

System House

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"A massive upsurge in the demand for IT training"

There seems to be growing evidence that IT training is currently experiencing something of a boom again. 1988 was the last boom year for IT training - indeed headlines then talked of "looming IT skill shortages". But recession soon started to bite and our records show four consecutive years when spend on IT training in the UK showed an actual decrease. Several IT training companies hit difficulties. In 1993 the first modest increase of 7% was recorded and we are now forecasting an above average 13% growth in IT training for 1994.

But there have been substantial changes in the dynamics of this market. As

Nick Dean, Director of Training at Hoskyns, explained the swing away from the central mainframe to the desktop PC has changed demand dramatically. Bookings for COBOL and mainframe development courses have

dropped like a stone to be replaced by high demand for courses in C++, Oracle, Novell and UNIX.

But perhaps the greatest change has been the major increase in demand for desktop user training in everything from MS Word to Windows and networking support skills.

The latest IDC IT Trends report identified IT training as *the* opportunity area. "In the past it has been the IT staff who have needed the training. Now, as more and more computers are being more widely used by all employees throughout an organisation, it is non-IT literate users who are increasingly requiring training". Companies with a multitude of PC users now recognise that they face a major problem. In the past they have been content to leave users to their own devices with the consequence that only a minute fraction of available features are utilised as well as facing the problems of a lack of standardisation on either the make or version of the packages used. As companies move to outsource desktop services, in much the same way as they embraced operational FM, so the demand for desktop training has escalated.

As the UK continues its recovery, there is a growing demand for new systems and associated new technology skills. The effects of the previous cut backs in IT training and new graduate recruitment, has led to a new bout of skills shortage headlines. That's why experienced operators like Dean at Hoskyns now talk of "a massive upsurge in the demand for IT training" and David Holden reports "genuine growth this year" at ICL's training operation Peritas.

In boom times, IT training can be highly profitable. A high utilisation level measured by *bums on seats* can produce considerable rewards. The Training Centre achieved a 28% profit margin in 1993, QA Training achieved a 20% margin. In the boom times, Hoskyns training activities were described as "the jewel in the crown" for its profit contribution.

IT training, particularly on the desktop, has been one of the most fragmented markets around. The IDC report "revealed that it has been the smaller training suppliers who have spent more time with potential customers, getting to know their specific difficulties and requirements and tailoring offerings accordingly, who have been the most successful over the past few years". Indeed, it seemed that every PC dealer offered training as well. Now, just like in the

IT contract staff arena, players are "jockeying for position" - with several companies aiming to become significant players by acquisition.

But the outlook is not all positive. At its lowest level, desktop training is becoming a commodity item - just like the software products involved. If a typical one day MS WORD course will cost each attendee £150, there have been many adverts recently at half that rate. That is clearly uneconomic and will surely fuel the move to more interactive computer based training in the future. This trend is being exploited by such companies as CRT (p2) and Peritas.

Changes in the market, forecasts of increased demand and a realisation of the substantial profit rewards which can be achieved has fuelled acquisition activity. In the last month alone, there have been at least three IT training companies acquired - see p7 for further details.

Date	Buyer	Max. Price	Approx. rev.	Profit
Jul-94 <i>acquired</i>	P&P QA Training	£18.0m	£9.4m	£1.8m
Aug-94 <i>acquired</i>	Software AG Computer Applied Technology	>£1m	n/a	n/a
Aug-94 <i>acquired</i>	Parity Class	£0.5m	£732K	£90K

Other major deals in the last year include Admiral acquiring The Training Centre for £1.25m to add to their success in winning a £2m p.a. training outsourcing deal from Barclays Bank and SHL Systemhouse with a trio of IT training purchases.

CRT

CONSULTANCY•RECRUITMENT•TRAINING

We included **CRT Group** in our CSI Index at the start of 1994 because of their growing computing services activities. CRT is involved in IT training (via **Pitman**

"The people they are a changin'...."

The average length of stay for the UK CEO of a US IT company seems to us to be getting shorter and shorter and shorter.

Following the promotion a few months ago of **IBM UK CEO**, Nick Temple, to head up IBM's finance operations throughout Europe, this month **Chris Conway, MD DEC UK**, has also been moved to head up DEC's large corporate accounts activities in Europe. Ex-IBMer, Conway, who displaced Geoff Shingles, had only been with DEC UK for a year. No replacement yet.

Abram Azagury, MD of Computer Associates UK, has been promoted to head CA in the Asia Pacific region. You may remember that Azagury came 5th in our rankings of highest paid directors with remuneration of £257,598 in 1993. The UK MD slot is now taken by Finance Director, Denise Carr - making her the top ranking woman in the UK industry(?). We understand from CA that UK revenues in the year to 31st Mar. 94 were (on a comparable basis) up just 3% at £73m although profits increased 66% to £11.8m. Rather less than the 17% increase recorded by CA worldwide.

Alistair Crawford has taken over as President of **CSC UK** replacing Richard Dicketts who is taking on a pan-European role.

Peter Teague had been CEO at **AT&T Istel** for only 20 months. He has now been promoted to be CFO at AT&T UK - his post has been taken by ex-DEC **Per Olof Loof**.

Frank Iveson, MD at recent CSA recruit Lotus Developments UK, has departed. "Sources said the operation's poor 2nd quarter results contributed towards the departure". Source - MicroScope 3rd Aug. 94.

Staff at **BULL UK services division** were disappointed to learn that their popular CEO **David Thorpe** had left to become MD of **EDS UK's public sector business**.

Last month **LBMS** organised a rights issue at 70p. Given that the share price rose to over 90p, it was not surprising that the offer was so well received that the US consortium led by **Bessemer Ventures** ended up with only a 10.2% stake. This month founders **Roger Learmonth** and **Rainer Burchett**, via their family trusts, have sold shares enabling Bessemer to increase its holding to 19.4%. In the spirit of this *Goodbye to People* column, readers should note that the circular stated "the disposal of these shares is indicative of a likely reduction in the operational responsibilities of the founders".

Tony Lambie has joined **Rupert Bayfield** in relinquishing their executive roles at **Computer People** as the **Roger Graham** inspired renaissance continues.

And finally... Many have kindly laughed at my oft-repeated joke that the reason I won't take a permanent job is that I couldn't put up with the insecurity. *Not very funny anymore really...*

Task Force prospers

System House™ subscribers include a clean sweep of the major IT staff agencies. We are sure they will be interested that **Task Force Group** filed accounts this month for the year to 31st Dec. 93 showing revenues up a massive 50% at £10.7m and a PBT of £123K compared with last years loss of £246K. Task Force is 100% owned by **Adia SA** of Switzerland.

Still no news of a buyer at **VNG**. All our investigations are greeted with a "no comment"...which always increases our suspicions!

and **LINK**), IT contract staff (which includes **Software Personnel** acquired in Feb. 90 and **Couva** acquired in Dec. 93), recruitment and **CRT Multimedia**.

This month CRT has announced:

- the purchase of IT contract staff and recruitment operation, **Systems Resources**, for £6.35m. SR made PBT of £65K (down from £175K in 1992) on revenues of £13.3m in the year to 30th Sept. 93. £236K of expenditure relates to certain of the vendors of SR "which will not reoccur following the acquisition". SR claims over 600 contractors currently on contract.

- a 2-for-9 rights issue at 85p raising £9.5m. The proceeds will be used to fund the acquisition with the balance used for expansion at CRT Multimedia and Pitman training.

- results for the year to 30th Apr. 94. These showed revenues static at £47m and PBT down 84% at £532K. However, if the losses associated with the closure of **Doctus Consulting** and of repositioning Pitman Training are stripped out, revenues from continuing operation increased by 22% to £43m, operating profits advanced by 26% to £6.2m and PBT was up 26% at £4.9m.

CRT reports "a significant increase in sales both from the recruitment and training operations" since the year end but operating profit is "as budgeted less than for the comparable period last year reflecting increased investment".

CRT ended the month down 15% at 89p.

Microvitec comes rightat last

We have spent much of the last four years writing the most horrendous reviews of atrocious performance brought on by management blunders and false expectations fuelled by so-called experts at brokers who should know better. In March 94 we speculated that **Microvitec** was "coming right...at last". The interims to 30th June 94 indicate that we too were right...at last.

Revenues were up 16.5% at £20.9m. Indeed revenues from continuing operations were up 30%. PBT was up 97% at £1.12m and EPS advanced 59%. "This reflects a general increase in worldwide demand for our products and a confirmation that our management and staff have completed many of the changes that were necessary for Microvitec to change its profile".

The Display Systems Division performed particularly well but it is Microvitec's SCSI activities which will most interest readers. Networking grew by 17% and Silcom "achieved a significant penetration of the token ring transceiver market". Software Systems, with help from the acquisition of Project Assyst in Apr. 94, grew by 14%. Jumping on 1994's multimedia bandwagon, several new products have been launched.

"With an expanding economy" Microvitec sees no reason why "progress will not continue throughout the second half".

After years and years and years reporting a Microvitec share price of around 32p, the price has jumped to 42p over the last few months,

HM Govt. consultancy spend

When we read that a report (The Government's Use of External Consultants - HMSO £10) had concluded that HM Govt. could save £130m if Whitehall departments adopted better methods of using external consultants, we were hardly surprised. We were only marginally more surprised that the expenditure of £507m on consultancy fees had identified savings of only £12m.

