

# System House

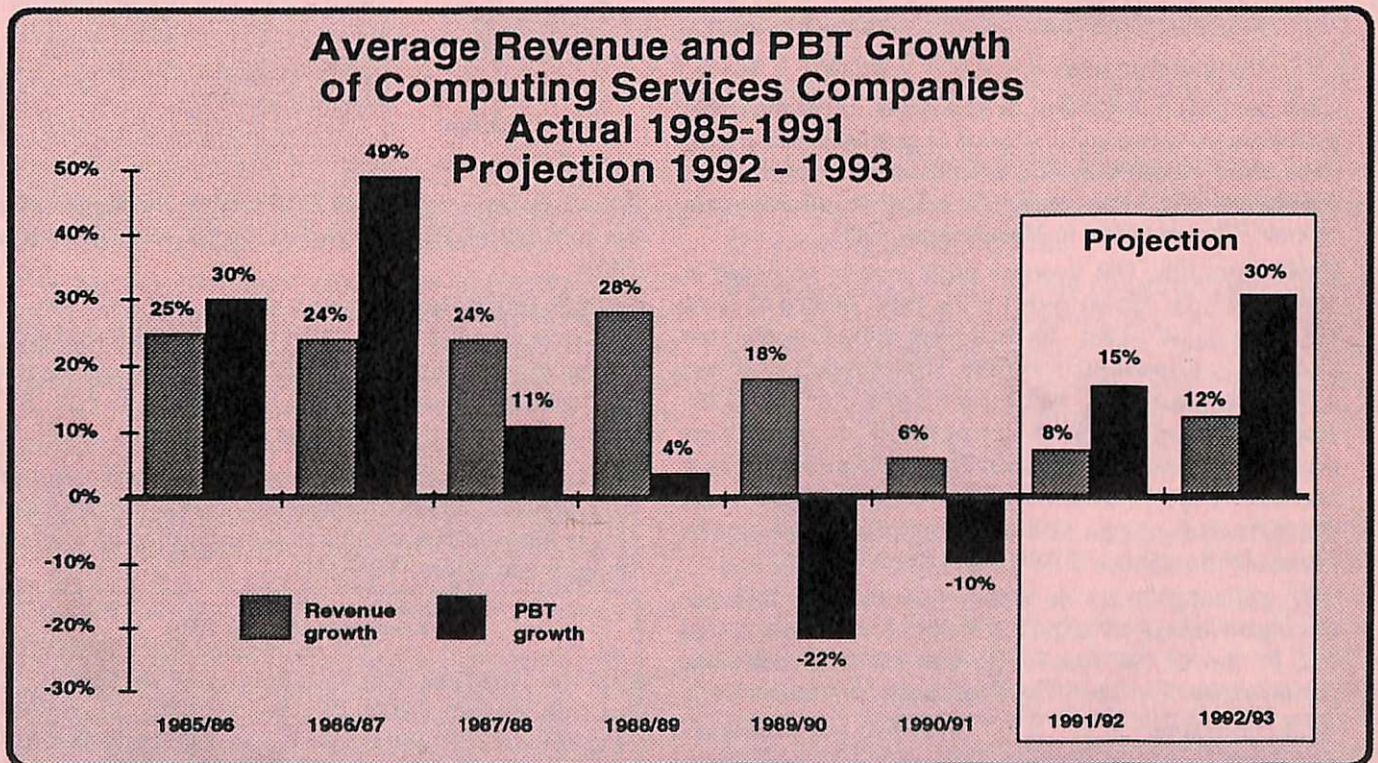
The monthly review of the financial performance of the UK computing services industry  
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## Indicators set for major recovery in CSI profits

Our very latest analysis of the financial performance of the leading 750 CSI companies operating in the UK (with combined revenues exceeding £7 billion) is published in June. The analysis shows that in 1991 CSI revenues grew by just 6% - scarcely above inflation. Our records show that revenue growth had exceeded 20% in every year in the 1980s. This 6% growth was in line with 6.9% CSI sector growth reported in the latest statistics from the Business Statistics Office this month. The BSO figures show that hardware related CSI revenues dipped by 6.4% in 1991. The growth areas were Bureau Services (+0.8%), Professional Services (+10.5%) and Software (+12.9%).

But any averages can also disguise excellent performance. In 1991, a majority - 57% - of the companies in our survey **improved** their profit performance. This was an increase on 1990 when only 51% improved performance. However, 25% of companies reported losses; two thirds of these companies reporting losses after making a profit in 1990.

It is sad to see the number of staff employed in the industry reduce by a massive 5% in 1991 but this, coupled with a minimal 2.2% increase in average costs per employee, has produced the first tangible seeds for future profits recovery. PBT per employee in 1991 recovered to £3,934 - a growth of 47% on 1990. But there is a long way to go



Profits declined for the second year in succession - by 10%; albeit a smaller decline than the 22% in 1990.

There was a significant variance in the performance of those 37 CSI companies quoted on the Stock Exchange and their "private" brothers. Private companies managed to grow revenues by 11%, against a 2% revenue decline from the quoted sector. Quoted companies had been the most acquisitive in previous years but this had led to disposals by 1991 - hence the revenue decline. The difference in profit performance was even more marked. Quoted company profits dived by 19% compared with "no change" for private companies.

to return to the £4.6K PBT per employee reported for 1987.

We rarely issue forecasts. We do not believe that revenues will return to their previous 20% pa growth rates for several years - if ever. As can be seen in the chart above, we predict a modest 8% rise this year, increasing to 12% in 1993. However, we see profits experiencing major positive growth, up perhaps 15% in 1992, before the twin effects of recovery from recession and previous cost cutting result in a massive 30% PBT increase in 1993. As Stock Exchange investors have already discovered, **there has never been a better time to invest in computing services companies.**



# 1991 - The Winners

Rather than always concentrating on the problems, this review centres on the best performers in the sector in 1991.

**Profits.** The Top Five most profitable CSI companies operating in the UK in 1991 were:

Rank	Company	1991 PBT
1	Micro Focus	£18.1m
2	Centre-File	£15.1m
3	Hoskyns Group	£14.3m
4	McDonnell Douglas IS	£14.3m
5	Datastream	£14.1m

**McDonnell Douglas IS** and **Hoskyns** suffered both revenue and profit declines in the last year. MDIS saw its CAD/CAM operations taken over by EDS and Hoskyns saw the end of its large London Residuary Body FM contract, as well as several Plessey contracts.

**Profits growth.** Overall PBT declined by 10% in 1991. The larger companies bucking the trend were:

Rank	Company	1991 PBT	% growth
1	Computer Sciences (CSC)	£3.2m	439%
2	Kalamazoo	£3.7m	241%
3	IPL	£1.9m	175%
4	Financial Solutions	£1.1m	103%
5	Compel Systems	£1.4m	101%

**CSC** acquired **Inforem** in the year. **Kalamazoo's** performance was also as a result of acquisitions but they have since reported trading difficulties. **ACT Group** had the highest £ PBT rise - up £4.7m at £12.7m after the sale of their PC operations to Mitsubishi in 1990.

**Profit margins.** The average profit margin recorded in 1991 was 5.0% - down from 5.3% in 1990. **Macro 4** heads the rankings yet again - as they have done in every year since our analyses began in 1985. This year they recorded a profit margin of 42% - albeit down a little from the 49.8% margin reported in 1990. It seems that if you want a high profit margin you should concentrate on the development and sale of systems software products (like **Macro 4** and **Micro Focus** - margin 32.5%) or application products like **Financial Solutions** (37.5%) and **Sage** (33.2%).

**PBT per employee.** As reported on page 1, PBT per employee rose by 47% to £3,934 in 1991. We believe that this is one of the most important ratios of company performance. The 1991 Top Five larger companies were:

Rank	Company	1991 PBT per employee
1	Macro 4	£40,676
2	Micro Focus	£36,076
3	Portfolio Administration	£28,083
4	SCL Group	£25,808
5	Precision Software	£23,420

Scottish systems and training company **SCL** is a welcome new entrant to the rankings. Although software products companies dominate the higher echelons of the rankings, there are also superb performances from bureaux (**Portfolio Administration**, **Datastream**, **Rolfe & Nolan**) and even IBM agent **Specialist Computer Centres** achieved £18,711 PBT per employee in 1991.

**Cash is king.** Interest receivable contributed a massive £3.7m to **Datastream's** PBT in 1991. **Logica** also earned £3m interest. **Micro Focus** ended the year with the most cash in the bank - £31m; up from £20m in 1990. They were followed by **ACT** (£27m), **Logica** (£25m), **Sema** (£18m) and **Centre-File** (£16m).

