

# System House

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

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## 1997 was "A Vintage Year"

The 1998 Holway Report - the 11th edition - has been completed this month. Customers should receive their copies of the 1700pp report in early June.

We present here the main findings on the most exhaustive (for the author in particular!) study of the financial health of the UK SCSi sector. Remember, the data is based (in the main) on the audited accounts for around 2,500 companies.

1997 was quite staggeringly successful for so many and will probably go down as **The Vintage Year** for the industry. In particular:

- the UK SCSi increased its growth rate to a record 21%.
- the UK was yet again the fastest growing SCSi market in Europe.

- the UK has overtaken France to become the second largest SCSi market in Europe and, if current forecasts (and exchange rates!) continue, will overtake Germany in the top spot early in the new millennium.

- although outsourcing - in all its guises - continued its above average growth rate, it was all things related to IT

skills - bespoke development and the role of the IT staff agencies in particular - which really prospered, with growth rates in excess of 30%.

- the companies in our database are growing their overall revenues at 25% (or 23% if acquisitions are excluded).
- the reason for this is that non-UK revenue growth is growing even faster (42% in 1997) with growth in Continental Europe up 50%. We are not suggesting that this is export revenue - but it does give a very good indication of the success that companies such as Logica, Misys, Sage, Sema, Syntegra etc. are having overseas.
- the 37% profits growth was even higher than the 28% recorded last year and, for quoted companies only, EPS growth averaged 51% in 1997.

- one of the reasons for this superb profit performance (and for us the most surprising finding from our research) was that average staff costs were unchanged even though an extra 44,000 staff were employed by the companies in our database. A significant influx of new, junior or in many

cases non-IT trainees compensated for major increases in salaries for experienced IT staff with in-demand skills.

- valuations - and the volume - of trade sales continued to break records. The most satisfying finding was that UK companies bought more/spent more on acquiring overseas companies than vice versa - the first time this has occurred.

- there was a continuation of the number of high quality new issues on to the London Stock Exchange with a flood occurring in Q2 1998 as you will see on page 10 & 11.

- share prices have rocketed with our SCSi Index up 51% in the year since April 97 and up further 13% in May.

- we celebrate the entry of Misys into the FTSE 100 this month - the first SCSi company to achieve this.

- IT services companies - yet again - led the share price increases. IT services companies share prices increased by 90% in the 12 months to April 1998.

- the launch of the FTSE IT Index on 2nd Jan. 98 has provided a further spur to IT share prices. The Index

was up over 71% by the end of May 98.

- IT services companies are now more highly valued in London (and, indeed, on other European exchanges) than they are in the US. There has been a complete halt in new UK NASDAQ IPOs in 1997/98.

- although there have been the usual odd exceptions, there have been few "bad news" surprises again in the last year.

**So has it been all good news? Well probably yes...but...**

- regardless of boom or bust, why is it that c20% of all the companies in our database always seem to make losses?

- there have been some disgraceful performances...**Azlan** probably takes the prize in this category.

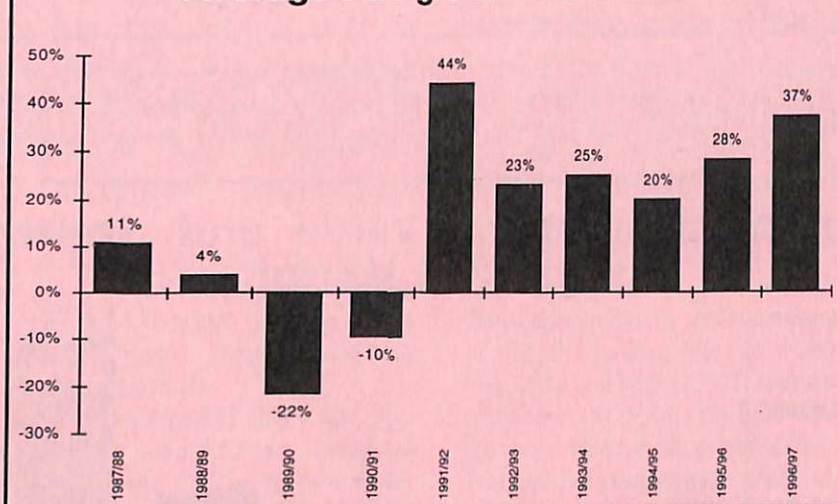
- there has been no recovery in the fortunes of the hardware maintenance and system software markets - which have continued to decline in real terms.

- the software products sector - for so long the doyen of the industry - is now experiencing growth rates much lower than the sector as a whole.

- the current white hot heat in IT share prices - and

*continued on page two*

Average PBT growth hits 37% in 1997





particularly the heavy weighting of the FTSE IT Index towards just five stocks - is concerning. Even a minor 20% correction would create shock waves which could cause new issues/fund raising to come to an abrupt halt.

**So what of the future?**

- the high growth rates which we have consistently forecast will be achieved for the remainder of the decade.

- events such as the Y2K and the Euro are a major ingredient to the current / anticipated high growth rates. This year in the Holway report, we have looked at amounts spent in the past on "special events" like Big Bang and the external spend to date on Y2K. We then used our own widely quoted estimates for future spend on

Y2K and Euro issues. We then tried to show how growth rates might have looked without such external influence. These are shown in the chart. Basically we think that

about half of the growth rate (NOT of the total expenditure) is Y2K related. In other words, if you removed Y2K growth rates would fall from c20% to a still very respectable c10%.

That's why we believe that growth rates will return to a more normal 10% - or c7% in real terms - post the millennium

- but, after the high growth

rates of late, this could hurt quite a few companies. In particular we believe that the IT staff agencies - "the barometer of the industry" - will be very badly hit when supply exceeds demand in the early part of the new millennium.

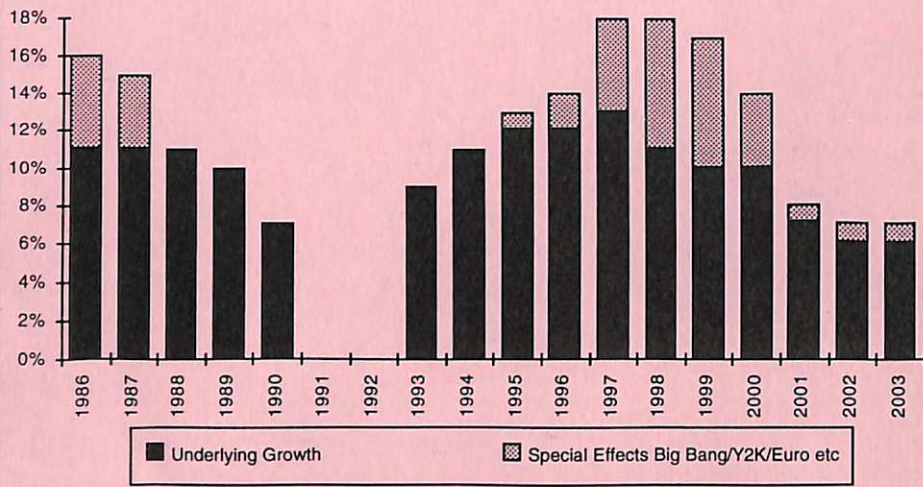
- as in past slow-downs, the quality companies with long term customer relationships will continue to prosper.

- and there will be new opportunities.

- our industry has matured and is now more than capable of taking on critical Business Process activities where the IT element is but a part. The size of that market is verging on the infinite.

- although from a still small base, we believe that desktop services will be a star - which is perhaps why the Computacenter float this month (see p11) was such a success.

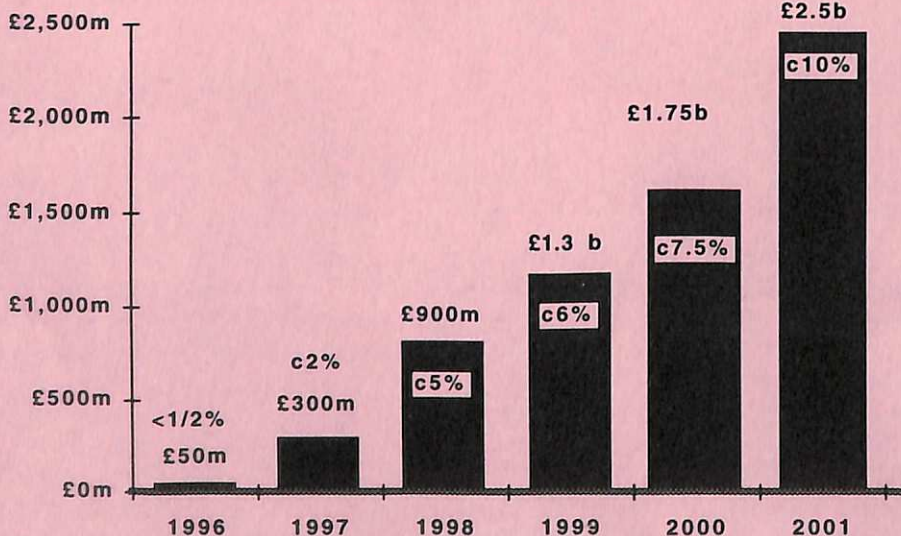
**UK SCSI Growth in Real Terms  
Showing Growth resulting from Special Events**



on this subject, we now reckon that SCSI revenues relating to this activity could exceed £2.5 billion by 2001. Of course, the revenues will be earned across all sectors - from IT

consultancy to outsourcing.