We then looked at the top 15 "external consultants" and found that most of them were IT firms - and *System House* subscribers to boot! Are our subscriptions really being paid for by our own taxes!

UK Government Expenditure on Consultancy 1992/93

Consultancy	Amount £m	% of Total
CSC Computer Sciences	£31.9m	6.3%
EDS	£28.7m	5.7%
PA Consulting	£19.8m	3.9%
Andersen Consulting	£19.1m	3.8%
Coopers & Lybrand	£9.8m	1.9%
W S Atkins	£9.0m	1.8%
Price Waterhouse	£8.5m	1.7%
KPMG	£8.5m	1.7%
Ernst & Young	£7.9m	1.6%
Sema Group	£7.5m	1.5%
Hoskyns Group	£7.3m	1.4%
Touche Ross	£7.0m	1.4%
Bullen	£6.4m	1.3%
Admiral	£5.7m	1.1%
Duncan MacNeil	£4.7m	0.9%

The list is headed by CSC at £31.9m. We are amazed...CSC had UK revenues of *only* £59m in the year in question...so we now know that over 50% came from our own wallets.

Over one third of all consultancy spend was IT related. The MOD spent most on IT consultancy (£69.3m) with the Social Security spending £30.1m. The *average* fee rate was £750 per day.

OK so market testing was the name of the game in the period and clearly IT was to the fore. But these figures are for *consultancy*...not FM or systems development. The single largest element (33% of total spend) was for *advice on competition and pricing*. Do we really have to draw the conclusion that HM Govt. paid CSC and EDS for consultancy to tell HM Govt. how to award contracts to CSC and EDS? *We think we should be told.*

Excellent start for Athesa

BULL Information Systems in the UK announced revenues up 16% at £124m for the first half of 1994. Hardware sales and associated maintenance suffered declines but it was software and services, where revenues increased by 41%, that was the real star. BULL looks set to have "pure" SCSI revenues up a third at £60m in 1994. Although not a major contributor in the first half, **Athesa**, BULL's new FM operation under MD Brian Gunn, has had a sparkling debut. Six FM contracts have been signed in as many months, with combined contract value of £40m, with the likes of Brighton Council and Eastern Electricity. Athesa is set for revenues of £5m in 1994 with estimates as high as £20m in 1995.

September 1994

Froth stocks or serious stuff?

You could regard **Division** in a number of different ways:

- as one of the UK's most innovative new IT companies. Leading the way in the virtual reality software to such an extent that they claim to have delivered the "largest commercial virtual reality system in the world" to Matsushita in Japan.

- as a serious VR player. Division is not all about games. It applies VR to drug design (Glaxo) or to lighting schemes (Thorn-EMI).

- as a company with a most exciting future. This month they have secured a strategic alliance with HP to sell/adopt Divisions VR software on their workstations.

- as one of the best performers of any of the 1993/94 crop of new issues. Launched in May 93 at 40p, the shares ended this month up 5% at 130p - that's a 225% increase since the float!

- as one of the best future performers. "Albert E Sharp is expecting losses of £1.25m for full year 1994, breakeven for 1995 on revenues of £10m and profit thereafter on revenues continuing to double each year". Source - Investors Chronicle - 19th Aug. 94.

- as one of the many new issue froth stocks. Latest results for the six months to 30th Apr. show revenues more than doubled at £2.1m but losses of £892K (just £10K last time). To help you in your apoplexy, Division has a capitalisation of £44m!

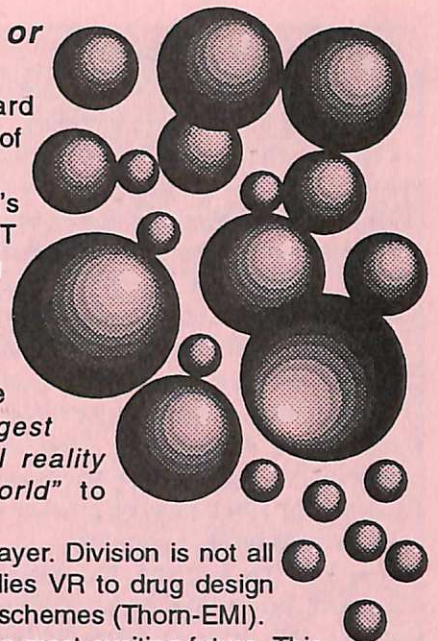
In the generally boring world of corporate IT, Division is a beacon of light...and they are British! We feel obliged to offer Iann Barron and his team our best wishes. As the Investors Chronicle says "*Despite the risks, the potential still excites*".

...Oxford Molecular buys in US

Oxford Molecular develops design software for the pharmaceutical industry. It was one of the most recent floats in Apr. 94 at 80p valuing the company at £29.5m even though a loss of £1.2m was recorded on revenues of just £1.4m in 1993.

Latest results for the six months to 30th June 94 show revenues up 84% at £1.1m "reflecting a strong performance in Europe but disappointing results in the US" but losses deepened from £490K to £930K "due to significant investment in personnel and products to develop the business". The Loss per Share was cut from 4.4p to 3.5p.

At the same time, the company announced the acquisition of **IntelliGenetics** "a leading US supplier and developer of bioinformatics software, databases and related management systems" for £5.2m - \$625K in cash, £850K in loan notes and 6.5m shares to the vendor Amoco Tech. (ATC) thereby giving it 15% of the enlarged group. IntelliGenetics lost \$2.7m on revenues of \$5.1m in 1993. The acquisition is clearly significant relative to Oxford and the shares were suspended pending shareholder approval of the deal. The share price had already fallen from the issue price of 80p to 64p.



Admiral and Powersoft

Since we started *System House* back in 1989, we have highlighted the dangers faced by UK companies who are reliant on the distribution of other people's products. If you fail to meet sales targets...you get replaced. Conversely, if you are successful...the owner of the product decides he could make more money by selling direct. In the last five years we have covered many company failures brought about because of the withdrawal of previously exclusive distribution rights.

Admiral Software has had exclusive UK rights to sell the PowerBuilder development tools from **Powersoft Inc.** since 1992. It has been Powersoft's "most successful international distributor in revenue terms for all four quarters of 1993" and the product was clearly a vital part of Admiral's product strategy.

Then on 10th Aug. 94, *MicroScope* quoted an Admiral "insider" saying that Powersoft wanted to form a joint venture with Admiral, so as "to take more control before the success of the software and growing influence of client/server meant it got out of reach price-wise".

The *MicroScope* article seemed to come as somewhat of a surprise to Admiral who put out a Stock Exchange announcement within hours confirming the negotiations. The article talked of Powersoft paying Admiral £10m in compensation. Ceri James initial off the cuff remark to us was "chance would be a fine thing".

In fact, when the deal was announced on 12th Aug., Powersoft had paid Admiral £2.1m for a 51% stake in the joint venture with an option to purchase the remaining 49% in two annual tranches to June 96 based on turnover for an amount not exceeding £14m.

"The business being transferred to the partnership had an estimated turnover of £2.4m and operating profits of £536K in the year to 31st Dec. 93". I.e. this part of the business represented 12% of Admiral's OP in 1993. 12% of Admiral's £73.5m capitalisation = £8.8m.

Although the compensation looks fair, it demonstrates yet again the serious risks involved in basing any business enterprise on products which you do not fully control. Many companies (PC dealers are an example) have no choice but, as a consequence, have to accept the lower corporate valuations that such risks involve.

Powersoft

Powersoft is a salutary example of the ratings given to software companies in the US. In the year to 31st Dec. 93, Powersoft reported revenues of \$57.4m and PBT of \$10m. Current forecasts are that revenues will double to \$114m and PBT will rise to \$23m in 1994.

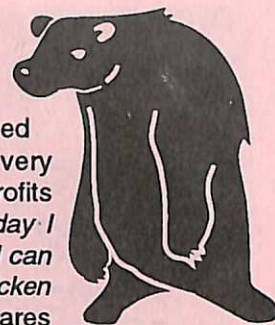
This kind of performance seems to justify a market capitalisation of \$660m equivalent to an historic P/E of 88 and a prospective P/E of 48 for FY94. (Source - Donaldson, Lufkin & Jenrette).

Omnimedia floats

If some of the recent full listings were froth, then we are not quite sure of the adjective used to describe **Omnimedia plc** which floated under Rule 4.2 on the unlisted market. The 15 people at Omnimedia, which has had links with Apple dealer Callhaven in the past, authors CD-ROMs for training and promotional purposes and includes THORN-EMI and Sony amongst its customers. The float of 16.4% of the equity, at 36p raised £720K and values Omnimedia at £4.4m.

"Outwitted and out run by a herd of panic stricken bears"

On 14th August, the MIDAS feature in the Mail on Sunday tipped "software bargain" **Micro Focus** very strongly. Expecting £9.5m interim profits to be unveiled he wrote "on Tuesday I will have another chance to see if I can outwit and outrun a herd of panic-stricken bulls". On Monday 15th Aug., the shares rose by 40p to 1065p.



