

System House

The monthly review of the financial performance of the UK computing services industry

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A serious case of déjà vu?

Just over a year ago, **EIT Group** was trading as **Maxiprint**; engaged in the photographic processing business. It was making mega losses on minimal revenue - latest figures show a loss of £246K for the 10 months to 31st Mar. 91. It did, however, have one asset - it was quoted on the USM. Since then the shell company has seen a complete change. Mike Dart and M Ridout were appointed directors in June 90. They brought in Mike Burden as CEO in Nov. 90, when they purchased **Intercom** (who developed the Office Link product) from the receivers.

Mike Burden has nearly 30 years experience in the IT business. He joined Singer Business Machines in 1968 as Sales and Marketing Director and later became MD, grew the company from a loss of £500K on revenues of £5m to profits of £3.5m on revenues of £20m and sold it to ICL in 1975. He cites this as an example of an acquisition that has really worked. Since then he has had involvements with Trident - which floated on the USM in 1982 - and Optim; which was eventually bought by SRH (Enterprise).

Maxiprint's photo operations were sold for £183K to Fototronic in Jan 91. In June 91, they purchased **Decisionware** (who were originally a Prime systems house and have since developed the Pick/UNIX based systems generator - Dynamo) in a highly innovative performance related deal which could involve a consideration of up to £1.7m. We understand that Decisionware is on target to earn the first tranche which will make the indefatigable Jennifer Sanchez rich. At the same time Maxiprint changed its name to EIT - European Information Technology. In Sept. 91, EIT bought **TPC Tristar** for an initial £25K.

We understand that EIT is to announce two further acquisitions in December - one of a troubled quoted computing services company. They will also raise some cash. If this goes through EIT will become a sizeable CSI company with annualised revenues of around £30m. Mike Burden's ambition is then to boost this to over £50m within two years - not an impossible objective given the likely starting point.

The last few years has been littered with examples of "let's build a computing services services company by multiple acquisitions". Eg Systems Reliability (now Enterprise) Ferrari, Misys, Radius, Trace. None has so far succeeded

in their goal - some have failed, many are struggling. Perhaps the closest immediate similarity is between EIT and **Headland**. Both started by buying a quoted shell company (Compsoft in Headland's case), both established their credentials by the involvement of industry notables (Geoff Bristow and Robb Wilmot in Headland's case), both bought a Prime systems house (Wootton Jeffreys was Compsoft's first purchase), both publicly forecast high growth (Bristow was still forecasting that Headland would have £100m revenues within four years in mid 1989 - "Such ambitions are commonplace in the volatile software world; the Headland plan, however, is backed by some of the most prestigious names in UK computing circles". Source - Alan Cane - FT 3rd July 1989.). **Headland called in the receivers in July 90.**

Is EIT different?

We put our concerns to Mike Burden, EIT's CEO. He says EIT is different because:

- EIT is a European systems house. At present around 70% of revenue comes from outside the UK.

- EIT is "highly focused" on four main areas - communications, systems integration, UNIX and TPM.
- EIT is, and intends to remain, a low geared operation.
- EIT encourages synergistic cooperation between its divisions.
- the highly performance related considerations ensure high motivation from top executives who will stay with EIT. In most other acquisitive groups, the vast majority of the top executives of acquired companies leave within a year.

Despite the fact that all the evidence is stacked against EIT succeeding, we would be delighted to see history proved wrong. In the meantime we will, as they say, wait and see.....



E I T GROUP plc

**E U R O P E A N
I N F O R M A T I O N
T E C H N O L O G Y**

"I would be very disappointed if EIT did not have revenues of over £50m within two years"

Mike Burden - Chief Executive - EIT

Reborn Azlan posts profit

The story so far...In July 1989, Logitek acquired Advansys for £10.1m. Advansys, run by Mike Brooke of Datasolve and MBS fame, consisted of CSM and Azlan - the local area networking specialists. Up to that point, Logitek had been growing well making PBT of £3.8m on revenues of £60m in the year to 31st March 90. Post acquisition, Mike Brooke was appointed MD of Logitek. Logitek's press release in July 90 said "The board is confident that the coming year will be one of great opportunity...leading to increased earnings". On 9th Nov 90 Logitek's shares were suspended at 56p and later reinstated only to fall to 28p (down from the year's high of 143p). After announcing PBT of just £145K in the interims to 30th Sept. 90, Mike Brooke was replaced as MD as Jim Pickup assumed the dual role of Chairman and CEO.

Microvitec then started to buy into Logitek and, as part of their defence, Logitek decided to sell Azlan to its management (including Mike Brooke) for £4.3m. Azlan was said to have made profits of £943K on revenues of £14.9m to March 90. The disposal did not succeed in helping Logitek to retain its independence as Microvitec succeeded with a £3.5m bid on 10th May 91. The purchase did not improve Microvitec's results which reported an increased £2.2m loss in the six months to June 91.

Azlan's first results as an independent company show PBT of £871K on revenues of £12.95m for the six months to 30th Sept 91. MD David Randall said "Especially pleasing is the success of **Quadrangle**" - the technical services/training division of Azlan. "The trading period ahead of us is traditionally our strongest and there is every indication that Azlan and Quadrangle will continue their profitable development through to the year end".

Proprietary still pays for Performance Software

In these open systems dominated days, it should still be remembered that there is an installed base of 400,000 DEC VAX VMS systems. In a recent poll conducted by Digital Review (7th Oct. 91) "the number of buyers in VAX-sites who were indifferent to UNIX outnumbered those who were UNIX driven by a ratio of 4 to 1".

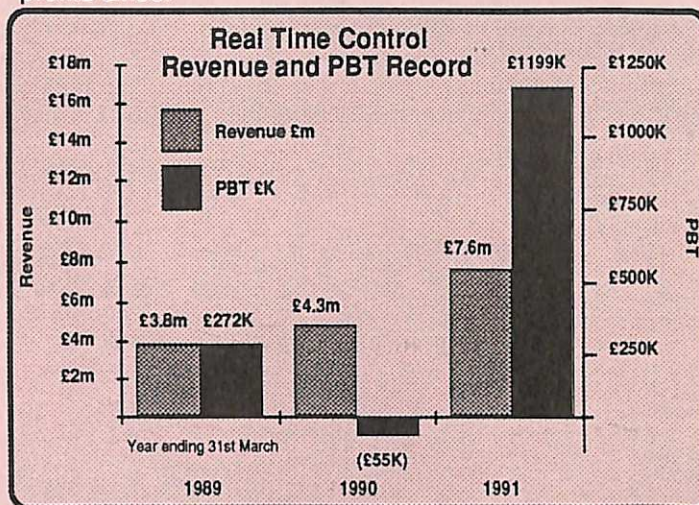
We only point this out because Slough based **Performance Software**, at the present time, only sells its SYSTEL (OLTP) and V-TEST (testing system) to DEC VAX VMS users. Results for the year ending 30th June 91 show a 50% growth in revenue to £2.37m and PBT up 350% at £279K; a very respectable 12% profit margin. They also ended the year with cash of £550K in the bank. In the last year a European subsidiary has been established and the US operation has been further developed. Although still loss making, MD, Tom Hankinson, can be proud of these subsidiaries - sales results are currently very encouraging with, for example, Boeing and Apple in the US becoming major V-TEST users in the last year. Performance Software's long term future will depend on addressing the needs of those who want to test open systems. The first steps have already been taken.

Performance Software was born from an MBO from the old Systime - assisted by Schroder Ventures and Thompson Clive who currently own a minority stake.

Note - Richard Holway, the editor of *System House*, is non-executive Chairman of Performance Software.

Real Time Control

Real Time Control (RTC) specialises in EPOS systems to the retail industry and is quoted on the USM. RTC made its first and only loss in 1990 but has bounced back to healthy profits since.



RTC has come to realise that "hardware is becoming a commodity" and "business solutions are largely software oriented". Indeed, this is the major reason for the recovery as RTC has moved away from EPOS and keyboard manufacture to establish itself as "a major software and systems supplier" in an industry "that is rapidly adopting open systems". Supplying systems on other manufacturers hardware enabled RTC to become the "most successful IBM retail dealer" in 1990. Systems were supplied to the likes of Mothercare and Fosters and contributed to the profits recovery. Now RTC is teaming up with NCR to sell similar systems across Europe.

RTC has a very strong balance sheet with £4m cash in the bank. Shares are up from 45p to 107p so far in 1991. Although the retail sector has been hit hard by the recession, RTC seem very confident for the future. We will add them to our CSI Index and results service in the near future.