**e-commerce/Internet Value and Share of UK SCSI Market**



Conclusion

Far from being the "prophet of doom" that some accuse us of, we are extremely optimistic for the future. Our industry is maturing and is now in the mainstream of the economy and the operation of every part of our nation. We are the fastest growing sector for new jobs -

real jobs with good pay and prospects rather than burger flickers.

All that we want is that the industry behaves in a mature manner and the City reacts accordingly. Boom and Bust helps no one.

Consistent long term growth in our industry - and the valuations associated with its companies - is the very best outlook we should look forward too.



### **RM - a little better than expected**

After the profit warning last November, the interim results for **RM** were no surprise - indeed were a little better than we expected. On revenue up just 3% to £50.5m, PBT fell 62% to £636K with EPS also down 62%.

As you will be aware, the Govt. has made education a top priority. Extra money (£100m from the government and a further £230m from the lottery) is being made available to boost IT in schools. But this only starts in Apr. 98 - so many schools, sensibly, delayed ordering until then. The lottery money is to be used for teacher IT training and every teacher will get his/her own laptop with access to RM's superb Living Library (yes we have a copy and do use it!) Software and services now accounts for around 50% of total turnover - up 29% in the period.

CEO Richard Girling said "Looking ahead, we believe that both the investment made and the performance of the Group in the first half position RM well to take advantage of the additional public funding available and that this will result in a significant increase in the level of business for the full year".

The share price had taken into account the prior warning and immediately rose - and then continued to rise - to end the month up 16% at £15.40p. Analysts are now forecasting a PBT of c£9.75m in FY98 - this is a forward P/E of about 40 - still not as high as some.

**Comment.** With over £8m cash in the bank at the interim stage, RM is in a powerful position. We have long suggested that they should use this to take their offerings abroad. With a strong pound, perhaps now is the time. At least they would thereby become less reliant on the political whims of government cash flow.

### **Far East hits Delcam**

**Delcam** (CAD/CAM systems for the design of products with complex shapes and their manufacture and tooling) came to the AIM market in Nov. 97 at 260p, valuing the company at £12m. **It has been one of the very few flops in the period.**

In the first year's results since the flotation (to 31st Dec. 97), revenue increased 7% to £14.6m although PBT more than halved to £504K. These poor results were due to the financial crisis in the Far East where sales fell 30%.

The shares ended the month 110p - less than half the flotation price in just seven months.

### **First Software profits from MBO**

In Jul. 95, **First Software** (local authority operations mainly but also offer consultancy and training) was an MBO from Oracle for an undisclosed sum. We have been sent their latest accounts for the year ending 31st Dec. 97. Revenue rose 64% to £11.2m and PBT increased a massive 159% to £1.4m - a good margin approaching 13%. The bulk of the revenue - £9.8m comes from the UK with "new" additional revenue of £560K from Australia and £763K from Canada.

Good results from a specialist company that is expanding rapidly. They had nearly £2.5m cash in the bank as at the year end.

**Comment.** With these sort of results, surely a float must be on the cards? If so, the MBO team is sure to make a handsome profit on their original investment.

### **Further progress at Lynx**

Over the years, **Lynx** has grown both organically and by a series of acquisitions. In their latest interim results for the six months to 31st Mar. 98, revenue has continued its rapid rise with a 49% increase to £80.4m. PBT also increased 49% to £5.5m with EPS up 41%. Organic profits growth was a lower but excellent 25%.

Both divisions - Computer Software and Systems (CSS) and Computer Services (CS) - produced "strong organic growth". CSS generates 53% of total group operating profits on revenues of only 31% of the total and CS the remainder (47% OP and 69% revenue). CEO Richard Last said "The outlook for the remainder of the year is encouraging" and Chairman Roger Pinnington was "encouraged by the organic growth".

Indeed with the recent acquisitions (Tenhill and Clifton Reed) expected to make a positive contribution in H2 together with strong organic growth, the full year's results should be more than satisfactory.

The shares ended May on 225p - a rise of 15% in the month.

### **Impressive results from MMT - and an acquisition**

The market liked **MMT Computing's** interim results for the six months to 28th Feb. 98 and the shares rose 31% in May to end on £14.20p (see also p12 re Tillbrook's share sale). Revenue rose a remarkable 59% to £17m, PBT increased an even higher 75% to £4.3m with EPS up 74%. Even if the exceptional gain of £332K from the sale of its investment in **Total Systems** is excluded, these results are, in the words of Mike Tillbrook, "tremendous". Tillbrook also said that "MMT was in extremely good shape and was confident of delivering a particularly good full year performance".

The company also announced the acquisition of 60% of IT staff agency **Summer Associates** for £1.92m. SA has 101 consultants and had revenue of £6.4m and PBT of £692K in the year to 31st Mar. 98.

### **Super Sage just gets more Boring**

**Sage** announced its usual boringly excellent results for the six months to 31st Mar. 98. Revenue rose 21% to £88.8m, PBT increased a higher 24% at £24m with EPS up 22%.

*No more than we expected really!*

The UK performed particularly well with organic growth of 33% and "43,000 new businesses began using Sage's software in the last six months". The US also did well and the Jan. 98 £160m acquisition of US **State of the Art** is progressing well.

Further suitable acquisitions are actively being considered both in Europe (particularly Scandinavia, the Benelux and Spain) and the US. CEO Paul Walker said "I don't think we see Europe and the US as being mutually exclusive".

The Sage share price continued its upward progress, rising 18% in the month to £14.80p. That's a rise of 78% in this year alone.

**Comment.** With some two thirds of UK revenues now recurring from service contracts, there is scope for Sage to increase this type of revenue elsewhere - particularly in the US. The US market is still fragmented with State of the Art a market leader. Surely further consolidation and acquisitions by Sage are inevitable in time? With analysts expecting PBT of £47m in FY98, this equates to a P/E of c50. There was a time when such ratings were unheard of. But for a company of Sage's quality they now seem pretty normal!





## Electronic Data Processing gets it right

EDP (the "Wholesale Distribution Software Solution Specialist") had previously disappointed with its results for the year to Sep. 97. But their interim results for the six months to 31st Mar. 98 are very much better. Although revenue fell 10% to £5.8m (due to reducing hardware prices), PBT increased 54% to £1.2m with EPS up even higher with a 61% increase. There was an exceptional £156K gain from the disposal of shares in a listed company, but even without this PBT went up 34%. Evidently 50% of group revenues are recurring. Chairman Michael Heller said "this is the second successive six months period in which profits have shown an improvement... I anticipate that the full year will show a continuing improvement".

With over £10m cash in the bank, EDP are looking for suitable compatible software solution businesses. The shares rose 43% in the month to end on 99p.

## Sanderson - up at the interim stage

Sanderson Group's interim results for the six months ending 31st Mar. 98 were acceptable - but not brilliant. Revenue increased just 4% to £34.7m (but up 6% on ongoing turnover), PBT increased a higher 16% to £4m with EPS up 5%. Both the UK and the Pacific Region had improved performances with operating profit up 18% (at £3m) and 43% (at £1.34m) respectively.

According to Chairman Paul Thompson "Having achieved a record half year, the Sanderson Group has started the second half positively and we are hoping to achieve a successful set of results for the full year".

Our biggest criticism of Sanderson has always been their wide spread of activities - too wide in our opinion. At least the shares have done much better recently and have so far nearly doubled this year so far. Mind you this is from the low base they achieved after the profits warning last November.

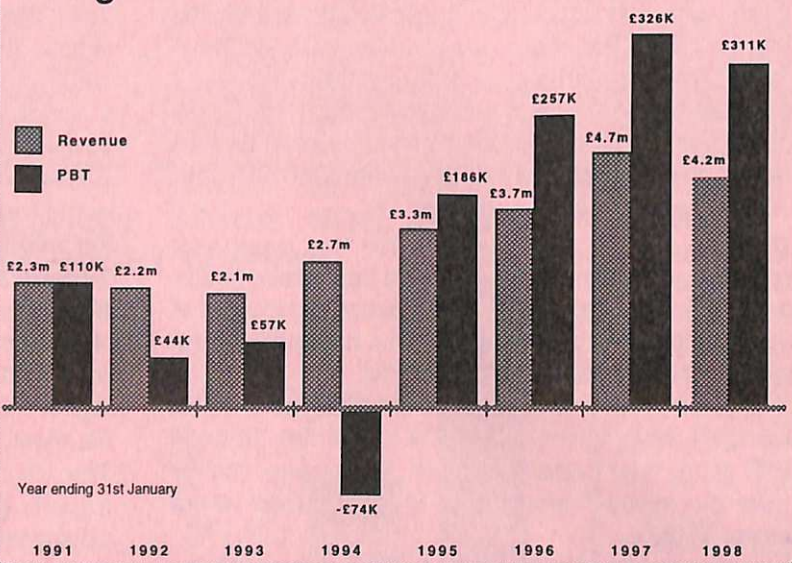
## A rather depressing performance from Romtec

AIM quoted IT market researcher Romtec has just announced their full year results to 31st Jan. 98. Revenue fell 11% to £4.2m, operating profit was down a massive 70% to just £92K, PBT dropped by 5% to £310K with EPS also down 5%. Pretty disappointing in all, and if exceptionals are excluded from both years, PBT actually fell from £375K to a mere £81K. The 1997 exceptionals were the £49K float costs but in 1998 Romtec made an exceptional gain of £180K from the disposal of 19% of their subsidiary undertaking, Romtec-GfK to GfK Marketing Services. This leaves Romtec with a 51% stake with GfK Marketing the remaining 49%. In addition to this, in 1998 Romtec also received an exceptional payment of £50K from the other shareholders of Romtec-GfK "in respect of a non compete agreement". Why are these results so poor? Chairman and majority shareholder Russ Nathan said "1997/8 was a year in which we developed the business with the longer term taking priority over short term gains". Well that's one way of excusing the performance! Romtec has now got out of the US and has replaced this business with the 51% GfK Marketing JV stake. Nathan admitted to us that during all this "transition", management eyes were taken off the business. He expects a better performance in the current year with profits back to previous levels. He was bullish over the opportunities for their Universal database and Internet based research.