As it turned out, PBT for the six months to 31st July 94 was much lower than expected at £7m - down 40% - on revenues up a marginal 5% at £42.9m. Cash balances although still high at £54m were nevertheless £3.5m lower than at the beginning of the period. EPS also fell 39%. You may remember that it was only three months ago that Chairman Paul O'Grady was reporting "an encouraging start" with Q1 profits up 25% on revenues up 22%. O'Grady says "historically we experience a strong finish to the half which did not materialise to the same extent as in prior years". The usual story of "a planned 23% increase in costs", which did materialise, coupled with planned sales, which didn't, resulted in a mega profits shortfall. As far as we are aware O'Grady issued no hint of a warning to douse the expectations. Warburg's had not altered their £21.8m PBT forecast for the year and Hoare Govett had recently put out a £25.7m prediction. As a consequence of these results, some analysts are expecting PBT of no more than £13m for the full year.

And please allow us to repeat another warning. **Micro Focus** capitalises its R&D. It now has Software Product Assets of £21.3m. The excess of new capitalisation over amortisation was £2.5m in the half. In other words the profits would have been just £4.5m if they had not continued the practice that we have long campaigned to be outlawed.

The shortfall at **Micro Focus** is due to a faster than they expected migration of COBOL development towards client/server systems which are predominately C++ oriented. In part, **Micro Focus** is trying to keep back the tide by arguing that "anything you can do in C++ you can do in **Micro Focus' Object COBOL**". But they also have a range of developments addressing program development in the newer areas. "The **Micro Focus** management team is a seasoned group of people who have been through periods of transition before and regenerated sustained growth" says O'Grady. Fine - but the last time it happened (in 1986) **Micro Focus** slipped to a £2.79m loss before the recovery commenced.

So what happened to the panic-stricken bulls? At 7.45 am on Tuesday 16th Aug. the London Stock Exchange duly issued the figures to a stunned UK - which immediately wrote the stock down 120p. The problem was that the release was embargoed until 12.45 pm or 7.45 am *East Coast* time. US investors really don't like this kind of treatment. US holdings in **Micro Focus** had already fallen from a peak of 40% to around 15%. US ownership is probably now even lower, as when NASDAQ opened, the shares fell still further to end Black Tuesday a massive 195p lower at 870p. **Micro Focus** ended the month 11% lower on 868p.

We faxed our views on **Micro Focus** to MIDAS. The following Sunday there was not a hint of an apology; rather a further tip that the shares will soon "recover sharply".

Richard Holway Results Service

ACT Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 152,926,000 £ 20,478,000 10.63p	Final - Mar 94 £ 250,630,000 £ 28,489,000 12.15p	Final Comparison +63.9% +39.0% +14.3%	
Admiral plc	Results Revenue PBT EPS	Interim - Jun 93 £ 17,710,000 £ 2,185,000 13.3p	Final - Dec 93 £ 36,640,000 £ 4,608,000 27.6p	Interim - Jun 94 £ 24,560,000 £ 3,198,000 18.5p	Interim Comparison +38.7% +46.4% +39.1%
Azlan Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 41,196,000 £ 2,964,000 8.4p	Final - Mar 94 £ 61,506,000 £ 3,871,000 12.4p	Final Comparison +49.3% +31.0% +47.6%	
Capita Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 22,102,000 £ 2,038,000 2.86p	Final - Dec 93 £ 50,168,000 £ 5,463,000 7.85p	Interim - Jun 94 £ 30,471,000 £ 2,710,000 3.8p	Interim Comparison +37.9% +33.0% +32.9%
Cedardata plc	Results Revenue PBT EPS	Final - Mar 93 £ 5,259,000 £ 1,778,000 4.2p	Final - Mar 94 £ 6,120,000 £ 2,715,000 6.3p	Final Comparison +16.4% +52.7% +50.0%	
Centregold plc	Results Revenue PBT EPS	Interim - Jan 93 £ 36,601,000 £ 2,090,000 4.46p	Final - Jul 93 £ 87,985,000 £ 2,715,000 5.63p	Interim - Jan 94 £ 52,554,000 £ 2,600,000 4.7p	Interim Comparison +43.6% +24.4% +5.4%
Clinical Computing plc	Results Revenue PBT EPS	Interim - Jun 93 £ 1,180,000 £ 446,000 3.7p	Final - Dec 93 £ 2,635,853 £ 1,129,000 9.1p	Interim - Jun 94 £ 735,000 £ 227,000 (1.4p)	Interim Comparison -37.7% Profit to Loss Profit to Loss
Coda Group plc	Results Revenue PBT EPS	Interim - Apr 93 £ 9,321,000 £ 427,000 1.2p	Final - Oct 93 £ 23,450,000 £ 3,752,000 10.6p	Interim - Apr 94 £ 13,327,000 £ 2,546,000 (8.0p)	Interim Comparison +43.0% Profit to Loss Profit to Loss
Computerised Financial Solutions Europe Ltd	Results Revenue PBT EPS	Final - Dec 92 £ 224,698 £ 37,109 n/a	Final - Dec 93 £ 3,338,636 £ 330,233 n/a	Final Comparison +3.5% +789.9% n/a	
Computer People Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 62,735,000 £ 145,000 (0.97p)	Final - Dec 93 £ 68,748,000 £ 1,102,000 4.37p	Final Comparison +9.6% +660.0% Loss to profit	
Cray Electronica Holding plc	Results Revenue PBT EPS	Final - Apr 93 £ 200,785,000 £ 29,014,000 13.8p	Final - Apr 94 £ 271,718,000 £ 26,168,000 8.6p	Final Comparison +35.3% -9.8% -37.7%	
CRT Group plc	Results Revenue PBT EPS	Final - Apr 93 £ 47,035,000 £ 3,297,000 4.22p	Final - Apr 94 £ 47,348,000 £ 532,000 (0.13p)	Final Comparison +0.7% -83.9% Profit to loss	
DRS Data & Research Services plc	Results Revenue PBT EPS	Final - Dec 92 £ 7,806,000 £ 705,000 1.51p	Final - Dec 93 £ 11,577,000 £ 1,689,000 3.83p	Final Comparison +48.3% +139.6% +153.6%	
DCS Group plc	Results Revenue PBT EPS	Interim - Dec 92 £ 2,903,000 £ 121,000 1.36p	Final - Jun 93 £ 5,545,366 £ 231,406 2.92p	Interim - Dec 93 £ 2,604,000 £ 41,000 0.61p	Interim Comparison -10.3% -66.1% -55.1%
Division Group plc	Results Revenue PBT EPS	Interim - Apr 93 £ 914,000 £ 10,000 (0.1p)	Final - Oct 93 £ 2,078,000 £ 503,000 (2.1p)	Interim - Apr 94 £ 2,106,000 £ 892,000 (2.6p)	Interim Comparison +130.4% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Interim - Mar 93 £ 7,350,000 £ 2,341,000 6.022p	Final - Sep 93 £ 14,341,000 £ 4,672,000 11.712p	Interim - Mar 94 £ 7,179,000 £ 2,061,000 5.12p	Interim Comparison -2.4% -12.0% -15.0%
Enterprise Computer Holdings plc	Results Revenue PBT EPS	Interim - Sep 92 £ 35,524,000 £ 3,392,000 (4.3p)	Final - Mar 93 (restated) £ 58,231,000 £ 6,143,000 (7.7p)	Interim - Sep 93 £ 9,895,000 £ 25,000 (0.02p)	Interim Comparison -72.1% Loss to Profit Loss both
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Apr 93 £ 3,050,000 £ 419,000 0.88p	Final - Oct 93 £ 5,823,000 £ 551,000 1.04p	Interim - Apr 94 £ 3,068,000 £ 244,000 0.43p	Interim Comparison +0.3% -41.8% -50.0%
INSTEM plc	Results Revenue PBT EPS	Final - Dec 92 £ 14,272,000 £ 575,000 8.5p	Final - Dec 93 £ 19,294,000 £ 1,021,000 14.8p	Final Comparison +35.2% +77.6% +74.1%	
JBA Holdings plc	Results Revenue PBT EPS	Final - Dec 92 £ 55,907,000 £ 3,659,000 7.57p	Final - Dec 93 £ 74,467,000 £ 4,736,000 9.83p	Final Comparison +33.2% +29.4% +29.9%	
Kalamazoo Computer Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 56,508,000 £ 940,000 (0.6p)	Final - Mar 94 £ 60,911,000 £ 6,355,000 10.2p	Final Comparison +7.8% +576% Loss to Profit	
Kawill Systems plc	Results Revenue PBT EPS	Final - Mar 93 £ 33,341,000 £ 5,192,000 (0.60p)	Final - Mar 94 £ 31,780,000 £ 4,043,000 23.0p	Final Comparison -4.7% Loss to Profit Loss to Profit	
Kods International plc	Results Revenue PBT EPS	Interim - Jun 93 £ 12,277,000 £ 710,000 4.3p	Final - Dec 93 £ 24,916,000 £ 1,143,000 7.0p	Interim - Jun 94 £ 12,255,000 £ 15,000 (5.5p)	Interim Comparison -0.2% Profit to Loss Profit to Loss
Learmonth & Burchett Management Systems plc	Results Revenue PBT EPS	Final - Apr 93 £ 23,645,000 £ 1,610,000 7.0p	Final - Apr 94 £ 26,406,000 £ 731,000 (3.3p)	Final Comparison +11.7% Profit to Loss Profit to Loss	
Logica plc	Results Revenue PBT EPS	Interim - Dec 92 £ 104,208,000 £ 4,136,000 3.7p	Final - Jun 93 £ 217,434,000 £ 9,026,000 8.7p	Interim - Dec 93 £ 106,522,000 £ 3,211,000 3.3p	Interim Comparison +2.2% -22.4% -10.8%
Lynx Holdings plc	Results Revenue PBT EPS	Interim - Mar 93 £ 4,719,000 £ 105,000 0.83p	Final - Sep 93 £ 10,807,000 £ 619,000 4.27p	Interim - Mar 94 £ 7,257,000 £ 460,000 1.15p	Interim Comparison +53.8% +338.1% +38.6%
M.A.I.D plc	Results Revenue PBT EPS	Interim - Jun 93 £ 2,801,748 £ 207,108 0.24p	Final - Dec 93 £ 5,723,809 £ 603,178 0.69p	Interim - Jun 94 £ 3,971,619 £ 439,832 0.30p	Interim Comparison +52.7% +112.4% +62.5%
McDonnell Information Systems plc	Results Revenue PBT EPS	Final - Dec 92 £ 158,634,000 £ 18,558,000 n/a	Final - Dec 93 £ 148,480,000 £ 12,857,000 14.3p	Final Comparison -6.4% -30.7% n/a	
MR-Data Management Group plc	Results Revenue PBT EPS	Interim - Dec 92 £ 18,629,000 £ 4,020,000 4.88p	Final - Jun 93 £ 40,788,000 £ 8,759,000 10.6p	Interim - Dec 93 £ 19,602,000 £ 2,690,000 3.21p	Interim Comparison +5.2% -33.8% -34.4%
Macro 4 plc	Results Revenue PBT EPS	Interim - Dec 92 £ 11,213,000 £ 4,935,000 14.8p	Final - Jun 93 £ 23,266,000 £ 10,497,000 31.5p	Interim - Dec 93 £ 12,104,000 £ 5,400,000 16.0p	Interim Comparison +7.9% +9.4% +9.8%

