

System House

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

Volume 9

Number 11

Available by subscription only

ISSN 0967-2583

September 1998

Software and Computing Services - *THE job creation Industry*

Last month we were asked (in confidence so we cannot reveal the source) to comment on a study commissioned

into the UK SCS scene from a major US consultancy. This said that UK productivity was lower than the US and almost every country in Europe. This was due to our "poor performance" in packaged software and that the UK spent around half the amount per capita on IT as that in the US. The inability of UK companies to acquire, to get bigger, and the lack of interest in IT from UK VCs was blamed.

As we turned each new page our level of anger grew. *This did not sound like the UK SCS industry we analyse.*

Then the media started its "mounting job losses" reports. Every day there was a new announcement - almost all related to the manufacturing sector. Again this was in direct contrast to what we knew was happening in the UK SCS sector. So we contacted the BBC and, as many of you heard, was featured

on the PM programme on Radio 4 on 12th August!

Our views on "products v services" in the IT industry are well known to all by now and we will not repeat them again. Our findings on the performance of the UK SCS sector have also been presented before. The UK has the highest growth rate in Europe, the most buoyant stock market conditions in the world for IT Services stocks (well, up to last

month anyway!), in the last year has undertaken more and spent more on overseas acquisitions than vice versa.... The "Good News" list goes on and on.

But it's the jobs issue that really annoyed us. Manufacturing is now less than a quarter of the UK GDP. It may be shedding workers but the services sector more than compensates for this as the unemployment figures, which fell again in August,

Software and Computing Services (SCS) Jobs in UK

- Already nearly 300,000 nett additional SCS jobs created between 1993 and 1998
- Over 10% of all new jobs created in the UK were in SCS
- External SCS companies double staff employed between 1992 and 1997
- Over 1 million employed in SCS in 1998 rising to >1.3m in 2002

demonstrate.

The headline statistics for software and services (we must stress that this means all jobs be they

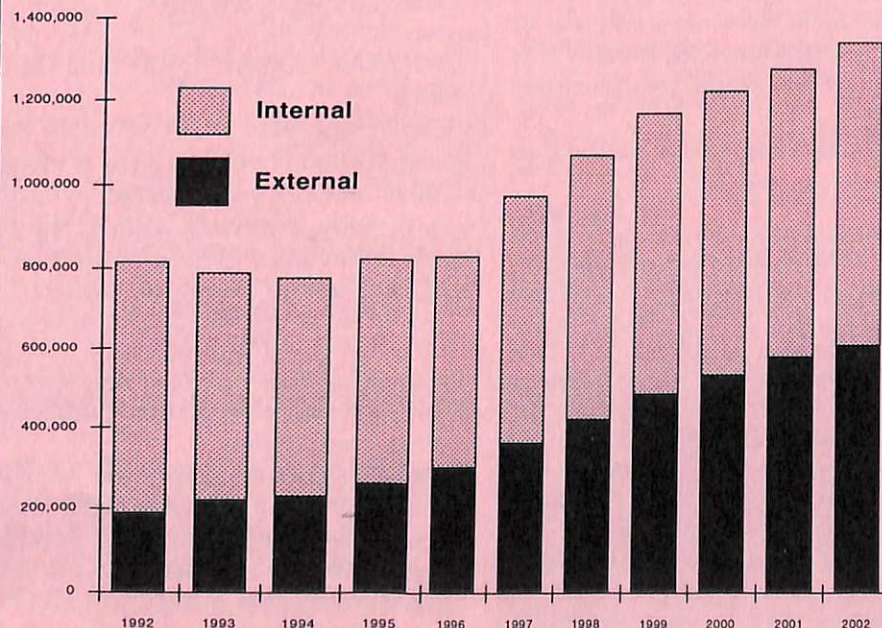
internal (e.g. for ICI) or external (e.g. for Logica)) are extremely positive. From its nadir in 1992/93, around 300,000 nett new jobs have been created. Again, we stress nett as the external side of the industry has also absorbed many staff transferring from users as part of outsourcing contracts. It is reckoned that over 10% of all new jobs created are in SCS and that over 5% of the total UK workforce will be so employed by 2002 - when the total is expected to exceed 1.3m. Already in 1998, SCS employs more than the UK coal mining industry did at its peak.

On the one hand, these new jobs are well paid with considerable career prospects particularly for young people entering the job market for the first time. On the other hand, as we reported in the 1998 Holway Report, the mix of jobs

has also changed providing opportunities for non graduates and clerical staff. And this is an industry which has made it without any assistance from Government. "Trade not aid" has certainly been the watchword of our industry.

We believe that what our sector has achieved is something in which we all should take pride. Just as the City started to take note of us only in the last year, maybe it's about

Software and Services Jobs in UK



Estimates distilled from a variety of sources including Richard Holway Ltd, Labour Force Survey, Office of National Statistics, Keith Telford (Economist, IBM Global Services, North Region)

time for the national media and Government to also wake up both to the achievements and opportunities.

Footnote: We are indebted to Keith Telford (Economist at IBM Global Services) for his latest research on internal SCS employment. We have used our own figures for external employment. Both figures include ancillary IT staff like managers, salesmen and admin. support.

BPO Watch

Our headline feature in the July edition of *System House* and Anthony Miller's section of the CSSA/Holway evening on 16th Jul. 98, majored on the growth in both the market and importance of Business Process Outsourcing.

We believe the BPO market is important both for our SCSI subscribers and investors alike.

Business innovation: Preaching to the Preachers

I was privileged to attend a key customer conference hosted by CSC in Boston this month. The event focused on "doing business in the digital age" and the audience comprised mainly CIOs from CSC's top customers worldwide. The speakers, notably the formidable array of external gurus, were top notch and the message they gave was essentially the same: "innovate, or watch non-traditional competitors eat your lunch".

But, surely, what's sauce for the goose is sauce for the gander too? After all, why should IT services suppliers be immune from the threat of non-traditional competitors? Indeed are we now already seeing some "non-traditional" services companies, such as Serco, Hays and COMAX, creeping into the UK IT services market through their business process outsourcing deals? It seems clear that IT services companies need to be asking themselves a very simple question. "How does the way we do business today fundamentally differ from the way we did business last year/2 years ago/3 years ago?" If the answer is "not a lot", then watch out - a competitor will invariably find a better way.

But what do we mean by "the way we do business?" It could mean the range of services that you offer. It could mean the type of relationships you develop with your clients (for example, JVs, risk/reward contracts etc.) It could mean the channels you use to deliver your services. It could even mean the way you 'manage knowledge' in your organisation. We're sure you can flesh out a list like this!

We think this is an important question because, in the not too distant future, we believe the market will assess the value of your company not just by financial metrics but also by subjective factors that indicate whether you are likely to be able to keep ahead of your competitors - an 'innovation index' if you will.

So don't just prescribe a dose of innovation to your customers - start taking some of your own medicine!

Anthony Miller

JBA - increased losses but recovering?

JBA (ERP software) has, as expected, announced increased losses for the six months ending 30th Jun. 98. On revenue up 43% to £126.1m, losses went up from £1.3m to £4.5m (although JBA's press release stressed that operating loss before non-recurring costs actually fell from £700K to £300K - it's all a matter of emphasis!) Product development expenditure increased from £12.4m to £16.8m with lower costs now expected in H298. "The actions taken to remove excess costs from product development have been completed". Europe - France in particular - was the star with revenue up 54%.

Chairman Alan Vickery said "We are comfortable that £13m (PBT for the full year) is achievable. We're on track to have a very good full year. We've done everything we need to do". That's as maybe but the share price has continued to fall since the profit warning in Feb. 98. The shares fell another 24% this month to end on 430p - don't forget they were over £12 before the warning. But if Vickery can do what he says (and avoid a possible take-over or "merger" in the meantime) then it might just be "the end of a bitter sweet period" for the company. An acquisition is "almost certain" in H2.

COMAX

Secure Business Services

This month we undertook a "user visit" to a company which typifies both the BPO market

and its opportunity. It typifies it in another way... *we doubt if very many readers have ever heard of COMAX.*

COMAX was an MBO from the MoD in Apr. 97. With the backing of CINVen (which owns 80% of the equity - directors and staff own the rest) about £60m cash was paid for an operation which had revenues of £143m and operating profits of £7.7m in the year to 31st Mar. 97. At the time of the MBO, COMAX's largest customer by far was the Defence Evaluation and Research Agency (DERA) operating from their largest site - what used to be known as the RAE in Farnborough. But other customers have been added including Simoco (radio communications) and CAMR as well as customers outside the MoD circle such as Suffolk CC, Liverpool Health Authority and others.

COMAX states that it "is the UK's market leader in the provision of secure business services". At Farnborough it manages all aspects of the site from its security to the provision of chauffeur driven cars, from a state-of-the-art printing capability to the gym and on-site catering.

You may, at this stage, be starting to yawn. "What has this got to do with IT?". Perhaps you should take note of the following:

- in FY98, about a quarter (c£35-40m) of revenues was IT-related but this will have grown by 75% to c£65m in the current year.
- COMAX manages (that includes everything from procurement to developing and implementing one of the biggest secure e-mail systems around to on-going support) >15,000 Dell computers. A part of the biggest secure Intranet in the UK.
- in July 98, COMAX acquired World System Group (a Winchester-based IT staff agency) for c£10.5m cash +£500K shares. This adds c£30m of quite clearly SCSI revenues. Note: Barcroft acted for World Systems on this transaction.
- of COMAX' current 1,400 staff, 500 - or 36% - are IT-related.
- COMAX operates a call centre in Farnborough handling around 10,000 IT-related calls a month.
- it's this network implementation capability which has won work outside the MoD where, for example, COMAX is implementing the PISCES information system for 42 health authorities led by Liverpool. Indeed (although not all in the IT arena) work outside DERA now exceeds £40m p.a.
- there are great opportunities for COMAX to supply its business services to other security conscious operations (financial institutions, pharmaceutical companies are some obvious candidates).

COMAX is now on a run-rate of c£200m with operating profits of c£12.5m. Clearly CEO Graham Love thought it too early to be considering a float but that must be the target within say five years.

COMAX is exactly the kind of BPO company which you should take care to notice. You may not want to run the largest creche in Hampshire but say if your customer wants that as part of a total "facilities management" contract? Perhaps that customer will turn to the likes of COMAX for all his requirements - including IT - rather than you. That's why we believe that companies where IT is the *means* to the end - but not the *end* itself - will prosper. Companies like Capita, WS Atkins...and, indeed, companies like COMAX. As they say, you have been warned.

"Record" results from Autonomy

Autonomy ("dynamic reasoning engine") was launched onto EASDAQ in July 98 - they now have a capitalisation of c£100m. In their interim results for the six months to 30th Jun. 98, they announced "record" revenues of £1.8m but increased losses of £817K (up from £551K). "These excellent results illustrate how the market is waking up to the growing need for information resources to be automated" according to CEO Mike Lynch.

Excellent interims from Sherwood

Sherwood International (solutions and services for the global insurance market) had enjoyed a somewhat chequered financial record. But recent results have suggested that the measures taken over the last few years have been successful. They have simplified their business areas to just three - Life, Pensions & General Insurance, Wholesale Insurance and Outsourcing. We described their FY97 results as "encouraging" with revenues up 22% and PBT up an even higher 50%. Repeat business is running at high levels.

We, therefore, share CEO George Mathews "delight" with the results for the six months ended 30th Jun. 98. Revenue increased 38% to £18.1m with PBT up a massive 80% at £1.85m. EPS increased 67%. Once again profit margins have been improved.

All three main business areas did well and they will continue to target insurers around the world. They sold two Amarta products (which yields a minimum licence fee of £750K) with further sales hoped for, particularly in the US. Mathews has some rather scathing comments about UK companies - "they should wake up... they are technologically unsophisticated.. they spend billions to stay still when they should look to the future".

Three years ago you could have bought Sherwood's shares for under 80p. They ended Aug. on 745p - a drop of 21% in the month but still up 41% this year.

Quantica - first results since flotation

IT staff agency **Quantica** came to the market three months back in June 98 at 124p, which valued the company at £48.3m. They are one of the new issues *not* trading at a premium (perhaps not altogether surprising after our well publicised comments on valuations in the IT staff agency sector). The shares ended Aug. on 107p.

