INSTITUTIONAL RESEARCH

BroadVision, Inc. (Nasdaq: BVSN; Neuer Markt: BDN)

**Initiating Coverage: BUY**   **May 27, 2000**

KEY CONSIDERATIONS

- After its recent quarterly report reflecting a continuing pattern of profit, BroadVision common stock jumped in price from around $32/share to over $50/share.
  BroadVision is one of few technology based companies that manages successful expansion while concurrently showing profits.

- Rapid international expansion, including new BroadVision offices in China, indicates strong future growth potential in countries where e-commerce is just beginning to explode.

- Strong alliances, acquisitions, and mergers with other technology based companies, such as Interleaf and Sun Microsystems, keep BroadVision's licensing and R & D costs low and enable it to maintain its position as the technology leader in personalization e-commerce software.

Recent Price	$35 13/16
52WK Low	$5.26
52WK High	$ 93.29
P/E	N/A
P/Book	26.44
P/Sales	65.62
Market Capitalization	$9.65 B
Shares Outstanding	249.9 M
Float	152.4 M
Daily Volume	N/A
(3-month Average)	
EPS	
1998E	$0.02
1999E	$0.08
2000E	$0.12
Total Debt to Equity	0.02
Total Cash	$370.5 M

ONE YEAR PRICE TO VOLUME GRAPH

Broadvision Inc
as of 30-May-2000

COMPANY PROFILE
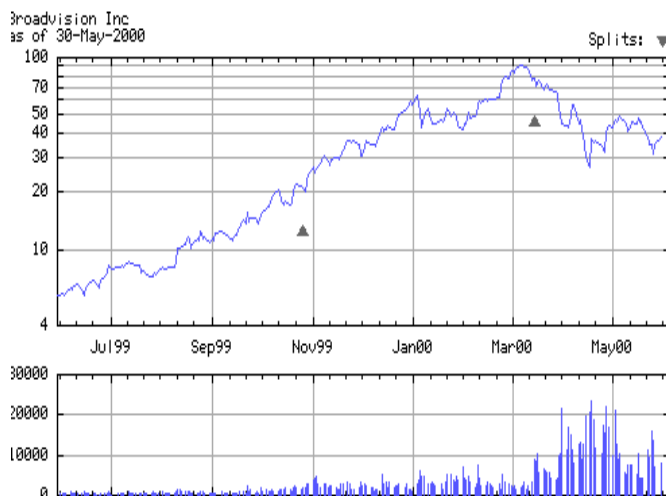
BroadVision develops, markets, and supports fully integrated scalable personalization software solutions specifically designed for one-to-one relationship management across the Internet. These total end-to-end solutions enable businesses to use the Internet as a unique platform to conduct electronic commerce, provide online financial services, offer online interactive customer self-service, and deliver targeted information to all constituents including customers, suppliers, partners, distributors, and employees. Headquartered in Redwood City, California, BroadVision currently licenses its software to over 335 clients, 115 partners, and used in over 200 active websites in 25 countries around the world.

This report was prepared by Erin Roche, M.S., and David Rivas, PhD.

THE COMPANY

BroadVision develops, markets and supports fully integratable, scalable application software solutions specifically designed for one-to-one relationship management across the extended enterprise. These total end-to-end solutions enable businesses to use the Internet as a unique platform to conduct electronic commerce, provide online financial services, offer online interactive customer self-service, and deliver targeted information to all constituents of the extended enterprise. Users include but are not limited to customers, suppliers, distributors, partners, and employees.

The BroadVision One-To-One product suite allows businesses to tailor their Web site content to the special needs and interests of individual users by personalizing each constituent's visit on a real-time interactive basis. They accomplish this by capturing Web site visitor profile information and targeting an enterprise's organized content to each visitor based on easily constructed business rules. The benefits of these applications include greater customer satisfaction and loyalty, increased business volume, enhanced brand awareness, reduced costs to service customers, efficient transactions, as well as higher employee productivity.