Richard Holway Results Service

Micro Focus plc	Results Revenue PBT EPS	Interim - July 93 £ 40,800,000 £ 11,654,000 53.5p	Final - Jan 94 £ 83,842,000 £ 21,781,000 101.2p	Interim - July 94 £ 42,950,000 £ 7,024,000 32.8p	Interim Comparison +5.3% -39.2% -38.5%
Microgen Holdings plc	Results Revenue PBT EPS	Interim - Apr 93 £ 26,137,000 £ 3,758,000 6.1p	Final - Oct 93 £ 53,351,000 £ 6,700,000 10.5p	Interim - Apr 94 £ 29,056,000 £ 3,441,000 5.5p	Interim Comparison +11.2% -8.4% -9.8%
Microvitec plc	Results Revenue PBT EPS	Interim - Jun 93 £ 17,969,000 £ 570,000 0.78p	Final - Dec 93 £ 35,170,000 £ 1,611,000 2.05p	Interim - Jun 94 £ 20,823,000 £ 1,120,000 1.24p	Interim Comparison +18.5% +96.5% +59.0%
Miaya plc	Results Revenue PBT EPS	Final - May 93 £ 88,781,000 £ 15,125,000 26.8p		Final - May 94 £ 93,358,000 £ 18,612,000 31.9p	Final Comparison +5.2% +23.1% +19.0%
MMT Computing plc	Results Revenue PBT EPS	Interim - Feb 93 £ 3,165,000 £ 865,000 4.8p	Final - Aug 93 £ 7,057,716 £ 1,725,549 9.0p	Interim - Feb 94 £ 4,815,000 £ 1,215,000 6.4p	Interim Comparison +52.1% +40.5% +33.3%
On Demand Information plc	Results Revenue PBT EPS	Interim - Jan 93 £ 8,888,000 £ 490,000 (1.49p)	Final - Jul 93 £ 18,989,000 £ 1,450,000 n/a	Interim - Jan 94 £ 11,847,000 £ 669,000 (1.62p)	Interim Comparison +31.8% Loss both Loss both
Oxford Molecular plc	Results Revenue PBT EPS	Interim - Jun 93 £ 581,000 £ 493,000 (4.4p)	Final - Dec 93 £ 1,409,000 £ 1,285,000 (8.9p)	Interim - Jun 94 £ 1,066,000 £ 933,000 (3.5p)	Interim Comparison +33.8% Loss both Loss both
P & P plc	Results Revenue PBT EPS	Interim - May 93 £ 12,800,000 £ 2,000,000 2.1p	Final - Nov 93 £ 217,259,000 £ 4,107,000 4.3p	Interim - May 94 £ 118,900,000 £ 2,700,000 3.0p	Interim Comparison -2.4% +35.0% +42.0%
Parity plc (was Comac Group)	Results Revenue PBT EPS	Interim - Jun 93 £ 585,000 £ 60,000 0.61p	Final - Dec 93 £ 19,768,000 £ 228,000 (1.9p)	Interim - Jun 94 £ 38,803,000 £ 2,023,000 3.54p	Interim Comparison +617% +3272% +480%
Pegasus Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 530,000 £ 1,017,000 9.1p	Final - Dec 93 £ 7,502,000 £ 6,930,000 72.0p	Interim - Jun 94 £ 2,275,000 £ 68,000 0.7p	Interim Comparison -57.1% -93.3% -92.3%
Persons plc	Results Revenue PBT EPS	Interim - Jun 93 £ 11,189,000 £ 1,749,000 5.3p	Final - Dec 93 £ 22,962,000 £ 1,749,000 11.08p	Interim - Jun 94 £ 15,042,000 £ 1,005,000 6.0p	Interim Comparison +54.4% +21.8% +13.2%
Phonelink plc	Results Revenue PBT EPS	Final - Mar 93 £ 922,557 £ 30,905 0.1p		Final - Mar 94 £ 1,241,000 £ 1,761,000 (5.0p)	Final Comparison +34.6% Profit to Loss Profit to Loss
Proteus International plc	Results Revenue PBT EPS	Final - Mar 93 £ 21,000 £ 3,547,000 (13.52p)		Final - Mar 94 nil £ 6,618,000 (24.36p)	Final Comparison n/a Loss both Loss both
Quality Software Prod. Holdings plc	Results Revenue PBT EPS	Final - Dec 92 £ 13,118,183 £ 1,200,676 16.2p		Final - Dec 93 £ 13,346,543 £ 553,214 6.7p	Final Comparison +1.7% -5.4% -58.6%
Radius plc	Results Revenue PBT EPS	Final - Nov 92 £ 24,012,000 £ 1,231,000 2.9p		Final - Dec 93 £ 23,273,000 £ 1,171,000 (3.0p)	Final Comparison (13 mos) -3.1% Profit to loss Profit to loss
Real Time Control plc	Results Revenue PBT EPS	Final - Mar 93 £ 6,114,000 £ 492,000 4.9p		Final - Mar 94 £ 8,534,000 £ 1,387,000 13.3p	Final Comparison +39.6% +181.6% +171.4%
Rolfe & Nolan plc	Results Revenue PBT EPS	Final - Feb 93 £ 11,232,000 £ 1,216,000 17.7p		Final - Feb 94 £ 12,720,000 £ 1,573,000 12.6p	Final Comparison +13.2% +29.4% -27.1%
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 93 £ 20,983,000 £ 5,380,000 17.68p	Final - Sep 93 £ 41,289,000 £ 9,656,000 32.5p	Interim - Mar 94 £ 25,400,000 £ 6,984,000 22.25p	Interim Comparison +21.1% +27.6% +25.8%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 93 £ 12,057,000 £ 1,803,000 3.55p (amended)	Final - Sep 93 £ 23,581,000 £ 3,327,000 8.466p (amended)	Interim - Mar 94 £ 14,217,000 £ 2,169,000 3.98p (amended)	Interim Comparison +17.9% +20.3% +12.0%
Sema Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 416,675,000 £ 19,458,000 13.22p		Final - Dec 93 £ 501,992,000 £ 24,855,000 16.62p	Final Comparison +20.5% +27.7% +25.7%
Sherwood Computer Services plc	Results Revenue PBT EPS	Final - Dec 92 £ 21,103,000 £ 3,004,000 34.1p		Final - Dec 93 £ 23,561,000 £ 1,998,000 (35.78p)	Final Comparison +11.6% Profit to Loss Profit to Loss
Spargo Consulting plc	Results Revenue PBT EPS	Interim - Jun 93 £ 2,307,000 £ 272,000 1.52p	Final - Dec 93 £ 4,869,000 £ 483,000 2.58p	Interim - Jun 94 £ 2,854,000 £ 606,000 3.2p	Interim Comparison +23.7% +122.8% +110.5%
Standard Platforms Holdings plc	Results Revenue PBT EPS	Interim - Mar 93 £ 865,617 £ 382,695 (9.6p)	Final - Sep 93 (18 months) £ 3,161,416 £ 1,065,027 (26.7p)	Interim - Mar 94 £ 749,995 £ 35,640 (0.9p)	Interim Comparison -13.4% Loss Both Loss Both
Superscope VR plc	Results Revenue PBT EPS	Final - Jul 92 £ 395,889 £ 44,502 (23.1p)	Interim - Jan 94 £ 390,121 £ 73,280 (53.4p)	Final - Jul 93 £ 642,018 £ 21,450 (12.3p)	Final Comparison +62.1% Loss Both Loss Both
Total Systems plc	Results Revenue PBT EPS	Final - Mar 93 £ 2,869,359 £ 832,908 6.08p		Final - Mar 94 £ 2,092,429 £ 141,918 0.96p	Final Comparison -27.1% -83.0% -84.2%
Trace Computers plc	Results Revenue PBT EPS	Interim - Nov 92 £ 8,835,000 £ 105,000 0.59p	Final - May 93 £ 18,042,438 £ 211,504 1.12p	Interim - Nov 93 £ 9,236,000 £ 216,000 1.22p	Interim Comparison +4.5% +105.7% +106.8%
Unipalm plc	Results Revenue PBT EPS	Final - Apr 93 £ 639,000 £ 605,000 2.9p		Final - Apr 94 £ 10,753,000 £ 272,000 0.89p	Final Comparison +28.2% -55.0% -69.3%
Vega Group plc	Results Revenue PBT EPS	Final - Apr 93 (amended) £ 8,089,000 £ 1,478,000 6.38p		89Final - Apr 94 £ 9,703,000 £ 2,147,000 10.01p	Final Comparison +20.0% +45.3% +56.9%
Virtuality Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 5,245,000 £ 217,000 1.1p		Final - Dec 93 £ 5,400,000 £ 365,000 (1.7p)	Final Comparison +2.9% Profit to Loss Profit to Loss
Vistec Group plc	Results Revenue PBT EPS	Final - Apr 93 £ 38,665,000 £ 3,282,000 1.88p		Final - Apr 94 £ 45,018,000 £ 3,409,000 2.06p	Final Comparison +16.4% +3.9% +9.6%
Wakebourne plc	Results Revenue PBT EPS	Final - Dec 92 £ 24,171,000 £ 453,000 0.13p		Final - Dec 93 £ 23,293,000 £ 18,649,000 (3.6p)	Final Comparison -3.9% Profit to Loss Profit to Loss