But even so their maiden interim results for the six months to 31st May. 98 are ahead of the forecasts given in the Prospectus. No comparisons are possible as the Group was only formed in Jun. 97, but Proforma figures for the period show a PBT of £1.87m on revenue of £6.9m - by the way that's a profit margin of 27%; about 4-times higher than every other staff agency!

Chairman Tony Gartland obviously has never read either *System House* or the Holway Report as he still "looks forward to the future with confidence".

Skillsgroup now a services company

It must have given David Southworth great satisfaction to announced that **Skillsgroup** had completed the sale of its UNIX products distribution business, **PSL**, in a Apax backed MBO for an initial £15.5m and a further £500K deferred. PSL made operating profits of £2m on revenues of £31.5m in 1997. This is the last remaining bit of Skillsgroup's high volume/distribution business so the move into services, which began early in the 1990s, is now at last complete. The money received is to be used "for appropriate acquisitions".

Increased losses from Division...

We headed our last review of **Division** "Deserves to succeed". After disposals, Division is now solely involved as "a provider of software, consultancy, training and maintenance" in the serious CAD/CAM/CAE end of the VR market. We had hoped that they would dominate the VR world market - but unfortunately there doesn't appear to be a market of any mass to dominate. They have never made a profit (of course!) and this year could well be the "make or break". Results for the six months to 30th Apr. 98 showed revenue down 8% to £2.2m and losses increased from £956K to £2.3m "largely due to the increased costs of the sales organisation". However on the positive side they have obtained a £1m order from Airbus.

Division also announced the acquisition of **US ObjectLogic Inc.** for an initial \$16m in cash and shares and up to a further \$6m; raising £5m towards the cost with a placing and open offer at 45p per share.

If you have had the nerve to be a Division shareholder at the time of their launch in May 93 at 40p, and have kept faith, you would have seen the shares rise to over three-fold to a high of 138p - and then fall pretty remorselessly since. They ended the month on 36p - down another 29%. *We still hope they do succeed...*

...and from Oxford Molecular

Oxford Molecular (modelling software and a new issue in 1994 at 80p) did at least manage to increase revenue in the six months to 30th Jun. 98 but also managed to increase losses. Revenue rose 19% to £7.4m with losses up from £677K to £2.2m.

Chairman Rod Hall said that the directors "are confident that IT sales in H2 will reflect the inclusion of orders from H1, and that group sales will show significant progress". Currently a £2.3m profit is forecast for the year but that would require some changearound in H2.

Oxford's shares ended Aug. down a massive 40% at 104p.

...and Delcam disappoints (again)

Delcam (CAD/CAM systems) was a new float on AIM in Nov. 97 at 260p. The results and share price have been a disappointment since. In the latest interims for the six months to 30th Jun. 98, revenue reduced 8% to £6.5m with losses of £676K (profit £372K last time). Chairman T Kinsey went on to say that "it is not realistic to expect a profit will be achieved for the year as a whole".

The shares crashed this month; down 28% at 62p -that's a massive discount of 76% to the float price.

Diagonal excels

Farnham-based **Diagonal** is an IT **DIAGONAL** agency/SAP consultancy that came to the main market in Mar. 97 at 275p. Their results since then have been truly remarkable.

Results for the six months ending 31st May. 98 show revenue increased a massive 79% to £31.9m, with PBT up an amazing 185% to £3m. Adjusted EPS increased 97%. They don't come much better than that although the 1997 figures were depressed by exceptional £348K flotation costs.

Diagonal has taken steps to move away from the IT agency end of the market. Their SAP and Project activities are really booming. Indeed the recently formed SAP Support Division is now on course to produce 30% of total SAP consulting revenues this year. The future looks equally bright. Chairman Mark Samuels said "Our forward order book is growing strongly and confirmed sales for next year are at record levels".

If you had managed to obtain Diagonal shares when they floated just under 18 months ago, you would have seen a almost four-fold increase as the shares ended Aug. on 963p.

Maiden full year results from Tetra

Tetra (UNIX based ERP and accounting software) was a new issue in Nov. 97 at 160p. Maiden results for the year ending 31st May 98 were ahead of expectations. Revenue rose 35% to £30.3m, operating profit increased 25% to £3.5m, but after exceptional costs of £3.92m, a loss before tax of £558K (PBT £2.1m last time) was reported. EPS before exceptionals in both years rose 11%. The exceptional costs related to options granted at nil as soon as Tetra was admitted to the official list plus directors compensation for loss of office.

Just under half of Tetra's revenue now comes from licence sales, with £6m each from consultancy (up 30%) and maintenance (up 22%) and the remaining £3m from their other activities. In fact licence revenue for their flagship Tetra CS/3 mid range product grew 60% and, at £14.8m, accounts for 98% of overall licence revenue. Geographically, revenue is fairly well spread with £17.7m from the UK (now 59% of the total and up from 51% or £11.3m), £7.2m from Europe (reduced from £7.5m the previous year), £2.5m Asia Pacific, £1.3m Africa and £1.5m from the Americas. "Our UK resellers did particularly well" according to CEO Bob Critchlow.

Chairman James Carr said "Tetra continues to make good progress and we are strengthening our position in the ERP marketplace... we are in a good position to capitalise on the growing demand for both the NT product (now 20% of licence sales) and e-commerce with our Internet product, which we will be launching towards the end of 1998".

Comment. Our only fear about Tetra relates to their critical mass.

As the world in which they operate consolidates, a £30m revenue company looks very small. But "consolidation" of Tetra within a much larger organisation might bring in rich rewards for directors and shareholders alike. Of course, we are sure that this is far from the minds of members of the board.....

Tetra shares ended Aug. down "just" 3% on 247p - a premium of 54% to the new issue price some nine months ago.

Excellent figures from Parity

A good performance from US **TelTech** (acquired Nov. 97) helped **Parity** lift its interim results for the six months ending 30th Jun. 98. Total revenue rose 49% to £135m, PBT increased 54% at £8.7m with EPS up 34%. TelTech contributed nearly £19m revenue and operating profit of £1.5m (a return on sales of a satisfactory 8%).

Parity's two businesses, Parity Solutions (consultancy, systems, training) and Parity Resources (UK staff agency) both did well. PS had £71m revenues (only £23.5m from the UK) and operating profit of £5.6m with PR having revenue of £64m and operating profit of £4.3m.

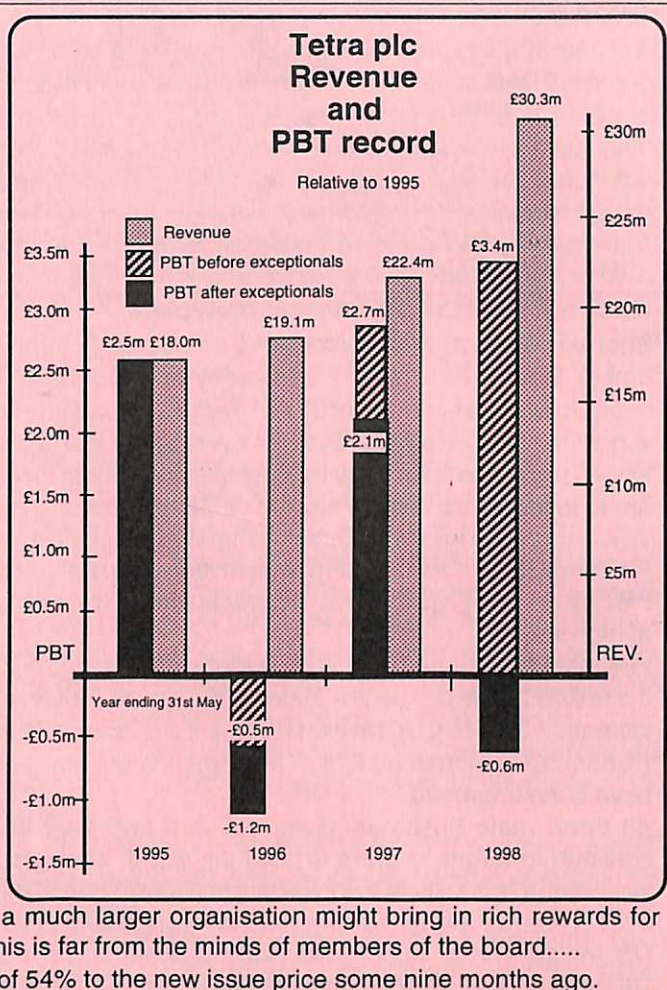
Chairman Philip Swinstead says "current trading is most satisfactory". Indeed we commend Parity on diversifying from their traditional IT staff agency business into higher value services. This should stand them in good stead in the future.

Parity's shares fell a mere 7% in the month to end on 720p.

Computacenter slumps below issue price

The reaction to **Computacenter's** maiden results this month surprised us. They were the biggest new float in our sector as recently as 21st May 98 at 670p which valued them at £1.15 billion. The price was at the top end of expectations - not surprising as the offer was over 12-times over subscribed. Results for the six months to 30th Jun. 98 were ahead of expectations showing revenues up 39% at £776m, PBT up 42% at £31.3m and EPS up 42% at 11.4p. There were some one-off reasons for the excellent results. The GCat deal (a JV with EDS) to supply the UK Govt with computers was biased towards H1 and unlikely to do so well in H2. A Microsoft licensing deal was similarly biased towards the first half. But growth in France where revenues were up 58% at £70.1m and profits nearly doubled were described as "outstanding" - particularly as the operation had previously been loss making. Germany, where the May 97 acquisition of Bitservice kicked in, increased revenues from £3.9m to £13.9m reporting a small £574K loss.

Computacenter is still basically a PC reseller. But they would not like you describe them as such. But, if you look closely at the results you will find that "goods for resale" cost £636m. Assuming a mere 10% gross margin, that leaves at most £100m for IT services in the half year. But to be fair, that's up



about 40% on last year (using the same method of calculation). Computacenter has now merged its services operations into one division employing 900 staff. Indeed that stacks up well with an annualised £200m SCSI revenue.

We are very impressed with Computacenter. They do what they do very well. Supplying a total support service from planning, requisition thru implementation, IT training to on-going support and account management is what they are all about. And this market is not only booming but is likely to hot up even further as users solve their Y2K headache with new PC hardware. Computacenter also has an unassailable critical mass. They deal with over 50% of the FTSE100 companies and have "co-sourcing" deals with the leading IT outsourcers like EDS.

So with analysts busy revising forecasts for the full year upwards from £59m to £61m you might expect a buoyant share price. Well no.

After a post float hike of over 80p, the shares have slipped all the way back to well below the float price ending Aug. 98 on 593p. That's a c25 P/E. Computacenter may not be making the 10% margins expected in other SCSI companies but with increasingly long term contracts and a buoyant market forecast, its earnings look just as secure as its seemingly higher quality peers.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

