

## **Avanquest Software Acquires Nova Development, A market leader in personal and small business productivity software in the United States**

**With this acquisition, Avanquest Software anticipates doubling their size on the American market, which already represents half of their annual sales**

**This very significant external growth transaction gives Avanquest Software the opportunity to strengthen their product portfolio considerably, and to position themselves as an indisputable leader on the American software publishing market, the #1 market in the world.**

**Currently, 87% of the group's sales is achieved outside of France; this new acquisition confirms their quest for growth and their ambition to become a leader in each territory where they are present throughout the world.**

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La Garenne Colombes, France - January 17, 2007

### **Nova Development, a leading publisher on the American market**

Nova Development, a software developer and publisher, much like Avanquest Software, is a market leader in personal and small business productivity software, **ranking #1 in strategic segments such as Home Graphics and numerous other categories design software in the United States** (source: NPD Techworld Reports, 2006).

Founded in 1984 by Roger Bloxberg and Todd Helfstein who to this day hold active positions as chief executives and sole shareholders, Nova Development is based in Calabasas near Los Angeles and currently employs 76 people. The majority of their annual sales amounting \$32 M (€24.6 M) is generated from the American retail market.

Under the Nova Development brand name, they currently publish more than 70 software titles for both Windows and Macintosh platforms, and cover categories including digital photo management tools including *Photo Explosion*, the bestselling *Scrapbook Factory* brand, and the popular *Art Explosion* clip art line. Nova Development also publishes titles under leading brands such as *Hallmark* in the greeting card software category, and *Berlitz* in the language learning space.

### **Strong complementarities and a shared strategic vision**

Nova Development is, just as Avanquest Software is, both a software publisher and developer, with nearly half of their annual sales resulting from products developed internally.

**The combined size of Nova Development and Avanquest Software will make the company's American organisation one of the Top 5 consumer software publishers in the United States, not counting Microsoft, and to be #1 in more than ten categories** (source: NPD Techworld Reports, 2006; based on sales by dollars). The combined company will have more than 175 SKUs, giving it one of the largest and most diversified catalogs in the United States.

The combination of Avanquest Software's and Nova Development's sales network will cover a much larger portion of the American market, and will provide both companies with a much greater trade outlet for the products that they develop or publish.

The complementarities from the software lines and distribution networks also impact the teams. Avanquest Software's and Nova Development's founders are from the same entrepreneurial generation, founded their companies in the same era, and are both considered to be pioneers and innovators on their respective markets.

### **Outstanding potential for growth both internationally and on the web**

With 3% of their annual sales achieved internationally, Nova's development model is mostly local, and based on a widespread coverage of the American market, with leading products in their categories.

Avanquest's sales strategy as the only truly global software publisher consists of marketing the company's entire catalog of products in all territories and on all sales channels.

Avanquest Software's model is therefore completely congruent with Nova Development's model, providing significant short and medium term growth potential through the sale of Nova's products internationally on all territories where the Group is present, as well as on the internet, which is currently responsible for 13% of Avanquest Software's annual sales.

Roger Bloxberg and Todd Helfstein, founders of Nova Development, will both become Avanquest Software shareholders and will continue to hold senior executive management positions after the acquisition. They will also play a leading role in the international development of the group's sales, as well as the implementation of synergies on all of the company's levels.

In a statement issued by Bloxberg and Helfstein, CEO and President respectively, the pair said: ***"We are very pleased to become part of the Avanquest family of companies and are excited about the many opportunities that this combination presents. This transaction creates for both parties an even more significant leadership position among consumer software publishing companies – both in North America and in Europe – and creates immediate new opportunities for each party's existing software content in the other's channels."***

***This transaction is about much more than the often predictable synergies that surround mergers and acquisitions. There is, in fact, an ideal cultural match between Nova Development and Avanquest that includes amazing historical similarities and, more importantly, nearly identical company visions and strategic business objectives. We are personally looking forward to furthering those objectives and to taking active roles in developing the combined organisation to ensure continued growth."***

### **Terms of the transaction**

In 2006, Nova Development posted annual sales of approximately \$32 M (€24.6 M, non audited figure) and the company's level of profitability is very satisfactory, with an average operating margin, over the last three years that was above 10%.

Nova Development has posted a continuous growth of their revenues and profits over the last ten years and a two-digit growth is projected for 2007 both in terms of sales and operating income.

This acquisition for 100% of the securities will be completed for an initial amount of \$48 M (€36.9 M), part of it in cash for \$34.5 M and the other part in Avanquest Software shares through the issue of 746,268 new shares (for a total amount of \$13.5 M) that will be released upon agreement of an upcoming Extraordinary Shareholder Meeting that will be convened for this purpose.

The cash portion will be paid in three installments spread over 18 months: \$22 M at contract signing, \$6.5 M 12 months post-signature, and \$6 M 18 months post-signature.

The draft agreement which has just been signed expects the transaction to be finalized this week as soon as certain third-party authorizations accepting Nova Development's control change (bank, lessor and some suppliers) have been collected.

Avanquest Software, whose available cash flow exceeds €10 M, has a 7-year line of credit with their banks for a total of €25 M, which will enable them to finance the entire cash portion of this investment. The acquisition of Nova Development is financed without resorting to the market.

Nova Development's sustainable profitability and the limited number of issued shares make this transaction immediately profitable for the group.

Bruno Vanryb, Founder and CEO of Avanquest Software comments, ***"Though Avanquest Software currently achieves 87% of our annual sales internationally, we still needed to strengthen our position on the #1 software market in the world - the United States. Nova Development presents an amazing opportunity and potential for growth: not only are they a leader in the American market, the company also boasts a line of software and a development model that can be directly transposed on an international scale, as well as on the Internet. Besides the numerous synergies between Nova Development and Avanquest Software, this acquisition will also allow us to surpass our very ambitious objective of €100 M in sales in 2007, while delivering on our goal to show strong leadership in all of our geographical areas."***

#### Estimate of Avanquest Software's annual sales for 2006

Coming on the heels a third quarter characterized by significant increase in sales for the month of September, the fourth quarter 2006 confirmed the positive trend with excellent sales exceeding €23 M (non-audited), just as management expected. The group's annual turnover will surpass €75 M as projected, and the operating income should fit within the bracket previously indicated to the market (above 6%). The final 2006 annual sales, along with a more precise operating income estimate will be released to the market on January 31, 2007.

#### About Avanquest Software

Avanquest Software is a leading developer and global publisher of best-selling personal and professional software designed for utilities, office productivity, communications and mobility worldwide. Headquartered in France, with operating units, subsidiaries and offices located in United States, France, Germany, Great Britain, Italy, Spain, China, Korea, and Japan, Avanquest Software products are marketed in over 100 countries, through e-commerce, OEM partnerships and IT resellers. Founded in 1984 as BVRP Software and listed since December 1996 on Euronext (ISIN FR0004026714), Avanquest Software forms part of the Eurolist, NextEconomy segment and SBF 250 index. In 2005, Avanquest Software posted record financial results, with revenue of €70.6M (\$90.6M). Additional information on Avanquest Software is available at <http://www.avanquest.com>.

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