BroadVision's revenues are derived from software licensing fees and fees charged for its services. With headquarters located in Redwood City, California, BroadVision sells its products and services in 35 cities and 23 countries worldwide through direct sales forces, independent distributors, resellers and system integrators. Its clientele include some of the largest Fortune 500 retailers domestically (Wal-Mart, Sears Roebuck & Co., Home Depot, Circuit City), as well as international clients (banks, online retailers, travel and leisure companies, and "dot coms"). Newly established clients include Boeing and, Bio-Rad Laboratories, and idmarket.com (May 2000).

BroadVision engages in strategic business alliances to assist with its marketing, selling, and development of customer applications, such as its recent partnership with WPP Group and Deloitte Consulting in the creation of "Roundarch." Using the individual strengths of the three (marketing, strategy, and technology), Roundarch will mainstream efforts, reduce costs, and increase clientele number and satisfaction in the Business-to-Business, and Business-to-Consumer niche.

In addition, BroadVision places a strategic emphasis on technology alliances, as observed through it's recent acquisition of Interleaf, Inc. and partnership with Sun Microsystems, to ensure that its products are based on industry standards and that it is positioned to take advantage of current and emerging technologies. The benefits of this approach include enabling the company to focus on its core competencies while reducing time to market and simplifying the task of designing and developing applications for itself and its customers.

INDUSTRY OUTLOOK AND COMPETITION

Known as "e-commerce," the buying and selling of goods and services on the Internet represents a relatively new and highly profitable venue for businesses. As the Internet continues to grow at an exponential rate non-Internet based businesses are being forced to advance into this technological realm in order to simply maintain their previously solid market shares (i.e. barnesandnoble.com vs. amazon.com). New businesses are also finding it easier to break into formerly monopolized markets by filling a niche that provides faster, more convenient service; this can be observed by the e-commerce "dot com" revolution.

Between older businesses seeking to maintain their market share status, and new business looking for rapid growth, e-commerce is arguably the most rapidly growing technology based service. E-commerce is projected to increase from $32 billion in 1998 to $426 billion in 2002 (International Data Corporation).

BroadVision, one of the largest providers of application software that enables and protects e-commerce transactions, currently holds about 24% of the e-commerce software application market share. Its main competitors include other B2B and B2C software application providers such as Ariba (NASDAQ: ARBA), InterWorld (NASDAQ: INTW), Vignette (NASDAQ: VIGN), and Open Market (NASDAQ: OMKT) , as well as other e-commerce companies that offer more comprehensive internet strategy consulting and software development options than does BroadVision.

Company Name	*Reputation (based on customer #)*	*Worldwide Accessibility (based on international sales)*	*Cost*	*Variety & number of products*	*Quality of Technology (ease of use, time to deployment)*
BVSN	*High*	*High*	*Low (accessible to businesses of all sizes)*	*High*	*Highest*
ARBA	*Low*	*Above Average*	*Highest (accessible only to large companies)*	*Lowest*	*High*
VIGN	*Lowest*	*Low*	*Very Low (most accessible)*	*High*	*High*
INTW	*Low*	*Low*	*Low (accessible)*	*High (includes wireless products)*	*High*
OMKT	*Above Average*	*Highest*	*Average*	*Highest (includes wireless products)*	*Above Average*

Consulting and strategy based competitors offer their clients the added benefit of easier system integration through individual design and consulting. Attempting to offer the same ease of integration while keeping costs lower than its competitors, BroadVision began forming strong partnerships with companies that focused on Internet consulting and strategy (such as WPP and Deloitte Consulting in the creation of Roundarch).   It now has over 200 partner firms around the world who ensure customer satisfaction through complementary technology, applications, tools and services that can be used to extend and enhance BroadVision software.

BroadVision also makes its One-to-One software easier to integrate by utilizing the most current technology from companies that it acquires, such as Interleaf, Inc. Forming strong alliances and acquiring companies like Interleaf, lowers BroadVision's own costs in licensing the technology from other companies that is incorporated in its software. Lowered costs are transmitted to the client, making BroadVision's software financially accessible to a broad range of companies, including smaller scale companies and start ups, especially "dot coms," which represent a large percent of new online businesses.

Utilizing the newest technology available also shortens the time to market for BroadVision clients. For example, BroadVision's recent announcement that it will be using STC's e*Gate (TM) technology to speed up integration between front end (Web) and back end (SAP) software, shortening the time a company can get to market from months to weeks.

