

System House

The monthly review of the financial performance of the UK computing services industry
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"Many would wish good riddance to 1990 - if only they didn't feel that 1991 would be even worse" - System House Jan 91.

1991 was the worst year ever for the IT industry worldwide and for UK CSI companies in particular. It was not just that growth came to a halt and profits crashed, causing more rescues and liquidations than in any other year in the industry's 30 year history. It also represented a market watershed. Even our most doubtful readers must now be convinced that open systems are dominant and will continue to be so in the 90s. This has had a radical effect on the power of the hardware manufacturers - to the extent that IBM, in an effort to survive, could well be broken up and sold. As hardware becomes a low margin commodity item, software and services have become the dominant sector - Microsoft made more profits than IBM in 1991. There is a race to become the dominant international CSI player with EDS, CGS, Computer Associates and Computer Sciences in contention. There are no UK contenders. We would like to present our review of the major and more interesting events of 1991 in the words of the personalities from the industry.

Trading conditions were awful!

"The forecast for business performance in the year ahead is the least optimistic since the CSA Quarterly Survey first began". Doug Eyeions Director General of CSA in Jan 91.

"Users are on a spending strike". Geoff Unwin Chairman of Hoskyns - the largest supplier of services to the UK market - in June 91.

"The management skills in the industry, both financial and technical, are being stretched in a way they have never been stretched before". Patrick Whale of KPMG in his first speech as the new President of the CSA in Oct 91.

"Almost without exception, every company in the industry has realised profit declines...this year the growth rate will perhaps be zero". John Akers Chairman IBM in Nov 91.

The battle for SD-Scicon

"SD-Scicon retains its ability to astound the City....latest provisions stunned even seasoned SD-Scicon followers". The Times 29th Mar. 91 commenting on SD-Scicon's £19.8m loss in 1990.

"SD-Scicon has no management, no strategy and no profits". Cray Electronics in May 91 when launching their bid at 37p per share.

"EDS should be congratulated on having purchased the (BAe) 25% at only 45p; they must be very happy". John Jackson, SD-Scicon's Chairman on 4th July 91. On 31st July, EDS raised their bid to 60p and won control of SD-Scicon. Logica is now the only large system house in UK ownership.

January 1992

Down and out in '91

1991 saw more CSI company failures and eleventh hour rescues than ever before.

"It seemed a good idea at the time". Spokesman from Singer & Friedlander commenting in Jan 91 on their £15m investment in Ferrari which went on to appoint the receivers in Mar 91.

"Touchstone had become a small, loss-making company which retained the overhead structure of a vastly bigger organisation without the profitability required to support such spending". Stratagem announcing a £5.5m loss for Touchstone which they had "rescued" in Feb 91.

"Acquisitive companies run by dominant personalities were prominent among the 45 quoted companies which failed in 1989/90". Study by County Natwest Woodmac - May 91.

Not quite what we were lead to expect

Many CSI company chairmen put out bullish statements at the beginning of 1991; only to issue profits warnings later. Any selection of quotes will seem unfair, but....

"We enter 1991 in a strong financial position....the company is well placed....to continue this success". P&P Feb 91. "P&P is unlikely to make a profit in the second half". P&P profits warning 21st Oct 91. Shares end year 54% down at just 39p.

"Solid, sustained growth" anticipated for 1991 by Microgen's then chairman Patrick Barbour - 22nd Jan. 91. Microgen would "show results somewhat below those in the previous year". Statement on appointment of new Chairman Douglas Lee on 30th Sept 91.

But on a brighter note....

"Data Sciences - how may I help you?". Receptionist, previously employed by Thorn-EMI Software, on 25th July 91 when the sector's largest ever MBO was announced.

"Another successful year is anticipated" EDP in Jan 91 when shares stood at 79p - they ended the year up 260% at 285p.

"I have bought myself a suit". David Bellamy commenting on the acquisition of his company by P-E International in June 91.

"We have two very difficult sectors that we are not finding as difficult as they should be". Clay Brendish, Chairman of Admiral, announcing another set of excellent results in Aug. 91.

"The interim results are in line with our expectations....no trading revenue was projected and none was received". Proteus International Jan. 91. Proteus went on to announce that their modelling software had identified a possible AIDS vaccine and the share price doubled.

"Micro Focus is now being compared with software products companies in the USA and is being more fully valued as a result". Micro Focus shares hit a 1991 high of £21.25 - up over ten times since our index began in Apr 89. US investors now own over 35% of Micro Focus equity.

"world-wide crisis in the IT industry"

Carlo de Benedetti on his return to Olivetti Nov. 91

1991

"At least seven of the currently quoted CSI companies will not survive 1991 in their current form"

Olde Holway's Almanac for 1991 - System House - Jan. 91.

It seemed a wildly pessimistic prediction when we made it a year ago. In fact, eight companies did not survive 1991.

1) Ferrari was the biggest failure - appointing the receivers in Mar. 91. In 1989/90, it seemed that Ferrari had made an acquisition every month including quoted companies UCL and Pericom. In late 1990, Bob Woodland and the previous team were replaced by directors from Plessey. It didn't help to save a ragbag company that had seemed doomed to fail from the off.

2) Ferrari was a 29% shareholder in Telecomputing. With Michael "Merchant banker kingmaker to the UK microcomputing industry" Whitaker as their adviser, the shares had slumped to 11p before they were suspended on 18th Feb. 91 on the announcement that Telecomputing was to "merge" with the much larger Gresham Group. This was not the end of the misery - Gresham found things to be even worse at Telecomputing than they had expected. A DTI investigation is now in progress. Shares in Gresham Telecomputing have slipped still further to 9p since.

3) Logitek was one of the best and most consistent performers until they acquired Mike Brooke's Advansys for £10.1m in July 89. Profits were £3.8m in the year to Mar. 90 but, in Mar 91, Logitek had to issue a profits warning and sell its networking operation Azlan to an MBO involving Mike Brooke. Microvitec's £3.3m bid was initially described by Logitek in early May 91 as "unacceptable, misconceived and seriously undervalued the company". But, within a fortnight, the Logitek board had decided to recommend a fractionally higher £3.5m bid.

4) Financial services system house, Quotient, had recovered from its post Black Monday £1.6m loss to a profit of £1m in 1990. ACT was cash-rich after the sale of its Apricot PC business to Mitsubishi for £39m in June 90. It was therefore not a major surprise to see them emerge, on 15th May 91, as the bidder for Quotient. The real surprise was the price; £27.4m or 200p per share. A quite massive historic P/E of 50. Quotient's shares were trading as low as 75p in Mar 91 - just two months earlier.

5) Long-established IT consultancy and market research operation, Butler Cox, had been badly hit by the recession in 1990 with profits almost halved at £760K. An offer of £14.3m in cash for the company on 13th May 91 from US giant Computer Sciences Corp (CSC) must have come as manna from heaven - the shares doubled on the announcement. But George Cox "found his direct management style was at odds with that of his new owners" and left in Nov. 91. Source - FT 5th Nov. 91.