| Admiral plc | | | | | Eidos plc | | | | |
|----------------------------------|-------------------|-----------------|------------------|----------------|-------------------------------------|----------------|------------------|----------------|-----------|
| | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | | Final - Mar 97 | Final - Mar 98 | Comparison | |
| REV | £ 54,118,000 | £ 117,191,000 | £ 65,805,000 | +21.6% | REV | £ 75,531,000 | £ 137,234,000 | +81.7% | |
| PBT | £ 7,200,000 | £ 17,552,000 | £ 10,329,000 | +43.5% | PBT | £ 6,831,000 | £ 16,507,000 | Loss to profit | |
| EPS | 7.40p | 17.80p | 10.50p | +41.9% | EPS | -60.40p | 59.80p | Loss to profit | |
| AFA Systems plc | | | | | Electronic Data Processing plc | | | | |
| | Final - Dec 96 | Final - Dec 97 | Comparison | | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison | |
| REV | £ 364,000 | £ 226,000 | -37.9% | REV | £ 6,490,000 | £ 12,565,000 | £ 5,812,000 | +10.4% | |
| PBT | -£ 1,803,000 | -£ 1,801,000 | Loss both | PBT | £ 803,000 | £ 1,741,000 | £ 1,235,000 | +53.8% | |
| EPS | -10.50p | -16.80p | Loss both | EPS | 2.01p | 4.50p | 3.23p | +60.7% | |
| AIT Group plc | | | | | F.I. Group plc | | | | |
| | Final - Mar 97 | Final - Mar 98 | Comparison | | Final - Apr 97 | Final - Apr 98 | Comparison | | |
| REV | £ 11,216,000 | £ 13,556,000 | +20.9% | REV | £ 98,800,000 | £ 161,595,000 | +63.6% | | |
| PBT | £ 1,546,000 | £ 2,164,000 | +40.0% | PBT | £ 6,575,000 | £ 10,670,000 | +62.3% | | |
| EPS | 5.36p | 7.17p | +33.8% | EPS | 14.20p | 22.30p | +57.0% | | |
| Anite Group plc | | | | | Flomerics Group plc | | | | |
| | Final - Apr 97 | Final - Apr 98 | Comparison | | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| REV | £ 193,399,000 | £ 149,540,000 | -22.7% | REV | £ 2,335,584 | £ 5,786,456 | £ 2,938,163 | +25.8% | |
| PBT | -£ 50,377,000 | £ 29,347,000 | Loss to profit | PBT | -£ 416,188 | £ 48,085 | -£ 268,699 | Loss both | |
| EPS | -21.20p | 8.90p | Loss to profit | EPS | n/a | 0.30p | n/a | n/a | |
| Azlan Group plc | | | | | Gresham Computing plc | | | | |
| | Final - Mar 97 | Final - Mar 98 | Comparison | | Interim - Apr 97 | Final - Oct 97 | Interim - Apr 98 | Comparison | |
| REV | £ 292,900,000 | £ 292,000,000 | -0.3% | REV | £ 4,500,000 | £ 8,689,000 | £ 8,520,000 | +89.3% | |
| PBT | -£ 14,100,000 | -£ 7,860,000 | Loss both | PBT | £ 487,000 | £ 667,000 | £ 1,017,000 | +108.8% | |
| EPS | -27.20p | -12.20p | Loss both | EPS | 0.88p | 1.17p | 1.98p | +125.0% | |
| Bond International Software plc | | | | | Guardian IT plc | | | | |
| | Final - Dec 96 | Final - Dec 97 | Comparison | | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| REV | £ 4,317,123 | £ 6,396,027 | +48.2% | REV | £ 15,224,000 | £ 23,026,000 | +51.2% | | |
| PBT | £ 219,784 | £ 718,250 | +226.8% | PBT | £ 2,345,000 | £ 4,033,000 | +72.0% | | |
| EPS | 0.99p | 3.54p | +257.6% | EPS | 17.90p | 29.90p | +67.0% | | |
| Cadcentre Group plc | | | | | Harvey Nash Group plc | | | | |
| | Final - Mar 97 | Final - Mar 98 | Comparison | | Final - Jan 97 | Final - Jan 98 | Comparison | | |
| REV | £ 17,339,000 | £ 17,727,000 | +2.2% | REV | £ 36,321,000 | £ 55,796,000 | +53.6% | | |
| PBT | £ 1,777,000 | £ 2,754,000 | +55.0% | PBT | £ 797,000 | £ 5,527,000 | +593.5% | | |
| EPS | 7.13p | 10.30p | +44.5% | EPS | 1.80p | 13.36p | +642.2% | | |
| Capita Group plc | | | | | Highams Systems Services Group plc | | | | |
| | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| REV | £ 79,067,000 | £ 172,904,000 | £ 117,807,000 | +49.1% | REV | £ 16,394,589 | £ 25,143,421 | +53.4% | |
| PBT | £ 7,062,000 | £ 18,312,000 | £ 10,590,000 | +50.0% | PBT | £ 878,707 | £ 1,383,327 | +57.4% | |
| EPS | 2.49p | 6.51p | 3.49p | +40.2% | EPS | 3.60p | 5.08p | +41.1% | |
| Cedadata plc | | | | | ICM Computer Group plc | | | | |
| | Final - Mar 97 | Final - Mar 98 | Comparison | | Final - Jun 96 | Final - Jun 97 | Comparison | | |
| REV | £ 10,363,000 | £ 12,506,000 | +20.7% | REV | £ 33,370,000 | £ 33,988,000 | +1.8% | | |
| PBT | £ 1,589,000 | £ 2,564,000 | +61.4% | PBT | £ 1,720,000 | £ 1,437,000 | -16.5% | | |
| EPS | 3.60p | 5.30p | +47.2% | EPS | 6.40p | 8.90p | +39.1% | | |
| CFS Group plc | | | | | ilion Group plc | | | | |
| | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| REV | £ 3,702,000 | £ 6,828,000 | £ 3,155,000 | +14.8% | REV | £ 148,875,000 | £ 203,134,000 | +38.3% | |
| PBT | £ 276,000 | £ 813,000 | £ 161,000 | -41.7% | PBT | £ 6,009,000 | £ 6,100,000 | +1.5% | |
| EPS | 2.07p | 8.29p | 1.23p | -40.6% | EPS | 17.20p | 15.10p | -12.2% | |
| Clinical Computing plc | | | | | Intelligent Environments Group plc | | | | |
| | Final - Dec 96 | Final - Dec 97 | Comparison | | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| REV | £ 1,979,690 | £ 3,025,110 | +52.8% | REV | £ 3,475,554 | £ 4,443,146 | +27.8% | | |
| PBT | -£ 2,079,530 | £ 275,564 | Loss to profit | PBT | -£ 1,379,256 | -£ 3,009,417 | Loss both | | |
| EPS | -12.30p | 1.10p | Loss to profit | EPS | -7.10p | -13.30p | Loss both | | |
| CMG plc | | | | | IS Solutions plc | | | | |
| | Final - Dec 96 | Final - Dec 97 | Comparison | | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| REV | £ 245,159,000 | £ 302,992,000 | +23.6% | REV | £ 7,671,000 | £ 8,756,000 | +14.1% | | |
| PBT | £ 27,522,000 | £ 38,645,000 | +40.4% | PBT | £ 219,181 | £ 539,845 | +146.3% | | |
| EPS | 27.40p | 38.60p | +40.9% | EPS | 3.77p | 8.63p | +128.9% | | |
| Comino plc | | | | | ITNET plc | | | | |
| | Final - Mar 97 | Final - Mar 98 | Comparison | | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| REV | £ 7,732,000 | £ 13,151,000 | +68.8% | REV | £ 68,675,000 | £ 81,743,000 | +18.0% | | |
| PBT | £ 1,420,000 | £ 1,950,000 | +37.3% | PBT | £ 5,543,000 | £ 6,834,000 | +23.3% | | |
| EPS | 9.95p | 11.46p | +15.2% | EPS | 3.10p | 4.40p | +41.9% | | |
| Compel Group plc | | | | | JBA Holdings plc | | | | |
| | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparison | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| REV | £ 39,642,000 | £ 111,792,000 | £ 86,833,000 | +119.1% | REV | £ 88,102,000 | £ 221,737,000 | +143.2% | |
| PBT | £ 1,696,000 | £ 5,057,000 | £ 3,666,000 | +116.2% | PBT | -£ 1,297,000 | £ 5,233,000 | -£ 4,466,000 | Loss both |
| EPS | 6.70p | 16.20p | 8.80p | +31.3% | EPS | -2.66p | 10.12p | -£ 8.35p | Loss both |
| Computacenter Services Group plc | | | | | JSB Software Technologies plc | | | | |
| | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | Final - May 96 | Final - May 97 | Comparison | | |
| REV | £ 558,917,000 | £ 1,133,523,000 | £ 775,748,000 | +38.8% | REV | £ 3,709,000 | £ 3,400,000 | -8.3% | |
| PBT | £ 22,095,000 | £ 47,099,000 | £ 31,332,000 | +41.8% | PBT | £ 56,000 | -£ 53,000 | Profit to loss | |
| EPS | 8.00p | 17.40p | 11.40p | +42.5% | EPS | n/a | n/a | n/a | |
| DCS Group plc | | | | | Kalamazoo Computer Group plc | | | | |
| | PF Final - Dec 96 | Final - Dec 97 | Comparison | | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| REV | £ 35,242,000 | £ 59,777,000 | +69.5% | REV | £ 77,776,000 | £ 85,711,000 | +10.3% | | |
| PBT | £ 3,032,000 | £ 4,920,000 | +62.3% | PBT | £ 3,882,000 | -£ 2,329,000 | Profit to loss | | |
| EPS | 10.30p | 15.68p | +52.2% | EPS | 6.85p | -3.00p | Profit to loss | | |
| DRS Data & Research Services plc | | | | | Kewill Systems plc | | | | |
| | Final - Dec 96 | Final - Dec 97 | Comparison | | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| REV | £ 4,822,000 | £ 6,765,000 | +40.3% | REV | £ 41,348,000 | £ 45,088,000 | +9.0% | | |
| PBT | -£ 1,734,000 | -£ 826,000 | Loss both | PBT | £ 6,314,000 | £ 6,813,000 | +7.9% | | |
| EPS | -3.43p | -1.99p | Loss both | EPS | 31.60p | 30.60p | -3.2% | | |
| Delcam plc | | | | | Logica plc | | | | |
| | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparison | |
| REV | £ 7,065,514 | £ 14,556,443 | £ 6,479,637 | +8.3% | REV | £ 147,861,000 | £ 338,465,000 | +126.2% | |
| PBT | £ 372,410 | £ 604,036 | -£ 675,577 | Profit to loss | PBT | £ 10,632,000 | £ 28,148,000 | £ 15,517,000 | +45.9% |
| EPS | 4.40p | 7.40p | -9.60p | Profit to loss | EPS | 11.40p | 30.30p | 16.00p | +40.4% |
| Delphi Group plc | | | | | London Bridge Software Holdings plc | | | | |
| | Final - Dec 96 | Final - Dec 97 | Comparison | | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| REV | £ 210,635,000 | £ 276,914,000 | +31.5% | REV | £ 6,306,376 | £ 11,320,000 | +79.5% | | |
| PBT | £ 12,302,000 | £ 12,853,000 | +4.5% | PBT | £ 2,499,071 | £ 3,701,000 | +48.1% | | |
| EPS | 33.02p | 28.79p | -12.8% | EPS | 7.82p | 10.03p | +28.3% | | |
| Diagonal plc | | | | | Lorien plc | | | | |
| | Interim - May 97 | Final - Nov 97 | Interim - May 98 | Comparison | Interim - May 97 | Final - Nov 97 | Interim - May 98 | Comparison | |
| REV | £ 17,847,000 | £ 44,788,000 | £ 31,860,000 | +78.5% | REV | £ 52,864,000 | £ 116,930,000 | +120.8% | |
| PBT | £ 1,072,000 | £ 3,302,000 | £ 3,053,000 | +184.8% | PBT | £ 889,000 | £ 1,585,000 | £ 2,488,000 | +179.9% |
| EPS | 5.39p | 13.57p | 10.57p | +96.5% | EPS | 1.10p | 4.50p | 7.40p | +572.7% |
| Dialog Corporation plc | | | | | Lynx Holdings plc | | | | |
| | Final - Dec 96 | Final - Dec 97 | Comparison | | Interim - Mar 97 | Final - Sep 97 | Final - Mar 98 | Comparison | |
| REV | £ 21,443,000 | £ 46,082,000 | +114.9% | REV | £ 53,915,000 | £ 120,752,000 | £ 80,393,000 | +49.1% | |
| PBT | -£ 7,034,000 | -£ 20,432,000 | Loss both | PBT | £ 3,710,000 | £ 9,805,000 | £ 5,526,000 | +48.9% | |
| EPS | -7.82p | -20.52p | Loss Both | EPS | 2.58p | 6.83p | 3.65p | +41.5% | |
| Division Group plc | | | | | MMT Computing plc | | | | |
| | Interim - Apr 97 | Final - Oct 97 | Interim - Apr 98 | Comparison | Interim - Feb 97 | Final - Aug 97 | Interim - Feb 98 | Comparison | |
| REV | £ 2,387,000 | £ 6,678,000 | £ 2,193,000 | -8.1% | REV | £ 10,703,000 | £ 24,639,075 | £ 16,991,000 | +58.7% |
| PBT | -£ 956,000 | -£ 1,783,000 | -£ 2,276,000 | Loss both | PBT | £ 2,424,000 | £ 5,554,611 | £ 4,250,000 | +75.3% |
| EPS | -2.20p | -4.10p | -5.10p | Loss both | EPS | 13.30p | 29.80p | 23.20p | +74.4% |
| Druid Group plc | | | | | M-R Group plc | | | | |
| | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparison | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparison | |
| REV | £ 9,384,000 | £ 22,088,000 | £ 14,276,000 | +52.1% | REV | £ 18,509,000 | £ 39,430,000 | £ 20,824,000 | +12.5% |
| PBT | £ 1,800,000 | £ 5,004,000 | £ 2,404,000 | +33.6% | PBT | £ 2,354,000 | £ 5,604,000 | £ 3,004,000 | +27.6% |
| EPS | 5.12p | 13.94p | 6.92p | +35.2% | EPS | 2.90p | 7.30p | 3.80p | +31.0% |
| ECsoft Group plc | | | | | MDIS Group plc | | | | |
| | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| REV | £ 23,442,000 | £ 44,235,000 | £ 31,138,000 | +32.8% | REV | £ 117,799,000 | £ 116,925,000 | -0.7% | |
| PBT | £ 2,119,000 | £ 4,111,000 | £ 3,166,000 | +49.4% | PBT | -£ 49,545,000 | £ 221,000 | Loss to profit | |
| EPS | 14.38p | 35.60p | 20.00p | +39.1% | EPS | -48.94p | 0.22p | Loss to profit | |

