comparable analysis above. We have chosen to value ADB Systems using both a peer group comparison and a DCF analysis because we feel that together, these two methodologies most accurately portray the future opportunity for investors.

Value of Free Cash Flows (millions of \$)		2005	2006	2007	2008	2009	2010
Free Cash Flow		2.6	3.0	4.7	5.9	6.5	8.4
PV of FCF		1.3	1.2	1.6	1.6	1.5	1.6
Discount Rate	20%						
Terminal Value (millions of \$)							
Terminal EBITDA							19.7
EBITDA Multiple							8.0x
Terminal Value							157.6
PV of Terminal Value							30.5

	FYE
Equity Value Per Share	2002
PV of FCF	8.8
PV of Terminal Value	30.5
	<u>39.4</u>
Est. Value Per Share	0.96

Source: Mundus Estimates

RISKS

The following is a summary of certain risks and uncertainties which the company may face during the regular course of its business:

- The company will need to access additional capital, and if unable to do so when required, the company may be forced to significantly curtail, or cease operations completely
- The company is not currently profitable, and may never be profitable
- The company has a limited operating history in its current business as a combined entity thus making it difficult to accurately evaluate its business model
- Longer sales cycles may adversely affect cash flows

- Potential fluctuation in financial results make financial forecasting difficult
- The company's stock price has fluctuated substantially and may continue to do so
- The markets within which ADB operates are highly competitive

Clearly there are a number of risks that could impact on ADB System's commercial and revenue objectives, and investors should be aware. As with many other small cap technology companies the associated risk for investment is relatively high. Only those investors with above average risk tolerance should consider ADB Systems for investment purposes.

RECOMMENDATION

Stock prices of Internet / Web-based companies have retracted severely over the past couple of years. Harsh economic conditions, changing attitudes towards the "dot-com" industry, uncertainty over global security, and a bear market, with its distaste for speculative technology stocks, have all contributed to the broad sector retraction.

However, we believe that the financial performance and corporate developments at ADB Systems over the past several months are worthy of immediate investor attention. We expect that the global economy will continue to show signs of improvement over the next 12 months, and we anticipate that the Company will continue to show incremental financial gains. With that in mind, and considering all of the factors discussed above, complemented by our comparable analysis, and discounted cash flow analysis, we believe that the shares of ADB Systems offer excellent risk-return characteristics and are suitable for those investors with above-average risk tolerance.

Therefore, we initiate coverage of ADB Systems International Inc. with a SPECULATIVE BUY rating, and a 12-month price objective of Cdn\$0.95 per share. This represents growth of 265% from current stock price levels.

FINANCIAL FORECAST

As discussed, during 2001, ADB Systems implemented several cost cutting exercises that delivered improved financial and operating results in what was considered to be a very challenging economic climate. Similar management strategies will be continued throughout 2002 with a focus on increased revenue generation and prudent cost monitoring.

ADB will continue to strive for increased revenue generation through customer acquisition in the vertical markets that are capital asset intensive, and require complex manufacturing processes. Through sound management and increased revenue generation, ADB Systems is expected to stay on track towards its profitability goal.

Management has guided for a 10-20% sequential increase in top line revenues given the size of its current sales pipeline, and signs of increased customer demand. We expect that as the economic environment continues to improve in the coming months, ADB Systems will experience parallel improvements.

The following table is an excerpt from our forecasted financial model for ADB Systems:

	For the Quarter ended				For the Year ended	
	31-Mar 2002A	30-Jun 2002E	Sept. 30 2002E	Dec. 31 2002E	Dec. 31 2002E	Dec. 31 2003E
Net Revenue	\$ 1,487,000	\$ 1,784,000	\$ 2,141,000	\$ 2,570,000	\$ 7,982,000	\$16,552,000
Net Income / (Loss)	\$(2,267,000)	\$(2,157,000)	\$(1,998,000)	\$(1,776,000)	\$(8,198,000)	\$(3,115,000)
EPS / (LPS)	\$ (0.06)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.19)	\$ (0.07)

Source: Mundus Estimates

As you can see, we expect to see incremental revenue gains for the remainder of 2002, with significant growth continuing into fiscal 2003 and beyond, as corporate profitability and IT spending patterns continue to trend upwards. Furthermore, our financial model indicates that ADB systems could have its first breakeven quarter as early as Q4, 2003.

