

System House

The monthly review of the financial performance of the UK computing services industry
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"Something is rotten in the state of Denmark?"

A year ago we were celebrating the resurgence of SCSI new issues. The only criticism we had was that there were so many froth stocks. But at least investors knew that issues such as Division, MAID, On-Demand, Phonelink, Oxford Molecular, Superscape, Virtuality etc. were highly speculative. In fact, the performance of these companies since joining the market has been surprisingly good with few real shockers.

The real shocks have come from companies with previously sound performances. The record, compounded this month by MDIS and DRS, creates great cause for concern. The scenario goes like this:

- private company makes record profits/announces intention to float.
 - future prospects described as excellent so float attracts high valuation. At this point the small private investor enters.
 - company's broker issues profit projection. Other brokers copy.
 - original investors (usually including the VCs) cash in at the time of float.
 - the float takes place around half way through the first six months trading - so all parties, including the brokers, ought to have a pretty good idea of the interim figures.
 - the first period end passes but still optimistic comments are being made, broker confirms forecast and new investors continue to be attracted.
- and then...

- maiden interim results are issued substantially below expectations. The shares dive - often by 50% or more.
- the company and its brokers then say that the downturn all happened in the three months *after* the float and they had absolutely no idea of any problems at the time of the placing.

We are concerned because:-

- 1 - we find it difficult to believe that trading problems were not suspected at the time of the float. The issues should have been delayed or investors warned. They were not.
- 2 - accurate forecasting is an essential ingredient for survival and success.
- 3 - as soon as the shortfall became really apparent, a profits warning

should have been issued. This would have at least stopped new investors buying shares against expectations which clearly were not going to be fulfilled.

The **winners** were the VCs and directors who sold at the time of the float and the brokers.

The **losers** were the new - often small - investors. But the real loser is our industry. If confidence disappears, so will the new issues. Without them the sounder companies in the sector will be starved of the funds for future growth.

Some examples

MDIS (see p2) floated in May 94 at 260p. Results, announced in Sept. 94, for the six months to June 94, showed PBT 33% down. The shares dived to 107p **reducing the value of MDIS by over £150m since the float - the biggest capitalisation reduction we have ever recorded in such a short time.**

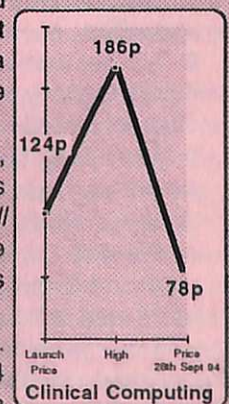
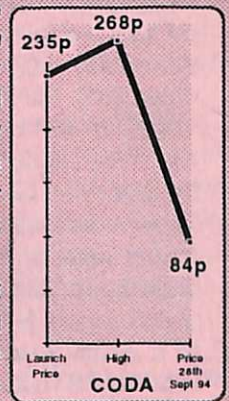
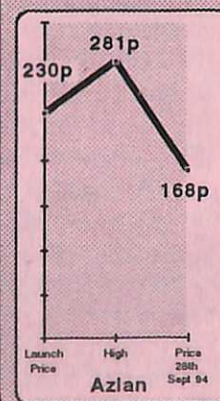
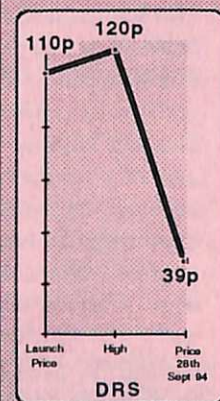
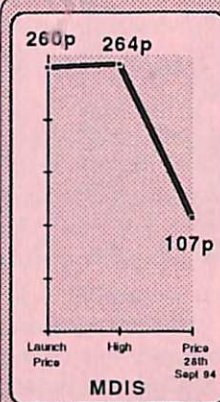
Baring Capital Investors had led the consortium funding the MBO which had made a £120m profit on the float. Barings organised the float and the sale of the institutional equity, Brokers Nat West issued a profits forecast of £25.7m on 30th June 94 and no profit warning since.

DRS Data & Research (see p2) was a new issue in Apr. 94 at 110p. Sales in the 12 weeks before placing were reportedly "*better than in previous period*". In Sept. 94, without any warning, results to 30th June showed EPS down 13% - considerably below expectations. DRS brokers' Beeson Gregory had issued no revision to their forecast of £3.9m PBT for the year. DRS shares have fallen 65%.

Coda (see p4) was placed in Feb. 94 at 235p with £20m going straight to existing shareholders. In July 94 Coda announced interim losses to 30th Apr. 94 of £2.55m compared with PBT of £427K last time. No warning had been issued and their brokers SG Warburg had not revised their forecasts. This month Coda issued *another* profits warning and the share price has dived to 84p.

Azlan was launched in Nov. 93 at 230p, but issued a profits warning six months later. SG Warburg current forecast is *still* £5m for the full year which could be regarded as "*ambitious*". Azlan shares have fallen to 168p.

Clinical Computing was placed in Feb. 94 at 124p. Results to 30th June 94 showed pBT of £446K converted to a £227K loss. The shares are down 37% at 78p.



DRS Data & Research

DRS Data & Research Services floated in Apr. 94 at 110p which valued them at £39.2m. In 1993 - i.e. the year before the float - DRS made an impressive operating profit of £3m on revenues of £11.6m. This month, however, maiden results for the six months to 30th June 1994 show revenues down 16% at £5.8m and PBT down 3% at £1.48m and EPS down 13%.

DRS is a data capture bureau and recent growth has been fuelled by their move into optical mark reading systems where schools (i.e. exam marking) was their most important market (70% of revenues). The shortfall in sales was blamed on "recent uncertainty" in the education market. Of course, in words reminiscent of others recently, all the shortfall occurred post float - i.e. in May and June. Indeed, the listing particulars clearly states that "in the first 12 weeks of 1994, sales were significantly better than in the corresponding period...the directors view the outcome for the current year with confidence".

"The changes in the National Curriculum announced in May" and "the purchase by Capita of DRS' largest schools distributor, SIMS" (in June!) were cited as the "unusual combination of factors" resulting in the shortfall.

DRS shares fell 58% on the announcement. They ended Sept. at 38p - down a massive 65% in the five months since the float.

Footnote: MD Malcolm Brighton says he will now be buying more DRS shares at these "silly low prices". Source - Financial Times 17th Sept. 94.

DRS has sold its controlling interest in Solutions from Technology (SFT) in an MBO. SFT lost £482K in 1993 and "continued to make losses, although smaller, in the current year".

McDonnell Information Systems (MDIS)

MDIS was floated in May 94 at 260p valuing the company at £260m. Maiden results for the six months to 30th June 94 show revenues down 3% at £68.6m, operating profit down 34% at £5.4m, PBT down 33% at £5.04m and EPS down 28%. MDIS expects full year profits "below that for 1993". In 1993 MDIS made PBT of £21.2m and brokers Nat. West Securities had forecast £25.7m on 30th June 94. Nat West has now cut its forecast to £17m.

The shares fell like a stone by 50% to 107p - wiping £153m off the value of MDIS at the time of the float.

Comment. Our article on page one gives one side of the deep concern felt about the MDIS results. When we talked to a battle weary Jerry Causley (MDIS CEO), he put forward the following points to us in defence:

- 1 - The shortfall was due to delays in the awarding of contracts from Scottish Office and various police authorities. Some of these have now been secured.
- 2 - Longer than expected lead times to secure orders for the PRO-1V banking system. In particular a large middle eastern contract now looks less likely.
- 3 - Until early Sept., it appeared that any shortfall in H1 would be made up in H2. As soon as any hope of this disappeared, the interim results/profit warning was issued.
- 4 - He was "annoyed that this had happened in our first year as a listed company" but that wanted to stress that MDIS was still "fundamentally sound".

Lest our comments on page one are construed as any personal criticism of Causley's ethics, remember that unlike the external investors, he sold not one of his shares at the time of the float.

"Continued demand in Europe" at CMG

Perhaps the company most concerned about the problems at MDIS is CMG Computer Management Group which declared its intention earlier this year to come to the stock market in spring 1995. The results for the full year to 31st Dec. 93 were, much like MDIS and Coda, as consistent and safe as you will find anywhere (PBT £11.1m on revenues of £128.8m) (See review in *System House* May 94).

This month CMG has reported excellent interim results to 30th June 94 showing revenues up 13% at £69.7m, PBT up a massive 54% at £6.8m and EPS up 59%. Profit margins are now approaching 10% which is extremely good compared with other companies in CMG's people/processing type of business.