**Net assets.** The "strongest" companies, or those with the highest net assets, in 1991 were as follows:

Rank	Company	Net assets 1990	1991
1	Sema	£56m	£65m
2	P&P	£55m	£47m
3	Logica	£53m	£44m
4	Hoskyns	£32m	£39m
5	Micro Focus	£24m	£37m

**Stock Exchange - Earnings per share.** **Real Time Control** heads the list of EPS increases in 1991 - up a massive 2080%. It's not too difficult to achieve that in your recovery year - but it's a bit more difficult to repeat the feat.

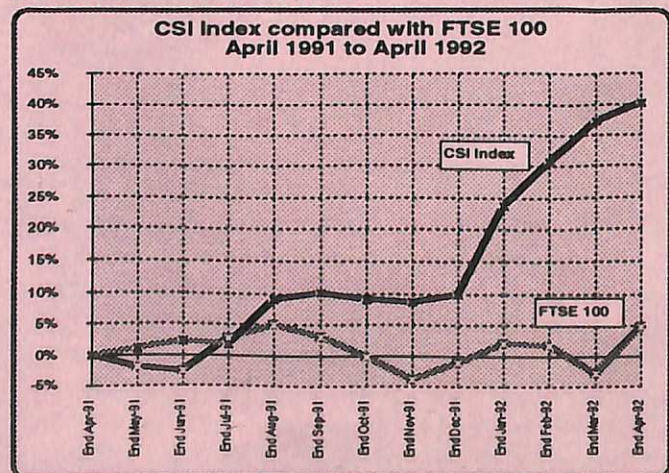
The Top Five by Average Annual EPS Growth in the six years 1985 to 1991 were as follows:

Rank	Company	EPS growth AAGR 1985/91 %
1	Capita	74%
2	Sanderson	61%
3	Admiral	36%
4	Misys	34%
5	Kewill	34%

Other Top Ten entrants are **EDP** (30%), **Hoskyns** (26%), **Macro 4** (26%), **Rolfe & Nolan** (24%), and **Kalamazoo** (21%).

**Capitalisation.** **Hoskyns** was still the CSI company with the highest capitalisation - £391m in April 92. But **Micro Focus** was closing fast - £278m; up £45m on the year. **ACT** gained £125m in value to £231m due, in part, to its acquisitions of **Quotient**, **Kindle** and others.

**Share price.** In anticipation of significant profits recovery as signalled in our front page article, our CSI Index rose by 40% in the year to April 92 compared with a more modest 5% increase in the FTSE 100.



**EDP** (up 357%), **Total Systems** (up 204%) and **Proteus** (up 156%) led the share price rankings.

*Who said we never print any good news about the industry?*



## Surge at Sanderson Electronics

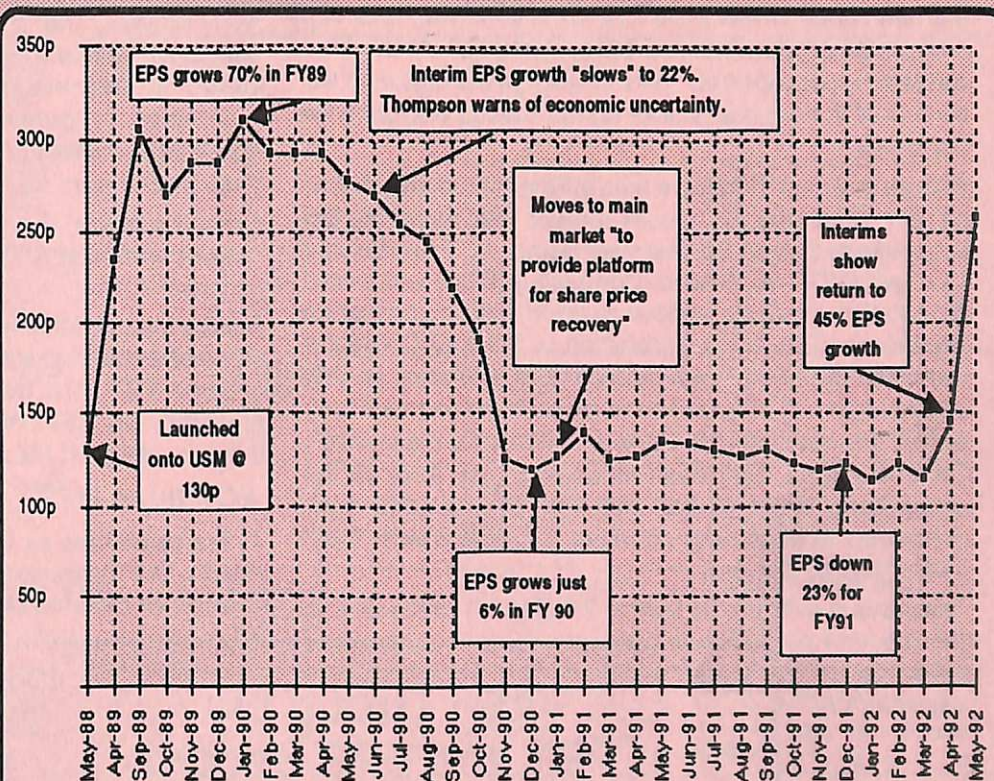
There really must be something special about PICK (OK, we know you prefer the open systems title) software houses as their shares seem to know no direction other than UP. First there was EDP, now Sanderson Electronics has rocketed. Before the announcement of the interim results on 5th May, Sanderson shares stood at 142p, little higher than their launch onto the USM in May 88 at 130p. They closed the month up 71% at 248p.

Although the results for the six months to 31st Mar. 92 show static revenues of £10.6m, PBT increased by 20% to £1.8m but EPS was up a massive 45%. Analysts are expecting £3.3m for the full year or, put another way, a return to the profits made two years ago in 1990.

Sanderson is keen to stress the importance of recurring revenue which, including associate companies, now provides c£20m of annual revenues.

In April 92, Sanderson acquired a 51% stake in Astralogic, a supplier of turnkey systems to tour operators. They also acquired the remaining 45% of General Automation Ltd in Jan. 92. These two acquisitions cost approx. £1m. In the US GA Inc. recorded "record" Q2 profits of \$803K.

As to the future, Chairman Paul Thompson says "We remain well placed to expand when UK business conditions for capital goods improve".



Sanderson Electronics - Share Price Movements

## Doubled losses and more joint ventures

The company has announced losses doubled from £1.27m to £2.41m in the year to 31st Mar 92. Revenues reduced from £7,000 to £3,000. They also announced a £12.2m rights issue. Now any sensible reader would then lay a bet on the share price diving. Hear none of it. This is no ordinary CSI company - this is Proteus International.

Proteus has developed a molecular modelling software product called Prometheus. Rather than selling the product, as they planned when they floated onto the Stock Exchange at 84p in May 90, they have decided to share in the financial success (or otherwise) of the drugs/vaccines discovered because of its use.

This month Proteus has formed a joint venture, **Progene Partners**, with **Genelabs Technologies Inc.** Frank King, Genelabs' president, explained "By combining our proprietary DNA sequence-specific binding assay systems with Proteus' advanced computer-aided molecular modelling technology, we hope to develop efficacious therapies with high specificity and low toxicity". So now you know. Proteus has also formed a joint venture operation with Canada's **Cobequid Resources** to "make and sell the GV92 piscine growth product".

Proteus shares have powered ahead since they decided on the joint venture approach rather than the sale of their software or design services. This month they are up 29% from 322p to 415p. Proteus currently has a capitalisation of £92.9m; a 394% rise since their original float. Just think what will happen when they stop making losses.

June 1992

## Q1 profits at Microvitec

Microvitec's chairman, James Bailey, told shareholders at their AGM that the company had returned to profits in Q1 after reporting losses of £3.85m in 1991. He added that the foundations were now in place for "what will be a most exciting company over the next decade". Against the trend, Microvitec shares were down 12% this month.

## Overseas success for Lucas

Lucas Management Systems' MD Chris Barfield tells us that he gets a little annoyed when people bemoan the absence of UK owned international CSI players. The UK represents just 25% of his software products and project management revenues; with a further 25% from the US, 33% from Continental Europe and the remainder from Asia where Japan is particularly important. We ought to clarify our report in May's *System House*. Metier changed its name to Lucas Management Systems when Lucas bought them from Lockheed in 1990. Lucas's other CSI activity, Lucas Engineering and Systems was, and still is, a separate trading entity. Barfield's operation grew by a very creditable 7% in the last full year and he was "on budget" for the six months to Jan. 92.