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

| Macro 4 plc | | | | | Royalblue Group plc | | | | |
|--|------------------|---------------------|------------------|------------|---|-------------------|------------------|------------------|------------|
| REV | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 11,747,000 | £ 23,448,000 | £ 12,150,000 | +3.4% | PBT | £ 8,892,000 | £ 20,647,000 | £ 13,312,000 | +49.7% |
| EPS | £ 5,135,000 | £ 10,300,000 | £ 5,250,000 | +2.2% | EPS | £ 2,210,000 | £ 2,041,000 | £ 1,815,000 | +721.3% |
| | 16.50p | 33.80p | 17.60p | +6.7% | | 2.70p | 6.10p | 3.50p | +29.6% |
| Micro Focus plc | | | | | Sage Group plc | | | | |
| REV | Interim - Jul 97 | Final - Jan 98 | Interim - Jul 98 | Comparison | REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison |
| PBT | £ 41,349,000 | £ 97,015,000 | £ 58,542,000 | +41.8% | PBT | £ 73,554,000 | £ 152,089,000 | £ 88,788,000 | +20.7% |
| EPS | £ 5,171,000 | £ 15,217,000 | £ 10,057,000 | +94.5% | EPS | £ 19,286,000 | £ 37,635,000 | £ 23,967,000 | +24.3% |
| | 4.50p | 13.00p | 8.30p | +84.4% | | 12.03p | 23.43p | 14.68p | +22.0% |
| Microgen Holdings plc | | | | | Sanderson Group plc | | | | |
| REV | Interim - Apr 97 | Final - Oct 97 | Interim - Apr 98 | Comparison | REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison |
| PBT | £ 34,052,000 | £ 66,398,000 | £ 32,560,000 | -4.4% | PBT | £ 33,408,000 | £ 67,143,000 | £ 34,743,000 | +4.0% |
| EPS | £ 4,211,000 | £ 5,324,000 | £ 1,285,000 | -69.5% | EPS | £ 3,504,000 | £ 2,778,000 | £ 4,049,000 | +15.6% |
| | 6.90p | 8.80p | 0.40p | -94.2% | | 5.90p | 4.70p | 6.20p | +51.1% |
| Misys plc | | | | | SBS Group plc | | | | |
| REV | Final - May 97 | Final - May 98 | Comparison | REV | Interim - Feb 97 | PF Final - Aug 97 | Interim - Feb 98 | Comparison | |
| PBT | £ 325,470,000 | £ 447,700,000 | +37.8% | PBT | £ 8,565,000 | £ 18,981,000 | £ 11,308,000 | +32.0% | |
| EPS | £ 62,533,000 | £ 51,700,000 | -17.3% | EPS | £ 353,000 | £ 728,000 | £ 529,000 | +49.9% | |
| | 52.80p | 29.10p | -44.9% | | 3.40p | 8.60p | 4.90p | +44.1% | |
| Mondas plc | | | | | Science Systems plc | | | | |
| REV | Interim - Oct 96 | Final - Apr 97 | Interim - Oct 97 | Comparison | REV | Final - Dec 96 | Final - Dec 97 | Comparison | |
| PBT | £ 11,183 | £ 55,609 | £ 143,075 | +1179.4% | PBT | £ 14,603,000 | £ 18,801,000 | +27.4% | |
| EPS | -£ 104,718 | -£ 421,192 | -£ 250,795 | Loss both | EPS | £ 1,271,000 | £ 1,855,000 | +45.9% | |
| | -5.40p | -10.50p | -4.10p | Loss both | | 3.70p | 6.80p | +83.8% | |
| Moorepay Group plc | | | | | Sema Group plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Dec 96 | Final - Dec 97 | Comparison | |
| PBT | £ 2,731,803 | £ 5,283,379 | £ 3,181,393 | +16.5% | PBT | £ 928,985,000 | £ 1,130,086,000 | +21.9% | |
| EPS | £ 886,148 | £ 1,385,201 | £ 1,141,281 | +28.8% | EPS | £ 50,019,000 | £ 64,073,000 | +28.1% | |
| | 5.69p | 9.04p | 7.14p | +25.5% | | 30.94p | 39.14p | +26.5% | |
| MSB International plc | | | | | Sherwood International plc | | | | |
| REV | Final - Jan 97 | Final - Jan 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| PBT | £ 69,755,000 | £ 128,793,000 | +84.8% | PBT | £ 13,068,000 | £ 30,035,000 | £ 18,099,000 | +38.4% | |
| EPS | £ 5,431,000 | £ 9,043,000 | +66.5% | EPS | £ 1,025,000 | £ 3,095,000 | £ 1,646,000 | +80.1% | |
| | 17.60p | 29.00p | +64.8% | | 7.90p | 22.80p | 13.20p | +67.1% | |
| NSB Retail Systems plc | | | | | Skillsgroup plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - May 97 | Final - May 98 | Comparison | |
| PBT | £ 1,547,000 | £ 3,284,484 | £ 3,413,000 | +120.8% | PBT | £ 181,500,000 | £ 378,989,000 | £ 115,000,000 | +35.7% |
| EPS | £ 454,000 | £ 837,516 | £ 749,000 | +65.0% | EPS | £ 6,500,000 | -£ 16,308,000 | £ 6,600,000 | +1.5% |
| | 4.00p | 6.90p | 4.60p | +15.0% | | 5.80p | -22.90p | 5.80p | +0.0% |
| Oxford Molecular plc | | | | | Spring Group plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Apr 97 | Final - Apr 98 | Comparison | |
| PBT | £ 6,168,000 | £ 15,841,000 | £ 7,383,000 | +19.7% | PBT | £ 134,334,000 | £ 279,231,000 | +107.9% | |
| EPS | -£ 677,000 | £ 256,000 | -£ 2,195,000 | Loss both | EPS | £ 12,058,000 | £ 18,109,000 | +50.2% | |
| | -0.20p | 0.20p | -7.80p | Loss both | | 6.86p | 8.30p | +22.2% | |
| Parity plc | | | | | Staffware plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Dec 96 | Final - Dec 97 | Comparison | |
| PBT | £ 90,625,000 | £ 202,078,000 | £ 134,987,000 | +49.0% | PBT | £ 10,099,325 | £ 17,585,000 | +75.7% | |
| EPS | £ 5,678,000 | £ 13,506,000 | £ 8,794,000 | +64.2% | EPS | £ 873,879 | £ 1,772,000 | +102.8% | |
| | 8.90p | 20.91p | 11.90p | +93.7% | | 5.60p | 10.80p | +92.9% | |
| Pegasus Group plc | | | | | Superscape VR plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jan 97 | Final - Jun 97 | Interim - Jan 98 | Comparison |
| PBT | £ 5,567,000 | £ 12,447,000 | £ 7,410,000 | +33.1% | PBT | £ 1,901,000 | £ 3,106,000 | £ 2,588,000 | +35.7% |
| EPS | £ 810,000 | £ 1,698,000 | £ 632,000 | +22.0% | EPS | -£ 3,128,000 | -£ 5,961,000 | -£ 956,000 | Loss both |
| | 12.80p | 29.30p | 6.80p | -46.9% | | -37.40p | -69.60p | -10.90p | Loss both |
| PhoneLink plc | | | | | Systems Integrated Research plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Interim - Nov 96 | Final - May 97 | Interim - Nov 97 | Comparison | |
| PBT | £ 4,316,000 | £ 3,208,000 | -25.7% | PBT | £ 507,000 | £ 1,450,000 | £ 516,000 | +1.8% | |
| EPS | -£ 6,173,000 | -£ 3,746,000 | Loss both | EPS | -£ 1,194,000 | -£ 1,938,000 | -£ 296,000 | Loss both | |
| | -12.90p | -7.80p | Loss both | | -9.10p | -13.30p | -2.40p | Loss both | |
| Policy Master plc | | | | | Systems International Group plc | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | REV | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| PBT | £ 7,147,000 | £ 8,745,000 | +22.4% | PBT | £ 401,300 | £ 169,180 | -57.8% | | |
| EPS | £ 350,000 | £ 459,000 | +31.1% | EPS | -£ 4,594,324 | -£ 1,728,336 | Loss both | | |
| | 2.85p | 3.70p | +29.8% | | -20.04p | -6.94p | Loss both | | |
| Proteus International plc | | | | | Tetra plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Final - May 97 | Final - May 98 | Comparison | | |
| PBT | £ 573,000 | £ 178,000 | -68.9% | PBT | £ 22,358,000 | £ 30,286,000 | +35.5% | | |
| EPS | -£ 3,824,000 | -£ 4,127,000 | Loss both | EPS | £ 2,096,000 | £ 558,000 | Profit to loss | | |
| | -7.31p | -7.44p | Loss both | | 7.10p | -7.28p | Profit to loss | | |
| Quality Software Products Holdings plc | | | | | Torex plc | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | REV | Final - Dec 96 | Final - Dec 97 | Comparison | | |
| PBT | £ 25,360,189 | £ 28,018,991 | +10.5% | PBT | £ 10,870,000 | £ 21,029,000 | +93.5% | | |
| EPS | £ 28,480 | £ 2,655,299 | +9223.4% | EPS | £ 1,467,000 | £ 7,277,000 | +398.0% | | |
| | 0.20p | 20.20p | +10000.0% | | 4.30p | 16.20p | +276.7% | | |
| Quantica plc | | | | | Total Systems plc | | | | |
| REV | Final - Nov 97 | PF Interim - May 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| PBT | £ 5,635,000 | £ 6,870,000 | n/a | PBT | £ 3,279,809 | £ 4,134,866 | +26.1% | | |
| EPS | £ 1,011,000 | £ 1,871,000 | n/a | EPS | £ 412,545 | £ 1,019,675 | +147.2% | | |
| | 1.29p | 3.41p | n/a | | 2.76p | 6.80p | +146.4% | | |
| RM plc | | | | | Touchstone Group plc | | | | |
| REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | |
| PBT | £ 48,965,000 | £ 110,170,000 | £ 50,473,000 | +3.1% | PBT | £ 5,160,000 | £ 6,154,000 | +19.3% | |
| EPS | £ 1,683,000 | £ 8,018,000 | £ 636,000 | -62.2% | EPS | £ 601,000 | £ 841,000 | +39.9% | |
| | 6.30p | 30.80p | 2.40p | -61.9% | | n/a | n/a | n/a | |
| Radius plc | | | | | Trace Computers plc | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | REV | Interim - Nov 96 | Final - May 97 | Interim - Nov 97 | Comparison | |
| PBT | £ 27,267,000 | £ 27,728,000 | +1.7% | PBT | £ 9,737,000 | £ 17,270,621 | £ 7,170,000 | -28.4% | |
| EPS | £ 1,591,000 | £ 1,122,000 | -29.5% | EPS | £ 145,000 | £ 634,601 | £ 409,000 | +182.1% | |
| | 4.05p | 2.94p | -27.4% | | 1.03p | 3.35p | 2.16p | +109.7% | |
| Rage Software plc | | | | | Triad Group plc | | | | |
| REV | Final - Jun 96 | Final - Jun 97 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| PBT | £ 9,504,000 | £ 6,758,000 | -28.9% | PBT | £ 18,827,000 | £ 32,161,000 | +70.8% | | |
| EPS | -£ 3,224,000 | -£ 15,430,000 | Loss both | EPS | £ 2,656,000 | £ 6,609,000 | +148.8% | | |
| | -1.34p | -6.30p | Loss both | | 7.25p | 17.78p | +145.2% | | |
| Real Time Control plc | | | | | Ultima Networks plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparison | |
| PBT | £ 12,561,000 | £ 15,880,000 | +26.4% | PBT | £ 33,840,000 | £ 65,176,000 | £ 20,892,000 | -38.3% | |
| EPS | £ 2,547,000 | £ 3,163,000 | +24.2% | EPS | £ 1,610,000 | £ 461,000 | -£ 424,000 | Profit to loss | |
| | 25.50p | 30.80p | +20.8% | | 1.40p | 0.21p | 0.10p | -92.9% | |
| Rebus Group plc | | | | | Vega Group plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Final - Apr 97 | Final - Apr 98 | Comparison | | |
| PBT | £ 66,436,000 | £ 87,730,000 | +32.1% | PBT | £ 17,977,000 | £ 22,457,000 | +24.9% | | |
| EPS | £ 5,808,000 | £ 8,390,000 | +44.5% | EPS | £ 3,261,000 | £ 3,081,000 | -5.5% | | |
| | 4.61p | 5.74p | +24.5% | | 13.79p | 13.75p | -0.3% | | |
| Recognition Systems Group plc | | | | | Workplace Technologies plc | | | | |
| REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 326,000 | £ 773,000 | £ 327,000 | +0.3% | PBT | £ 30,752,000 | £ 65,938,000 | £ 39,977,000 | +30.0% |
| EPS | -£ 1,128,000 | -£ 2,255,000 | -£ 1,333,000 | Loss both | EPS | £ 986,000 | £ 1,830,000 | £ 1,317,000 | +33.6% |
| | -4.10p | -8.10p | -3.80p | Loss both | | 1.21p | 2.17p | 2.41p | +99.2% |
| Riva Group plc | | | | | Xavier Computer Group plc | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| PBT | £ 64,438,000 | £ 70,208,000 | +9.0% | PBT | £ 9,851,457 | £ 16,252,000 | +61.4% | | |
| EPS | £ 518,000 | £ 1,339,000 | +158.5% | EPS | £ 582,000 | £ 743,000 | +27.7% | | |
| | 0.90p | 2.00p | +122.2% | | 0.85p | 1.06p | +24.7% | | |
| Roife & Nolan plc | | | | | Zergo Holdings plc | | | | |
| REV | Final - Feb 97 | Final - Feb 98 | Comparison | REV | Final - Apr 97 | Final - Apr 98 | Comparison | | |
| PBT | £ 20,299,000 | £ 21,714,000 | +7.0% | PBT | £ 10,398,871 | £ 13,176,770 | +26.7% | | |
| EPS | £ 2,758,000 | -£ 894,000 | Profit to loss | EPS | £ 620,664 | £ 296,664 | -52.2% | | |
| | 14.50p | -10.20p | Profit to loss | | 2.30p | -1.00p | Profit to loss | | |
| Romtec plc | | | | | Hogg Robinson has acquired EDS' 70% stake in Paymaster - which processes pensions for HM Govt. - for £17.8m. EDS has also got a £20m/5 year IT support contract in return. | | | | |
| REV | Final - Jan 97 | Final - Jan 98 | Comparison | | | | | | |
| PBT | £ 4,734,675 | £ 4,217,440 | -9.9% | | | | | | |
| EPS | £ 326,225 | £ 310,718 | -4.7% | | | | | | |
| | 4.30p | 4.10p | -4.7% | | | | | | |