"The Netherlands continues to be the largest market with 63% of turnover and is growing strongly and profitably". UK revenues increased by 13% where "trading conditions are improving". But, as predicted, Germany is unlikely to be profitable this year although there are clear signs that this goal will be achieved in 1995. With a further 127 staff recruited since the end of June 94, Chairman Douglas Gorman reports that "prospects for the year are good". CMG is exactly the type of stable SCSI company we need on the Stock Exchange. But have recent events soured investors' appetite for our sector?

Unisys the FM supplier?

While compiling the Holway Report in May 94, Unisys told us they had just £4.4m FM revenues in 1993 which put them well outside our Top Twenty rankings. We were surprised to learn this month that they have signed one of the UK's biggest outsourcing deals. A new subsidiary - Unisys Payment Services - will be set up to manage the Co-operative Bank's payment processing systems on a 10-year contract. 200 Co-op staff will transfer. Readers may remember that FI was recently awarded a £21.5m contract by Co-op Bank to run their IT dept.

NCC makes profit at last

The National Computing Centre has finally recorded a profit after five years of losses. Revenues were down 5% at £12m but PBT of £216K (against a loss of £738K last year) was recorded for the year to 31st Mar 94.

The NCC, under the chairmanship of John Ockenden and with Nigel Banister as CEO, has been moving away from being an organisation representing users towards a more commercially oriented SCSI company.

Last year there were even rumours of a Stock Exchange float. With their record of losses, they would probably fit quite well with the recent batch of new issues...

Genesis providing new dawn for CGS?

COO Geoff Unwin's hard fought reforms at French CGS (owners of Hoskyns) seem at last to be showing the first signs of success. Losses for the six months to 30th June 94 have reduced from FF197m to FF115m on static revenues of FF5,052m. These figures have been adjusted to allow for the merging of Cap debis with debis Systemhaus which means that CGS now hold a minority 19.6% stake in the German operation. The success of application management was cited as one of the contributors towards this welcome upturn. "A progressive return to profitable growth" is forecast.

Q2 showed a welcome reversal in the revenue decline with the order book 12% ahead of last time.

In what of late could be described as a bullish statement, Unwin told us he found it all "mildly encouraging".

Continuing lost opportunities at Macro 4

A journalist 'phoned this month asking what we thought of the "fantastic" results from systems software products developer, Macro 4. He couldn't quite get to grips with our pessimism. After all, in the year to 30th June 94, PBT was up 6.8% at £11.2m on revenues up 4.8% at £24.4m which equates to a marginally increased profit margin of 46%. EPS was up 8.6% and cash up £2.7m at £22.4m. An impressive 83% (1993=79%) of revenues originate overseas

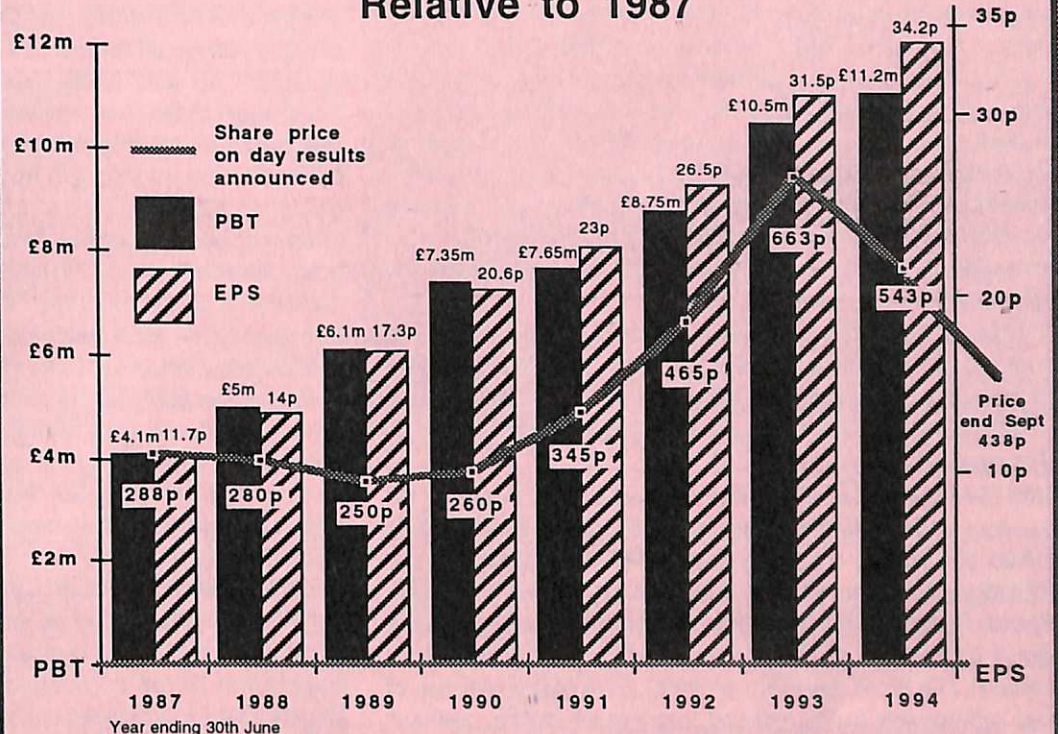
Two years ago (*System House* Oct. 92) our review was headlined *Wasted Opportunities at Macro 4*. "The long term future is currently dependent on the IBM mainframe and mid range markets, which are highly vulnerable, and by Macro 4's ability to exploit new open systems markets, an ability which is also questionable". We gain no satisfaction from the accuracy of our fears. Indeed, we are currently even more pessimistic about Macro 4.

Trading conditions are described as "subdued" with "a higher level of cancellations from rental customers than experienced some years ago" as users move away from mainframes. Macro 4's main tactic in counteracting this has been to develop AS/400 product. We are sceptical about the future success of the AS/400 - with some researchers currently recording increasing sales resistance.

But Macro 4 resolutely defends the mainframe and mid-range sectors in words like "data security, integrity, centralised disciplines" - strangely reminiscent of those used by Ken Olsen when dismissing the UNIX/open system threat to DEC back in the late 80s.

Terry Kelly concludes his Chairman's statement as follows "Macro 4 continues to invest in our newer range of AS/400 software, and this product range, together with our continually developing mainframe range, places the group in a sound position for future growth. However, I continue to be cautious regarding the coming year's prospects

Macro 4 - PBT, EPS and Share Price Record Relative to 1987



against a background of continuing change within the computer user environment, change which is, partly at least, responsible for the continued rate of contract cancellations".

The market at long last seems to share our pessimism. Shares were already down 18% when the the results were announced and have crashed a further 22% in the month since. In the last year alone £64m has been knocked off off Macro 4's capitalisation. We repeat the closing remarks from our last year's review "Macro 4 gets top marks for lost opportunities".

Cray..(please don't call us Electronics anymore)

Having already established a direct link between how fast companies announce results to how good they are, we now add a further performance criteria...length of AGM.

Cray's AGM lasted just eight minutes...and that included the announcement of a £2m order from BT, a £3m order for an upgrade to the Autofile reservation system at First Choice and a three year contract from the Cabinet Office. Chairman Roger Holland said "trading continues in line with expectations and good progress is being made".

If shareholders can't find anything to criticise, they could at least have spent some time delivering a eulogy to Messrs. Holland, Richards, Harrison, Shone, Smith, Piggott etc. Not of course that they too haven't benefited from Cray's superb performance.... Cray's share price was around 50p, when the new management arrived. It closed September 1994 on 178p.

Renaissance continues apace at Wakebourne

In April 94, Wakebourne (nee Maddox) announced that "the problems and distractions of the last year are firmly behind us". We will not repeat the list of woes other than to remind you they included a loss of £18.6m.

Results for the completely restructured group for the six months to 30th June 94 show the prediction was correct with revenues of £18.2m (£12m) and PBT of £1.07m (Loss £18.94m). Operating profits for the remaining computer services activities grew by "in excess of 20%".

Wakebourne seem to be emerging as one of the few to change successfully from hardware maintenance to a more blue-chip outsourcing based service. Indeed their remote network service offerings are highly regarded. The £2.3m contract from the European Bank for Reconciliation to operate their technology support centre is indicative of the high quality contracts on offer.

Radius - still confident after all these years

Just a year ago Radius shocked the market with a first half loss of £466K. But it confidently predicted "an improvement in the second half". In the event, full year losses of £1.17m were recorded. We point this out only because once again Radius has "bounced back" to PBT of £808K on revenues up 15% at £12.3m in the six months to 30th June 94. But has Chairman Mike Roberts really learned the lesson? His closing remarks this time are... "I am confident that we will make further progress during the second half of the year". The word "confident" has appeared in every Radius' Chairman's statement since 1990 - when PBT of £2.8m was recorded.