Romtec originally floated on AIM at 62.5p in May 96. The shares ended the month largely unchanged at 109p.

**Comment.** We have had several "So when is Richard Holway Ltd going to float?" questions recently. To say the least, our own performance in the last year has been an all time record and so far in the current year things are even better. Indeed in revenue terms, we are getting on for a quarter of Romtec's size, and bear in mind there were only two of us in 1997 compared to over 70 at Romtec! We do not intend to compare profitability however - that's a private matter between us and the Inland Revenue.

### Romtec plc Eight Year Revenue and PBT Record



## More losses at Recognition Systems

Recognition Systems came to the main market via a placing in May 96 at 70p. Recognition specialise in intelligent software for institutions like insurance companies, utilities etc. Their software is used for micro marketing or data mining - the then in vogue application - we really thought they would do well and we have given what support we could since. But, like the hopes for data mining itself, we have increasing doubts about the operation. The rights issue in Nov. 97 was a flop and the shares have dived since.

We headlined our last review of Recognition "where are the profits" as Chairman David Bounds had promised that the company would be profitable "by the end of the year". We then added the comment that we weren't sure to which year he referred. Well it doesn't look likely to be FY98 according to the latest interims for the six months ending 31st Mar. 98. On static revenue of only £327K, the loss before tax increased from £1.1m to £1.3m - yes another company where losses greatly exceeds revenue!

Bounds is happy that "Market understanding of our software is improving... Overall we believe there are significant opportunities for Recognition Systems in 1998". Note: no mention of profitability in the latest statement.



**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

Admiral plc				Eldos plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Mar 97	Final - Mar 98	Comparison		
PBT	£ 90,819,000	£ 117,191,000	+29.0%	PBT	£ 75,531,000	£ 137,234,000	+81.7%		
EPS	£ 11,243,000	£ 17,552,000	+56.1%	EPS	£ 6,831,000	£ 16,507,000	+140.8%		
	11.60p	17.80p	+53.4%		-60.40p	59.80p	Loss to profit		
AFA Systems plc				Electronic Data Processing plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Mar 97	Final - Sep 97	Comparison		
PBT	£ 364,000	£ 226,000	-37.9%	PBT	£ 6,490,000	£ 12,565,000	+93.1%		
EPS	-£ 913,000	-£ 1,801,000	Loss both	EPS	£ 803,000	£ 1,741,000	+115.8%		
	-10.50p	-16.80p	Loss both		2.01p	4.50p	+124.4%		
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	£ 6,184,000	+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	£ 5,786,458	+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	£ 126,464,000	£ 292,900,000	£ 140,990,000	+11.5%	PBT	£ 9,271,000	£ 6,889,000	-25.3%	
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	£ 23,026,000	+51.2%	
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	Final - Jan 97	Final - Jan 98	Comparison		
PBT	£ 111,869,000	£ 172,904,000	+54.6%	PBT	£ 36,321,000	£ 55,796,000	+53.6%		
EPS	£ 12,292,000	£ 18,312,000	+49.0%	EPS	£ 797,000	£ 5,527,000	+593.5%		
	4.75p	6.51p	+37.1%		1.80p	13.36p	+642.2%		
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	£ 5,661,000	£ 10,363,000	£ 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	+38.3%		
EPS	£ 552,000	£ 813,000	+47.3%	EPS	£ 6,009,000	£ 6,100,000	+1.5%		
	6.44p	8.29p	+28.7%		17.20p	15.10p	-12.2%		
Chemical Design Holdings plc				Intelligent Environments Group plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 1,888,000	£ 1,888,000	+1.1%	PBT	£ 3,476,554	£ 4,443,146	+27.8%		
EPS	-£ 165,000	-£ 580,000	Loss both	EPS	-£ 1,379,256	-£ 3,009,417	Loss both		
	-2.93p	-9.10p	Loss both		-7.10p	-13.30p	Loss both		
Clinical Computing plc				IS Solutions plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 1,979,690	£ 3,025,110	+52.8%	PBT	£ 7,671,000	£ 8,750,000	+14.1%		
EPS	-£ 2,079,530	£ 275,564	Loss to profit	EPS	£ 219,181	£ 539,845	+146.3%		
	-12.30p	1.10p	Loss to profit		3.77p	8.63p	+128.9%		
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	£ 3,258,000	£ 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	£ 45,708,000	£ 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	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Mar 97	Final - Sep 97	Comparison		
PBT	£ 13,879,346	£ 14,556,443	+7.2%	PBT	£ 53,915,000	£ 120,752,000	£ 80,393,000	+49.1%	
EPS	£ 1,036,812	£ 504,036	-51.4%	EPS	£ 3,710,000	£ 9,805,000	£ 5,526,000	+48.9%	
	12.70p	7.40p	-41.7%		2.58p	6.83p	3.65p	+41.5%	
Delphi Group plc				MMT Computing plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Feb 97	Final - Aug 97	Interim - Feb 98	Comparison	
PBT	£ 210,635,000	£ 276,914,000	+31.5%	PBT	£ 10,703,000	£ 24,699,075	£ 16,991,000	+56.7%	
EPS	£ 12,302,000	£ 12,853,000	+4.5%	EPS	£ 2,424,000	£ 5,554,611	£ 4,250,000	+75.3%	
	33.02p	28.79p	-12.8%		13.30p	29.80p	23.20p	+74.4%	
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	£ 117,799,000	£ 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	£ 22,066,000	£ 14,276,000	+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.

