

# System House

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

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## Largest UK SCSI Suppliers continue to gain market share

We are now well advanced in compiling the 1998 Holway Report. Early indications are that growth will be 2% or more in excess of our 19% growth forecast for UK SCSI revenues in 1997. A 20%+ growth will, indeed, set yet another record for real growth at a time of low inflation. Our industry is booming to the point where a number of Chairman/CEO have told us during the height of the reporting season this month "if you business isn't buoyant in today's conditions it never will be".

The current state of the market is, of course, reflected in the share prices of those lucky enough to have a UK quote.

FTSE International IT Index	
Top Five	Share Move 1st Dec 97 - 31st Mar. 98
Misys	78%
Sema	79%
CMG	98%
Sage	79%
Logica	62%
<b>Average Top Five</b>	<b>79%</b>

The FTSE IT Index is up a quite incredible 48% in just its first three months of life. But a more startling statistic is that the Top Five companies in the IT Index - which represent about 65% of its weighting - have increased their share price by a quite staggering 79% since 1st Dec. 97 - the day before FTSE International announced the creation of the IT Index. CMG leads the bunch after the superb results this month (see p2 - by the way, that's a mere 800% increase since their float at 290p in Dec. 95).

Out of this list, however, only Sema figures as a Top Ten

SCSI supplier to the UK market.

Indeed, depending on your definitions of ownership none of this year's Top Ten are UK owned. Last year we included GEC Marconi S3I. with £270m revenues. But this grouping has now been disbanded with operations slung to the far corners of the GEC empire. Even GEC's "original" SCSI operation - Easams - which, we understand will have rev. of

c£100m in the year to 31st Mar. 98 - will be moved on 1st April 98 into GEC's Industrial Group. "Most businesses in this division have been sold". Source - FT 26th Mar. 98. This, perhaps, gives some indication of the future GEC plans for its SCSI operations.

In some respects, the Top Ten rankings for 1997 contain few surprises. Yet again, the average growth - at 25% - for the Top Ten is a little higher than "the rest" - thus showing that "the big are getting still bigger".

Indeed, EDS has become the first company to earn over £1 billion from the UK IT services market, with IBM, at £800m not far behind.

Elsewhere the significant growth of the only two products companies in the Top Ten list - Microsoft and Oracle - in some respects both relate to services. We have reported Oracle's services growth ("The wrong kind of snow") before. But Microsoft UK is currently growing its services revenues many times faster than its licence revenues. We recently took quite a few "bets" that Microsoft would make the majority of its revenues from services by 2003 and are quite happy to take any further such wagers (all proceeds to charity).

The newcomer to the lists is Hewlett-Packard. HP really have gone out of their way to keep their services revenues undercover in case they upset their partners. Have none of it! Just like Compaq and its acquisition of Digital or Dell

and its links with Wang Global this month, whatever the product suppliers may say in public, they all see their future in services.

Mind you, we have been saying that for so long that even we are now bored with the message!

Don't forget that the UK Top Ten - and the next 2,000! - are reviewed in great detail in the 1998 Holway Report out in June 98.

See p12.

Software and Computing Services					
Top Ten Suppliers of Software and Computing Services to UK Market in 1997					
Note: Excludes hardware, operating software and own hardware maintenance and associated support					
Note: Revenue relates to Financial Year ending in 1997 - NOT Calendar Year 1997					
1997 Rank	Company	Nationality	1996	1997	Growth 1996/97
1	EDS UK	US	£765m	£1,000m	31%
2	IBM - UK SCSI	US	£600m	£800m	33%
3	ICL - UK SCSI	Jap	£575m	£620m	8%
4	Sema Group	UK/FR	£361m	£476m	32%
5	Andersen Consulting UK	US	£350m	£444m	27%
6	CAP Gemini (UK)	FR	£320m	£386m	21%
7	Computer Sciences Corp (CSC) UK	US	£323m	£362m	12%
8	Microsoft UK	US	£260m	£343m	32%
9	Oracle UK	US	£234m	£323m	38%
10	Hewlett-Packard - UK SCSI	US	£210m	£250m	19%
Strictly © 1998 Richard Holway Limited			Overall growth		25%

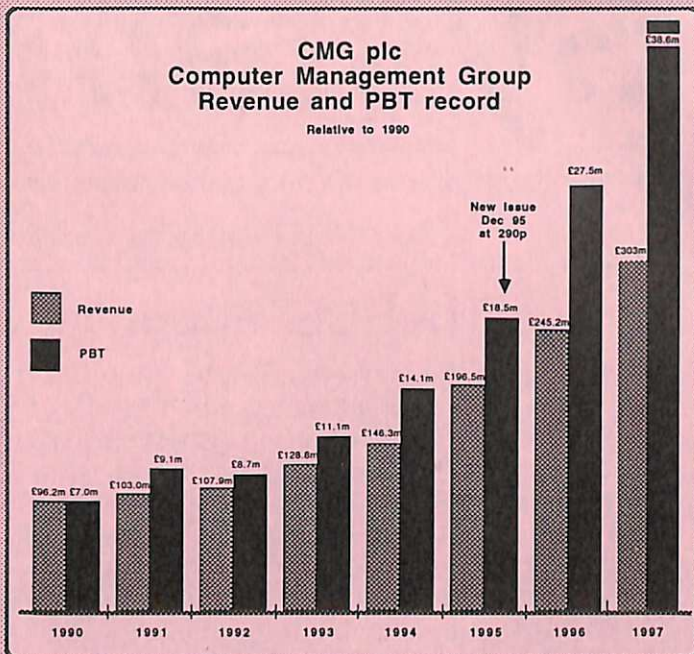
## CMG pushes ahead - and makes an acquisition

Another set of truly excellent results from CMG - above all expectations. In the year to 31st Dec. 97, revenue increased 24% to £303m, PBT went up 40% to £38.6m with EPS up 41%. Indeed at constant exchange rates the increases would have been even better at 43%, 66% and 66% respectively. And what's more, most of the growth was organic. Their main market, The Netherlands had substantial revenue and profit growth, the UK also did well with a 34% revenue rise and a 49% operating profit rise and the German market has now returned to profit. Despite all the talk of skill shortages, CMG has increased its headcount from 3,500 to nearly 5,000 in the period.

Chairman Cor Stutterheim said "We expect demand for our services to remain strong for the foreseeable future. We also expect IT skills shortages to continue... The future looks bright for the years ahead and we fully expect CMG to benefit from these favourable market conditions. We look forward to another year of good growth in 1998". As CMG always tends to do what it says - we do not disagree. Earlier in the month, CMG announced the acquisition of **Microlex** (PoS software packages to the life assurance and pension markets) for an initial £13m with up to a further £5m on profits to Mar. 99. Microlex had estimated £7m revenues to Mar. 98 and a PBT estimated of £1m.

All this success, combined with the current very high demand for good IT stocks, has pushed the share price up another 21% in the month to end on £26.35. Don't forget that CMG floated as recently as Dec. 95 at only 290p. Due to the current high share price, CMG are now planning a 1-for-1 bonus issue to "improve the marketability of our shares". CMG's staff must be very happy people. Although the total staff holding has dropped from 30% a year ago to 25% now, the valuation of these shares has more than doubled to c£375m - and this does not take into account the increase in the value of c4m share options by c£27m which are now probably worth more than this year's PBT.

When will it all end?



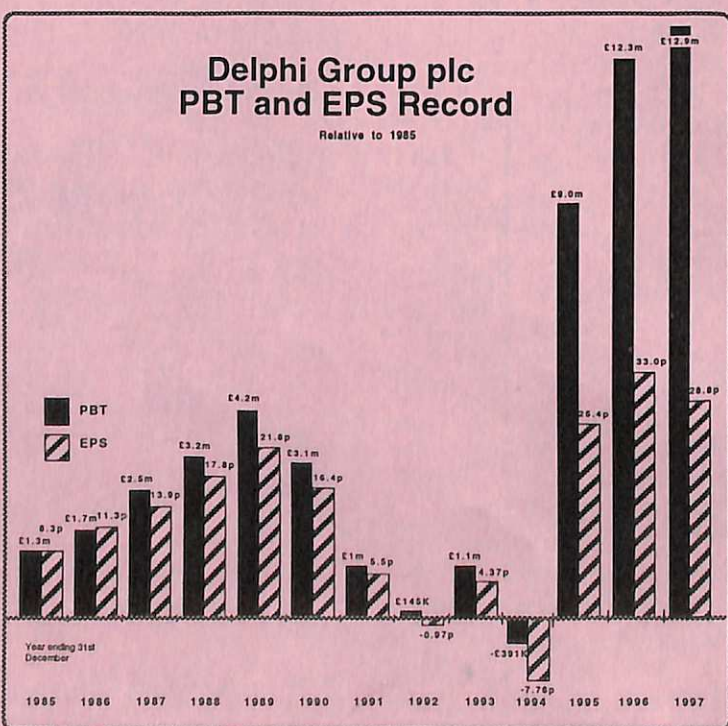
CMG	Revenue			PBT		
	1997	1996	Growth	1997	1996	Growth
Netherlands	£207.9m	£172.2m	20.7%	£33.6m	£27.1m	24.2%
UK	£72.0m	£53.7m	34.0%	£4.6m	£3.1m	49.6%
Germany	£23.1m	£19.2m	20.6%	£1.1m	£-1.2m	to profit
Employee Trust				£0.1m	£0.1m	
Common Costs				£-2.2m	£-2.1m	
Income/Interest				£1.3m	£0.5m	149.0%
<b>Total</b>	<b>£303.0m</b>	<b>£245.1m</b>	<b>23.6%</b>	<b>£38.6m</b>	<b>£27.5m</b>	<b>40.5%</b>

## US problems depress Delphi

Delphi seems to have hit more problems in the US. As if having to pull your NASDAQ float was not bad enough, they now say that US staff have been taking too many holidays simultaneously in Q4 (Ed. Does Xmas still fall in Q4?) This caused an unexpected fall in revenues. Delphi shares fell sharply when the company announced its full year results for the year ending 31st Dec. 97. Although revenue increased 32% to £277m (£8.3m of this was from acquisitions), PBT was only up a meagre 5% and EPS, after exceptional costs of £1.3m, actually fell 13%. These costs related to the abortive NASDAQ listing where Delphi has won no friends. The fact that these costs have now been written off leads us to believe that this (mis)adventure will not happen again - at least in the short term. But FD Richard Pinder has not ruled out a NASDAQ listing - he is just waiting "for more favourable conditions".

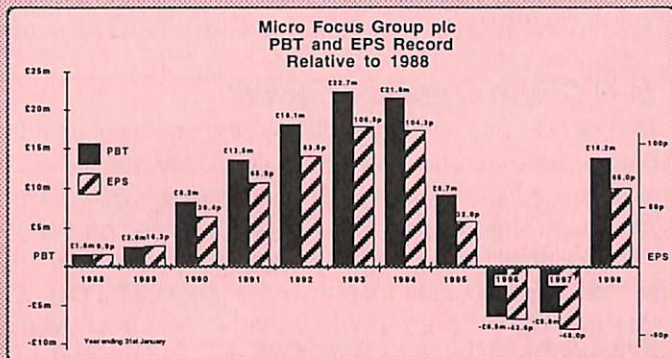
Revenues in the UK were up a "below industry average" of 18% at £175.5m - £160.6m of which was from the buoyant IT contract staff market. European revenues were fairly static at £16m. Due to acquisitions, the bulk of the revenue rise came from the US - up from £46.7m to £85.2m. All in all a disappointing set of results. Chairman and CEO Tony Reeves is more upbeat. "We made good progress during 1997... With the growth of our UK staffing business on a rising trend, revenues and OP in the US increasing over 80%, and the success in training and Decan, we are well placed to continue to develop the Group in 1998". Certainly Delphi is now placing much more emphasis on their training activities which now accounts for c12% of total revenues.