Radius has a range of software products and associated services addressing specific vertical markets - most of these are now UNIX-based. Their commercial, professional and public sector businesses "performed satisfactorily in difficult markets which have yet to see any substantial recovery". The retail operation "produced an excellent performance" and printing "continued to exceed the board's expectations".

Radius shares rose 13% to 44p this month - that's a massive 57% gain in 1994 so far. But Radius shares are still down 68% since our CSI Index started in April 1989. That's what **confidence** can really do for you!

Honesty from INSTEM

INSTEM specialises in computerised control systems for power stations, water boards and others like BNFL. It has been profitable in everyone of its 25 years. If we introduced a new *System House* award it would be for **most honest Chairman's statements** - whether giving good or bad news. David Gare would be in line for that reward. His profit warnings in 1992, as a result of three of his customers being placed into receivership, were a model of correctness. Everyone of his statements since have proved correct.

Latest results for the six months to 30th June 1994 show PBT up 23% at £505K, EPS also up 23% but revenues down 15% at £8.04m "reflecting the nature of our projects business". Order intake "has been higher than in previous years".

Gare "anticipates a satisfactory outcome for the year". On his track record, we have no reason to doubt him.

Suspending reality at Virtuality

Virtuality specialises in "low cost virtual reality systems" for games suppliers like Sega and Blockbuster. Their software is also used in such things as the "Eurotunnel Experience" and in Project Elysium (with IBM) for use in "non-leisure industries". Virtuality was floated in Oct. 93 at 170p and the share price has fluctuated wildly since to a high of 361p and then all the way back down to 160p. Assuming you are operating in actual reality, Virtuality has a current capitalisation of £42m. This is interesting given the latest results this month for the six months to 30th June 1994. These show revenues up 69% at £4.1m, operating losses of £829K (profit £73K last time) and a loss before tax of £695K (PBT £65K in 1993).

Chairman, David Payne, is "confident that the existing core business and the signing of further licensing agreements will enable Virtuality to report a profitable outcome for the 1995 financial year".

Other reviewers were equally optimistic. The Investors Chronicle concluded that "those with a handle on the technology are likely to think the shares good value".

Coda warns AGAIN

We have received more calls about Coda in the last two months than about any other company. We know that many *System House* subscribers became Coda shareholders when they floated in Feb. 94 at 235p. They were devastated in July when Coda announced its first interim results reporting a major slowdown in accounting software licence sales on DEC VAX and an acceleration in R&D expenditure. Full year profit expectations reduced from £4.3m to £1m and the shares have since crashed to 84p.

This month Coda issued another profits warning to say that "it now seems unlikely that Coda will achieve better than a break-even result before ESOP charges". I.e. at best a loss of £2.9m. To add to the DEC VAX difficulties, now "there have been signs that new licence sales on the IBMAS/400 platform are also beginning to be adversely affected". Coda is reacting by taking £2m from the cost line - mainly in the US.

Much of the disappointment from those 'phoning us has been directed at Rodney Potts himself. A selection of comments to us include "We really rated him..trusted him..surely he must have known what was going on in the DEC market when he floated?..we should have taken more notice of the fact that he took out £5m from the float..."

Potts feels these comments deeply. He told us that things were under control and to be patient. The open systems product was selling better than budget and he "was feeling a lot happier than a few months ago...believe me we have now got it right".

But our concerns about Coda derive not only from the downturn in proprietary licence sales or that they got the forecasts wrong. Our concern is that Coda will be facing intense cut throat competition from every company from Sage to SAP in the open systems arena. Only the toughest and fittest will survive...and at present you wouldn't use either of those words to describe a rather wounded Coda.

Staff barometer set FAIR...

Since we started publication, in 1989, we have used **Computer People** as a barometer of the future health of our industry. That barometer was superbly accurate in anticipating the dark days of 1990/91/92 and the first signs of revival in 1993. The latest results for the six months to 30th June 1994 show revenues up 13% at £38m, operating profits (before exceptional items) up 131%, PBT doubled to £733K and EPS up 136%. Both the UK (£23.9m) and US (£14.2m) grew well. In the UK, the number of consultants on placement increased by 8%. Margins increased showing, at long last, that fee rates might be stabilising. But it was recruitment placement revenues - up 76% - which perhaps give the most positive signs of much better days ahead for the industry.

The IT contract staff business has become a hot topic in the last year what with Philip Swinstead at Parity and the acquisition growth at CRT. Last year ex-BIS Roger Graham joined as Chairman of Computer People and Tony Reeves became CEO. The market likes it all too. Computer People's share price is up 42% since Graham's arrival.

...but software price competition continues

The Software Publishers Association has reported a 15% increase in European software products revenues to \$444m but a 65% increase in unit sales. In other words there was yet another 30% decline in unit prices. Windows based product accounted for around 85% of revenues. Apple software was up 9% but DOS sales declined by 54%.

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 £ 28,469,000 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 £ 5,168,000 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 £ 2,954,000 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 £ 2,102,000 £ 2,038,000 2.66p	Final - Dec 93 £ 5,168,000 £ 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 £ 67,985,000 £ 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
Compel Group plc	Results Revenue PBT EPS	Final - Jun 93 £ 43,777,000 £ 347,000 n/a	Final - Jun 94 £ 54,542,000 £ 2,062,000 n/a	Final Comparison +24.6% +494.2% n/a	
Computerised Financial Solutions Europe Ltd	Results Revenue PBT EPS	Interim - Jun 93 £ 1,638,000 £ 77,000 1.5p	Final - Dec 93 £ 3,338,636 £ 330,233 n/a	Interim - Jun 94 £ 1,404,000 (£ 36,000) (1.4p)	Interim Comparison -14.3% Profit to Loss Profit to Loss
Computer People Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 33,542,000 £ 364,000 1.45p	Final - Dec 93 £ 68,748,000 £ 1,102,000 4.37p	Interim - Jun 94 £ 39,013,000 £ 733,000 3.42p	Interim Comparison +13.3% +101.4% +135.9%
Cray Electronics 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	Interim - Jul 93 £ 868,000 £ 1,535,000 3.47p	Final - Dec 93 £ 11,577,000 £ 1,689,000 3.83p	Interim - Jul 94 £ 756,000 £ 1,484,000 3.02p	Interim Comparison -16.2% -3.3% -13.0%
DCS Group plc	Results Revenue PBT EPS	Final - Jun 93 £ 5,545,366 £ 231,406 2.69p	Final - Jun 94 £ 6,375,180 £ 426,144 4.32p	Final Comparison +15.0% +84.2% +80.6%	
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 6.02p	Interim - 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	Final - Mar 93 £ 58,231,000 (£ 8,143,000) (7.4p)	Final - Mar 94 £ 16,399,000 (£ 2,052,000) (2.6p)	Interim Comparison -71.9% Loss both Loss both	
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Apr 93 £ 3,060,000 £ 119,000 0.86p	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	Interim - Jun 93 £ 9,505,000 £ 410,000 8.0p	Final - Dec 93 £ 19,294,000 £ 1,021,000 14.8p	Interim - Jun 94 £ 8,043,000 £ 505,000 7.4p	Interim Comparison -15.4% +23.2% +23.3%
JBA Holdings plc	Results Revenue PBT EPS	Interim - Jun 93 £ 29,908,000 (£ 1,074,000) (2.87p)	Final - Dec 93 £ 74,467,000 £ 4,610,000 10.23p	Interim - Jun 94 £ 38,500,000 £ 264,000 0.19p	Interim Comparison +28.7% Loss to Profit Loss to Profit
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	
Kewill 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	
Kode 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 (£ 515,000) (5.5p)	Interim Comparison -0.2% Profit to Loss Profit to Loss
Leamouth & 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 - Jun 93 £ 217,434,000 £ 9,026,000 8.7p	Final - Jun 93 £ 226,848,000 £ 13,543,000 14.0p	Final - Jun 94 £ 226,848,000 £ 13,543,000 14.0p	Final Comparison +5.2% +50.0% +80.9%
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 £ 2,601,746 £ 207,108 0.24p	Final - Dec 93 £ 5,723,909 £ 803,176 0.69p	Interim - Jun 94 £ 3,971,619 £ 439,832 0.39p	Interim Comparison +52.7% +112.4% +62.5%
McDonnell Information Systems plc	Results Revenue PBT EPS	Interim - Jun 93 (Pro forma) £ 70,440,000 £ 7,528,000 4.86p	Final - Dec 93 (Pro forma) £ 148,480,000 £ 21,248,000 13.89p	Interim - Jun 94 (Pro forma) £ 88,609,000 £ 5,044,000 3.48p	Interim Comparison (Pro forma) -2.6% -33.0% -28.4%
MR-Data Management Group plc	Results Revenue PBT EPS	Final - Jun 93 £ 40,788,000 £ 3,759,000 10.6p	Final - Jun 94 £ 39,637,000 £ 6,348,000 8.0p	Final Comparison -2.8% -27.5% -24.5%	
Macro 4 plc	Results Revenue PBT EPS	Final - Jun 93 £ 23,266,000 £ 10,497,000 31.5p	Final - Jun 94 £ 24,367,000 £ 11,221,000 34.2p	Final Comparison +4.8% +8.8% -8.6%	