## At last some good news from Gresham Telecomputing

Gresham has hardly had the best of times since it acquired troubled Telecomputing. This month they have signed a deal under which Dun & Bradstreet will market their UNIX transaction processing monitor, TP+, worldwide. D&B expects 20% of its 14,000 customers to "downsize to UNIX".



# Quotient acquisition provides major boost for ACT

ACT Group was reborn as a CSI company after their Apricot PC manufacturing operations were sold to Mitsubishi for £39m in May 1990; just after the Harvey Jones Troubleshooter programme had inferred that it was laughable that any UK company could even consider manufacturing its own PCs. The shares then stood at 73p and profits of £8m had just been declared. At the time *System House* reported "We believe that the new ACT will be one of the brighter stocks on the market and we wish them well".

With all that cash burning a hole in Roger Foster's pocket, he did what anyone would expect. He went on the acquisitions trail. In the last year alone, ACT has bought Quotient (£27.4m), Stemm Computing (£2m) and Kindle (£34.2m) as well as various support and maintenance operations. The latest acquisition is Medical Computer Services for £5m (see below). The problem is that shareholders of acquired companies have so much faith in ACT that they seem to be reluctant to "take the money". On 31st March 1991 cash stood at £27m. After all the acquisitions listed above plus the considerable cash generated from trading activities, on 31st March 1992 cash stood at £24.3m.

The latest results for the year to 31st March 1992 were "at the top end of analysts's expectations".

Source - FT 19th May 92. Revenues increased 21% to £119.4m and PBT was up 34% at £17m. That's not too difficult to achieve when you are a hungry acquisitive company. EPS was up a rather more modest 14%. But that really is very respectable in comparison to other acquisitive companies.

We have always raved about owning your own product. Why certain other companies pay high prices to acquire distributors of third party software products we will never know. ACT is right to boast that "over two thirds of Group profit in the current year is expected to be generated directly or indirectly from the IPRs to software owned by ACT.... The current range... has cost over £50m to develop".

A look behind the figures indicates that the financial services division has really been the star in ACT's crown. The division, with the help of Quotient and Kindle for four months, produced profits of £7.5m on revenues of £44m.

"The general move by many of the major financial institutions to outsource more of their computing requirements rather than develop in house is creating a healthy demand worldwide for our software packages".

Although all of ACT's divisions were profitable in the year, ACT Logsys, the public sector systems integration operation, "had a difficult year" and reduced profits to just £630K on revenues of £27.5m. ACT Computer Support "continues to generate substantial profits.... despite operating in the very competitive market for TPM services". Their profits were £5.1m on revenues of £26.8m.

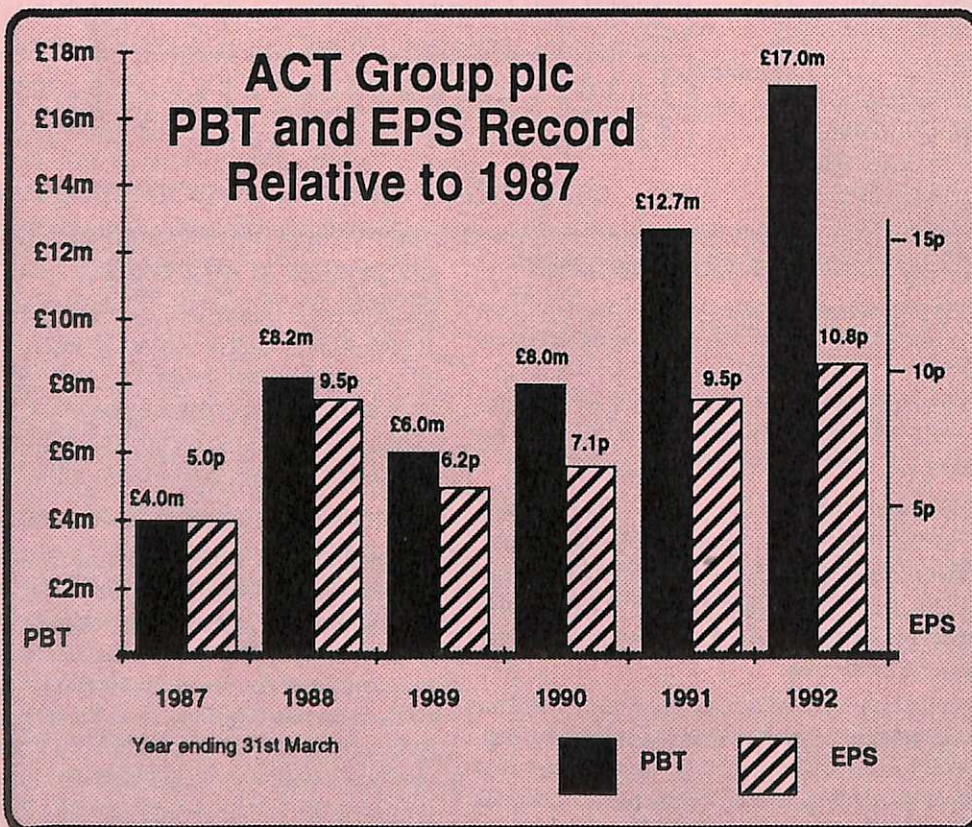
As to the future, the new financial year is said to have "started well" and ACT is "confident of achieving another successful year".

Analysts are predicting PBT of £23m for the year to March 93 - that would make it a tight race between **Micro Focus** (current PBT £18.1m) and ACT to become the most profitable UK CSI company. Assuming, of course, that they are still both UK owned at that time.

## ACT buys MCS

At the same time as their announcement of the full year results, ACT announced that it was to acquire **Medical Computer Services** for £5.02m. The MCS shareholders

insisted that the consideration was satisfied in shares rather than cash. MCS fits well with the ACT Medisys operation and certainly gets our approval as an acquisition which "sticks to the knitting" of ACT's established strengths. MCS had profits of £1.1m on its private health business offset by losses of £679K on its NHS operations. The resulting £408K PBT would indicate that



ACT has paid an historic P/E of c19. Some may consider that to be high but it is right in line with the average P/E paid for profitable software products companies in the last year.

Conclusion "ACT's performance... is remarkable". Source - FT 19th May 92. It really is difficult to argue with this assessment. To all those who can't quite aspire - at present anyway - to ACT's status, remember that it is the companies in our sector that do well that will boost the standing of everyone. This will make it easier to raise money and increase the rewards for the all the hard work. So... thanks ACT and may your good fortune continue.