Continued losses for CSC in Europe

Computer Sciences Corp. - "the largest independent professional services company in the computer industry" - reported continued losses in Europe in Q2 (to 27th Sept 91). The recession and the resulting cost of staff cutbacks were blamed. Overall, however, CSC reported profits up 3% at \$14m on revenues up 11% at \$467m, with particularly strong growth in federal revenue.

Proteus share price rockets

On 1st Nov. 91, **Proteus International** shares rose by 53p to 150p as the company announced an agreement with Repligen Corp. of America over a synthetic AIDS vaccine. The shares this month rose to a high of 234p and ended the month up 101%! Proteus said that early lab trials of the drug had been successful. Proteus was launched onto the USM in May 90 at 84p per share - they made a loss of £1.5m on revenues of just £7K in the year to Mar. 91.

Proteus has developed a software product - Prometheus - used for the modelling and design of molecular structures. Their BSE vaccine is in the trial stage and, clearly, a breakthrough in any of their other developments - which include AIDS, rubella, fertility control and herpes - could send the share price into the stratosphere. However, at present Proteus must remain as a share for the very brave.

Cox to leave Butler Cox

In May this year, **Butler Cox** was acquired by **US Computer Sciences Corp. (CSC)** for £14.3m. Given disappointing 1990 results, the price paid seemed excellent - for Butler Cox shareholders. George Cox was the company's co-founder back in 1975; his shares were worth £1.5m. Now the Butler Cox name is disappearing into CSC Index and George Cox, aged 51, says he will leave in January; Butler has already retired.

Cox says he will explore new challenges although the FT reported his friends as saying that he had felt his direct management style was at odds with that of his new owners. Source - FT 5th Nov 91.

We hope that George Cox will remain in the industry - we seem to be losing too many of our pioneering entrepreneurs lately.

First real changes at SD-Scicon

EDS has made its first major changes at **SD-Scicon**. David Smith (Finance Director) is replaced by Alain Richard. Group Commercial & Legal Director, John MacNaughton, and Group Human Resources Director, Janet Gunn, have also left. Chairman John Jackson is still, apparently, in place.

Early reports from inside SD talk highly of John Bateman; the EDS appointed CEO.

Losses deepen at Sintrom

Interim losses at computer services and peripherals distributor, **Sintrom**, increased to £1.89m compared to PBT of £320K for the whole of last year. Revenue declined by 27% to £11.6m.

New management has been brought in and a third of the staff have lost their jobs.

New fears for Compaq and Apple dealers

Rod Canion, the co-founder of **Compaq**, together with at least five other long serving senior executives left Compaq after it announced its first ever operating loss. Eckhard Pfeiffer, the new CEO, ominously announced that Compaq would "greatly increase direct customer contact". It also revealed that it was considering a mail order operation. As Compaq had previously never sold direct, this pronouncement must have struck fear into the hearts of its faithful band of dealers in the UK.

On 12th Nov. **Apple** and **DEC** announced a new marketing agreement which will allow DEC to sell Apple Macs to its customers. Apple can now sell DEC networking products through its dealer network. The move could be a considerable threat to Apple's existing corporate dealers.

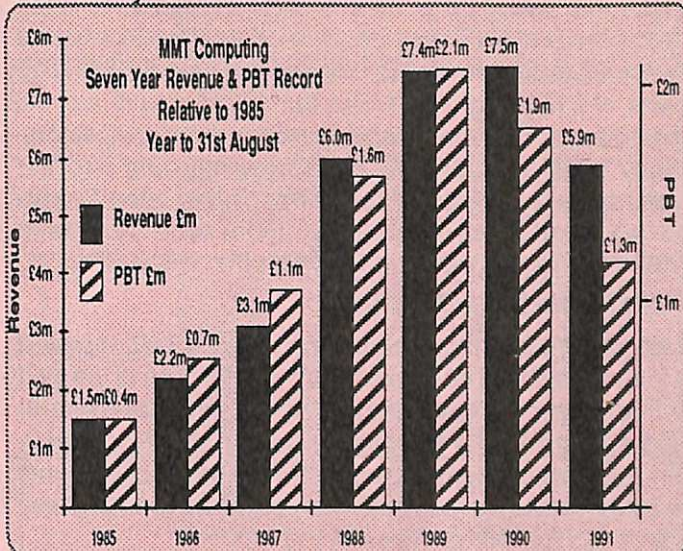
Gloomy "quotable quotes" from the top

John Akers IBM's Chairman, speaking in Tokyo, said "Almost without exception, every company in the industry has realised profit declines...this year the growth rate will perhaps be zero". Carlo De Benedetti has returned to active management at Olivetti. Olivetti said the move reflected "the further worsening of the worldwide crisis in the IT industry".

Job losses...Price Waterhouse made 150 staff redundant in their management consultancy division. **Data Logic** laid off between 30-40 in their professional services division. But this is as nothing compared to **additional** 20,000 jobs to be shed by **IBM** world wide in the next year.

MMT ahead of forecasts

Back in May 1991, Mike Tilbrook, **MMT Computing's** Chairman said "analysts have forecast profits of about £1.2m and the company has a history of beating these forecasts". And so, as they say, it came to pass. MMT declared PBT of £1.26m for the year to 31st Aug. 91. However, this was 33% down on last year on revenues of £5.92m - also down 21% on last year's £7.5m. EPS declined by 35%.



MMT's announcement stated that trading conditions had remained extremely difficult for virtually the whole year. Tilbrook said the original draft had used the word "dreadful" but his brokers had urged a change. The recession for MMT started at the end of 1989. MMT's ICL skill based market has been particularly badly hit "Nobody is hiring VME skills anymore".

In May 1990, Tilbrook said "The market is difficult at present and utilisation of fee earning staff is currently 95% as opposed to nearly 100% in earlier years". We received several calls saying "Who is he trying to kid?". We wonder what utilisation currently is as he now admits that "staff utilisation rates were considerably lower than normal".

But it is the software maintenance market - of which we have written and praised MMT for on many occasions - that Tilbrook says "has stood up better than anything else". He says they have not lost a single contract to date and that in-house software maintenance now accounts for revenues "between £800k and £1m" - or c20% - of MMT's turnover.

The rest of Tilbrook's statement is really a re-run of what he said last time. Far from this being a criticism, we rather admire his consistency. MMT training is *still* not making any money although its losses are "a little reduced". The 20% stake held in MMT by **Axime** (nee Group Segin) is *still* providing "a total lack of business". **Axime** clearly have other priorities given the losses they are currently making. And MMT have *still* not disposed of the leases on their two unwanted London premises - now described by Tilbrook as "a very costly irritation".

Last time we said "We still believe in the MMT recipe but will have to await an upturn in the market before that confidence is rewarded". We *still* hold that view. Tilbrook now says MMT is "in excellent shape for the future". Analysts are forecasting PBT of £1.5m for the current year; a modest but highly creditable increase in today's market conditions.

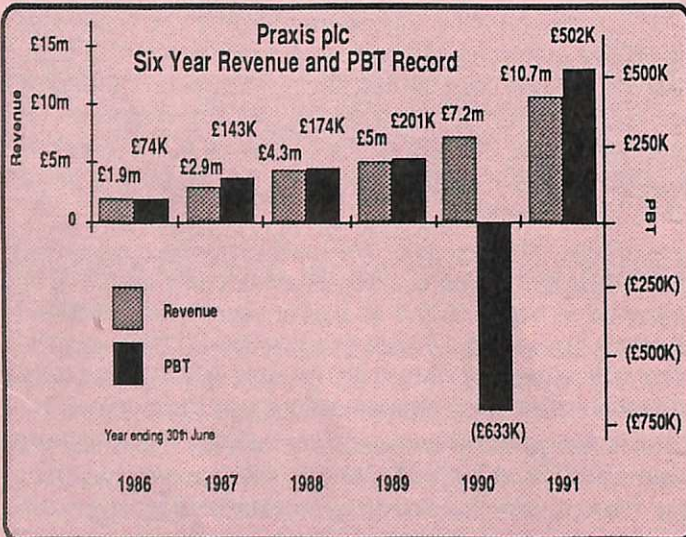
Specialist bucks trend

Specialist Computer Holdings, owned and run by Peter Rigby, announced revenues up 12% at £77.5m and PBT up 11% at £5.2m for the year to 31st Mar. 91. PC sales, via **Specialist Computer Centres** generated the lion's share - £59m - of the revenue. **Enhancement Technology** contributed £16.7m. They also operate a bureau, distribution and training services.