Richard Holway Results Service

Micro Focus plc	Results Revenue PBT EPS	Interim - July 93 £ 40,800,000 £ 11,554,000 53.5p	Final - Jan 94 £ 83,842,000 £ 21,761,000 101.2p	Interim - July 94 £ 42,950,000 £ 7,024,000 32.9p	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 £ 17,959,000 £ 570,000 0.78p	Final - Dec 93 £ 35,170,000 £ 1,611,000 2.05p	Interim - Jun 94 £ 20,923,000 £ 1,120,000 1.24p	Interim Comparison +16.5% +96.5% +59.0%
Misys plc	Results Revenue PBT EPS	Final - May 93 £ 88,761,000 £ 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 £ 3,155,000 £ 865,000 4.8p	Final - Aug 93 £ 7,057,718 £ 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 £ 5,983,000 (£ 490,000) (1.49p)	Final - Jul 93 £ 19,989,000 (£ 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 £ 591,000 (£ 498,000) (4.4p)	Final - Dec 93 £ 1,409,000 (£ 1,265,000) (8.9p)	Interim - Jun 94 £ 1,086,000 (£ 933,000) (3.5p)	Interim Comparison +83.8% Loss both Loss both
P & P plc	Results Revenue PBT EPS	Interim - May 93 £ 121,800,000 £ 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% +42.9%
Parity plc (was Comac Group)	Results Revenue PBT EPS	Interim - Jun 93 £ 5,298,000 £ 61,000 0.61p	Final - Dec 93 £ 19,768,000 (£ 228,000) (1.9p)	Interim - Jun 94 £ 38,903,000 £ 2,023,000 3.54p	Interim Comparison +61.7% +32.7% +48.0%
Pegasus Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 5,300,000 £ 1,017,000 9.1p	Final - Dec 93 £ 5,502,000 £ 6,930,000 72.0p	Interim - Jun 94 £ 2,275,000 £ 68,000 0.7p	Interim Comparison -57.1% -93.3% -92.3%
Persona plc	Results Revenue PBT EPS	Interim - Jun 93 £ 11,189,000 £ 825,000 5.3p	Final - Dec 93 £ 22,862,000 £ 1,749,000 11.06p	Interim - Jun 94 £ 15,042,000 £ 1,005,000 6.0p	Interim Comparison +34.4% +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	Interim - Jun 93 £ 6,607,000 £ 143,000 2.0p	Final - Dec 93 £ 13,346,543 £ 553,214 6.7p	Interim - Jun 94 £ 7,266,000 £ 604,000 6.9p	Interim Comparison +10.0% +322.4% +245.0%
Radius plc	Results Revenue PBT EPS	Interim - May 93 £ 10,723,000 (£ 465,000) (1.3p)	Final - Dec 93 (13 months) £ 23,273,000 (£ 1,171,000) (3.0p)	Interim - Jun 94 £ 12,325,000 £ 808,000 1.6p	Final Comparison +14.9% Loss to profit Loss to profit
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% +181.9% +171.4%
Rolfe & Nolan plc	Results Revenue PBT EPS	Final - Feb 93 £ 11,232,000 £ 1,216,000 8.85p (amended)		Final - Feb 94 £ 12,720,000 £ 1,573,000 6.45p (amended)	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 £ 6,864,000 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 6.48p (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	Interims - Jun 93 £ 232,948,000 £ 15,213,000 10.46p	Final - Dec 93 £ 501,992,000 £ 24,855,000 16.62p	Interims - Jun 94 £ 298,419,000 £ 12,567,000 9.13p	Interim Comparison +28.1% -17.3% -12.7%
Sherwood Computer Services plc	Results Revenue PBT EPS	Interim - Jun 93 £ 11,857,000 £ 541,000 3.4p	Final - Dec 93 £ 23,561,000 (£ 1,898,000) (35.78p)	Interim - Jun 94 £ 11,957,000 (£ 88,000) 1.5p	Interim Comparison -1.0% Profit to Loss -55.9%
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 £ 665,617 (£ 982,695) (9.6p)	Final - Sep 93 (18 months) £ 3,161,418 (£ 1,065,027) (26.7p)	Interim - Mar 94 £ 749,005 (£ 35,640) (0.9p)	Interim Comparison -13.4% Loss Both Loss Both
Superscope VR plc	Results Revenue PBT EPS	Final - Jul 92 £ 395,989 (£ 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 £ 832,906 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 £ 8,390,000 £ 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) £ 1,478,000 6.38p		Final - 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	Interim - Jun 93 £ 5,444,000 £ 65,000 0.3p	Final - Dec 93 £ 5,400,000 (£ 965,000) (1.7p)	Interim - Jun 94 £ 4,120,000 (£ 695,000) (2.7p)	Interim Comparison -38.2% Profit to Loss Profit to Loss
Visteo Group plc	Results Revenue PBT EPS	Final - Apr 93 £ 2,085,000 £ 3,282,000 1.88p		Final - Apr 94 £ 4,501,800 £ 3,409,000 2.06p	Final Comparison +18.4% +3.9% +9.6%
Wakebourne plc	Results Revenue PBT EPS	Interim - Jun 93 £ 12,004,000 (£ 18,944,000) (144.6p)	Final - Dec 93 £ 22,275,000 (£ 18,849,000) (143.6p) (amended)	Interim - Jun 94 £ 18,172,000 £ 1,058,000 3.4p	Interim Comparison +51.4% Loss to Profit Loss to Profit

Acquisitions, disposals and liquidations

Misys buys FCG

Misys has acquired FCG, a software developer for the construction industry, for £1.47m - £0.95m in cash, the rest in loan notes. FCG will fit into Mentor (acquired in May 89 for £12.4m). FCG's PBT for the year to 31st Aug. 94 is estimated at not less than £140K, so the deal is hardly cheap.

Sage adds to forms printing division

It has been a busy few months at the company acquisition dept. at Sage. Multisoft, Timeslips ... and this month forms printing business Leslie J Cantrell (t/a Venture Business Forms) for £750K cash now plus a further £1.7m based on profits over the next two years. PBT of £150K has been warranted to 30th Aug. 94. The purchase will fit into Sage's Dataforms division.

We despair...

Our oft repeated advice to the struggling hardware vendors has been to increase their software and services revenues as per the successful recipe at ICL.

A few months ago we were rather surprised to see IBM selling its Federal Systems Company (FSC) - which was rather big in services in US. This month DEC has sold its Rdb business to Oracle for \$108m (one year's revenue). Also this month, Groupe Bull has sold its \$450m service and systems integration business in US, Australia etc. to Wang for \$160m. Integris is *not* included.

The deal does not include the UK or Europe. This therefore fuels our belief that BULL Information Systems in the UK is a prime acquisition target. Remember Peter Bonfield's (ICL) statement last year that he would be interested in certain parts of BULL's operations?

Or perhaps an MBO can be arranged?

Admiral and MIND

Admiral has acquired the IPRs to the Marketing Information Database product (MIND) for £750K in cash from the receivers appointed to Third Wave Networks in August. Further royalties will also be paid from sales until the end of 1995. Clay Brendish said "This is a further step forward in our strategy to continue to develop our presence in the application package marketplace".

Kode to sell DCM?

Further to our report on Kode last month, the Investors Chronicle (2nd Sept. 94) reported that "the company's house broker, Hoare Govett, is now floating the idea that TPM DCM will be sold off...with a break-up value on Kode of £2.8m". An accompanying Sell recommendation sent the shares sliding yet again - that is a 37% decline in the last two months alone.

The final, terminal, last chapter of the EIT story?