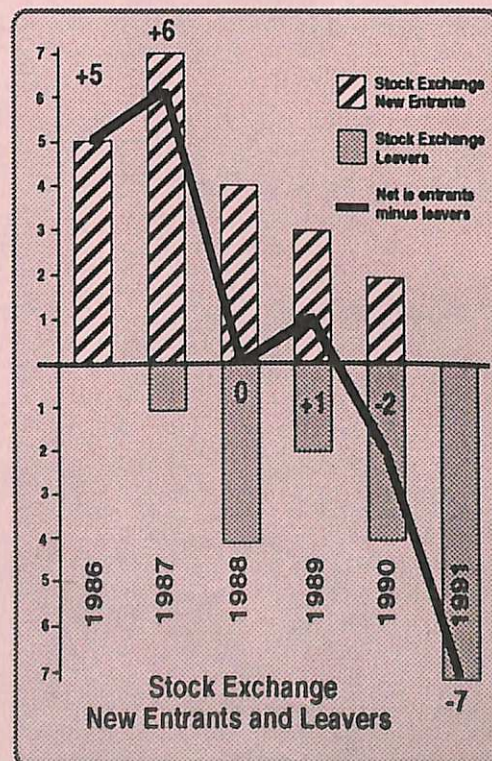
6) In Oct 89, Jeff Trendell and others - via their investment vehicle Delimar - had bought a 24.5% stake in IBM system software supplier Synapse at 122.5p per share. A month later Synapse declared a loss of £332K for the year to July 90. Even Trendell, whose record with Insight and Data 3 had been impressive, could not stop these losses increasing to £974K in the six months to Jan. 91. A rights issue was launched at 72p per share to raise £1.35m but soon after, in July 91, they decided to cut their losses and sell Synapse for £5.8m cash (105p per share) to ECsoft - a private European CSI company. Trendell, surprisingly, has stayed on as MD of the UK operation.

7) A certain Mr Bennett said at the MBS AGM in 1989 "there seems to be a jinx on the company and the board". MBS had dominated the IBM PC arena in the mid 80s and, under the stewardship of ex-IBMers such as Stafford Taylor, had set out on a round of significant acquisitions. However, after losses of £14.1m in 1988 and £4.8m in 1989, they started to dispose of the businesses. The most notable disposal was the Derek Lewis led MBO of the product sales activities which created Technology plc. Anyway, by 1991, MBS - which had by then changed its name to Touchstone - was the subject of a hostile bid and was eventually sold to investment group, Stratagem, in Feb 91 for £7.7m. Stratagem issued a vitriolic press release announcing increased losses of £5.5m in 1990 for Touchstone which "had become a small, loss making company which had retained the overhead structure of a vastly bigger organisation without the profitability required to support such spending".

and finally, the mother of all 1991 acquisitions....

8) It almost seemed that the battle for SD-Scicon dominated 1991. Many think that the story started with System Designers takeover of SPL in the early 80s. Without doubt it reaches back to the £88m acquisition of the loss-making Scicon in 1988. This took the SD management's eye off the core business. A loss of £19.8m was reported for 1990 resulting from £25m of provisions for fixed-price contracts which had overrun. BAe, which had a 25% stake in SD-Scicon, lost patience and announced that their holding was up for sale. With BAe's backing, Cray Electronics launched a 37.5p per share bid in May. EDS entered the fray in June at 45p per share. BAe sold at that price and EDS finally won the day a fortnight later with an increased 60p per share offer. As a result, the UK lost yet another of its largest system houses to overseas' control.

There was not a single new CSI company launched onto



the Stock Exchange in 1991. The nearest we got was Maxiprint changing its name to EIT (European Information Technology) and the nature of its business from photoprocessing to computing services with the acquisitions of Intercom, Decisionware and, in the last month, Sintrom and ASL.

And next year?

We would not expect so many companies to abandon their Stock Exchange quote. We already know that CGS must bid for the remaining 30% of Hoskyns at the end of 1992. We would expect 2 or 3 other companies to lose their quote in 92. At this stage we cannot identify any likely joiners.

Vistec

Back in Dec 90 Vistec's Chairman, Bob Morton, boosted his holding by buying at 7p after the interim results, showing PBT of just £78K, were announced. He also told us that "current performance is beginning to show an encouraging improvement". Then, in June, when full year results showed PBT of £1.76m, Mr Morton said he "looked forward to the future with confidence". For a guy who is known in the City as "The Bear", that was pretty optimistic.

Latest results for the six months to 31st Oct. 91 showed PBT up from £78K to £1m on nearly static revenues of £14.3m (£13.9m last time). EPS was up from 0.04p to 0.56p. As reported last month, Vistec has acquired communications software specialist **Ceemore** for "up to £150,000". After paying this, Vistec still had cash of £5m against medium/long term debt of £3m at the halfway point.

But Morton - as usual - strikes a note of caution. "Current trading is difficult and is expected to remain so until economic conditions improve". However, Morton still "remains confident in future prospects".

But this is all positive stuff in today's environment particularly considering that Vistec has been a very acquisitive group. **01 Computers** was one of the first acquisitions but was described by Morton as a "can of worms". **National Computer Supplies** was bought and sold - it has subsequently appointed the receivers. Other acquisitions have included **Level V**, **CPS Trader**, **Loxton** and **Sphinx** (from Pegasus).

Morton is a very canny millionaire accountant - Vistec shares are now up 60% from their 1991 low of 8p. But in the last year he has also been a-buying elsewhere in the CSI sector eg at **Logitek**, **BTG**, **Trace** and, more recently, **Pegasus**. We can't identify anything other than substantial gains to date. Our adage used to be "If you want the best advice ask a busy man". As far as financial matters are concerned, we now think it should be "If you want the best financial advice ask a rich man".

An Apology to John MacNaughton and SD-Scicon

Contrary to our report in the Dec.91 issue of *SystemHouse*, we completely accept that John MacNaughton - Group Commercial & Legal Director - has not, as it turned out, left **SD-Scicon**. We apologise both to Mr MacNaughton and SD-Scicon for our reporting and the problems this has caused. Our sources of SD information, and predictions of likely events, had been 100% reliable in the past. From our point of view we have learnt that if your information is wrong it is best if it doesn't concern a legal director who is also the chairman or committee member of the CBI and EEA.

Our error did enable us to speak to John Bateman who was appointed as SD-Scicon's CEO by EDS some 12 weeks ago. Bateman quipped that "It seems a lot longer". "We want to support the existing staff, improve the management and margins and grow the business". The EDS approach has been evolutionary - "only three people from the old EDS" are involved in SD at present. Bateman did confirm that, in addition to our previous reports, directors Denis Harris and Ray Waite have also departed.

Although trading conditions were "difficult in the UK and France" his outlook was "optimistic for the combined SD-Scicon, GFI and EDS".

Consistent growth at Rolfe & Nolan

Perhaps Rolfe & Nolan's (R&N) performance doesn't set the world on fire but the results are almost always predictably good. The latest interims to 31st Aug. 91 are no exception. Revenue is up 10.4% at £3.3m and PBT is up 6.5% at £704K. EPS grew 6.25%. Perhaps even more importantly they ended the six months with £3.1m cash in the bank - up from £2.4m at 28th Feb. 91.

R&N is a leading futures and options computer bureau and financial services software house. Even though trading volumes were only slightly ahead of those in 1990 and there "has again been some further client fall-out", bureau and FM revenues rose by 5%. Recurring revenue now accounts for 75% of the total. R&N has had a major success with the new Austrian Stock Exchange - OTOB. The company is becoming less dependent on the UK in favour of Continental Europe. Geographic coverage could be extended still further as "negotiations are proceeding with an overseas company which, if completed, will position the company as a major global supplier".

Prospects in the short term could be effected by delays in projected licence sales which "could result in second half profits not matching those achieved in the equivalent period last year". If that comes to pass it could mean the first earnings reversal for R&N in a long while. But prospects "remain good" and R&N's competitive position in their chosen markets has "strengthened markedly during 1991".

Recovery continues at Total

Total Systems has continued its recovery in the six months to 30th Sept. 91. Revenue increased by 33% to £1.3m and PBT is up from £20K to £351K. EPS increased from 0.13p to 2.38p and the dividend is to be restored. Total earned £21K in interest and has £1m in the bank.

The majority of Total's revenue comes from people-based development activities. Over two-thirds of this is now open systems based. Indeed, new open system based development frameworks have been released for Total's main markets in healthcare, insurance and investment services.