PRODUCTS AND SERVICES

BroadVision Software Applications

BroadVision offers a suite of five personalized e-business applications focused on empowering business-to business and business-to-consumer companies to build relationships and sell online. All BroadVision applications are built on top of BroadVision One-To-One Enterprise and use open standards such as CORBA, Java, XML, and Javascript.

- **BroadVision One-To-One Enterprise** provides a secure and flexible, standards-based architecture that supports large volume transactions, large scale catalogs, distributed content management, enterprise system integration, and dynamic personalization.

- **BroadVision One-To-One Retail Commerce** is a highly scalable, retail-focused applications used by Fortune 500 retailers such as Sears Roebuck, The Home Depot, and by "dot coms" such as Mercata and Pets.com. It has strong and comprehensive packaged functionality such as a shopping cart, shopping list, search, custom pricing, incentives, advertising, communities, targeted marketing through the Web, e-mail and wireless content distribution, tax calculation, payment integration and more. It allows dot com and traditional retailers to target anonymous users on their first visit to increase the ratio of those who visit a site to those who purchase from a site, and it enables targeted promotions designed to increase "share" of customer.

- **BroadVision One-To-One Business Commerce** facilitates online trade between business partners whether they are merchants, resellers, distributors, or manufacturers. Features such as quotes, search, persistent requisition, contract pricing, and purchasing list allow businesses to automate their channel relationships, reducing order time and errors.

- **BroadVision One-To-One Financial** enables customers of banks, brokerages, mutual fund companies and other financial institutions to perform a complete set of secure transactions within and between accounts.

- **BroadVision One-To-One Knowledge** is an intranet and extranet focused application that allows employees and partners to easily access and share information no matter where they are. A strong, secure infrastructure allows users to see only the content that they are entitled to see.

- **BroadVision One-To-One Billing** brings electronic bill payment and delivery capabilities to e-commerce and marketing Web sites. It enables companies that want to personalize interactions with customers during their ongoing billing cycles to streamline routine billing practices while gaining knowledge of their customers' needs, preferences, and buying activities using the Web.

BroadVision One-To-One Business Tools

BroadVision applications are customized and managed using tools that are licensed separately from their applications. Inherent to the functionality of BroadVision applications are a set of building blocks comprised of customizable components, 10 application templates, and business rules implemented and managed by these tools that are instrumental to rapidly build and easily maintain BroadVision One-To-One applications.

- **BroadVision One-To-One Design Center**. Based on the Macromedia®'s Dreamwearer 2 Web authoring tool, the One-To-One Design Center allows Web authors and Web application developers faster time to market by shortening the development cycle. This tool gives Web authors the ability to use simple point-and-click choices to visually construct a complete, dynamic application without having to write HTML or javaScript.

- **BroadVision One-To-One Command Center** allows business users to change the way users are matched with content through an intuitive point-and-click interface. Business managers can create rules based on profile information, transaction history, session behavior and other data. Rules allow business managers to target users whether they are anonymous or registered, allowing businesses to increase their browse-to-buy ratio.

- **BroadVision One-To-One Publishing Center** allows a distributed and remote team of non-technical content experts to manage most aspects of site content collaboratively, including creating, editing, staging, producing, and archiving website content.

Other Products

BroadVision has also entered into agreements that enable it to resell third-party software products from Bluegill, Interwoven, IONA Technologies, Interleaf, Macromedia, and Verity. These are sublicensed to end users and either incorporated in or sold as options to BroadVision products. (License revenue from these third-party products was insignificant and constituted less than 7% for the year ended December 31, 1999.)

BroadVision Worldwide Professional Services

BroadVision Worldwide Professional Services Organization provides a broad range of consulting services and support for all of its products in the way of application expertise, technical know-how and product knowledge:

- **Strategic Services** provide business strategy and process consulting to assist customers in defining and planning profitable online businesses, while optimally utilizing the functionality of BroadVision products.

- **Interactive Services** provide technical services for development of customized BroadVision One-To-One applications, custom interfaces, data conversions and system integration.