The EIT story was typical of the misguided "let's build a SCSI company by taking over lots of loss-making companies" approach. This month, the joint administrator of EIT Group has written to shareholders stating that all staff have been made redundant and that EIT is "moribund". EIT's subsidiary Sysmatic is, however, still trading.

Interestingly, networking specialist IBS called in the receivers in August...several IBS staff have this month joined Hungerford-based Networks UK...a company setup by ex-EIT Group directors/managers.

The others..Praxis (now owned by Touche Ross) has acquired Program Validation Ltd (PVL), who develop tools used for static analysis and verification of critical software. Mac dealer Creative Media Group has appointed the receivers. They had a *creative* scheme whereby in return for an up front £499 fee customers could buy Mac product at cost. Oxford-based Apple dealer Noah Computers has also appointed the receivers. Wellman has bought Newbury Data Recording/DRI for £46m from FKI. CTS Group has acquired Olympic Computer Technology, itself bought out of receivership last year. Advanced Media Group (interactive multimedia) has placed 400,000 shares at 110p each under Rule 4.2 market. The placing of c34% of the equity values the company at £1.3m. Hugh Symons has bought Bradford-based PC dealer Eltec Computing from AB Electronics. ITnet has paid £50K for the IT division of Newcastle & North Tyneside Health Auth. to secure an FM deal.

We do like a little joke..

Jeff Trendell (ex of Insight, Synapse) has really gotten the acquisition bug in his new vehicle - Arrival. Not content with Data Net, Systemdata and Syan in the last year, this month he has bought AS/400 FM provider Telford Computing after the death of its founder, Peter Ross. Arrival now has revenues off c£6m.

Trendell wrote on his note to us "I am close to needing the Rennies". Geddit?

JBA continues unbroken record

Given that the last few months have been full of new issues shocking the market with their maiden results (see page one feature), it gives us particular pleasure to report at least one exception.

Dealings in JBA International shares started on 30th June 94 so it would really have stretched our credulity to breaking point if JBA had produced other than satisfactory results for the six months to 30th June 94. In the event, revenues increased 29% to £38.5m and PBT was £264K compared with a £1m loss last time. This result was produced despite R&D expenditure *which is fully expensed* - up from £3.9m to £5.9m.

JBA's principal product is Business 400 - an IBM AS/400 based integrated business system. Financials are *just a part* of the 30 modules which make up the product. A majority of revenues are earned outside the UK with the US representing around 40% of turnover. Although no one would deny that new licence revenues are important, services and maintenance represent over 50% of JBA's revenues.

So what of the future? Chairman Alan Vickery assured us that he had seen no softening in demand for their products. Indeed, the current success of the AS/400 seems to be one of IBM's best kept secrets at present. JBA's brokers are forecasting profits up nearly 50% at £6.9m for the full year. Although Vickery wisely would not be drawn on this, he did point to the 33% increase in the interim dividend saying "nothing has happened to change our view that 1994 will show another year of excellent growth".

The problem is that JBA has been *affected by association* with the shockers in the sector. JBA was launched at 160p but shares are now trading down 12.5% at 140p.

JBA's record has been consistently excellent and their management is well respected. We sincerely hope that their record will remain unbroken.

Quidnunc - breaking the mould

We would guess that most *System House* subscribers have heard of Quidnunc. That's somewhat surprising given that they had revenues of only £1.3m in the year to 30th Apr. 94 and employ around 30 staff.

So, why might you be aware of Quidnunc?

- Earlier this year, MD Laurence Holt suggested a customer satisfaction league table for IT consultants. "However, the CSA did not receive well his suggestions for putting its house in order, which included the opinion that Andersen Consulting should have been expelled or least censured over the Wessex disaster". Source - Daily Telegraph 31st Jan. 94. The CSA made matters worse by pointing out to Quidnunc that the "disparagement of other members of the industry is unbusinesslike". As CSA members ourselves and every party named is a *System House* subscriber, how could we comment!

- Quidnunc achieved a profit margin of 31% in 1993 (reduced to a still highly respectable 20% in 1994). This put them in the top echelons of our profit margin rankings and we used them extensively as one of the many specialist consultancies achieving the kind of profit margins previously reserved for product suppliers.

- Quidnunc has recently achieved the kind of publicity in the national media which would be the envy of companies many times their size.

The Quidnunc story starts in 1987 when elder brother Nick Holt developed an E-Mail system for use on the Apple Mac. The product was bought by Microsoft in 1988 and became better known as the best selling MS-Mail - proving yet again that the British really know how to develop software but not quite so much about how to market it. Nick Holt has worked with Microsoft ever since and is retiring with untold wealth this year - at the ripe old age of 32!

Laurence, meanwhile, has been responsible for growing Quidnunc in the UK. A statement like "Holt, 29 years old, is dressed from head to foot in black, the same colour as the narrow-finned blinds in his office; most of the other staff favour Levi's jeans" (Source - The Independent 7th Mar. 94) also sets Laurence apart from most of the "old boys" at the CSA. Quidnunc specialises in developing GUI and client-server based systems. Although they too started on the Mac, most of the business now is Windows based. They work across all sectors with the City and Healthcare being particularly important. Clients are blue chip and include BZW, Glaxo, BT, BP etc.

What we liked about Quidnunc is that it comes without the baggage of the last 35 years. It *assumes* that users want GUI, it bases its system build on best of breed Windows product rather than hand crafting all the code, it firmly believes that the reason most projects fail is that they are made too large and complex. It cites Taurus as a classic example of a system which could have been working successfully by now if it had adopted that principle. Financially Quidnunc is a high performer (revenues up 30% to 30th Apr. 94 and a 50% growth to £2m forecast for the current year), highly profitable (PBT = £250K) with £350K cash in the bank. Laurence Holt is the largest shareholder with other executives holding most of the rest. The most common criticism of *System House* is that we only feature large SCSI companies. Quidnunc may be small now, but has the image and approach of companies many times their size. *We confidently predict you will be hearing more of them.*

System House

Sema - really rather good

Sema's results for the six months to 30th June 94 are a good indication of the improving prospects for the services (rather than products) side of our industry. Revenues increased 28% to £298.4m. Before exceptional gains, PBT was up 34% at £14.2m and EPS was up 25%. Net cash was up from £18.2m to £23.5m. However, if the exceptional *gains* on the disposal of businesses in H1 93 are included along with the £1.64m *loss* on the sale of I-Linie this time, PBT was down 17% at £12.6m.

UK revenues grew by 9% to £113.2m - the largest by far of Sema's country markets. Germany grew even more - by 14% - but was only worth £17.5m. France grew by just 2.6% to £82.6m. The single greatest reason for the revenue increase was the acquisition of SKDforetegen (now Sema Sweden) which contributed revenues of £56.2m in the first half - and now represents 19% of Sema's revenues.

Sema introduced its "Book-to-Bill" ratios some years ago. We suspect they may now be regretting this as the figures now do not look *quite* so good; reducing from a ratio of 1.11 in Dec. 93 to 1.00 in June 94. If Sema is an indicator of European SCSI fortunes, France (0.85) and Germany (0.97) look weak, the UK is neutral (1.00) and Sweden (1.12) and Spain (1.34) look strong.

On the surface, it is outsourcing (up 153%) at £89.1m which looks to be Sema's strongest card. But much of this increase is due to acquisitions in Sweden and Spain. But System Integration (63% of revenues or £188.5m in H1) was the major revenue source. Clearly the contribution from BAeSema was a particularly important contributor (showing "increased profitability") with, for example, the SMCS Trident project on HMS Vanguard, and the Korean Navy contract. Sema may claim that the "Channel Tunnel Toll System was delivered on time and budget", mere travelling mortals like us can only dream.

Chairman A Barrera de Irmo believes that all this gives him "reason to feel confident in the continued success of the group". We cannot disagree.

Comment. When Pierre Bonelli was appointed in 1990 he said, in the light of a profit margin of "just" 6% achieved in 1989, that he "saw no reason why a profit margin of 10% could not be achieved". Since his appointment Sema's profit margin slumped to a low of 4% and was only 4.8% in the first half of 1994. In the meanwhile, the average UK SCSI company has boosted profit margins from 5.1% in 1990 to 6.3% in 1993 and many of Sema's direct competitors do a lot better (e.g. Capita (FM) = 11%, Admiral (SI) = 13%). Even Logica (p10) achieved nearly 6% last year with 10% on the cards in 1994/95.

Now if Sema could achieve a 10% profit margin that really would give us "reason to feel confident" too!

IMI still in Computing

We got a complement this month when told that *System House* was one of the few to get the cost to IMI of the Redwood/Uniplex debacle right - at £35m. As expected, IMI's latest results were depressed by the £8.3m trading loss they had to take in the six months to 30th June 94.