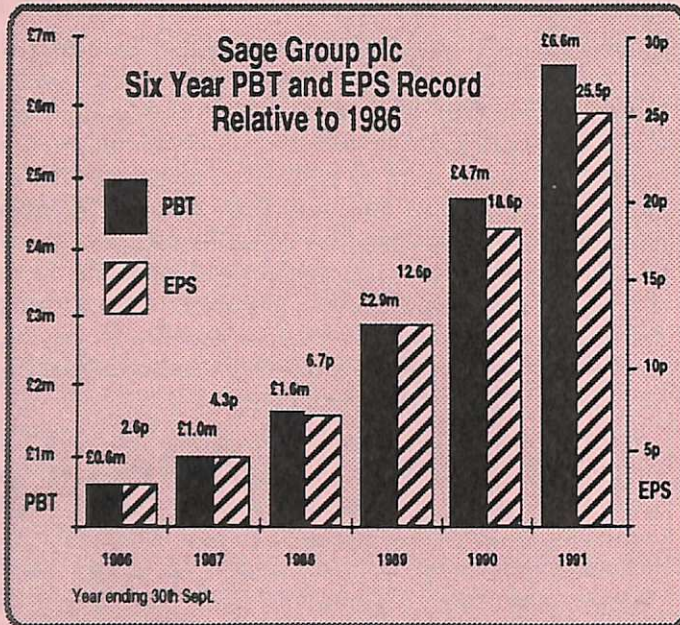
Because their fortunes are people based, Total could be quite a good barometer for the future fortunes of the industry - certainly they were one of the first to be hit by the current recession. Total's Chairman, Terry Bourne, tells us that he now has twice the number of prospects than a year ago and that he is winning 1.7 out of every 2 proposals submitted. Bourne says he has a good order book but expects the situation to be even better in a few months time.

As we have reported before, **MMT's** Mike Tilbrook has been building his stake in Total - he now holds 5.2%. He started his buying when the shares were as low as 14p. When the latest results were announced the share price jumped 10p to 30p. Remember, Tilbrook did well with his stake in **Quotient** before selling it on to **ACT**. Obviously Bourne hopes the shares will rise still further; not least because he would like to go after some of the cheap acquisition opportunities which are around at present.

Clarification... Broadview has asked us to point out that they acted for **Kindle** in the sale to **ACT**. They were rather pleased with the price they managed to get on behalf of their client, **Kindle**, and would therefore not like readers to believe they had acted for **ACT**.

Faultless Sage

Results for accounting software supplier, **The Sage Group**, for the year to 30th Sept. 91 are nothing short of excellent. PBT was up 40% at £6.64m on revenues some 50% higher at £20m. That's not too difficult to achieve as **US DacEasy's** figures were included for 5 months. But Sage also grew EPS by 37%. The six year record is faultless.



We stuck our neck out in April 91 saying that the £9.5m **DacEasy** purchase was "one of the most exciting UK inspired acquisitions for a long time. It deserves to succeed". We are therefore delighted to report that "**DacEasy** performed to plan and contributed £820K to profits". They only made profits of \$2.15m in the whole of 1990. "It is particularly gratifying to report the speed with which UK-developed products have been taken up by the US subsidiary, with no less than three new products announced at the autumn Comdex". The US now contributes 40% of Sage revenues. However, the US **MainLan** subsidiary continues to make losses (£300K this year) but revenues increased 68% to £3.2m.

In the UK, sales of Sage accounting products grew only marginally from £7.26m to £7.4m. But this is a superb performance considering that **Romtec** report that this market declined by a third in value in the year to Sept 91. Sage now has 86,000 users representing 115,000 registered products. This is the real strength of Sage. Software maintenance revenues rose by 58% to £2.68m and non-product sales revenues now account for 39% of UK revenues.

Sage has appointed Sarah Stewart, a former partner at Price Waterhouse, to the board as marketing director. However, she is unfortunately still one of the very few lady directors in the UK computing services industry.

As to the future "although there is not yet any discernable improvement in the UK business environment, an upturn should come in 1992". We hope so! "In the US, **DacEasy** has been trading ahead of internal targets.....Another year of growth is confidently expected throughout the Group".

Sage has a faultless financial record and its predictions for future trading have always proved accurate. *It gives us considerable pleasure to write so positively about a UK company competing internationally, and succeeding, in one of the toughest markets around.*

Cray Electronics EPS rises 54%

Cray Electronics saw PBT rise by 60% to £1.3m on static revenues (for continuing businesses) of £40m for the six months to 31st Oct. 91. EPS was up 54%. The figures were hit by interest charges of £1.5m; down from £3.2m last time, as total borrowings decreased from £27m to £21m in the period.

Putting **SD-Scicon** into play cost Cray £1.2m (£400K nett). Growth in the existing software systems activity has "continued satisfactorily". **Marcol** is strong in space systems and new contracts have been won for spacecraft monitoring systems for The European Space Agency and further software developments for the EEC in Brussels.

As to the future, "orders are 17% ahead of the same period last year". However, "the stubbornness of the UK recession and the continuing uncertainty of recovery remain inhibiting factors in the short term".

Star emerging from black hole?

Star Computer Group has reported losses for the third consecutive year. However, losses have been reduced to £886K in the year to 30th June 91 compared with £2m last year. In an oft repeated story, Star's problems started with a frenetic acquisitions programme in the late 80s. In the last year that programme was put into reverse with the disposal of **United Health** to **ICL**, **Connect Data's** name was sold in Feb. 91 and, like **Inteq**, then ceased trading. After their accounts were qualified, Star were forced to sell their TPM operations to **Misys** for £2.7m in Mar. 91. These disposals netted profits of £839K. Star's revenues were little changed at £13.7m; their business is now principally the legal software operation, **Pinnacle**.

Anyway the directors at Star seem very pleased with the current performance which "showed a significant improvement on the previous year". We really must stop getting annoyed when people use those words to describe continued losses. Overheads had been "substantially reduced" and the year had ended with "a much strengthened balance sheet with no borrowings".

The share price also advanced by over 40% in 1991 from 16p to 23p. However, this might have had something to do with **Gordon Skinner** (ex of **TIS** and **Misys**) building a stake.

Large losses at Granada Business Services

When we quoted **Hilary Gilfoy**, Director of Marketing at **Granada Computer Systems International (GCSI)**, on their 550 job losses last month we had no idea that she was about to be one of the casualties. We, and her many friends in the industry, wish her well.

Losses at **Granada Business Services** in the year to 28th Sept. 91 were even worse than expected. A loss of £7.7m (profit £6.5m last year) on reduced revenues of £198.8m (£206.7m). Remember these figures are *before interest* - so the PBT contribution is even worse.

Granada report that "since the year end these problems have been overcome...by restructuring our Computer Maintenance business which is now in profit...and in a strong position to develop as a long term contributor to the profits of the group". TPM revenues were reported to be up 6%.

We cannot believe that **Granada** would not be delighted to get rid of the lot but it is difficult to think of anyone willing to give them anything acceptable for this decaying business.