The shares ended March down 4% at 769p - and also an overall fall of a similar 4% in the last year.



## Micro Focus - the "right" kind of revenue

**Micro Focus** has announced its full year's results to 31st Jan. 98. Revenue rose 33% to £97m and last year's loss of £5.9m has been turned into a PBT of £15.3m. In fact Q4 results were even more stunning with revenue up 45% to £30m and PBT up nearly 150%.



"This was an outstanding year for Micro Focus, one that positions the company strongly for the future" said President & CEO Martin Waters. He went on to say "We believe our prospects for growing the business in the coming year are excellent. The company is well positioned for profitable growth in its traditional markets... we believe that we can move the company into new, expanding markets that will fuel future growth".

Waters has put acquisitions at the top of its agenda and was in talks with several potential US-based targets with revenues of between \$10m/\$50m. Of course the present all time record share price will greatly assist if the acquisition price is agreed in a mixture of cash and shares. As usual Micro Focus pays no dividends and with over £51m cash in the bank at the year end, they are now in a very strong financial position. The shares ended the month on 568p (after a 5-for-1 bonus issue), up 13% - just think you could have bought them for under £1 each in 1996!

**Comment.** Readers will know that we have always backed Micro Focus' move into services, which now represents at £36m some 38% of the total. But although services revenues grew 18% in the year, product revenue at £60.5m grew a higher 44%. Of course this is "the right kind of revenue" for analysts in the US. Also, amortisation exceeded new R&D capitalised by c£1.7m. So if they had written it off in earlier years, these results would have been even better!

## Really getting better at Superscape?

**Superscape VR** develop virtual reality software for 3D applications either on the Web or stand alone. So far they have never made a profit. They were a main market placing in Apr. 94 at 198p with a rights issue in late 95 at 330p. They raised £1.8m in Jan. 97 and a further £474K in Jan. 98 (at 110p). The share price has fluctuated widely. It hit a high of 778p in 1996 before plunging to a low of 56p.

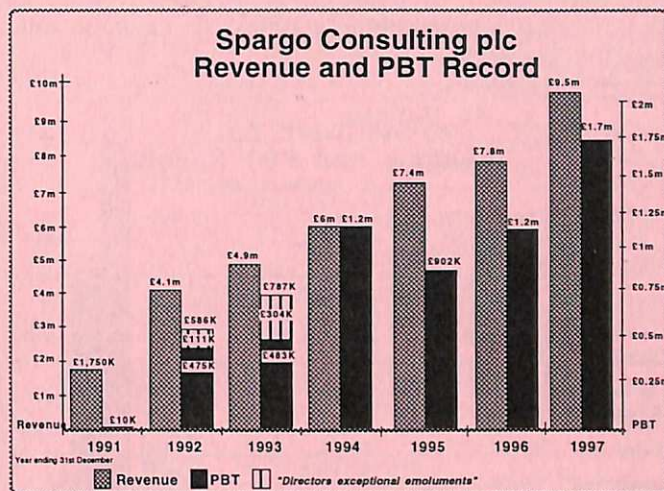
Latest interims for the six months to 31st Jan. 98 show revenue up 35% to just £2.6m and losses down from £3.1m to £956K - much better with at least revenue higher than losses this time. Chairman John Venning is "encouraged by the company's forward order book.. the company has been rebuilt and refocused and is continuing to move towards the target of profitability".

New partnership deals announced recently have led to a major recovery in the share price which ended Mar 98 up 3% at 161p.

April 1998

## Spargo sparkles (at last)

**Spargo Consulting** (application management/IT development and consultancy) was a new issue way back in Jun. 94 at 95p. Since then its results have been good rather than exciting. However in the latest year to 31st Dec. 97 they produced excellent figures. Revenue rose 21% to £9.5m, PBT increased 45% to £1.7m with EPS up 49%.



Commenting on these results Chairman Bob Morton said "The company continues to gain new clients and current trading and prospects are excellent with good demand in both our core business and Y2000 services". Mind you people based businesses like Spargo which can't do well in today's market conditions must have real problems! The shares ended Mar. 98 up 25% at 266p.

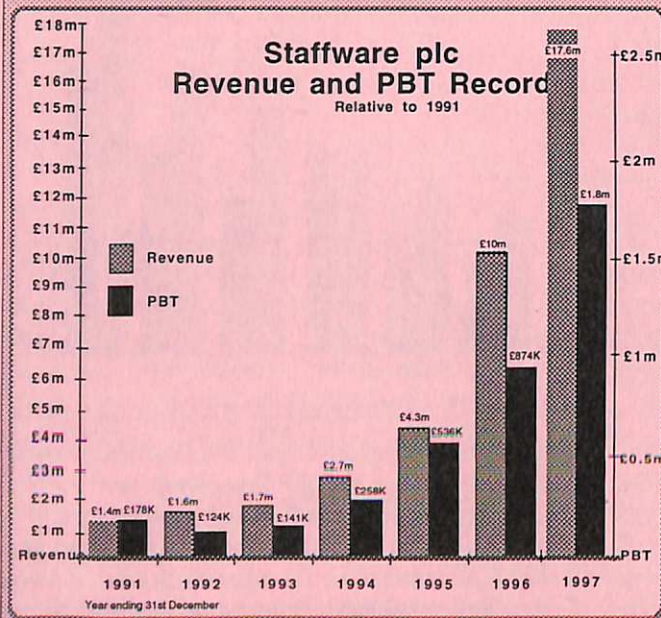
## NSB Retail - superb "maiden" results

**NSB Retail Systems** were only formed in 1995 but managed an AIM float in Sep. 97 at 115p - valuing the company at £11.2m. They are a specialist provider of software solutions and consultancy to the retail industry. Their maiden results since flotation are excellent. In the year to 31st Dec. 97, revenue rose 52% to £3.2m, PBT more than doubled to £837K with EPS up a similar amount. By the way that's a superb profit margin of 25%! Non-Exec. Chairman Peter Johnson said "I am delighted that we exceeded even our own trading expectations... I am very confident that our Retail Express products and services will continue to receive increasingly wider market adoption in 1998". Indeed since the float, NSB have signed distribution agreements with SRC Services (for five years) giving it access to retailers in the Benelux countries and with Salepoint which gives them access to the US - "the largest retail market in the world". When we spoke to MD Nikki Beckett she confirmed that these new distributors were now trained and bringing in business. So clearly we can expect real sales soon. Ms Bennett was rightly cautious of future geographic expansion until these new markets were bedded down. NSB has been one of the best performers on the AIM market. The shares ended March on 265p, a rise of 43% in the month and a premium of 130% to the flotation price.

**Comment.** NSB is a company with superb prospects. We are sure that the quality of the NEDs for such a small company has had something to do with it. The list includes Alan Vickery, Chairman of JBA and Peter Johnson who has had extensive retailing experience in Australia and the US (and prior to the placing owned 25% of NSB with Bennett owning the remaining 75%).

## Staffware - fails to please investors

**Staffware** - "the world's largest workflow software group with 25% of total worldwide production" was a new AIM float in Jul. 96 at 225p. In the year ending 31st Dec. 97 revenue went up 76% to £17.6m, PBT more than doubled at £1.7m with EPS up 93%. And this was after writing off £3m R&D. Indeed these excellent results would have been better by £1.3m revenue and £400K profits using constant exchange rates. They supply products to over 40 countries to a mainly blue chip customer base. Over half the sales are outside the UK.



Chairman Paul Fullagar said "Staffware's objective is to consolidate its position as workflow market leader whilst taking full advantage of expected market growth... product strength, market positions and management infrastructure bode well for the future".

Despite these excellent results, the share price actually fell 41p (c10%) on the day of the announcement. Indeed, they have hardly sparked since the float. However, they recovered well to end Mar. 98 up 17% at 440p.

## Tetra in line with expectations

**Tetra** (financial accounting software) was a new issue in Nov. 97 at 160p so we did not expect any shocks from their maiden interim results for the six months to 30th Nov. 97. Indeed these were "in line with expectations at the time of the float". "The outlook for the rest of the year is in line with expectations". Revenue rose 35% to £13.3m, operating profit increased from £1m to £1.4m but, due to exceptional charges of £3.9m (mainly stock options £3m and £662K for directors compensation), the previous PBT of £830K was turned into a loss of £2.6m.

Software licence revenue was up 35% to £6m (c45% total sales) with the remainder from consultancy (£2.8m), Maintenance (£3m) and other activities (£1.5m). c50% revenue comes from the UK with 31% from Europe.

Certainly the float has raised Tetra's profile both in the UK and abroad. The shares have done well in the short period since the launch and ended March on 257p, a premium of 61% to the issue price.

## CSSA

The **CSSA** has appointed John Higgins as Director General in place of Rob Wirszyycz who moves to EDS. The CSSA Annual Conference this month returned to its normal format and was the best in a long while.

## Growth continues at Andersen Consulting

**Andersen Consulting's** worldwide revenues for 1997 increased 25% to \$6.6bn - the fourth consecutive year of growth in excess of 20%. Worldwide, the outsourcing operation (Business Process Management) saw revenues leap 58% to \$1bn. The largest revenue growth area was Europe which managed a 23% rise to \$2.3bn. The UK alone saw a 30% rise (adjusted for exchange rate fluctuations) to \$732m (c£444m).

## M-R Group - recovering well

**M-R Group** has had a difficult few years trying to change their business profile from basically a COM bureau to "a technology led outsource and document service solution provider". They appear to be slowly succeeding thanks mainly to the common sense attitude they have adopted. In their interim figures for the six months to 31st Dec. 97 this transitional progress has continued successfully. Although revenue rose only 13% to £20.8m (and this includes £1.3m revenue from PCL acquired in Nov. 97 for £4.5m cash plus debt), PBT was up a higher 28% at £3m with EPS up an even higher 31%. The traditional COM business was helped by now being offered as part of an integrated package and "performed well". The US management "has achieved much". Chairman Colin Haylock went on to say "...we have pointed the business at a buoyant market for our services. We are beginning to win major, long term, outsourcing contracts both in the UK and US. The prospects for the future are encouraging". The share price fell just 1% in the month to 141p - but that's still a rise of 25% this year. Still way below the £2+ way back in 1994 (before the string of profit warnings).

## Yet another profits warning from Microgen

Earlier this month, **Microgen** issued its third profit warning since last July saying that Q198 profits "are likely to be significantly below market expectations". This was principally due to the higher than anticipated costs following the integration of recent acquisition **TBS**. Not surprisingly, the market disliked this further bad news and the shares immediately fell 9p. But they recovered well to end on 75p, a rise of 4% in March.

## Ecstatic reception for Guardian iT

Disaster recovery specialist **Guardian iT** came to the market this month with a £44.4m placing at 255p valuing the company at £130.5m - about £30m higher than anticipated as recently as Jan. 98. That's almost 7-times the price of £21m the MBO team paid to ICL at the end of Dec. 94. It is also c7-times the 1997 revenues of £23m and an historic P/E of 45. Guardian made PBT of £4m in 1997 - an excellent 17.5% profit margin.

Guardian is a superb company and is now the only quoted company in its field. The shares received what can only be described as a rapturous reception and ended the month on 430p - a premium of 69% to the new issue price. We have added them to our results service.

## JBA - "a bitter sweet year"

We reviewed **JBA** in last month's *System House* after their profit warning which cost them their coveted **Boring Award**. Actual results for the year to 31st Dec. 97 showed revenue up 37% to £221.7m they made PBT of just £5.2m. The shares ended the month on 606p - down 12%.

