

System House

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techMARK

This month saw the launch by the London Stock Exchange of techMARK. It received a mixed reaction with many regarding it as too little and too late. Regardless, it contains many of the features for which we had campaigned...but omitted many too.

The new market

Firstly the details. If you want the full monty, the LSE put up an excellent new internet site (www.londonstockexchange.com/techMARK).

- techMARK is NOT a new exchange. Rather it is a grouping of companies which are already (and will remain) listed on the LSE. In other words, Misys will continue to be a FTSE100 company as well as being part of techMARK.

- new FTSE indices will be produced to track techMARK and its sub sectors.

- all companies currently classified as computer hardware, computer services, internet, semiconductors, software and telecommunications will be automatically included. This means that Vodafone, with a market cap of £78b, will be the largest company in techMARK. By contrast the largest SCS company is Sage with a valuation of "just" £3.3b.

- in addition, and probably most controversially, techMARK will include other "innovative" technology companies such as Glaxo Wellcome, SmithKline Beecham, GEC (electronics), AstraZenica (pharmaceuticals), British Aerospace (aerospace and defence), and Nycomed Amersham (Health).

- 174 companies with a total mkt cap. of £430b will be included on day one.

- NO AIM companies will be included.

- a new set of listing requirements are proposed for new entrants to allow companies with trading records of less than three year to be floated. However, under these new rules referred to as Chapter 25, these companies must have an initial value of at least £50m and will initially have to report quarterly. We were particularly pleased to see that new IPOs would have to sell at least £20m of shares and make at least

25% of their shares available for free trade in the IPO. However, these can be "new or existing shares".

It should be noted that companies with < 3 years trading

record can still IPO with a market cap. of <£50m. This exemption also applies to companies moving from AIM.

- Chapter 25 also proposes new rules, amongst others, to bring forward reporting dates and prohibit misleading or deceptive announcements.

- techMARK will go live in November.

The pros

- the ability for companies like Sage to keep their hard won FTSE100 status is to be applauded. techMARK could not have got off the ground without this feature.

- we have already seen a major increase in interest - and analysts - covering UK technology stocks. (Our own revenues tend to testify to this!) New indices, new tracker funds (Close has already announced its fund will be launched in Nov.), specialist tech. funds etc.

which might come from techMARK will only increase interest still further.

- we fully support many of the new rules (25% free float, < 3 years trading records, tighter rules on deceptive statements)

The cons

- the exclusion of AIM is a major error. It could mean the end for this junior market, particularly if it does not join Euro.NM. Either companies will go to the main market or to Euro.NM or EASDAQ.

- techMARK will have no pan-European - or international - perspective. Indeed, this was quoted as the main reason behind the decision this month by JSB (see p12) to de-list from AIM in favour of EASDAQ - the first such UK SCS company to take such a decision.
- the £50m minimum initial valuation is too high. We would have settled on half that.

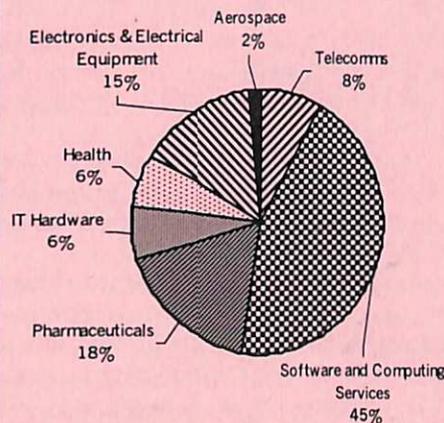
- there seems to be no added incentive for investment, such as rollover CGT relief, VCT status etc. to attract "retail" investors.

- the inclusion of companies like Vodafone and Glaxo "overwhelm" techMARK. Vodafone, valued at

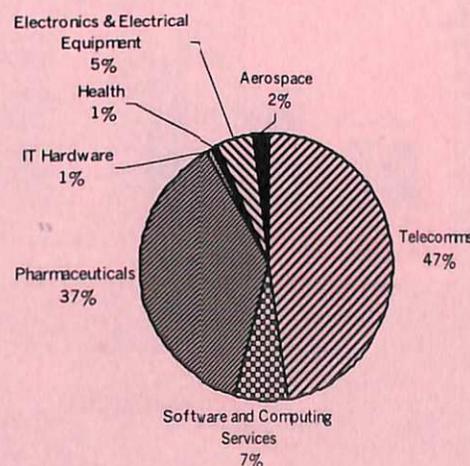
£78b, represents 18% of techMARK. The Top Ten techMARK companies represent a massive 82% of techMARK - and

Continued on page 2

techMARK
By Number



techMARK
By Market Cap.



Continued from page 1

NONE are SCS companies.

Although SCS companies represent 45% of techMARK by number, they represent <7% by value. Indeed, even in the SCS sector, the Top Five companies represent 57% of the techMARK's SCS sector. All FTSE Indices are weighed, so the effect could have been that, although SCS stocks are a very minor ingredient of the techMARK index, a profits warning from Vodafone could send the techMARK index crashing with a consequential effect on sentiment towards SCS stocks.

Rest assured, however, we will continue to bring you our unweighted SCS Index to compare against techMARK!

Note - The LSE has told us that, because of this problem, "we have decided to cap the larger companies so that, say, any company comprising more than 5% of the index

has their weighting limited to 3% or 5%". Even with this concession, the Top ten companies could still represent 40% of the index and many think such capping will cause more problems than it solves.

Conclusion

Overall, we are in favour of techMARK. Maybe it's a "compromise", "too little too late" and without the international spread we had hoped for. But at least it stands a chance of getting off the ground.

As we have said before to those who say "who cares?", a buoyant tech. market in London is vital, not just for jobs in the City, but also to the UK IT industry and associated jobs. Unfortunately, companies tend to migrate jobs - even their HQs - to the country of their primary listing. We would rather that was the UK than Germany or the US.

Mobile 'phones help Logica celebrate 30th year in the business

Logica's results for the year to 30th Jun. 99 exceeded all expectations. The consensus PBT forecast was c£60m and the highest we could find was £62.5m... **but Logica came in at £63.4m** - an increase of 52%. Revenues were up 39% at £659.5m and EPS (also exceeding expectations) was up 45% at 12.3p. (Note: all figures before goodwill amortisation) Organic revenue and profits growth was 28% and 43% respectively.

Many years ago we told a joke about Logica being "a car which always seemed to have one of its cylinders misfiring". So what's so good about these results is that profits were made across the board. Revenue in the UK grew 23% to £283m and margins exceeded 10% for the first time (actually 10.7%). **Team 121**, acquired for £74.5m in June 99, produced results "in line with expectations" in its early weeks.

Revenue from Continental Europe grew 34% to £195.2 "held back by a weaker performance in France in H2". North America grew 38% to £67.9m with profits up 9%. However, we were marginally disappointed to see **Carnegie Group** (acquired in Nov. 98 for c\$35m) made a small £200K loss. Although revenues fell 24% to £19.1m in Asia Pacific/Middle East, margins improved from 2.7% to 14.9%.

Logica made 35% of its revenue from Telecoms in H2 (31% in the full year compared with 24% in 1997/98) Indeed the Logica **Aldiscon** (mobile network software) operation in Dublin "had an extremely successful year" growing revenue by 68% and producing a 13% margin. **Aethos** (acquired in Dec. 98 for an initial £45m) achieved revenue of £25m and 13.3% margins. "Logica's mobile products are now used by over 150 operators worldwide who in turn serve more than 50% of the global population for mobile telecom users". Logica's decision to move into telecoms five years ago now looks inspired. Not only has it been the fastest growing segment of the SCS industry - but is forecast to remain so into the new millennium. So the outlook looks equally positive. Martin Read told us that he has seen no sign of an "instability" resulting from the Y2K. But with the order book up 37% and the long term relationships that Logica has, we would expect Logica to be less affected than others.

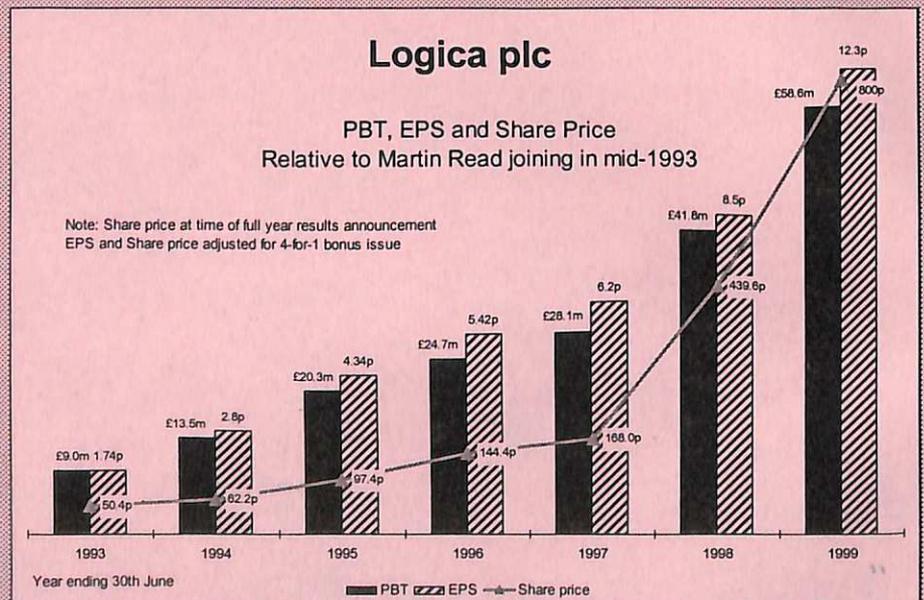
Comment - When we spoke to Read he was justifiably pleased with these results. Two years ago Read set the objective of becoming a FTSE100 company within 3 years. Even though they are 94th, they just failed to make it to the FTSE 100 this month but Logica is now No 1 reserve for that accolade; a remarkable performance. Indeed Logica's share price has nearly doubled since the results were announced this time last year.

The transformation in Read's six years at Logica has been remarkable - not just for the share price which has risen from c55p to over 800p in the period. Logica is now a well focused, but also well rounded, group. Good geographic coverage, focus on the fastest

expanding markets and good "all-embracing services" (i.e. sell more of everything into the client base). There is no reason why this success - which comes in particular from strong management - should not continue with further and larger acquisitions spreading geographic coverage.

Back in FY93, as Read joined, Logica's profit margin was just 4.2%. We remember well our first meeting all those years ago when a 10% margin target was set. FY99's results show that 10% margin exceeded in the UK and an overall Logica margin of 9.6% was reported. When we said to Read "Well, you are now tantalizingly close to your 10% target". He replied "Oh no, we have upped that target now Richard". Such is the character of Read!

Logica really is a star of which the UK should be very proud. So who says now that the UK can't build world-class SCS players?



Revenue up, losses down at AFA

AIM listed supplier of the Musketeer treasury and risk management software, **AFA Systems**, saw losses reduce from £1m to £716K in the six months to 30th Jun. 99. Revenue went up more than threefold but still only stands on £386K - so they are still a member of the exclusive "losses exceed revenue" club.

But Chairman & CEO Mike Hart is "increasingly confident that the company will be profitable next year" as enquiries for the Musketeer package are increasing. During H1, AFA received one major order for Musketeer and they have obtained two further "significant" orders in H2 so far.