Rigby was said to be worth £75m and allocated the 125th spot in the Sunday Times list of the UK's richest individuals in Apr. 91. At the time it was reported that he was expecting sales of £100m for 90/91. But the actual results are still exemplary considering the performance of his competitors. Rigby says SCH has no net borrowings and had the "resources to take advantage of profitable opportunities as they arose". Source - FT 15th Nov. 91. Rigby continued buying **NMW** shares this month and now holds nearly 16%.

Praxis back in the black

Last year **Praxis plc**, where David Bean is MD, reported a loss of £633k on revenues of £7.2m. This led to the sale of their electronic design subsidiary to **Computer General** and allowed Praxis to concentrate on its core software development and consultancy activities. The recipe seems to have worked as results for the year to June 1991 show PBT of £543K on revenues of £10.7m.



The Praxis core business is software and hardware engineering which employs over 180 staff. Revenues from these activities grew by 47% - more than compensating for loss of revenues of the electronic design business.

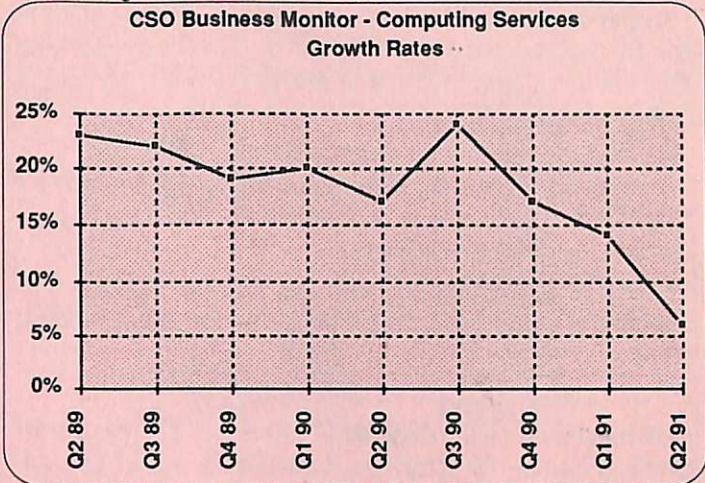
Praxis main shareholders are the executive directors with minority holdings from Barnes Thomson Management and CIN. A further £660K was raised from shareholders this year. Finally, we must congratulate Praxis on a really excellently produced R&A which resembles a pre-war Meccano brochure.

Tracing paper

"The Group's freehold premises in St. John's St, London are stated at cost of £4.6m. The directors have been advised that the present market value of these premises is... approx. £2.8m., but believe the shortfall to represent only a temporary diminution in value. As a result, no adjustment has been made to the book value". Extract from **Trace Computers** 1991 R&A in which Net Assets were given as £2.4m. Bank overdrafts, at 31st May 91, totalled £3.8m; secured against group property.

DTI figures show continued downturn

The latest statistics from the DTI show a continued downturn in growth rates for the UK computing services industry; to just 6% for Q2 1991. This is the third consecutive quarter in which growth has declined.



Worst hit areas were hardware sales and bureau operations - both showing actual reductions. Both hardware and software maintenance put in strong performances.

All figures £000	1991 2nd Quarter	Increase %	1990 2nd Quarter
BUREAU SERVICES			
Database services	50,186	10	45,571
Value added network serv.	38,460	10	34,905
Other services	116,112	-7	125,479
TOTAL BUREAU SERVICES	204,758	-1	205,955
SOFTWARE			
Custom software	170,599	9	157,129
Semi-custom software	8,256	18	7,024
Software Products	131,306	11	118,066
Software Support & Maint.	64,613	33	48,599
TOTAL SOFTWARE	374,774	13	330,818
HARDWARE			
Hardware	81,374	-15	96,154
Hardware Maintenance	29,954	18	25,302
TOTAL HARDWARE	111,328	-8	121,456
PROFESSIONAL SERVICES			
Consulting	111,758	0	111,643
Education & Training	22,901	6	21,618
Other unclassified	73,882	36	54,326
TOTAL PROFESSIONAL SERVICES & OTHER	208,541	11	187,587
TOTAL BILLINGS	899,401	6	845,816

On a brighter note, Q2 billings to foreign clients apparently increased by 46% to £91m; or around 10% of total billings. Software products and database services, in particular, performed well overseas.

A penny for Alphameric?

Alphameric raised £3.6m in a rights issue in May 90 when the shares stood at 20p - they now stand at **just 1p**. Alan Benjamin, ex-ICL and CAP, said at Alphameric's AGM that the directors were working actively to secure additional funding. "Proposals will be announced as soon as the company is in a position to do so". Benjamin seems to be doing an excellent, if not thankless, job. He has cut losses from £11.6m to £2.9m in the year to 31st March 91 and announced £3m of new orders at the AGM. He expects an improvement in the group's second half performance; even though the recession continues to have a "material impact on some customers".

Richard Holway Results Service

Admiral plc	Results Revenue PBT EPS	Interim - Jun 90 £ 9,785,000 £ 1,511,000 9.1p	Final - Dec 90 £21,207,000 £3,276,000 19.4p	Interim - Jun 91 £ 11,686,000 £ 1,667,000 10.3p	Interim Comparison +19.4% +10.3% +13.2%
ACT plc	Results Revenue PBT EPS	Interim - Sep 90 £ 46,162,000 £ 5,364,000 4.01p	Final - Mar 91 £ 98,831,000 £ 12,706,000 9.5p	Interim - Sep 91 £ 52,588,000 £ 7,648,000 5.13p	Interim Comparison +13.9% +42.6% +27.9%
Capita plc	Results Revenue PBT EPS	Interim - Jun 90 £ 9,167,000 £ 956,000 5.9p	Final - Dec 90 £20,072,000 £2,512,000 13.7p	Interim - Jun 91 £ 11,104,000 £ 1,382,000 7.1p	Interim Comparison +21.1% +44.6% +20.3%
Computer People plc	Results Revenue PBT EPS	Interim - Jun 90 £ 38,988,000 £ 2,138,000 11.25p	Final - Dec 90 £ 76,170,000 £ 3,106,000 16.42p	Interim - Jun 91 £ 34,834,000 £ 669,000 3.53p	Interim Comparison -10.7% -68.7% -68.6%
Cray Electronics Holding plc	Results Revenue PBT EPS	Final - Apr 90 £ 117,133,000 (£ 2,795,000) (2.84p)		Final - Apr 91 £ 107,286,000 £ 3,509,000 2.5p	Final Comparison -8.4% Loss to profit Loss to profit
EIT Group plc (was Maxiprint)	Results Revenue PBT EPS	Final - May 90 £ 368,000 (£ 882,000) (5.56p)		Final - Mar 91 £ 485,000 (£ 246,000) (0.083p)	Final Comparison Not comparable Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Interim - Mar 90 £ 8,331,000 £ 822,000 7.14p	Final - Sept 90 £16,645,000 £2,100,000 17.38p	Interim - Mar 91 £ 8,654,000 £ 1,865,000 14.69p	Interim Comparison +3.9% +126.9% +105.7%
Enterprise Computer plc (was Systems Reliability plc)	Results Revenue PBT EPS	Interim - Jun 90 £ 95,345,000 £ 5,012,000 6.25p	Final - Dec 90 £ 183,149,000 £ 7,532,000 7.4p	Interim - Jun 91 £ 89,965,000 (£ 4,775,000) (6.59p)	Interim Comparison -5.6% Profit to Loss Profit to Loss
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Mar 90 £ 1,232,000 (£ 44,000) (0.99p)	Final - Sept 90 £ 2,101,000 (£ 103,000) (16.47p)	Interim - Mar 91 £ 732,000 (£ 79,000) (1.26p)	Interim Comparison -40.6% Loss both Loss both
		NOTE: THESE FIGURES	ONLY RELATE TO	TELECOMPUTING PLC	
Hoskyns Group plc	Results Revenue PBT EPS	Interim - Apr 90 £ 111,700,000 £ 8,200,000 6.3p	Final - Oct 90 £223,263,000 £17,253,000 13.0p	Interim - Apr 91 £ 102,800,000 £ 8,600,000 6.4p	Interim Comparison -8.0% +4.9% +1.6%
INSTEM plc	Results Revenue PBT EPS	Interim - Jun 90 £ 5,349,000 £ 505,000 7.07p	Final - Dec 90 £11,154,000 £1,005,000 14.0p	Interim - Jun 91 £ 7,870,000 £ 507,000 7.21p	Interim Comparison +47.1% +0.4% +2.0%
Kalamazoo plc	Results Revenue PBT EPS	Final - Jul 90 £ 61,780,000 £ 1,074,000 2.2p		Final - Jul 91 £ 60,764,000 £ 3,660,000 7.0p	Final Comparison -1.6% +240.8% +218.2%
Kewill plc	Results Revenue PBT EPS	Interim - Sept 90 £15,924,000 £1,513,000 11.38p	Final - Mar 91 £ 31,298,000 £ 3,731,000 29.43p	Interim - Sept 91 £ 21,459,000 £ 1,685,000 12.60p	Interim Comparison +34.8% +11.4% +10.7%
LBMS plc	Results Revenue PBT EPS	Final - Apr 90 £18,471,000 £450,000 2.3p		Final - Apr 91 £ 19,485,000 (£ 1,701,000) (10.5p)	Final Comparison +5.5% Profit to loss Profit to loss
Logica plc	Results Revenue PBT EPS	Final - Jun 90 (Amended) £ 190,819,000 £ 8,822,000 8.7p		Final - Jun 91 £ 197,758,000 £ 3,676,000 (1.6p)	Final Comparison +3.6% -58.33% Profit to Loss
Logitek plc	Results Revenue PBT EPS	Interim - Sept 89 £18,723,000 £1,310,000 6.69p	Final - Mar 90 £29,580,000 £3,833,000 16.27p	Interim - Sept 90 £33,103,000 £145,000 0.52p	Interim Comparison +76.8% -88.9% -92.0%
Macro 4 plc	Results Revenue PBT EPS	Final - June 90 £14,775,000 £7,353,000 20.6p		Final - Jun 91 £ 18,028,000 £ 7,647,000 23.0p	Final Comparison +22.0% +4.0% +11.7%
Micro Focus plc	Results Revenue PBT EPS	Interim - Jul 90 £ 23,337,000 £ 7,633,000 33.0p	Final - Jan 91 £ 46,382,000 £ 13,549,000 63.5p	Interim - Jul 91 £ 25,387,000 £ 8,961,000 41.1p	Interim Comparison +8.8% +17.4% +24.6%
Microgen plc	Results Revenue PBT EPS	Interim - Apr 90 £ 25,050,000 £ 4,526,000 7.1p	Final - Oct 90 £47,115,000 £8,504,000 13.5p	Interim - Apr 91 £ 24,604,000 £ 4,328,000 7.2p	Interim Comparison -1.8% -4.4% +1.4%
Microvitec plc	Results Revenue PBT EPS	Interim - Jun 90 £ 11,236,000 (£ 2,143,000) (5.2p)	Final - Dec 90 £ 23,444,000 (£ 2,415,000) (6.2p)	Interim - Jun 91 £ 12,484,000 (£ 2,212,000) (4.8p)	Interim Comparison +11.1% Loss both Loss both