As we went to press, Peter Rigby's **Specialist Computer Holdings** announced that it had sold its PC stores operation **Byte** to **Dixons** for a "nominal amount".

**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

Admiral plc				Eidos plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	
PBT	£ 90,818,000	£ 117,191,000	+29.0%	PBT	£ 20,492,000	£ 75,531,000	£ 21,817,000	+6.5%	
EPS	£ 11,243,000	£ 17,552,000	+56.1%	EPS	£ 12,497,000	£ 7,626,000	£ 18,331,000	Loss both	
	11.60p	17.80p	+53.4%		-100.70p	44.40p	-70.80p	Loss both	
AFA Systems plc				Electronic Data Processing plc					
REV	Final - Dec 95 (5 mos)	Final - Dec 96	Comparison	REV	Final - Sep 96	Final - Sep 96	Comparison		
PBT	£ 0	£ 364,000	n/a	PBT	£ 14,267,000	£ 12,565,000	-11.9%		
EPS	-£ 121,000	-£ 913,000	Loss both	EPS	£ 2,519,000	£ 1,741,000	-30.9%		
	-1.62p	-10.50p	Loss both		6.64p	4.50p	-32.2%		
AIT Group plc				F.I. Group plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison
PBT	£ 5,063,000	£ 10,675,000	£ 8,184,000	+22.1%	PBT	£ 46,254,000	£ 98,800,000	£ 71,231,000	+54.0%
EPS	£ 697,000	£ 1,546,000	£ 958,000	+37.4%	EPS	£ 2,805,000	£ 6,575,000	£ 4,310,000	+53.7%
	2.42p	5.68p	3.33p	+37.6%		6.00p	14.20p	9.40p	+56.7%
Anite Group plc				Flomerics Group plc					
REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison	
PBT	£ 103,533,000	£ 193,399,000	£ 78,948,000	-23.7%	PBT	£ 5,332,409	£ 5,786,456	+8.5%	
EPS	-£ 63,454,000	-£ 50,377,000	-£ 526,000	Loss both	EPS	£ 477,885	£ 48,085	-89.9%	
	-27.40p	-21.20p	0.00p	n/a		12.30p	0.30p	-97.6%	
Azlan Group plc				Gresham Computing plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Final - Oct 96	Final - Oct 97	Comparison	
PBT	£ 126,484,000	£ 292,900,000	£ 140,990,000	+11.5%	PBT	£ 9,271,000	£ 8,689,000	-6.3%	
EPS	£ 6,034,000	-£ 14,100,000	-£ 7,897,000	Profit to loss	EPS	£ 1,682,000	£ 667,000	-60.3%	
	15.00p	-44.30p	-23.10p	Profit to loss		3.15p	1.17p	-62.9%	
Cadcentre Group plc				Guardian IT plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison	
PBT	£ 7,795,000	£ 17,339,000	£ 8,249,000	+5.8%	PBT	£ 15,224,000	£ 19,954,000	+31.1%	
EPS	£ 204,000	£ 1,777,000	£ 841,000	+312.3%	EPS	£ 2,345,000	£ 4,033,000	+72.0%	
	-0.05p	7.13p	3.32p	Loss to profit		17.90p	29.90p	+67.0%	
Capita Group plc				Harvey Nash Group plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Jul 96	Final - Dec 96	Interim - Jul 97	Comparison	
PBT	£ 111,869,000	£ 172,904,000	+54.6%	PBT	£ 16,403,000	£ 36,321,000	£ 23,767,000	+44.9%	
EPS	£ 12,292,000	£ 18,312,000	+49.0%	EPS	£ 1,788,000	£ 797,000	£ 2,111,000	+18.1%	
	4.75p	6.51p	+37.1%		4.43p	1.80p	5.26p	+18.7%	
Cedardata plc				Highams Systems Services Group plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 5,681,000	£ 5,321,000	£ 5,321,000	-8.0%	PBT	£ 7,359,000	£ 16,394,589	£ 11,318,000	+53.8%
EPS	£ 1,935,000	£ 1,589,000	£ 1,054,000	-45.5%	EPS	£ 388,000	£ 878,707	£ 647,000	+66.8%
	4.10p	3.60p	2.20p	-46.3%		3.30p	7.20p	4.90p	+48.5%
CFS Group plc				ilion group plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 4,569,000	£ 6,828,000	+49.4%	PBT	£ 146,875,000	£ 203,134,000	+38.8%		
EPS	£ 552,000	£ 813,000	+47.3%	EPS	£ 6,009,000	£ 10,100,000	+1.5%		
	6.44p	9.29p	+43.7%		17.20p	15.10p	-12.2%		
Chemical Design Holdings plc				Intelligent Environments Group plc					
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 634,000	£ 1,866,000	£ 1,079,000	+70.2%	PBT	£ 2,028,000	£ 3,475,554	£ 2,074,000	+2.3%
EPS	-£ 161,000	-£ 165,000	-£ 79,000	Loss both	EPS	£ 35,000	-£ 1,379,256	-£ 2,046,000	Profit to loss
	-2.58p	-2.93p	-1.21p	Loss both		0.20p	-7.10p	-9.20p	Profit to loss
Clinical Computing plc				IS Solutions plc					
REV	Final - Dec 95	Final - Dec 96	Comparison	REV	Final - Dec 95	Final - Dec 96	Comparison		
PBT	£ 2,187,131	£ 1,979,690	-9.5%	PBT	£ 7,627,038	£ 7,671,000	+0.6%		
EPS	-£ 714,879	-£ 2,079,530	Loss both	EPS	£ 38,084	£ 219,000	+475.0%		
	-4.40p	-12.30p	Loss both		n/a	n/a	n/a		
CMG plc				JBA Holdings plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 245,159,000	£ 302,992,000	+23.6%	PBT	£ 161,810,000	£ 221,737,000	+37.0%		
EPS	£ 27,522,000	£ 38,645,000	+40.4%	EPS	£ 11,259,000	£ 5,233,000	-53.5%		
	27.40p	38.60p	+40.9%		18.26p	10.12p	-44.6%		
Comino plc				Kalamazoo Computer Group plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 3,256,000	£ 7,792,000	£ 5,087,000	+56.1%	PBT	£ 35,218,000	£ 77,776,000	£ 33,801,000	-4.0%
EPS	£ 594,000	£ 1,420,000	£ 830,000	+39.7%	EPS	£ 2,340,000	£ 3,882,000	-£ 514,000	Profit to loss
	4.25p	9.95p	4.89p	+15.1%		3.72p	6.85p	-1.04p	Profit to loss
Compel Group plc				Kewill Systems plc					
REV	Interim - Dec 96	Final - Jun 97	Interim - Dec 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 39,542,000	£ 111,792,000	£ 86,633,000	+119.1%	PBT	£ 19,830,000	£ 41,348,000	£ 19,334,000	-2.5%
EPS	£ 1,696,000	£ 5,057,000	£ 3,666,000	+116.2%	EPS	£ 3,243,000	£ 7,425,000	£ 3,580,000	+10.4%
	6.70p	16.20p	8.80p	+31.3%		17.50p	40.50p	18.80p	+7.4%
CRT Group plc				Logica plc					
REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison	REV	Interim - Dec 96	Final - Jun 97	Interim - Dec 97	Comparison
PBT	£ 55,497,000	£ 134,334,000	£ 119,326,000	+115.0%	PBT	£ 147,861,000	£ 338,465,000	£ 216,256,000	+46.3%
EPS	£ 3,367,000	£ 12,056,000	£ 6,574,000	+95.2%	EPS	£ 10,632,000	£ 28,148,000	£ 15,517,000	+45.9%
	2.40p	6.86p	3.07p	+27.9%		11.40p	30.30p	16.00p	+40.4%
DCS Group plc				London Bridge Software Holdings plc					
REV	PF Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 35,242,000	£ 59,777,000	+69.6%	PBT	£ 6,308,376	£ 11,320,000	+79.5%		
EPS	£ 3,032,000	£ 4,920,000	+62.3%	EPS	£ 2,499,071	£ 3,701,000	+48.1%		
	10.30p	15.68p	+52.2%		7.82p	10.03p	+28.3%		
DRS Data & Research Services plc				Lorien plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Nov 96	Final - Nov 97	Comparison		
PBT	£ 4,822,000	£ 6,765,000	+40.3%	PBT	£ 45,706,000	£ 116,930,000	+155.8%		
EPS	-£ 1,734,000	-£ 826,000	Loss both	EPS	£ 1,481,000	£ 1,585,000	+7.0%		
	-3.43p	-1.99p	Loss both		11.80p	4.50p	-61.9%		
Delcam plc				Lynx Holdings plc					
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Sep 96	Final - Sep 97	Comparison	
PBT	£ 6,331,811	£ 13,579,346	£ 7,065,514	+11.6%	PBT	£ 87,644,000	£ 120,752,000	+37.8%	
EPS	£ 297,227	£ 1,036,812	£ 372,410	+25.3%	EPS	£ 6,953,000	£ 9,805,000	+41.0%	
	3.40p	11.10p	4.40p	+29.4%		5.36p	6.83p	+27.4%	
Delphi Group plc				MMT Computing plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Aug 96	Final - Aug 97	Comparison		
PBT	£ 210,635,000	£ 276,914,000	+31.5%	PBT	£ 16,861,201	£ 24,839,075	+46.1%		
EPS	£ 12,302,000	£ 12,853,000	+4.5%	EPS	£ 4,531,686	£ 5,554,611	+22.6%		
	33.02p	28.79p	-12.8%		24.60p	29.80p	+21.1%		
Diagonal plc				M-R Group plc					
REV	Final - Nov 96	Final - Nov 97	Comparison	REV	Interim - Dec 96	Final - Jun 97	Interim - Dec 97	Comparison	
PBT	£ 28,326,000	£ 44,788,000	+58.1%	PBT	£ 18,509,000	£ 39,430,000	£ 20,824,000	+12.5%	
EPS	£ 2,007,000	£ 3,302,000	+64.5%	EPS	£ 2,354,000	£ 5,604,000	£ 3,004,000	+27.6%	
	7.70p	13.60p	+76.6%		2.90p	7.30p	3.80p	+31.0%	
Dialog Corporation plc				MDIS Group plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 21,443,000	£ 46,082,000	+114.9%	PBT	£ 117,789,000	£ 116,925,000	-0.7%		
EPS	-£ 7,034,000	-£ 20,432,000	Loss both	EPS	-£ 49,545,000	£ 221,000	Loss to profit		
	-7.82p	-20.52p	Loss both		-48.94p	0.22p	Loss to profit		
Division Group plc				Macro 4 plc					
REV	Final - Oct 96	Final - Oct 97	Comparison	REV	Interim - Dec 96	Final - Jun 97	Interim - Dec 97	Comparison	
PBT	£ 4,900,000	£ 6,678,000	+36.3%	PBT	£ 11,747,000	£ 23,448,000	£ 12,150,000	+3.4%	
EPS	-£ 1,678,000	-£ 1,783,000	Loss both	EPS	£ 5,135,000	£ 10,300,000	£ 5,250,000	+2.2%	
	-3.80p	-4.10p	Loss both		16.50p	33.80p	17.60p	+6.7%	
Druid Group plc				Micro Focus plc					
REV	Interim - Dec 96	Final - Jun 97	Interim - Dec 97	Comparison	REV	Final - Jan 97	Final - Jan 98	Comparison	
PBT	£ 9,384,000	£ 22,088,000	£ 14,278,000	+52.1%	PBT	£ 73,089,000	£ 97,015,000	+32.7%	
EPS	£ 1,800,000	£ 5,004,000	£ 2,404,000	+33.6%	EPS	-£ 5,809,000	£ 15,217,000	Loss to profit	
	5.12p	13.94p	6.92p	+35.2%		-48.00p	65.00p	Loss to profit	