Acquisitions, disposals and liquidations

Training buys..

Parity (née Comac) has acquired **Class Ltd.** for £500K (cash, loan notes and shares). In the year to 30th June 94, Class had made PBT of £90K on revenues of £732K. **Software AG UK** has acquired **Computer Applied Technology Ltd.** for "in excess of £1m". CAT, which develops CBT courseware, had staff of just 10.

CRT Group, which has extensive IT training operations, has bought **Systems Resources** for £6.35m (see p2).

Buyer found for Compower

British Coal has sold its **Compower** bureau and awarded a two year FM contract to **Philips C&P** and **BSO Origin**. No separate terms were disclosed but the two deals were said to be worth around £20m.

Cray buys SAM Systems

Many *System House*TM subscribers know Bill Seddon and Denis Moody of Manchester-based **SAM Systems**. This month **Cray Electronics** has acquired SAM for £2.7m in shares. SAM which develops and markets a range of UNIX based products for the building, food distribution, furnishing and brewery industries made a PBT of £235K on revenues of £2.77m in the year to 31st Dec. 93.

Readers will also know of our long association with, and indeed high regard for, SAM and Bill & Denis in particular. Last month we described R&N's Mike Warburg as a "proper person". He 'phoned to ask what we meant! Mike, the best definition we can give is that Bill and Denis are "proper people" too - as close to a personal accolade as a *System House* "Boring" award!

Like all good deals, all parties benefit. Cray gets a super product set at the very start of the realisation of its potential. SAM employees and customers get a first rate parent and Bill and Denis get a fair price for their 21 years of effort. *We sincerely wish them all well.*

P&P rights success

P&P had a 93.9% take up for its rights issue to finance the purchase of **QA Training** covered last month. This was not surprising as the P&P shares were trading at 72p on the day the 60p rights issue closed.

Sage buys again

Last month, Sage Group bought UK financial accounting developer, Multisoft for "up to £6.5m". Hardly was the ink dry on that deal than Sage buys again. This month the target was **US Timeslips Corp.** "a leading supplier of Windows-based PC software for time billing and management reporting systems whose principal users are lawyers and accountants". Consideration was an initial \$5.1m (£3.3m) cash plus an additional \$7m (£4.55m) over the next two years depending on "incremental sales". "In the year to 31st Dec. 93 Timeslips broke even on a turnover of \$5.4m. The business is currently profitable with sales expected to exceed \$7m in 1994".

This looks like another well judged and fairly priced acquisition for the canny Sage Group.

MBO at CADCentre

Managers at CAD software developer, **CADCentre**, have bought 50.1% of the equity for a "sum in excess of £7m". In the year to 31st Mar 94, CADCentre had revenues of £11m - 80% from overseas - and PBT of £1.3m.

The others... **Mentor Marketing Services**, the UK distributor for **Generic Systems Inc.** products, has gone into liquidation. **PCL Group** has acquired data prep. bureau **CU Data Ltd.** of Glasgow. CU has revenues of £1m. **System Software Associates Inc.** has taken a minority stake in **Acclaim Group Ltd.** Acclaim specialises in the use of SSA's products in high volume components industries. **Churchill Insurance** has "spun-out" its IT development team as **Churchill Technology Ltd.** **Anglia & Oxford Reg. Health Authority** has put its 260 person IT operation up for sale - although an FM deal is the most likely option. **Computer Sciences (CSC)** is said to have quietly acquired £5m revenue CAM software provider **BAeCAM** as part of the recently awarded mega outsourcing contract. **Harris Adacom Ltd.** - the networking specialist - has undertaken an MBO from its Israeli owners. The new company will be called **HAL** and has £6m revenues and 24 staff. Source - *Computergram* - 19th Aug. 94. The FT (10th Aug. 94) reported that **Kalamazoo** "is on the verge of spending up to £20m on the acquisition of a software company". **Microvitec** has sold its remaining 20% in **Logitek** to its directors. **US Interface Systems** has acquired UK **Mekom Computer Products** - a distributor with revenues of £10m. **Wakebourne** has acquired **Tetra** reseller **Computer Answers Europe** for £172K cash.

Pegasus swoops lower again

The **Pegasus** story surely must be heading for its final chapter? Just like the winged horse in Greek mythology, this Pegasus fell to earth but then managed to take off again. It now seems earthbound again.

A year ago Pegasus sold its profit making Stockforms subsidiary to US Deluxe. This upped their cash balances to over £9m - but left them totally dependent on selling their accounting software products.

Results for the six months to 30th June 94 show revenues from continuing operations down 35% at £2.28m on which operating losses of £136K were recorded compared with profits of £350K last time. However, because of net interest of £204K on the remaining £8.5m cash, a PBT of £68K (compared with £1.02m last time) was recorded. EPS dived from 9.1p to 0.7p.

Pegasus say that the results last time were due to "the one-off effect of the launch of the V6 upgrade of *Pegasus Senior*". You may remember that we criticised Pegasus long and hard for not generating more revenue from sales to existing clients - one of the disadvantages of relying exclusively on a reseller chain. This time "in line with management's strategy to develop recurrent revenue opportunities, annual licence fees were successfully implemented across the product range".

We have often suggested that Pegasus would be a bid target. We are now not so sure. With net assets of £6m (including all that cash), the software product's business is currently valued at c£5m. This is £1m more than the £4m Sage paid last month for rival Multisoft which had warranted PBT of £500K for the same period.

Safety in the Chunnel #2 for CSE

Specialist IT consultancy, **Centre for Software Engineering**, topped our profit margin lists in 1993 at 50%. CSE has recently been awarded a second contract to test the software in the Channel Tunnel - the first contract was worth £4.5m. It looks as if CSE could well retain what it considers as an embarrassing #1 position.

A tale of two network products distributors:

• *Persona - on the way up?*

When network products distributor, **Persona**, came to the market in Apr. 94 they claimed "one main competitor which competes across the full product range". Contrasting the fortunes of the two in their first period as quoted companies is interesting.

Persona was launched at 160p in Apr. 94 at a much more modest P/E of 14.4. The shares have since risen by 5% to 168p. Maiden results for the six months to 30th June 94 show revenues up 34% to £15m, PBT up 22% to £1m and EPS up 13%. Far from issuing a warning Chairman Wayne Channon is "confident about trading prospects for the coming months". Their broker, Beeson Gregory, is currently forecasting PBT of £2.2m for the full year.

Persona is split roughly 50:50 between Networking/products distribution where "trading has been strong". They have gained new distribution agreements with "three world class suppliers" and signed up a further 500 resellers. **Faculty Ltd.** (training and services) has "outperformed expectations" and, supporting our p1 story, is experiencing "a growing demand for training". It has always seemed to us that if you have to base your business on other people's products, you should build your base on services rather than the margins on the products. Channon plans to "enter related rapidly expanding markets later this year". All sounds rather positive to us.

• *Azlan - on the way down?*

Azlan was launched in Nov. 93 at 230p on a very high historic P/E of 27.4. Only six months later Azlan issued a profits warning and Azlan shares have since fallen by 23% to 178p. One of the reasons for this was **Madge's** decision earlier this year to sell its networking products direct in the UK. Filling the gap left by such a prestigious brand has proved difficult.

Brokers SG Warburg still estimate £4.75m PBT for Azlan. The Investors Chronicle (26th Aug. 94) described this as "ambitious. The profits warning so soon after flotation clearly raises doubts about the quality of Azlan's earnings". The IC's prediction that "Azlan's shares may have further to fall" was self fulfilling with a 10p drop to 179p the moment the paper hit the streets.

W S Atkins to float?

MCA member, **W S Atkins** is one of UK's largest consulting engineers specialising in planning, transport, architecture etc. We have never considered them as a SCSi company - except that they use IT extensively in their consulting activities and their IT services activities have been one of the fastest growing divisions in the group. They have been particularly successful in acquiring local authority activities and staff on the back of market testing initiatives.