## Richard Holway Results Service

ACT Group plc	Results Revenue PBT EPS	Final - Mar 91 £ 98,831,000 £ 12,706,000 9.5p		Final - Mar 92 £ 119,447,000 £ 17,020,000 10.83p	Final Comparison +20.9% +34.0% +14.0%
Admiral plc	Results Revenue PBT EPS	Final - Dec 90 £21,207,000 £3,276,000 19.4p		Final - Dec 91 £ 26,104,000 £ 3,472,000 21.9p	Final Comparison +23.1% +6.0% +12.9%
Capita Group plc	Results Revenue PBT EPS	Final - Dec 90 £20,072,127 £2,511,995 13.7p		Final - December 91 £ 24,711,830 £ 3,448,487 15.71p	Final Comparison +23.1% +37.3% +14.7%
Computer People Group plc	Results Revenue PBT EPS	Final - Dec 90 £ 76,170,000 £ 3,106,000 16.42p		Final - Dec 91 £ 67,700,000 £ 1,010,000 5.48p	Interim Comparison -11.2% -67.5% -66.6%
Cray Electronics Holding plc	Results Revenue PBT EPS	Interims - Oct 90 £ 53,406,000 £ 788,000 0.54p	Final - Apr 91 £ 107,286,000 £ 3,509,000 2.5p	Interims - Oct 91 £ 40,044,000 £ 1,261,000 0.83p	Interim Comparison -25.0% +60.0% +53.7%
EIT Group plc	Results Revenue PBT EPS	Interim - Sep 90 £ 200,000 (£ 128,000) n/a	Final - Mar 91 £ 485,000 (£ 246,000) (0.83p)	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 Holdings plc	Results Revenue PBT EPS	2nd Interim - Dec 90 £ 87,804,000 £ 2,520,000 1.15p	Year to Dec 91 £ 152,496,000 £ 3,043,000 (3.0p)	2nd Interim - Dec 91 £ 62,531,000 £ 1,732,000 3.59p	2nd Interim Comparison -28.8% -31.3% +212.2%
Gresham Telecomputing plc	Results Revenue PBT EPS	Final - Sept 90 £ 2,101,000 (£ 252,000) (4.74p)		Final - Oct 91 £ 6,296,000 £ 355,000 1.0p	Final Comparison +199.7% Loss to Profit Loss to Profit
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	Final - Dec 90 £11,154,000 £1,005,000 14.0p		Final - Dec 91 £ 15,810,000 £ 1,010,000 15.2p	Final Comparison +41.7% +0.5% +8.6%
Kalamazoo Computer Group plc	Results Revenue PBT EPS	Interim - Jan 91 £ 28,348,000 £ 1,025,000 1.8p	Final - Jul 91 £ 60,764,000 £ 3,660,000 7.0p	Interim - Jan 92 £ 28,382,000 (£ 212,000) Nil	Interim Comparison +0.1% Profit to Loss Profit to Loss
Kewill Systems 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%
Learmonth & Burchett Management Systems 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	Interim - Dec 90 £ 96,054,000 £ 4,671,000 4.4p	Final - Jun 91 £ 197,758,000 £ 3,676,000 (1.6p)	Interim - Dec 91 £ 98,575,000 £ 2,155,000 2.1p	Interim Comparison +2.6% -53.9% -52.3%
Macro 4 plc	Results Revenue PBT EPS	Interim - Dec 90 £ 8,100,000 £ 3,367,000 10.1p	Final - Jun 91 £ 18,028,000 £ 7,647,000 23.0p	Interim - Dec 91 £ 8,829,000 £ 3,828,000 11.5p	Interim Comparison +9.0% +13.7% +13.9%
Micro Focus plc	Results Revenue PBT EPS	Final - Jan 91 (amended) £ 46,495,000 £ 14,775,000 65.9p		Final - Jan 92 £ 55,869,000 £ 18,146,000 83.1p	Final Comparison +20.2% +22.8% +26.1%
Microgen Holdings plc	Results Revenue PBT EPS	Final - Oct 90 £47,115,000 £8,504,000 13.5p		Final - Oct 91 £ 47,735,000 £ 7,283,000 12.2p	Final Comparison +1.3% -14.4% -9.6%
Microvitec plc	Results Revenue PBT EPS	Final - Dec 90 £ 23,444,000 (£ 2,415,000) (6.0p)		Final - Dec 91 £ 36,873,000 (£ 3,847,000) (5.3p)	Final Comparison +57.3% Loss both Loss both



## Richard Holway Results Service

<b>Misys plc</b>	Results Revenue PBT EPS	Interim - Nov 90 £ 33,091,000 £ 1,521,000 3.1p	Final - May 91 £ 67,253,000 £ 5,626,000 11.5p	Interim - Nov 91 £ 32,304,000 £ 3,585,000 7.0p	Interim Comparison -2.4% +135.7% +125.8%
<b>MMT Computing plc</b>	Results Revenue PBT EPS	Interim - Feb 91 £ 3,100,000 £ 626,000 3.4p	Final - Aug 91 £ 5,920,484 £ 1,256,967 6.8p	Interim - Feb 92 £ 3,009,000 £ 712,000 3.9p	Interim Comparison -2.9% +13.7% +14.7%
<b>NMW Computers plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 8,726,000 £ 413,000 1.3p		Final - Dec 91 £ 10,588,000 (£ 207,000) (0.9p)	Final Comparison +21.3% Profit to Loss Profit to Loss
<b>P &amp; P plc</b>	Results Revenue PBT EPS	Final - Nov 90 £ 223,787,000 £ 13,117,000 18.5p		Final - Nov 91 £ 228,324,000 £ 711,000 0.9p	Final Comparison +2.0% -94.6% -95.1%
<b>P-E International plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 65,013,000 £ 4,214,000 15.0p		Final - Dec 91 £ 68,750,000 £ 1,622,000 4.9p	Final Comparison +5.8% -61.5% -67.3%
<b>Pegasus Group plc</b>	Results Revenue PBT EPS	Interim - Jan 91 £ 4,138,000 £ 774,000 8.9p	Final - Jul 91 £ 8,493,000 £ 1,669,000 19.9p	Interim - Jan 92 £ 3,367,000 £ 320,000 3.8p	Interim Comparison -18.6% -58.7% -57.3%
<b>Proteus International plc</b>	Results Revenue PBT EPS	Final - Mar 91 £ 7,000 (£ 1,502,000) (7.01p)		Final - Mar 92 £ 3,000 (£ 2,410,000) (11.05p)	Final Comparison -57.1% Loss both Loss both
<b>Radius plc</b>	Results Revenue PBT EPS	Final - Nov 90 £29,902,000 £2,820,000 6.5p		Final - Nov 91 £ 28,115,000 £ 366,000 0.8p	Final Comparison -6.0% -87.0% -87.7%
<b>Real Time Control plc</b>	Results Revenue PBT EPS	Interim - Sep 90 £ 4,359,000 £ 661,000 6.1p	Final - Mar 91 £ 7,571,000 £ 1,199,000 10.9p	Interim - Sep 91 £ 3,002,000 £ 507,000 4.9p	Interim Comparison -31.1% -23.3% -19.7%
<b>Rolle &amp; Nolan Computer Services plc</b>	Results Revenue PBT EPS	Final - Feb 91 £ 6,288,000 £ 1,446,000 17.7p		Final - Feb 92 £ 6,737,000 £ 1,390,000 15.9p	Final Comparison +7.0% -3.9% -10.2%
<b>Sage Group plc</b>	Results Revenue PBT EPS	Interim - Mar 91 £ 7,821,000 £ 3,024,000 11.61p	Final - Sep 91 £ 20,002,000 £ 6,638,000 25.5p	Interim - Mar 92 £ 14,489,000 £ 4,340,000 14.53p	Interim Comparison +85.3% +43.5% +25.2%
<b>Sanderson Electronic plc</b>	Results Revenue PBT EPS	Interim - Mar 91 £ 10,606,000 £ 1,501,000 11.0p	Final - Sep 91 £ 20,503,000 £ 2,403,000 19.2p	Interim - Mar 92 £ 10,610,000 £ 1,801,000 16.0p	Interim Comparison +0.0% +20.0% +45.5%
<b>Sema Group plc</b>	Results Revenue PBT EPS	Final - Dec 90 £375,410,000 £15,331,000 10.45p		Final - Dec 91 £ 412,501,000 £ 14,015,000 11.02p	Final Comparison +9.9% -8.6% +5.5%
<b>Sherwood Computer Services plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 24,785,000 £ 1,992,000 15.5p		Final - Dec 91 £ 22,321,000 £ 2,446,000 19.6p	Final Comparison -10.0% +22.8% +26.5%
<b>Star Computer Group plc</b>	Results Revenue PBT EPS	Interim - Dec 90 £ 8,037,000 (£ 253,000) (3.7p)	Final - Jun 91 £ 13,718,000 (£ 886,000) (12.6p)	Interim - Dec 91 £ 3,473,000 (£ 240,000) (3.5p)	Interim Comparison -56.8% Loss both Loss both
<b>Total Systems plc</b>	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% +1659.5% +1730.8%
<b>Trace Computers plc</b>	Results Revenue PBT EPS	Interim - Nov 90 £ 9,946,000 £ 31,000 0.06p	Final - May 91 £ 19,698,904 (£ 471,377) (2.04p)	Interim - Nov 91 £ 9,715,000 £ 221,000 1.59p	Interim Comparison -2.3% +612.9% +2550.0%
<b>Vistec Group plc</b>	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

## Capita buys property services company

Capita has bought professional property services company **Estate Design & Management (ED&M)** for an initial £1m plus up to a further £4m depending on the next three years profit performance. ED&M reported PBT of £303K on revenues of £4.57m in the year to 30th Sept. 91.

Capita has recently made significant moves into property management via its FM division. It is all part of the managed services concept for which Capita is making quite a name for itself with such operations as Cherished Numberplates and Companies House. Being able to offer FM covering much more than just the IT activities is very appealing to many customers.

## Hytec sold to managers

ICL VAR, **Hytec Computer Systems**, has been sold by its founder directors to its management for £1.8m in a deal backed by 3i. Hytec employs 50, mostly in Oxford. It expects revenues of around £5.5m in the year to Aug. 92.

## Kalamazoo buys VISIsystems

**Kalamazoo** has consolidated its position as the UK market leader in motor dealer management systems with the purchase of the assets and business of **VISIsystems** for £425K in cash with a further consideration (up to half of which is linked to performance) not exceeding £600K payable over 4 years. The VISI record manual system is currently installed at over 600 sites.