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	Interims - Oct 90 £ 53,406,000 £ 788,000 0.54p	Final - Apr 91 £ 107,286,000 £ 3,508,000 2.6p	Interims - Oct 91 £ 40,844,000 £ 1,261,000 0.83p	Interim Comparison -25.0% +80.0% +53.7%
EIT Group plc (was Maxprint)	Results Revenue PBT EPS	Interim - Sep 90 £ 200,000 (£ 128,000) n/a	Final - Mar 91 £ 485,000 (£ 246,000) (0.083p)	Interim - Sep 91 £ 1,200,000 (£ 99,000) n/a	Interim Comparison +500.0% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Final - Sept 90 £16,645,000 £2,100,000 17.38p		Final - Sep 91 £ 17,420,000 £ 4,083,000 32.83p	Final Comparison +4.7% +94.4% +88.9%
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) NOTE: THESE FIGURES	Final - Sept 90 £ 2,101,000 (£ 103,000) (16.47p) ONLY RELATE TO	Interim - Mar 91 £ 732,000 (£ 79,000) (1.26p) TELECOMPUTING PLC	Interim Comparison -40.6% Loss both Loss both
Hoskyns Group plc	Results Revenue PBT EPS	Final - Oct 90 £223,263,000 £17,253,000 13.0p		Final - Oct 91 £ 200,663,000 £ 14,299,000 10.5p	Final Comparison -10.1% -17.1% -19.2%
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	Interim - Oct 90 £ 9,643,000 (£ 618,000) (3.4p)	Final - Apr 91 £ 19,485,000 (£ 1,701,000) (10.5p)	Interim - Oct 91 £ 10,051,000 (£ 281,000) (1.7p)	Interim Comparison +4.2% Loss both Loss both
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% -58.3% 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	Interim - Aug 90 £ 2,869,000 £ 661,000 8.0p	Final - Feb 91 £ 6,298,000 £ 1,446,000 17.7p	Interim - Aug 91 £ 3,277,000 £ 704,000 8.5p	Interim Comparison +10.4% +6.6% +6.3%
Sage Group plc	Results Revenue PBT EPS	Final - Sept 90 £13,359,000 £4,731,000 18.6p	Final - Sep 91 £ 20,002,000 £ 6,638,000 25.5p	Final Comparison +49.7% +40.3% +37.1%	
Sanderson Electronic plc	Results Revenue PBT EPS	Final - Sept 90 £14,259,000 £3,302,000 24.8p	Final - Sep 91 £ 20,503,000 £ 2,403,000 19.2p	Final Comparison +43.8% -27.2% -22.6%	
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	Final - June 90 £13,567,000 (£1,995,000) (27.2p)	Final - Jun 91 £ 13,700,000 (£ 886,000) (12.6p)	Final Comparison +1.0% 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	Interim - Sep 90 £ 966,765 £ 19,949 0.13p	Final - Mar 91 £ 2,041,384 £ 102,768 0.74p	Interim - Sep 91 £ 1,285,264 £ 351,002 2.38p	Interim Comparison +32.9% +1069.5% +1730.8%
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	
Viatec Group plc	Results Revenue PBT EPS	Interim - Oct 90 £ 13,908,000 £ 78,000 0.04p	Final - Apr 91 £ 31,005,000 £ 1,763,000 0.95p	Interim - Oct 91 £ 14,271,000 £ 1,010,000 0.56p	Interim Comparison +2.6% +1194.9% +1300.0%

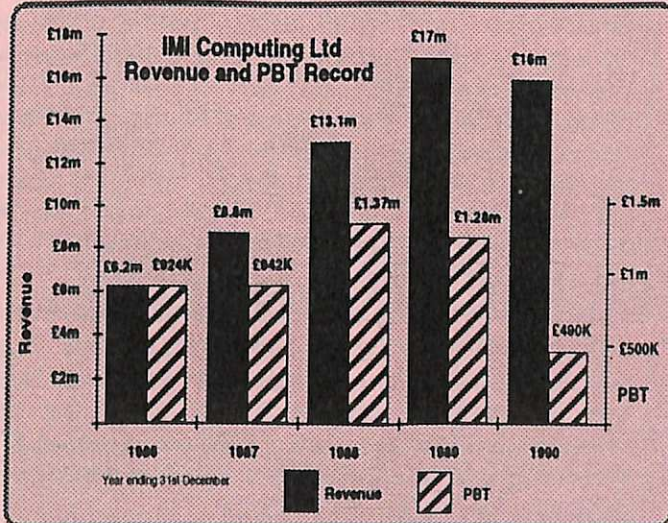
Acquisitions, disposals and liquidations

IMI buys Uniplex for £15m+

IMI plc has purchased Redwood International Ltd for an initial consideration of £15m plus performance related payments. The total, we understand, could exceed £23m. Broadview acted for Redwood.

Redwood, best known for its UNIPLEX UNIX based office automation systems, is based in Hemel Hempstead and employs 260 staff. Redwood increased revenues by 31% to £23.2m in the year ending 31st Mar 91 but PBT was up only 10% at £2.1m (after interest charges up 37% at £506K on their £2.1m overdraft). But that's still a very good performance in today's climate.

The purchase was made by IMI plc and Redwood will fit alongside IMI Computing and Brook Street Computers. IMI Computing is particularly strong in the installation of IBM-based office systems. Indeed, IBM hold 500K £1 IMI Computing preference shares. On the latest acquisition MD David Williamson said "There is undoubted synergy... Together we will be able to move into new markets with a wider portfolio of products and services". IMI Computing had been performing strongly but profits in 1990 dived from £1.3m to £490K; according to results filed at Companies House. Note - filed accounts for subsidiaries are not always that meaningful. According to the Offer Document, Brook Street and IMI Computing are expected to have revenues of £21m and PBT of £1.29m in 1991.



Note: Figures exclude IMI Computing Inc - £1m+ revenue.

In Nov. 90, IMI plc purchased Brook Street Computers; the developers of the UNIX based financial software product - UNITY. We understood at the time that the performance related price paid could exceed £5m although we doubt if a sum as high as that will eventually be paid.

IMI's CSI companies would therefore now have 1991 revenues of £45-50m putting it clearly in the "Top Ten" of UK owned and controlled CSI groups. We suspect that IMI could be intending to spin-off the computing operations in the future and that further acquisitions are to be expected.

David Williamson was very pleased to be able give us, for once, something positive to report concerning a UK-owned company growing in the CSI arena. He says that the deal is strategic, was evaluated using the strict industrial procedures of IMI and will enhance IMI's prominent position in the office systems software market.

The others... Proteus International, the computer modelling software company, is raising £1.23m by the issue of 895,000 shares at 140p. The new shares have been placed with institutions. Not surprising considering they were trading at over 200p at the time. ICS Rentals (a Darc - Digital Authorised Rental Channel)) appointed the receivers - a year after the failure of its parent ICS Leasing. The Technology Group (TGL), lost its Darc status and also called in the receivers. However, TGL Rentals has been bought from the receivers by a management team. Sema has formed Sema Group Consulting by merging Baddeley Associates, which it bought in 1987 for £3m, with its Information Consulting division. US software operation Bachman Information Systems has bought its UK distributor. ICL is inviting stakes in its hardware product testing operation - CF Europe. Sony is said to be close to acquiring a stake in General Maglc; the US company setup by ex-Apple people currently developing a palm-sized computer. Worldwide Computers failed in its attempt to raise further finance and appointed the receivers with debts reported to be around £1m. Compaq and IBM are the main creditors. Cavelle Information Technology, which had revenues of £25m last year, appointed the receivers. IBM and Compaq were reported to have vetoed a restructuring plan. Source - MicroScope 11th Dec. 91. Pentos, which owns Rymans, has acquired Wildings for £3.7m. The acquisition could see Ryman's selling IBM and Amstrad PCs. Police have been called in to investigate Performance Management Systems - the computer MBO from Windsor and Maidenhead Council. A serious conflict of interests is alleged. Oracle has accepted \$80m funding from Nippon Steel. Initially \$200m was offered but Oracle's recovery made the funds unnecessary.

NCR buys Teradata for \$520m

In one of the larger CSI purchases of the year, NCR - now a subsidiary of AT&T, has purchased Teradata for \$520m (£293m) in stock. Teradata produces relational database management systems and had revenues of \$258m in the year to June. British Telecom is said to be one of Teradata's largest UK clients.

400 jobs go at Lotus

Lotus Development, developers of 1-2-3, are to cut 400 jobs (10% of the workforce) which would cost between \$14m and \$18m in Q4.

Dead cat bounce?

Unisys shares leaped 40% to \$5.25 on 2nd Dec as rumours of a possible bid from a consortium involving Lord King (of British Airways), a large Japanese electronics group, Charterhouse Bank and former IBM executive, Edgar Neufeld. DEC denied rumours that it was involved in the consortium.