Richard Holway Results Service

Misys plc	Results Revenue PBT EPS	Final - May 90 £ 75,038,000 £11,070,000 23.5p	Final - May 91 £ 67,253,000 £ 5,626,000 11.5p	Final Comparison -10.4% -49.2% -51.1%	
MMT plc	Results Revenue PBT EPS	Final - Aug 90 £ 7,524,390 £ 1,865,165 10.4p	Final - Aug 91 £ 5,920,484 £ 1,256,967 6.8p	Final Comparison -21.3% -32.6% -34.6%	
NMW Computers plc	Results Revenue PBT EPS	Interim - Jun 90 £ 4,423,000 £ 210,000 0.6p	Final - Dec 90 £ 8,726,000 £ 413,000 1.3p	Interim - Jun 91 £ 4,977,000 £ 278,000 0.9p	Interim Comparison +12.5% +32.4% +50.0%
P & P plc	Results Revenue PBT EPS	Interim - May 90 £ 109,400,000 £ 6,800,000 10.9p	Final - Nov 90 £ 223,787,000 £ 13,117,000 18.5p	Interim - May 91 £ 120,700,000 £ 3,300,000 3.9p	Interim Comparison +10.3% -51.5% -64.2%
p-E International plc	Results Revenue PBT EPS	Interim - Jun 90 £ 32,381,000 £ 2,753,000 10.3p	Final - Dec 90 £ 65,013,000 £ 4,214,000 15.0p	Interim - Jun 91 £ 33,565,000 £ 1,833,000 6.7p	Interim Comparison +3.7% -33.4% -35.0%
Pegasus plc	Results Revenue PBT EPS	Final - July 90 £13,039,000 £2,554,000 30.4p	Final - Jul 91 £ 8,493,000 £ 1,669,000 19.9p	Final Comparison -34.9% -34.7% -34.5%	
Proteus plc	Results Revenue PBT EPS	Final - Mar 90 £ 9,000 (£ 637,000) (3.95p)	Final - Mar 91 £ 7,000 (£ 1,502,000) (7.01p)	Final Comparison -22.2% Loss both Loss both	
Radius plc	Results Revenue PBT EPS	Interim - May 90 £ 14,521,000 £ 1,394,000 3.2p	Final - Nov 90 £29,902,000 £2,820,000 6.48p	Interim - May 91 £ 14,708,000 £ 801,000 1.71p	Interim Comparison +1.3% -42.5% -46.6%
Rolfe & Nolan plc	Results Revenue PBT EPS	Final - Feb 90 £5,460,000 £1,142,000 13.8p	Final - Feb 91 £ 6,298,000 £ 1,446,000 17.7p	Final Comparison +15.3% +26.6% +28.3%	
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 90 £6,703,000 £2,341,000 9.65p	Final - Sept 90 £13,359,000 £4,731,000 19.2p	Interim - Mar 91 £7,821,000 £3,024,000 11.98p	Interim Comparison +16.7% +29.2% +24.2%
Sanderson Electronic plc	Results Revenue PBT EPS	Interim - Mar 90 £ 6,450,000 £ 1,780,000 14.0p	Final - Sept 90 £14,259,000 £3,302,000 24.8p	Interim - Mar 91 £ 10,610,000 £ 1,501,000 11.0p	Interim Comparison +64.5% -15.7% -21.4%
SD-Scicon plc	Results Revenue PBT EPS	Interim - Jun 90 £138,118,000 (£9,846,000) (6.19p)	Final - Dec 90 £ 256,547,000 (£ 19,781,000) (12.42p)	Interim - Jun 91 £129,173,000 £5,891,000 1.69p	Interim Comparison -6.5% Loss to profit Loss to profit
Sema Group plc	Results Revenue PBT EPS	Interim - Jun 90 £ 189,921,000 £ 7,185,000 4.5p	Final - Dec 90 £375,410,000 £15,331,000 10.5p	Interim - Jun 91 £ 200,869,000 £ 6,566,000 4.7p	Interim Comparison +5.8% -8.6% +4.4%
Sherwood Group plc	Results Revenue PBT EPS	Interim - Jun 90 £ 12,336,000 £ 850,000 8.7p	Final - Dec 90 £ 24,785,000 £ 1,992,000 17.0p	Interim - Jun 91 £ 12,139,000 £ 575,000 6.6p	Interim Comparison -1.6% -32.4% -24.1%
Star plc	Results Revenue PBT EPS	Interim - Dec 89 £6,392,000 (£649,000) (9.5p)	Final - June 90 £13,567,000 (£1,995,000) (27.2p)	Interim - Dec 90 £8,037,000 (£253,000) (3.7p)	Interim Comparison +25.7% Loss both Loss both
Synapse plc	Results Revenue PBT EPS	Interim - Jan 90 £4,675,000 (£ 249,000) (7.1p)	Final - Jul 90 £10,226,373 (£331,919) (8.9p)	Interim - Jan 91 £ 5,211,000 (£ 974,000) (27.6p)	Interim Comparison +11.5% Loss both Loss both
Total Systems plc	Results Revenue PBT EPS	Final - Mar 90 £ 1,777,084 (£ 6,722) (0.08p)	Final - Mar 91 £ 2,041,384 £ 102,768 0.74p	Final Comparison +14.9% Loss to profit Loss to profit	
Trace plc	Results Revenue PBT EPS	Final - May 90 £13,933,504 £1,807,644 10.49p	Final - May 91 £ 19,698,904 (£ 471,377) (2.04p)	Final Comparison +41.4% Profit to Loss Profit to Loss	
Vistec Group plc	Results Revenue PBT EPS	Final - Apr 90 £36,048,000 £1,588,000 0.92p	Final - Apr 91 £ 31,005,000 £ 1,763,000 0.95p	Final Comparison -14.0% +11.0% +3.3%	

Acquisitions, disposals and liquidations

Swedish disposal for Microgen

In Oct. 91, **Microgen** appointed a new Chairman and put out a profit warning. Results for the year to Oct. 91 would be "somewhat below those in the previous year" when PBT of £8.5m was achieved.