Reading IMI's statement might lead you to believe that computing was no more. However, the original **IMI Computing** had revenues of £6m (£12m in full year 1993) and we are assured by MD Irene Brown "was profitable". IMI Computing, which specialises in AM and workflow systems, earns only 3% of its revenues from IMI.

Blood on the carpet

It was one of the worst months on record. Not because the CSI Index fell by 6% (it has done that before), but because the falls focused on the larger companies. Quoted SCSi companies reduced in value by £291m (8%) this month. Indeed, since the start of 1994 their combined value has fallen by nearly £1 billion. This month, MDIS fell by £109m, ACT by £44m, Macro 4 by £27m, DRS by £21m. Even the one way rise at Cray was reversed - falling £13.5m.

It was therefore not the best of months to welcome Compel to the market. Placed at the predicted (and quite fair) price of 125p/£19.7m, they have ended their first month down 4.8% at 119p.

But there were a few gainers too. Total (+24%), Wakebourne (+14%) and Radius (+13%) were all up on recovery hopes.

At the end of Sept. COM bureau MR Data Management announced PBT down 27% at £6.5m on static revenues of £40.5m. EPS reduced by 25%. But as the market had been warned in July, MR shares were largely unaffected. *More next month.*

29-Sep-94	CSI Index		1537.08
	FTSE 100		2992.50
CSI Index = 1000 on 15th April 1989	FTSE SmallCap		1819.13
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (31/8/94 - 29/9/94)	-5.98%	-7.96%	-4.70%
From 15th Apr 89	+53.71%	+45.72%	
From 1st Jan 90	+67.06%	+26.69%	
From 1st Jan 91	+117.14%	+38.52%	
From 1st Jan 92	+47.11%	+20.03%	
From 1st Jan 93	-3.55%	+5.13%	+31.12%
From 1st Jan 94	-7.94%	-12.46%	-2.65%

System House CSI Share Prices and Capitalisation

	Share Price 29/9/1994 (£p)	Capitalisation 29/9/1994 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 29/9/94	Share price % move since 31/8/94	Share price % move in 1994	Capitalisation move (£m) since 31/8/94	Capitalisation move (£m) in 1994
ACT	£1.02	£188.30m	9.5	0.75	1611.11	-18.80%	-29.02%	£-43.60m	£-75.40m
Admiral	£6.45	£73.50m	19.8	2.01	4673.91	0.00%	32.99%	£0.00m	£21.10m
Azlan	£1.63	£35.60m	13.2	0.58	708.70	-8.43%	-38.49%	£-3.30m	£-22.30m
Capita	£1.65	£88.80m	21.0	1.77	4954.95	-5.17%	-30.67%	£-4.80m	£-24.00m
Cedardata	£1.00	£30.60m	15.9	5.00	952.38	1.01%	-4.76%	£0.30m	£-1.56m
Centregold	£0.91	£36.60m	13.7	0.54	728.00	-6.19%	-43.83%	£-2.40m	£-28.60m
Clinical Computing	£0.78	£12.60m	12.4	4.79	629.03	-13.33%	-37.10%	£-2.00m	£-7.50m
Coda	£0.84	£22.00m	8.8	0.94	357.45	-13.40%	-64.26%	£-3.40m	£-39.65m
Compel	£1.19	£18.20m	11.5	0.33	952.00	-4.80%	-4.80%	£-1.50m	£-1.50m
Computerised Financial	£1.05	£4.93m	loss	1.48	1166.67	-15.32%	16.67%	£-0.90m	£0.70m
Computer People	£1.99	£28.70m	45.3	0.42	818.93	8.74%	84.26%	£2.30m	£13.70m
Cray Electronics	£1.78	£412.40m	20.7	1.52	1040.94	-7.29%	10.56%	£-13.50m	£57.60m
CRT	£0.94	£62.80m	23.0	1.33	1038.89	5.06%	-4.59%	£4.30m	£10.70m
DRS Data & Research	£0.38	£13.50m	9.1	1.17	345.45	-61.22%	-65.45%	£-21.40m	£-25.70m
DCS Group	£0.68	£6.44m	15.7	1.01	1133.33	-4.23%	13.33%	£-0.28m	£2.24m
Division Group	£1.27	£42.90m	loss	20.63	3175.00	-2.31%	56.79%	£-1.00m	£15.50m
Electronic Data Processing	£1.43	£37.50m	13.2	2.62	4378.44	-9.49%	-27.78%	£-3.90m	£-14.10m
Enterprise	£0.04	£2.71m	loss	0.17	28.00	-65.00%	-88.89%	£-5.03m	£-22.99m
Gresham Telecomputing	£0.50	£16.40m	44.9	2.82	537.63	-1.96%	-54.95%	£-0.30m	£-19.10m
INSTEM	£1.63	£11.00m	10.3	0.57	1630.00	-1.21%	20.74%	£3.52m	£4.54m
JBA Holdings	£1.40	£46.20m	13.7	0.62	875.00	-9.68%	-12.50%	£-5.00m	£-6.60m
Kalamazoo	£1.32	£50.20m	14.9	0.82	3771.43	-6.38%	32.00%	£-3.50m	£12.10m
Kewill	£2.63	£31.90m	11.4	1.00	1039.53	0.00%	18.47%	£0.00m	£5.40m
Kode International	£0.49	£4.61m	7.0	0.18	227.91	2.08%	-69.38%	£0.09m	£-10.29m
Learmonth & Burchett	£1.01	£22.00m	loss	0.83	841.67	1.00%	-30.34%	£0.20m	£-4.00m
Logica	£3.11	£192.20m	22.2	0.84	852.05	5.78%	13.92%	£10.50m	£24.30m
Lynx Holdings	£0.49	£20.60m	18.8	1.91	1225.00	-3.92%	11.36%	£-0.80m	£3.80m
MAID	£0.59	£48.00m	n/a	8.39	536.36	-15.71%	-46.36%	£-8.90m	£-41.10m
MDIS	£1.07	£107.00m	7.3	0.72	411.54	-50.46%	-58.85%	£-109.00m	£-153.00m
MR Data Management	£1.31	£72.70m	16.4	1.79	519.84	-2.24%	-36.10%	£-1.70m	£-40.90m
Macro 4	£4.30	£98.00m	12.1	4.02	1733.87	-21.82%	-36.58%	£-27.40m	£-56.00m
Micro Focus	£8.18	£117.80m	9.9	1.41	3951.69	-5.76%	-18.20%	£-7.20m	£-24.20m
Microgen	£1.27	£50.00m	12.7	0.94	542.74	-2.31%	-14.19%	£-1.20m	£-8.30m
Microvitec	£0.38	£23.90m	18.3	0.68	914.63	-10.71%	15.38%	£-2.90m	£2.70m
Misys	£4.34	£205.30m	13.6	2.20	1079.60	0.00%	-14.06%	£0.00m	£9.40m
MMT	£1.78	£20.00m	18.2	2.83	1059.52	-0.56%	24.48%	£-0.10m	£4.70m
On-Demand	£1.10	£56.10m	loss	2.95	1410.26	-3.51%	-2.65%	£-2.00m	£-1.50m
Oxford Molecular	£0.58	£21.40m	loss	15.18	725.00	-9.38%	-27.50%	£-2.20m	£-8.10m
P&P	£0.68	£53.20m	16.9	0.24	304.93	-5.56%	6.25%	£-3.10m	£17.70m
Parly	£1.34	£49.10m	35.0	2.48	7444.42	-6.29%	21.82%	£-3.30m	£8.90m
Pegasus	£1.73	£10.80m	17.4	1.44	471.39	-2.81%	-19.16%	£-0.30m	£-3.30m
Persona	£1.56	£18.90m	13.9	0.83	975.00	-7.14%	-2.50%	£-1.40m	£-0.40m
Phonelink	£2.54	£81.00m	loss	65.27	1638.71	-5.93%	-30.22%	£-14.80m	£-48.20m
Proteus	£1.37	£42.60m	loss	n/a	1630.95	-29.02%	-67.46%	£-17.40m	£-72.80m
Quality Software	£3.92	£34.10m	56.3	2.55	1031.58	2.35%	-3.21%	£0.80m	£2.60m
Radius	£0.44	£12.30m	loss	0.53	318.84	12.82%	57.14%	£1.40m	£4.66m
Real Time Control	£1.56	£10.60m	11.7	1.24	3183.67	-5.45%	113.70%	£-1.00m	£5.49m
Rolle & Nolan	£1.90	£23.00m	29.2	1.81	2261.90	-2.56%	28.81%	£0.60m	£6.30m
Sage Group	£6.14	£128.30m	18.5	3.11	4723.08	5.14%	20.39%	£6.20m	£23.20m
Sanderson	£0.88	£34.00m	10.4	1.44	1497.87	4.76%	10.00%	£1.60m	£5.50m
Sema Group	£4.30	£399.00m	25.9	0.79	1352.20	1.65%	38.71%	£7.70m	£116.90m
Sherwood	£1.01	£6.16m	loss	0.26	841.67	-19.20%	-8.18%	£-1.46m	£-0.55m
Spargo Consulting	£1.02	£12.80m	40.2	2.63	1073.68	-2.86%	7.37%	£-0.30m	£0.90m
Standard Platforms	£0.16	£2.79m	loss	0.88	68.88	-3.13%	-51.56%	£-0.09m	£1.49m
Superscape	£2.15	£11.40m	loss	17.76	1085.86	-3.15%	8.59%	£-0.40m	£0.90m
Total	£0.31	£3.10m	32.2	1.48	584.91	24.00%	29.17%	£0.60m	£0.70m
Trace	£0.38	£5.31m	22.6	0.29	304.00	-7.32%	0.00%	£-0.42m	£-0.08m
Unipalm	£1.11	£22.50m	n/a	2.09	1110.00	-4.31%	11.00%	£-1.00m	£2.26m
Vega Group	£2.55	£36.10m	25.7	3.72	2090.16	9.44%	16.44%	£3.20m	£5.20m
Virtuality	£1.60	£41.80m	loss	7.74	941.18	-23.44%	-51.66%	£-12.80m	£-44.70m
Vistec	£0.24	£29.60m	13.1	0.66	1043.48	4.35%	0.00%	£1.30m	£0.30m
Wakebourne	£0.91	£19.00m	loss	0.81	505.56	13.75%	51.67%	£2.30m	£6.50m