UK M&A

Mercury Asset Management has acquired a 11% stake in **Sema** - we assume as part of the France Telecom sell off. *If it goes on like this, Sema might well become a UK-owned SCSi company!* The shares have fallen 28% this month - the worst of the Big Five - and ended the month on 545p.

Anite has acquired **Imasys Ltd** and **Imasys Local Government Ltd** for up to £5.5m - £2m based on an earn out to Apr. 2001. They also have an option to acquire **Imasys Work Management Ltd** which, if exercised, will increase the earnout to £4m. Imasys made trading profits of £468K on revenues of £3.6m.

Zergo Holdings (cryptography based security products) has raised £22.4m after its institutional share placing at 450p was two and a half times oversubscribed. US investors, who hold 13% in Zergo, expressed particularly strong interest. The money raised is to fund expansion.

Eidos (computer games software) saw its share price dive by 23% to 610p (that's under half of its £12.75p high at the beginning of June 98) as the City worried about a possible cash call to fund an acquisition. Buying UK based **Psygnosis** from **Sony** seems the most likely candidate.

DCS Group has bought **Belgium Automatisatation & Consultancy Partners** from **Acpar NV** for £3.6m.

Sanderson Group has agreed to buy 51% of **Management Software** (IT services, based in London) for an initial £1.9m in shares plus up to a further 500K shares on profit. MSL had adjusted profits of £720K on revenues of £14.4m in 1997. Sanderson have an option to buy the remainder for c£2m.

Ingram Micro has sold its **Channel Education** training division to direct provider **Horizon Technical Services** for an undisclosed sum.

Rebus has acquired **Proinsure Systems Ltd** from **Scottish Provident** for £800K cash. Proinsure "provides software capable of handling life and pensions business" and lost £2.75m in 1997.

CMG has acquired French **Techside Consultants** plus its two operating companies for FFr10.5m (c£1m). Techside had revenues of FFr18.5m and profit of FFr2m in H198.

Boundaries a bit blurred?

AEA Technology (the 1996 spin off from the Atomic Energy Authority) has acquired **Transportation Consultants International** (supplier of engineering and consultancy to the rail market) for £12.18m. We did decide that AEA was too science-based to be a SCSi company although, with other acquisitions, the ruling is getting a bit blurred.

We haven't included **Robert Walters plc** as a SCSi company either but a significant proportion of their £91m revenue in 1997 came from IT staff agency and recruitment. Anyway, RW was acquired this month by NASDAQ-quoted **StaffMark** in a merger worth £110m at 430p - about a 20% premium.

Proteus International has announced that it is now in collaboration with UK Govt. in an attempt to develop a test for BSE. We initially decided that Proteus fell into the SCSi category - a decision which also looks a bit suspect!

Shares drop 32% at CFS

In **CFS'** interim results for the six months to 30th Jun. 98, revenue fell 15% to £3.2m "due to the timing of the signing of certain large new contracts". This has also affected profits which dropped 42% to just £161K with basic EPS falling a similar 41%. At least there was some good news, as since the half year end one contract has been completed and the other is expected before the year end.

Even though Chairman Alfred Stein said the outlook for the second half is "positive" with the worldwide agreement with IBM beginning to make money and the integration of LeaseTek will be completed, CFS dropped 32% to 118p this month.

Granada makes its first acquisition

Granada Computer Services Intl. (GCSI) has made its first acquisition since the £97m MBO in Sep. 97. They have purchased the **Systems Integration Services (SIS)** European Division of **Control Data Systems Incorp.** No consideration has been given but SIS had revenues of around £23m and employs c160 people in five countries. SIS provides services for business data management on a wide variety of platforms and is particularly strong in storage management/data archiving and retrieval. Group MD Richard Ferre said "since our MBO, we have been keen to develop our mainland Europe business. This acquisition gives us a stronger presence in those European markets where we already operate - Germany, France, Spain, Holland and Switzerland".

Comment. Seems a good fit for GCSI both geographically and the complementary product mix. It also moves them further up the value chain. With the market for desktop services currently booming, this more than replaces the business lost when the US and Swedish operations were closed in 1996. This should boost Granada's annualised revenue to c£180m.

Sudair "wins" Radius

Last month we covered **Sudair's** (in essence the Radius board) bid for **Radius** last month at just 55p per share. Then **Torex** made a higher all share bid worth c76p or part cash/part share bid worth c68p. Sudair was forced to make a higher offer at 62p which valued Radius at £17.3m. Torex shares declined which finally made their bid untenable. With acceptances totalling over 65%, Sudair claimed victory. Our views on the merits (or lack of them) of the offer remain unaltered. Anyway its finally goodbye Radius as a quoted SCSi company - *I can't say we will really miss you.*

Another excellent UK company goes West

AMEX-quoted Boston-based US IT consultancy **Keane Inc.** has acquired **ICOM Systems** (workflow documentation, imaging and office automation solutions mainly to the financial sectors) for £30.6m - presumably in an all share deal. ICOM was a MBO from the troubled IMI Computing in early 1996 which valued them then at just £4.65m. In any one's books, a six-fold return in just over 2 years, is a pretty good return! But having said that, the current price also now looks cheap even in today's climate. ICOM had 1997 revenues of £18.9m and a PBT of £1.9m.

We understand that ICOM (and its management) will retain a considerable level of autonomy.

Footnote: We rather got into trouble on our *Hot News* Internet page for daring to suggest that the deal was done at the Holway Presentation on 16th July. John Keane (one of our many US clients) did just happen to fly over for the presentation. At that session he couldn't fail to have met ICOM MD Irene Brown or John Leighfield (NED of ICOM) or Peter Rowell of **Regent** who actually brokered the deal. They now tell us they spent the evening trying to avoid being seen together just in case Holway put two and two together. Therefore we have reluctantly decided we do not have sufficient grounds to proceed with our claim (on the Lehman scale) for the considerable commission for the deal!

Anyway, although we would have preferred another IPO, we wish ICOM and Irene well for the future.

SAP now quoted in New York

SAP started trading on the NY Stock Exchange this month, not to raise any money as no new shares were issued, but merely to raise its profile in the US where it makes over 30% of its total sales. However, the shares were hammered soon afterwards as bankrupted FoxMeyer sued SAP for \$500m compensation.

Excellent results from Spring (nee CRT)

Spring Group is "a career and workforce management group" and its business comprises consultancy, recruitment and training. They now employ approx. 2,600 people from more than 250 locations. The group has grown partly organically but mainly by a series of selected acquisitions since 1996 when Knowledge Universe invested £109m. Knowledge still own c48% of Spring - slightly diluted from their original 50.1% investment. Spring is now probably the largest IT contract recruitment agency in the UK market with an estimated run rate of at least £190m.

In the year ended 30th Apr. 98, Spring has produced an excellent set of financial results with revenue up more than double at £279m and PBT increasing 50% to £18.1m. EPS went up 22%. The bulk of the increased revenues was from the string of acquisitions (in FY98 the company acquired eight companies at a cost of £50m) but, even so, on a like-for-like basis, organic sales increased c25% and operating profit by c28%. These results "were achieved against a backdrop of heavy investment in the future of the business, a strengthened management team, CareerIT, a new £1m training centre, and the rebranding of the group as Spring". In addition, Spring incurred exceptional costs of £1.55m to cover the integration of the new businesses acquired. Despite all these acquisitions, Spring still ended the financial year with net cash in the bank of nearly £30m (down from £76.7m) - no doubt to be used for more acquisitions.

Spring had two trading divisions in FY98. IT Services had revenues up 158% at £208.6m and profits up 188% at £10.9m. This division had c3,350 contract and permanent staff on customer sites at the financial year end and made 800 permanent placements (up from 2,400 and 260 respectively). General Services had revenues up 32% to £70.6m and profits up 24% at £10.2m. General Services had around 15,500 students on vocational training courses, 3,250 temporary staff on sites and made 1,130 permanent placements at the same date (FY97 figures were 18,000, 2,300 and 560 respectively).

"Given the likely combination of continuing growth, and a full year contribution from the businesses acquired in 1997/98 and those already made this year, the Board views the 1998/99 financial year positively" according to CEO Karl Chapman. CareerIT was launched last year and was designed to recruit between 1,000 and 2,000 new IT staff. It has attracted not only record numbers of applicants (7,000 in one month alone) but the calibre has been very high with a substantial proportion of graduates. So far Spring has recruited 140 staff from CareerIT. Spring have recently launched Career Retail which is aimed at recruiting youngsters into the retail trade.

Comment. Spring has strong management under Chapman. With cash in the bank and a strong financial record, they no doubt will look for further acquisition targets - at the "right" price of course. We admire Chapman for refusing to pay "over the odds" for companies (so far they have paid no more than a maximum of 10-times earnings). But we would like to see them diversify geographically as currently they only operate in the UK. Margins could be higher and we still have our doubts about the fate of the IT agency market post Y2000.