Launched on AIM in Jul. 96 at 120p, the shares steadily declined since. They raised a further c£4.5m in Apr. 99 with a placing at 90p and ended September on 124p.

Rage Software prospers

Computer games company **Rage Software** has done extremely well in the year to 30th Jun. 99. Revenue was up 144% to £8.8m, PBT increased almost threefold to £3.1m with EPS up over threefold at 1.03p. But still no dividend for shareholders at present, although a proposed capital structure reorganisation might enable divs in the future.

Chairman John Roberts said "Over the last year we have formed partnerships with some of the largest companies in our industry. This has allowed us to present the Rage brand to a worldwide audience... Our position is at the forefront of games technology..." These partnerships secured are with the likes of Microsoft, Sony, Sega and Infogrames. Their OEM relationships were strengthened with the addition of Dell together with a new publishing partnership with Interplay in the US and Canada.

Comment. At one time we had our doubts as to whether Rage could transform itself successfully from a owner/operator of snooker halls and amusement arcades to a computer games company. They had huge losses in 1997 after disposals. You needed a strong constitution to ride the share roller coaster (down at one time below 4p) but this month they have increased another 42% to 31p - making a rise of 279% this year to date.

Good results (with a warning) from Druid

Druid Group (which now wants us to call them "an IT management consultancy" as SAP now accounts for 'only' 59% of revenues, down from 66%) has announced a rather good set of results for the year ending 30th Jun. 99. But these results were accompanied by a warning that although still "positive of achieving good growth for the year as a whole, because of market conditions as we approach the millennium we expect a quieter first six months of the financial year with a much stronger second half". This was enough to cause the share price to drop but then recover to end the month level.

At the headline level, revenue increased 47% to £59.8m, PBT went up 39% to £1.2m with diluted EPS up 42%. Staff numbers increased 68% to 691 and net assets more than doubled. During the year, Druid acquired **Gamut Technologies** (Jan. 99 for £4.5m) and took a c20% stake in **Synergy**. Chairman David Tebbs said "We have made significant progress during the year to provide more comprehensive services... we have provided resources in each of the three main time zones of the world". Tebbs also commented that they "managed the overall growth in resources cautiously in H299, following strong recruitment earlier in the year" and expects this cautious approach to continue.

Comment. Druid's e-commerce business is storming ahead. Geographic coverage is also increasing with projects currently on the go in 27 countries. The Asia-Pacific operation, which was only a twinkle in the eye a year back, now has 70 staff. We see Druid sticking (mostly) to this kind of strong organic growth patten rather than indulging in any mega acquisitions. When we talked to CEO John Pocock, we were impressed by his realism about the short term issues (much more than some others who still appear to be in denial). Support is a relatively small part of Druid's business. The main raison d'être is project work and that was always likely to be hit by the Y2K microclimate. But we think the outlook from H2 2000 could look really great.

Optimistic at Financial Objects

At the interim stage for the six months to 30th Jun. 99, **Financial Objects** had revenues up just 4% to £10.7m although PBT increased 67% to £2.65m. Diluted EPS was up 26%. FO, under Chairman Roger Foster (ex of ACT), supplies advanced technology banking software and services. In August this year, they acquired **Global Financial Systems** for £10m plus up to a further £5m deferred.

Foster said "1999 has started well and we have made significant progress in fulfilling the strategic goals we set out during flotation... Whilst the effect of the Y2000 freeze being implemented by most banks is difficult to predict, our customers are continuing to order...we remain optimistic about the outlook for the full year".

FO floated last December at 230p. The shares rose slightly this month to end on 299p - a 30% premium to the float price.

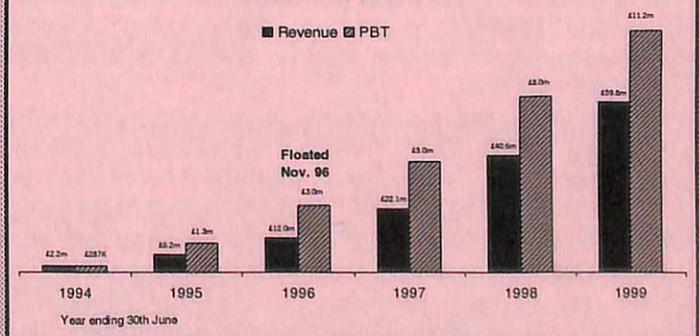
CFS Group grows fast

CFS (systems for asset based finance industry) has continued its fast growth at the interim stage to 30th Jun. 99. Revenue almost doubled to £6m, PBT increased 63% to £262K but EPS was only up 5%. An increased willingness by financial institutions to buy packaged software fuelled growth. Chairman Alfred Stein said "overall the prospects for the year are excellent" although he also expressed some fears on the possible Y2K "microclimate" impact.

Axon prospers - but e-commerce slow

ERP consultancy **Axon Group** was a new issue in March this year at 175p. The shares have done well since and ended the month on 308p. At the interim stage to 30th Jun. 99, revenue increased 57% to £11.7m, PBT went up almost sixfold with EPS up nearly as much. Excellent. But they could have been better according to CEO Mark Hunter who said that e-commerce sales had diminished in the half but activity was now picking up. Their core SAP implementation business "grew strongly" although to fewer clients. The company remain "confident" about the full year especially with their now much faster growing e-commerce business.

Druid Group plc
PBT and Revenue Record
Relative to 1994



Strong results from Compel Group

Old established Compel is "one of the UK's leading IT services organisations" providing a range of integrated managed computer services exclusively to blue chip customers, with whom it develops long term relationships. In the past we have called them a major PC reseller but they don't like this description any more! They have four main businesses; **Compelscope** (IT Consultancy - which had "a very successful year and prospects are strong"), **Compelsource** (outsourcing and managed services for networking - "performed well and prospects are good"), **Compelsolve** (solutions and technology integration services for enterprise computing - "a successful year and prospects are very strong") and **Hamilton Rentals** (the UK's "leading computer rental business" and experienced "a very strong period and is well positioned to meet increasing demand"). In

COMPEL

In addition, Compel Group is the sole UK member of GlobalServe, a leading international alliance of corporate resellers/systems integrators. They were originally formed way back in 1987 as an MBO from Dataserve and have grown partly by acquisition, and partly organically. They now employ more than 1,300 people in the UK. The company floated in Sep. 94 at 125p.

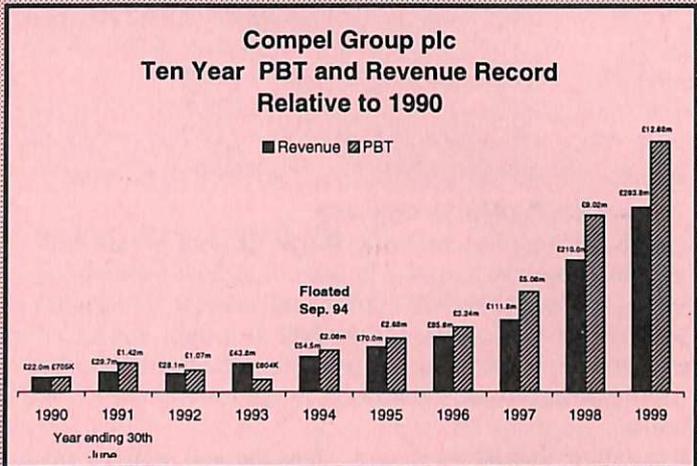
In the year ended 30th Jun. 99, total revenue grew 40% to £293.8m, PBT was up 41% to £12.7m with diluted EPS increasing 65%. Of course the Jan. 99 acquisition of **Info' Products** boosted these results, contributing £57m revenue and £1.45m to operating profits. But even so, organic growth was still acceptable with revenue up 13% and operating profit up 27%. But, like its bigger brother Computacenter, Compel does not disclose its pure services revenue. Compel argue that their strength is in their ability

to integrate a wide range of services for blue chip clients who increasingly want a prime supplier able to embrace all activities. But if Morse (see below) can separate out its services revenues, perhaps Compel will in future too.

Note - Applying the same criteria as we did to Computacenter last month, with "cost of sales" at £240m and a 3.5% margin, that would leave Compel's services revenue at around £45m making about a 10% profit margin.

Chairman & CEO Neville Davis said "I am pleased to report strong results... We have also won some important new customers. In general our market remains robust". But he then went on to say "However, we have seen some slowdown in expenditure as a result of the impending Year 2000 date change and we envisage that this trend will continue through to the end of Dec. 99. Beyond the millennium, we believe our prospects are excellent. We anticipate a swift increase in expenditure levels as organisations seek to fulfil pent up demand".

Comment. The acquisition of Info' Products (IP) has given Compel much needed critical mass as well as a larger customer base. The cost base of IP has been materially reduced and they sold the subsidiary in Dublin in July for IR£1.4m in order to concentrate on the UK market. Although one can hardly describe Davis' comments as anything approaching a profit warning, the market apparently seemed in two minds and, despite these excellent figures, marked the shares down slightly after a small initial gain. They ended the month down 9% on 428p.



The right signals from Morse Holdings' "maiden" results

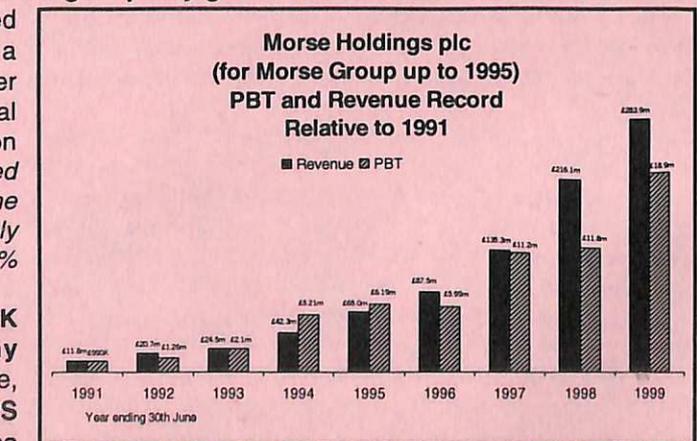
Morse is one of the UK's leading systems integrator and "the leading Sun and HP reseller in Europe" with 650 staff. In their rather excellent results for the year ending 30th Jun. 99, revenue rose 31% to £283.9m, PBT increased a massive 60% to £18.9m with diluted EPS up 17%. **Yes that's a 6.7% margin - pretty good for a reseller.** Morse has undertaken

two acquisitions since their float but these only accounted for some £2.7m revenue, so organic revenue growth is still a healthy 30%. Most of Morse's revenue comes as a reseller but we have been told by CEO Duncan McIntyre that total services revenue rose 75% to c£30m, making a contribution after third party and direct staff costs of c£7m. "It is estimated that during the last year, services revenues embedded in the sales price of Morse's products more than doubled. Separately billed technology integration services for the Group rose 67% to £14m in the year".

The company have six divisions; **Morse Computers UK** (£130m revenue, +27%), **Morse Computers Germany** (£30.6m revenue, +70%), **Morse Data UK** (£90.2m revenue, +12%), **Morse Data Germany** (£3.6m revenue), **Morse CPS** (revenue more than doubled at £12.2m) and **Morse Business Systems** (£600K revenue). The UK accounts for the bulk of revenue at £246m, with Germany at £35m and France just £2.5m. All regions are profitable with the UK's PBT on £17.6m, Germany £1.1m and France at £108K.