But the prospects of a white knight saving Unisys VAR - Computer Management Services (CMS) - disappeared when the receivers were appointed. CMS is yet another company which depended on a US supplier - in this case Conax - for its construction industry software. They, together with Unisys itself, are said to be stepping in to help stranded users.

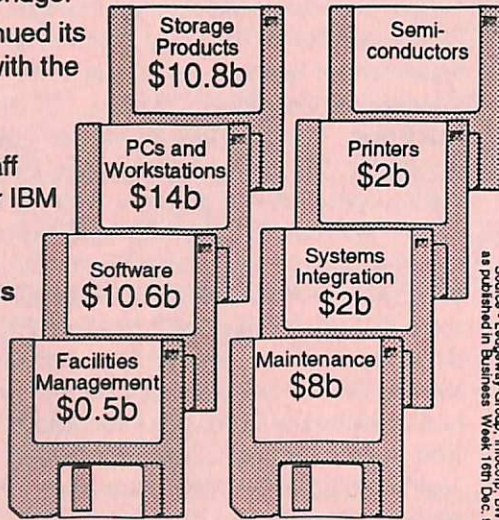
Northamber plunges into loss

Northamber, one of the UK's largest computer distributors, reported losses of £980K in the six months to 31st Oct. 91 on revenues down 6% at £39.9m. The Chairman predicted that 1992 would be "another very difficult year".

The continuing IBM garage sale

We reported last month, under the heading "thinking the unthinkable", about the restructuring of IBM into separate operating units with the possible intention of "selling off a stake or the entire unit". We predict that the IBM garage sale report will become a regular *System House* feature. This month IBM Canada has sold its securities industry services unit to **Westbridge**. IBM already owned a 27% stake in Westbridge.

IBM has continued its restructuring with the formation of **Employment Solutions** (staff recruitment for IBM and other companies), **Entry Systems Technology** (PC development), **Pennant Systems** (printer activities) and a separate storage products company - as yet without a name. John Akers says these businesses will now report financial results separately.



IBM businesses gaining autonomy

Source - Ledgerway Group, Infocom, NY, as published in Business Week 16th Dec. 91

It is worthwhile remembering that IBM has some pretty big computing services businesses. For example, IBM's software business is the biggest in the world - five times as big as Microsoft. However, it is a sign of the times that, in 1990, Microsoft made more profit than the whole of IBM.

IBM and DEC shares plunge

IBM shares continued to fall this month - they hit a nine year low of \$85.12. This followed an analysts' presentation when Akers forecast that IBM would miss its revenue goals in all geographies and debt would increase by \$1.5b to \$2b this year. "Mid-single digit" growth is, however, expected in 1992. Digital (DEC) fared no better with a near 10% share price slide on the day they announced that they expected to report an operating loss for Q2. Analysts now expect that to be 40c to 60c per share compared with previous forecasts of a profit of 25c per share. DEC lost \$617m last year.

When things get tough....

We reported earlier in the year that **Microware** had gone into receivership after their insurance company failed to pay up following a burglary which robbed them of much of their PC stock. This month a former director and senior manager from Microware appeared in court charged with theft and conspiracy to defraud Sun Alliance.

CGS and Olivetti?

Carlo De Benedetti - CEO at **Olivetti** - confirmed to an Italian parliamentary commission that he was in discussion with **Cap Gemini Sogeti** over the sale of Olivetti's Information Services division. Apparently, Olivetti last month had tried to buy **Finsiel** but had been rejected by IRI, the Italian state holding operation, because this would involve De Benedetti taking control - a development IRI was reluctant to countenance. Source - FT 13th Dec. 91.

EIT buys Sintrom and ASL

As we previewed in our front page last month, on 12th Dec. 91 EIT, the fast growing company run by Mike Dart and Mike Burden, announced:

- its acquisition of loss-making quoted networking company **Sintrom** in an all share offer valuing Sintrom at £1.7m.



EIT GROUP plc

EUROPEAN

- its acquisition of **Automatic Switching Ltd (ASL)** which supplies telephone management systems for £50K plus a max. profit related deferred consideration of £500K.

INFORMATION TECHNOLOGY

- the raising of £2m (net of expenses) by way of an institutional placing of CRULS and an open offer of EIT shares at 15p. However, EIT shares fell 2p to 14p on the day of the announcement.

- results for the six months to 30th Sept. 91 showing losses of £99K (loss £128K in same period last year) on revenues of £1.2m.

We suggest that subscribers should re-read our review and thoughts about the medium term viability of EIT in December's edition. We listed the similarities between EIT and **Headland** - which called in the receivers in July 91. The similarities lengthened this month as **Close Brothers** (advisers to and investors in Headland) have advised EIT on the latest transactions.

Sintrom was formed in 1968 as a peripherals distributor and was launched on the Stock Exchange in 1985. Recently they have moved into the LAN and WAN markets. In 1990, Sintrom lost £274K on revenues of £28.6m and these losses had grown to £1.9m for the six months to 30th June 91. However, networking contributed revenues of £8.8m (31%) and PBT of £181K in 1990. The offer of 6 EIT shares for every 5 Sintrom shares values the company at £1.7m - or just 6% of revenue.

Automatic Switching Ltd (ASL) was established in 1956 and was "a pioneer of telephone call logging systems". They now develop telecomms management systems and have over 200 customer sites. In the year to 4th Oct. 91, revenue was £771K and a loss of £63K was recorded. EIT are paying an initial £50K with a further £500K subject to aggregate PBT to Mar. 94 of £600K.

EIT's interim results to 30th Sept were disappointing - showing a continuing loss of £99K. The EIT board, however considered the results "satisfactory given the current economic climate". **Decisionware** opened an office in Belgium and their PC subsidiary bought **TPC Tristar's** (ex-Bob Woodland) PC operations for £25K plus a further profit-related £100K.

However, EIT "looks forward with optimism to the second half of the trading year". EIT base revenues are now around £30m with 25% of turnover outside the UK. EIT can boast increased strength in the telecomms/networking arenas. They intend to use their existing channels to exploit these new services in Europe.

EIT is a bold and, in some ways, exciting venture. They are certainly moving fast. Our problem is not that we don't want them to succeed. It's just that we can find so many others that have tried similar recipes and failed.

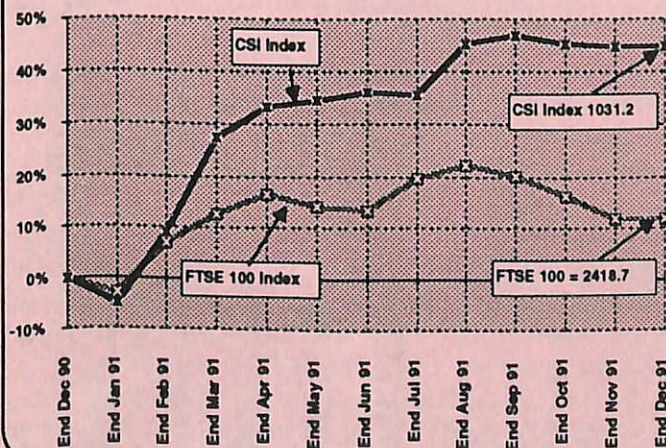
1991 - The winners and losers

Readers may find it difficult to believe but 1991 has been a good year for CSI share prices. The CSI Index is up a massive 46% on the year - closing at 1031.21 - and therefore showing its first modest gains since our index began in Apr. 89. The FTSE 100 only rose by 12% this year.

As usual there were some dramatic gains and losses. **Quotient** heads the list with a 270% gain for those lucky enough to hold the stock before **ACT** made their £27.4m takeover bid in May. **Electronic Data Processing** made a 261% because of its excellent "non-acquisition" based performance. Latest results for the full year to 30th Sept. 91 show both PBT and EPS up by c90% (see page 10). **Total**, one of the smallest quoted CSI companies, is also back to making measurable profits (see page 3). **Misys** had figured as one of the best performing shares in previous years but had fallen from grace as high expectations were not met. The end year price of 203p is still a far cry from the 1989 high of 450p.