Flomerics slowly getting better

Flomerics' results for the six months to 30th Jun. 98 showed revenue increased 26% to £2.9m and losses reduced from £416K to £269K. Sales of their Flotherm and Flovent products increased 26% and 28% respectively although Flovent only accounts for 10% turnover. The company's trading pattern sees higher licence renewals in H2 so hopefully they should produce a higher PBT than the FY97 figure of just £48K. A new AIM issue in Dec. 95 at 130p, the shares ended Aug. on 140p - a rise (against the trend) of 17% in the month.

Workplace Technologies does well

Workplace (design and installation of data networks) was a MBO from ICL in Sep. 95 which valued them at £12m and then went on to float in Nov. 97 at 175p and a valuation of over £50m. It's a funny thing - everything that ICL sells seem to quadruple in value in just a couple of years..... Results for the six months to 30th Jun. 98 are good. Revenue increased 30% at £40, PBT was up an even higher 34% to £1.3m with fully diluted EPS increasing almost double. MD Andrew Vaughan said "I believe that the group is well positioned for H2 and into 1999". At the current share price of 210p, Workplace is now valued at £61m - that's 5-times the MBO price.

Spring Group plc Revenue and PBT Record

(relative to 1991)



Like father like son?

Four years back Toby Unwin (whose father is Geoff Unwin - CEO at Cap Gemini) started to use the Internet to search for IT candidates. You would be amazed at how much info. is on corp. websites. He would then e-mail them with job offers. This month his company **NetSearch** has been part acquired by **Taps.com**, the consortium set up by Computer People, Harvey Nash, Robert Walters et al.

We have no financial details but when asked "how it felt to be a millionaire?", Toby replied "Only on paper so far". With no disrespect meant, it looks as if son has already overtaken Dad in the entrepreneurial stakes!

Pegasus - more revenue, less profit

Pegasus (financial accounting software) has managed to increase revenue in the six month period to 30th Jun. 98 but substantial R&D has affected profits. Revenue went up 33% to £7.4m (partly due to the CSM acquisition), PBT fell 22% at £632K with basic EPS dropping 47%. Apart from increased product development costs, the reduction in profit was also due to substantial interest credits in the previous half. Pegasus Software sales increased 18% with a strong performance by Pegasus Opera (up 29%). Annual licence fees also increased a healthy 28%. CEO Jonathan Hubbard-Ford says Pegasus "is soundly positioned for further growth".

Unease? (System House headline last month)

....Terrified is now more like it

Our SCSI Index (down 16%) and the FTSE IT Index (down 19%) both dived in August - far exceeding the 11% decline in the FTSE100. But remember this was **before** the massive falls of 1st Sept. Over £4.3 billion was written off the valuation of the sector.

The falls were across the board with only **Radius** (+20% - p7) and **Flomerics** (+17% - p8) showing gains. **Sema** (down 28%) suffered the most amongst the Big Five. **Lorien** and **Oxford Molecular** vied for the wooden spoon - both down 40%.

| 31-Aug-98 | | SCSI Index | | | | |
|--------------------------------------|--|---------------|----------|---------------|----------------|----------------|
| | | FTSE IT Index | | | | |
| | | FTSE 100 | | | | |
| | | FTSE AIM | | | | |
| | | FTSE SmallCap | | | | |
| SCSI Index = 1000 on 15th April 1989 | | | | | | |
| Changes in Indices | | SCSI Index | FTSE 100 | FTSE IT Index | FTSE AIM Index | FTSE Small Cap |
| Month (30/7/98 - 31/8/98) | | -15.60% | -11.19% | -18.53% | -15.16% | -13.83% |
| From 15th Apr 89 | | +320.13% | +155.62% | | | |
| From 1st Jan 90 | | +356.61% | +122.24% | | | |
| From 1st Jan 91 | | +493.51% | +142.98% | | | |
| From 1st Jan 92 | | +302.09% | +110.56% | | | |
| From 1st Jan 93 | | +163.63% | +84.42% | | | +53.25% |
| From 1st Jan 94 | | +151.64% | +53.56% | | | +13.78% |
| From 1st Jan 95 | | +180.24% | +71.24% | | | +21.74% |
| From 1st Jan 96 | | +86.02% | +42.29% | | -5.75% | +9.51% |
| From 1st Jan 97 | | +56.91% | +27.46% | | -7.94% | -2.61% |
| From 1st Jan 98 | | +38.43% | +2.22% | 47.60% | -9.42% | -8.09% |

System House SCSI Share Prices and Capitalisation

| | FTSE IT Index? | Share Price 31/8/98 (£p) | Capitalisation 31/8/98 (£m) | Historic P/E | PSR Ratio Cap./Rev. | SCSI Index 31/8/98 | Share price % move since 30/7/98 | Share price % move in 1998 | Capitalisation move (£m) since 30/7/98 | Capitalisation move (£m) in 1998 |
|----------------------------|----------------|--------------------------|-----------------------------|--------------|---------------------|--------------------|----------------------------------|----------------------------|--|----------------------------------|
| Admiral | Yes | £10.80 | £684.70m | 49.9 | 5.84 | 39034.99 | -27.15% | 50.31% | -£249.48m | -£230.55m |
| AFA Systems | | £1.29 | £16.20m | Loss | 71.68 | 1070.83 | -27.20% | -19.53% | -£2.66m | £3.30m |
| AIT Group | | £2.63 | £53.30m | 36.6 | 3.93 | 1750.00 | -7.14% | 53.96% | £3.89m | £18.72m |
| Anite Group | Yes | £0.48 | £114.30m | 44.0 | 0.76 | 277.78 | -30.15% | 1.06% | -£47.79m | £2.65m |
| Azlan Group | Yes | £0.48 | £50.90m | Loss | 0.17 | 206.52 | -22.76% | -14.51% | -£15.64m | -£8.24m |
| Bond International | | £0.98 | £13.30m | 23.7 | 2.08 | 1500.00 | -5.80% | 50.00% | -£0.74m | £4.45m |
| Cadcentre Group | | £2.43 | £40.30m | 23.6 | 2.27 | 1215.00 | -9.33% | -25.23% | -£4.22m | -£13.63m |
| Capita Group | | £5.94 | £1,152.00m | 91.2 | 6.66 | 53468.47 | -1.66% | 60.84% | -£19.88m | £445.32m |
| Cadardata | | £1.38 | £46.10m | 25.8 | 3.69 | 1309.52 | -11.58% | 30.95% | -£5.29m | £12.81m |
| CFS Group | | £1.18 | £18.70m | 27.5 | 2.74 | 1305.66 | -32.47% | 12.44% | £5.94m | £10.97m |
| Clinical Computing | | £0.55 | £13.70m | 44.7 | 4.53 | 439.52 | -26.35% | 28.24% | -£4.46m | £3.03m |
| CMG | Yes | £18.08 | £2,315.00m | 46.8 | 7.64 | 12465.52 | -16.13% | 137.05% | -£428.36m | £1,337.51m |
| Compel Group | Yes | £3.73 | £105.80m | 20.6 | 0.95 | 2980.00 | -20.32% | 22.13% | -£26.96m | £18.57m |
| Computacenter | | £5.93 | £1,048.00m | 25.4 | 0.92 | 884.33 | -16.31% | -11.57% | -£167.32m | -£252.00m |
| Comino | | £1.95 | £25.50m | 15.8 | 1.94 | 1500.00 | -24.27% | 59.18% | -£7.33m | £10.70m |
| DCS Group | | £5.28 | £121.90m | 35.3 | 2.04 | 8791.67 | -15.73% | 63.57% | -£15.83m | £50.94m |
| Dalcam | | £0.62 | £3.63m | 8.3 | 0.25 | 236.54 | -27.65% | -62.73% | -£1.39m | -£6.07m |
| Delphi Group | Yes | £3.98 | £115.70m | 14.0 | 0.42 | 1635.80 | -26.59% | -40.67% | -£44.15m | -£78.60m |
| Diagonal | Yes | £9.63 | £193.50m | 52.6 | 4.32 | 3500.00 | -25.24% | 37.01% | -£65.29m | £63.50m |
| Dialog Corporation | | £1.90 | £285.90m | Loss | 6.20 | 1727.27 | 0.80% | 26.67% | -£2.06m | £61.07m |
| Division Group | | £0.36 | £15.80m | Loss | 2.37 | 887.50 | -29.00% | -7.79% | -£5.67m | -£1.10m |
| DRS Data & Research | | £0.13 | £4.41m | Loss | 0.65 | 115.91 | 6.25% | -42.05% | £0.25m | -£3.12m |
| Droid Group | Yes | £12.98 | £297.10m | 93.1 | 13.46 | 4718.18 | -15.88% | 95.85% | -£59.47m | £145.38m |
| ECSOft | | £15.73 | £171.40m | 34.8 | 3.87 | 870.23 | -24.22% | -12.98% | -£54.80m | -£19.30m |
| Electronic Data Processing | | £0.74 | £19.30m | 12.9 | 1.54 | 2250.46 | -10.37% | -34.86% | -£2.22m | £5.06m |
| Eidos | Yes | £6.10 | £104.30m | 7.9 | 0.76 | 6100.00 | -23.46% | -8.96% | -£33.26m | -£8.94m |
| FI Group | Yes | £16.80 | £561.10m | 71.7 | 3.47 | 7148.94 | -12.50% | 80.16% | -£57.19m | £260.8m |
| Flomerics Group | | £1.40 | £3.64m | 23.2 | 0.63 | 1076.92 | 16.67% | 16.67% | £0.52m | £1.02m |
| Gresham Computing | | £0.82 | £28.60m | 29.4 | 3.29 | 881.72 | -18.00% | 256.52% | -£6.25m | £21.08m |
| Guardian IT | | £4.41 | £225.80m | 77.1 | 9.81 | 1729.41 | -15.60% | 79.94% | -£41.73m | £95.30m |
| Harvey Nash Group | | £3.23 | £90.90m | 24.3 | 1.63 | 1842.86 | -7.19% | -4.30% | -£7.08m | -£3.05m |
| Highams Systems Services | | £0.95 | £16.80m | 17.8 | 0.67 | 2638.89 | -28.57% | -21.79% | -£3.30m | £2.98m |
| ICM Computer | | £2.08 | £39.50m | 30.4 | 1.16 | 1152.78 | -7.37% | 15.28% | -£3.74m | £5.20m |
| Ilion Group | | £0.58 | £14.40m | 3.8 | 0.07 | 359.38 | -28.57% | -54.90% | -£5.79m | -£17.62m |
| Intelligent Environments | | £0.61 | £18.70m | Loss | 4.21 | 643.62 | -13.57% | 146.94% | -£2.24m | £12.94m |
| I/S Solutions | | £2.95 | £14.20m | 39.8 | 1.62 | 2201.49 | -21.33% | 102.75% | -£3.78m | £7.22m |
| ITNET | | £4.00 | £281.20m | 60.3 | 3.44 | 1142.86 | -9.50% | 14.29% | -£28.81m | £35.10m |
| JBA Holdings | Yes | £4.30 | £157.80m | 42.5 | 0.71 | 2687.50 | -24.36% | -58.19% | -£50.80m | -£218.65m |
| JSB Software | | £1.95 | £18.50m | n/a | 5.44 | 975.00 | -8.88% | -2.50% | -£1.59m | -£0.40m |
| Kalamazoo Computer | | £0.50 | £21.20m | Loss | 0.32 | 1414.29 | 4.21% | -28.78% | £0.84m | -£8.60m |
| Kewill Systems | Yes | £10.33 | £135.30m | 28.9 | 3.00 | 4081.03 | -5.06% | 81.14% | -£1.94m | £61.75m |
| Logica | Yes | £18.33 | £1,352.00m | 52.6 | 3.99 | 5020.55 | -16.13% | 58.32% | -£262.14m | £505.90m |
| London Bridge Software | Yes | £12.13 | £351.60m | 120.9 | 31.06 | 6062.50 | -21.77% | 138.45% | -£97.93m | £204.11m |
| Lorien | | £3.04 | £59.50m | 14.7 | 0.51 | 3035.00 | -40.49% | -39.90% | -£40.47m | -£26.88m |
| Lynx Holdings | Yes | £1.76 | £185.00m | 22.4 | 1.53 | 4400.00 | -25.58% | 46.06% | -£61.18m | £60.73m |
| MAR Group | | £1.40 | £77.80m | 18.4 | 1.97 | 553.57 | -6.69% | 24.00% | -£2.15m | £15.04m |
| Macro 4 | Yes | £4.60 | £90.60m | 13.3 | 3.86 | 1854.84 | -1.08% | 35.29% | -£2.00m | £23.60m |
| MDIS Group | Yes | £0.67 | £141.40m | 302.3 | 1.21 | 255.77 | -24.43% | 41.49% | -£45.76m | £42.89m |
| Micro Focus | Yes | £3.65 | £293.80m | 20.6 | 3.03 | 1762.87 | -21.93% | -8.52% | -£79.77m | -£77.08m |
| Microgen Holdings | | £1.03 | £44.60m | 11.6 | 0.67 | 438.03 | -14.58% | 46.43% | -£12.27m | £16.88m |
| Misy's | Yes | £26.50 | £2,968.00m | 40.0 | 6.63 | 6592.04 | -9.86% | 44.81% | -£373.02m | £924.80m |
| MMT Computing | Yes | £9.13 | £108.60m | 24.0 | 4.41 | 5431.55 | -18.16% | 8.70% | -£25.75m | £8.74m |
| Mondas | | £0.61 | £3.69m | Loss | 64.74 | 806.67 | -16.55% | -12.95% | -£0.37m | -£0.55m |
| Moorepay Group | | £2.30 | £26.90m | 22.2 | 5.09 | 3881.48 | -8.00% | -18.58% | -£2.35m | -£3.65m |
| MSB International | Yes | £5.23 | £106.60m | 18.0 | 0.83 | 2750.00 | -30.33% | -16.40% | -£41.48m | -£20.84m |
| NSB Retail Systems | | £2.46 | £27.10m | 28.6 | 8.25 | 2139.13 | -24.89% | 28.46% | -£8.97m | £8.53m |
| Oxford Molecular | | £1.04 | £78.10m | Loss | 4.99 | 1293.75 | -40.35% | -56.88% | -£52.86m | -£95.37m |
| Parity | Yes | £7.20 | £355.00m | 30.1 | 1.76 | 39999.85 | -6.80% | 13.21% | -£28.26m | £41.50m |
| Pegasus Group | | £3.01 | £21.10m | 13.0 | 1.70 | 820.16 | -19.41% | 15.77% | -£4.71m | £2.93m |
| PhoneLink | | £0.35 | £24.00m | Loss | 7.49 | 225.81 | -4.11% | -35.78% | £6.38m | -£2.26m |
| Polycymaster | | £1.99 | £28.10m | 43.5 | 3.22 | 1326.67 | -4.10% | 32.67% | -£1.23m | £6.90m |
| Proteus International | | £0.34 | £25.20m | Loss | 141.57 | 404.76 | -1.45% | -22.73% | -£0.60m | £0.74m |
| Quality Software Products | | £3.98 | £54.10m | 19.6 | 1.93 | 1046.05 | -16.58% | 80.68% | -£10.74m | £24.14m |
| Quantica | | £1.07 | £41.50m | 18.0 | 7.36 | 858.87 | -14.11% | -14.11% | -£6.80m | -£6.50m |
| Radius | | £0.63 | £17.50m | 21.3 | 0.63 | 452.90 | 20.19% | 78.57% | £3.75m | £7.70m |
| Rage Software | | £0.12 | £28.60m | Loss | 4.23 | 451.92 | -2.08% | 176.47% | -£3.63m | £18.20m |
| Real Time Control | | £4.00 | £28.00m | 12.8 | 1.76 | 8163.27 | -12.57% | 24.61% | -£6.20m | £5.77m |
| Rebus Group | Yes | £1.06 | £98.00m | 19.0 | 1.12 | 1204.55 | -25.35% | 34.18% | -£29.08m | £24.90m |
| Recognition Systems | | £0.22 | £8.00m | Loss | 10.39 | 310.71 | -33.08% | 1.16% | -£2.09m | £0.09m |
| Riva Group | | £0.71 | £22.60m | 32.0 | 0.32 | 501.05 | -10.19% | 67.86% | -£2.42m | £9.63m |
| RM Group | Yes | £3.45 | £313.30m | 63.2 | 2.84 | 9857.14 | -10.39% | 115.63% | -£22.12m | £171.35m |
| Rofe & Nolan | | £2.58 | £34.20m | Loss | 1.58 | 3065.48 | -11.21% | -24.82% | -£0.26m | -£0.15m |
| Romtec | | £1.02 | £5.28m | 24.8 | 1.25 | 1624.00 | -4.69% | -2.87% | -£0.26m | -£0.15m |
| Royalblue Group | Yes | £3.03 | £84.10m | 35.6 | 4.07 | 1779.41 | -23.42% | -11.68% | -£24.47m | -£29.04m |
| Sage Group | Yes | £12.95 | £1,502.00m | 51.1 | 9.88 | 49807.69 | -20.92% | 56.02% | -£395.57m | £604.75m |
| Sanderson Group | | £1.29 | £67.00m | 11.8 | 1.08 | 2195.74 | -8.83% | 74.32% | £1.84m | £33.01m |
| SBS Group | | £2.23 | £19.60m | 22.4 | 1.03 | 2225.00 | -15.24% | 27.14% | -£3.00m | £7.23m |
| Science Systems | | £1.87 | £31.70m | 27.6 | 1.70 | 1445.74 | -16.55% | 12.69% | -£6.29m | £3.60m |
| Sema Group | Yes | £5.45 | £2,508.00m | 55.7 | 2.22 | 6855.35 | -27.62% | 46.90% | -£948.63m | £803.27m |
| Sherwood International | | £7.45 | £64.80m | 25.5 | 2.16 | 6208.33 | -21.16% | 40.57% | -£17.15m | £19.21m |
| Skillsgroup | Yes | £2.69 | £219.40m | 24.6 | 0.58 | 1204.04 | -7.41% | 47.12% | -£19.99m | £71.08m |
| Spring | | £2.98 | £430.20m | 35.5 | 1.54 | 3305.56 | -20.45% | -16.20% | -£113.42m | -£78.18m |
| Staffware | | £3.43 | £43.50m | 31.8 | 2.47 | 1522.22 | -37.73% | -3.11% | -£25.56m | £0.22m |
| Superscape VR | | £1.29 | £15.80m | Loss | 5.08 | 648.99 | -28.21% | 19.53% | -£6.19m | £6.33m |
| Systems Integrated | | £0.04 | £0.54m | Loss | 0.43 | 34.78 | -20.00% | -55.56% | -£0.13m | -£0.70m |
| Tetra | | £2.47 | £62.10m | Loss | 2.05 | 1540.63 | -2.76% | 40.06% | -£1.73m | £16.97m |
| Torex Group | | £1.02 | £32.60m | 17.0 | 1.55 | 1970.87 | -30.24% | 16.67% | -£11.45m | £5.30m |
| Total Systems | | £0.73 | £7.54m | 10.7 | 1.82 | 1367.92 | -22.46% | -2.68% | -£2.15m | £0.02m |
| Touchstone | | £1.13 | £15.15m | n/a | 2.46 | 1076.19 | -14.07% | 7.62% | £2.35m | £5.35m |
| Trace Computers | | £1.10 | £16.10m | 28.9 | 0.93 | 880.00 | -9.47% | 67.94% | -£1.60m | £6.67m |
| Triad Group | | £5.69 | £143.30m | 32.2 | 4.46 | 4211.11 | -18.38% | 91.09% | -£36.13m | £68.29m |
| Ultima | | £0.08 | £7.37m | 35.7 | 0.11 | 182.93 | -11.76% | -57.14% | -£1.22m | -£6.39m |
| Vega Group | | £4.03 | £62.00m | 29.3 | 2.76 | 3299.18 | -2.42% | 76.92% | -£1.49m | £26.92m |
| Workplace Technologies | | £2.10 | £60.90m | 29.5 | 0.92 | 1200.00 | -3.67% | 7.97% | -£2.30m | £4.71m |
| Xavier Computer Group | | £0.11 | £11.10m | 18.1 | 0.68 | 1125.00 | 0.00% | 44.69% | -£0.20m | £6.44m |
| Zergo Holdings | | £3.35 | £60.80m | Loss | 4.65 | 3435.90 | -22.99% | 54.02% | -£17.88 | |