This month, Microgen has sold its Swedish equipment and supplies business - **Capella Technik** - for £1.4m; £600K cash and the rest in equipment credits. The buyer was not disclosed. Capella had revenues of £3.14m and made a pre-tax loss of £60K last year.

Price looks good but it does add to the long list of UK companies having to divest themselves this year of their overseas operations.

Morton goes a buying

Bob Morton is Chairman of **Vistec**, which this month acquired **Ceemore** for "up to £150,000". Loss-making Ceemore, with revenues of only £300K has developed UNIX-based software enabling terminals to be used for sending/receiving faxes. The software can also be used to access public databases.

Morton clearly likes playing the CSI market. His stake building in **Logitek** preceded the successful **Microvitec** bid - he tripled his money on that one. A few months ago he started stake building in **Trace** - their share price has nearly trebled since. Take note therefore that this month he has started buying into **Pegasus**. Pegasus has £3m in the bank and a current capitalisation of only £10m.

Further French network growth

In June, **Transpac**, a subsidiary of France Telecom, acquired the data communications network of London Regional Transport. This month they have taken over the X25 network owned and operated by **NMW Computers**. The NMW deal involves a cash sum for the assets of the network; NMW will then buy back the services it requires for its stockbroker services. NMW director John Butler said "Base level network services have now achieved commodity status". It certainly looks as if it is becoming increasingly difficult to make money from providing network services as many larger companies such as **AT&T Istel** have found.

Workers take control at FI Group

After the offer of 50% of Steve Shirley's shares to the workers, 51% of the voting power at **FI Group** is now in the hands of the employees and self-employed outworkers. The offer price of £2.70 per share valued FI at only £6m. The offer was 13% oversubscribed. 72% of the employees and a third of the outworkers subscribed for the shares. Last month we said that anyone offered the shares at that price would be nuts not to buy them. FI Group believe that the oversubscription is an "excellent achievement... particularly at a time when most individuals are looking at ways of reducing expenditure rather than increasing it".

Over the years, Steve Shirley had distributed shares to a large number of employees/contractors who are now not involved with FI. A surprisingly small percentage of these subscribed for the current offer. It seems that the current employees, with first hand experience of the new buoyant FI Group, were the ones with the most faith in its future.

The others... Shares in **Dutch Infotheek** were suspended.

This puts the future of UK Novell distributor **Micro Macro** in doubt. **VRG**, the owner of **Corporate Computers**, is thought to be interested. As previewed last month, **VRG** has acquired France's largest PC dealer, **Agena**. IBM dealership, **Worldwide Computers** was reported to be urgently searching for "a cash injection of several hundred thousand pounds". **Kalamazoo** has sold its 62% stake in US **Great American Software** for \$4m. **National Computer Supplies** called in the receivers blaming their failure on the acquisition of **Business Needs** last year. **HG Computer Services**, which owns **AppleCentre St. Albans**, has acquired **AppleCentre Basildon** from **DPS Typecraft**. **British Airways** has sold its **Speedwing Fares** subsidiary to international telecoms organisation, **Sita**. **Siemens Nixdorf** and **Norsk Data** have linked up to form an IT company in Norway employing 350 people. **GUS** was reported to have put its **CCN Systems** subsidiary up for sale with a price tag between £60m and £100m. **CCN Systems** provides a computerised credit information service and made PBT of £10m on revenues of £44m in the year to Mar 90. **Amstrad** has sold its holding in **Micron Inc** (memory chips) for £13.6m. Alan Sugar said "the disposal reflects Amstrad's continuing policy of maintaining liquidity and concentrating resources on core activities". Software consultancy, **CPIO** has purchased part of **Second City Systems**. Apple's software house, **Clarix**, has acquired the marketing rights to **Hollywood**, a Windows based presentation system, from IBM's now defunct desk top software division. **Xyquest** has purchased **Signature** and **Advanced Business Microsystems** has acquired the **Platinum** accounting software; both from IBM. US **Knowledgeware** and **Intellcorp** have abandoned their merger plans. **Barclays Computer Operation** has asked for 50 voluntary redundancies from its 1000 strong workforce. In yet another disposal aimed at reducing its massive debt burden, **Unisys** has aborted its plans to sell its defence operations, **Paramax**, in a public offering in which it hoped to raise \$332m. US investors now own 36.4% of **Micro Focus**. **Unix Systems Labs** has taken a \$1m stake in French **Chorus Systems**. Computer hardware rental operation, **TGL**, is in the hands of the receivers. **Maxwell Communications** has sold **Macmillan Computer Publishing**, which publishes software and books on PCs, to **Paramount Communications** for \$157.5m. This month German **Computer 2000**, **Frontline's** parent, acquired Swiss HP distributor, **Dataset**, Italian **EIS**, and Finish **OY Fintronic**. **Computer 2000** had revenues of DM 1.1b (£377m) in the year to 30th Sept. 91. UK **Frontline** contributed £90m - up 31% on 1990. One of the UK's larger PC dealers - **Cavelle** - which had annual revenues of c£25m has filed for administration. "IBM, Compaq and P&P are all rumoured to be owed six-figure sums". Source - **Micro Scope** 13th Nov. 91. In the US, **Computer Associates** has purchased **Access Technology** (developers of the mid-range 20/20 spreadsheet) for an estimated \$100m. **Kalamazoo**, which announced trebled profits last month, has agreed to sell its 62% stake in US **Great American Software** to **MECA** for \$4.1m (£2.31m). Great shame to see the **Active Book Company** (setup by **Acorn** founder **Hermann Hauser**) being sold to a US start up - **EO Computer**. **Active Book** was a leader in pen based notebook computers. IBM is to take a minority stake in the CAD division of French **Dassault Systeme**. **McDonnell Douglas Information Systems** still says it intends to float on the Stock exchange in 1993 - they made a further 160 UK staff redundant this month. The merger of reservations operations **Sabre** and **Amadeus** has been aborted. Also, **ACT** acquired **Kindle** - see p 10.

Capita sells Northern Ireland activities

Capita has sold **Causeway Communications** to **Shadwicks** for £515K cash; satisfied by the issue of 388,000 shares placed by S G Warburg. Causeway is a PR consultancy which acts for Shadwicks in Northern Ireland. Causeway expects PBT of £90K for 1991. In the year to Dec. 1990, Causeway made losses of £25K. In addition, 80% of **CMCNI** - Capita's consultancy operation in Northern Ireland - has been sold to Alastair Browne, a former partner of Coopers & Lybrand for an undisclosed sum. CMCNI reported losses of £90K in 1990. It is understood that the disposals will give rise to a book profit.

Capita says that growth prospects for consultancy in Northern Ireland were limited and that management time and effort would be better employed "in winning further major FM contracts". Sadly probably true.

AT&T Istel finally gets Qa

It was reported that **AT&T Istel** had finally secured NHS supplier **Qa** for "under £1m". Istel had been interested in Qa prior to its collapse and it is therefore not surprising that staff relationships between Qa and Istel are currently a little strained. ACT Medisys and Hoskyns were reported as interested parties. AT&T Istel can now add West Midlands Regional Health Authority to the other three it currently manages - Wessex, Northern and Trent

Counting the cost of acquisitions at Borland

Borland announced a huge \$110m restructuring charge as a result of its recent acquisition of **Ashton-Tate**. Revenues increased by 35% in the three months to 30th Sept 91 but Borland's PBT dropped to \$8.8m excluding the charge, and Ashton Tate lost \$15m. IDC said that AT's share of the database market had dropped still further as a result of the "merger". Job losses include that of Paul Sloane - Ashton Tate's UK MD. That has not stopped the meteoric rise in Borland's share price - up 550p in one day in the last month. They stood at 330p in Jan. 89 compared to 3950p now - up a massive twelve times.

IT out of favour

The latest report from **Arthur Andersen** (Tel: 071 438 3307) confirms what many have known for a long time - any proposal for funding of an IT related venture is likely to face a hard time. The report says that the acceptance rate for IT proposals is 2.9% compared with the average for all proposals of 4.3%. IT deals are seen as being high risk and acceptance criteria are much stricter. "64% of venture capital executives do not have a background in industry or technology so their understanding of the issues is limited". Source - FT 26th Nov. 91.

Clear as mud?

Many readers will have noticed the new classifications used by the **Financial Times** from 26th Nov. We have long campaigned for computing services to have a clearer designation.