Non-Exec. Chairman Richard Laphorne commented "Trading in the current year has started well and is in line with expectations". But "there are market indications that demand will slacken towards the end of the year although the Group has yet to see evidence of demand slowing". They anticipate that any slowdown will be for "weeks not months".

Comment. Morse has an excellent financial record and, but for the special circumstances at the time of the MBO in 1995, they would have been awarded a coveted "Boring Award" - they have not had an earnings reversal since 1988 on trading figures alone. The IPO price was 250p in Mar. 99. Surprisingly, given their record, they have been consistently trading below this since and ended September on 243p - a trifle unfair in our opinion.



Quoted Companies - Results Service				Note: Highlighted Names indicate results announced this month.										
Admiral plc				Eidos plc				MDIS Group plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison	Final - Dec 97	Final - Dec 98	Comparison	Final - Dec 97	Final - Dec 98	Comparison		
REV	£55,805,000	£147,187,000	£84,927,000	£137,234,000	£226,284,000	£64,999	£116,925,000	£133,014,000	£13,897	£116,925,000	£133,014,000	£13,897		
PBT	£10,329,000	£23,479,000	£10,936,000	£16,507,000	£37,920,000	£129,797	£221,000	£3,966,000	£154,696	£221,000	£3,966,000	£154,696		
EPS	10.20p	21.50p	11.20p	64.10p	141.50p	120.75p	0.22p	3.06p	1290.92p	0.22p	3.06p	1290.92p		
AFA Systems plc				Electronic Data Processing plc				Macro 4 plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Final - Jun 98	Final - Jun 99	Comparison	Final - Jun 98	Final - Jun 99	Comparison	
REV	£113,000	£809,000	£386,000	£5,812,000	£11,518,000	£5,469,000	5.9%	£24,234,000	£31,025,000	£28.0%	£24,234,000	£31,025,000	£28.0%	
PBT	£1,064,000	£1,444,000	£716,000	£1,235,000	£1,225,000	£1,225,000	-0.8%	£10,060,000	£10,400,000	4.4%	£10,060,000	£10,400,000	4.4%	
EPS	-8.40p	-11.80p	-4.70p	3.23p	5.83p	3.24p	-0.3%	33.70p	34.80p	43.3%	33.70p	34.80p	43.3%	
AIT Group plc				F.I. Group plc				MERANT plc						
Final - Mar 98	Final - Mar 99	Comparison	Final - Apr 98	Final - Apr 99	Comparison	Final - Jun 98	Final - Apr 99	Comparison	Final - Jun 98	Final - Apr 99	Comparison	Final - Apr 99	Comparison	
REV	£13,556,000	£17,460,000	£28.8%	£161,595,000	£228,353,000	£41.3%	£97,015,000	£215,473,000	not comparable	£97,015,000	£215,473,000	not comparable	£97,015,000	
PBT	£2,164,000	£2,764,000	£27.7%	£10,670,000	£17,025,000	£59.6%	£15,217,000	£11,572,000	Profit to loss	£15,217,000	£11,572,000	Profit to loss	£15,217,000	
EPS	7.11p	9.08p	27.7%	3.68p	5.80p	57.6%	13.28p	-14.30p	Profit to loss	13.28p	-14.30p	Profit to loss	13.28p	
Anite Group plc				Financial Objects plc				Microgen plc						
Final - Apr 98	Final - Apr 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison
REV	£149,540,000	£180,829,000	£20.9%	£10,275,000	£21,662,000	£10,690,000	£32,560,000	£70,105,000	£15,472,000	£32,560,000	£70,105,000	£15,472,000		
PBT	£29,049,000	£5,788,000	£27.7%	£1,589,000	£3,438,000	£2,649,000	£1,285,000	£8,492,000	£1,516,000	£1,285,000	£8,492,000	£1,516,000		
EPS	8.70p	1.50p	-82.8%	4.13p	8.93p	5.20p	0.40p	2.20p	2.10p	0.40p	2.20p	2.10p		
Axon Group plc				Flomerics Group plc				Misys plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - May 98	Final - May 99	Comparison	Final - May 98	Final - May 99	Comparison	
REV	£7,488,000	£20,024,253	£11,744,000	£2,938,163	£5,910,106	£3,443,222	£447,700,000	£582,000,000	£30.0%	£447,700,000	£582,000,000	£30.0%		
PBT	£287,000	£1,824,401	£1,686,000	£268,699	£384,123	£149,606	£51,700,000	£91,400,000	£76.8%	£51,700,000	£91,400,000	£76.8%		
EPS	0.40p	2.80p	2.20p	n/a	10.10p	n/a	5.70p	10.60p	86.0%	5.70p	10.60p	86.0%		
Azlan Group plc				Gresham Computing plc				Mondas plc						
Final - Mar 98	Final - Mar 99	Comparison	Interim - Apr 98	Final - Oct 98	Interim - Apr 99	Comparison	Final - Apr 98	Final - Apr 99	Comparison	Final - Apr 98	Final - Apr 99	Comparison		
REV	£292,073,000	£343,000,000	£17.4%	£8,522,000	£23,063,000	£16,301,000	£29,716,000	£955,301	£221.5%	£29,716,000	£955,301	£221.5%		
PBT	£7,860,000	£3,900,000	Loss to profit	£1,017,000	£3,003,000	£1,483,000	£484,322	£150,770	Loss both	£484,322	£150,770	Loss both		
EPS	-12.30p	4.10p	Loss to profit	1.81p	5.46p	2.35p	-7.30p	-5.70p	Loss both	-7.30p	-5.70p	Loss both		
Baltimore Technologies plc				Guardian IT plc				Moorepay Group plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 99	Comparison	
REV	£7,970,000	£9,883,512	£9,810,000	£13,706,000	£29,693,000	£19,647,000	£3,181,000	£8,365,688	£5,662,000	£3,181,000	£8,365,688	£5,662,000		
PBT	£523,000	£5,173,012	£16,000,000	£2,959,000	£6,629,000	£3,614,000	£1,141,000	£2,043,492	£1,617,000	£1,141,000	£2,043,492	£1,617,000		
EPS	-6.40p	-25.30p	-57.40p	3.94p	9.20p	4.79p	0.71p	19.83p	9.51p	0.71p	19.83p	9.51p		
Baron Corporation plc				Harvey Nash Group plc				Morse Holdings plc						
Final - Aug 97	Sep 98 - Apr 99	Final - Aug 98	Comparison	Final - Jan 98	Final - Jan 99	Comparison	Final - Jun 98	Final - Jun 99	Comparison	Final - Jun 98	Final - Jun 99	Comparison		
REV	£3,758,000	£1,513,000	£2,364,000	£55,796,000	£104,851,000	£87,998	£216,101,000	£283,943,000	£31.4%	£216,101,000	£283,943,000	£31.4%		
PBT	£85,000	£84,000	£175,000	£5,205,000	£8,669,000	£7,048	£11,799,000	£18,859,000	£59.8%	£11,799,000	£18,859,000	£59.8%		
EPS	n/a	n/a	n/a	12.33p	19.23p	66.4%	19.60p	22.70p	15.8%	19.60p	22.70p	15.8%		
Bond International Software plc				Highams Systems Services Group plc				MSB International plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison	Final - Jan 98	Final - Jan 99	Comparison	Final - Jan 98	Final - Jan 99	Comparison		
REV	£4,320,000	£8,807,697	£4,567,000	£25,143,421	£34,069,990	£35,579	£128,793,000	£191,345,000	£48.6%	£128,793,000	£191,345,000	£48.6%		
PBT	£284,000	£935,378	£327,000	£1,383,327	£1,524,855	£1,029	£9,043,000	£8,088,000	-10.6%	£9,043,000	£8,088,000	-10.6%		
EPS	1.37p	4.54p	1.53p	5.34p	5.40p	1.1%	30.00p	27.00p	-10.0%	30.00p	27.00p	-10.0%		
Cadcentre Group plc				ICM Computer Group plc				MSW Technology plc						
Final - Mar 98	Final - Mar 99	Comparison	Final - Jun 98	Final - Jun 99	Comparison	Final - May 98	Final - May 99	Comparison	Final - May 98	Final - May 99	Comparison			
REV	£17,727,000	£17,861,000	£0.8%	£35,881,000	£40,047,000	£11.6%	£2,909,951	£1,896,518	£34.8%	£2,909,951	£1,896,518	£34.8%		
PBT	£2,754,000	£3,001,000	£9.0%	£2,702,000	£4,335,000	£60.4%	£502,442	£1,641,522	Profit to loss	£502,442	£1,641,522	Profit to loss		
EPS	10.06p	11.21p	11.4%	8.70p	14.90p	71.3%	7.05p	-20.86p	Profit to loss	7.05p	-20.86p	Profit to loss		
Capita Group plc				ilion Group plc				NetBenefit plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Period to Jun 98	Final - Jun 99	Comparison	Final - Jun 99	Comparison		
REV	£117,907,000	£237,802,000	£150,227,000	£120,100,000	£244,803,000	£131,900,000	£1,338,823	£1,969,751	£73.0%	£1,338,823	£1,969,751	£73.0%		
PBT	£10,484,000	£27,019,000	£14,115,000	£1,158,000	£3,243,000	£610,000	£2,857	£279,862	Loss to Profit	£2,857	£279,862	Loss to Profit		
EPS	3.35p	8.68p	4.52p	0.30p	3.80p	0.90p	n/a	n/a	n/a	n/a	n/a	n/a		
Cedar Group plc				Intelligent Environments Group plc				NSB Retail Systems plc						
Final - Mar 98	Final - Mar 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Dec 97	Final - Dec 98	Comparison	Final - Dec 97	Final - Dec 98	Comparison		
REV	£12,506,000	£23,046,000	£84.3%	£2,627,000	£5,633,118	£4,090,000	£3,284,464	£8,366,637	£154.7%	£3,284,464	£8,366,637	£154.7%		
PBT	£2,564,000	£2,807,000	£9.5%	£874,000	£1,024,104	£370,000	£837,516	£1,477,983	£76.5%	£837,516	£1,477,983	£76.5%		
EPS	5.30p	5.50p	43.8%	3.20p	3.42p	1.20p	6.50p	10.90p	67.2%	6.50p	10.90p	67.2%		
CFS Group plc				Internet Technology Group plc				Oxford Molecular plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Apr 98	Final - Oct 98	Interim - Apr 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison			
REV	£13,160,000	£10,989,000	£5,090,000	£4,286,000	£11,012,000	£8,854,000	£7,737,000	£21,505,000	£10,161,000	£7,737,000	£21,505,000	£10,161,000		
PBT	£161,000	£1,223,000	£262,000	£164,000	£55,000	£1,588,000	£2,195,000	£1,228,000	£4,184,000	£2,195,000	£1,228,000	£4,184,000		
EPS	1.23p	8.33p	44.9%	-0.42p	0.12p	3.43p	-3.10p	-2.20p	5.00p	-3.10p	-2.20p	5.00p		
Clinical Computing plc				IS Solutions plc				Parity plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison			
REV	£1,664,000	£3,039,301	£1,561,000	£4,200,000	£8,745,633	£4,300,000	£134,987,000	£290,200,000	£153,556,000	£134,987,000	£290,200,000	£153,556,000		
PBT	£205,000	£276,584	£254,000	£404,000	£942,384	£362,000	£8,754,000	£20,032,000	£10,240,000	£8,754,000	£20,032,000	£10,240,000		
EPS	0.80p	1.10p	1.00p	5.68p	13.67p	5.28p	3.86p	8.84p	4.53p	3.86p	8.84p	4.53p		
CMG plc				ITNET plc				Pegasus Group plc						
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison			
REV	£194,151,000	£443,832,000	£290,496,000	£50,172,000	£105,728,000	£50,969,000	£7,410,000	£14,979,000	£8,121,000	£7,410,000	£14,979,000	£8,121,000		
PBT	£23,960,000	£57,482,000	£35,758,000	£2,208,000	£7,346,000	£4,055,000	£632,000	£928,000	£86,000	£632,000	£928,000	£86,000		
EPS	12.10p	29.00p	18.50p	1.70p	6.90p	4.00p	6.70p	18.30p	5.20p	6.70p	18.30p	5.20p		
Comino plc				JBA Holdings plc				PhoneLink plc						
Final - Mar 98	Final - Mar 99	Comparison	Final - Dec 97	Final - Dec 98	Comparison	Final - Mar 98	Final - Mar 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison			
REV	£13,151,000	£18,595,000	£41.4%	£221,737,000	£291,537,000	£31.5%	£3,206,000	£10,014,000	£12.4%	£3,206,000	£10,014,000	£12.4%		
PBT	£1,950,000	£2,718,000	£39.4%	£5,233,000	£1,696,000	£38.9%	£3,746,000	£3,381,000	Loss both	£3,746,000	£3,381,000	Loss both		
EPS	11.71p	14.83p	26.6%	3.93p	20.46p	41.9%	-7.70p	-5.40p	Loss both	-7.70p	-5.40p	Loss both		
Compel Group plc				JSB Software Technologies plc				Planit Holdings plc						
Final - Jun 98	Final - Jun 99	Comparison	Final - May 98	Final - May 99	Comparison	Final - Apr 98	Final - Apr 99	Comparison	Final - Apr 98	Final - Apr 99	Comparison			
REV	£210,003,000	£293,750,000	£39.9%	£3,362,000	£4,003,000	£19.1%	£6,181,000	£1,570,000	£66.5%	£6,				