But this month two WS Atkins news items caught our attention.

- they purchased **Wootton Jeffreys Consultants** for about £300K or 2/3rd the price the MBO team paid to Headland in Feb. 90 - just before Headland's collapse.

- W S Atkins has appointed Schrodgers to advise them on a float in the next two years.

W S Atkins is majority owned by its employees. They increased revenues by 31% to £154m with PBT up 62% at £13.6m in the year to 31st Mar. 94. These results confirm our increasing enthusiasm for specialist consultancies.

Kode nose dive

Last month Coda's share price halved - this month it was the turn of **Kode**, whose share price dropped from 78p to a low of 38p in the month, before recovering to end down 38% at 48p.

Although we fully supported Kode's move to diversify from its PCB base into computer services, it couldn't have chosen a worse sector at a worse time. In July 92 they acquired TPM DCM from Hillsdown for £3.2m cash (the funds raised at the time in a 100p per share rights issue). We have long warned of the terminal decline in hardware maintenance but CEO Stephen Day assured us of his "continued success in non-maintenance activities such as FM and network management". *System House* Sept. 93.

But although a profits warning in Jan. 94 had heralded disappointing full year results, there was no prior warning of the interim losses announced this month. In the six months to 1st July 1994, a loss before tax of £515K (PBT £710K last time) was reported on static revenues of £12.26m. The computing services activities reduced revenues by 31% to £3.2m and made losses of £881K. "A sudden fall in prices...in the 2nd half of 1993" was blamed. The loss was struck after "reorganisation costs of £150K and stock provisions of £200K". Philip Watson has been appointed MD - the previous MD Joel Jervis had resigned in Jan. 94. However, the PCB activities increased revenues by 19% to £9m but reported profits down 38% at £366K.

Day "remains cautious over prospects in the short term". That is a minor improvement - he was **very** cautious six months ago. The Investors Chronicle (28th Aug. 94) was even more sceptical - suggesting that the current bad news is "likely to be only the start of Kode's problems".

Footnote. ICL & Bell Atlantic's Sorbus had been one of the best performing TPMs. They are now feeling the pain too. This month they wrote to all their suppliers saying that "prices and margins have fallen to scarcely sustainable levels" with "20%-30% price erosion" on the renewal of customer contracts. They asked suppliers to increase discounts with immediate effect.

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EASY ACCESS TO THE HARD FACTS

MAID provides on-line third party research information. To describe its float as "troubled" is an understatement. They claim to have been the subject of a smear campaign by their competitors - although we have not been so targeted. We had other deep concerns about their market, the pre-float share deals, capitalised R&D and the very high valuation. The shares had dropped from the 110p launch price in Mar. 94 and slid to just 54p in May.

The first results for the six months to 30th June 94 were claimed to be "ahead of expectations". Revenues, "with our core business performing better than expected", increased by 53% to £3.97m. Although PBT increased by 112% to £440K, readers should be aware that a further net £345K of product development was added to the balance sheet and £135K was gained from a swing from net interest payable to interest received. i.e. deduct these items and PBT would have reduced. EPS was 62% higher and, as a result of the float, MAID now have £10.7m cash.

MAID for Windows, "our most important project...continues to go according to plan". As the Sunday Times said "it could make or break the company". Investors shared our scepticism - MAID closed the month down 14% on 70p.

More wild movements

Although the CSI Index was up almost 5%, marginally below the rise in the FTSE100, this - as always - covered some major fluctuations.

Virtuality was launched at 170p in Sept. 93, peaked at an incredible 361p and then fell all the way back to end July on 134p. This month they have shot up again - by 56% to 209p - on news of a joint venture with IBM. **Parity** was up another 39% on superb maiden results (p10). That means a *mere eightfold increase* since the Swinstead invasion. **Standard Platforms** (+33%), **Clinical Computing** (+23%) and **Sherwood** (+20%) all benefited from recovery hopes after their recent mega falls.

At the other end of the scale, **Micro Focus** fell 11% (they had been down nearly 20% at one point) on disappointing interims (p4). **MAID's** interims (p8) failed to impress both us and the market (down 14%). **CRT** fell 15% on the purchase

of **Systems Resources** (p2). **Azlan** fell another 16% (that's 33% down since the float) on a sell recommendation from the Investors Chronicle (p8). Poor old **Kode** got the wooden spoon (down 38%) on the surprise interim losses (p8).

31-Aug-94		CSI Index		1634.79
		FTSE 100		3251.30
CSI Index = 1000 on 15th April 1989		FTSE SmallCap		1908.90
Changes in Indices		CSI Index	FTSE 100	FTSE Small Cap
Month (31/7/94 - 31/8/94)		+4.73%	+5.47%	+4.05%
From 15th Apr 89		+63.48%	+58.32%	
From 1st Jan 90		+77.68%	+37.65%	
From 1st Jan 91		+130.94%	+50.50%	
From 1st Jan 92		+56.46%	+30.41%	
From 1st Jan 93		+2.59%	+14.22%	+37.59%
From 1st Jan 94		-2.08%	-4.89%	+2.15%

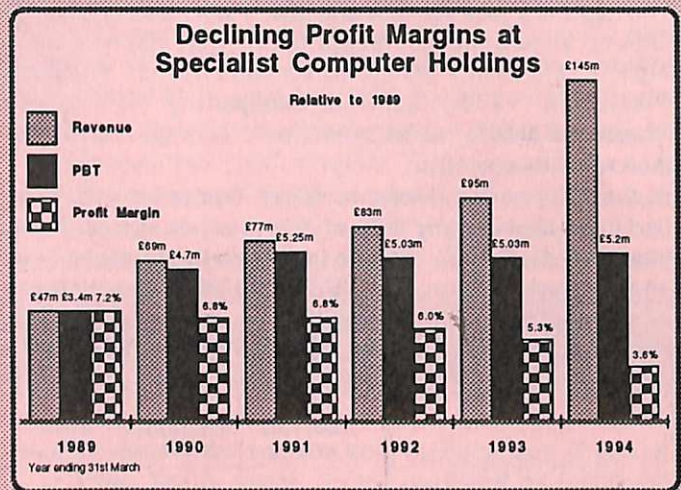
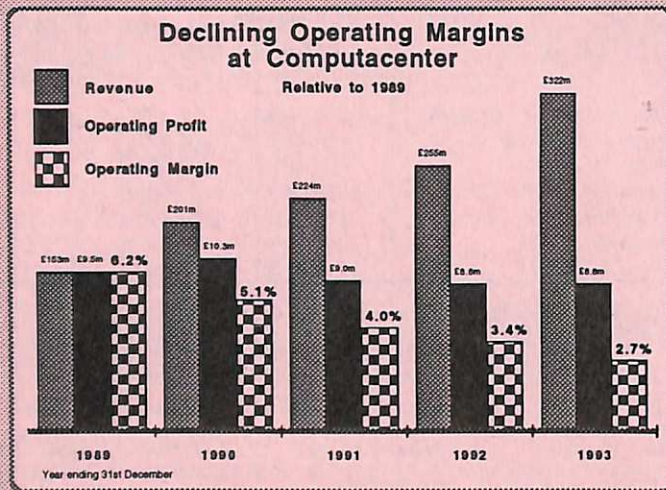
System House CSI Share Prices and Capitalisation