Most CSI companies are now listed under **Electronics** rather than **Electricals**; at least **Learmonth & Burchett** and **Lec Refrigeration** are no longer listed together. However, some CSI companies - **Capita**, **NMW**, **Rolfe & Nolan**, **Sherwood** - are listed separately under **Business Services**, **Kalamazoo** is **Miscellaneous**, **Microgen** is **Packaging**. And we can't find **Total** listed at all.

IT training downturn...

One of the areas most effected by the recession is education & training. The DTI survey found that there was no growth in billings in 1990 over 1989. All other CSI markets at least managed some growth.

The **National Computing Centre (NCC)** has just published details of their survey of IT training in over 600 companies. The optimistic way of presenting the findings is "Two thirds of respondents indicated that their budgets would stay the same or increase over the next twelve months, with an average of 7 days being planned for each IT staff member". Or, put another way, 66% of companies intend to spend the same or less on training in the coming year and "IT departments are only planning to provide an average of 1 day's IT related training for directors within their organisations". We are not surprised at the NCC's finding that the more senior the employee, the less training he or she receives. The NCC reckon that IT training is worth £320m per year - over three times the DTI's figures.

...leads to IBM disposals?

IBM this month disposed of 50% of its UK education centres. The **New Place Centre** near Southampton was acquired by **Skillbase** - the IBM MBO formed in 1990 - and the **Warbrook Centre**, near Basingstoke was acquired by an undisclosed source. IBM spent £34m on employee education in 1990.

Results from overseas... **MIPS** announced revenues down 13% in the three months to 30th Sept 91 and a loss, after major restructuring charges, of \$37.5m. MIPS UK MD Nick Ray has departed....**Sun** had static Q3 profits of \$26.8m on revenues up 11% at \$755m**Armdahl's** Q3 profits fell 88% to \$5.4m....**Wang** reported net losses of \$9.8m in Q1 on revenues down 18% at \$461m....**Data General** reported a profit of \$86m for the year to Sept 91 on static £1.23b sales. These results pleasantly surprised most analysts....**Fujitsu** reported a 60% decline in profits, to £45m for the half year to 30th Sept 91 on sales of £6.7 billion. Fujitsu own 80% of ICL. However, the company issued a warning that profits were expected to fall by 52% next year....**Canadian SHL Systemhouse** announced a loss of C\$19m for the year to 31st Aug. 91. This was an improvement on the C\$40m loss in 1990. In Oct., Systemhouse merged its two UK subsidiaries - **ComputerGroup** and **Computer Marketing** which will now trade under the Systemhouse name....**Phillips** announced Q3 profits of 188m guilder (£58m) compared to a loss of 2.16b guilders last year....**ASK** reported losses of £2.5m for Q1. **Ingres**, recently acquired by ASK, however increased revenues by 28%....**VRG**, the Dutch operation which acquired **Corporate Computers** from **SRH** last year, has warned of sustained pressure on profits and have closed their London office this month....**Dell** bucked the trends by reporting Q3 profits up 90% at \$13m on sales up 68% at \$229m....**Siemens Nixdorf** reported a £269m loss in its first year of combined operations on static revenues of £4.1b....**Hewlett Packard's** net profits grew 12% in Q3 before restructuring costs, on revenues up 7% at \$3.8b.

BIS for sale?

Jeffrey Rubin, VP of **Nynex**, was quoted in the *Wall Street Journal* saying "Nynex is having ongoing discussions with potential buyers and **BIS** management about the disposition of those businesses". Sensibly, **Roger Graham** refused to be drawn but he did admit that the 'phone hadn't stopped ringing since the quote appeared. We must admit that any prospect of one of our best companies reverting to UK ownership would be reason for some celebration.

Computing Services Index

29th November 1991

April 15th 1989 = 1000

1032.17

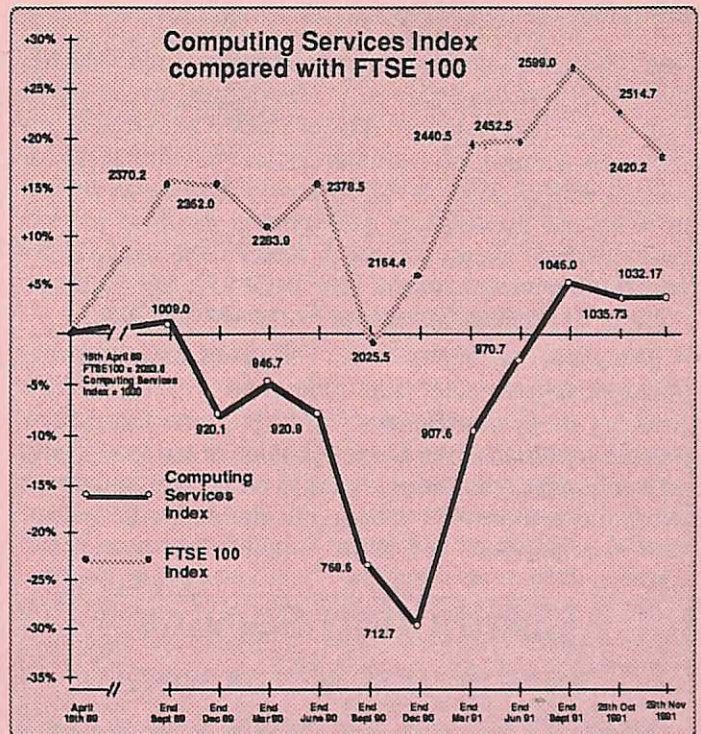
Changes in Indices	CSI Index	FTSE 100
Month 25th Oct. 91 to 29th Nov. 91	-0.34%	-3.76%
31 months 15 Apr. 89 to 29th Nov. 91	+3.22%	+17.85%
1st Jan 90 to 29th Nov. 91	+12.18%	+2.46%
1st Jan 91 to 29th Nov. 91	+45.81%	+12.03%

Computing Services Share Price Index

29th Nov. 1991

Index Rank	15th April 1989 = 1000	Share Price 29/11/91	Index 29/11/91	
1	Micro Focus	•	15.15	7318.83
2	Capita	•	2.68	2680.00
3	Electronic Data Processing	•	2.44	2489.78
4	Proteus	•	1.95	2321.42
5	Rolfe & Nolan	•	1.90	2244.45
6	ACT	•	1.38	2208.88
7	Sage Group	•	2.86	2199.99
8	Admiral	•	2.99	2166.66
9	Hoskyns	•	3.92	1912.19
10	Macro 4	•	3.82	1540.32
11	Kewill	•	3.11	1229.25
12	Kalamazoo	•	0.43	1214.29
13	Sherwood	•	1.35	1125.00
14	SD-Scicon - no longer listed		0.60	769.23
15	Sema Group		2.33	732.70
16	Microgen		1.64	700.85
17	Vistec		0.16	699.26
18	INSTEM		0.66	660.00
19	EIT Group		0.16	640.00
20	NMW		0.37	616.67
21	Logica		2.11	578.08
22	P-E International		1.34	551.44
23	Msys		2.13	529.85
24	Sanderson		1.20	510.64
25	Learmonth & Burchett		0.61	508.33
26	Computer People		1.22	502.06
27	MMT		0.83	494.05
28	Pegasus		1.75	476.84
29	Microvitec		0.17	414.63
30	Cray Electronics		0.65	380.12
31	Total		0.19	358.49
32	Radius		0.40	289.85
33	Trace		0.36	288.00
34	P&P		0.52	233.18
35	Star		0.23	191.67
36	Enterprise		0.19	152.00
37	Gresham Telecomputing		0.09	96.77

Note: Index set at 1000 on 15th April 1989. Any new entrants to the market are allocated an index of 1000 based on the issue price.



System House Nov. 91 - some clarification

Scottish Amicable merely announced that it held 5m P&P shares on the day before the share price halved - not that it had bought them on that day. We are sorry that we - as well as the FT - were confused.... Sid Green, Chairman of Gresham Telecomputing, 'phoned to point out that the reasons for the DTI investigation had not been disclosed to him or anyone else. Therefore the reasons we put forward were mere supposition. In a letter to Computing he also pointed out that Merrion Gates was not in receivership; "The company continues to exist; rudderless and leaderless and without published records, but it is still there".... Granada Computer Services International (GCSI) were none too pleased with our background to the news that 550 staff were to lose their jobs. They have repeated the statement that they are not for sale. But "they would say that wouldn't they". Hilary Gilfoy - GCSI's Director of Marketing - said "Would we be going through the pain of the current restructuring unless we wanted to keep the company?" Gilfoy was resigned about the deep price discounting effecting the TPM sector at present. "Potential clients have only to mention to their existing hardware maintenance supplier that they are meeting Granada and their maintenance charges are reduced by 10%". She was also critical of the "discriminatory pricing policies" of "certain leading hardware companies" in their attempts to retain maintenance business.