Real Time Control plc				Sema Group plc				Torex plc			
Final - Mar 98	Final - Mar 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison
REV £15,880,000	£16,795,000	+5.8%		REV £610,600,000	£1,250,400,000	£668,600,000	+9.5%	REV £9,426,000	£21,770,000	£18,532,000	+96.6%
PBT £3,163,000	£4,366,000	+38.0%		PBT £31,100,000	£97,800,000	£37,900,000	+21.9%	PBT £1,603,000	£2,982,000	£1,775,000	+10.7%
EPS 30.80p	42.30p	+37.3%		EPS 4.80p	14.60p	5.80p	+20.8%	EPS 3.80p	6.80p	3.90p	+2.6%
Recognition Systems Group plc				Sherwood International plc				Total Systems plc			
Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison	
REV £327,000	£788,000	£955,000	+192.0%	REV £18,090,000	£42,991,000	£22,493,000	+24.3%	REV £4,134,866	£3,247,157	-21.5%	
PBT -£1,333,000	-£2,260,000	-£733,000	Loss both	PBT £1,846,000	£5,494,000	£2,881,000	+66.1%	PBT £1,019,675	£629,873	-38.2%	
EPS -3.20p	-6.30p	-1.20p	Loss both	EPS 3.00p	9.00p	4.30p	+43.3%	EPS 6.72p	4.29p	-36.2%	
Riva Group plc				SkillsGroup plc				Touchstone Group plc			
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - May 98	Final - Nov 98	Interim - May 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison	
REV £36,199,000	£80,090,000	£36,544,000	+1.0%	REV £96,400,000	£208,400,000	£115,000,000	+19.3%	REV £6,154,000	£7,663,000	+24.5%	
PBT £349,000	£403,000	£938,000	+168.8%	PBT £6,600,000	£14,400,000	£6,400,000	-3.0%	PBT £841,000	£1,048,000	+24.6%	
EPS 0.60p	0.10p	1.60p	+166.7%	EPS 5.80p	12.30p	5.30p	-8.6%	EPS 6.91p	7.70p	+11.4%	
Roife & Nolan plc				Spring Group plc				Trace Computers plc			
Final - Feb 98	Final - Feb 99	Comparison		Final - Apr 98	Final - Apr 99	Comparison		Final - May 98	Final - May 99	Comparison	
REV £21,714,000	£21,000,000	-3.3%		REV £279,231,000	£403,154,000	+44.4%		REV £14,658,625	£17,073,000	+16.5%	
PBT -£894,000	£1,600,000	Loss to profit		PBT £18,109,000	£14,180,000	-21.7%		PBT £1,205,166	£4,367,000	+262.4%	
EPS -10.20p	7.90p	Loss to profit		EPS 8.30p	6.09p	-26.6%		EPS 6.11p	25.94p	+324.5%	
Romtec plc				Staffware plc				Triad Group plc			
Final - Jan 98	Final - Jan 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison	
REV £4,217,440	£3,900,572	-7.5%		REV £9,641,000	£22,187,000	£11,223,000	+16.4%	REV £32,161,000	£49,306,000	+53.3%	
PBT £310,718	£273,934	-11.8%		PBT £231,000	£250,000	£716,000	+210.0%	PBT £6,609,000	£8,629,000	+30.6%	
EPS 4.00p	2.30p	-42.5%		EPS 1.20p	1.10p	3.50p	+191.7%	EPS 17.62p	22.74p	+29.1%	
royalblue Group plc				Superscape VR plc				Ultima Networks plc			
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Jul 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison
REV £13,312,000	£29,514,000	£17,905,000	+34.5%	REV £2,568,000	£4,220,000	£2,122,000	-17.4%	REV £8,280,000	£14,437,000	£6,470,000	-21.9%
PBT £1,815,000	£4,543,000	£2,744,000	+51.2%	PBT -£956,000	-£3,516,000	-£87,000	Loss both	PBT -£1,070,000	-£5,093,000	-£610,000	Loss both
EPS 3.70p	9.30p	5.50p	+48.6%	EPS -10.90p	-37.30p	-0.71p	Loss both	EPS -1.27p	-4.85p	-£610,000	Loss both
Sage Group plc				Synstar plc				Vega Group plc			
Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Final - Apr 98	Final - Apr 99	Comparison	
REV £88,798,000	£191,547,000	£132,545,000	+49.3%	REV £78,827,000	£164,425,000	£104,034,000	+32.0%	REV £22,457,000	£28,993,000	+29.1%	
PBT £23,967,000	£47,635,000	£35,479,000	+48.0%	PBT £0	£2,169,000	£420,000	n/a	PBT £3,081,000	£4,292,000	+39.3%	
EPS 14.68p	28.85p	20.58p	+40.2%	EPS 0.00p	1.70p	0.30p	n/a	EPS 13.71p	17.42p	+27.1%	
Sanderson Group plc				Systems Integrated Research plc				Workplace Technologies plc			
Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Final - May 98	Final - May 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 98	Comparison
REV £34,743,000	£73,589,000	£54,366,000	+56.5%	REV £1,035,000	£1,405,000	+35.7%		REV £39,970,000	£82,964,000	£56,200,000	+40.6%
PBT £4,049,000	£8,592,000	£5,609,000	+38.5%	PBT -£493,000	£140,000	Loss to profit		PBT £1,317,000	£3,275,000	-£280,000	Profit to loss
EPS 6.20p	12.80p	7.20p	+16.1%	EPS -4.00p	0.71p	Loss to profit		EPS 2.44p	6.50p	-£24p	Profit to loss
SBS Group plc				Terence Chapman Group plc				XKO Group plc. Pro-forma only			
Interim - Feb 98	Final - Aug 98	Interim - Feb 99	Comparison	Final - Aug 97	Interim - Feb 99	Final - Aug 98	Comparison	Final - Mar 98	Final - Mar 99	Comparison	
REV £11,308,000	£35,856,000	£28,318,000	+150.4%	REV £16,025,205	£15,747,000	£20,886,414	+30.3%	REV £24,288,000	£28,428,000	+17.0%	
PBT £529,000	£1,485,000	£1,367,000	+158.4%	PBT £500,909	£2,721,000	£3,151,187	+529.1%	PBT £1,979,000	£2,667,000	+34.8%	
EPS 4.80p	11.80p	9.60p	+100.0%	EPS 0.72p	3.32p	4.02p	+458.3%	EPS 6.10p	8.20p	+34.4%	
Science Systems plc				Late News. Cap Gemini warns of worse than expected trading in UK. Shares fall 12% on 30th Sept. Skillsgroup also warned that growth in current FY will be c25% - half that expected - due to Y2K lockdown. More next month and on HOTNEWS.							
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison								
REV £12,107,000	£24,319,000	£16,615,000	+37.2%								
PBT £1,245,000	£2,217,000	£1,511,000	+21.4%								
EPS 4.70p	8.90p	6.30p	+34.0%								

Staffware does well at interims

Due to major investments in new products and a major reorganisation, last year's final results for **Staffware** (workflow automation software) were disappointing. But Chairman Paul Fullagar said at the time he thought the outlook was "encouraging". His confidence appears justified at the interim stage to 30th Jun. 99. Revenue went up 16% to £11.2m, but PBT more than trebled at £716K with diluted EPS almost up threefold to 3.5p. CEO and founder John O'Connell said "Prospects remain buoyant for the rest of the year. However we are keeping a tight rein on costs, as it is unclear whether or not Y2K freezes will delay until next year decisions on some of our bigger opportunities". This all seems a bit familiar nowadays. Despite the results, and no doubt because of the comments, Staffware's shares fell but then recovered to end slightly up. Chairman Fullagar commented (FT 8th Sept.) "investors had failed to recognise the potential of their software".

...as does DCS Group

DCS provides systems for motor manufacturers and has had a pretty impressive run since Tim Robinson took over as CEO back in Dec. 97. In the six months to 30th Jun. 99, revenue went up 60% to £74.4m and PBT increased 10% to £3.4m (or +32% to £4.1m before goodwill amortisation). Diluted EPS fell 10% (or increased 2% before goodwill). Operating margins therefore fell from 7.3% to 5.9% "reflecting the losses in the UK automotive business and the change from IBM agency status to reseller". Industry Solutions had "excellent" results (revenue +61% to £35.8m), with Automotive Solutions turning in revenue of £27.2m (up 70% although UK revenue was actually down 10% due to "repositioning of the business to focus on larger dealerships, outsourcing and web based services"). The rest came from Outsourcing (revenue +37% to £11.4m). Robinson said "These figures reflect strong growth in core markets and the early success of our strategic focus on e-business... we are well positioned for future growth". Indeed their new business-to-business web site has signed up more than 600 dealerships with 100 web-based staff.

Modest performance at Parity

In the six months to 30th Jun. 99, **Parity** managed a 14% increase in revenue to £153.6m, PBT went up 17% to £10.2m with diluted EPS also up 17%. But these figures disguise the quite different performances within the group. **Parity Solutions** boosted revenue 19% to £84.3m (£27m UK, £36m Europe and £21m US) with profits up 36% to £7.6m. **Parity Resources** - the IT Staff Agency side - only managed an 8% increase in revenue to £69.3m and profits fell 9% to £3.9m. Parity Group has been restructured into a holding company and, although not expressly stated, we would not expect Resources to be part of the group in 18 months time. This will allow Parity to concentrate on - and be valued as - a quality system house. The shares ended the month up 26% on 254p. It was also announced that CEO Paul Davies is leaving Parity. He has done a "fabulous" job according to Chairman Philip Swinstead. We agree entirely. In the 5/6 years he has been at Parity, the share price has soared over 30-fold. But the new structure make a group CEO of Davies's calibre with two autonomous MDs look somewhat redundant. "Someone will snap him up quickly" said Swinstead. He's still relatively young at 50 ("but I only look 25") and is looking for a new challenge.