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.

"Pleased but not complacent" - Martin Read of Logica

(Source - Financial Times 16th Sept. 94)

Our reviews of Logica over the last few years have been a mixture of hope and healthy scepticism.

Lest we get a reputation of constant criticism we must report that results from the first full year under the Martin Read helm are both good and better than we (and most other analysts) expected. In the year to 30th June 1994, Operating profit grew by 61%, PBT was up by a slightly lower 50% to £13.5m (due to a halving of interest receivable to £495K) and EPS advanced 61%. This was achieved on a modest 5% increase in revenues to £228.9m.

UK - Operating profits up slightly at £9.6m on relatively static revenues of £134m (by location undertaking work, not client location). Restructuring means that margins have grown significantly in the second half to 9.5%, making the 10% target seem achievable. "Encouragingly a number of major new contracts were secured in the final quarter of the year and at the start of the new financial year".

LOGICA PLC - SEGMENTAL ANALYSIS			
REVENUE	1993/94	1992/93	Change
United Kingdom	£133.9m	£130.5m	2.6%
Continental Europe	£49.5m	£51.1m	-3.1%
North America	£30.5m	£21.9m	39.3%
Asia Pacific	£14.9m	£13.9m	7.2%
OPERATING PROFIT			
United Kingdom	£9.6m	£9.2m	4.3%
Continental Europe	£3.6m	£2.6m	38.5%
North America	£0.3m	£-2.6m	n/a
Asia Pacific	£-0.3m	£-0.3m	0.0%
PROFIT MARGINS			
United Kingdom	7.2%	7.0%	
Continental Europe	7.3%	5.1%	
North America	1.0%	-11.9%	
Asia Pacific	-2.0%	-2.2%	

Note: Location where revenues earned not location of client

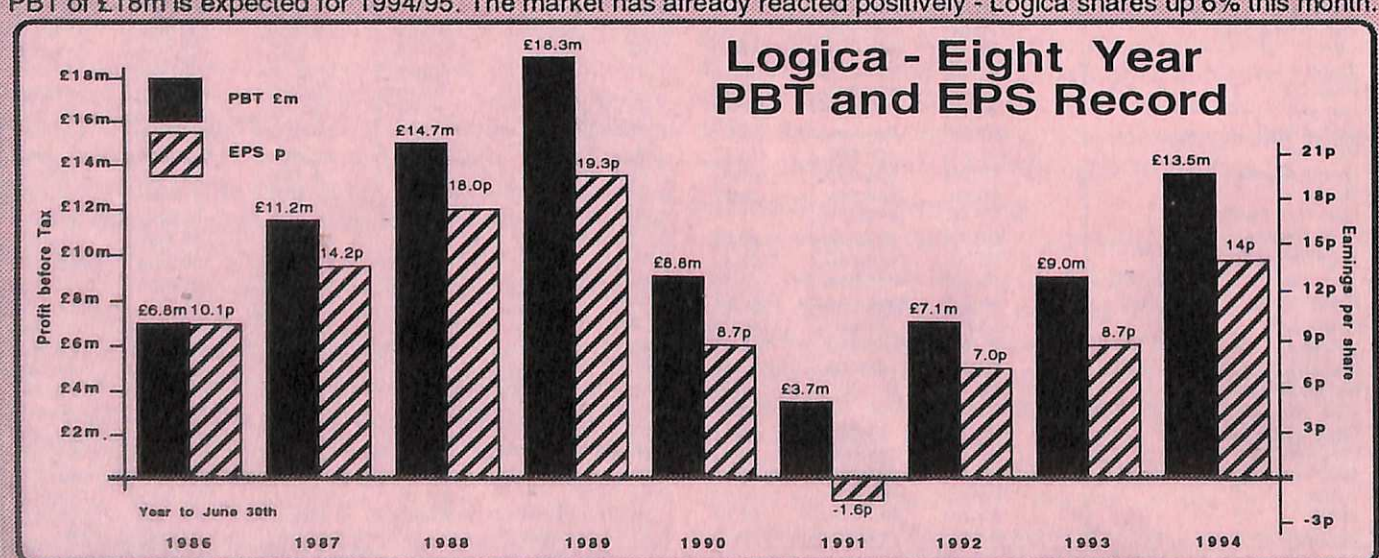
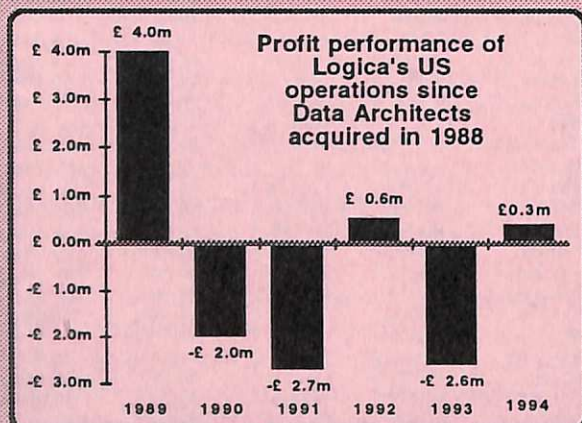
Continental Europe - Operating profits up 41% at £3.6m even though revenues fell 3% to £49.5m "due to the withdrawal from unprofitable activities in Germany late in 1992/93 and the disposal by our Italian associate".

United States - When Dr. Martin Read was appointed CEO he was quoted as saying "We cannot go on as we have in the past three or four years. North America has got to be sorted out". Source - Financial Times 17th Sept. 93. True to his word, Read was clearly very "pleased to report a return to profitability in the USA" in 1993/94. Although profits were just £0.3m, this compared with losses of £2.6m in 1992/93. Indeed, margins of 7.9% were reported for H2. Revenues grew by 39% to £30.5m and only the funds transfer business failed to return to profits, due to increased investment. Two strategic acquisitions have been made. **Precision Software** (see *System House* - June 94) and this month, the software division of **Synercom Technology** for \$4m in cash. The division provides a Work Management Information System and made \$0.5m profits on \$4.5m revenues in the last six months. Both acquisitions fit Read's criteria of extending depth in Logica's focused markets with high "repeatability" and international potential.

Asia Pacific - Although Australia traded profitably, losses of £0.3m (the same as last year) were reported for the region as whole on revenues up 7% at £14.9m. A "change of senior management in Hong Kong" has been actioned. Last year overspending on a fixed price contract at the Hong Kong Stock Exchange was the cause of the region's losses.

Martin Read summed up the position as follows "1993/94 was a year of significant change for Logica with new management and organisational structures and a more focused approach to developing the business on an international scale. The changes were made both to improve the inherent profitability of the business and to lay the foundations for a substantial increase in the revenue growth rate... While a number of our business units continue to need strengthening by broadening their range of capabilities and customers, the outlook overall for the year ahead is of significant progress along the road to achieving Logica's market and financial goals".