As usual we weren't invited to any briefing on the **Misys** results. Every other quoted SCSi company seems to go to great

lengths to brief us. We weren't even sent the press release automatically.

In Misys' case it is even more difficult to justify because, as usual, we were inundated with "requests to comment" from the rest of the media. Indeed we were quoted in the FT, Evening Standard etc. and our *Hotnews* comments flavoured many other reports.

Basically we praised Misys achievements in the **Banking and Securities Division** where revenues were up 24% at £252m and profits increased by 31% to £70m - practically all of this was organic. Even more impressive was the doubling in the order book and the "cross selling" now taking place between the individual operating companies resulting in over 100 new name customers.

We were less impressed with the **Insurance Division** - the original core of Misys back in the early 1980s. Revenue increased 22% to £50m but profits were flat at £13m "held back by the investment" in developing the Internet version of the product. But there was strong growth in the transaction processing and outsourcing activities which now constitute 65% of divisional profits. Also the new Internet activities - Screentrade for direct motor insurance quotes and the soon to be launched household policy service - look very exciting. However, Misys will have to take care not to upset the brokers, which form their core customer base, by selling direct.

The **Information Systems Division** has been through somewhat of a transformation in the last year when the Support Services activities were sold to a MBI team in Feb. 98 for £10m cash. The operation - which now trades

as **Cyberdesk** - had revenue of £27.1m and made PBT of c£2m in the year to May 97. But Misys had paid considerably more for these businesses and the goodwill write-off of £45m created an exceptional net loss on disposal of £37.2m.

The remaining bits of the Information Systems Division (**Mentor** - construction industry software, **CP** - food and beverage software, **Enterprise** - manufacturing software and **Innsite** - hotel software and others) increased

revenue by 12% to £47m with profits up 20% at £5m. Misys describes these as "non-core...but not a drain on resources" and clearly they are for sale at the right price! All eyes were on the **Healthcare Division** after the £566m acquisition of **Medic** in Nov. 97. We were concerned (along with many observers) that, despite expectations to the

contrary, **Medic**' CEO John McConnell (who made \$35m cash from the sale) decided so quickly to move into a non-exec. role. He was quoted as saying that he found Misys' "very hands-on view about managing the business" hard to deal with. Misys trusty Mike O'Leary has now taken over as MD. Also Misys rolled their UK **ACT Medisys** (hospital and pathology software) into the division. In the part year in which **Medic** was included, Healthcare generated £83m revenue and £13m profits. It looks as if the market for the lower priced **MedicPM** product grew well "with 11,000 physicians 'practices' now using the product and ">50 sites a month being sold". But it was the lumpiness of sales from the \$1m+ **MedicVision** product which caused our major concerns. "Although the prospect list remains strong... lead times remain variable, the trend in orders is upwards". Readers will recall that it was exactly this "lumpiness" that caused **Medic**'s own share price to fluctuate and create the environment where the **Medic** directors thought that it was better to sell up and get out. So, our most quoted comment was that our reaction to the results - although at the headline level much as expected - was "mixed" and that "the jury is still out on **Medic**".

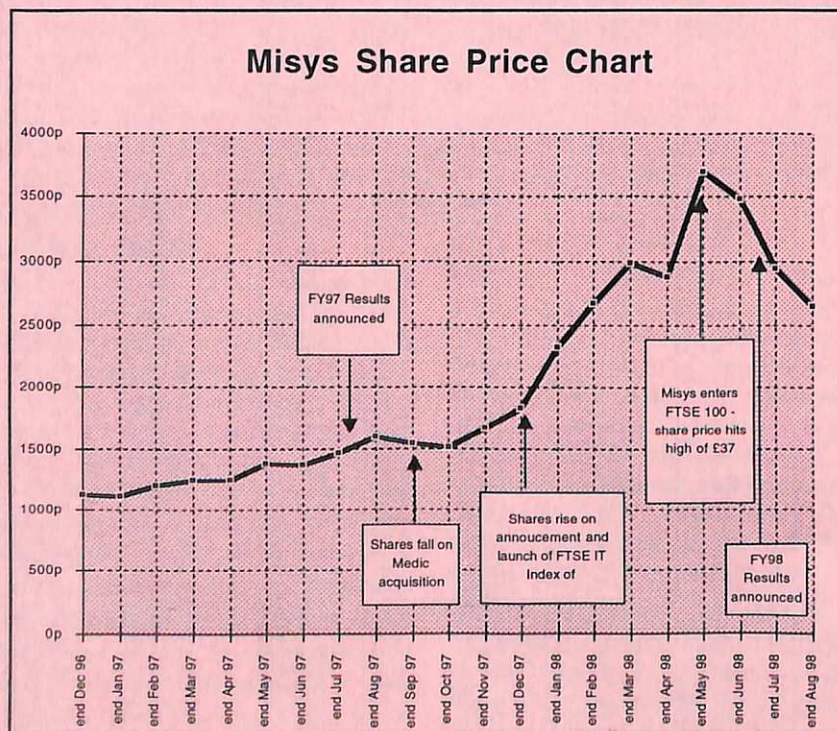
We also expressed the view that "in IT you have to be very focused and very clear about what you want to do - Misys is very strong in financial services - insurance and banking systems - which is the largest IT market in the world with lots of opportunities". Misys' banking results are excellent. **Sherwood** (see p3) is illustrating what can be achieved in global insurance. Although Misys considers its foray into general computing (i.e. the companies which comprised the Information Systems Division) to have been the stepping stones towards building their current business model, we still believe they could have worked out much

better. The disposals are now costing it dear. The point about focus - or lack of it - was made again just a few years back when Misys thought educational software was the place to be with the approach to **RM**. And then there were last year's write-offs relating to the closure of the **Australian** educational software venture.