Profit warnings from...Joining the ever growing list of over 20 quoted SCS companies (out of c100) which have issued warnings in 1999, this month comes...

Computerland has issued its second profit warning this year quoting lower than expected sales. The shares fell 20% this month to end on 66.5p.

Lynx Group also issued a profits warning saying that difficult trading conditions will mean the full year profits to Sep. 99 are going to be well below the analysts predictions of c£15.8m. A figure of around £12.7m or lower is now more likely. The shares slumped 24% to end on 108p.

Losses down at Intelligent Environments

At the interim stage to 30th Jun. 99, **IE** increased revenues 56% to £4.1m and reduced losses from £874K to £370K. Chairman Clive Richards is "delighted".

GEC has bought a 15% stake in **Xcert International** (digital certificate software) for \$15m.

De La Rue has sold its smartcard division to French **Francois Charles Oberthur Fiduciaire** for £200m.

Electronic Data Processing saw its shares rise sharply after they announced a free Internet service this month. There is also speculation that they are to launch a bid for struggling **Pegasus** as EDP have just purchased a c7% stake. Pegasus confirmed that it was in talks "with a number of different parties" which may lead to a merger/takeover (perhaps readers would like to refresh their memories by rereading our past comments on the previous Sage approach!)

Cadcentre has acquired the IPRs to the SCOPE software products from **Kvaerner ASA** for £1.7m.

After rejecting a bid from Dutch **Landis** last July at 114p, **ilion** have now indicated acceptance of a fresh offer from Landis at 160p. Did wonders for the share price which immediately shot up 28p to 151p. They ended the month even higher at 155p.

Cyberdesk - an £10m MBI from **Misys** in Feb. 98 - has appointed the receivers. Cyberdesk comprised **Misys Computer Services** and **Misys Integrated Solutions** and had c£27m revenue back in 1998.

Touchstone has acquired **Independent Computer Solutions** (ICOS) for up to £1.5m cash. ICOS had 1998 revenues of £3.3m, operating profit of £302K and now has 34 staff.

Synstar has acquired **Lancare** ("a leading UK specialist multi-service network, integration and support company") for £10m now and up to a further £2.5m on profits. Lancare had 1999 revenues of £1.6m and PBT of £494K. Seems an excellent fit for Synstar and will immediately be "earnings enhancing". **Broadview** acted for Lancare.

Oneview.net, a specialist in providing internet services for small/medium businesses, is to seek an AIM listing which is expected to value the company at c£20m. Oneview.net was only set up in January, and in its first six months lost £623K.

US Concentric Network Corp. is to buy **Internet Technology Group** for \$235m (£146m) in order to enter the European internet access market. At c253p per share, this represents a 5% premium over the previous day's closing price (but c62% above the share price when rumours about a possible takeover surfaced in August) and is payable part cash/part shares. At the same time, assets worth c£14.6m will be sold by Concentric to a company called **Red Wave plc** (in which ITG's CEO has an interest).

IMS Group plc (telephony services) has acquired **IMC** (datacoms) for £4m. IMC had 1999 revenues of £2m and made £232K profit.

Sema has bought Argentinian **Informatica Technologia Servicios** for an undisclosed sum. ITS specialises in outsourcing distributed systems and consultancy and had 1999 revenues of £11m and 300 employees. **Sema** also acquired a 10% stake in **Prepayment Cards**, a UK smartcard venture company, and also **Business Protection Services** (disaster recovery in Ireland). No amounts disclosed.

London Bridge has placed 470K shares at £21.50 to raise c£10m in order to meet the deferred consideration on recent acquisitions. Simultaneously Chairman & MD Gordon Crawford is releasing 1.41m shares at the same price plus the dividend. This will reduce Crawford's stake to 50.7% worth a mere £369m!

365 Corporation, a specialist net content provider, is considering a flotation later this year. The valuation expected is between the wide margins of £300m-£500m.

Lynx Group (also see page 6) has expanded its US operation by acquiring **Advisor Technology Services** from **Fidelity Investments** for \$600K. ATS has contracted maintenance revenues of c\$300K.

Eidos has bought 19% of newly formed **Black Cactus**, another

Mergers and acquisitions - continued

computer games developer, for an undisclosed sum.

UK NASDAQer **4Front** has acquired **CVSI Inc.** "a leading provider of IT services" for \$25.5m cash. "4Front anticipates that CVSI will contribute revenues of at least \$100m in 2000". Half of CVSI's revenue come from Europe, 35% from America. CVSI, like 4Front, delivers hardware and software support and other associated services. 4Front also announced revenues up more than double to \$115.6m (all European) and net income up 73% at \$4m in the interim results to 31st Jul. 99. 4Front now reckons it has annualised revenue of \$350m "of which 75% will be service revenues".

Voss Net (AIM quoted ISP) is to raise £630K by a 1-for-3 open offer at 60p. Voss Net has also sold its internet consultancy business **Webbed Feet** in an MBO for £489K. WF made PBT of £28K on revenue of £203K in year to 31st Dec. 98. In addition Voss Net has acquired **IPOSS** (builds e-commerce sites) for £180K in shares.

Voss Net announced a pre tax Loss of £511K (£151K last time) in the six months to 30th Jun. 99, on revenue of just £270K (£232K).

Gladstone has acquired **Microcache** (membership card systems) for £8.1m. Microcache had £4m revenue in 1998.

US **Pacific Gateway** is to acquire **Onyx Internet** for an undisclosed sum. Onyx has revenues of c£1m.

US **Interliant Inc.** has acquired CRM company **SalesTechnology**. Amount paid not disclosed.

Canadian **Geac Computer** has succeeded in its bid for **JBA** at 250p per share with acceptances totalling 83.5% of stock.

Jetcam International (sheet metal cutting software!) are buying **Camtek** (systems for metal cutting industry) for £4m.

Cedar Group is to raise £26.7m in a 7-for-10 rights issue at 110p. Part of the funds are to be used to launch **e-Cedar** - Cedar's ASP. Yet another "products to services" success (and also add Oracle and Microsoft with their announcements this month).

More change for UK ITSAs

Select Appointments accepts £1.1b bid

Hardly had we put our new ITSA report to bed, when we learned that another UK player has 'bitten the dust'. Main market and NASDAQ quoted **Select Appointments** has accepted a bid of c£1.145b from Dutch staff services company **Vedior**. This was a c18.5% premium to the previous day's closing price.

Comment. Well there goes another ITSA. First it was Delphi and now Select - the UK's largest generalist staff agency with 1998 revenues of £832m and a PBT of £53m. IT staffing represented about 42% of the total and they ranked 10th in the UK ITSA market. This acquisition will put Vedior up there with Adecco, Manpower and Modis in the big league. The message to other UK ITSAs is even clearer - *move up the food chain or you may have to move out of the business! Well, that's if you don't get eaten first!*

Hello S3

Barclays Private Equity has made a £50m investment in a **S3** - the new holding company for the **Computer Futures** IT staff agency (ITSA) group. This £50m is in a mix of instruments and, we understand, represents "a significant minority stake". It is all "new money". But, whatever the valuation seems like its <1/3rd revenues.

In 1998, Computer Futures (you might know them better as Progressive, Huxley Associates, Pathway, Real IT, Mercer Gray) was the second largest IT Staff Agency in the UK (Delphi - now Adecco was No 1) We reckoned they had revenue of £215m in 1998 and now understand that revenues "in excess of £250m" are forecast for 1999 when profits of c£30m are expected. An IPO is expected "within 2-3 years". Well that's if someone doesn't make them a better offer before then.

Yet more evidence of an ITSA slowdown (if you still need it!), **Reed Computing Personnel** "suffered a setback with permanent IT jobs down 25%".

Still apprehensive over the ides of October

A year back, the FTSE IT Index stood at 1446 having dived from its high of 1882 in July 98. But by 7th Oct 98, the index had dived to 990. A year on the IT Index is around its all time high at 1991, having gained 6.5% in Sept. *Will October see another crash?* Well, as we go to press on 1st Oct., **Skillsgroup** has issued a profits warning and **Cap Gemini's** shares crashed 11% on "worse than expected" Q3 trading. Nothing can be ruled out, but if SCS companies (and investors/analysts) have not factored in the Y2K microclimate to their H2 expectations....Well, they only have themselves to blame if the market punishes them for living in denial this long.

CRM software developer **Recognition Systems** was by far the star performer this month - doubling to 51p - that's a 410% rise in 1999 so far. What a difference the appointment of Alan Benjamin as Chairman can make to companies

End Sept 99	Move since 1st Jan 98	Move since 1st Jan 99	Move in Sept 99
System Houses	92.6%	24.3%	3.7%
IT Staff Agencies	-38.2%	-25.5%	-2.1%
Resellers	31.4%	39.7%	6.0%
Software Products	105.4%	75.6%	5.7%

Impressive turnaround at QSP

The turnaround at **QSP** over the last few years has been impressive and has continued at the interim stage to Jun. 99. Revenue increased 22% to £22.2m, PBT went up 11% to £1.4m and diluted EPS was up 17%. Now 65% of their revenue comes from consultancy and support (from zero three years back) and professional services revenue grew 43%. But the exciting bit is that they now have c15% revenue from managed services - in other words long term contracts - and have signed a contract to offer the product as an ASP with a US ISP. The first deal is expected soon. QSP is proposing a 1-for-4 rights issue at 480p to raise c£17.3m to further expand the business. This caused the share price to fall and they ended the month down 14% on 503p.

Lorien plunges into loss

When a company delays announcing its financial results, it's usually because they aren't good. And so it has come to pass at **Lorien** who should have declared their interim results to May 99 a couple of months ago. The company has plunged into the red with losses of £1.6m against a previous PBT of £2.5m on revenue up just 4% at £70.9m. "The last six months have been a very difficult period...the next 12 months will continue to be challenging". Quite! **Comment.** You can read the whole sordid Lorien story in our latest ITSA report. Their shares were over £8 in May 98 - they now stand on just 92p. Lorien's future as an independent company looks a trifle uncertain.

Europe now Guardian IT's "stronghold"

Guardian IT sees no sign of a slowdown in business due to the Y2K microclimate. *Mind you if a disaster recovery company can't do well over Y2K, we don't know who can!* In the six months to 30th Jun. 99, revenue grew 43% to £19.6m, PBT was up 22% at £3.6m with diluted EPS up a similar 22%. Their contracted order book - **a remarkable £79m or 2.5-times revenues** - "gives us considerable confidence for the future" according to Chairman Richard Raworth. Guardian is now the market leader (or is in the Top 3) in disaster recovery in the UK, France, Germany, Belgium and Scandinavia helped by a series of recent acquisitions within Europe. Indeed these purchases will impact much more in H2.

