

# Concord's Second Quarter Revenue and Earnings Increase

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Thursday, 17 July 2003

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Acquisition of netViz and license of Tavve source code to enrich eHealth Suite

Concord Communications, Inc. (NASDAQ: CCRD), an industry leader in optimising application performance and availability across networks and systems, today announced its financial results for the second quarter ended June 30, 2003. Revenue increased to \$25.6 million, up from \$24.1 million in the first quarter of 2003. Pro forma earnings per share were \$0.06, up 2 cents from pro forma earnings per share of \$.04 in the first quarter of 2003. GAAP earnings per share were \$0.07.

In addition to reporting positive earnings growth, Concord also signed an agreement to acquire netViz Corporation, a profitable software provider. netViz software enables users to visualise business processes and allows them to map relationships within the supporting technology infrastructure through data-driven icons.

Concord also announced that it has licensed source-code from Tavve Software. This technology will provide eHealth Suite users with discovery of Layer 2 and 3 network topology, root cause analysis and downstream alarm suppression.

"In addition to executing strongly last quarter, we are acquiring powerful and unique technologies," explained Jack Blaeser, Concord's CEO and president. "We will combine netViz's data-driven visualisation and advanced root cause technology with Concord's rich integrated IT management solution to enable application service optimisation. Customers will be able to visualise and take action on the dependencies between business processes, application services and network and system infrastructures, allowing them to Measure IT, Map IT and Manage IT."

More detail on these transactions is available in a simultaneous press release.

Cash, DSO and Other Metrics Continued to Improve

- Cash grew \$4 million to \$80.9 million.
- Deferred revenue increased to \$27.7 million, up from \$25.7 million in the prior quarter.
- Gross margin was 81.5%, net margin was 4.7%.
- DSO was 65 days, down from 70 days in Q1.
- Average deal size for new customers increased to \$130,000 from \$124,000 in Q1 as these customers chose the eHealth Suite to manage larger IT infrastructures.
- Number of deals over \$100,000 stayed consistent at 36.

Market Segment Mix Returned to Historical Averages

- 52% of revenue came from enterprise customers like Commerce Insurance and Royal Bank Financial Group. This mix was up 18 points from the previous quarter.
- 32% of revenue came from managed service provider customers. These customers included Telecom Italia and Radianz. 16% of revenue came from carrier infrastructure customers including Echostar and Comcast. Combined, these two groups provided 48% of revenue.
- International was 44% of revenue. Customers include UAE Air Force, GE Finance and Siemens Power

Generation.

#### Existing Customers Expanded Use of the eHealth Suite

•81% of quarterly revenues were generated from installed base from customers like BT Global Services and Verizon Wireless. Of the revenue from existing customers, 42% was from existing customers expanding deployment of their existing Concord products across a larger portion of their IT infrastructure and 58% was from customers expanding toward an end-to-end solution by purchasing new applications in the eHealth Suite.

•19% of quarterly revenues came from 38 new customers. New customers included DHL, The United States Joint Chiefs of Staff and Neustar.

#### Guidance Established

Concord is establishing guidance for Q3 between \$26.5 – \$27.0 million in revenue, and pro forma earnings per share between \$0.06 and \$0.07.

#### About Concord Communications

Concord Communications, Inc. (Nasdaq: CCRD) is an industry leader in optimising application performance and availability across networks and systems. Concord's almost 3000 customers worldwide use the eHealth Suite as the software solution to manage their IT infrastructure to drive profitable business operations, reduce costs, and increase competitive positioning.

Concord is headquartered in Marlboro, Mass. For more information on Concord, call 1-800-851-8725 or visit Concord on the Web at [www.concord.com](http://www.concord.com). Concord Communications, Inc., the Concord logo and eHealth are trademarks of Concord Communications, Inc. All other trademarks are the property of their respective owners.

#### Safe Harbor

Forward-looking statements made in this press release, including forward-looking statements regarding the incorporation of acquired technology and revenue and profit expectations, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements involve risks and uncertainties, and actual results could differ materially from the forward-looking statements contained herein. Risks and uncertainties include, without limitation, the magnitude and duration of the current domestic financial crisis and economic slowdown and specifically their impact on the software, networking and telecommunications industries; our customers' ability to obtain funding, specifically in light of the aforementioned financial and economic climate, and the resulting potential delay of customer purchasing decisions; risks of continued operating losses; the ability to attract and retain quality professional employees; uncertainties involving intellectual property rights and litigation; litigation in general; risks in technology development and commercialisation; risks in product development and market acceptance of and demand for the Company's products; risks associated with competition and competitive pricing pressures; risks associated with international sales, including foreign currency risks; and other risks detailed in the Company's filings with the Securities and Exchange Commission, including but not limited to, the Company's annual report on Form 10-K and quarterly reports on Form 10-Q. Any forward-looking statements should be considered in light of all these factors. The information contained in this press release is applicable only today and should thereafter be considered historical and will no longer constitute the Company's current expectations. The Company undertakes no obligation to update information contained in this press release.

The information in this press release is posted at [www.concord.com](http://www.concord.com).

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