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StockHouse Columnist

Wireless Software: 'Oversold' Ezenet Goes Wireless and Lands on TSE

Toronto, ONT, August 14 /SHfn/ -- Over a 20-year history, Ezenet's [V.EZE] (T.EZE) financial transaction software has become very popular with Canadian banks and trust companies. They use Ezenet's back-office software to manage savings accounts, RRSPs and process teller functions. These firms also hire Ezenet to securely host their networks and data on servers. In 1995, Ezenet began to design and host clients' e-commerce web sites, complete with online banking applications. Now the company is making a bold leap into the world of mobile commerce, jumping into an area currently occupied by another Canadian wireless firm, 724 Solutions [T.SVN]. Given its new range of products, one portfolio manager says beaten-down EZE is currently "oversold."

"The rumor was never true," CEO Kasra Meshkin says emphatically.



Shares of Ezenet exploded earlier this year, running close to \$40 at one point in March. Rumors of a takeover by 724 Solutions, which originated on message boards, had wildly inflated the stock. "The rumor was never true," CEO Kasra Meshkin says emphatically.

Looking younger than his 33 years in casual clothes and spiky black hair, the MIT graduate is Ezenet's freshly installed top gun. After ten years as Ezenet Corp.'s VP Research and Development, Meshkin has the perspective to chart the company's rise to, and fall from, fortune.

When no buyer appeared for the company, and the market started its infamous tumble, shares plunged. After Friday's close of \$6.35, the stock has come nearly full circle, close to its January levels of \$4.

One can see how the takeover scenario seemed plausible to investors. It would have been a neat fit of 724's front-end wireless banking application and Ezenet's back-end financial software.

But Ezenet is now adding its own wireless capability to the package it offers banks and other financial

institutions. In the same way the company created an Internet-based application, it has developed a WAP-enabled version. "Wireless is a new transport medium for us," explains Meshkin.

Next week, Ezenet plans to showcase the wireless app with an existing financial customer who requested the service.

The plan is to offer the service as clients need it, and Meshkin predicts wireless revenues will climb slowly, but steadily. Projections are somewhat cautious because industry research suggests that wireless services in Canada are not taking off as fast as had been anticipated. Banking was supposed to be the service with the fastest acceptance, but users aren't biting.

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In a July report, Forrester Research wrote, "Today, three out of four North American households are 'not at all comfortable' with the idea of transacting on mobile devices."

This fact resonates clearly in 724's lackluster fiscal **performance**. It has yet to show significant revenues, as a wireless pure-play focused on financial services.

That Ezenet is not just about wireless is what leads fund manager **Bob Boaz**, at University Avenue Management, to call it "724 Solutions plus."

Ezenet hopes to win wireless contracts from customers that currently use its back-end software.

Still, when Internet-ready cellular phones finally do permeate the market, 724 has a score of contracts at the ready. Ezenet hopes to win wireless contracts from customers that currently use its back-end software.

As Ezenet angles for new markets, its core financial services business is still going strong, with 50% year-over-year growth. Ezenet's back-end software is in wide use across the country. Once the recent acquisition is completed, Ezenet will count all Schedule I Canadian banking institutions, such as Bank

of Montreal and CIBC, among its customers, along with many trust companies.

"I think the market will continue to grow and Ezenet has a very nice niche in that marketplace," says fund manager **Malvin Spooner** at YMG Capital Management.

For its first quarter ended March 31, Ezenet reported revenues of \$854,168, with a per share loss of \$0.01. It was the first time in its long history that the company was not profitable.

"It's got a lot going for it," says Spooner. "They're delivering, the revenue growth is there."

On Monday, August 14, the company will start trading on the Toronto Stock Exchange. It will face the Street with fresh management and a whack of cash still at its disposal. Institutional investors hold about 70% of the company, giving it a strong base of support at current levels. For investors who have yet to take an in-depth look at Ezenet, this might be the right time.

"It's a little oversold," Spooner says. "When the mood changes, you want to be there."

A review of the company's recent share issue, acquisition program and U.S. strategy are in an accompanying **article** entitled: Ezenet Spends on Acquisitions, Looks to the U.S., Not Office Furnishings.

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