**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

<b>Microgen Holdings plc</b>					<b>Romtec plc</b>				
REV	Final - Oct 96 £ 73,391,000	Final - Oct 97 £ 66,398,000	Comparison -8.5%		REV	Interim - Jul 96 £ 1,990,000	Final - Jan 97 £ 4,734,677	Interim - Jul 97 £ 2,491,000	Comparison +25.2%
PBT	£ 8,783,000	£ 5,324,000	-39.4%		PBT	£ 128,000	£ 326,125	£ 130,000	+1.6%
EPS	15.10p	8.80p	-41.7%		EPS	1.70p	4.30p	1.90p	+11.8%
<b>Microvitec plc</b>					<b>Royalblue Group plc</b>				
REV	Interim - Jun 96 £ 33,840,000	Final - Dec 96 £ 65,176,000	Interim - Jun 97 £ 20,892,000	Comparison -38.3%	REV	Final - Dec 96 £ 11,679,000		Final - Dec 97 £ 20,647,000	Comparison +76.8%
PBT	£ 1,610,000	£ 461,000	-£ 424,000	Profit to loss -92.9%	PBT	£ 2,016,000		£ 2,041,000	+1.2%
EPS	1.40p	0.21p	0.10p		EPS	4.66p		3.33p	-28.5%
<b>Misys plc</b>					<b>Sage Group plc</b>				
REV	Interim - Nov 96 £ 142,809,000	Final - May 97 £ 325,470,000	Interim - Nov 97 £ 177,644,000	Comparison +24.4%	REV	Final - Sep 96 £ 136,236,000		Final - Sep 97 £ 152,089,000	Comparison +11.6%
PBT	£ 23,665,000	£ 62,533,000	£ 32,122,000	+35.7%	PBT	£ 30,053,000		£ 37,635,000	+25.2%
EPS	19.90p	52.80p	27.00p	+35.7%	EPS	18.50p		23.43p	+26.6%
<b>Mondas plc</b>					<b>Sanderson Group plc</b>				
REV	Interim - Oct 96 £ 11,183	Final - Apr 97 £ 56,609	Interim - Oct 97 £ 143,075	Comparison +1179.4%	REV	Final - Sep 96 £ 61,385,000		Final - Sep 97 £ 67,143,000	Comparison +9.4%
PBT	-£ 104,718	-£ 421,192	-£ 250,795	Loss both	PBT	£ 6,201,000		£ 2,778,000	-55.2%
EPS	-5.40p	-10.50p	-4.10p	Loss both	EPS	10.10p		4.70p	-53.5%
<b>Moorepay Group plc</b>					<b>SBS Group plc</b>				
REV	Final - Dec 96 £ 5,118,415		Final - Dec 97 £ 5,283,379	Comparison +3.2%	REV	PF Final - Aug 96 £ 15,187,000		PF Final - Aug 97 £ 18,981,000	Comparison +25.0%
PBT	£ 1,327,894		£ 1,385,201	+4.3%	PBT	£ 70,000		£ 728,000	+940.0%
EPS	8.26p		9.04p	+9.4%	EPS	4.15p		8.60p	+107.2%
<b>MSB International plc</b>					<b>Science Systems plc</b>				
REV	Interim - Jul 96 £ 29,967,000	Final - Jan 97 £ 69,755,000	Interim - Jul 97 £ 54,893,000	Comparison +83.2%	REV	Final - Dec 96 £ 14,603,000		Final - Dec 97 £ 18,601,000	Comparison +27.4%
PBT	£ 2,166,000	£ 5,431,000	£ 3,714,000	+71.5%	PBT	£ 1,271,000		£ 1,855,000	+45.9%
EPS	7.00p	17.60p	12.10p	+72.9%	EPS	3.70p		6.80p	+83.8%
<b>NSB Retail Systems plc</b>					<b>Sema Group plc</b>				
REV	Final - Dec 96 £ 2,161,000		Final - Dec 97 £ 3,284,000	Comparison +52.0%	REV	Final - Dec 96 £ 926,985,000		Final - Dec 97 £ 1,130,088,000	Comparison +21.9%
PBT	£ 296,000		£ 837,000	+182.8%	PBT	£ 50,019,000		£ 64,073,000	+28.1%
EPS	2.30p		6.30p	+173.9%	EPS	30.94p		39.14p	+26.5%
<b>Oxford Molecular plc</b>					<b>Sherwood International plc</b>				
REV	Interim - Jun 96 £ 4,350,000	Final - Dec 96 £ 9,789,000	Interim - Jun 97 £ 6,168,000	Comparison +41.8%	REV	Final - Dec 96 £ 24,628,000		Final - Dec 97 £ 30,038,000	Comparison +22.0%
PBT	-£ 950,000	-£ 1,849,000	-£ 677,000	Loss both	PBT	£ 2,065,000		£ 3,095,000	+49.9%
EPS	-1.70p	-3.30p	-1.10p	Loss both	EPS	18.80p		22.80p	+21.3%
<b>Parity plc</b>					<b>Skillsgroup plc</b>				
REV	Final - Dec 96 £ 162,091,000		Final - Dec 97 £ 202,078,000	Comparison +24.7%	REV	Final - Nov 96 £ 344,337,000		Final - Nov 97 £ 376,989,000	Comparison +9.5%
PBT	£ 10,060,000		£ 13,506,000	+34.3%	PBT	£ 14,277,000		-£ 16,308,000	Profit to loss
EPS	15.81p		20.91p	+32.3%	EPS	12.70p		-22.90p	Profit to loss
<b>Pegasus Group plc</b>					<b>Spargo Consulting plc</b>				
REV	Final - Dec 96 £ 7,914,000		Final - Dec 97 £ 12,447,000	Comparison +57.3%	REV	Final - Dec 96 £ 7,853,000		Final - Dec 97 £ 9,512,000	Comparison +21.1%
PBT	£ 1,160,000		£ 1,698,000	+46.4%	PBT	£ 1,204,000		£ 1,740,000	+44.5%
EPS	15.40p		29.30p	+90.3%	EPS	6.17p		9.22p	+49.4%
<b>PhoneLink plc</b>					<b>Staffware plc</b>				
REV	Interim - Sep 96 £ 2,155,000	Final - Mar 97 £ 4,316,000	Interim - Sep 97 £ 1,850,000	Comparison -14.2%	REV	Final - Dec 96 £ 10,009,325		Final - Dec 97 £ 17,585,000	Comparison +75.7%
PBT	-£ 3,152,000	-£ 6,173,000	-£ 1,742,000	Loss both	PBT	£ 873,879		£ 1,772,000	+102.8%
EPS	-6.70p	-12.90p	-3.60p	Loss both	EPS	5.60p		10.80p	+92.9%
<b>Proteus International plc</b>					<b>Superscape VR plc</b>				
REV	Interim - Sep 96 £ 413,000	Final - Mar 97 £ 573,000	Interim - Sep 97 £ 21,000	Comparison -94.9%	REV	Interim - Jan 97 £ 1,901,000	Final - Jul 97 £ 3,106,000	Interim - Jan 98 £ 2,568,000	Comparison +35.1%
PBT	-£ 1,820,000	-£ 3,824,000	-£ 1,931,000	Loss both	PBT	-£ 3,128,000	-£ 5,961,000	-£ 956,000	Loss both
EPS	-3.67p	-7.31p	-3.49p	Loss both	EPS	-37.40p	-69.60p	-10.90p	Loss both
<b>Quality Software Products Holdings plc</b>					<b>Systems Integrated Research plc</b>				
REV	Final - Dec 96 £ 25,360,189		Final - Dec 97 £ 28,016,991	Comparison +10.5%	REV	Interim - Nov 96 £ 507,000	Final - May 97 £ 1,450,000	Interim - Nov 97 £ 516,000	Comparison +1.8%
PBT	£ 28,480		£ 2,655,299	+9223.4%	PBT	-£ 1,194,000	-£ 1,938,000	-£ 296,000	Loss both
EPS	0.20p		20.20p	+10000.0%	EPS	-9.10p	-13.30p	-2.40p	Loss both
<b>RM plc</b>					<b>Tetra plc</b>				
REV	Final - Sep 96 £ 99,032,000		Final - Sep 97 £ 110,170,000	Comparison +11.2%	REV	Interim - Nov 96 £ 9,867,000	Final - May 97 £ 22,358,000	Interim - Nov 97 £ 13,312,000	Comparison +34.3%
PBT	£ 6,806,000		£ 8,018,000	+17.8%	PBT	£ 830,000	£ 2,096,000	-£ 2,608,000	Profit to loss
EPS	25.10p		30.80p	+22.7%	EPS	2.71p	6.10p	-13.17p	Profit to loss
<b>Radius plc</b>					<b>Total Systems plc</b>				
REV	Final - Dec 96 £ 27,267,000		Final - Dec 97 £ 27,728,000	Comparison +1.7%	REV	Interim - Sep 96 £ 1,477,822	Final - Mar 97 £ 3,279,609	Interim - Sep 97 £ 2,017,128	Comparison +36.5%
PBT	£ 1,591,000		£ 1,122,000	-29.5%	PBT	£ 185,587	£ 412,545	£ 476,206	+156.6%
EPS	4.05p		2.94p	-27.4%	EPS	1.33p	2.76p	3.19p	+139.8%
<b>Rage Software plc</b>					<b>Trace Computers plc</b>				
REV	Final - Jun 96 £ 9,504,000		Final - Jun 97 £ 6,758,000	Comparison -28.9%	REV	Interim - Nov 96 £ 9,737,000	Final - May 97 £ 17,270,621	Interim - Nov 97 £ 7,170,000	Comparison -26.4%
PBT	-£ 3,224,000		-£ 15,430,000	Loss both	PBT	£ 145,000	£ 634,601	£ 409,000	+182.1%
EPS	-1.34p		-6.30p	Loss both	EPS	1.03p	3.35p	2.16p	+109.7%
<b>Real Time Control plc</b>					<b>Triad Group plc</b>				
REV	Interim - Sep 96 £ 6,314,000	Final - Mar 97 £ 12,565,000	Interim - Sep 97 £ 7,181,000	Comparison +13.7%	REV	Interim - Sep 96 £ 8,350,000	Final - Mar 97 £ 18,827,000	Interim - Sep 97 £ 14,139,000	Comparison +69.3%
PBT	£ 1,156,000	£ 2,547,000	£ 1,477,000	+27.8%	PBT	£ 1,219,000	£ 2,656,000	£ 2,851,000	+133.9%
EPS	11.00p	25.50p	14.50p	+31.8%	EPS	3.22p	7.25p	7.53p	+133.9%
<b>Rebus Group plc</b>					<b>Vega Group plc</b>				
REV	Interim - Sep 96 £ 30,255,000	Final - Mar 97 £ 66,436,000	Interim - Sep 97 £ 40,876,000	Comparison +34.4%	REV	Interim - Oct 96 £ 8,826,000	Final - Apr 97 £ 17,977,000	Interim - Oct 97 £ 10,399,000	Comparison +17.8%
PBT	£ 2,313,000	£ 5,808,000	£ 2,941,000	+27.2%	PBT	£ 1,405,000	£ 3,261,000	£ 805,000	-42.7%
EPS	1.72p	4.61p	1.96p	+14.0%	EPS	6.35p	13.79p	3.49p	-45.0%
<b>Recognition Systems Group plc</b>					<b>Workplace Technologies plc</b>				
REV	Final - Sep 96 £ 324,000		Final - Sep 97 £ 773,000	Comparison +138.6%	REV	Final - Dec 96 £ 52,086,000		Final - Dec 97 £ 65,938,000	Comparison +26.6%
PBT	-£ 1,266,000		-£ 2,255,000	Loss both	PBT	£ 1,040,000		£ 1,830,000	+76.0%
EPS	-5.50p		-8.30p	Loss both	EPS	-0.38p		2.17p	loss to profit
<b>Riva Group plc</b>					<b>Xavier Computer Group plc</b>				
REV	Interim - Jun 96 £ 32,348,000	Final - Dec 96 £ 64,438,000	Interim - Jun 97 £ 32,661,000	Comparison +1.0%	REV	Interim - Sep 96 £ 3,740,000	Final - Mar 97 £ 8,961,457	Interim - Sep 97 £ 7,805,000	Comparison +108.7%
PBT	-£ 905,000	£ 518,000	£ 190,000	Loss to profit	PBT	£ 260,000	£ 582,000	£ 501,000	+92.7%
EPS	-3.00p	0.90p	0.30p	Loss to profit	EPS	0.33p	0.62p	0.38p	+15.2%
<b>Rolfe &amp; Nolan plc</b>					<b>Zergo Holdings plc</b>				
REV	Interim - Aug 96 £ 8,830,000	Final - Feb 97 £ 20,299,000	Interim - Aug 97 £ 9,692,000	Comparison +12.3%	REV	Interim - Oct 96 £ 4,670,000	Final - Apr 97 £ 10,398,871	Interim - Oct 97 £ 5,371,000	Comparison +15.0%
PBT	£ 1,107,000	£ 2,758,000	-£ 569,000	Profit to loss	PBT	£ 185,000	£ 725,736	£ 78,000	-57.8%
EPS	5.57p	14.50p	-2.93p	Profit to loss	EPS	0.50p	3.40p	-0.30p	Profit to loss