We should not forget, however, that hardware maintenance is still big business - representing a massive 14% of total IT spend. Frost & Sullivan estimate that the market will grow by 17% pa for the next five years. If you accept the forecast, that means a \$22b world maintenance market in 96.

Total system support

In our Granada review we advocated that TPM's should move towards total system support, which includes software. As if to support this advice, this month TSB has selected Computacenter to undertake an FM deal to take over all PC support functions. Earlier this year P&P signed a similar £1.1m PC FM deal with Unilever.

Proteus doubles in month

The CSI Index has remained static for the month whereas the FTSE 100 has fallen 3.8%. The largest mover - by a mile - was **Proteus International** which doubled its share price after announcing that its computer modelling software had identified a possible AIDS vaccine. **Trace** was also up 38% as bid speculation, surrounding the Bob Morton (from **Vistec**) stake, mounted. **Kewill** was up 12% on accurately forecast results (see page 11). **NMW** gained 10% as **Specialist Computer** increased its stake.

At the other end of the scale, **P-E** dived 23% following disappointing results to 30th June when EPS dipped 35% (see Oct. 91 *System House*). For the first time ever, **Micro Focus** appeared in the lower echelons of our lists; losing 13% in the month. There seems to be no real reason for this fall other than profit taking particularly in the US; which now hold 36.4% of the stock. Capitalisation was down £32m at £206m - putting them in 3rd place after **Sema**.

Computing Service Share Price Movements 25th Oct. 91 to 29th Nov. 91

Rank		% Change 25/10/91 to 29/11/91	% Change this year	Historic P/E
1	Proteus	101.03%	114.29%	Loss
2	Trace	38.46%	-35.71%	Loss
3	Total	31.03%	90.00%	25.68
4	Gresham Telecomputing	12.50%	-55.00%	Loss
5	Kewill	12.27%	59.49%	10.57
6	NMW	10.45%	60.87%	28.46
7	Pegasus	7.36%	8.02%	8.79
8	EIT Group	6.67%	-36.00%	Loss
9	Sherwood	6.30%	58.82%	7.94
10	Microgen	5.81%	34.43%	12.15
11	Misys	5.45%	187.84%	18.52
12	Sage Group	4.38%	45.92%	14.90
13	Capita	3.47%	68.55%	19.56
14	Vistec	3.23%	60.00%	16.84
15	Rolfe & Nolan	1.06%	28.38%	10.73
16	Hoskyns	0.77%	10.42%	30.15
17	MMT	0.00%	-6.74%	12.21
18	SD-Scicon - no longer listed	0.00%	130.77%	Loss
19	Computer People	-0.81%	16.19%	7.43
20	Macro 4	-1.55%	62.55%	16.61
21	Sanderson	-2.44%	0.00%	4.84
22	ACT	-2.82%	81.58%	14.53
23	Electronic Data Processing	-3.56%	208.86%	14.04
24	Logica	-4.95%	26.35%	Loss
25	Enterprise	-5.00%	-60.42%	2.57
26	P&P	-5.45%	-38.10%	2.81
27	Cray Electronics	-5.80%	16.07%	26.00
28	Admiral	-6.85%	32.89%	15.41
29	Sema Group	-7.91%	-53.31%	22.19
30	Star	-8.00%	43.75%	Loss
31	Learmonth & Burchett	-8.96%	35.56%	Loss
32	Kalamazoo	-9.57%	49.12%	6.07
33	Microvitec	-12.82%	3.03%	Loss
34	Radius	-13.04%	-16.67%	6.17
35	INSTEM	-13.16%	-25.00%	4.71
36	Micro Focus	-13.33%	93.49%	23.86
37	P-E International	-22.99%	-2.90%	8.93

ACT ups profits and buys Kindle

ACT announced interim results to 30th Sept 91 showing PBT up 43% at £7.65m (which includes an exceptional profit of £1m on the disposal of its stake in SD-Scicon and interest receipts of £1.3m), on revenues up just 14% at £52.6m. All operating companies traded profitably. EPS increased by 28%.

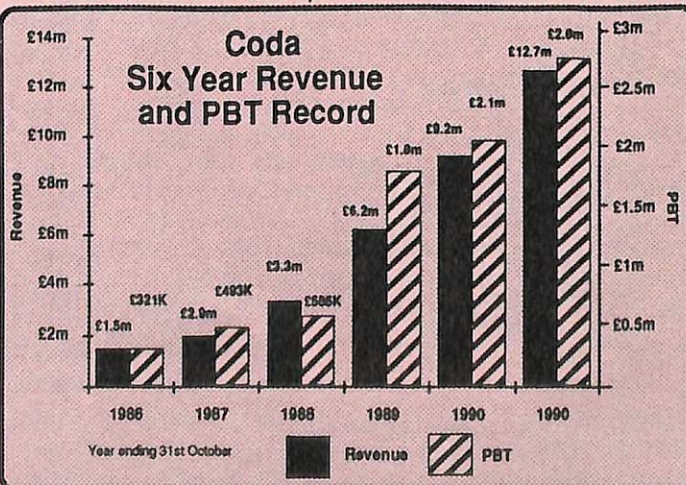
On the sale of its Apricot PC business to Mitsubishi in June 90 for £39m, **ACT** became a cash rich CSI company with special emphasis on the financial services, public sector systems integration and healthcare arenas. Their position in the financial services sector was strengthened in May 91 with the purchase of bureau **Quotient** for £27.4. Given that **Quotient** contributed to these interim results for some four months, we are surprised that the revenue growth is so small. Despite spending £15.5m cash on acquisitions in the six months, **ACT** had £17.1m cash on 30th Sept. This month, with the help of the **Broadview** team, **ACT** has expanded its financial services operations still further with the purchase of **Kindle**.

Kindle specialises in open system based retail and wholesale banking systems and was privately owned by its executives. Based in Ireland, their **BANKMASTER** product is installed in over 500 sites in 54 countries. Their financial record is impressive. They have reported a profit margin of over 30% in each of the last three years. In the year to 30th June 91, **Kindle** had revenues of IR£12.2m and PBT of IR£3.8m. **ACT** is paying an initial £28.7m and a deferred consideration of £5.5m to be satisfied by the issue of 18.3m new **ACT** shares. That's an historic P/E of around 10.

Analysts are expecting PBT of £17.5m this year and £25m next year. At this rate, **ACT** will become the most profitable UK CSI company - overtaking last year's leader **Hoskyns** which issued a profits warning earlier this year. **ACT** also has one of the best performing shares this year - up 82% already in 1991.

Just no stopping Coda

Coda, the privately owned developer of financial accounting products, produced yet another year of exemplary growth with PBT up 27% to £2.83m, exceeding MD Rodney Potts' forecasts, on revenues up 38% at £12.7m to 31st Oct. 91.



IBM business was up 85%; **Coda** has just signed a worldwide distribution agreement for the AS/400 version with American Software Inc. DEC VAX business also grew by a satisfying 44%. **Coda Inc's** revenues were \$7.1m - up 51%. The UNIX version will be launched in 92.

Kewill Systems - True to form

"Trading results for the year will show good profits growth and EPS will not only be maintained but possibly increased".

Source - Kewill Systems Press Release Sept 1990. Now that's about as accurate a prediction as you are likely to get.

On the surface, the latest results from **Kewill Systems** are exemplary in today's recessionary times. PBT for the six months to 30th Sept. 91 is up 11.4% at £1.67m. EPS advanced by 11.9%.

Against this should be set a revenue increase of 35% to £21.5m; due largely to recent acquisitions. Indeed, Kewill has been quite active on the acquisition front in the last couple of years and it had appeared that this policy had been uniquely successful. However, the last purchase - **Weigang MCS GmbH** (£400K cash plus £400K depending on profits to Mar. 92) gives some cause for concern. A "substantial reorganisation of the company, including an already completed reduction in staff numbers by around 40%, will continue throughout the financial year". But the benefits of this are "likely to be shown in the next financial year". This is press release-speak for "we don't expect to see any benefits in the current trading period".

This time, the improvement in trading has come from the UK. Although UK revenues were down 13% at £6.3m, earlier cost cuts resulted in a 50% boost in UK operating profits.