	Share Price 31/8/1994 (Ep)	Capitalisation 31/8/1994 (Em)	Historic P/E	Ratio Cap./Rev.	CSI Index 31/8/94	Share price % move since 31/7/94	Share price % move in 1994	Capitalisation move (Em) since 31/7/94	Capitalisation move (Em) in 1994
ACT	£1.25	£231.90m	11.7	0.93	1984.13	4.17%	-12.59%	£5.60m	-£31.80m
Admiral	£6.45	£73.50m	19.8	2.01	4673.91	5.22%	32.99%	£4.00m	£21.10m
Azlan	£1.78	£38.90m	14.4	0.63	773.91	-16.43%	-32.83%	-£7.60m	-£19.00m
Capita	£1.74	£93.60m	22.2	1.87	5225.23	-2.79%	-26.89%	£5.60m	-£19.20m
Cedardata	£0.99	£30.30m	15.7	4.95	942.86	-5.71%	-5.71%	-£0.60m	-£1.86m
Centregold	£0.97	£39.00m	14.6	0.57	776.00	-5.83%	-40.12%	-£2.40m	-£26.20m
Clinical Computing	£0.90	£14.60m	14.4	5.55	725.81	23.29%	-27.42%	£2.80m	-£5.50m
Coda	£0.97	£25.40m	10.1	1.08	412.77	3.19%	-58.72%	£0.70m	-£36.25m
Computerised Financial	£1.24	£5.83m	n/a	1.75	1377.78	18.10%	37.78%	£0.90m	£1.60m
Computer People	£1.83	£26.40m	41.7	0.38	753.09	5.17%	69.44%	£2.30m	£11.40m
Cray Electronics	£1.92	£425.90m	22.3	1.57	1122.81	6.08%	19.25%	£22.60m	£71.10m
CRT	£0.89	£58.50m	Loss	1.24	988.89	-15.24%	-9.18%	£2.30m	£6.40m
DRS Data & Research	£0.98	£34.90m	23.4	3.01	890.91	-5.77%	-10.91%	-£2.50m	-£4.30m
DCS Group	£0.71	£6.72m	24.3	1.21	1183.33	0.00%	18.33%	£0.00m	£2.52m
Division Group	£1.30	£43.90m	Loss	21.11	3250.00	4.84%	60.49%	£1.30m	£16.50m
Electronic Data Processing	£1.58	£41.40m	14.6	2.89	4837.72	14.49%	-20.20%	£5.40m	-£10.20m
Enterprise	£0.10	£7.74m	Loss	0.13	80.00	11.11%	-68.25%	£0.77m	-£17.96m
Gresham Telecomputing	£0.51	£16.70m	45.8	2.87	548.39	-5.56%	-54.05%	-£1.00m	-£18.80m
INSTEM	£1.65	£7.48m	10.6	0.39	1650.00	5.10%	22.22%	£0.32m	£1.02m
JBA Holdings	£1.55	£51.20m	15.8	0.69	968.75	-3.73%	-3.13%	-£1.90m	-£1.60m
Kalamazoo	£1.41	£53.70m	13.8	0.88	4028.57	6.02%	41.00%	£3.10m	£15.60m
Kewill	£2.63	£31.90m	11.4	1.00	1039.53	-6.07%	18.47%	£2.10m	£5.40m
Kode International	£0.48	£4.52m	6.9	0.18	223.26	-38.46%	-70.00%	-£2.82m	-£10.38m
Learmonth & Burchett	£1.00	£21.80m	Loss	0.83	833.33	9.89%	-31.03%	£4.80m	-£4.20m
Logica	£2.94	£181.70m	33.9	0.84	805.48	2.08%	7.69%	£3.70m	£13.80m
Lynx Holdings	£0.51	£21.40m	18.3	1.98	1275.00	4.08%	15.91%	£0.80m	£4.60m
MAID	£0.70	£56.90m	101.4	9.95	636.36	-13.58%	-36.36%	-£9.00m	-£32.20m
MDIS	£2.16	£216.00m	15.1	1.45	830.77	-0.46%	-16.92%	£3.00m	-£44.00m
MR Data Management	£1.34	£74.40m	14.9	1.82	531.75	-6.29%	-34.63%	-£5.00m	-£39.20m
Macro 4	£5.50	£125.40m	16.5	5.39	2217.74	-0.90%	-18.88%	-£1.80m	-£28.60m
Micro Focus	£8.68	£125.00m	10.5	1.49	4193.24	-11.43%	-13.20%	-£10.40m	-£17.00m
Microgen	£1.30	£51.20m	13.0	0.96	555.56	0.78%	-12.16%	£0.40m	-£7.10m
Microvitec	£0.42	£26.80m	20.5	0.76	1024.39	3.70%	29.23%	£1.00m	£5.60m
Misys	£4.34	£205.30m	13.6	2.20	1079.60	-2.91%	-14.06%	-£6.10m	£9.40m
MMT	£1.79	£20.10m	18.3	2.85	1065.48	1.70%	25.17%	£0.30m	£4.80m
On-Demand	£1.14	£58.10m	Loss	3.06	1461.54	14.00%	0.88%	£7.10m	£0.50m
Oxford Molecular	£0.64	£23.60m	Loss	16.74	800.00	14.29%	-20.00%	£2.90m	-£5.90m
P&P	£0.72	£56.30m	17.9	0.26	322.87	-1.37%	12.50%	£12.40m	£20.80m
Parity	£1.43	£52.40m	37.1	2.65	7944.41	38.83%	30.00%	£14.70m	£12.20m
Pegasus	£1.78	£11.10m	19.4	1.48	485.01	1.71%	-16.82%	£0.20m	£3.00m
Persona	£1.68	£20.30m	15.0	0.89	1050.00	1.82%	5.00%	£0.40m	£1.00m
Phonelink	£2.70	£95.80m	Loss	77.20	1741.94	-0.74%	-25.82%	£1.10m	-£33.40m
Proteus	£1.93	£60.00m	Loss	n/a	2297.62	2.66%	-54.16%	£1.50m	-£55.40m
Quality Software	£3.83	£33.30m	55.2	2.49	1007.89	0.00%	-5.43%	£0.00m	£1.80m
Radius	£0.39	£10.90m	Loss	0.47	282.61	8.33%	39.29%	£1.07m	£3.26m
Real Time Control	£1.65	£11.60m	12.4	1.36	3367.35	13.79%	126.03%	£1.73m	£6.49m
Rolfe & Nolan	£1.95	£23.60m	30.3	1.86	2321.43	12.07%	32.20%	£2.50m	£6.90m
Sage Group	£5.84	£122.10m	15.7	2.96	4492.31	1.92%	14.51%	£2.30m	£17.00m
Sanderson	£0.84	£32.40m	9.9	1.37	1429.79	-6.67%	5.00%	-£2.30m	£3.90m
Sema Group	£4.23	£391.30m	25.5	0.78	1330.19	1.44%	36.45%	£11.10m	£109.20m
Sherwood	£1.25	£7.62m	Loss	0.32	1041.67	20.19%	13.64%	£1.28m	£0.91m
Spargo Consulting	£1.05	£13.10m	41.4	2.69	1105.26	-4.55%	10.53%	-£0.70m	£1.20m
Standard Platforms	£0.16	£2.88m	Loss	0.91	71.11	33.33%	-50.00%	£0.72m	£1.58m
Superscape	£2.22	£11.80m	Loss	18.38	1121.21	-2.20%	12.12%	-£0.20m	£1.30m
Total	£0.25	£2.50m	26.0	1.20	471.70	0.00%	4.17%	£0.00m	£0.10m
Trace	£0.41	£5.73m	24.4	0.32	328.00	7.89%	7.89%	£0.42m	£0.34m
Unipalm	£1.16	£23.50m	130.3	2.19	1160.00	-3.33%	16.00%	-£0.80m	£3.26m
Vega Group	£2.33	£32.90m	23.5	3.39	1909.84	6.88%	6.39%	£2.10m	£2.00m
Virtuality	£2.09	£54.60m	Loss	10.11	1229.41	55.97%	-36.86%	£18.80m	-£31.90m
Vistec	£0.23	£28.30m	12.5	0.63	1000.00	-6.12%	-4.17%	-£1.70m	-£1.00m
Wakebourne	£0.80	£16.70m	Loss	0.72	444.44	-4.76%	33.33%	-£1.10m	£4.20m

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.

Margins fall at Specialist Computer Holdings too

A few months ago we ran a feature on the changing profit margins in our industry - with margins at software products developers declining as margins increased at specialist IT consultancies. We also referenced the near terminal decline of profits at almost all of the PC dealers. It would have been too easy to illustrate the argument with examples of the many receiverships or even the losses recorded by a large number of dealers. Instead we quoted the consistent decline in margins from 6.2% in 1989 to just 2.7% in 1993 at one of the industry's success stories - **Computacenter**.



One of the few other PC dealer success stories has been **Specialist Computer Holdings** which this month filed its accounts for the year to 31st Mar. 94. These showed "record" revenues up a massive 52% at £144.7m but PBT up just 3.5% at £5.2m - less than they were in 1991. Just like Computacenter, margins have dropped from a healthy 7.2% in 1989 to just 3.6% in 1994. As Peter Rigby acknowledges in his Chairman statement, this is due to pressures on margins at least in part compensated by increased volume.

But much of the down turn was due to the **Byte Computer** chain launched in 1993. Byte, as expected, lost £1.2m on revenues of £9.8m. As readers will know, we have been sceptical about the likely success of PC superstores such as PC World in the UK for many years. Our scepticism has, if anything, deepened since.

But SCH has really done rather well from its established distribution and value added services. "If the results for Byte are excluded...group PBT would have increased by 23% on a like for like basis....SCC, the systems integration business, Enhancement Technologies Corp., the distribution business, and Specialist Computer Education, the training business, all achieved record sales and profits in the year". Deals like the £10m contract with Severn Water or the £2.5m deal with Birmingham City Council or the major deals with the Post Office & Parcelforce, were exactly the long term/service oriented/corporate deals that we have long advocated as the future for the box-shifters. However, "the mainframe services and payroll bureau business had a difficult year and profits were lower than those achieved in the previous two years".

SCH is a private company owned and controlled by Rigby and his close family. Financially, it is one of the soundest in our database with cash of £9m (1993=£5.4m) and shareholders funds up 14% at £21.4m. We believe that SCH faces a rosy future with value added services (like desktop FM) around its established corporate PC supply base. Indeed, its record in this is second to none. But we are less enthusiastic about the dog-eat-dog world of the PC superstore. But Rigby clearly believes in the retail concept which he sees as an important balance to the other parts of the group. We applaud him for having the courage of his convictions.

PARITY

It was only just over a year ago, in June 1993, that Philip Swinstead bought into **Comac**. The changes since - including the name **Parity** - have been many. Buying **CSS/Trident** for £18.5m in Oct. 93 was clearly the biggest move with smaller acquisitions of **LBMS Consultancy** activities and **CLASS** (see p7) recently. A successful rights issue and new management, like the appointment of Paul Davies from **Easams**, were also important.