System House

30-Sep-99	SCSI Index	FTSE IT (SCS) Index	FTSE 100	FTSE AIM	FTSE SmallCap
	5781.00	1991.50	6029.80	1117.80	2678.90
<small>SCSI Index = 1000 on 15th April 1989</small>					
Changes in Indices	SCSI Index	FTSE 100	FTSE IT Index	FTSE AIM Index	FTSE Small Cap
Month (31/8/99 to 30/9/99)	+3.66%	-3.47%	6.45%	+0.29%	-4.89%
From 15th Apr 89	+478.10%	+193.62%			
From 1st Jan 90	+528.30%	+155.28%			
From 1st Jan 91	+716.68%	+179.11%			
From 1st Jan 92	+453.28%	+141.86%			
From 1st Jan 93	+262.77%	+111.83%			+93.09%
From 1st Jan 94	+246.25%	+76.39%			+43.36%
From 1st Jan 95	+285.61%	+96.70%			+53.39%
From 1st Jan 96	+155.97%	+63.44%		17.24%	+37.98%
From 1st Jan 97	+115.91%	+46.41%		14.52%	+22.71%
From 1st Jan 98	90.48%	17.41%	99.15%	12.68%	15.81%
From 1st Jan 99	46.67%	2.50%	37.72%	39.45%	29.36%

(see QSP) Jane Tozer also joined as a NED this month. **Riva** put on 51% as a result of the Anker bid.

But poor old **Highams** is down another 27%, making a 64% decline this year as ITSA troubles mount. **Lorien** fell another 21% for similar reasons. **Lynx** tumbled 24% on its profits warning (p6). **Freemove** fell 19% to 147p - below its 150p IPO price. But some analysts suggest 60p is a fairer price.....

Losses as expected from MSW Technology

After their profit warning last month it has come as no surprise that **MSW** made a loss of £1.6m (PBT £502K) on revenue down 35% to just £1.9m in the year ended 31st May 99. Losses were blamed on a big contract not finalised within the last financial year. Their shares are now just 84p - below the float price of 97p in Nov. 98.

Reduced losses at Ultima

Ultima Networks has managed to narrow losses from £1.1m to £610K at the interim stage to 30th Jun. 99. Revenue fell 22% to £6.5m. "Market conditions remain difficult in the software markets in which we operate". With the share price of just 3p and a capitalisation of only £6.3m, it's a bit hard to see if they have a bright future.

Pleasing results from Systems Integrated

Educational software supplier **Systems Integrated (SiR)** has terminated discussions with a potential bidder as they were unable to reach agreement. However they are pleased with the results for the year ending 31st May. 99. Revenue went up 35% (but still only stands at £1.4m) and the previous loss of £493K has been turned into a PBT of £140K. Although in the fast growing educational area, SiR are no RM! At least they are now in the black again - let's just hope they can survive or get a willing buyer. SiR was an AIM float in Mar. 96 at 115p. At one time the shares stood at 18p. At least they have recovered a bit to end the month on 30p.

Anker buys struggling Riva

Struggling **Riva** has been acquired by **Anker**, the former electronic cash transfer division of **BTR** for £42m. This offer values Riva at 115p per share - up 28p on the previous closing day price. **Granville** acted for Riva.

Policy Master well up at interim stage

In the six months to 30th Jun. 99, **Policy Master** ("leading software suppliers to the UK insurance industry"), increased revenues 53% to £7.7m, with PBT more than trebling at £500K. Diluted EPS was up 165%. Operating profit after goodwill amortisation was up a lower 30%. Recent acquisitions - **Mediquote** and **Media Maker** - had little affect at the interim stage. Shares were up 3% this month to end on 310p. They listed on AIM in Jul. 98 at 150p.

System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	SCS Cat.	Share Price 30-Sep-99	Capitalisation 30-Sep-99	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 30-Sep-99	Share price move since 31-Aug-99	Share price % move in 1999	Capitalisation move since 31-Aug-99	Capitalisation move (€m) in 1999
Admiral	Yes	CS	£8.78	£561.60m	33.1	3.82	31715.93	17.40%	-24.68%	£78.40m	-£177.00m
AFA Systems		SP	£1.24	£22.36m	Loss	27.64	1029.17	2.92%	13.82%	£0.46m	£8.66m
AIT Group		CS	£4.28	£86.80m	46.0	4.97	2850.00	6.48%	85.87%	£5.30m	£40.10m
Anito Group	Yes	CS	£0.58	£143.10m	18.6	0.79	339.18	5.45%	45.00%	£7.40m	£44.80m
Axon		SP	£3.08	£150.00m	61.0	7.49	1757.14	15.60%	75.71%	£20.20m	£64.60m
Azian Group	Yes	R	£0.80	£85.71m	31.3	0.25	347.83	-1.84%	30.08%	-£1.59m	£19.81m
Baltimore Technologies		SP	£12.13	£366.21m	Loss	37.05	12435.90	25.32%	181.98%	£63.41m	£288.21m
Baron		SP	£1.30	£4.16m	n/a	1.76	1300.00	-0.76%	30.00%	-£0.03m	£0.96m
Bond International		SP	£1.07	£15.26m	22.4	1.73	1638.46	-5.33%	13.30%	-£1.04m	£2.46m
Cadcentre Group		SP	£2.14	£35.53m	18.5	1.99	1070.00	-6.96%	-15.58%	-£2.37m	-£6.57m
Capita Group		CS	£8.99	£1,444.27m	68.8	6.07	62972.97	1.30%	25.83%	£13.27m	£345.27m
Cedar Group		SP	£1.28	£46.11m	19.4	2.00	1214.29	-18.01%	32.12%	-£10.59m	£13.81m
CFS Group		SP	£1.78	£28.26m	16.2	2.57	1972.22	14.15%	78.39%	£3.26m	£12.46m
Clinical Computing		SP	£0.36	£9.04m	27.8	2.97	290.32	-18.18%	-1.37%	-£1.96m	-£0.12m
CMG	Yes	CS	£20.70	£2,653.59m	52.6	5.98	14275.86	11.47%	35.74%	£277.59m	£700.59m
Compel Group	Yes	R	£4.28	£135.53m	37.4	0.46	3420.00	-8.56%	7.41%	-£12.17m	-£21.73m
Computacenter	Yes	R	£6.29	£1,127.86m	20.9	0.71	938.81	8.73%	42.95%	£104.86m	£349.06m
Comino		CS	£3.08	£41.78m	20.2	2.25	2365.38	-3.61%	48.19%	-£1.62m	£14.18m
DCS Group	Yes	CS	£6.40	£154.88m	26.7	1.41	10666.67	6.22%	18.52%	£9.08m	£30.18m
Dalcam		SP	£1.45	£8.56m	Loss	0.62	557.69	14.62%	211.83%	£1.27m	£5.82m
Diagonal	Yes	CS	£3.05	£246.48m	40.8	3.51	4434.32	4.27%	26.56%	£6.08m	£52.98m
Dialog Corporation		CS	£0.64	£96.25m	21.9	0.56	577.27	-16.45%	9.48%	-£25.05m	£8.45m
DPS Data & Research		SP	£0.24	£8.30m	17.7	1.22	218.18	4.35%	88.24%	£0.34m	£3.89m
Druid Group	Yes	CS	£11.30	£261.00m	34.0	4.37	4109.09	0.44%	-14.23%	£1.10m	-£40.70m
ECSoft	Yes	CS	£8.68	£94.54m	15.6	1.52	480.08	3.58%	-53.11%	£2.44m	-£107.16m
Electronic Data Proc		SP	£0.73	£19.08m	11.9	1.66	2235.15	19.67%	8.15%	£2.28m	£1.38m
Eidos		SP	£38.59	£710.06m	35.7	3.14	38590.00	18.01%	310.53%	£100.06m	£549.36m
FI Group	Yes	CS	£3.93	£895.68m	67.1	3.92	10064.10	9.03%	19.48%	£60.48m	£236.08m
Financial Objects		SP	£2.99	£106.40m	26.2	4.91	1300.00	1.70%	22.04%	£2.30m	£19.10m
Flometrics Group		SP	£2.73	£7.36m	18.5	1.06	2096.15	9.44%	75.81%	£0.74m	£3.33m
Freeerve		CS	£1.47	£1,475.85m	n/a	n/a	976.67	-19.28%	-2.33%	-£418.15m	-£34.15m
Greenham Computing		CS	£0.45	£19.48m	6.7	2.24	483.87	-6.25%	-55.67%	-£4.52m	-£16.22m
Guardian IT	Yes	CS	£6.54	£334.80m	65.8	11.28	2564.71	3.15%	37.68%	£11.50m	£91.60m
Harvey Nash Group		A	£3.38	£96.17m	14.9	0.92	1928.57	13.45%	8.87%	£11.37m	£8.77m
Highams Systems Servs		A	£0.31	£5.78m	5.1	0.17	847.22	-27.38%	-84.12%	-£1.61m	-£10.24m
ICM Computer		CS	£2.90	£55.05m	19.5	1.37	1611.11	20.83%	14.40%	£9.25m	£6.75m
Illion Group		R	£1.55	£38.90m	Loss	0.16	968.75	29.17%	174.34%	£8.80m	£24.70m
Intelligent Environments		SP	£0.88	£36.87m	Loss	5.56	930.85	-2.23%	96.63%	-£0.83m	£23.07m
Internet Technology		CS	£2.07	£100.98m	n/a	9.17	10325.00	-14.32%	22.92%	-£17.62m	-£58.28m
I S Solutions		CS	£2.90	£13.96m	21.6	1.60	2164.18	-0.85%	41.46%	-£0.04m	£4.12m
ITNET	Yes	CS	£4.83	£39.23m	51.3	3.21	1378.57	12.87%	2.12%	£35.93m	£7.03m
JBA Holdings	Yes	SP	£2.47	£91.20m	Loss	0.31	1540.63	4.45%	33.24%	£3.70m	£23.30m
JSB Software		SP	£3.20	£38.08m	n/a	9.52	1600.00	-1.99%	56.10%	-£0.52m	£18.58m
Kalamazoo Computer		CS	£0.76	£32.36m	Loss	0.49	2157.14	26.89%	91.14%	£9.36m	£15.46m
Kewill Systems	Yes	SP	£5.13	£362.29m	49.2	6.03	10142.29	21.04%	101.25%	£62.29m	£191.49m
Keystone		SP	£0.23	£6.48m	Loss	4.09	250.00	40.63%	25.00%	£2.02m	£4.50m
Logica	Yes	CS	£8.03	£3,193.55m	74.4	4.84	10996.96	5.31%	53.68%	£112.55m	£1,264.55m
London Bridge Software	Yes	SP	£23.23	£729.23m	117.5	32.59	11612.50	5.57%	80.39%	£1.63m	£348.13m
Lorian		A	£0.92	£18.03m	11.5	0.13	920.00	-21.03%	-37.20%	-£5.57m	-£10.67m
Lynx Holdings	Yes	SP	£1.08	£115.86m	11.7	0.64	2700.00	-24.21%	-45.59%	-£39.74m	-£96.34m
Macro 4	Yes	SP	£6.23	£122.61m	17.2	3.95	2510.08	-8.46%	83.09%	-£19.19m	£55.61m
MIDAS Group	Yes	CS	£0.25	£58.78m	17.9	0.44	97.12	5.21%	-45.11%	£2.98m	-£39.12m
MERANT	Yes	SP	£2.89	£416.42m	Loss	1.93	1395.81	3.21%	179.23%	£11.22m	£267.82m
Microgen Holdings		CS	£1.44	£74.90m	16.4	1.07	615.38	-17.71%	5.11%	-£18.70m	£15.30m
Miaya	Yes	SP	£5.96	£3,370.28m	35.7	5.79	7408.72	8.17%	36.19%	£209.28m	£910.28m
MMT Computing	Yes	CS	£6.13	£74.10m	12.1	2.02	3645.83	1.66%	-34.67%	-£1.50m	-£38.40m
Monclis		SP	£0.57	£7.12m	Loss	7.45	753.33	-17.52%	11.88%	-£1.51m	£0.76m
Moorepay Group		CS	£3.08	£36.00m	19.8	4.31	5189.37	0.00%	33.70%	£0.00m	£9.10m
Morax		R	£2.43	£296.57m	10.7	1.04	970.00	8.50%	-3.00%	£23.27m	-£9.13m
MSB International	Yes	A	£1.49	£30.37m	4.0	1.06	784.21	-1.00%	-56.18%	£0.47m	-£99.03m
MSW Technology		SP	£0.84	£6.85m	Loss	2.35	860.82	3.09%	-21.60%	-£0.86m	-£1.88m
NetBenefit		CS	£2.16	£26.99m	n/a	13.71	1080.00	0.00%	8.00%	-£0.01m	£1.99m
NSB Retail Systems		SP	£7.45	£149.00m	65.9	17.81	6478.26	14.18%	338.24%	£17.00m	£130.30m
Oxford Molecular		SP	£0.38	£32.63m	Loss	1.52	468.75	-15.73%	-22.68%	-£6.07m	-£9.47m
Parly	Yes	A	£2.54	£378.53m	25.6	1.30	42249.84	25.50%	32.72%	£71.93m	£96.33m
Pegasus Group		SP	£3.84	£26.92m	22.3	1.80	1046.32	25.70%	26.94%	£6.92m	£5.72m
Phonalink		CS	£0.33	£22.31m	Loss	2.23	209.68	8.33%	18.18%	£1.71m	£3.41m
Pliant		SP	£0.52	£38.04m	25.2	3.93	2145.83	3.00%	114.58%	£1.04m	£22.34m
Polymaster		SP	£3.10	£43.70m	36.3	3.85	2066.67	3.33%	63.59%	£1.40m	£17.00m
PolyDoc		SP	£1.33	£27.39m	Loss	30.74	1906.48	-7.34%	-10.17%	-£2.11m	-£2.41m
Protherics (was Proteus)		SP	£0.41	£65.59m	Loss	94.24	482.14	-1.22%	14.08%	£34.89m	£39.29m
QSP		SP	£5.03	£72.34m	17.1	1.76	1322.37	-14.47%	41.55%	-£13.36m	£24.04m
Quantica		A	£0.49	£19.80m	7.9	1.31	391.13	12.79%	-33.56%	£2.30m	-£8.60m
Rage Software		SP	£0.31	£76.14m	30.3	8.61	1201.92	42.05%	278.79%	£20.64m	£56.04m
RDL		CS	£0.95	£10.60m	10.9	0.88	1055.56	-0.52%	5.56%	-£0.10m	£0.50m
Real Time Control		SP	£6.25	£43.80m	14.8	2.61	12755.10	-6.72%	29.53%	-£2.70m	£10.00m
Recognition Systems		SP	£0.51	£37.71m	Loss	47.85	728.57	101.98%	410.00%	£17.61m	£34.02m
Riva Group		CS	£1.11	£38.18m	25.9	0.48	788.89	51.02%	228.47%	£12.38m	£27.28m
RM Group	Yes	SP	£5.23	£480.72m	55.5	3.67	14928.57	0.48%	12.73%	-£1.38m	£59.82m
Roflo & Nolan		SP	£1.92	£25.50m	24.3	1.21	2279.76	-3.77%	9.43%	-£1.00m	£2.20m
Romtec		CS	£0.64	£3.37m	32.0	0.86	1016.00	0.00%	-16.99%	£0.00m	-£0.68m
Royalblue Group	Yes	SP	£5.28	£151.88m	40.3	5.15	3102.94	-0.47%	57.46%	-£1.52m	£58.78m
Sage Group	Yes	SP	£27.27	£3,326.39m	78.1	17.37	104884.62	-0.11%	73.69%	£11.39m	£1,505.39m
Sanderson Group	Yes	CS	£1.77	£89.27m	13.3	1.21	3004.26	-6.37%	14.98%	-£6.63m	£16.17m
SBS Group		A	£1.18	£10.40m	6.8	0.29	1180.00	-9.23%	-40.25%	-£1.00m	-£7.00m
Science Systems		CS	£2.67	£45.40m	26.1	1.87	2069.77	41.64%	70.61%	£8.30m	£18.80m
Sema Group	Yes	CS	£7.44	£3,441.81m	53.5	2.75	9352.20	9.82%	25.80%	£390.81m	£717.81m
Shawwood International	Yes	CS	£4.98	£187.10m	42.4	4.39	16574.20	-7.44%	46.76%	-£18.40m	£59.70m
Skillsgroup	Yes	CS	£2.34	£204.99m	20.5	0.54	1049.33	-16.87%	28.93%	-£41.61m	£55.59m
Spring		A	£1.25	£180.17m	17.2	0.45	1383.33	-9.45%	-14.43%	-£7.13m	-£30.23m
Staffware		SP	£3.03	£38.40m	274.5	1.73	1344.44	0.83%	13.08%	-£0.70m	£4.40m
Superscape VR		SP	£1.03	£12.60m	Loss	2.99	517.68	-18.97%	-47.03%	-£3.00m	-£11.20m
Synetar		CS	£1.52	£247.04m	51.2	1.50	921.21	29.91%	-7.88%	£56.94m	-£22.96m
Systems Integrated		SP	£0.30	£4.05m	38.2	2.88	263.04	9.01%	290.32%	£0.90m	£3.01m
Systems International		CS	£0.58	£19.70m	15.9	1.16	1000.00	15.00%	17.35%	£2.60m	£3.10m
Terance Chapman		CS	£1.37	£92.78m	34.0	4.45	1011.11	-9.60%	1.11%	-£9.82m	£1.08m
Torax Group		CS	£2.87	£94.57m	37.2	4.34	5563.11	-3.70%	223.73%	-£4.33m	£65.87m
Total Systems		CS	£0.44	£4.58m	10.1	1.41	830.19	-12.00%	-25.42%	-£0.62m	-£1.56m
Touchstone		SP	£1.39	£13.59m	18.1	1.77	1319.05	24.22%	22.03%	£3.09m	£2.49m
Trace Computers		CS	£1.43	£20.93m	17.1	1.23	1140.00	5.56%	16.33%	£1.13m	£2.93m
Triad Group	Yes	CS	£2.95	£74.36m	12.7	1.51	2185.19	3.87%	-44.60%	£2.76m	-£59.84m
Ultima		R	£0.03	£6.26m	15.5	0.43	79.27	0.00%	-13.33%	£0.00m	£1.10m
Vaga Group		CS	£6.13	£109.66m	33.3	3.78	5020.49	-4.15%	58.06%	-£4.74m	£47.26m
Workplace Technologies		CS	£2.25								