In the US, where Kewill purchased **Micro-MRP** in Dec. 89 for £3.9m, revenues advanced 6% but operating profits fell by 36% - "sales levels rose strongly in Aug. and Sept.". "Improved figures are expected from the US operation" in the second half.

Our greatest worry, however, is still over the balance sheet. "Acquired software and intellectual property rights" amounted to a massive £9.2m out of total net assets of £13.9m at 31st Mar. 91. We have commented on the inadvisability of the capitalisation of goodwill, R&D and IPRs many times in the past.

As to the future "UK performance in the second half is expected to at least match the satisfactory first half and there are tentative indications of increased demand for the core products during the period". Optimism is boosted by the first sale of Kewill's new XIS manufacturing software product. Obviously the demands of recent acquisitions have satiated further ambition which "is likely to be deferred to the middle of 1992".

Sorbus expects profits up 500%

Recently ICL bought 50% of **Sorbus UK**, the IBM and DEC hardware maintenance operation. **Bell Atlantic**, which bought the company in 1988, owns the other half. Sorbus now says "1991 turnover is expected to exceed £20m and projected profit is expected to be 500% up on 1990. New business is currently 140% of target".

Reuters trials Dealing 2000

Shares in **Reuters**, which the DTI seems to think is a computing services company, rose 22p on the news that its long-delayed automated forex trading system, Dealing 2000, was about to start its trials phase.

Reuters has been in the doldrums lately; revenues and profits were static at £705m and £170m respectively in the six months to June 91. Minimal growth is still the expectation for the next couple of years.

Computing Services Capitalisation - 29th Nov. 91

Rank		Capitalisation 29/11/91 £m	% Change since 15/4/89	% Change since 25/10/91	£m Change since 25/10/91
1	Hoskyns	£ 359.48	118.13%	0.75%	£ 2.68
2	Sema Group	£ 211.76	-25.46%	-7.93%	£ 18.24
3	Micro Focus	£ 206.45	700.21%	-13.33%	£ 31.75
4	ACT	£ 147.98	273.69%	-2.45%	£ 3.72
5	Logica	£ 129.35	-41.42%	-4.96%	£ 6.75
6	SD-Scicon	£ 121.20	-22.90%	0.00%	£ 0.00
7	Macro 4	£ 84.98	57.66%	-0.96%	£ 0.82
8	Misys	£ 72.62	-4.19%	5.56%	£ 3.82
9	Cray Electronics	£ 68.88	-53.74%	-5.90%	£ 4.32
10	Microgen	£ 63.50	-28.17%	5.83%	£ 3.50
11	Sage Group	£ 57.20	169.81%	4.57%	£ 2.50
12	Proteus	£ 41.86	131.94%	101.27%	£ 21.06
13	Capita	£ 40.05	394.46%	3.49%	£ 1.35
14	Admiral	£ 32.09	119.81%	-6.71%	£ 2.31
15	Kewill	£ 29.58	76.07%	12.05%	£ 3.18
16	P-E International	£ 29.32	-25.97%	-23.05%	£ 8.78
17	P&P	£ 28.85	-61.39%	-5.43%	£ 1.65
18	Electronic Data Processing	£ 21.21	150.69%	-3.60%	£ 0.79
19	Vistec	£ 18.21	222.25%	3.45%	£ 0.61
20	Computer People	£ 16.90	-44.95%	-1.17%	£ 0.20
21	Enterprise	£ 13.84	-68.19%	-5.23%	£ 0.76
22	Radius	£ 10.90	-65.83%	-12.80%	£ 1.60
23	Microvitec	£ 10.88	-1.98%	-10.08%	£ 1.22
24	Pegasus	£ 10.70	-45.96%	7.43%	£ 0.74
25	Rolle & Nolan	£ 10.70	144.85%	1.90%	£ 0.20
26	Sanderson	£ 10.54	-46.51%	-2.44%	£ 0.26
27	MMT	£ 8.81	-49.08%	0.00%	£ 0.00
28	Learnmonth & Burchett	£ 8.13	-44.31%	-8.96%	£ 0.80
29	Kalamazoo	£ 7.84	21.48%	-9.52%	£ 0.82
30	NMW	£ 7.65	-37.83%	10.34%	£ 0.72
31	EIT Group	£ 7.17	94.88%	6.72%	£ 0.45
32	Sherwood	£ 7.08	14.94%	6.31%	£ 0.42
33	Trace	£ 4.76	-70.46%	38.27%	£ 1.32
34	INSTEM	£ 2.97	-34.00%	-13.16%	£ 0.45
35	Gresham Telecomputing	£ 2.87	-35.21%	12.55%	£ 0.32
36	Total	£ 1.90	-64.15%	26.67%	£ 0.40
37	Star	£ 1.56	-80.74%	-8.00%	£ 0.14

Stratagem plans more acquisitions

Stratagem won control of **Touchstone** (previously MBS) in Feb. 91 with a bid of £7.7m. They "found it to be in worse state than could have been deduced from the announcements made during 1990 and the offer period". Remedial action, however, has resulted in TPM Focalpoint trading profitably "during a period which has been difficult for the maintenance industry". The sale of four of Touchstone's smaller companies have either been agreed or are "nearing completion".

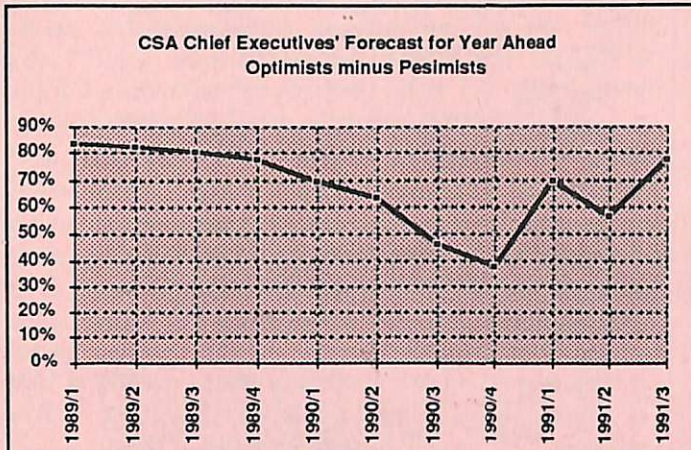
Stratagem itself reported static PBT of £1.3m and repeated their policy of expansion by acquisition.

DEC UK hard hit

DEC UK seems to have been one of the worst hit by the recession. Revenues in the quarter to end Sept 91 showed UK revenues down 11% at £158m. Software and services grew by 10% - less than the 16% world DEC growth in the CSI sector in Q1

CSA members show increased optimism

The latest CSA Trend Survey for Q3 1991 shows that 79% of CEOs believe their business will improve in the next year - a figure which the CSA itself describes as "astonishingly high".



The profit trend forecasts, however, are still pointed downwards. We would caution readers to think again before submitting their order for the new Bentley Continental that was displayed at the CSA lunch in Manchester recently. Firstly, growth in actual staff numbers employed by CSA companies turned negative again in Q3 - the CSA itself believes this to be the most accurate indicator of what is actually happening in the industry. Secondly, a study of past CSA surveys show that CEOs are always optimistic whereas the actual results for each of the last quarters have been pretty depressing.

Of course, there is nothing wrong with a bit of optimism. But we do get the feeling that many companies are kidding themselves (and their shareholders) which means that the right actions might not be taken therefore increasing the risk of failures. CSA member companies have had at least their fair share of collapses in the last year.

Thinking the unthinkable

If anyone had put forward, just two years ago, the proposition that the mighty IBM might be broken up and sold off as separate companies, they would have been treated with derision. The prospect is now being talked about seriously by respected industry personalities.

This year IBM has sold its typewriter business and its parts repair business in Canada. IBM has also disposed of several of its PC software operations. In May, IBM formed a new wholly owned business to handle systems integration - **Integrated Systems Solutions Corp.** This month further steps have been taken towards a decentralised management structure which could mean workstations, AS/400s and mainframes becoming what IBM refers to as "Independent Business Units".

"IBM could then assess each unit's performance and decide to sell off a stake, or the entire unit, or retain sole ownership". Source - Louise Kehoe - FT - 27th Nov. 91.

With a growing FM business and stakes in over 200 systems and software companies worldwide, IBM is already a major player in CSI. **Watch this space as the unthinkable may be about to happen.**

1991 Holway Report - Special Offer!

The 1000 page 1991 Holway Report was published in June 91 with financial results and analysis for around 600 of the UK's CSI companies to Dec. 90. As we start the enormous task of compiling the 1992 edition - to be published in June 92 - we are reducing the price of the 1991 edition to **under half price** in a Special Promotion this month. See order form below.

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