- **Content and Creative Services** provide content management, sourcing, workflow processes and user-interface design. This team combines extensive interactive design and marketing experience to build effective user interfaces.

- **Technical Support Services**. BroadVision uses tiered support programs to serve the needs of its customer base. *Standard Support* provides technical assistance during regular business hours; *Enterprise Support* is designed for customers with mission-critical environments, providing customers with access to support experts 24 hours a day, 7 days a week; *Personalized Support* assigns a specific individual to an account. Technical support centers exist in North America, Europe, and Asia.

- **Education Services** are offered to customers either at BroadVision's education facilities or at the customers' locations, as either standard or customized classes.

- **BroadVision University** provides comprehensive, high-quality training solutions for its clients, partners, and employees worldwide. Courses are delivered through various means and methods, including traditional instructor-led courses as well as various Web-based training mechanisms to facilitate distance learning.

STRATEGY FOR GROWTH & ALLIANCES

BroadVision intends to maintain its strong position and become the standard by which other business-to-business and business-to-consumer e-commerce applications are measured by:

- **Expanding and Leveraging Alliances with Key Business Partners.** Through its "Partnership Program" BroadVision has formed strong alliances with over 200 companies, many of which were previously considered competitors. Partners include leading technology and platform providers like Sun Microsystems, Hewlett-Packard, and Andromedia, as well as strategic consulting companies, such as iXL, Sapient Co., and Sema Group. These alliances provide additional sales and marketing channels for BroadVision products and enable the company to more rapidly incorporate additional functions and platforms into its products which facilitates the successful deployment of customer applications, while keeping costs low. Most recent partners include Andromedia (one of its third party software providers) and Sun Microsystems (a platform provider). BroadVision also creates separate collaborations with other companies. Recent examples of this include Roundarch (a partnership with Deloitte Consulting and WPP), as well as BroadVision's agreement to enter the business-to-employee intranet realm more heavily through a deal with Bank of America. Thus, BroadVision is effectively challenging Ariba's position as the established leader in employee intranet applications.

- **Growing Its International presence.** By capitalizing on the emergence of the Web as a global network, BroadVision has established and continues to add, worldwide distribution capabilities with direct or distributor sales personnel in 35 cities and 23 countries worldwide, most recently adding a large contingency in China.

- **Developing New and Enhancing Existing Targeted Application Solutions.** BroadVision plans to continue to enhance its existing products and to develop new ones by integrating the core industry-leading components into its products and applying the experience gained from each customer engagement to enhance their applications and services. By making their products easily integrated and client friendly they reduce their clients' deployment time and increase productivity, thus creating greater demand for their products.

- **Supporting Diverse Customer Business Models.** BroadVision will offer greater flexibility to customers, allowing them to choose how to deploy its applications. Clients can use their own in-house technical resources or can engage with BroadVision Worldwide Professional Services Organization to assist with implementation.

- **Enhancing Service and Support Infrastructure.** By using BroadVision services, clients will be able to easily build a customized application solution, maximizing the benefits of one-to-one relationship management.

KEY RISK FACTORS

- Technology related industries (especially Internet related) are relatively new and volatile. Valuation based expectations made by analysts have a strong effect on the performance of a company's stock. Analyst valuations can cause negative or positive fluxes in value.
- The success of international expansion largely depends on the economy of the particular country. For example, Asian markets are currently not as strong. Loss can occur in countries with weak economies.
- Expansion may occur faster than revenues allow, causing BroadVision to incur financial loss.
- New Laws or government regulations targeting the Internet could cause restrictions for e-commerce and the use of personalization software, thus, potentially leading to profit loss.
- If BroadVision fails to maintain its position as the technological leader due to more advanced software from competitors losses could occur.
- The failure of technology used in BroadVision's software applications could cause law suits against BroadVision and possibly lead to financial loss.

FINANCIALS

Revenue. BroadVision derives its revenues primarily from the licensing of its B2B and B2C software applications. Net revenue is expected to rise between 15-20% by the end of the fiscal year due to the Company's rapid international sales growth. However, growth will become increasingly dependent on the economies of the countries where expansion is occurring.