Consolidated Balance Sheets
 Years ended December 31
 (thousands of Canadian dollars)

	2000	2001
<u>ASSETS</u>		
Current Assets		
Cash	\$ 7,363	\$ 2,557
Marketable securities	8,124	1,658
Accounts receivable	701	1,288
Deposits and prepaid expenses	1,180	131
	17,368	5,634
Capital Assets		
Strategic Investments	1,760	1,332
Capitalized Software	1,176	173
Acquired Agreements	473	202
Acquired Software	-	149
Trademarks & Intellectual Property	-	3,102
	24	-
TOTAL ASSETS	\$ 20,801	\$ 10,592
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	1,213	841
Accrued Liabilities	807	813
Current portion of capital lease obligation	66	42
Current portion of deferred revenue	1,611	823
	3,697	2,519
Deferred Revenue	1,185	33
Capital Lease Obligation	59	18
	4,941	2,570
Minority Interests	-	8
Commitments and Contingencies	-	-
<u>SHAREHOLDERS' EQUITY</u>		
Share capital	83,724	93,568
Warrants	1,005	1,349
Stock options	-	691
Foreign currency translation	-	(11)
Deficit	(68,869)	(87,583)
	15,860	8,014
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 20,801	\$ 10,592

Consolidated Statement of Operations & Deficit
 Years ended December 31
 (thousands of Canadian dollars)

	2000	2001
Revenue	\$ 12,497	\$ 4,455
Less: Customer acquisition costs	(157)	(60)
Net revenue	12,340	4,395
General & administrative	16,236	7,622
Sales & marketing	3,161	4,040
Software development & technology	1,802	3,691
Depreciation & amortization	1,130	1,572
Direct expenses	11,460	-
Advertising & promotion	5,040	-
Interest income	(467)	(345)
	38,362	16,580
Loss before the undernoted	(26,022)	(12,185)
Realized gains and losses on disposal of marketable securities & strategic investments and recovery of assets	20,946	6,722
Unrealized gains and losses on revaluation of of marketable securities & strategic investments and provision for impairment of assets	(11,697)	(2,435)
Restructuring charges	-	(959)
Goodwill impairment	(3,593)	(9,476)
Retail activities settlement	-	(381)
	5,656	(6,529)
Net loss for the year	\$ (20,366)	\$ (18,714)
Loss per share	\$ (0.76)	\$ (0.64)
Deficit, beginning of year	(48,503)	(68,869)
Net loss for the year	(20,366)	(18,714)
Deficit, end of year	(68,869)	(87,583)

Consolidate Statements of Cash Flows
 Years ended December 31
 (thousands of Canadian dollars)

	2000	2001
<u>Operating Activities</u>		
Net loss for the year	\$ (20,366)	\$ (18,714)
Items not affecting cash		
Depreciation and amortization	1,130	1,572
Non cash customer acquisition costs	1,005	60
Stock compensation to third parties	-	115
Realized gains and losses on disposal of marketable securities and strategic investments, and recovery of assets	(20,946)	(6,722)
Unrealized gains and losses on revaluation of marketable securities and strategic investments, and provision for impairment of assets	11,697	2,435
Goodwill impairment	3,593	9,476
	(23,887)	(11,778)
Changes in non-cash operating working capital	822	(2,917)
Cash from (used in) operations	(23,065)	(14,695)
<u>Investing Cash Flows</u>		
Capital assets	(1,426)	(317)
Strategic investments	(2,612)	(328)
Capitalized software, trademarks and intellectual property	(590)	(5)
Marketable securities	25,676	10,142
Acquisition of ADB Systemer ASA	-	(2,244)
Proceeds from disposal of joint venture and strategic investments	-	2,706
Cash from (used in) investing	21,048	9,954
<u>Financing Cash Flows</u>		
Issuance of common shares	4,236	-
Capital lease obligation	148	-
Repayment of capital lease	(23)	(65)
Special warrants receivable	-	-
Cash from (used in) financing	4,361	(65)
Net Cash inflow (outflow)	2,344	(4,806)
Cash, beginning of period	5,019	7,363
Cash, end of period	\$ 7,363	\$ 2,557

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Mundus Investment Rating System:

Strong Buy:	The company's stock price appears to be substantially undervalued relative to its future growth potential. Financial risk is considered to be relatively low.
Buy:	The company's stock price appears to be undervalued given certain evaluating criteria. Financial risk is considered to be medium to high.
Speculative Buy:	The company's stock price is at such a level that significant potential gains may be achieved although financial risk is currently considered to be fairly high.
Hold:	The market appears to be fairly pricing the company's shares at the present time, but future events may change the characteristics of the valuation.
Sell:	The company's stock price is currently perceived to be overvalued.

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