Microgen Holdings plc				Royalblue Group plc					
REV	Final - Oct 96	Final - Oct 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 73,391,000	£ 66,398,000	-9.5%	PBT	£ 11,679,000	£ 20,647,000	+76.8%		
EPS	£ 8,783,000	£ 5,324,000	-39.4%	EPS	£ 2,016,000	£ 2,041,000	+1.2%		
	15.10p	8.80p	-41.7%		4.66p	3.33p	-28.5%		
Misys plc				Sage Group plc					
REV	Interim - Nov 96	Final - May 97	Interim - Nov 97	Comparison	REV	Interim - Mar 97	Final - Sep 97	Interim - Mar 98	Comparison
PBT	£ 142,809,000	£ 325,470,000	£ 177,644,000	+24.4%	PBT	£ 73,554,000	£ 152,089,000	£ 88,798,000	+20.7%
EPS	£ 23,665,000	£ 62,533,000	£ 32,122,000	+35.7%	EPS	£ 19,286,000	£ 37,635,000	£ 23,967,000	+24.3%
	19.90p	52.80p	27.00p	+35.7%		12.03p	23.43p	14.68p	+22.0%
Mondas plc				Sanderson Group plc					
REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison	REV	Interim - Mar 97	Final - Sep 97	Interim - Mar 98	Comparison
PBT	£ 11,183	£ 56,609	£ 143,075	+1179.4%	PBT	£ 33,408,000	£ 67,143,000	£ 34,743,000	+4.0%
EPS	-£ 104,718	-£ 421,192	-£ 250,795	Loss both	EPS	£ 3,504,000	£ 2,778,000	£ 4,049,000	+15.6%
	-5.40p	-10.50p	-4.10p	Loss both		5.90p	4.70p	6.20p	+5.1%
Moorepay Group plc				SBS Group plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Feb 97	Final - Aug 97	Interim - Feb 98	Comparison	
PBT	£ 5,118,415	£ 5,283,379	+3.2%	PBT	£ 8,565,000	£ 18,981,000	£ 11,308,000	+32.0%	
EPS	£ 1,327,894	£ 1,385,201	+4.3%	EPS	£ 353,000	£ 728,000	£ 529,000	+49.9%	
	8.26p	9.04p	+9.4%		3.40p	8.60p	4.90p	+44.1%	
MSB International plc				Science Systems plc					
REV	Final - Jan 97	Final - Jan 98	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 69,755,000	£ 128,793,000	+84.6%	PBT	£ 1,271,000	£ 1,855,000	+45.9%		
EPS	£ 5,431,000	£ 9,043,000	+66.5%	EPS	£ 1,271,000	£ 1,855,000	+45.9%		
	17.60p	29.00p	+64.8%		3.70p	6.80p	+83.8%		
NSB Retail Systems plc				Sema Group plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 2,161,000	£ 3,284,464	+52.0%	PBT	£ 926,965,000	£ 1,130,086,000	+21.9%		
EPS	£ 296,000	£ 837,516	+182.9%	EPS	£ 50,019,000	£ 64,073,000	+28.1%		
	2.30p	6.30p	+173.9%		30.94p	39.14p	+26.5%		
Oxford Molecular plc				Sherwood International plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 9,789,000	£ 15,641,000	+59.8%	PBT	£ 24,828,000	£ 30,036,000	+22.0%		
EPS	-£ 1,849,000	£ 256,000	Loss to profit	EPS	£ 2,065,000	£ 3,095,000	+49.9%		
	-3.30p	0.20p	Loss to profit		18.80p	22.80p	+21.3%		
Parity plc				Skillsgroup plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Nov 96	Final - Nov 97	Comparison		
PBT	£ 162,091,000	£ 202,078,000	+24.7%	PBT	£ 344,337,000	£ 376,969,000	+9.5%		
EPS	£ 10,060,000	£ 13,506,000	+34.3%	EPS	£ 14,277,000	-£ 16,308,000	Profit to loss		
	15.81p	20.91p	+32.3%		12.70p	-22.90p	Profit to loss		
Pegasus Group plc				Spargo Consulting plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 7,914,000	£ 12,447,000	+57.3%	PBT	£ 7,853,000	£ 9,512,000	+21.1%		
EPS	£ 1,160,000	£ 1,698,000	+46.4%	EPS	£ 1,204,000	£ 1,740,000	+44.5%		
	15.40p	29.30p	+90.3%		6.17p	9.22p	+49.4%		
PhoneLink plc				Staffware plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison	
PBT	£ 2,155,000	£ 4,318,000	£ 1,850,000	-14.2%	PBT	£ 10,009,325	£ 17,585,000	+75.7%	
EPS	-£ 3,152,000	-£ 6,173,000	-£ 1,742,000	Loss both	EPS	£ 873,879	£ 1,772,000	+102.8%	
	-6.70p	-12.90p	-3.60p	Loss both		5.60p	10.80p	+92.9%	
Proteus International plc				Superscape VR plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Jan 97	Final - Jul 97	Interim - Jan 98	Comparison
PBT	£ 413,000	£ 573,000	£ 21,000	-94.9%	PBT	£ 1,901,000	£ 3,106,000	£ 2,588,000	+35.1%
EPS	-£ 1,820,000	-£ 3,824,000	-£ 1,931,000	Loss both	EPS	-£ 3,128,000	-£ 5,961,000	-£ 956,000	Loss both
	-3.67p	-7.31p	-3.49p	Loss both		-37.40p	-69.60p	-10.90p	Loss both
Quality Software Products Holdings plc				Systems Integrated Research plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Nov 96	Final - May 97	Interim - Nov 97	Comparison	
PBT	£ 25,360,189	£ 28,016,991	+10.5%	PBT	£ 507,000	£ 1,450,000	£ 516,000	+1.8%	
EPS	£ 28,480	£ 2,655,299	+9223.4%	EPS	-£ 1,194,000	-£ 1,938,000	-£ 296,000	Loss both	
	0.20p	20.20p	+10000.0%		-9.10p	-13.30p	-2.40p	Loss both	
RM plc				Tetra plc					
REV	Interim - Mar 97	Final - Sep 97	Interim - Mar 98	Comparison	REV	Interim - Nov 96	Final - May 97	Interim - Nov 97	Comparison
PBT	£ 48,965,000	£ 110,170,000	£ 50,473,000	+3.1%	PBT	£ 9,867,000	£ 22,358,000	£ 13,312,000	+34.9%
EPS	£ 1,683,000	£ 8,018,000	£ 636,000	-62.2%	EPS	£ 830,000	£ 2,096,000	-£ 2,608,000	Profit to loss
	6.30p	30.80p	2.40p	-61.9%		2.71p	6.10p	-13.17p	Profit to loss
Radius plc				Total Systems plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	
PBT	£ 27,267,000	£ 27,728,000	+1.7%	PBT	£ 1,477,822	£ 3,279,609	£ 2,017,128	+36.5%	
EPS	£ 1,591,000	£ 1,122,000	-29.5%	EPS	£ 185,587	£ 412,545	£ 476,206	+156.6%	
	4.05p	2.94p	-27.4%		1.33p	2.76p	3.19p	+139.8%	
Rage Software plc				Trace Computers plc					
REV	Final - Jun 96	Final - Jun 97	Comparison	REV	Interim - Nov 96	Final - May 97	Interim - Nov 97	Comparison	
PBT	£ 9,504,000	£ 6,758,000	-28.9%	PBT	£ 9,737,000	£ 17,270,621	£ 7,170,000	-26.4%	
EPS	-£ 3,224,000	-£ 15,430,000	Loss both	EPS	£ 145,000	£ 634,601	£ 409,000	+182.1%	
	-1.34p	-6.30p	Loss both		1.03p	3.35p	2.16p	+109.7%	
Real Time Control plc				Triad Group plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Final - Mar 97	Final - Mar 98	Comparison	
PBT	£ 6,314,000	£ 12,565,000	£ 7,181,000	+13.7%	PBT	£ 18,827,000	£ 32,161,000	+70.8%	
EPS	£ 1,156,000	£ 2,547,000	£ 1,477,000	+27.8%	EPS	£ 2,656,000	£ 6,609,000	+148.8%	
	11.00p	25.50p	14.50p	+31.8%		7.25p	17.78p	+145.2%	
Rebus Group plc				Ultima Networks plc					
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 30,255,000	£ 68,436,000	£ 40,876,000	+34.4%	PBT	£ 33,840,000	£ 65,176,000	£ 20,892,000	-38.3%
EPS	£ 2,313,000	£ 5,808,000	£ 2,941,000	+27.2%	EPS	£ 1,610,000	£ 461,000	-£ 424,000	Profit to loss
	1.72p	4.61p	1.96p	+14.0%		1.40p	0.21p	0.10p	-92.9%
Recognition Systems Group plc				Vega Group plc					
REV	Interim - Mar 97	Final - Sep 97	Interim - Mar 98	Comparison	REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison
PBT	£ 326,000	£ 773,000	£ 327,000	+0.3%	PBT	£ 8,826,000	£ 17,977,000	£ 10,399,000	+17.8%
EPS	-£ 1,128,000	-£ 2,255,000	-£ 1,333,000	Loss both	EPS	£ 1,405,000	£ 3,261,000	£ 805,000	-42.7%
	-4.10p	-8.10p	-3.80p	Loss both		6.35p	13.79p	3.49p	-45.0%
Riva Group plc				Workplace Technologies plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Final - Dec 96	Final - Dec 97	Comparison		
PBT	£ 64,438,000	£ 70,208,000	+9.0%	PBT	£ 52,086,000	£ 65,938,000	+26.8%		
EPS	£ 518,000	£ 1,339,000	+158.5%	EPS	£ 1,040,000	£ 1,830,000	+76.0%		
	0.90p	2.00p	+122.2%		-0.38p	2.17p	loss to profit		
Rolfe & Nolan plc				Xavier Computer Group plc					
REV	Interim - Aug 96	Final - Feb 97	Interim - Aug 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 8,630,000	£ 20,299,000	£ 9,692,000	+12.3%	PBT	£ 3,740,000	£ 8,961,457	£ 7,805,000	+108.7%
EPS	£ 1,107,000	£ 2,758,000	-£ 569,000	Profit to loss	EPS	£ 260,000	£ 582,000	£ 501,000	+92.7%
	5.57p	14.50p	-2.93p	Profit to loss		0.33p	0.62p	0.38p	+15.2%
Romtec plc				Zergo Holdings plc					
REV	Final - Jan 97	Final - Jan 98	Comparison	REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison	
PBT	£ 4,734,877	£ 4,217,440	-10.9%	PBT	£ 4,670,000	£ 10,398,871	£ 5,371,000	+15.0%	
EPS	£ 326,125	£ 310,718	-4.7%	EPS	£ 185,000	£ 725,736	£ 78,000	-57.8%	
	4.30p	4.10p	-4.7%		0.50p	3.40p	-0.30p	Profit to loss	



## UK M&A

**Royalblue** has acquired US HelpDesk operation **Utopia Technology Partners**. **MDIS** has bought the remaining 50% of **PRO 1V** for £2.4m

**Micro Focus** has bought its privately-owned Italian distributor - **Micro Focus Italia** - for \$4.3m cash. MFI had revenues of \$4.4m and operating profit of \$460K in the first nine months of FY99.

**Staffware** has placed 600K shares at £8.90 to raise c£5.3m. This money is to be used for marketing and to enable them to consider small complementary acquisitions.

VR developer **Superscape** has raised £5m net in a 1-for-3 placing at 175p to help fund its interactive Internet-based 3D product.

**Delphi Group** has acquired **QED Training** for £2.1m (part cash, part shares). QED had 1997 revenues of £1.6m but made a loss before tax of £127K. QED will now become part of **AC Interskill**, Delphi's training arm.

**Fayrewood** has acquired the UK distribution division of **Interface Systems International** from US NASDAQ quoted **Interface Systems Inc.** The consideration paid was \$3.6m (£2.2m).

**Baan** has now officially completed the acquisition of **Coda** that was announced in Feb. 98. The agreed share price was 190p which valued Coda at nearly £53m. We will now have to delete Coda from our SCSI index next month (along with all the other new additions - see p.10).

### **Catalyst acquires Pacific Systems**

**Pacific Systems** ("The Computer Systems Integration Company") and **Catalyst** (IBM UK's "premier AS/400 Business Partner") have joined forces under the umbrella of a new holding company **Catalyst Solutions plc**. The combined operation will have revenues in excess of £40m and over 300 employees. We have no consideration details at present but we understand that Pacific's founders, Mike and Paul Newman, are "retiring". When can we expect a float for these two highly successful companies? Early 1999 seems likely.

### **Dialog makes profit**

We have a sneaking admiration for Dan Wagner of **Dialog** (nee MAID). He's young, a sort of "barrow boy" dealer type and he speaks his mind - particularly his feelings about City institutions. But he has produced one of the most innovative information retrieval software around - so good that it powers Alta Vista. And last year he pulled off the second largest SCSI acquisition when MAID acquired US **Knight Ridder Information** for £286m.