Gross Margin. The Gross Margin is expected to remain the same. As the Gross Margin is already incredibly high for a relatively young technology based company it is unlikely to increase. With the ongoing expansion that is predicted it is more likely that it will decrease slightly.

Sales & Marketing Margin. The sales and marketing expenses will increase which may cause a slight decrease in the related margin during this intense period of international sales growth. However, increased sales also will yield an increase in revenue, which may cause this margin to remain unchanged. We expect that it will be several years before the sales and marketing margin to stabilize completely.

General & Administrative Margin. Increased global expansion implies increased general and administrative expenses, however, in the past this margin has remained low and constant regardless of growth. Thus, we expect it will remain the same.

Research & Devleopment Margin. This margin will probably remain close to 10%. Although, BroadVision does actively seek new technological innovations and enhancement for its existing products, it does so largely through its partnerships and acquisitions, which keeps this margin relatively stable.

Net Margin. BroadVision has had a net profit seven out of the last eight quarters, unlike many highly valued internet companies that continue to show negative net revenues. This margin, too, has been relatively stable, and is unlikely to fluctuate greatly during the next year.

VALUATION

| Value Comparison 8/25/99						
	$ Price	*Market Cap. In millions*	*Gross Margin*	*P/S*	*Strengths*	*Weaknesses*
BVSN BroadVision	34.81	8699	73.21	59.15	Profitable, Patented technology Strong alliances & International Sales	High dependence on third party software and partnerships
ARBA Ariba	52.81	455	66.26	4.79	Reputable, Good systems integration	Low variety of products, too expensive for small companies
INTW InterWorld	27.06	5215	60.86	32.50	Patented technology High Variety of products (including wireless)	Low international growth
VIGN Vignette	11.00	311	53.95	5.07	Patented technology Lowest	Reputation is not yet well established
OMKT OpenMarket	9.84	12453	82.78	85.52	Highest Variety of Products & International Sales	No Patents – possibility of proprietary infringement lawsuits

Price to Sales. We believe that BroadVision's high price to sales ratio will continue to hold and is justified; its reputation among e-commerce companies will only continue to grow due to strong strategic alliances and an expanding international presence.

Cash. It is likely that BroadVision will need to sell common stock in order to continue the expansion of its domestic and international presence. If this is the case, it is unlikely that large distributions will be necessary to support expansion; more probably, amounts similar to those sold to support acquisitions and recent growth will be sufficient.

Internet Sector. BroadVision has outperformed the Internet index for more than a year. It has the second highest gross margin of its major competitors, as well as the second highest price to sales ratio. Its largest competitor, Ariba, does not offer BroadVision's product diversity or low cost, causing its software applications to be prohibitively expensive to "dot coms" and small start ups, which are arguably the fastest growing Internet business sector.