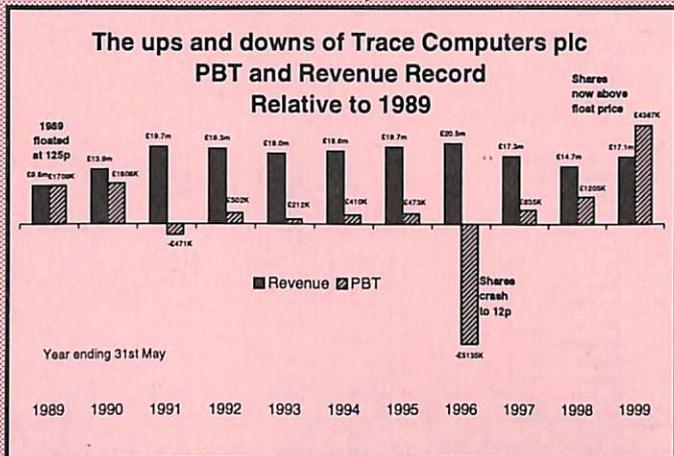
A very good year at Trace

Trace Computers has had a very chequered financial record as can be seen from the chart below. The low point was reached in FY96 when the share price reached an all time low of just 12p. Since then they have been in the 'revival' stage. Their latest results for the year ended 31st May 99 show revenue up only 17% to £17.1m, but PBT was up over threefold at £4.4m - thanks to net exceptional gains of £2.3m, mainly from property revaluation - with diluted EPS up even higher. *Why the current change in fortune?* Well much is due to them now focusing on a smaller number of markets and activities - they were the original "we can do anything, we will buy anything" company that epitomised the late 1980s (remember Headland, EIT, Radius, Sanderson et al.)

Chairman John Perry said "The demand in our markets remains buoyant and I expect this to continue next year... I believe that we should now seriously consider strategic acquisitions or partnerships".

Now we wonder exactly what that means? Companies usually use the word "partnership" when they really want to receive a takeover bid.

Trace was an IPO on the USM ten years ago at 125p. For most of the last decade the price has been below this. At least now they ended the month on 143p. But its a pretty poor return if you happened to be an original investor.



Solid performance from

Sema had two causes for celebration this month. They re-entered the FTSE100 and they announced better than expected figures at the interim stage to 30th Jun. 99. Although total revenue was only up 10% (due to the disposal of their BAeSema JV last year), continuing revenues increased 25% to £66.8m. Similarly continuing operating profit was up a higher 27% compared with a 22% increase in PBT at £37.9m. Diluted EPS increased 21%. The order book (about 1.3-times annual revenues) is strong at a record £1.8b - without the Olympic contract.

The strongest revenue growth came from systems integration with a 30% rise to £293m, although outsourcing also did well with a 24% increase to over £300m (45% of revenue). Geographically, the UK was the star with a 34% rise to £254m, France +19% to £181m and Scandinavia also +19% to £87m. Spain had a 70% increase but still only accounts for 7% of revenue. Telecoms remains Sema's top strategic priority and represents 17% of revenue (down slightly from 18%). Indeed Sema is now the world market leader in 'prepaid' mobile phone CRM systems. Public Sector grew from 14% to 19% thanks mainly due to UK outsourcing with Finance the third largest at 21% (up from 18%). It is expected that the major growth area in H2 will come from Telecoms with a lower growth in Public Sector and Finance areas.

Other achievements in H1 include a strong pipeline for the second half (especially in telecoms and UK public sector outsourcing), successful launch of SemaVision with six major wins, continued outsourcing success and a breakthrough in e-business. In July Sema concluded the acquisitions of Italian DS Telematica (£22m) and Argentinian ITS (£11m) which combined will have a £15m impact on H2 revenues.

CEO Pierre Bonelli said "Given the strength of the order book, and the strong prospects, we are confident we will not suffer any expected downturn due to Y2K uncertainties. As we look to expand into new markets and technologies, we are confident about the continued growth in size and profitability of Sema Group".

Sema still hasn't consummated that "\$1 billion" US acquisition - although there were rumours linking it with Cambridge Technology this month. In any event this was a solid half-time performance from Sema.

The shares ended the month with a 10% rise to 744p.