## UK M&A

US **Cadence Design Systems** has acquired the Cambridge-based chip software design business **Symbionics** for an undisclosed sum. Symbionics employed 120 and had revenue of c£20m.

**Intersolv Inc.** has bought UK **SQL Software Ltd** for \$20m (c£13m). SQL (configuration management and software testing tools) had revenue of c£5.5m with 75 employees.

**Zergo** has acquired **Security Domain Pty** - an Australian producer of enterprise wide security software - for £6m in shares. **Prove IT 2000** has received a £1.5m investment from **Prelude**. US **Aris** has acquired UK **Barefoot Computer Training**. Aris will merge the operation with the **Oxford Computer Group** which they bought in Feb. 97.

**Serco** (task management contractor) is seeking £33m by way of a share placing for expansion in Asia. The company has also announced their results for the year to 31st Dec. 97. Revenue rose 23% to £489m with PBT up from £18.3m to £22m. Serco are therefore one of the UK's largest FM suppliers but we reckon that only around 30% is IT related.

**Microvitec** has sold certain assets and the repair business of subsidiary **Perex** to **Dicoll** for £340K.

**Wang** has at last finalised its acquisition of **Olivetti's** IT solutions and services business - **Olsy** - for \$390m. The combined business will have \$3.6bn revenue and will be one of the world's largest network solutions and desktop services providers with over 20,000 employees. This will have significant effects in the UK.

**Best People** - which just must be the fastest expanding IT agency around - had added another £6m revenue with the acquisition of **Footprint** in Bristol.

**Computerlink Information Exchange** (ISP and computer conferencing) has been the subject of an MBI backed by Legal & General Ventures.

**Computerland** has acquired services company **Netman** for £1m cash and 1m shares with £300K deferred. Computerland have also agreed a conditional takeover of **KDL** for £3.1m.

**TPM PM Group** has appointed the receivers.

### **CRT Group acquires two**

**CRT Group** has acquired **Squires Group plc** for £6.3m. Squires had revenue of £9.2m and PBT of £1.2m in the year to 31st Dec. 97.

Then, a few days later, they bought **Match Employment** for £5.1m cash. Match had revenue of £5.3m and PBT of £900K in the year to 31st Aug. 97.

Both companies are involved in general (rather than IT specific) recruitment and will be merged with CRT's existing general recruitment business - **Link**. CRT is *not* in the FTSE IT Index as it has a significant amount of non-IT activities like this. But perhaps that will become their strength when the inevitable downturn occurs in the IT agency staff market.

### **DRS announces reduced losses**

**DRS** (optical mark reading software) has had a dismal time over the last few years. Full year results to 31st Dec. 97 showed revenue up 40% to £6.8m and losses reduced from £1.7m to £826K.

DRS have been faced with a "relentless decline" in hardware and printed form sales to schools and new markets have been difficult to penetrate. The share price performance has been nothing short of a disaster ending the month on just 17p - they were floated in 1994 at 110p.

### **Pearson sells Mindscape**

Back in Apr. 94 **Pearson plc** (the publishers of the Financial Times) announced the acquisition of US **Software Toolworks** for \$462m. Software Toolworks (since renamed **Mindscape**) developed "edutainment" and "infotainment" interactive software for PCs and Sega/Nintendo games machines - (yes we hated the words almost as much as the acquisition). Given that ST had made a PBT of just \$6m on revenues of \$101m in the nine months to 31st Dec. 93, even we commented (1994 Holway Report) that the deal "looks generous to say the least!" Given that Pearson had no experience of such markets made it also look "foolhardy...to say the least".

Indeed it proved to be an unmitigated disaster. The format - and potential customers - for such products changes rapidly and Pearson, with no experience of the market, were like lambs to the slaughter. Years of losses followed culminating in Pearson issuing a major profits warning on 2nd May 96 as Mindscape would report losses of £46m. Heads rolled and a new CEO was appointed at Pearson. We were rather impressed when Majorie Scardino said (reported in her own Financial Times of 18th Mar. 97) "One of the things Pearson should have done better is to learn from experience...before making large purchases like Mindscape the company ought to know the markets involved". As the "Stick to the knitting" ....particularly in foreign parts...pattern is a long term theme of ours, we could only say "Hear, Hear".

The fact that Pearson's shares rose on 7th Mar. 98 on the announcement of the sale of Mindscape which would involve a £212m book loss, is testimony to the scale of both the disaster and the relief that shareholders felt when the unhappy episode came to an end.

Mindscape was sold to NASDAQ-quoted **The Learning Company** for £91.6m. Apparently, Mindscape had made an operating profit of £1.61m on revenues of £82.6m in its most recent year. The £212m exceptional loss, struck after writing back goodwill of £286m, was reported as a non-operating loss in Pearson's results for the year to 31st Dec. 97. Apparently Mindscape's book value in Pearson's accounts was just £14m.

We would like to think that this episode would be a lesson to others. *But having just reviewed the Misys acquisition of Medic, we are not so sure!*

### **SBS doubles size**

**SBS Group** was one of the many IT staff and recruitment agencies to take advantage of the current buoyant market conditions when they floated onto AIM in Jun. 97 at 100p. We reported their maiden results for the year to 31st Aug. 97 a few months back when revenues rose 25% to £19m and PBT almost doubled to £728K.

This month they have acquired **JCC Group** which adds £15.3m revenues and £347K PBT and so almost doubling the size of the group. The consideration was £4.5m.

JCC is also an IT staff agency but makes c60% of its revenue outside the UK in Holland, Belgium, Germany and France. JCC currently has over 240 contractors placed with clients - SBS has over 250.

Although this looks a mighty big step for SBS, the two businesses are "highly complementary" and the price paid looks very reasonable.

SBS shares reacted well ending Mar. up 31% on 328p; *that's over three times the new issue price just 9 months ago.*

## Select Appointments enters Top Ten UK-owned SCSl companies

Select Appointments is the UK's largest staff and recruitment agency with revenues up 40% at £520m, PBT up 67% at £132.6m and EPS up 32% at 23.3p in the year ending 31st Dec. 97. About 50% of revenues come from the US and 44% from the UK. Although Select has had a busy year on the acquisitions front, organic growth was also a very healthy 32%.

Select Appointments is quoted in London, with market capitalisation of £739m. On 3rd Dec. 97 they completed their NASDAQ IPO at \$19, and they have since risen by 33% to end Mar. 98 on \$25.25. (Please don't confuse them with the other UK NASDAQer - Select Software Tools).

We had not featured Select Appointments until a few months back as, quite frankly, their SCSl revenues were minute. Their main activities were general staffing and recruitment with little or no IT specialisation. Their first forays into our world were in 1996 with the purchase of US DB Concepts and Indian Client Server Software. Their IT revenues were no more than \$20m in 1996. But a number of SCSl acquisitions have boosted IT-related revenues to c£166m (i.e. 32% of revenues) in 1997 with a current run rate (assuming no further SCSl acquisitions) of c£250m in 1998. This is a remarkable performance as it propels Select Appointments from a standing start into the Top Ten rankings of UK-owned SCSl companies.

Acquisitions consummated in 1997/98 to date include:

Oct. 97 - **US Aztec Consulting Services** for a max. of \$7.2m. Aztec is a US IT staff agency with revenues of \$12.6m and PBT of \$749K in 1996.

Nov. 97 - Select acquires **Staff Solutions** in US

Dec. 97 - Select acquired 75% of UK **MVM Recruitment** for an initial £1.1m (existing management have retained the other 25%) and Select has "entered into a put and call option whereby they may purchase the remaining 25%... for a maximum consideration of £4m". MVM had revenues of £3.4m and a PBT of (just) £55K in the year to 31st Dec. 96.

Dec. 97 - Select acquired **UK Abraxus** for £27.8m in shares. Abraxus is an IT staff agency/recruitment consultancy in the UK, US and Australia and has more than 800 contractors on assignment. They had revenues of nearly £51m (some £45m from the UK) in the year to 30th Sep. 97 and made a PBT of £1.8m.

Feb. 98 - Select acquires **PTS Software B.V** (an IT staff agency with operations in Netherlands and Belgium) for an initial £13m + maximum £1.8m profit related. PTS had revenues of £7.9m and profits of £1.6m in 1997.

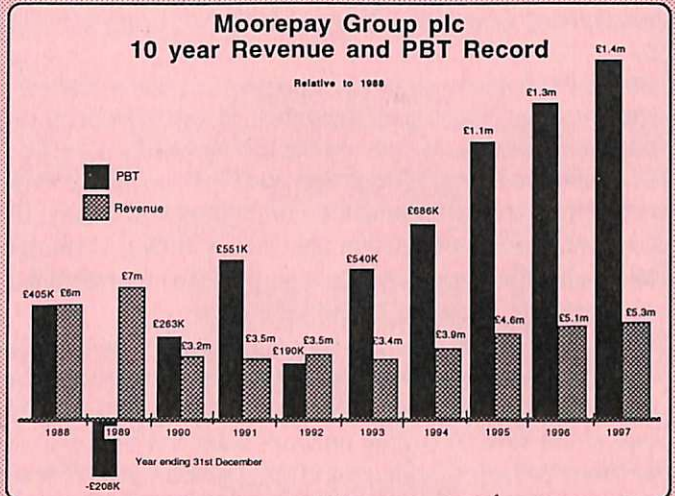
Mar. 98 - Although not exclusively IT, **Speakman Stillwell & Associates** does undertake some specialist IT staffing in its Australian market. With revenues of £18.6m and profits of £710K in the year to 31st Dec. 97, Speakman Stillwell was acquired this month for £3.8m cash.