## Admiral buys CBC

**Admiral** has continued its policy of small but strategically important acquisitions by buying the goodwill and rights of Tandem software products house, **Computer Business Consultants (CBC)** from the receiver for £400K in cash. They seem right to have rejected **Systematica**, as IBM has since abandoned the use of their products.

## Listing for CMG in July?

We await with anticipated pleasure the flotation of **Computer Management Group (CMG)** "as early as July". This will be the first CSI flotation for over two years and one of the largest in the sector. This month CMG had further cause for celebration when they were awarded a £25m contract from **BP** to handle their share register. Perhaps the good old days really are returning.

## Micrelec fuels Meggitt

**Broadview** was very insistent that **Micrelec** was a CSI company and should therefore feature in our listings. **Micrelec** is the market leader in the provision of fuel control systems to petrol stations with est. revenues of £16m and losses of £1.7m. This month they were purchased by **Meggitt** valuing **Micrelec** at £17.3m - an 18% premium on the share price. **Broadview** advised **Micrelec**.

## Burrows the Clairvoyant

We reported some months ago that James Capel's much respected analyst Charles Burrows thought that only two large international hardware players will survive the decade - **Fujitsu** and **IBM**. He predicted **Siemens** will fall to the former and **Bull** to **IBM**. This month, it was confirmed that **IBM** would make a \$100m investment in **Bull** in 1992.

**The others....**US **Lotus Development** has bought **The Organizer** from the UK's **Threadz Ltd** on "undisclosed terms" and will sell it as the **Lotus Organizer** for c£150. **ACT Computer Support** has bought the insured breakdown and repair business of **London General Insurance Restart** for an undisclosed consideration. This adds 5000 clients nationwide. **US Artisoft Inc.** is to acquire **US Performance Technology Inc.**, which developed the MS DOS to UNIX link product, for \$7.7m. **Future Holdings plc** has resurrected **Keen Systems**, the fault tolerant file server development operation, which was part of **Willaire** which appointed the receivers in Nov. 91. **Dun & Bradstreet** has found a buyer for **US Information Associates - Systems & Computer Technology Corp.** are paying \$23m for the education applications supplier. **KPMG Peat Marwick McLintock** have been appointed receivers at legal software company, **Ulrex Ltd.** **US Computerland** has become a major US TPM player with the purchase of the \$110m **TRW Inc Customer Services Division**. Will US **Computer Associate's** acquisition appetite ever be satisfied?. This month CA has bought database operation **Nantucket** for \$100m. **Intercom Data Systems** has acquired all the software products and IPRs of **Clough Software** from the receivers. Products include a UNIX based telemarketing package. **Municipal Mutual Computing**, with £8m pa revenues from six local authority FM deals, is apparently up for sale. The sale of **BTG** raised £27.4m for HM Government from the CIN backed MBO. **Bob Woodland's Skytech** was reported to be selling its WAN distributor, **Ten Technology**, to its management. Source - **MicroScope** 20th May 92. **ECSOFT** (the purchasers last year of UK **Synapse**) has bought the rights to market the software tools of **Softool** for an undisclosed sum. **US ADP** has paid c\$200m for the Business Services Division (c\$125m pa of payroll processing) of **BankAmerica**. **US Everex Systems** has bought loss-making **Northgate** for \$4.3m from under the nose of **IBM**. French **Sligos**, which acquired a 51% stake in credit card processing operation **Nexus** in Dec. 91 for £7.5m, has purchased a 52.3% stake in \$57m pa **B&S Card Services GmbH**. **EDP** has pulled out of its acquisition of **ACS** due to "material misrepresentations" which were made to **EDP** before the acquisition was completed. **CRT Group** (recruitment and training) has acquired **Convergent Communications** (interactive multimedia training) for £700K. In the year to 31st Jan. 91, **Convergent** made PBT of £51K on revenues of £1.2m. **Barclays Computer Operations** has been officially launched as an separate £150m pa trading company. **ServiceTec** has acquired **Ferranti's CAD/CAM operation, Infographics**. You may remember that **ServiceTec** acquired **Ferranti's** maintenance business in 1989.

## MBO from Electron House

The peripherals and supplies divisions of **Bytech**, part of **Electron House**, is the subject of an MBO. The £61m pa business, with net assets of £3.5m, has been bought for £6.6m plus the assumption of £4m debt. The deal is backed by 3i, but their equity share has not been disclosed. The price paid does seem rather on the high side - they could have bought the whole of **Electron House** for that throughout most of 1991. The deal caused **Electron House** shares to rise 25%, but have fallen back since. Even now **Electron House** only has a capitalisation of £10.6m.

Some believe that distribution operations will be the first to benefit from any economic recovery and therefore similar stocks, such as **P&P**, are currently undervalued. We are not so sure.



## Happy days are here again....

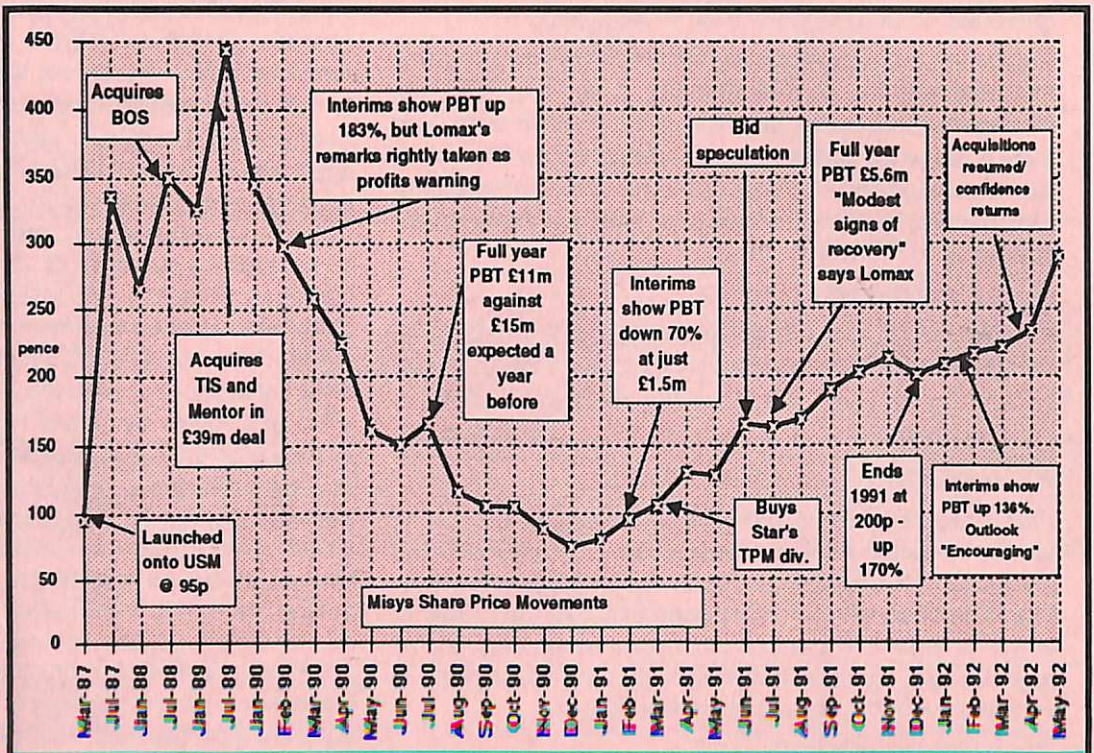
The start of this story is personal. Back in mid 1989, TIS, of which Richard Holway the editor of *System House* was a small (to them) but significant (to him) shareholder, was sold to Misys when its share price stood at 405p. 75% of the consideration had to be taken in shares and these shares had to be held for two years. Misys shares soon rose to 450p. The longed for cottage in the country beckoned. Perhaps the 14 hour working days were really a thing of the past. From then on it was a one way plunge as the shares fell to a low of 68p. Once the shares could be sold there did not seem to be a lot of point. So we held on.

Since then Misys shares have been about the best around - currently at 296p - up 335% from their low and up 46% already in 1992.

We now have no connection with Misys. Our criticism of Misys was that they tried to run too fast before the very able management had learnt about the computing services business. The last two years, during which Misys has refrained from any major acquisitions, has, we hope, done them the world of good.