DRS back into the black

DRS Data & Research Services has made a small profit of £214K (previous loss £316K) for the 28 week period ending 17th Jul. 99. Revenue in the period went up 43% to £4.5m. "...the full year performance is likely to be better than that delivered in 1998, resulting in modest profits. We expect this trend to continue into 2000".

Maiden results from NetBenefit

Web hosting and domain registration company NetBenefit floated on AIM in June this year at 200p. In their maiden results for the year ended 30th Jun. 99 they declared revenues of £1.97m and made a PBT of £280K - pretty impressive for an internet company. The 1997 figures are not strictly comparable as they cover some 13 months but for the record revenue was £1.1m with a small loss of £3K. Chairman Stewart Binnie says their plans to move to the main market "are at an advanced stage" and they remain "committed to... rapid organic growth in combination with acquisitions" - although probably acquisitions will start in 2000 and not this year.

The shares ended the month on 216p - a 8% premium to the recent float price.

Baltimore Technology for NASDAQ

Baltimore (nee Zergo) is to obtain a quotation on NASDAQ as well as its present AIM listing to raise c£95m capital. The shares immediately leapt substantially on the news and ended the month up 25% on £12.13p.

The company also announced its interim results to 30th Jun. 99. Revenue rose 23% to £9.8m but losses widened from £523K to a massive £16m. CEO Fran Rooney blamed the losses on increased investment in products, sales and marketing. They will definitely need the extra capital if losses persist at this level.

Clinical Computing does better - at last

Clinical Computing has had a series of appalling results since its float in Feb. 94 at 124p. At least at the interim stage to 30th Jun. 99, their results were a bit better. Although revenue fell 6% to £1.56m (due to the removal of a non-recurring royalty payment of £100K), PBT went up 23% to £253K - almost as much as they made in the whole of 1998. EPS increased 25%. Chairman M. Gordon believes "that the Group is well positioned to take advantage of the many commercial opportunities that will follow the successful transition beyond Year 2000". The shares ended the month 36p - still well below the float price.

Desktop support leads ITNET growth

ITNET recorded revenue up 21.5% at £61.0m, operating profit up 39% at £4.0m, PBT (after goodwill) up 84% at £4.1m and diluted EPS up a massive 135% at 4.0p in six months to 30th Jun. 99. Of course what makes ITNET different is the longevity of customer relationships/contracts. ITNET records a forward order book of £326m ...over 2.8-times annualised revenues. They don't come much better than that.

It looks as though all ITNET's businesses did well, desktop support especially. Here ITNET supports 8,000 PCs and 250 servers at London Transport in a £25m/5yr deal that was their biggest private sector contract so far. ITNET's traditional stomping ground is the local authorities and the £60m/10yr contract with the London Borough of Enfield helped here too. The "main event" of the period was their acquisition of **Technosys** in May 99 for an initial £9.1m + £4.2m earnout, which has since "performed in line with expectations". Acquisitions in continental Europe are on the agenda.

ITNET adds to the list of players seeing strong demand for SAP post-implementation services. They have launched a monthly subscription-based on-line SAP rental service - Enfield has already signed up for 500 users.

And what about Y2K worries? "We believe this is mainly due to discretionary spend having been brought forward to address Y2K issues. However, as only a small proportion of ITNET's revenue is discretionary spend this slowdown is not expected to impact ITNET materially". In other words, the longevity of their order book should see ITNET through any short term blips.

Comment: ITNET has boosted business in the private sector to 43% of the total (including c6% from ex-parent Cadbury Schweppes) and are winning chunky desktop support contracts. SAP outsourcing surely 'has legs' and their new e-business service looks promising. There are a few wobbles with BPO - but nothing they shouldn't be able to sort. Even though there's still considerable opportunity for ITNET here in the UK (e.g. c65% of local authorities still do no outsourcing at all) they probably now need to consider wider geographic spread. ITNET was a new IPO in June 98 at 350p. They closed end Sep. 99 on 483p. Given this performance, the 38% premium might be considered "modest" in the circumstances.

Better now at ICM Computer Group

At the interim stage, ICM's results were disappointing due to two large contract deferrals. But for their maiden full year results to 30th Jun. 99, the position is much better. Revenue increased 12% to £40m, PBT was up an excellent 60% at £4.3m with adjusted EPS up 21%.

ICM is the archetypal IT services company providing a range of services and project-based solutions to companies from blue chips to small businesses. Each of their three core activities, IT Support, Business Continuity and IT Solutions enjoyed "solid growth". ICM earns about 75% of its gross profits from its on-going support side. Indeed, forward contracted revenues in IT Support/Bus. Continuity exceed one year's revenue at present.

CEO Barry Roberts said "We provide the right quality of support, continuity and consultancy which will drive both existing performance and our potential to win new business". ICM were a new issue in May 98 at 180p - they ended the month up 21% on 290p.

Comment. ICM is not a company that seems likely to set the world on fire, but they are able to ride any Y2K bumps etc. much better than those without long term relationships. Barry Roberts told us that he has seen little evidence of any Y2K slowdown for ICM. He accepted that "Dec./Jan. might be rather shorter months than usual" (well we know what he means!), but there seems to be little to fear here.

Science Systems does well at interims.

Science Systems announced a good set of results in their interims to 30th Jun. 99. Revenue went up 37% to £16.6m, PBT was up 21% to £1.5m with basic EPS up an even higher 34%. And their forward order book now stands at >£30m with a "high level of repeat business". Chairman Cliff Preddy believes that the group "will experience continued growth in the second half".

Their Industrial Division revenue "performed particularly strongly" with a 38% rise, Space "won significant new orders" and rose 12% and Commercial (+30%) "delivered another record performance"

Kewill unveils new contract

We don't normally comment on new contract wins, but when the company shares immediately leap over 20% on the news, we feel obliged. They secured a huge deal with **Federal Express** likely to be worth up to an estimated \$3m. Kewill will need to invest \$10m on e-commerce product development.

CMG is upbeat about prospects - despite Y2K

CMG rejected bug fears and expects customers to continued spending in the run up to the millennium. Chairman Cor Stutterheim said it would be unwise to ignore the potential for "isolated incidents" but general discussions with customers "do not indicate any general slowdown or freezing of development". Makes a refreshing change nowadays for such bullish comments and certainly did both the market and CMG shares a power of good on the day. The shares ended the month up 11% on £20.70p.

At the interim stage to 30th Jun. 99, revenue grew 50% to £290.5m, PBT was up 49% to £35.8m with diluted EPS increasing 53%. Benelux was the real star with revenues up 47% to £187m, profits up an even higher 53% to £32.5m, and a margin of 17.4%. The UK grew revenue 27% to £63m but profits up only up 14% at £4.6m; i.e. a 7.3% margin. In Germany, revenue rose a massive 87% (only 59% organic) to £28.5m, profits were up 72% to £1.6m and margins down to 5.5%. In France they have now integrated acquisitions and revenue went up over fivefold to £11.8m, with operating losses halved to £400K. Total employees in the last year have risen to over 8,000 with staff churn down to 13%.

Really excellent results and what's more mainly organic. But CMG did warn that growth for the full year would be lower than the 46% achieved in FY98 "but still higher than the industry average" - which we have forecast at c20%.

The whole tone of the statements from Stutterheim and FD Chris Banks were very upbeat; peppered with words like "considerable confidence", "strong demand", "very good set of results for the full year" and as to future prospects, if possible, they are even more bullish. "We are seeing increasing evidence of strong demand from our customers giving us increasing confidence in our ability to continue to grow ahead of our chosen markets next year and beyond". "We still remain short of resources".

Optimistic IS Solutions

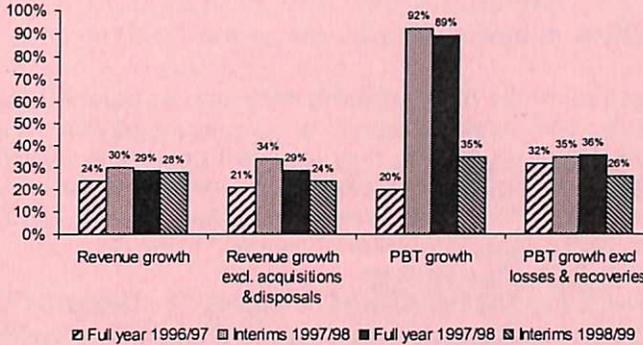
IS Solutions (SI, FM and internet outsourcing) has announced PBT down 10% to £362K on revenue up slightly at £4.3m. EPS fell 7% in their interims to 30th Jun. 99.

Despite this, they are "optimistic" for the second half and "encouraged" by their future prospects as a result of strong UK trading coupled with growth in web-specific outsourcing business. Launched on AIM in Sep. 97 at 134p, the shares ended the month on 290p.

How was it for you?

Most of the interim results for the c100 quoted SCS companies to 30th June 99 have now been announced. Which ever measure you choose, both revenue growth and profits growth have shown reductions - albeit small. Organic revenue growth has slowed from 34% to a still very acceptable 24%. Profits growth (excl. loss-makers and those turning from loss to profit or vice versa) has also

PBT and Revenue Growth for UK Quoted SCS Companies



reduced from 35% to an even more acceptable 26%. Although these statistics cover only around 100 quoted SCS companies, and include worldwide rather than just UK revenues, they fully support our earlier forecasts for a dip in UK SCS growth rates from c24% in 1997/98 to c17% in 1998/99 as the worst of the Y2K effects will undoubtedly be felt in H2 1999 and H1 2000. Hence our forecast of a slower revenue growth for the full year and an even lower growth of c14% for 1999/00. The fact that profit growth is currently outstripping revenue growth is most satisfactory and shows how reduced staff churn/wage rises can positively affect our industry. However, the downturn has not been universally felt. "Quality" houses like CMG, Logica, Sema etc. have ridden the market well with the ITSA's feeling the cold the worst.

JSB to abandon AIM in favour of EASDAQ

JSB Software Technologies (Internet, connectivity and networking software products) announced revenue up 19% at £4.0m but a Loss before Tax of £1.3m (PBT £16K last time) in year to 31st May 99. However their SurfCONTROL division boosted revenue by 864% (sic) to £482K

JSB also announced the acquisition of **SurfWatch Software Inc.** (Internet access management and monitoring software) from **Spyglass Inc.** for \$29m (\$12m in shares \$17m in cash) dependent on raising \$50m. To enable this JSB will float on EASDAQ and the issue of ADRs in the US. SurfWatch has revenue of c\$2.65m and a loss of \$6K in 10 months to 31st July 99. Investors should note that JSB intends to cease trading on AIM once the EASDAQ quote is in place. *Another blow for AIM and London.* Steve Purdham of JSB stressed that AIM had been "excellent" for JSB and had enabled them to complete two rounds of fund raising. Although JSB had been accepted as a "special case" move to the full LSE and therefore techMARK (even though they have <3 years record and market cap. <£50m), they had decided on EASDAQ as a precursor to a move to NASDAQ. Purdham said that EASDAQ stock had a perceived value in the US - a value which was more difficult to prove with just a London listing. He felt it would be much easier to raise money for the kind of acquisitions and other activities they planned. Purdham described techMARK as "confused". JSB was an AIM IPO in June 98 at 200p and ended the month down slightly at 320p.

Apologies to Quantica

In our article last month we said **Quantica** was "launched onto AIM" in June 98. This was incorrect. Quantica floated on the main market. Thanks to Financial Dynamics for pointing this out.

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