BVSN correlated to the Internet Index along with its major competitors.
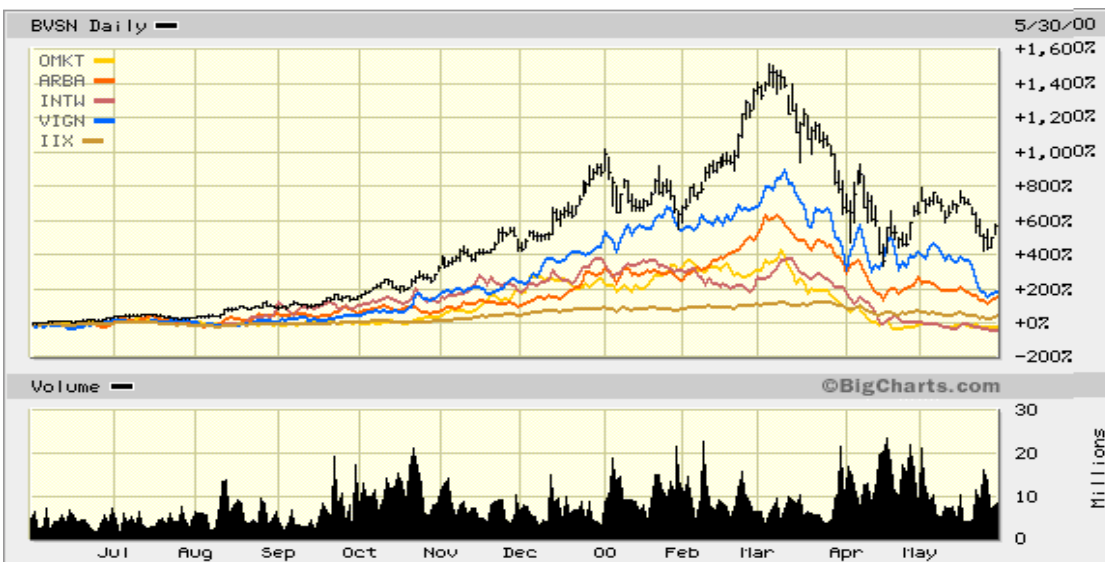
Investment Opinion. We believe that BroadVision is slightly undervalued. BroadVision has positioned itself to become and maintain the position as the leader of e-commerce software solutions. BroadVision's continued success is due to the fact that it recognized and targeted its own possible weaknesses at an early stage of development through the establishment of strong partnerships and alliances. BroadVision also continues to take advantage of the booming international e-commerce market. As long as e-commerce continues to grow exponentially, so too will BroadVision, Inc. Therefore, we believe that the expanding e-commerce market, combined with BroadVision's strong alliances, reputation, and potential for growth, make it an undervalued long and short term investment. We give it a BUY recommendation.

INCOME STATEMENT
(in thousands except per share data)

				1996	1997	1998	1999	1Q00E
Revenues:								
Software licenses				7,464	18,973	36,067	75383	40713
Services				3,418	8,132	14,844	40131	20788
Total Revenues				10,882	27,105	50,911	115514	61501
Cost of Revenues:								
Cost of software licenses				330	1,664	1,001	3703	2064
Cost of services				2,164	4,284	8,704	25108	15673
Total Cost of revenues				2,494	5,948	9,705	28811	17737
Gross Profit				8,388	21,157	41,206	86703	43764
Operating expenses:								
Research and development				4,985	7,392	9,227	14568	5759
Sales and Marketing				12,066	18,413	26,269	48903	25200
General and Administrative				2,034	2,990	3,786	7970	3611
Total operaring expenses				19,085	28,795	39,282	71441	34570
Operating Income (loss)				-10,697	-7,638	1,924	15262	9194
Other income and taxes, net				552	265	2,115	4543	7248
Income (loss) before tax provision				-10,145	-7,373	4,039	19805	16442
Provision for income tax				0	0	0	996	6406
Net income (loss)				-10,145	-7,373	4,039	18,809	10,036
Basic earnings (loss) per share				-0.54	-0.36	0.17	0.08	0.04
Diluted earnings (loss) per share				-0.54	-0.36	0.16	0.07	0.04
Shares used in per share computations:								
Basic				18,815	20,208	23,346	229128	245,495
Diluted				18,815	20,208	25,653	260,712	284,688
Margin Analysis (%age of revenue)								
Gross Margin				77.08%	78.05%	80.49%	75.06%	71.15%
Cost of software licenses				3.03%	6.14%	1.97%	3.21%	3.36%
Cost of services				19.89%	15.81%	17.09%	21.74%	25.48%
Research and development				45.81%	27.27%	18.12%	12.61%	9.36%
Sales and Marketing				110.90%	67.93%	51.60%	42.34%	40.97%
General and Administrative				18.69%	11.03%	7.43%	6.90%	5.87%
Operating Margin				-98.30%	-28.18%	3.77%	13.21%	14.95%
Net Margin				-93.23%	-27.20%	7.93%	16.28%	16.32%
Growth								
Total Revenue				N/A	149.0811	87.82881	126.89	40.6
Gross Profit				N/A	152.2294	94.76296	110.41	34.63
Operating Expense				N/A	50.87765	36.41952	81.87	30.14
Operating Income				N/A	-28.5968	-125.1898	693.24	54.7
Net Income				N/A	-27.3238	-154.781	365.69	24.47
Fully Diluted EPS				N/A	-33.33333	-144.4444	250	-166.67