This month Misys has undertaken its largest acquisition since TIS in May 89. Misys has bought 76.8% of **Countrywide Holdings (CHUK)** and 81.9% of **Countrywide Management (CMG)** for a total consideration of £11.4m. Misys already held the remaining equity. Misys had originally invested in CHUK in 1986 (the current deal represents a 21.4 times gain on this investment). Together they pioneered the introduction of electronic trading of insurance products through EDI. CHUK generated PBT of £845K and CMG a loss of £245K in the year to 28th Feb. 92. The deal will consolidate Misys' considerable operations.

*So is this the start of another acquisitions binge for Misys? Or is it a consolidation of one of their major niche markets? Whatever, the Misys share price has already risen 9% from the 272p CHUK offer price.*



## BCS Computing formed

BCS Computing takes its name from its founders, Mike Brooke (ex of Datasolve, MBS and Logitek), Paul Clifford (FD at TIS) and Gordon Skinner (ex of MBS, TIS and Misys). They have just announced their first two investments in fashion industry specialist, **Prologic**, and housing association system supplier, **Context Computers**. As well as the considerable personal fortunes of Brooke and Skinner, BCS has the backing of Abingworth and Quester. "A key attraction is that the original owners and managers are encouraged to stay and retain significant ownership".

We understand that BCS intends to look for a Stock Exchange listing when the time is right. This was a brave objective when we first heard it several months ago - it now seems rather more attainable.

## ICL engine is fine tuned

The ICL PR machine has moved into top gear in the last few months. We can now say, with experience, that they are one of the best around. ICL will be rewarded for this investment in the forthcoming Stock Exchange float.

This month the advisory team has been appointed. This consists of **Schroders** (merchant bank), **Cazenove** (lead broker) assisted by **Warburg**.

## New or false dawn?

Many in the industry believed they were about to emerge from recession in Q1 1991. It proved to be false dawn. The



latest CSA Business Trend Survey shows another burst of confidence. "Only 1% of the 161 CEOs who responded believe prospects will worsen in the next 12 months". Staff numbers also recorded their first gain since Q3/1990. *We suspect the survey is correct this time.*



## Best month on record for CSI shares

May was the best best month for CSI shares since our records began. The CSI Index is up a massive 15% compared with a modest 2% increase in the FTSE100. The CSI Index is already showing a 46% rise since the beginning of the year and a quite remarkable 116% rise since 1st Jan. 91.

Last month all but three out of the 37 quoted stocks recorded gains. The only fall of any note was **Microvitec** - down 12% at 29p. We get into hot water everytime we comment on Microvitec, as regular readers might remember. We can factually, however, report that their brokers issued a "Strong Buy" recommendation on 31st March when the shares stood at 35p.

**P&P** registered the largest gain - up 79% (see p 11), followed by **Sanderson**, up 71% on excellent results (see p 3). Other major gains were recorded by **EIT** (+67%) on institutional presentations/buying and **Real Time Control** (+43%) on imminent full year results. Their retail sector systems would benefit from any recovery. **Vistec** rose 34%. Their year ended on 30th April and the results, which are expected to meet or exceed forecasts, are due soon. **Capita** rose 29% on a raft of order announcements (see p 10) which has caused brokers James Capel to up their 1992 profit forecast to £4.4m. **Proteus** (see p 3) also rose 29% despite announcing doubled losses and a £12m rights issue.

**What now?** Our lead article this month forecasts a significant profits revival for the sector as the joint effects of previous cost cutting and economic revival are seen in the results from the second half of 1992. Clearly investors agree with this outlook as our snapshot of the average historic P/Es of quoted CSI companies now stands at 22 compared with just 13.5 a year ago.

We suspect the sector will continue to record rises for several months.

## Computing Services Index

28th May 1992

April 15th 1989 = 1000

# 1529.08

Changes in Indices	CSI Index	FTSE 100
Month 24th April 92 to 28th May 92	+14.74%	+1.94%
37 months 15 April 89 to 28th May 92	+52.91%	+31.19%
1st Jan. 91 to 28th May 92	+116.01%	+24.71%
1st Jan. 92 to 28th May 92	+46.34%	+8.07%

## System House CSI Share Prices and Capitalisation

	Share Price 28/5/1992 (£p)	Capitalisation 28/5/1992 (£m)	Historic P/E	CSI Index 28/5/92	Share price % move since 24/4/92	Share price % move this year	Capitalisation move (£m) since 24/4/92	Capitalisation move (£m) this year
<b>ACT</b>	£ 1.90	£ 255.68m	17.54	3041.21	5.56%	25.00%	£ 21.68m	£ 69.78m
<b>Admiral</b>	£ 3.64	£ 39.00m	16.62	2637.68	10.30%	21.74%	£ 3.65m	£ 6.70m
<b>Capita</b>	£ 4.22	£ 62.99m	26.86	4220.00	29.45%	61.07%	£ 14.30m	£ 23.69m
<b>Computer People</b>	£ 1.15	£ 16.00m	20.99	473.25	23.66%	0.00%	£ 3.08m	£ 0.00m
<b>Cray Electronics</b>	£ 0.87	£ 116.89m	34.80	508.77	16.00%	33.85%	£ 16.19m	£ 48.99m
<b>EIT Group</b>	£ 0.25	£ 8.38m	Loss	1000.00	66.67%	108.33%	£ 3.48m	£ 3.00m
<b>Electronic Data Processing</b>	£ 5.00	£ 43.60m	15.23	5102.01	11.11%	73.01%	£ 4.39m	£ 18.60m
<b>Enterprise</b>	£ 0.93	£ 23.67m	Loss	260.00	22.64%	103.13%	£ 4.37m	£ 11.27m
<b>Gresham Telecomputing</b>	£ 0.15	£ 4.78m	15.00	161.29	7.14%	66.67%	£ 0.32m	£ 1.91m
<b>Hoskyns</b>	£ 4.30	£ 400.40m	40.95	2097.55	0.94%	8.86%	£ 9.10m	£ 40.90m
<b>INSTEM</b>	£ 1.26	£ 5.67m	8.29	1260.00	26.00%	68.00%	£ 1.17m	£ 2.30m
<b>Kalamazoo</b>	£ 0.45	£ 8.29m	6.43	450.00	7.14%	-5.26%	£ 0.55m	£ 0.09m
<b>Kewill</b>	£ 1.50	£ 14.30m	5.10	592.89	-3.23%	-52.38%	£ 0.44m	£ 15.80m
<b>Learmonth &amp; Burchett</b>	£ 0.74	£ 9.86m	Loss	616.67	21.31%	27.59%	£ 1.73m	£ 2.13m
<b>Logica</b>	£ 2.20	£ 134.80m	Loss	602.74	6.28%	13.99%	£ 7.93m	£ 16.50m
<b>Macro 4</b>	£ 4.70	£ 105.00m	20.43	1895.16	9.30%	24.01%	£ 8.92m	£ 21.50m
<b>Micro Focus</b>	£ 20.35	£ 277.93m	24.49	9830.91	5.17%	31.46%	£ 13.70m	£ 75.53m
<b>Microgen</b>	£ 1.85	£ 71.57m	15.16	790.59	23.33%	14.91%	£ 13.51m	£ 9.27m
<b>Microvitec</b>	£ 0.29	£ 18.92m	Loss	707.32	-12.12%	100.00%	£ 2.67m	£ 9.94m
<b>Mlays</b>	£ 2.96	£ 106.97m	25.74	736.32	26.50%	45.81%	£ 22.36m	£ 37.77m
<b>MMT</b>	£ 1.05	£ 11.10m	15.44	625.00	23.53%	26.51%	£ 2.08m	£ 2.29m
<b>NMW</b>	£ 0.39	£ 8.23m	Loss	650.00	14.71%	2.63%	£ 1.06m	£ 0.58m
<b>P&amp;P</b>	£ 0.63	£ 34.66m	69.44	280.27	78.57%	56.25%	£ 15.20m	£ 13.06m
<b>P-E International</b>	£ 1.08	£ 23.64m	22.04	444.45	1.89%	-13.60%	£ 0.46m	£ 3.66m
<b>Pegasus</b>	£ 1.80	£ 11.46m	9.05	490.47	24.14%	20.00%	£ 2.25m	£ 2.29m
<b>Proteus</b>	£ 4.15	£ 92.94m	Loss	4940.46	28.88%	144.12%	£ 20.86m	£ 54.84m
<b>Radius</b>	£ 0.50	£ 13.63m	6.25	362.32	16.28%	28.21%	£ 1.93m	£ 3.03m
<b>Real Time Control</b>	£ 1.17	£ 8.19m	10.73	2387.76	42.68%	13.59%	£ 2.45m	£ 0.98m
<b>Rolfe &amp; Nolan</b>	£ 2.20	£ 12.30m	13.84	2598.83	14.58%	14.58%	£ 1.50m	£ 1.40m
<b>Sage Group</b>	£ 4.68	£ 93.70m	18.35	3599.99	-2.70%	40.54%	£ 2.60m	£ 27.80m
<b>Sanderson</b>	£ 2.48	£ 21.83m	12.92	1055.32	71.03%	101.63%	£ 9.01m	£ 11.03m
<b>Sema Group</b>	£ 2.68	£ 243.59m	24.32	842.77	14.53%	23.50%	£ 30.85m	£ 45.39m
<b>Sherwood</b>	£ 2.58	£ 13.50m	13.16	2149.99	24.04%	92.54%	£ 2.60m	£ 6.57m
<b>Star</b>	£ 0.24	£ 1.63m	Loss	200.00	14.29%	4.35%	£ 0.20m	£ 0.06m
<b>Total</b>	£ 0.44	£ 4.40m	5.95	830.20	15.79%	29.41%	£ 0.60m	£ 1.00m
<b>Trace</b>	£ 0.33	£ 4.52m	Loss	264.00	3.13%	-8.33%	£ 0.16m	£ 0.35m
<b>Vistec</b>	£ 0.22	£ 24.37m	22.63	939.63	34.38%	59.26%	£ 6.20m	£ 9.07m

Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; in other words a change in the share price of the largest company has the same effect on the index as a similar change in the share price of the smallest company



## No stopping Capita....

Brokers James Capel has upgraded its 1992 profit forecast for **Capita** by £300K to £4.4m. Capita shares have risen 61% this year so far. Source - Sunday Telegraph -3rd May 92. Not overly surprising as it looks as if Capita has secured a £20m FM deal with West Wiltshire Council, a £2.5m FM deal with Tynesdale DC and is a contender to buy **Municipal Mutual Computing**.

We have reported before on Capita's move to sharing in the success of their customer's business activities. This month, Cambridgeshire Council announced that Capita would receive a bonus if it collects more than 95% of its poll tax revenues. It was also announced that Capita has been appointed lead advisor on the £5m MBO of London Coaches Ltd. Continuing the risk sharing concept - Capita will take a 10% equity stake in the MBO vehicle - Pullmans.

Chairman, Rod Aldridge said at the AGM on 8th May "*Capita has excellent prospects for 1992, our cash position remains strong and we are well placed to take advantage of opportunities highlighted in the Queen's Speech*".

## ....or Micro Focus

**Micro Focus** ADRs have been approved for listing on NASDAQ from 25th May 92. 40% of Micro Focus' share are held in the form of ADRs. However, with the status of "foreign private issuer" Micro Focus can continue to report on a half yearly basis rather than quarterly. Micro Focus shares have been the best performer since our CSI index began in April 89 although they have dropped to £20.35 from a high of nearly £24 earlier in the year.

## Unwise....

**Dowty**, currently subject to a £518m hostile bid from **TI**, admitted in its defence document that its move into IT had been unwise. Dowty's CEO, Bruce Ralph, had signalled last Dec. that Dowty IT was up for sale and **TI** confirmed that it would also sell the division if its bid was successful.

**CSI results from abroad...** **Borland** reported a \$110m loss for 1991 compared with profits of \$4.8m in 1990. Costs of \$146m were incurred in the acquisition of **Ashton Tate**. **SHL Systemhouse** "one of the largest systems integrators and outsourcing organisations in the world" reported flat Q2 revenues (to 29th Feb. 92) of \$180m but losses were cut from \$1.3m in Q1 to \$733K in Q2. Systemhouse has 550 employees in the UK and projects revenues in excess of £100m for 1992. **Sybase** Q1 revenues were up 49% at \$48m and profits increased over 700% to \$1.9m. **Informix** reported Q1 profits of \$11.4m compared with losses of \$2.1m last time. **Sybase** made profits of \$1.9m in its first period as a quoted company on revenues up 49% at \$48m. **Harvard Graphics** producers, **Software Publishing** which acquired **UK Precision Software** for £14.7m in 1991, has reported a 40% increase in revenues in Q2 to \$43.4m. Profits of \$4.1m compare with breakeven last time. **CGS** said that Q1 92 revenues had reduced from FF2.49b to FF2.44b. **Computer Associates** reported full year profits up 25% at \$267m on revenues up 15% at \$1.5b.

Q1 revenues at **EDS**, the world's largest hardware independent CSI supplier, rose 25% to \$1.995b and profits were up 9% at \$133m. "*EDS saw a surge in business during the first quarter as the movement towards outsourcing continued to change the way the world does business*".

## MMT - moving against the trend

We really do have a lot of time for **MMT Computing**. Anyone who can issue a press release bemoaning the fact that the company has only achieved a utilisation rate of 95% - compared with 100% previously - deserves, at the very least, attention. To be serious, we also liked the moves that **MMT** had made into software maintenance - now generating c20% of revenues.

Latest results for the six months to 29th Feb. 92 show **PBT** up 13.7% at £712K on revenues down 2.9% at £3.01m. **EPS** was up 14.7%.

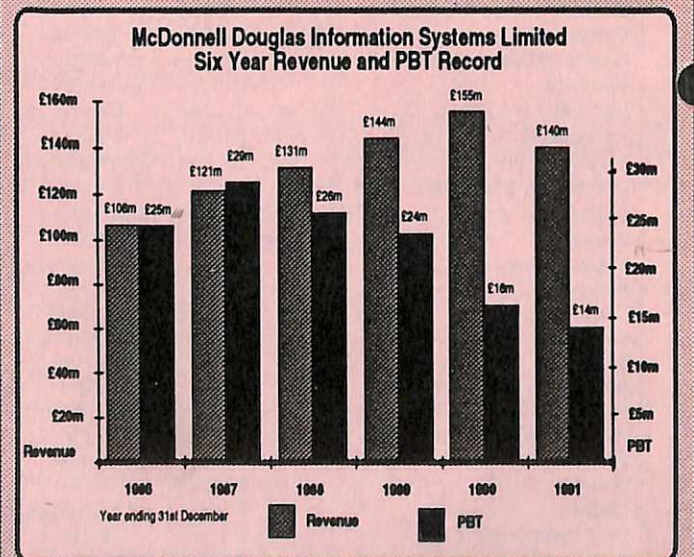
Trading conditions were described as "exceptionally difficult" and "utilisation rates continue to be lower than had become the norm a few years ago". The training operation is *still* not profitable and **MMT** has *still* not disposed of the two leases on its previous London premises.

**Axime** (which had previously been reported as providing "a total lack of business") has disposed of its 20% stake to various institutional investors. The **MMT** 5.2% investment in **Total Systems** is showing a 100%+ gain on the original investment price.

Chairman, Mike Tilbrook says "the cautious optimism suggested in the closing remarks of my last statement still feels right". **MMT** shares have risen 24% to 105p since April; a rise of 27% this year so far.

## McDonnell Douglas Information Systems (MDIS)

**MDIS** has featured in the top echelons of our profits rankings for as long as we can remember. 1991 is no exception. Their £14.25m **PBT**, although down 13% on 1990, put them #4 in 1991. Revenues were also down 9.8% at £139.8m. The main reason for this was the sale by their US parent of **McDonnell Douglas Systems Integration** and therefore of **MDIS's** subsidiary **Shape Data Ltd**, to **EDS** for \$250m. This "robbed" **MDIS** of **CADCAM** revenues of around £20m and losses of c£3.25m. **MDIS** would have reported **PBT** of £17.5m on a continuing business basis.



**MDIS** provides a full range of computing services with particular emphasis on **PICK** based systems and the **Local Government** arena. Other companies engaged in these markets have been amongst the best performers in the **CSI** sector recently.

It is understood that **MDIS** is still planning a **UK Stock exchange** float in the next few years - an event we await with great anticipation.



# The pursuit of wealth

Our analysis of the remuneration and wealth of the leaders in our industry always seems to attract more attention than our other, we hope more serious, research work.

There is every indication that the higher paid in the industry have had a relatively tough time in 1991. The average Highest Paid Director's remuneration increased by just 3.9% in 1991 - lower than inflation. But it has to be said that this was almost twice the 2.2% increase received by the "average employee".

This year Geoff Squire from Oracle has been knocked off the #1 slot. In 1990 he earned £484K but this reduced to £318K in 1991. Oracle (UK) had declared PBT of £4.7m in 1990 but this was later revised downwards to £2.7m in the 1991 accounts which in turn showed 1991 profits up just 6%. Geoff Squire's boss in the US, Larry Ellison, took a 44% pay cut to just \$900K as Oracle's profits slumped.