Losses at **Dialog** for the last two years have been £7m (FY96) and £20.4m (FY97). But Q198 results show a profit of £1.85m (after taking an exceptional £661K charge relating to the KRI purchase) on revenue of nearly £45m. CEO Dan Wagner said that the integration of the two organisations was proceeding well and would exceed the annual predicted cost savings of c£21m. But the City still remains unimpressed and the share price actually fell over 11% on the day of the announcement. They continued to fall to end the month on 146p.

**Comment.** Current analysts' forecasts are for revenues of £210m and PBT of £22.8m in 1998 - rising by around 50% to £33.8m in 1999. If that is actually achieved then **Dialog** looks to be one of the most undervalued companies around on a 1999 P/E of just c7.5.

## **Computer Horizons acquires Spargo Consulting**

**Spargo Consulting**, which provides AM, IT development and consultancy, was a new issue back in June 94 at 95p. Its performance since then has been good but not that exciting. In the year to 31st Dec. 97 revenue rose 21% to £9.5m and PBT increased by 45% to £1.7m. With an 18% profit margin, they have been one of the examples we use of the high margins which can be achieved from people-based businesses.

This month **Spargo** became the latest quoted SCSI company to fall to a foreign predator when US NASDAQ-quoted **Computer Horizons Corp.** made an agreed all share bid which valued **Spargo** shares at 324p and the group at £41.3m. The shares had been trading at 270p at the time the bid was announced.

**Computer Horizons** is a US based IT professional services and outsourcing operation employing 3500 staff with particular emphasis on Y2K work for large corporates. It had revenues of \$334m and net profits of \$22.6m in 1997.

### **Rothwell appoints receivers**

At one stage **Rothwell Group plc** was the largest Apple dealer in the UK. Growth had accelerated after Mercury Communications awarded it a major supply contract. But, in some ways, that also led to its downfall. One customer providing over 50% of your revenue is almost always a bad thing. But if it involves the fickle world of hardware supply, it can be disastrous. When, five years ago, Mercury decided to change to PCs it switched its complete supply contract to Computacenter almost overnight.

Richard Holway was the non exec. Chairman at the time, so we can assure you that the situation was pretty dire. We (as you might expect) had been trying hard to grow the services bit. In 1994, just before Holway stepped down, we separated this (now called **Symetris** and still surviving) and left **Rothwell** as the hardware reseller. In 1996, an investment vehicle in which Allan Harle ex of Xavier was involved, acquired **Rothwell** and all looked well as they set off on their own acquisition trail, buying several (failing) AppleCentres. Indeed a year ago it was announced that Xavier would acquire **Rothwell**. But later it was announced that "the preconditions required had not been met" and the purchase fell apart.

In late May 98, the receivers were appointed and **Rapid Networks** immediately bought the operation. The directors and half the staff departed.

### **Richard Holway comment**

I think I learnt more from my involvement with **Rothwell** than any of the dozen non exec roles I have had in the last twelve years. At Hoskyns our order books stretched out for years. At **Rothwell** they ended next Monday. That's scary! I learnt the importance of fast stock turnover - not only from a cash point of view, but because last month's model is unsaleable this month. And, of course, I learnt that customers for commodity items are very fickle. Loyalty is not a strong card.

I learnt that if any customer represents much more than 10% of revenue, you should start to worry. I also learnt that moving from selling boxes to services is far more difficult and takes far more time than people think.

I know that these points will strike a chord with many of our readers. After all I have banged on about them for many, many years. At least you now know they come from bitter experience not a management textbook.



## Triad produces stunning results

# TRIAD

Triad is one of only four current holders of the coveted *System House Boring Award*. With both JBA and Vega losing their awards in 1997 we are therefore both pleased and relieved to be able to report their stunning results for the year ending 31st Mar. 98.



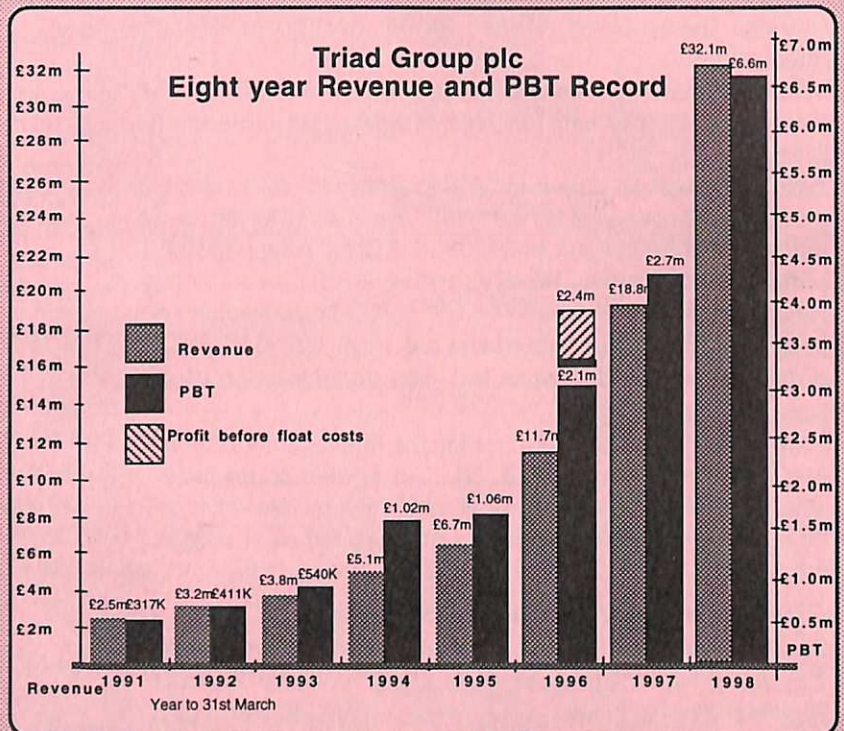
Revenue increased 71% to £32.2m, PBT went up 149% to £6.6m with EPS up 145%. The profit margin of 20.5% is excellent and shows just what can be achieved at a well run people-based business. We could be a little churlish and say that any company should be able to take full advantage of today's buoyant market conditions, but these results show even the best how to do it. Strong growth was reported from financial services and the commercial sectors. The number of fee earners has increased from 350 to 510.

Chairman Alistair Fulton said "The market for the company's professional services continues to grow and strengthen and this is reflected in the company's order book.... The excellent results confirm the changes made in board and management structure over a year ago. The company continues to strengthen and develop its trading performance and I contemplate both the immediate and long term outlook with enthusiasm and confidence".

But we are sure that Fulton would give full credit to the role that "new" MD Mira Makar has played.

Interestingly, Fulton says that "Only a very small percentage of Triad's business is related to solving the millennium problem" and he went on to say that he "did not expect the passing of the millennium to have a significant effect on Triad's future development". But this is a little illogical. Agreed now this work only accounts for a small part of their business, but what will happen post millennium when we expect a surfeit of fully trained IT staff available for any IT work? This surely must have an affect on fee rates and this in turn will affect Triad.

The shares have continued their meteoric rise with a further 26% increase this month (making a 151% increase this year to date) to end the month on 747p. For the record, Triad was a new issue in Mar. 96 at 135p.....



## Christmas (and Tomb Raider) boosts Eidos

Eidos, "Europe's largest publisher and developer of entertainment software", has announced record results for Q498 with revenues of £34m (compared to £23m in Q497) and a PBT of £3.5m (loss £1.7m). Indeed for the full year to 31st Mar. 98, revenue rose a massive 82% to £137.2m and the previous restated loss of £6.8m was transformed into a PBT of £16.5m. This is after Eidos wrote off £1.9m net from the sale of **Simis** and the termination of **Naked Resources Ltd** in FY98. The company is best known for its Tomb Raider game (and icon Lara Croft) but also publishes such titles as Deathtrap Dungeon, Dominion Storm and Final Fantasy V11. *Who says the computing industry is boring?*

CEO Charles Cornwall is more than pleased. "Our headline results are clearly pleasing" and then went on to say that they had adopted a "more prudent" accounting policy which had "impacted an additional charge of £6.1m to R&D... the turnaround from 1997 is a great deal more than pleasing". And what's more Eidos now have over £42m cash in the bank. They have a total product pipeline of 33 titles at the year end (19 launched in the last year alone) and with some only sold in the US, there is potential for sales in the European market to follow. And it is possible that a live action Tomb Raider film will be made in the US. Chairman Ian Livingstone said "We have a well balanced portfolio of quality product releases... In this industry success is dictated by the quality of a publisher's portfolio and Eidos has we believe one the most enviable product line-ups in the business".

Despite these record results, brokers were actually forecasting PBT of between £15m/£21m (but had not fully taken into account the increased R&D expenditure) and the shares immediately fell by almost £1 and they then fell further to end the month on £11.37p. However over the whole month the shares actually rose 20%.

**Comment.** The history of Eidos is almost as exciting as their games. They were a new issue way back in Dec. 90 at 100p. They were quite small until they acquired three computer games companies in late 1995. They paid £10.8m for Domark, £1.8m for Simis (now sold at a loss) and £350K for The Big Red Software Company. In Mar. 96 they bought (rescued) loss making CentreGold in a share swap which valued CentreGold at £17m. The distribution arm, CentreSoft, was sold in a MBO in Jun. 96 for £7m. In Oct. 96 they announced a NASDAQ listing to raise \$70m and purchased a 25% stake in Norwegian games company Innerloop for \$875K. Further small disposals followed together with further investments in Norwegian Opticom, Sports Interactive and US Black Dragon Productions. In Mar. 97 a further \$50m was raised in a convertible bond issue to US investors. In the meantime their auditors had resigned, the shares have been suspended and there was talk that City regulators were probing share dealings. A very busy time for the management but this is one area of computing where the UK competes at the top level with the rest of the world. They deserve success. With the share price of over £11 at the end of May, that's over 11-times the new issue price in Dec. 90.