Select also undertaken several other acquisitions outside the IT arena such as ViaWerk (technical and industrial staff), Reliance, which supplies residential care workers, and Kelter (industrial workers). But the "IT sector is now Select's most important speciality... Select's IT staffing presence now covers seven countries which, the Group believes, provides it with the most developed international specialist IT staffing network in the world."

Clearly one to watch!

## Moorepay - very slow and steady progress

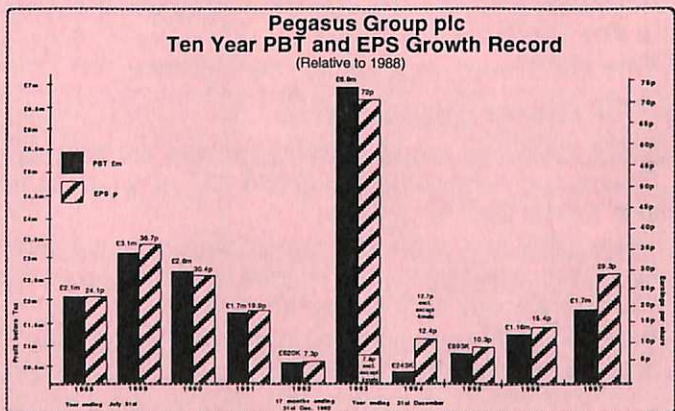
Considering that Moorepay (payroll processing) is one of the oldest established SCSl companies going back over 30 years, one can hardly say that their growth has been dramatic. Their results for the year to 31st Dec. 97 show revenue up just 3% to £5.3m (yes just £5m after 30 years and this included some revenue from an acquisition in Jul. 97 of a "small payroll processing business"). But to be more fair to Moorepay they did decide to phase out their maintenance of some payroll systems which lost them some revenue. Payroll services now accounts for 95% of total revenue and is expected to rise to 98% in FY98. PBT went up 4% to £1.4m and EPS up a higher 9%. Still one can hardly grumble at the 26% profit margin.



Moorepay transferred to AIM (from Rule 4.2) in Aug. 95 at 83p and the shares have performed extremely well since ending March on 348p.

## Pegasus - on a wing and a prayer?

A peculiar headline you might well say as, on the face of it, **Pegasus'** results for the year to 31st Dec. 97 are excellent. Revenue increased 57% to £12.4m (with £2.9m from the CSM acquisition), PBT was up 46% with basic EPS up 90% (EPS before tax credits etc. was up a lower 38%).



The reason for our slight concern is the number of phone calls we have received asking us about the "problems at CSM". We have no knowledge of any problems ourselves but, as they say, there's no smoke without fire. Indeed, even the press release says "CSM sales remain slow... Investment in new product development at both Pegasus and CSM will be at high levels during 1998 with a consequent effect on earnings in the short term". But Chairman Philip Sellers is upbeat - "the expanded range of modern business and accounting software that we are now developing will provide an excellent foundation for continued growth". Let's hope so. The shares ended the month slightly down at 283p - still way below the "failed" bid from Sage in 1996 at 475p.



## Yet another month of major gains

Our SCSI Index went up another 13% in March% increase - that's a 42% increase in Q198. **Rage Software** led with a but newcomer **Guardian IT** (see p4) was up 69% on its float price. **Sanderson** and **MDIS** (see p10) also recorded 50%+ gains. The 1998 winner to date is **Gresham** - up an amazing 204% - helped this month by a bullish trading statement at the AGM that H1 would exceed current market forecasts.

**As often as we predict a crash, the Index keeps rising!** **ilion Group** fell another 25% (see p11) on poor results.

31-Mar-98		SCSI Index				
		4308.12				
		FTSE IT Index				
		1475.03				
		FTSE 100				
		5932.20				
		FTSE AIM				
		1059.10				
		FTSE SmallCap				
		2629.54				
SCSI Index = 1000 on 15th April 1989						
Changes in Indices		SCSI Index	FTSE 100	FTSE IT Index	FTSE AIM Index	FTSE Small Cap
Month (28/2/98 - 31/3/98)		+13.35%	+2.86%	9.67%	+5.23%	+6.49%
From 15th Apr 89		+330.81%	+188.87%			
From 1st Jan 90		+368.22%	+151.15%			
From 1st Jan 91		+508.60%	+174.59%			
From 1st Jan 92		+312.32%	+137.94%			
From 1st Jan 93		+170.34%	+108.40%			+89.54%
From 1st Jan 94		+158.04%	+73.54%			+40.72%
From 1st Jan 95		+187.37%	+93.51%			+50.57%
From 1st Jan 96		+90.75%	+60.79%		11.08%	+35.44%
From 1st Jan 97		+60.90%	+44.04%		8.50%	+20.45%
From 1st Jan 98		+41.95%	+15.51%	47.50%	6.76%	+13.67%

## System House SCSI Share Prices and Capitalisation

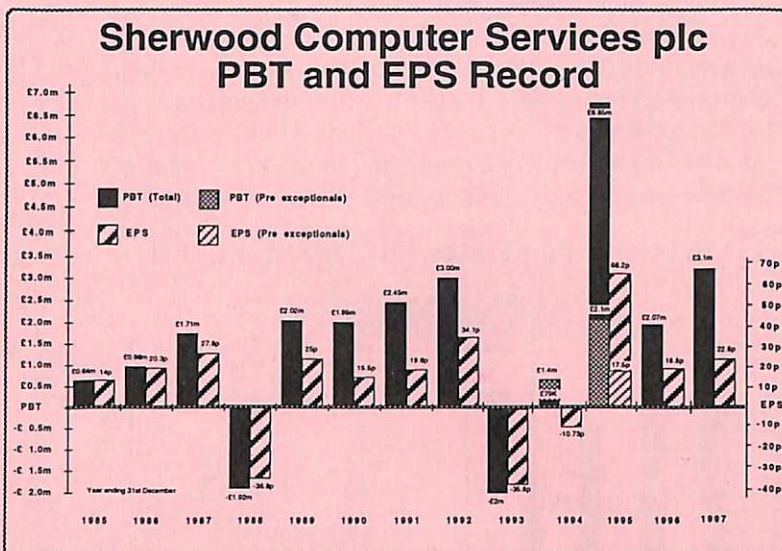
	FTSE IT Index?	Share Price 31/3/98 (£p)	Capitalisation 31/3/98 (£m)	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 31/3/98	Share price % move since 28/2/98	Share price % move in 1998	Capitalisation move (£m) since 28/2/98	Capitalisation move (£m) in 1998
Admiral	Yes	£9.38	£591.20m	52.7	5.04	33884.54	9.97%	30.48%	£50.70m	£137.05m
AFA Systems		£0.93	£11.10m	Loss	30.83	770.83	-9.76%	-13.95%	£-1.20m	£-1.80m
AIT Group		£2.69	£55.10m	43.1	5.16	1793.33	13.26%	57.77%	£6.90m	£20.52m
Anite Group	Yes	£0.69	£172.80m	Loss	0.89	403.51	2.22%	46.81%	£11.90m	£61.15m
Azlan Group	Yes	£0.56	£62.40m	Loss	0.21	241.30	14.43%	-0.11%	£10.70m	£3.26m
Cadcentre Group		£3.90	£65.20m	38.9	3.76	1950.00	-1.27%	20.00%	£-0.40m	£11.27m
Capita Group		£4.50	£864.80m	69.7	5.00	40495.50	5.64%	21.82%	£45.30m	£158.12m
Cedadata		£1.85	£81.10m	51.4	5.90	1761.90	8.50%	76.19%	£7.10m	£27.81m
CFS Group		£1.44	£10.50m	17.3	1.54	1594.44	42.79%	37.32%	£3.06m	£2.77m
Chemical Design Holdings		£1.05	£7.59m	Loss	2.98	954.55	28.83%	5.00%	£2.21m	£0.99m
Clinical Computing		£0.56	£13.20m	Loss	6.67	451.61	25.84%	31.76%	£2.00m	£2.53m
CMG	Yes	£26.35	£1,650.00m	68.1	5.45	9086.21	21.01%	72.79%	£255.00m	£672.51m
Coda Group		£1.95	£54.30m	Loss	1.32	827.66	4.85%	29.67%	£2.70m	£12.49m
Compel Group	Yes	£4.01	£114.60m	22.2	1.03	3208.00	-7.82%	31.48%	£-8.50m	£27.37m
Comino		£1.62	£21.50m	13.7	2.76	1246.15	3.51%	32.24%	£1.20m	£6.70m
CRT Group		£4.54	£654.30m	63.1	4.87	5044.44	11.82%	27.89%	£72.50m	£145.92m
DCS Group		£5.00	£112.20m	31.9	1.88	8333.33	0.20%	55.04%	£2.40m	£41.24m
Dalcam		£1.47	£8.64m	12.1	0.64	563.46	-8.44%	-11.21%	£-0.80m	£-1.06m
Delphi Group	Yes	£7.69	£223.70m	26.7	0.81	3164.61	-4.47%	14.78%	£-9.70m	£29.40m
Diagonal	Yes	£9.08	£180.90m	69.0	4.04	3300.00	-1.63%	29.18%	£-4.50m	£50.90m
Dialog Corporation		£1.68	£247.80m	Loss	5.38	1522.73	-3.46%	11.67%	£-12.80m	£22.97m
Division Group		£0.60	£27.40m	Loss	4.10	1500.00	14.29%	55.84%	£4.00m	£10.50m
DRS Data & Research		£0.17	£5.71m	Loss	0.84	150.00	-5.71%	-25.00%	£-0.28m	£-1.82m
Druid Group	Yes	£8.41	£190.60m	53.5	8.64	3058.18	8.52%	26.94%	£13.10m	£38.88m
Electronic Data Processing		£0.66	£17.00m	14.6	1.35	2005.51	19.09%	20.18%	£2.60m	£2.76m
Eidos	Yes	£10.73	£186.30m	48.7	2.47	10725.00	-3.38%	60.07%	£-1.30m	£73.06m
FI Group	Yes	£13.13	£426.70m	72.8	4.32	5585.11	-2.23%	40.75%	£-5.60m	£126.40m
Flomerics Group		£1.15	£3.12m	n/a	0.54	884.62	-4.17%	-4.17%	£0.00m	£0.00m
Gresham Computing		£0.70	£20.10m	42.8	2.31	752.69	30.84%	204.35%	£2.60m	£12.58m
Guardian IT		£4.30	£220.10m	75.2	9.56	1686.27	68.63%	68.63%	£89.60m	£89.60m
Harvey Nash Group		£4.31	£127.40m	239.4	3.51	2462.86	11.66%	27.89%	£19.30m	£33.45m
Highams Systems Services		£1.33	£22.10m	30.2	1.35	3694.44	29.13%	70.51%	£3.90m	£8.28m
ilion Group		£1.60	£39.00m	10.6	0.19	996.88	-24.94%	25.10%	£-14.30m	£6.98m
Intelligent Environments		£0.51	£13.00m	Loss	3.74	537.23	26.25%	106.12%	£3.60m	£7.24m
I S Solutions		£2.58	£12.40m	n/a	1.62	1921.64	25.61%	76.98%	£2.56m	£5.42m
JBA Holdings	Yes	£6.06	£226.00m	59.9	1.02	3787.50	-12.17%	-41.08%	£-26.50m	£-150.45m
Kalamazoo Computer		£0.50	£20.40m	7.2	0.26	1414.29	-1.98%	-28.78%	£-1.30m	£-9.40m
Kewill Systems	Yes	£7.35	£94.20m	17.6	2.28	2905.14	5.53%	28.95%	£4.40m	£20.65m
Logica	Yes	£16.28	£1,181.00m	46.7	3.49	4458.90	8.68%	40.60%	£82.00m	£334.90m
London Bridge Software	Yes	£9.88	£319.00m	98.5	28.18	4937.50	49.06%	94.20%	£126.90m	£171.51m
Lorien		£7.63	£139.90m	n/a	1.20	7625.00	11.48%	50.99%	£7.90m	£53.52m
Lynx Holdings	Yes	£1.86	£194.50m	27.2	1.61	4650.00	7.83%	54.36%	£16.50m	£70.23m
M-R Group		£1.41	£82.30m	18.6	2.09	557.54	-0.71%	24.89%	£3.30m	£19.54m
Macro 4	Yes	£3.75	£73.90m	10.8	3.15	1512.10	-1.32%	10.29%	£-1.00m	£6.90m
MDIS Group	Yes	£0.74	£157.30m	n/a	1.35	284.62	54.17%	57.45%	£56.60m	£58.79m
Micro Focus	Yes	£5.68	£455.70m	41.9	4.70	2740.90	12.82%	42.23%	£-21.10m	£84.82m
Microgen Holdings		£0.75	£29.50m	9.9	0.44	318.38	4.20%	6.43%	£1.20m	£1.78m
Microvitec		£0.09	£7.85m	42.9	0.12	219.51	0.00%	-48.57%	£0.42m	£-5.91m
Misys	Yes	£29.80	£3,379.00m	49.8	10.38	7412.94	11.40%	62.84%	£386.00m	£1,335.80m
MMT Computing	Yes	£9.60	£112.50m	32.3	4.57	5714.29	6.37%	14.35%	£5.10m	£12.64m
Mondas		£0.83	£5.03m	Loss	88.25	1100.00	6.45%	18.71%	£0.30m	£0.79m
Moorepay Group		£3.48	£37.50m	30.1	7.10	5864.42	6.92%	23.01%	£2.40m	£6.95m
MSB International	Yes	£8.25	£164.70m	36.4	2.36	4342.11	1.23%	32.00%	£-1.60m	£37.26m
NSB Retail Systems		£2.65	£25.90m	41.6	7.89	2300.00	42.97%	38.12%	£8.00m	£7.33m
Oxford Molecular		£1.93	£128.30m	Loss	13.11	2406.25	-10.88%	-19.79%	£-27.90m	£-45.17m
Parity	Yes	£7.90	£390.20m	37.8	1.93	43888.73	-2.77%	24.21%	£-10.40m	£76.70m
Pegasus Group		£2.83	£20.20m	9.6	1.62	769.75	-0.35%	8.65%	£0.40m	£2.03m
PhoneLink		£0.43	£21.00m	Loss	4.87	274.19	-12.37%	-22.02%	£-2.40m	£-5.26m
Proteus International		£0.70	£40.20m	Loss	70.16	827.38	-16.77%	57.95%	£-6.10m	£15.74m
Quality Software Products		£5.30	£78.70m	26.2	2.81	1394.74	35.90%	140.91%	£25.70m	£48.74m
Radius		£0.41	£11.60m	13.9	0.42	297.10	24.24%	17.14%	£2.36m	£1.80m
Rage Software		£0.12	£31.10m	Loss	4.60	442.31	91.67%	170.59%	£16.50m	£20.70m
Real Time Control		£4.43	£29.90m	15.3	2.38	9030.61	1.72%	37.85%	£-0.50m	£7.47m
Rebus Group	Yes	£1.04	£98.50m	22.8	1.48	1181.82	-6.31%	31.65%	£-4.20m	£25.40m
Recognition Systems		£0.19	£6.90m	Loss	8.96	264.29	-8.64%	-13.95%	£-0.55m	£-1.01m
Riva Group		£0.64	£22.90m	15.3	0.36	454.86	4.92%	52.38%	£4.10m	£9.93m
RM	Yes	£11.55	£210.20m	36.8	1.91	6600.00	18.46%	44.83%	£32.80m	£68.24m
Rolle & Nolan		£4.88	£65.20m	33.6	3.21	5803.57	2.09%	42.34%	£1.70m	£19.65m
Romtec		£1.05	£5.43m	22.4	1.15	1672.00	1.95%	0.00%	£0.10m	£0.00m
Royalblue Group	Yes	£3.00	£83.20m	40.4	4.03	1764.71	-5.51%	-12.41%	£0.04m	£0.04m
Sage Group	Yes	£13.65	£1,550.00m	58.1	10.19	52500.00	0.37%	64.46%	£80.00m	£652.75m
Sanderson Group		£1.42	£64.00m	13.3	0.95	2408.51	58.10%	91.22%	£22.70m	£30.01m
SBS Group		£3.28	£28.20m	43.1	1.49	3275.00	31.00%	87.14%	£10.40m	£15.83m
Science Systems		£2.05	£35.10m	30.1	1.89	1585.27	-2.39%	23.56%	£-0.50m	£7.00m
Sema Group	Yes	£23.65	£2,742.00m	60.3	2.43	7437.11	20.66%	59.53%	£488.00m	£1,037.27m
Sherwood International		£8.70	£77.40m	38.2	2.58	7250.00	43.21%	64.15%	£25.20m	£31.81m
Skillsgroup	Yes	£2.56	£211.00m	Loss	0.56	1145.74	-8.75%	40.00%	£-16.60m	£62.68m
Spargo Consulting		£2.66	£32.70m	28.8	3.44	2794.74	24.94%	76.41%	£6.10m	£13.87m
Staffware		£4.40	£55.50m	40.7	3.16	1955.56	17.33%	24.47%	£10.10m	£12.72m
Superscape VR		£1.61	£14.70m	Loss	4.73	810.61	2.88%	49.30%	£0.30m	£5.23m
Systems Integrated		£0.08	£1.07m	Loss	0.86	69.57	0.00%	-11.11%	£0.00m	£-0.14m
Tetra		£2.57	£64.60m	58.3	2.89	1603.13	0.39%	45.74%	£0.20m	£20.40m
Total Systems		£1.58	£15.10m	34.0	4.60	2971.70	25.50%	111.41%	£2.20m	£7.58m
Trace Computers		£0.98	£14.40m	25.6	0.83	780.00	-1.52%	48.85%	£0.10m	£4.97m
Triad Group		£4.92	£126.10m	42.6	6.70	3640.74	4.24%	65.21%	£7.30m	£51.09m
Vega Group		£3.30	£51.20m	30.1	2.85	2704.92	3.94%	45.05%	£2.30m	£16.12m
Workplace Technologies		£2.69	£77.90m	n/a	1.18	1537.14	-5.11%	38.30%	£-4.30m	£21.71m
Xavier Computer Group		£0.08	£4.80m	7.1	0.54	800.00	33.33%	2.89%	£1.20m	£0.14m
Zergo Holdings		£2.60	£23.00m	76.5	2.21	2666.67	7.22%	19.54%	£0.70m	£2.97m