When Misys sticks to its core business model it performs well. When it departs from it, that's when under-performance has occurred.

The only direct comment we have had from Misys in the last month said "Why do you seem compelled to assume the worst when all the evidence is to the contrary?" We would suggest that there are indeed valid grounds for our concern as we have discussed above. Even so, surely it

Misys - continued on p11



Misys - continued from p10

would be in Misys' best interests to maintain a dialogue so that those concerns could be addressed?

Share price

The Misys share price has fallen from a high of c£37 to £26 in just two months. Indeed due to one US sell order at 4.15pm on 29th July, they dropped £5 to c£25 but did recover a little since (before dropping again at the time of going to press!). But let us remind you that's still 72% up on its price a year ago. With EPS of 78p a share expected for FY99, that's a prospective P/E of 34 - about half that of CMG, FI Group and quite a few others.

But, let us also remind you, Misys was a new issue on the USM in Mar. 87 at 95p and a value of £8m. They are now valued at £3 billion. On top of that, they are the only UK SCSI company in the FTSE100, the largest UK software products group by any measure, and one of the largest application software providers in the world. That is no mean achievement and one of which both the UK industry as whole, and Misys directors in particular, have just cause to be proud.

So why does Misys get constantly battered by the media and investors alike? We could tell them but Misys wouldn't listen to us. We suggested that Misys should undertake an independent survey of financial journalists and analysts to determine their attitudes towards both the company and its management, only to be told that this had already been actioned.

The findings might not only be illuminating but might also be to the long term benefit of all those - like us - who actually have Misys' best interests at heart.

Good balance at Micro Focus

Micro Focus results for the six months ended 31st Jul. 98 showed revenue increased 41% to £58.6m, PBT went up a much higher 95% to £10.1m with EPS up 84%. Cash in the bank increased to over £58m. Extremely satisfactory results in all. President Martin Waters is "pleased with our continuing strong operating performance while we made significant progress on our key strategic objectives". These objectives included a major restructuring in the US, more product launches and, of course, the **Intersolv, Inc.** purchase. Details announced this month put a value of £316m on this typical US pooling-type deal. Afterwards, Intersolv's current shareholders will hold 44% of the enlarged equity which (assuming they are all US) will dilute the UK to <50% (see Waters letter last month).

But what we like most about the latest results is the balance that Micro Focus has now achieved, both in product mix as well as geographically. Product revenue went up 49% to £35.9m, maintenance rev. increased 13% to £15.7m with services rev. more than doubled at £7m. In the past, Micro Focus's results (and share price!) have looked a bit like a roller coaster. But with a better mix of revenues, perhaps the company can now even out the fairly wide fluctuations that have occurred in the past.

The shares fell 22% this month to end on 365p.

Planet Online sold for £85m

Although we have long predicted the demise of the small ISP as they all either go out of business or get swallowed up by the telecomms providers, the latter route has provided rich rewards for founder shareholders. This month **Planet Online** has been acquired by **Energis plc** for £75m cash + another £10m earnout. *Pretty good for a 3 year old company with 1997 revenue of c£25m!*

September 1998

A tale of two (UK) Selects

Select Software Tools and **Select Appointments** are both UK NASDAQers.

Select Software Tools were an IPO in Oct. 96 at \$14. Since then the share price has been in free fall and ended August on \$1.28 - another large fall in the month. The reason for this month's large fall is that the company have just announced their *fifth* consecutive quarterly loss. In Q298, Select Software did manage to increase revenue 5% to \$6.5m but losses increased to \$3.5m. This now means that at the interim stage, net losses stand at \$6.7m (net income last time \$276K) on revenues up 10% at \$13.6m. The company is now undergoing an "expense alignment" - job cutting to you and me - and expect that up to a fifth of staff will lose their jobs. Amongst the losses will be President Ed Holt - and this follows the "resignation" of CFO Jerry Davison in Mar. 98 after Select had to restate Q397 figures. Of course the job cutting will be expensive and will impact an exceptional cost of \$1.45m in Q3. At one time Inprise Corp. was rumoured as a likely candidate but this is denied by the company.

Select Appointments is the UK's largest general staff and recruitment agency with an ever increasing IT connection after a series of acquisitions in the IT field. In Dec. 97 they completed their IPO at \$19 and are also quoted on the London main market. With around half revenues in the US, Select Appointments now declare their results in dollars, not sterling.

Results for the six months to 30th Jun. 98 couldn't be more different than Select Tools. Not only did revenue increase 47% to \$631m, but net income before taxes, minority interests and merger expenses increased from \$19.7m to \$35.3m. The net income, after all these expenses listed above, rose 67% to \$20m. Pretty good for such an acquisitive company - in 1998 alone they have bought eight companies throughout the world at a total cost of \$96m of which \$46m was satisfied by shares and \$50m in cash. These alone will add an additional \$216m in sales per annum. Revenue now is fairly well split between the US (42%), Europe (45%) and Australia and Asia with the remainder.

Comment. Select Appointments must be one of the fastest growing staff agency companies, with an increasing IT content now standing at about 41.5%, or £158m. Their annual IT run rate must now be in excess of £300m, which puts them into the UK SCSI Top 10. By contrast the 1996 IT revenue was only about £12m! Even without acquisitions, organic growth is around 30%.

All this is reflected in the share price which ended the month on 793p (London) and \$21.88 (NASDAQ). This means that since the NASDAQ float in Dec. 97, the shares have increased in value by 15%. And with analysts forecasts this year of a £50m PBT, this is still "only" a prospective PE of 31 - towards the top end of its sector. Select Appointments is now regarded as one of the best managed recruitment companies. With its wide spread across a range of sectors and regions, they should have a better cushion than most against an economic slowdown - particularly post Y2000.

Dialog shares for re-rating?

Dialog has launched its new GlobalNews Plus news file, incorporating World Reporter - a JV with Dow Jones and FT Business Enterprises. The company also announced a "substantial" five-year contract with the BBC. The market liked the news and analysts seemed to agree with our comments last month. Dialog ended Aug. level at 190p.

EDS News...

Its been a "news filled" month at EDS.

• After reporting its "best ever quarter" (see last month) CEO Les Alberthal announced that he was leaving EDS for "personal reasons". His "non compete" compensation package will cost EDS \$35m! This will impact on Q398 results but despite this, the share price immediately rose. The company is reported as saying that Alberthal's replacement will come from *outside* EDS and investors appear to think that this "new blood" will help the company. EDS *still* haven't found a replacement for CFO Joseph Grant who left in January.

• **Transys** - an EDS-led consortium (37.5%) **US Cubic Corp.** (37.5%), **ICL** (20%) and **WS Atkins** (5%) - has won a £1.4b/17 year PFI contract with London Transport for tube ticketing. 100 LTS staff will transfer to EDS. The contract will be administered by ICL's **Transys**. Mind you this was the *only* consortium left in the bidding after another consortia led by BT, IBM and Andersen Consulting dropped out.

• **EDS UK** will take the lion's share of a £300m/5 year deal to take over the 13,000 desktops at BP. The contract was previously handled by 40+ companies with PC hardware from 3 suppliers. A new call centre will be built in Durham.

Ex-EDS'er Ross Perot to go public

US Perot Systems Corp. has at last filed papers with the SEC for its IPO which will raise \$115m later this year. Ross Perot left EDS in 1988 and founded Perot Systems which had 1997 revenues of \$782m. He now owns 42% and, with the other directors, they own a total of over 50%. Staff also have a further stake. Perot's biggest client is the Union Bank of Switzerland (c23% of total revenues) who evidently have the right to cancel the contract should a competitor own more than 25% of Perot. This makes a potential take-over an unattractive option.

Snook joins Informix

Richard Snook, who we liked greatly during his period as MD of **BULL UK**, has joined **Informix** as President of EMEA. It's a big job at an exciting time for Informix. Just a year back Mike Harrison was still head of the UK before Bob Finocchio started his revitalisation programme.

NSB Retail Systems

We think highly of **NSB** as exactly the kind of innovative solutions company the UK needs. In NSB's case, it's solutions for the retail sector via their core Retail Express 2000 suite. NSB are the classic example of products (c20% of revenues) pulling thru services revenues (c80%). NSB's founder (c75% of the equity) and MD is Nikki Beckett.

NSB was an AIM IPO in Sep. 97 at 115p. In Apr. 98 NSB undertook their first acquisition buying APT for £3.2m.

Latest results for six months to 30th Jun. 98 are ahead of expectations but the shares have still fallen 25% to end Aug. on 523p. Revenues were up 120% at £3.4m, PBT up 82% at £827K (please note, given the product/services split above, that's a 24% margin!) and EPS up 15%. International revenues (c£560K in H1) are now motoring too. They have just secured their first order (from Vanity Fair) resulting from the JV with JBA. This enables them to install the whole business from manufacturing to customer sale. (Note: JBA's Alan Vickery is a NED at NSB).

Another acquisition could be on the cards in H2 which might well provide the means for extra liquidity and a move to the main market. What NSB lacks in critical mass they make up for innovation. The "problem" is that they are exactly the kind of company some foreigner might snap up before their full potential is reached.

Microgen shakes up its board

The "new age" at **Microgen** under new Executive Chairman Martin Ratcliffe has not taken long in coming. Douglas Lee, David Herridge and Gerry Liddle have, as anticipated, "resigned" from the board (although Herridge & Liddle will remain in management) and a new finance director, Mike Philips has been appointed together with non-exec. director Andrew Goodman.

Electronic System House

System House is already available on the intranets of many of the world's largest SCSI companies. It's a much better medium than paper in a large organisation. This month we have revamped the "look-and-feel" of **e-System House**. If you would like to see it, e-mail us on holway@compuserve.com and we will e-mail you a sample. And remember our **Hotnews** now gets a phenomenal number of hits each day. If you are not addicted already, take another look on www.holway.co.uk/hotnews.

ORDER FORM

From:

Delivery address:

1998 Holway Report (now available)

Master copy @ £2,150

Additional copies @ £650 each

System House

One year's subscription @ £340 p.a. "4 - copy subscription" @ £680 p.a. Site licence @ £1000 p.a. + VAT Intranet version £1500 pa + VAT

6th edition Software and Computing Services Industry in Europe Report Available Nov/Dec 98

Master copy at £6,200

Additional copies @ £990 each

Cheque payable to Richard Holway Ltd.

Richard Holway Ltd, PO Box 183,
FARNHAM, Surrey, GU10 1YG.

Cheque enclosed

Please invoice my company

Signed:

Date:

System House® is published monthly by Richard Holway Limited, PO Box 183, Farnham, Surrey, GU10 1YG. Telephone 01252 781545; Fax: 01252 781546; E-mail Internet:Holway@Compuserve.com which also publishes the annual "Holway Report" and the "Software and Computing Services Industry in Europe Report". Richard Holway has been a director of several computing services companies and might hold stock in companies featured.

© 1998 Holway Research Associates. The information contained in this publication may not be reproduced without the written permission of the publishers. Whilst every care has been taken to ensure the accuracy of the information contained in this document, the publishers cannot be held responsible for any errors or any consequences thereof. Subscribers are advised to take independent advice before taking any action. **System House**® is a registered trademark of Richard Holway Limited.