## Index soars

It's been an amazing month with our SCSI index up a record 13% and the FTSE IT Index up 18% - a 71% increase in 1997! Misys entered the FTSE100. Its share price has doubled so far in 1997 and is now valued at £4139m.

Comino (up 77%) led as investors realised how undervalued they were before. They are still only on a 23 P/E. Superscape put on 67% on news of a new deal for their Internet/VR software. There were few fallers - but ilion fell 52% on their profits warning. Dialog lost 18% even though they returned to profits in Q1 (p7).

31-May-98		SCSI Index				4932.80
		FTSE IT Index				1714.20
		FTSE 100				5870.70
		FTSE AIM				1135.50
		FTSE SmallCap				2773.12
SCSI Index = 1000 on 15th April 1989						
Changes in Indices		SCSI Index	FTSE 100	FTSE IT Index	FTSE AIM Index	FTSE Small-Cap
Month (30/4/98 - 31/5/98)		+13.04%	-0.97%	18.12%	+5.13%	+4.81%
From 15th Apr 89		+393.28%	+185.87%			
From 1st Jan 90		+436.12%	+148.55%			
From 1st Jan 91		+596.85%	+171.74%			
From 1st Jan 92		+372.10%	+135.48%			
From 1st Jan 93		+209.54%	+106.24%			+99.89%
From 1st Jan 94		+195.45%	+71.74%			+48.40%
From 1st Jan 95		+229.03%	+91.51%			+58.79%
From 1st Jan 96		+118.41%	+59.13%		19.10%	+42.83%
From 1st Jan 97		+84.23%	+42.54%		16.33%	+27.03%
From 1st Jan 98		+62.53%	+14.32%	71.42%	14.47%	+19.88%

## System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	Share Price 31/5/98 (£p)	Capitalisation 31/5/98 (£m)	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 31/5/98	Share price % move since 30/4/98	Share price % move in 1998	Capitalisation move (£m) since 30/4/98	Capitalisation move (£m) in 1998
Admiral	Yes	£12.35	£783.00m	69.4	6.68	44637.24	13.04%	71.89%	£94.05m	£328.85m
AFA Systems		£1.22	£14.60m	Loss	64.60	1012.50	31.35%	13.02%	£3.50m	£1.70m
AIT Group		£3.50	£71.00m	56.1	6.65	2333.33	35.14%	105.28%	£17.95m	£36.42m
Anite Group	Yes	£0.73	£174.00m	Loss	0.90	426.90	7.35%	55.32%	£3.70m	£62.35m
Azlan Group	Yes	£0.53	£56.00m	Loss	0.19	228.26	3.96%	-5.51%	-£0.78m	-£3.14m
Cadcentre Group		£2.95	£49.00m	29.4	2.83	1475.00	16.14%	-9.23%	£6.54m	-£4.93m
Capita Group		£5.41	£1,048.00m	83.1	6.06	48738.74	7.66%	46.61%	£81.23m	£341.32m
Cedardata		£1.72	£57.10m	47.6	5.51	1633.33	2.39%	63.33%	£1.78m	£23.81m
CFS Group		£1.46	£10.80m	17.6	1.58	1616.67	4.30%	39.23%	£0.59m	£3.07m
Chemical Desgn Holdings		£1.10	£7.53m	Loss	3.99	1000.00	15.79%	10.00%	£0.66m	£0.93m
Clinical Computing		£0.90	£22.50m	Loss	7.44	721.77	43.20%	110.59%	£7.77m	£11.83m
CMG	Yes	£17.20	£2,205.00m	44.6	7.28	11862.07	28.94%	125.57%	£534.65m	£1,227.51m
Coda Group		£1.90	£53.00m	Loss	1.29	808.51	2.98%	26.67%	£1.49m	£11.19m
Compel Group	Yes	£4.80	£136.30m	26.5	1.22	3840.00	13.61%	57.38%	£15.56m	£49.07m
Comino		£2.71	£35.40m	22.9	4.54	2080.77	77.38%	120.82%	£15.16m	£20.60m
CRT Group		£4.34	£624.10m	60.4	4.65	4822.22	-1.14%	22.25%	-£8.58m	£115.72m
DCS Group		£6.25	£137.50m	41.9	2.30	10416.67	22.55%	93.80%	£23.06m	£66.54m
Delcam		£1.10	£6.49m	14.9	0.45	423.08	-12.00%	-33.33%	-£0.88m	-£3.21m
Delphi Group	Yes	£6.93	£201.50m	24.3	0.73	2849.79	-7.17%	3.36%	-£15.51m	£7.20m
Diagonal	Yes	£10.83	£217.60m	79.6	4.86	3936.36	10.74%	54.09%	£22.75m	£87.60m
Dialog Corporation		£1.46	£218.50m	Loss	4.74	1322.73	-17.56%	-3.00%	-£42.61m	-£6.33m
Division Group		£0.55	£24.30m	Loss	3.64	1362.50	13.54%	41.56%	£2.38m	£7.40m
DRS Data & Research		£0.15	£5.19m	Loss	0.77	136.36	0.00%	-31.82%	£0.00m	-£2.34m
Druid Group	Yes	£10.50	£240.40m	66.9	10.89	3818.18	5.26%	58.49%	£14.33m	£88.68m
Electronic Data Processing		£0.99	£25.80m	17.1	2.05	3015.92	42.75%	80.73%	£7.89m	£11.56m
Eldos	Yes	£11.38	£192.20m	15.2	1.40	11375.00	20.05%	69.78%	£27.61m	£78.96m
FI Group	Yes	£17.00	£547.40m	119.7	5.54	7234.04	26.39%	82.31%	£110.13m	£247.10m
Flomerics Group		£1.25	£3.25m	416.7	0.56	961.54	19.05%	4.17%	£0.40m	£0.13m
Gresham Computing		£0.88	£28.60m	53.5	3.29	940.86	23.24%	280.43%	£8.21m	£21.08m
Guardian IT		£5.40	£276.40m	461.5	12.00	2117.65	18.68%	111.76%	£43.50m	£145.90m
Harvey Nash Group		£4.08	£114.10m	30.6	2.04	2328.57	-7.39%	20.92%	-£15.96m	£20.15m
Higams Systems Services		£1.25	£22.10m	28.4	1.35	3472.22	-3.85%	60.26%	£0.50m	£8.28m
ilion Group		£0.95	£23.70m	6.3	0.12	590.63	-51.91%	-25.88%	-£24.35m	-£8.32m
Intelligent Environments		£0.62	£19.00m	Loss	4.28	659.57	24.00%	153.06%	£6.13m	£13.24m
I S Solutions		£3.88	£18.60m	n/a	2.13	2891.79	47.62%	166.32%	£5.96m	£11.62m
JBA Holdings	Yes	£6.60	£242.20m	61.8	1.09	4125.00	20.00%	-35.83%	£37.08m	-£134.25m
Kalamazoo Computer		£0.53	£22.50m	7.7	0.29	1500.00	20.69%	-24.46%	£4.57m	-£7.30m
Kewill Systems	Yes	£8.65	£111.60m	20.7	2.70	3418.97	-3.08%	51.75%	-£2.79m	£38.05m
Logica	Yes	£18.08	£1,333.00m	51.9	3.94	4952.05	14.58%	56.16%	£188.28m	£486.90m
London Bridge Software	Yes	£12.00	£348.00m	119.6	30.74	6000.00	20.60%	135.99%	£26.58m	£200.51m
Lorlan		£7.92	£152.80m	49.3	1.31	7915.00	0.70%	56.73%	£8.59m	£66.42m
Lynx Holdings	Yes	£2.25	£235.30m	28.6	1.95	5612.50	14.54%	86.31%	£30.34m	£111.03m
M-F Group		£1.51	£84.00m	19.9	2.13	597.22	18.04%	33.78%	£9.31m	£21.24m
Macro 4	Yes	£4.90	£96.50m	14.1	4.12	1975.81	0.00%	44.12%	-£0.06m	£29.50m
MDIS Group	Yes	£0.96	£203.10m	434.1	1.74	367.31	29.05%	103.19%	£45.80m	£104.59m
Micro Focus	Yes	£5.58	£445.40m	35.1	4.59	2692.61	0.90%	39.72%	£1.74m	£74.52m
Microgen Holdings		£1.28	£60.40m	17.0	0.91	544.87	1.59%	82.14%	£10.71m	£32.68m
Misys	Yes	£36.96	£4,139.00m	61.8	12.72	9194.03	28.56%	101.97%	£879.06m	£2,095.80m
MMT Computing	Yes	£14.20	£169.00m	37.4	6.86	8452.38	30.57%	69.15%	£41.56m	£69.14m
Mondas		£0.78	£4.73m	Loss	82.98	1033.33	0.00%	11.51%	£0.00m	£0.49m
Moorepay Group		£2.98	£34.80m	33.7	6.59	5020.61	3.48%	5.31%	£3.77m	£4.25m
MSB International		£10.08	£205.50m	34.8	1.60	5302.63	3.87%	61.20%	£11.85m	£78.06m
NSB Retail Systems	Yes	£3.70	£40.70m	58.2	12.39	3217.39	20.13%	93.21%	£10.54m	£22.13m
Oxford Molecular		£2.09	£157.20m	Loss	10.05	2612.50	10.88%	-12.92%	£31.57m	-£16.27m
Parity	Yes	£8.55	£421.50m	40.9	2.09	4749.82	9.76%	34.43%	£36.73m	£108.00m
Pegasus Group		£3.72	£26.00m	12.8	2.09	1011.26	1.78%	42.88%	-£0.10m	£7.83m
PhoneLink		£0.48	£22.90m	Loss	5.31	306.45	30.14%	-12.84%	£4.86m	-£3.36m
Proteus International		£0.48	£26.40m	Loss	46.07	565.48	-12.04%	7.95%	-£4.83m	£1.94m
Quality Software Products		£4.98	£67.70m	24.6	2.42	1309.21	3.11%	126.14%	£3.95m	£37.74m
Radius		£0.45	£12.60m	15.3	0.45	326.09	2.27%	28.57%	£0.15m	£2.80m
Rage Software		£0.13	£31.70m	Loss	4.69	500.00	-5.45%	205.88%	-£5.48m	£21.30m
Real Time Control		£5.63	£39.40m	19.4	3.14	11479.59	13.07%	75.23%	£5.78m	£16.97m
Rebus Group	Yes	£1.16	£107.30m	25.4	1.62	1318.18	6.42%	46.84%	£4.06m	£34.20m
Recognition Systems		£0.20	£7.27m	Loss	9.44	282.14	17.91%	-8.14%	£1.02m	-£0.64m
Riva Group		£0.76	£23.30m	34.3	0.33	536.59	-9.04%	79.76%	-£6.40m	£10.33m
RM	Yes	£15.40	£280.30m	56.3	2.54	8800.00	16.23%	93.10%	£39.16m	£138.35m
Rolfe & Nolan		£3.73	£49.50m	62.4	2.44	4434.52	6.43%	8.76%	£2.69m	£3.95m
Romtec		£1.09	£5.64m	26.5	1.34	1736.00	2.84%	3.83%	£0.16m	£0.21m
Royalblue Group	Yes	£3.78	£103.80m	50.9	5.03	2220.59	19.84%	10.22%	£0.04m	£0.04m
Sage Group	Yes	£14.80	£1,715.00m	58.4	11.28	56923.08	17.93%	78.31%	£289.91m	£817.75m
Sanderson Group		£1.47	£87.70m	13.4	1.31	2493.62	8.52%	97.97%	£26.64m	£53.71m
SBS Group		£3.38	£29.00m	34.0	1.53	3375.00	13.45%	92.86%	£3.38m	£16.63m
Science Systems		£2.02	£34.30m	29.6	1.84	1562.02	-0.49%	21.75%	-£0.46m	£6.20m
Sema Group	Yes	£24.00	£2,762.00m	61.3	2.44	7547.17	10.96%	61.89%	£254.20m	£1,057.27m
Sherwood International		£9.08	£79.00m	38.2	2.63	7562.50	6.14%	71.23%	£2.93m	£33.41m
Skillsgroup	Yes	£2.99	£243.10m	Loss	0.64	1340.81	10.13%	63.84%	£18.89m	£94.78m
Spargo Consulting		£2.84	£35.50m	30.8	3.73	2989.47	6.17%	88.70%	£2.55m	£16.67m
Staffware		£7.88	£95.30m	73.1	5.42	3500.00	29.63%	122.77%	£18.67m	£52.52m
Superscape VR		£2.44	£22.40m	Loss	7.20	1229.80	66.78%	126.51%	£9.03m	£12.93m
Systems Integrated		£0.07	£0.94m	Loss	0.75	60.87	0.00%	-22.22%	£0.00m	-£0.27m
Tetra		£2.33	£58.60m	52.8	2.62	1453.13	-1.06%	32.10%	-£0.59m	£14.40m
Total Systems		£1.53	£15.70m	33.0	4.79	2877.36	36.16%	104.70%	£4.96m	£8.18m
Trace Computers		£1.34	£19.50m	35.1	1.13	1068.00	42.78%	103.82%	£5.69m	£10.07m
Triad Group		£7.47	£188.10m	42.0	5.85	5529.63	25.99%	150.92%	£36.09m	£113.09m
Ultima (was Microvitec)		£0.13	£12.30m	59.0	0.19	304.88	35.14%	-28.57%	£4.23m	-£1.46m
Vega Group		£4.38	£67.40m	40.0	3.75	3586.07	29.63%	92.31%	£15.04m	£32.32m
Workplace Technologies		£2.50	£72.50m	40.5	1.10	1428.57	-4.76%	28.53%	-£3.52m	£16.31m
Xavier Computer Group		£0.11	£11.10m	9.9	1.24	1125.00	12.50%	44.69%	£5.10m	£6.44m
Zergo Holdings		£2.60	£30.40m	76.5	2.92	2666.67	0.00%	19.54%	£7.40m	£10.37m