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; a change in the share price of the largest company has the same effect as a similar change for the smallest company.

## Encouraging results from Sherwood International

As can be readily seen from the chart below, **Sherwood** (solutions and services for the global insurance industry) has enjoyed very mixed results over the last few years but their last interims pointed the way to a steady climb out of the abyss. In the year to 31st Dec. 97, this progress has continued. Revenue increased 22% to £30m, PBT went up 50% to £3.1m with EPS up a lower, but still creditable, 21%. Overseas sales now represent 22% of total revenues with the main growth coming from the US which now represents 12% of sales. Outsourcing revenue (JV formed in 1995 with ICL's CFM) grew 27% with three major contracts won in 1997. Sales to the wholesale insurance market achieved a mainly organic growth of 32%. After investment in 1996 to develop their principal AMARTA product for Oracle, all new sales in 1997 were Oracle based.

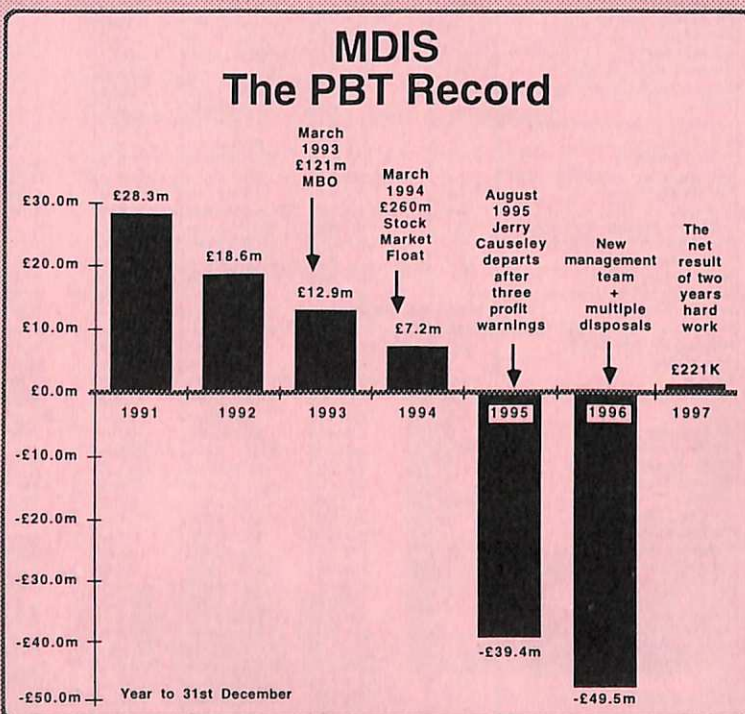
Confident CEO George Matthews commented "Our record results clearly reflect our success in anticipating and fulfilling our clients requirements. Sherwood's prospects are very encouraging and we are confident of further growth in 1998 in our core business areas". Sherwood's shares hit a low of 85p in 1994, since then they have been one of the best recovery stocks around. They ended Mar. on 870p, a rise of 43% in the month and 64% so far this year.



## MDIS back in the black

In our dozen years as an analyst we can think of no company which has wreaked more damage on our industry than **MDIS**. It was the last and largest public offering in our sector at 260p back in Mar 94. Its profit warnings and losses soon after damaged the reputation of its directors, the City and thereby our whole industry. Eventually the shares were suspended at 23.5p - lots of grannies lost a bomb. It certainly caused a halt in new issues which lasted until the end of 1996. Even then the most common question we were asked was "could x, y or z become another MDIS". At the time of the interim announcement last year, **MDIS** Chairman Ian Hay Davison predicted that MDIS had made "encouraging progress" and was "well placed to deliver substantial progress". Results for the year to 31st Dec. 97, although showing a small decrease in total revenue to £117m (although up 9% on continuing operations), at least confirmed that the turnaround predicted had indeed happened. A small profit of £221K was announced - indeed a profit swing of approaching £50m; as they made a £49.5m loss last time! And what's more, the balance sheet has been appreciably strengthened by the £24.4m placing proceeds and Fujitsu's \$29m investment in the joint Glovia venture.

All divisions reported improved performances. Their Public Sector business operating profit rose 59% to £7.5m on revenue down 10% at £39m. The Corporate Sector also did well with revenues up from £33m to £38m and operating profit almost doubled to £2.4m. Human Resource Systems saw a small revenue increase to £10.5m but losses here reduced significantly from £17.5m to £4.1m.



CEO John Klein commented "During the last two years we have transformed MDIS' business. We have restructured, focused on core business and established joint venture partnerships... We continue to make good progress towards returning to acceptable levels of financial performance".