At the other end of the scale, **Ferrari** shareholders lost it all when the receivers were appointed in Mar. 91. **Enterprise** (nee Systems Reliability) fared only marginally better with a two thirds fall in the shares this year as the previous acquisition policy is put into reverse. **Sema** lost over 50% of its value as the possibility of a bid **CGS** receded. **EIT**, **P&P** and **Gresham Telecomputing** all ended the year worth less than half their price at the start of 1991.

FTSE 100 Index compared with CSI Index



Return to profits predicted at LBMS

Learmonth & Burchett Management Systems (LBMS) were best known for their SSADM involvement and supply development methodology, tools and IT training. They had been trading profitably and growing consistently until 1990 when they hit problems. The deferral of several large software orders was, perhaps, not their fault as they started to suffer from the effects of the recession like everyone else. But LBMS had also embarked on a major acquisitions spree buying four companies including **Keith London Associates** and **Michael Jackson Systems**. Chairman **Rainer Burchett** admitted in mid 1990 that these companies, which were all suffering problems before being bought, had "diverted top management attention from our traditional core business". However, he predicted that the loss he had just announced was merely "a temporary and unexpected dip".

It did not turn out to be temporary. In the year to 30th Apr 91, LBMS managed to increase that loss to £1.7m. Latest

1991 Share Price League Table

Rank	Company name	Share Price End 1990	Share Price End 1991	% Change	See note	Index End 1991
1	Quotient	0.54	2.00	270.37	1	1739.13
2	Electronic Data Processing	0.79	2.85	260.76		2928.56
3	Total Systems	0.10	0.34	240.00		641.52
4	Misys	0.74	2.03	174.32		504.97
5	SD-Scicon	0.26	0.60	130.77	2	768.96
6	Butler Cox	1.07	2.43	127.10	3	1388.57
7	Micro Focus	7.83	14.75	88.38		7125.60
8	ACT	0.76	1.43	88.16		2288.91
9	Proteus International	0.91	1.70	86.81		2023.80
10	Sage Group	1.96	3.29	67.86		2530.76
11	Capita	1.59	2.62	64.78		2620.00
12	Kewill	1.95	3.16	62.05		1249.01
13	NMW	0.23	0.37	60.87		616.67
14	Macro 4	2.35	3.75	59.57		1512.10
15	Kalamazoo	0.29	0.45	57.89		1285.71
16	Sherwood	0.85	1.32	55.29		1100.00
17	Star	0.16	0.23	43.75		191.67
18	Admiral	2.25	3.01	33.78		2181.16
19	Microgen	1.22	1.61	31.97		688.03
20	Rolfe & Nolan	1.48	1.95	31.76		2303.51
21	Vistec	0.10	0.13	30.00		568.15
22	Learmonth & Burchett	0.45	0.58	28.89		483.33
23	Cray Electronics	0.55	0.64	16.36		374.27
24	Logica	1.67	1.93	15.57		528.77
25	Hoskyns	3.55	3.92	10.42		1912.19
26	Touchstone	0.05	0.06	10.00	4	127.66
27	Computer People	1.05	1.15	9.52		473.25
28	Sanderson	1.20	1.23	2.50		2530.76
29	Synapse	1.07	1.04	-2.80	5	358.62
30	MMT	0.89	0.83	-6.74		494.05
31	Pegasus	1.62	1.50	-7.41		408.72
32	P-E International	1.38	1.25	-9.42		514.40
33	Microvitec	0.16	0.14	-12.50		341.46
34	INSTEM	0.88	0.75	-14.77		750.00
35	Radius	0.48	0.39	-18.75		282.61
36	Logitek	0.23	0.15	-34.78	6	86.62
37	Trace	0.56	0.36	-35.71		288.00
38	EIT Group	0.25	0.12	-52.00		480.00
39	P&P	0.84	0.39	-53.57		174.89
40	Gresham Telecomputing	0.20	0.09	-55.00	7	96.77
41	Sema Group	4.99	2.18	-56.31		685.53
42	Enterprise Computers	0.48	0.16	-66.67		128.00
43	Ferrari	0.10	0.00	-100.00	8	0.00

Note 1 - Quotient acquired by ACT in May 91.

Note 2 - SD-Scicon acquired by EDS in June 91.

Note 3 - Butler-Cox acquired by Computer Sciences in May 91.

Note 4 - Touchstone (was MBS) acquired by Stratagem in Feb. 91.

Note 5 - Synapse acquired by ECSOft in July 91.

Note 6 - Logitek were acquired by Microvitec in May 91.

Note 7 - Telecomputing merged with Gresham Group in Feb 91.

Note 8 - Ferrari appointed the receivers in Mar 91.

results for the six months to 31st Oct. 91 show revenues up 4% at £10m but continued losses of £281K - albeit less than the £618K loss last time. **Rainer** described the results as "much improved" and said he expected LBMS "to return to profit in the second half. Results will receive a substantial boost once we see tangible signs of an end to the UK recession". But readers should take care with **Rainer's** predictions. As recently as June 91 **Rainer** had predicted "a return to profits in the year just begun". This now seems somewhat unlikely.

LBMS is particularly pleased with "revenue gains in the US, Europe and Asia Pacific which together now account for over 30% of total sales". R&D continues at a high level - £1.6m in the last six months - with work starting on the next generation of their CASE tools. They are now a product rich company which is starting to achieve "critical mass" in the US. These are valuable attributes for any UK company to have right now.

Not TOTALLY a static month

There was hardly any change in either the CSI Index or the FTSE 100 this month. Terry Bourne at Total is not the only person pleased with the near 80% rise in the share price this month. Mike Tilbrook at MMT has increased his stake in Total to 5.2% this month. He did very well with his Quotient stake earlier in the year. Electronic Data Processing put on another 18% this month - making a gain of 261% for the year.

The pain continues at P&P with a further 25% fall this month. We have always considered P&P to be well managed compared to most of the other PC oriented companies so, if they are suffering as much as is rumoured, God help the others. We are not surprised that the market responded so negatively to the EIT purchase of Sintrom and ASL. At the same time EIT launched an open offer at 15p when the shares stood at 17p - they ended 1991 at just 12p.

Computing Service Share Price Movements 29th Nov. 91 to 27th Dec. 91

Rank		% Change 29/11/91 to 27/12/91	Historic P/E
1	Total	78.95%	45.95
2	Electronic Data Processing	17.62%	8.74
3	Sage Group	15.03%	12.90
4	INSTEM	13.64%	5.36
5	Kalamazoo	5.88%	6.43
6	ACT	3.62%	15.05
7	Rolfe & Nolan	2.63%	11.02
8	Sanderson	2.50%	6.41
9	Kewill	1.61%	10.74
10	Admiral	0.67%	15.52
11	Gresham Telecomputing	0.00%	Loss
12	Hoskyns	0.00%	37.33
13	MMT	0.00%	12.21
14	NMW	0.00%	28.46
15	SD-Scicon - no longer listed	0.00%	Loss
16	Star	0.00%	Loss
17	Trace	0.00%	Loss
18	Cray Electronics	-1.54%	25.60
19	Microgen	-1.83%	11.93
20	Macro 4	-1.83%	16.30
21	Sherwood	-2.22%	7.76
22	Capita	-2.24%	19.12
23	Radius	-2.50%	6.02
24	Micro Focus	-2.64%	23.23
25	Misys	-4.69%	17.65
26	Learmonth & Burchett	-4.92%	Loss
27	Computer People	-5.74%	7.00
28	Sema Group	-6.44%	20.76
29	P-E International	-6.72%	8.33
30	Logica	-8.53%	Loss
31	Proteus	-12.82%	Loss
32	Pegasus	-14.29%	7.54
33	Enterprise	-15.79%	2.16
34	Microvitec	-17.65%	Loss
35	Vistec	-18.75%	13.68
36	EIT Group	-25.00%	Loss
37	P&P	-25.00%	2.11