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.



## Flood of new issues

Assuming we get no more surprise announcements, it looks as if we will add a further six SCSi companies to the ranks of those quoted on the London Stock Exchange - main and AIM - in Q2 1998. It would be a little cynical to point out that the record of eight floats in a quarter was in Q1 1994. These included Clinical Computing, Coda and MDIS which were all unmitigated disasters post float. This contributed to the biggest decline in our own SCSi Index, the City turning its back on IT stocks and companies like CMG having to postpone their float plans. It took two years until the recovery started.

The reception to every new issue of late has been nothing short of ecstatic. Computacenter, which still makes the vast majority of its revenue from hardware resale, was 12-times oversubscribed and managed a P/E of 32. Guardian IT has seen its share price increase by a quite incredible 112% since its float at 255p in Mar. 98. ICM (see p11) has risen by 61% in just its first week on the market. These pale into insignificance compared with the new issue leader in the last 12 months - SBS is up a staggering 238% since its launch on AIM in Jun. 97 at 100p. There seems little doubt that the other new issues will be received similarly.

New issues are the life blood of the industry.

A quote can be used to raise funds for development - organic and acquisitions. UK companies can accelerate growth - maybe join the ranks of the international leaders for once. But that depends on maintaining City confidence which is an amazingly fickle commodity.

Goldman Sachs puts the current share price euphoria down to **Anglotechnoanorexiphobia** "a fear of being underweight in UK technology stocks". This has chased the FTSE IT Index up by 71% in just five months since its launch on 2nd Jan. 98. Would a minimal 20% correction in the FTSE IT Index be greeted with "IT stocks bloodbath" or "IT stocks show gain of 50% in first half of 1998"? We suspect the former! The knock on effect will magnify the downturn. New issues will be pulled due to "poor market sentiment", funding raising will come to a halt, overseas acquisitions, particularly likely to suffer the "double-whammy" of a weakening pound, will be called off.

We pray for a "soft landing" but personally fear the worst.

## Quantica

**Quantica** (IT staff agency/recruitment) is coming to the market on 4th June. The shares were priced at 124p ahead of the placing. This valued Quantica at £48.3m which equates to an historic P/E of 23.5. The placing is expected to raise £10.8m net to repay borrowings. In their proforma accounts for the year to 30th Nov. 97, they made an operating profit of c£3.3m on revenue of £11.3m. Profits of "not less than" £1.9m are forecast for the six months to 31st May 98.

Quantica is quite a small company in their specialised field compared to the likes of CRT, Delphi etc. which could make them a target for the consolidation currently taking place in this market. But please heed our warnings of the vulnerability of the IT agency sector if there is a slow down in growth rates.

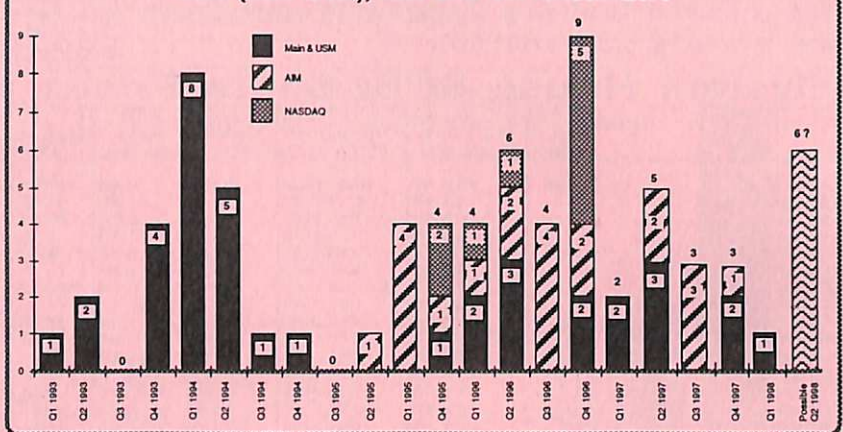
## JSB

**JSB Software Technologies** is a specialist developer of Internet networking and connectivity software working in both the UK and the US - which now accounts for c48% of total revenue after recent strong growth. They focus on two markets; Open Systems network connectivity from Windows to UNIX and Internet/Intranet access control. Customers include various blue chips such as Asda, Barclaycard, British Gas, Tesco etc. with commercial and marketing relationships with Intel, Oracle and Novell. The company estimate that there are over 600,000 customer desktops on which their main MultiView products are installed.

We understand that their AIM placing price will be 200p in early Jun. 98. About 1.6m shares are being placed to raise a net £3m for JSB and this has been arranged through Butterfield Securities, a subsidiary of The Bank of N.T. Butterfield & Son Ltd of Bermuda. At this stage we are unable to calculate the capitalisation exactly at the placing price but we believe it will be around £18.6m. We will certainly be adding them to our index next month at the same time as we undertake all the changes resulting from the current flood of new issues.

JSB is quite a small company with revenue in the ten months to 31st Mar. 98 of only £2.8m and a PBT of just £10K after writing off £423K R&D. They employ 41 staff of which 30 work in the UK.