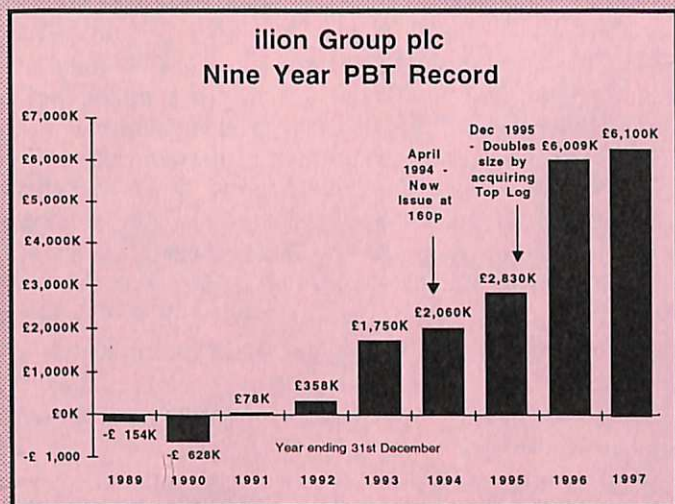
**Comment.** Initially we had doubts about the appointment of "veteran" John Klein as CEO. But, having met him on a number of occasions, he is a true gentleman and the results are testimony to his 2+ years of hard and painful work. We always thought that MDIS would be acquired. Now that the company has been restored to profitability, they are probably more vulnerable than ever.

### MDIS Group year to 31st December

	Revenue		Increase
	1996	1997	
Public Sector	£ 43.90m	£ 39.20m	-11%
Corporate Sector	£ 32.80m	£ 38.10m	16%
Human Resources	£ 9.50m	£ 10.50m	11%
Glovia JV	£ 17.40m	£ 24.30m	40%
PROIV	£ 3.80m	£ 4.80m	26%
	Operating Profits		Increase
	1996	1997	
Public Sector	£ 4.70m	£ 7.50m	60%
Corporate Sector	£ 1.30m	£ 2.40m	85%
Human Resources	-£ 17.50 m	-£ 4.10 m	Both loss
Glovia JV	-£ 6.10 m	-£ 3.60 m	Both loss
PROIV	-£ 3.30 m	-£ 1.20 m	Both loss

## Profits down as expected from ilion

Due to the problems faced by competitor Azlan which has affected margins, **ilion** (nee **Persona** - a distributor of networks, comms and UNIX products) issued a profits warning last November. It was at least no surprise therefore that their results for the year to 31st Dec. 97 showed PBT almost identical at £6.1m (and this is after exceptional costs down from £808K to £103K) which is well below the original estimate of c£8m. Revenue increased 38% to £203m with EPS down 21%. Revenue is split £115m UK, £64m France, and £24m from the rest of Europe.



Wayne Channon, Chairman, commented "Trading for the first two months of 1998 has been mixed. Our French company has made an excellent start but our other markets have been lower. We go into 1998 with a more robust business model and an even larger market share than in 1997... this gives me reasonable confidence about the outcome for the coming year as a whole". Hardly a statement that inspires total confidence but we will have to wait and see.

ilion was a new issue at 160p in Apr. 94. In Apr. 97 they stood at 387p. One year on they ended March on 160p - identical to the new issue price! Beeson Gregory, the company's brokers are now forecasting 1998 profits of £8m - a prospective P/E of just under 8.

## Record results from ITnet

Long established outsourcing specialist **ITnet** have announced record results for the year to 31st Dec. 97. Revenue rose 19% to £81.7m (all organic) with PBT up 14% at £6.3m. During the year a record of £170m new orders were signed and *all* contracts due for renewal were successfully retained. The Commercial sector now accounts c50% of turnover. ITnet was a £37.1m MBO from Cadbury Schweppes in Nov. 96. They are clearly now a very valuable company. We expect (indeed recommend) a stock market float in the very near term.

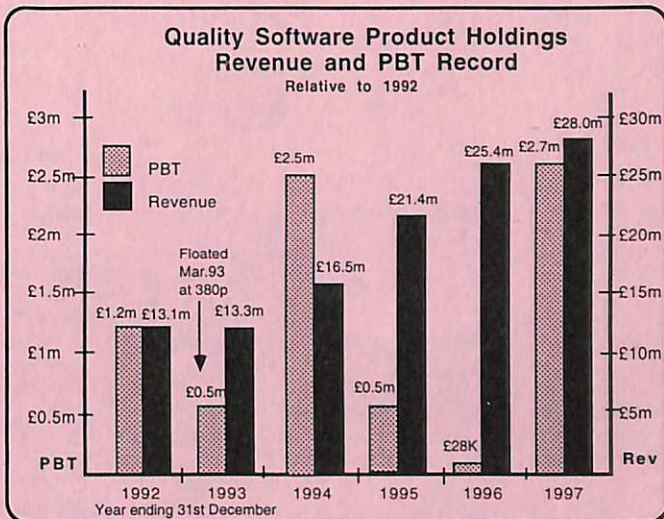
## ..and from ICOM too

In Jan. 96 IMI divested itself of its last remaining (and disastrous) foray into IT services when it sold what is now known as **Icom** in a £4.65m Lloyds Development backed MBO. Icom provides workflow, imaging, messages and Intranet solutions mainly to the insurance and financial services sector (c60% of revenues).

Latest results for year to 31st Dec. 97 are excellent with revenue up c30% at £18.9m, and PBT more than doubled to £1.9m. Clearly the MBO team are on to a winner.

## Quality makes another "real" profit

**Quality Software Products** has, for what we think is the first time, made a "real" profit in the year ending 31st Dec. 97. ("real" profit = after taking off the effects of capitalising R&D). Revenue rose 10.5% to £28m, operating profit rose more than threefold to £3.5m, and PBT was up from just £28K to £2.65m. EPS was up 100-fold. Net capitalisation of R&D in the year was only £500K - but this still leaves £18.6m of intangibles in the balance sheet! The market liked the news and the shares immediately rose 42p and continued to rise ended the month at 530p - up 36% in March and over 150% more than the same time last year.

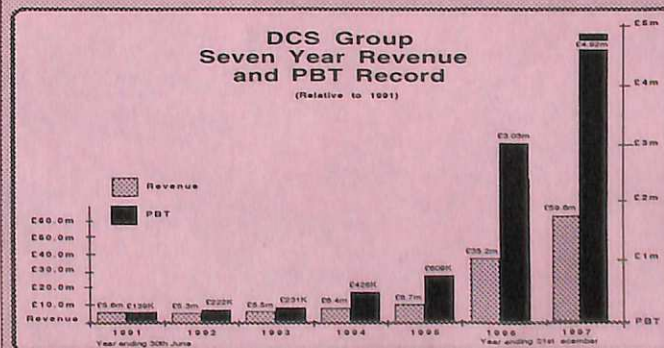


Chairman Alan Benjamin is "confident that the demand for our product and services will continue". Due to the strength of sterling, the company estimate that they have lost c£1m on their sales to Australia which now account for c30% of revenues.

## Excellent results from DCS

Acquisitive **DCS** (systems for motor dealers, distribution and manufacturers) has produced the sort of excellent results we have now come to expect from them. In the year to 31st Dec. 97, revenue rose 70% to £59.8m (still up an organic 34% if revenue from their five acquisitions are excluded), PBT increased 62% at £4.9m with EPS up 52%. Due to a Y/E change, the comparative 1996 results are proforma. "The fifth successive year of over 40% increase in PBT".

DCS have three main activities - Product led services through **CSI** and **Procon** which now accounts for c47% of total revenues, Automotive packaged software products (**Global**), c36% revenues and Outsourcing (**Digica**), c17%. In total now 75% of revenue comes from services with the rest from products. The company plan to continue to increase their European presence with acquisitions "at a suitable price" - three of their five acquisitions in 1997 were of European companies.



Chairman Robin Lodge is "encouraged by the many opportunities that are presented to us, the Group is well positioned to continue its strong organic growth during 1998". The share prices has performed excellently over the last year or so, rising 55% this year alone.

**So we face the prospect of two new quoted SCSi companies with market cap >£1 billion.**

Computacenter has finally announced that its IPO will be in May 98 by way of a placing with UK and international institutions. We expect a launch value of c£850m which will probably break the £1 billion in the first few days of trading. Computacenter reported revenue up 28% at £1.13 billion and PBT up 40% at £47m in year to 31st Dec. 97.

You will have to wait a little longer for ICL - but it has made a firm commitment to float in 2000. ICL reported PBT of £30m in 1997. £10m of this came from the profit on the disposal of The Repair Centre - so it's a *real* profit this time! ICL's revenues grew by c2% to £2.47 billion. Of this we estimate pure SCSi revenue increased by c8% to £620m. Detailed reviews of both in the 1998 Holway Report.

**We're very sorry Triad!**

In last month's *System House* (p2) we inadvertently said that **Triad** was to be stripped of its coveted **Boring Award**.

Wrong - we really meant **Vega**! *No excuses from us* - but we didn't really realise just how much this award means to companies such as Triad. Triad's Alistair Fulton did ask us to restate the rules and winners. You must be a quoted company with ten years of uninterrupted EPS growth at >20% p.a. Only four companies now remain as Boring Award winners out of the c90 companies now quoted. They are the original winner Admiral + Capita, Sage and, of course, Triad. Three have had it removed - Coda, JBA and Vega. Even if you had invested in the "disgraced" award winners, your *Boring* portfolio would still have grown over 10-fold. *Now that's what we really call exciting!*



**Results Summary**

Sorry there was a flood of results on our press day. **Druid** (SAP specialists) grew revenue by 52% to £14.3m with PBT up 34% at £2.4m and EPS up 53% in the six months to 31st Dec. 97. **Torex** (now 100% a SCSi company in the retail and medical markets, after the sale of its tool hire operations) announced revenue up 93% at £21.9m and PBT up from £960K to £5.1m in year to 31st Dec. 97. However, this included the exceptional £4.6m gain on the sale of the hire business. Excluding this PBT was up 80% at £2.7m and EPS up 40%. Due to a delay in bringing their new product to market, AIM-quoted **Flomerics** (software to measure fluid flow) announced revenue up by just 8% at £5.8m. At least a profit of £48K was made compared with a loss of £416K last time. Information services/database software supplier **Dialog**, which paid £261m for US Knight Ridder Information last year, announced that losses had increased from £7m to £20.4m in the year to 31st Dec. 97 on rev. up 33% at £28.5m. **Science Systems** (long established systems developer) was one of the latest AIM new issues in Sep. 97 at 129p. Maiden results to 31st Dec. 97 bettered forecasts with rev. up 27% at £18.6m, BT up 46% at £1.85m and EPS doubled. Another newcomer - **Workplace Technologies** (network services) - also beat forecasts with maiden results to 31st Dec. 97. Revenue increased 27% to £65.9m with PBT (after £932K goodwill amortisation) up 80% at £1.83m. **CFS** ("solutions for asset based financing") reported revenue up 49% at £6.83m, PBT up 47% at £813K and EPS up 29% in the year to 31st Dec. 97. However a further net £265K software development was added to the Balance Sheet where intangibles now amount to £1.8m.

We will bring you more detailed reviews in the next issue.

5.30 pm Thursday 16th
July 1998
Make note to
attend
Richard
Holway's
CSSA
Presentation and Dinner
at London Mayfair
Intercontinental

Last year around 300 of the very top CEOs from our industry attended Richard Holway's annual presentation on the financial state of the industry on behalf of the CSSA. It is considered by many to have been the best "networking event" of the year. So please make a note of this year's date - Thursday 16th July. Starting at 5.30 pm The evening this year, at the Mayfair InterContinental Hotel, London W1 includes drinks and a special dinner.

A *free place* will be awarded to all 1998 Holway Report customers who purchase before that date. Normal price from the CSSA (Tel: 0171 395 6700) is £145.00 + VAT for CSSA members and £195.00 + VAT for non members.

**the Holway Report**

**The 1998 Holway Report will be available in June. See advance copy order form enclosed. Brochure available shortly**

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