Of lesser-significance, perhaps, is that we are happy to admit that we have changed our view of Parity and the IT contract staff market quite radically in the same period. With Roger Graham's involvement at **Computer People** and the bullish statement from **CRT** (see p2) we have no problem in agreeing with Parity's statement that "the IT agency industry is restructuring and agencies are achieving good penetration of the quality end of the IT staff resourcing market, previously the domain of the established software houses. The ability to meet specific IT skill requirements quickly and at a lower cost is increasingly attractive to both business and government". But we are sure this statement is not to the liking of the CEOs from "the established system houses" which constitute the majority of our subscribers! The first real meaningful results for the new Parity for the six months to 30th June 94 were excellent although comparisons are not relevant. Revenue was £39m (£5.3m), PBT £2m (£0.06m) and EPS 3.5p (0.6p) with net cash of £4.8m (£0.7m).

Current trading looks good. Further acquisitions are being considered but "we shall continue to demand that prospects have both good value and strategic fit".

All this greatly pleased the market which marked the shares up 39% this month to 143p. That's over three times higher than the 44p on the day before Swinstead's arrival was announced in June 93 and eight times the Jan. 93

What a cracker!

The first thing we do when starting any review is to reread all our articles on that company from the year dot. Rereading our F.I.GROUP reviews is like opening a box of old love letters. Having supported FI through the dark days of 1989 and 1990, it then spurned us in favour of an older knight. But, although jilted, our affection got warmer. *Oh how we wished we could have been granted options over 40,000 shares at just £3 each like Sir Peter Thompson.* In 1989, we started to highlight the potential of Application Management (AM) and (totally unconnected - of course!) FI went from strength to strength and now, rubbing salt into our wound, claims to have invented this market! "Shares for all" we wrote in 1991 as everyone but us got a bit of the action.

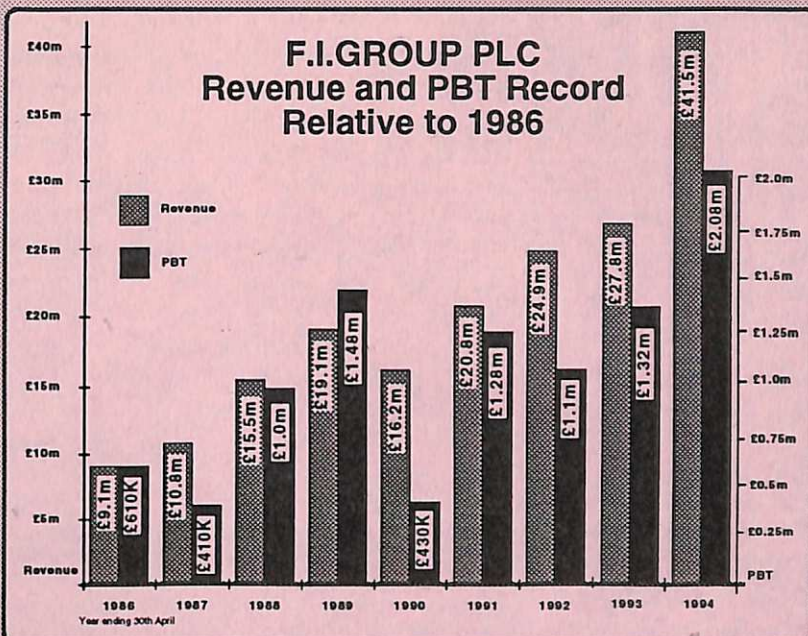
But how can we be bitter in the face of one of the 1990's real success stories? In the year to 30th Apr. 94, FI boosted revenues by 49% to £41.5m, PBT by 62% to £2.08m and EPS by 32% to 54p. Cash increased marginally to £4.12m.

All this has been achieved organically, largely on the back of some mega AM contracts like that with Barclays, Whitbreads, South Wales Electricity and Thames Water. AM now represents around 50% - or £20m - of FI revenues. And this is all before the £21.5m/7 year contract with the Co-Op and the J Sainsbury deals starts.

We asked CEO Hilary Cropper "What next?". "More of the same" she replied. That may sound boring, but the very business areas that FI "pioneered" are currently in their ascendancy. Cropper confirms that there is now a subtle shift from the "Why should I outsource my AM?" to "What possible reasons are there for NOT outsourcing my AM?" In the spirit of "why change a winning recipe?" FI this month has appointed another old knight - Sir Kit McMahon (ex of the Midland Bank) - as a non-exec.

Of course we had to ask about the float. Cropper concedes that it is now "inevitable" but there is still no pressure to rush it. Although the internal share price will not be announced until Sept., we would guess at around 570p - more than doubled since the sale to the workforce just three years ago.

As all readers know, we don't tip shares but...in 1991 we wrote "we only wish they would let us buy some". Those sentiments are unchanged, even though the price is considerably higher.



Compel to market in September

We had a call this month from perhaps the most powerful CEO in our industry asking us "Who on earth are **Compel**?". This request had been brought about by the announcement that "Computer consultancy **Compel** is planning to join the market in Sept. in a flotation expected to value the company at more than £20m". With revenues up 25% at £54.5m and PBT up 241% at £2.1m, and a claim to be "one of the UK's leading systems integrators" how could our illustrious reader be unaware of such a large UK SCSI company?

The reason is, of course, that **Compel** has in the past mainly been known as a PC supplier and maintenance organisation. Setup in the late 1970s, it was bought by US Dataserv in 1986. However, the current Chairman Neville Davis undertook an MBO which valued the company at between £5-8m in 1987. This was backed by **Lloyds Development Capital** (20%) and **3i** (30%) with directors, associates and "a third of all employees" holding a controlling 50%.

"**Compel's** principal market is the client/server and networked PC and workstation market" where it offers "complete solutions" mainly to blue chip customers. Readers are aware that this is currently one of the fastest growth sectors. The placing of shares worth c£11m would raise £5m new money and will "provide a partial exit for the VCs".

Valued at £20m, **Compel** would be placed at a P/E of around 15 - which is very reasonable compared with most recent floats. However, **Compel** will have to convince investors that it deserves a SCSI rating rather than the lower ratings resellers and distributors attract. It will also have to overcome our increasingly jaundiced views about companies which boost profits massively in the year prior to float - only to issue profit warnings a few months later.

Further details - Société Générale Strauss Turnbull Tel: 071 638 5699.



Moves into outsourcing accelerating at the telecomms players?



The joint venture IT outsourcing deal announced this month between Delta Airlines and AT&T is significant. Apart from its massive size - \$2.8 billion over 10 years - it could herald new moves by the telecomms

giants into this arena. Many of the comms players are already big in network outsourcing - indeed Delta and TWA's reservations system Worldspan had already outsourced its comms to AT&T. But it has long been forecast that IT and comms will converge. It has fuelled speculation of linkups between the main players - like EDS and the UK's BT. France Telecom has a significant stake in Sema's FM operations. Phil Coathup confirmed to us that "AT&T were now looking at outsourcing in a way they had not done before".

"Delta and AT&T will share equal ownership of the venture which will be based in Atlanta and employ c1,200 people...it will market and sell computing and communications solutions to other companies in the travel and transportation industries, excluding airlines and travel computer reservation systems". Source - Delta Airlines Press Release - 23rd Aug. 94.

But the Delta deal will not involve the UK. Some would say that AT&T UK has not fully benefited from the boom in outsourcing. However, this month they signed a £1.5m FM deal with Lilly and a £1.7m deal with BAe (Avro).

Making the news ourselves

Having our research quoted continually is one thing, but **The Independent's** article on us (enclosed) was another. We are now fed up with comments about the "gingham shirt"! Was it a coincidence that we also received more *complaints* in the last month than in the last five years? No errors (of course) - just "we would rather you hadn't said that". Perhaps our industry has got a bit too used to non-critical reporting.

**RICHARD
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No change at Fraser Williams

Liverpool-based Fraser Williams Group Ltd. was established back in 1969. Its 500+ staff offer a full range of people-based services, from software products and implementation - to a wide range of markets and platforms - to IT consultancy. Tom McCafferty and his fellow directors/managers own around 75% of the equity with 3i holding 20%.

Fraser Williams could be considered as encapsulating the performance of the UK SCS industry in the last decade. Their peak performance was the £1.2m PBT on £24.8m revenues in 1989. Although revenues grew to a peak of £26.9m in 1990, profits slumped and losses of £376K were recorded in the year to 31st Mar. 91 during which several overseas subsidiaries were placed in receivership. But Fraser Williams reviewed the situation and took the necessary medicine. Profit centres were reorganised into divisions with more focused market opportunities and staff were cut by nearly 300 from the peak of 800 in 1989. Its loss-making non-core advertising subsidiary, Adtrack, was sold and the group returned to profits of £202K in 1992.

This month Fraser Williams filed their accounts for the year to 31st Mar. 94. On the surface, they show revenues up 6% at £21.3m and PBT up 8.5% at £528K. However, on continuing businesses revenues were up 13% and PBT was up 86% at £728K "after adjusting for exceptional items". Net cash, however, reduced from £609K to £242K due to a £900K increase in debtors at the year end. Nearly 90% of revenues are earned in the UK with Holland being the largest overseas market. The pharmaceutical industry in the US is probably considered as the next opportunity. In a recent press interview McCafferty said that a float was "at least two years away...the next step is to bring in additional shareholders and to broaden the share ownership, especially to other employees." Source - MicroScope 29th June 94. Fraser Williams is getting to be a bit of an anachronism. Most of the broadly based "marmalade spread too thinly" SCS companies of a similar size have already been swallowed up.

Our money would still be on a trade sale being the mostly likely exit route for 56 year old McCafferty.

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