Dowty IT hits problems and is put up for sale

Last year Dowty IT made it to the Top Ten of UK CSI companies with annual revenues of £192.7m. In the last six months to 30th Sept 91 they have been hard hit by the recession with revenues marginally down at £87.2m but profits decimated from

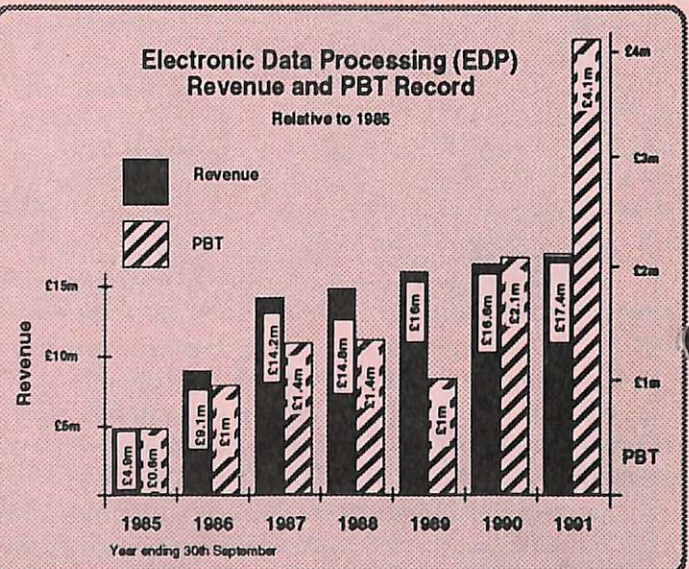
**DOWTY IT
FOR SALE ?**

£7.3m to £0.7m. "This resulted from a combination of reduced volume in both the UK and the US as our customers deferred capital expenditure, margin pressure and initial losses of £800K in Cognito (the two-way data transmission system) as the Emissary product was launched and the network product opened for data communication".

Rather more importantly, Bruce Ralph, Dowty CEO, disclosed that the group was to get out of IT. "We are in discussions with a number of parties which could result in the formation of an alliance which could enhance the prospects for the division". Cray Electronics is reported to be one of the likely bidders.

EDP wins hands down

System House readers will be aware of our unflinching support of EDP since our first edition over two years ago. Their latest results for the year to 30th Sept 91 are about the best you can get. Although revenue is up only 5% at £17.4m, PBT is up 94% at £4.1m and EPS increased 89%.



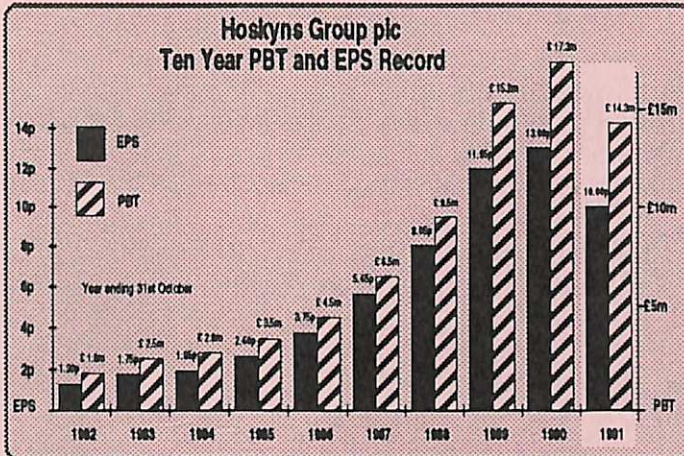
EDP distributes the Mentor range from NCR and is particularly strong in PICK and now open systems based solutions. Their strongest software product is the Merchant distribution/retailing system. Recurring services revenues now total £7.75m pa or 44% of revenues.

EDP cash balances exceed £8m. EDP is "interested in acquiring compatible software solution based companies". Well that will be one way of eroding the cash mountain.

The EDP share price has increased by 260% in 1991 and comes #2 in our table of share price growth for 1991. MD, Richard Jowitt and his team "anticipate another successful year for 1992" - he used the same words last year which proved to be correct. So we feel sure that EDP will do just that. With their software solutions focus they have a knack of showing everyone else how to do it.

Hoskyns first reversal in 13 years

In June 91, Hoskyns' Executive Chairman, Geoff Unwin, warned that "the short term outlook is not promising...it is unlikely that our profitability in the second half will match that in the first". So it came to pass that Hoskyns announced its first PBT and EPS reversal in 13 years. In the year to 30th Oct. 91, revenues were down 10% at £200.7m, PBT fell 17% to £14.3m (infering PBT of £5.7m in the second half compared with £8.6m in the first). EPS was 19% lower. These figures were helped by an increase in interest received from £870K to £1.75m.



UK revenue was worst hit - down £28.7m to £165.4m. £20m of this was due to the "planned" run down of the Plessey and London Residuary Body FM contracts. FM revenues were down from £114.3m to £83.4m but systems integration revenue rose £13.1m to £95m. The only market sector to see a revenue rise was Energy & Utilities up 53% at £19m. Unwin thought the results were "still very respectable in the light of grim market conditions". Germany contributed revenues of £21.8m - up from £12.1m, largely as a result of the Technodata acquisition. Revenues were down in the rest of Europe.

Hoskyns has been pretty good at forecasting the future. Unwin now says "1992 is likely to be a difficult year, particularly in the UK where, although there are small signs of an economic uplift, any improvement is not expected to have any real effect until the second half of the year". He adds that "open systems will continue to force the restructuring of the IT industry" where "Hoskyns is uniquely placed as UK market leader".

First reversals at Sandersons too...

Although revenues rose by 44% to £20.5m, PBT slipped 27% to £1.74m and EPS was down 22.6% at Sanderson Electronics for the year to 30th Sept. 91. These were the first reversals on record, although the downturn was heralded at the half-way point.

Sanderson's develops and implements PICK and UNIX based systems. It holds a 49% stake in US General Automation. GA achieved only a "modest profit" on sales of £26.8m.

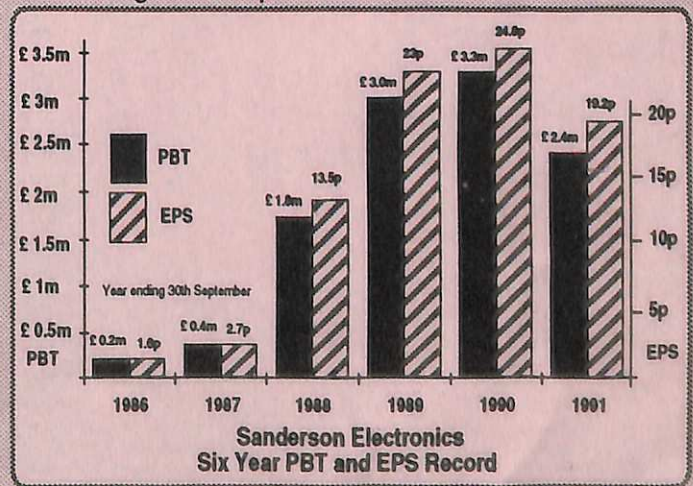
Sanderson's recurring revenues from maintenance and support almost doubled in the year to £9.5m and GA earns a further £10m from maintenance.