The new leader is Peter Rigby, the Chairman of Specialist Computer Holdings. He was paid £462K in 1991 - up 50% on 1990. He also received a dividend of £297K on his majority shareholding. Specialist increased PBT by 11% to £5.3m in 1991.

In the more publicly accountable Stock Exchange listed companies, Roger Foster, CEO at ACT, took home £273K (plus a further £50K in dividends). An increase of 54% on 1990. But readers should remember that ACT increased PBT by 58% in the year and the shareholders certainly shared in ACT's recent success. Yet again Patrick Barbour, Chairman of Microgen, received no remuneration but picked up £431K in dividends.

Paul Thompson, Chairman at Sanderson Electronics, also added £290K dividends to his £55K remuneration. Terry Bourne, Chairman at Total Systems, doubled his remuneration; albeit to just £70K as their recovery gained pace and the share price doubled.

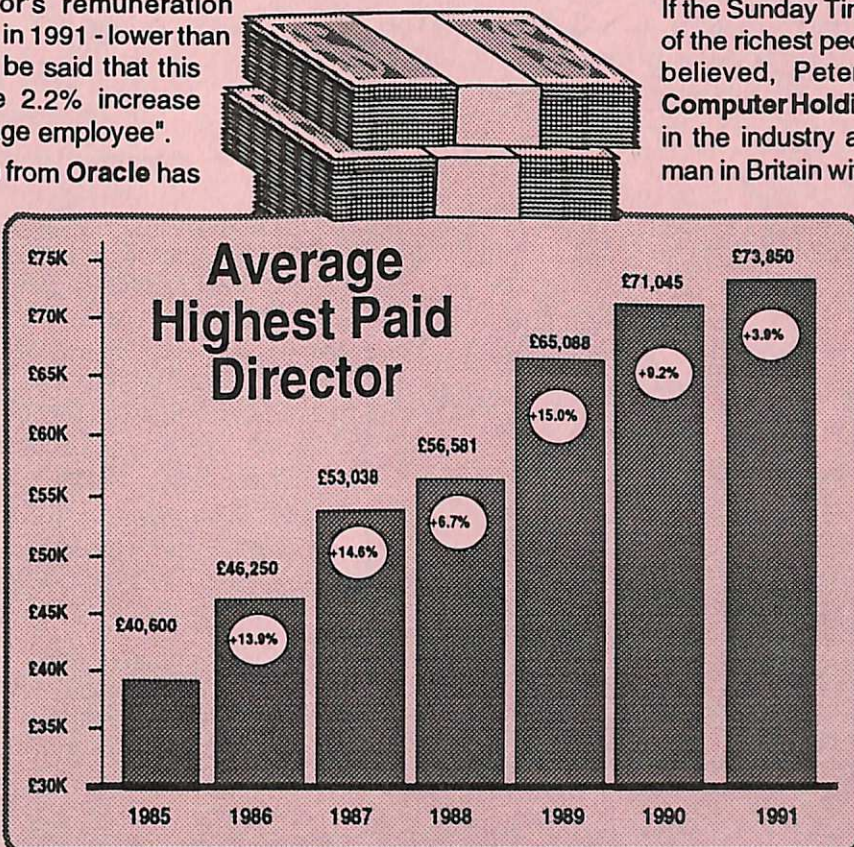
If the Sunday Times (10th May 92) list of the richest people in the UK is to be believed, Peter Rigby of Special Computer Holdings is the richest man in the industry and the 119th richest man in Britain with a £70m pricetag on

his S C H shareholding. Of course, it is almost impossible for us to judge the value of shareholdings in private companies. Proteus International directors Pool and Gilmore are the main shareholders in Imseco which holds Proteus shares worth over £40m. Brian Reynolds, a founder director of Micro Focus who has recently announced his retirement, comes

#1 on our lists with a shareholding worth £39m - although several significant sales have been reported since. His partner, Paul O'Grady was worth £22.1m. Sage's Technical Director, Graham Wylie, and Chairman, David Goldman, were worth £14.1 and £11.4m respectively.

Hoskyns now has the largest number of working millionaires. Executive Chairman, Geoff Unwin, had shares valued at £2.6m followed by Ray Harsant (£1.6m), Tony Fisher (£1.6m) and Tony Robinson (£1.4m).

If our forecasts are correct, many in the computing services industry will be much richer in a year's time.



## Recovery at P&P

Sir Roland Smith told the AGM that P&P "as a whole returned to profitability during the first four months of the year...but trading conditions currently being experienced remain quite difficult and there are no signs yet of a sustained improvement in the markets where we do business".

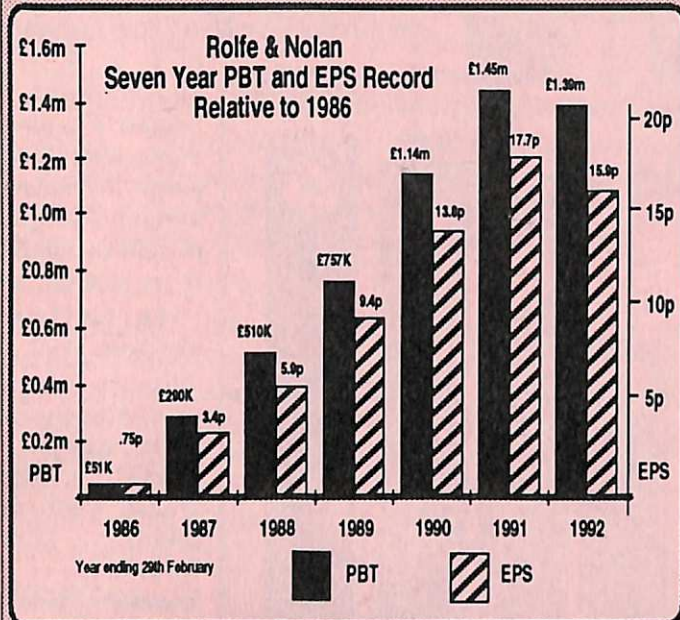
P&P has been the subject of much takeover speculation recently which has seen the share price rise from 34p to 66p since the beginning of Apr. 92. We think the bid talk was hokum. The share price rise is more to do with a realisation that P&P has strong management and is likely to be amongst the first to benefit from any economic recovery. P&P hit 225p in mid 1990 before the 185p rights issue which so upset the City. Although the move to add more service oriented revenues has "proved expensive to implement", we are sure that "total systems support" contracts like the recent deal with ICI will reap major benefits for P&P shareholders. We have been led to expect an announcement soon.



### Minor reversals at Rolfe & Nolan

Futures and options bureau, Rolfe & Nolan, as previously signalled, suffered its first reversals since 1986. Full year results to 29th Feb. 92 show PBT down 3.9% at £1.39m on revenues up 7% at £6.74m. EPS was down 10.2%; resulting from a rather low tax charge last year. Cash was little changed at £2.3m even after paying £819K for their 19.9% stake in US Brokerage Systems Inc.

In the current climate, the results are rather good. CEO Mike Warburg said that R&N was awarded every order it went for last year - except one. Recurring revenue increased by 15% and now represents 75% of revenues.



Warburg, who just must be one of the most realistic guys in the business, says that prospects are up on this time last year and that there are signs that the ordering cycle is speeding up. "If it continues like this, it is going to be a good year". We have never known him to be wrong yet.

# the Holway Report

- 750 companies
- 1100 pages
- two volumes

Looking back on the first Holway Report published in 1988, it really does look a very puny affair compared with the latest edition. The 1992 Holway Report is published on 1st June. We have taken on board many of our loyal subscribers comments. It is now in two "perfect bound" volumes as different people in your organisation are interested in different segments of the report. The report now contains financial details of 750 companies with combined revenues in excess of £7b - at least five times more than the first edition. We hope we do not need to extol the virtues of the Holway Report to existing customers. We are happy to supply further details.

We do value your continued custom very highly. We comment on the importance of *recurring revenue* often in *System House*. Over 90% of Holway Report customers buy the report again - so we must be doing something right!

The 1992 Holway Report is so much bigger and more comprehensive this year that there must be some price readjustment. But we want to reward our loyal "recurring" customers. New customers, as can be seen from the attached brochure, will pay £1,750....**but all existing Richard Holway Limited customers can purchase the 1992 Holway Report for £1,250**; using the special order form below.

### ORDER FORM

<b>From:</b>	<b>Delivery address:</b>

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