UK SCSi New Issues by Quarter  
Main (incl. USM), AIM and UK NASDAQs



## ITNET

Again, we previewed **ITNET's** IPO last month so readers know how highly we regard them. Growth last year was "only" 19% which was rather less than the market average for the outsourcing market. But that's why we think ITNET might be the best of the bunch. We are sick of companies peaking in the year prior to float only to slump afterwards. We believe their BPO activities provide particular opportunity. ITNET currently gets just 10% of its revenues from BPO activities such as payroll outsourcing. But the market is growing significantly. Indeed, it is the one market which is technically infinite. IT really could take over the running of the world!

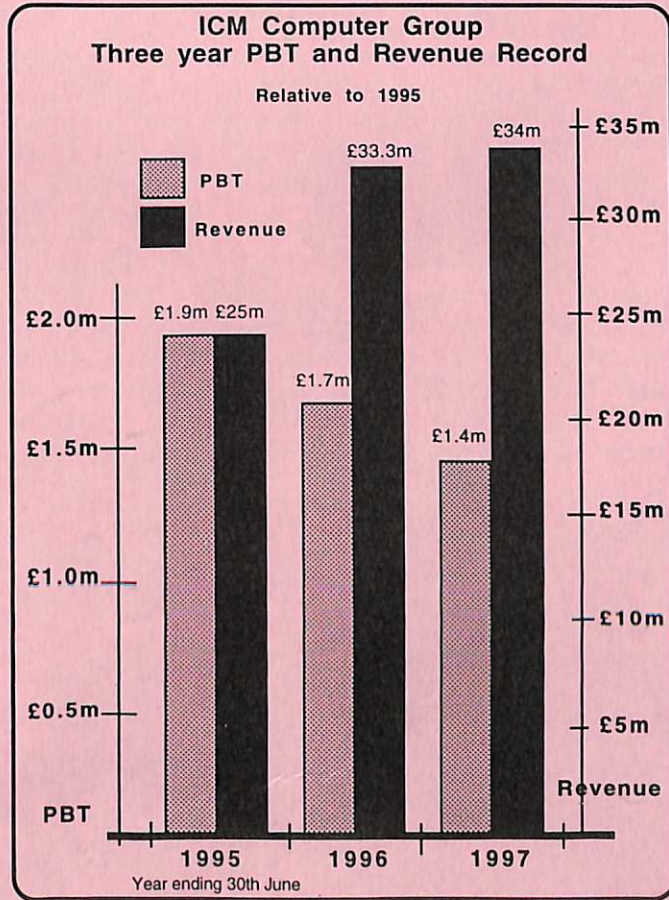
ITNET (just like FI Group from which MD Bridget Blow came) has management that are not only good but care too. As we said before "a quality act".



**ICM**

As previewed in last month's *System House*, **ICM Computer Group** have now completed their float. ICM was established in 1986 and offer a range of services and solutions to clients ranging from multinationals to small office and home users.

ICM made PBT of £736K on revenue of £28.8m in the year to 30th June 97 (PBT would have been much higher but for losses of £1m on discontinued ops). In the eight months to 28th Feb. 98, they had revenues of £23m and PBT £1.4m. Forecast PBT for the full year to Jun. 98 is "not less than £2.12m". With some 40% of revenue recurring, this seems a perfectly achievable target.



They came to the market in a placing at 180p, valuing the group at £34.3m. Some £18m was raised but only just over £2m net will be received for ICM. The P/E at the placing price was c26 - pretty low in today's exalted market. We are not surprised, therefore, that in the few days since trading began on 21st May, the shares have already risen 61% to end on 290p. CEO Barry Roberts commented "we are absolutely delighted by the level of interest shown in ICM... the flotation represents a major step in the development of the company... which will enable us to implement our planned strategy of establishing ICM as a strategic partner of choice".

**Policy Master**

**Policy Master** (insurance software house) has announced its intention to float - we assume in Jun. 98. No pricing details are available at present. Policy Master was an MBO in Jan. 97 and has revenues of £8.75m and a PBT of £776K in FY97 in their first declared results since the MBO. They have offices in Nairobi, Hong Kong and Barbados as well as the UK. We will update you in next month's issue.

**Computacenter**

The reaction initially given to **Computacenter** (again, previewed last month) was nothing short of ecstatic. Given that the placing was 12 times (yes, twelve times!) oversubscribed, it would have probably constituted a criminal act if Goldman Sachs had not priced the shares at the top end of the range indicated. At 670p, this valued Computacenter at £1.3 billion - by far the biggest new issue ever in the sector. That equated to a prospective P/E of 32. Although initially the shares rose to a high of 830p, they subsequently fell back to end May 98 on 729p.

**Comment** - If you had read the press comment surrounding the IPO you would be excused for believing that Computacenter was akin to a Logica or Cap Gemini. Indeed the Prospectus de-emphasised its hardware provision and emphasised services. No breakdown was given between revenue sources. But the R&As show that, out of a total revenue in 1997 of £1135m, £892m was "the cost of computer equipment". As we assume that Computacenter made some profit on the resale of this kit and, as £100m revenue was earned outside the UK, that's why we have consistently estimated their UK SCSI revenue for 1997 at c£150m.

Clearly Computacenter is a highly professional and efficient operator, but the pressures on hardware margins, the competitive threats from the Compaq/DEC merger, the vagaries of customers hardware purchasing habits (where loyalty is much lower than in conventional services) all create concern for the future.

Goldman Sachs are forecasting PBT up 29% at £60.7m for 1998 with a further 21% boost in 1999.

**Up for a Boring Award?**

We were, of course, delighted that Computacenter and Goldman Sachs used our research so extensively during the float process. We were particularly flattered and amused that the accompanying research document suggested its 10 year track record warranted a *System House Boring Award*. Good try...but not quite! Our records show that indeed PBT has risen every year since 1987...except in 1993 when they fell marginally from £8.6m to £8.3m. Sorry.

**Footnote** - The company with the closest match to Computacenter is **Compel** - an IPO in Sept. 94 at 125p. The success of the float boosted their share price by 14% in May 98.

**Misys in the FTSE100**

Whatever one may feel about **Misys** and its Chairman Kevin Lomax, becoming the first ever SCSI company - indeed first IT company - to enter the FTSE100 this month, it is an incredible achievement.

Our relationship with Misys goes back a long way. They were a new entrant on USM in Mar. 87 at 95p which valued the then insurance services group at just £8m. As a 3i appointed NED on the board of BOS Software, I assisted in its sale to Misys in 1988 for £5.8m and then performed a similar role selling TIS for c£27m. I had shares in both companies and had to retain these for two years. I watched as the share price fell from 450p to a low of 68p in early 1991. *It was a character building experience!*

But ten years and nearly 40 acquisitions on, Misys shares stand at £36.96 and a market capitalisation of over £4.1 billion. The TIS bits have been sold to Cyberdesk and BOS has become Strategix.

And yes, Holway did keep most of his shares...



## The rush to Services

After years and years battling to get IT services taken seriously, readers will, we hope, understand our amusement with the number of large companies now singing from the services hymn sheet. This month IBM's Chairman Louis Gerstner said that he expects 20%+ growth over the next few years from services - an area which already accounts for 25% of revenues. He added "the services area will be the greatest driver for growth". Of course, the news we are all eagerly awaiting is the subject of **Computer Associates** Charles Wang's attentions. He told Reuters this month that the services company had been identified but "poured cold water on suggestions that the target was either **EDS** or **Cap Gemini**". Computergram suggested the target might be **Perot Systems**.

As the interview took place in Japan, we had the temerity jokingly to suggest it was **ICL** (see below). Perhaps we shouldn't have been so amazed at how seriously this comment was taken. Many readers and other analysts called to explain the logic of this suggestion - particularly given Fujitsu's current position.

**ICL**....As you cannot have missed, ICL this month announced a global alliance with **Microsoft** which involves "training over 4,000 staff, opening seven dedicated "Solution Centres" and creating over 1,000 new jobs". It brings together many of ICL's current offerings - like its innovative Internet-based PC/TV/kiosk systems. Keith Todd told us that the initiative would generate over £500m extra revenue over the next three years. ICL also at long last announced that it would get rid of all its confusing brands like Sorbus and Peritas and bring everything under one name. Some excitedly expected a new identity...but you will have to put up with ICL for a few more years. However, they have changed the colour to "a bright, vibrant and youthful red...Red is the colour of Fujitsu and this will reinforce the positive linkage between the two companies"

## People

Our views on the present share prices of some UK SCSI companies are fairly well known. So, we are not unduly surprised to learn that some directors are cashing in on at least some of their gains.

Gordon Crawford, the founder and Chairman of **London Bridge** (which won a major US Govt. deal this month) has realised more than £2m from selling 190K shares at £10.60. But even after this Crawford is left with 56% of the company (with Mrs. Crawford owning another 3.5%). Gordon Crawford came out top in our annual share holding valuation in the 1998 Holway Report.

Mike Tillbrook, Chairman and MD of **MMT Computing**, has realised £6.37m by selling 500K shares at £12.75. He still retains over 554K shares.

Source for both sales is the FT.

Malcolm Roberts (ex-of NCR) has been appointed CEO at **Kalamazoo** and Ronnie Wilson (ex-Sequent and Unisys) has become CEO at **Macro 4**.

Brian Beverley (ex-Mentor/Misys/CSL) has become Exec. dep. Chairman of AIM-quoted **Xavier** following the financial restructuring. Arlington now owns 53% and Beverley 19%.

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Make note to attend
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