Sanderson moved to the main market in Jan. 91. Chairman Paul Thompson said at the time that this was "to provide a platform upon which to build a recovery in the share price" as "the recent fall in the share price appears to reflect market sentiment towards the computer industry

Computing Services Capitalisation - 27th Dec. 91

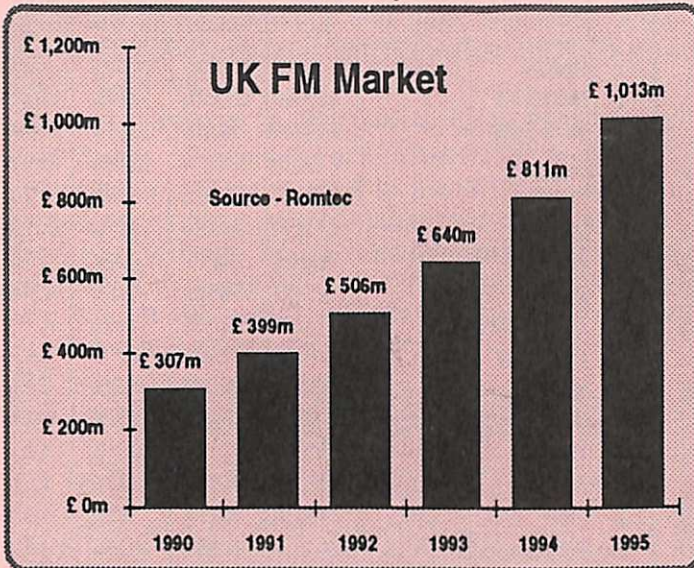
Rank		Capitalisation 27/12/91 £m	% Change since 15/4/89	% Change since 29/11/91	£m Change since 29/11/91
1	Hoskyns	£ 359.52	118.15%	0.00%	£ 0.02
2	Micro Focus	£ 200.97	678.96%	-2.63%	-£ 5.43
3	Sema Group	£ 200.04	-29.59%	-5.55%	-£ 11.76
4	ACT	£ 186.10	369.95%	25.74%	£ 38.10
5	SD-Scicon	£ 121.20	-22.90%	0.00%	£ 0.00
6	Logica	£ 118.29	-46.43%	-8.52%	-£ 11.01
7	Macro 4	£ 83.39	54.71%	-1.90%	-£ 1.61
8	Misys	£ 69.12	-8.81%	-4.79%	-£ 3.48
9	Cray Electronics	£ 67.90	-54.40%	-1.45%	-£ 1.00
10	Sage Group	£ 65.90	210.85%	15.21%	£ 8.70
11	Microgen	£ 62.30	-29.52%	-1.89%	-£ 1.20
12	Capita	£ 39.15	383.34%	-2.12%	-£ 0.85
13	Proteus	£ 38.11	111.12%	-9.05%	-£ 3.79
14	Admiral	£ 32.27	121.04%	0.53%	£ 0.17
15	Kewill	£ 30.10	79.17%	1.69%	£ 0.50
16	P-E International	£ 27.38	-30.86%	-6.55%	-£ 1.92
17	Electronic Data Processing	£ 24.95	194.94%	17.70%	£ 3.75
18	P&P	£ 21.65	-71.02%	-24.84%	-£ 7.16
19	Computer People	£ 16.00	-47.88%	-5.33%	-£ 0.90
20	Vistec	£ 14.80	161.95%	-18.68%	-£ 3.40
21	Enterprise	£ 11.64	-73.25%	-15.68%	-£ 2.16
22	Rolfe & Nolan	£ 10.90	149.43%	1.87%	£ 0.20
23	Sanderson	£ 10.81	-45.12%	2.00%	£ 0.21
24	Radius	£ 10.60	-66.77%	-2.75%	-£ 0.30
25	Pegasus	£ 9.17	-53.69%	-14.30%	-£ 1.53
26	Microvitec	£ 8.98	-19.11%	-17.62%	-£ 1.92
27	MMT	£ 8.81	-49.08%	0.00%	£ 0.00
28	Kalamazoo	£ 8.29	28.49%	5.85%	£ 0.46
29	Learmonth & Burchett	£ 7.73	-47.04%	-4.90%	-£ 0.40
30	NMW	£ 7.65	-37.80%	0.00%	£ 0.00
31	Sherwood	£ 6.93	12.42%	-2.19%	-£ 0.15
32	EIT Group	£ 5.37	46.04%	-25.04%	-£ 1.80
33	Trace	£ 4.87	-69.75%	2.31%	£ 0.11
34	Total	£ 3.40	-35.85%	78.95%	£ 1.50
35	INSTEM	£ 3.38	-25.00%	13.64%	£ 0.41
36	Gresham Telecomputing	£ 2.87	-35.21%	0.00%	£ 0.00
37	Star	£ 1.57	-80.67%	0.00%	£ 0.00

rather than any particular misgivings about Sanderson itself". Given the reversal in Sanderson's performance this year, the move probably worked. Shares finished the year little changed at 123p.



Major growth for FM

The latest report from Romtec shows that facilities management is likely to continue to be one of the few major growth markets in the CSI arena. A 30% growth has been experienced in the last year and the UK market is forecast to be worth over £1b by 1995.



As expected Hoskyns is the number one supplier to the UK market. However, their FM revenue reduced this year to £83m inferring a 21% market share compared with a 37% share in 1990. EDS and AT&T Istel shared second place. As more companies turn to FM, contracts are getting smaller - down from an average of £2.2m in 1990 to £1.9m this year. However, many believe that this reduction is more likely to be due to the increased competition as so many more companies enter the field. The FT's Alan Cane said that in the last year the waters have been muddied by a raft of inexperienced players "whose prices seem to be set either out of ignorance or to gain market share at any price". Source - FT 19th Dec. 91.

We must be careful in interpreting the findings. It should be remembered that growth in the FM market does not represent a growth in the overall IT market - merely a shift from in-house to external spending. FM seems to be one of the few CSI markets which is gaining from recession. Right in line with the current CSA's Buy IT in campaign.

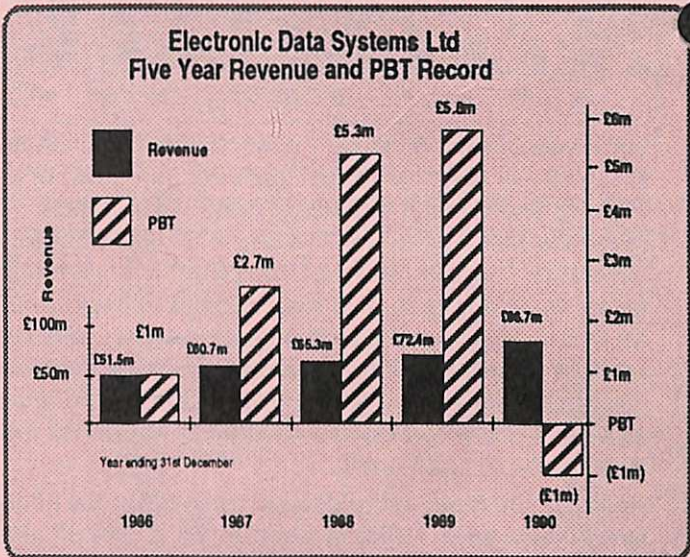
Thank you EDS...

The one job we do not covet is press relations director for EDS. We were mildly rebuked for our little jibe about "beards being shaved off at the last lunch time drink in Fleet" when EDS acquired SD-Scicon back in Aug. 91.

But old stories do die hard. We really did have nothing to do with the retelling, in this month's Business Week, of the story of Gary Fernandes arrival by helicopter at the 1987 CSA conference in Bournemouth - drowning out the previous speaker and leaving immediately afterwards without bothering to have social intercourse with anyone.

But EDS sometimes don't really help themselves. As many readers know, we compile an annual review of UK CSI companies but EDS never play ball. "Corporate HQ says we cannot issue separate UK financial results". OK, we say, but you have to file them at Companies House within 10 months of your year end. "Well, you will just have to wait until then".

We waited. We now find that in 1990 EDS Ltd filed a 20% increase in revenues to £86.7m but a dive from PBT of £5.8m in 1989 to a loss of £1m in 1990.



Worldwide, EDS made a profit of \$500m on revenues of £6.3b in 1990 - the first year when non-GM revenues exceeded 50%. Merrill Lynch estimate EDS revenues will approach \$8b in 1992 with only 43% coming from GM.

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