We would not take issue with a single word. PBT of £18m is expected for 1994/95. The market has already reacted positively - Logica shares up 6% this month.



Further Logica Comment - see page 11

Logica comment (continued from page 10)

We get very used to new CEOs promising to tilt the axis of the earth at the first meeting and then spending the next meeting explaining why that was found to be not possible. Reviewing the notes of our first meeting with Martin Read a year ago, just after his appointment as CEO, indicates that he has delivered everything he promised for that first year. This has caused us some problems. We openly criticised him for doing too little and taking too much time to implement changes. We were concerned that the "line of minimum risk and disruption" which he seemed to be taking was not enough to pull Logica around.

Logica had a deeply ingrained culture which just couldn't work in the 90s. Changing Logica in a manner which did not destroy it was more difficult than most - including ourselves - realised. Read seems to have made good progress. He delayered management, said goodbye to some of the old guard and got rid of business activities "which weren't going anywhere". He has refocused Logica on "high margin business" and certain key industries. He realised that Logica's operations in 15 countries - and their considerable overseas revenues and reputation - were an undervalued asset.

The future will undoubtedly see a continuation of the policies already adopted. There is still some more to do to get the structure - and the people - right. We see acquisitions being of either product companies to enhance existing focused areas - like finance - or to strengthen Logica in overseas markets. We do see Logica recognising the important role they could play in the Applications Management market and would not be surprised to see some action there.

When Read was about to announce his first US acquisition of Precision Software he 'phoned the 20 or so shareholders representing around 50% of Logica's equity. He received considerable support and the share price has performed well since. Before his arrival such a call would have induced panic selling. Perhaps that is the most significant of all the achievements for which Read can take credit in his first year.

Losses as predicted at CFS

Computerised Financial Solutions (CFS), which provides credit management software, was another of the recent new issues - at 90p in Feb. 94. Although a pre-tax loss of £36K (PBT £77K) on revenues down 14% at £1.4m was announced for the six months to 30th June 94, these were at least in line with market expectations. Start up costs in the US were the cause of the losses and a profit is expected for the full year. Indeed, the shares have performed well - up 17% at 105p since the launch.

A note of caution though. CFS capitalises R&D. Intangible assets now exceed total net assets.

Contrary to expectations...QSP fails to disappoint

Financial accounting software developer, Quality Software Products (QSP), produced better than expected results. PBT for the six months to 30th June 94 increased from £143K to £604K on revenues up 10% at £7.27m. EPS was up 245%. QSP's US partner - Global - has achieved its first order from Avis.

We should point out, however, that a further £2.3m R&D was capitalised in the period, adding to the £10m intangible assets already on the balance sheet.

PBT of around £3m is expected for the year although £500K additional costs for overseas expansion was announced.

Expressions of "uncertainty" over future at...

...Enterprise

It would be difficult to find a more depressing story than Enterprise. But when Hanna invested last year and John Small took over the Chairman's role, we expected some relief. Results only just released for the year to 31st Mar. 94 show disposals and restructuring led to revenues falling from £58.2m to £16.4m in the year to 31st Mar. 94. Pre-tax losses reduced from £6.14m to £2.05m. A faster than expected downturn in mainframe maintenance revenues was amongst the reasons cited. The alliance with Granada has been discontinued, Enterprise Inc. closed down and their German operation put into liquidation.

But it is the current trading statement, coupled with a note of "fundamental uncertainty" from new auditors Stoy Hayward, emphasising the need for further funding which really concerns us. The future - maybe even the survival of Enterprise - now depends on selling surplus offices and establishing Database Server Systems (acquired in Feb. 94) in the UK. Enterprise shares ended the month down 65% at just 3.5p.

...KRCS

Readers know that Richard Holway is the Chairman of Rothwell Group plc which is about the same size as the other large Apple dealer, KRCS.

With both care and a genuine feeling of ill ease, we report that KRCS this month filed accounts for the year to 30th Sept. 93 showing a loss of £1.3m on revenues of £25.7m. Even though Nat. West Ventures had injected a further £1m in Apr. 94, as late as 23rd Aug., KRCS' auditors had expressed uncertainty over the future. Their factoring company, owed £2.3m in Sept. 93, was demanding personal guarantees.

The Apple channel has been hit hard by margin pressures. Apple cannot afford another major failure.

Invigorated DCS exceeds expectations

It has been quite a year so far for DCS and its CEO Ray Spence. Back in Feb. Nesco Investments sold its Nigerian interests and concentrated on its SCSI activities under the DCS banner, where they are the #2 supplier of computer systems to motor dealers with their Global Dealer Management System.

After a successful 1 for 3 rights issue at 55p, DCS then bought Motis (£300K), GSI UK (£400K) and a stake in French Aagic SA. Results for the year to 30th June 94 show revenues on continuing operations up 5% at £5.8m and £562K from three months of the new acquisitions making £6.4m in total. PBT was up 84% at £426K and EPS increased 61%.

But the market marked the shares down 4% to 68p this month despite the better than expected results - this is still lower than the 1994 high of 90p.

"Further recovery" at Sherwood?

It had been a terrible year for Sherwood with a £2m loss, the problems at Lloyds, repeated profit warnings, sales of subsidiaries and the resignation of CEO Richard Guy. Results for the 6 months to 30th June 94 show a loss of £88K (PBT £541K last time) on static revenues of £12m. Guardian contributed profits of £300K in the period until sold to ICL on Apr. 94 but redundancy costs totalled £412K. Net debt decreased from £3.4m to £1.9m in the period. Chairman David O'Brien is "encouraged by the results and remains confident that we will continue to move towards further recovery for the full year".

Hello Mr President...whoever you are

The CS(S)A AGM on 26th Oct. 94 could be the most interesting for years. The after lunch speech entitled "A personal vision of the CSA's Future" will be given by the incoming President. The problem is that we will not know who that is until about an hour earlier.

Last year Geoff Squire, then of Oracle, got the VP job and would have been expected to become this year's President. But, as we know, he left Oracle soon after which meant he was ineligible. So Alan Stevens from EDS stepped into the role. BUT Stevens is also this year's President of the FEI. Stevens had plans to merge the two associations.

Now although we firmly believe that the CSA needs a bomb under it at present, a merger with the FEI would have been a backward step. So an objection based on "a conflict of interest" was carried.

But now Squire is head of Openvision which has just become a CSA member. So just as long as Squire can get himself elected to the CSA council, it looks odds on that the Council will vote him in as President.

But the CSA members' vote will not be known until the AGM on 26th Oct. Hence the problem identifying the after lunch speaker.

Jennings leaves Easams

GEC's SCSI subsidiary, Easams, has been without an MD for over a year since Paul Davies left to join Parity. During that time Keith Jennings has been acting MD.

Jennings' record in building Easams Commercial Division has been exemplary. Indeed, Easams released their results for the year to 31st Mar 94 this week. These show revenues up 44% at £122.5m (due in part to a £50m Malaysian defence contract), PBT up 43% at £13.9m and a healthy 12.4% margin for a people business employing 1170 staff. So you would think that Jennings would be the natural for the MD's role. Indeed, we, like many in the industry, refused to give the headhunters any suitable new MD candidates - telling them they already had him on board.

After a year of suffering this situation, Jennings has resigned this month with no replacement announced. If GEC cannot recognise an asset, his new employers might allow him a more equal opportunity to prove his worth.

Watch this space!

Mind blowing statistics

The Economist produced its supplement on the computer industry this month. It was one of the best we have seen and we thoroughly recommend readers to get their copy. We reproduce below a small, but mind blowing, extract, containing statistics that we suspect will find their way into a few subscribers' speeches in the months to come. "The revolution sparked by the PC has been both swift and brutal. From a standing start in the early 1980s, sales of PCs have soared to around 50m a year - a market worth \$74 billion annually according to Dataquest. That compares with global sales last year of 35m passenger cars and 100m colour television sets. By the end of 1993, according to PaineWebber, an American securities firm, 176m PCs of all kinds were in use around the world, more than 80% based on Intel's and Microsoft's standard. The potential global market, reckons PaineWebber, could be 700m".

"The biggest change in the PC market is still under way...the population of home computers will grow by about 17% a year over the next five years, compared with growth of around 8% in the corporate market...Computer makers and software companies will have little choice but to adapt; by the end of the decade, thinks Link Resources, 54% of the world's PCs will be in the hands of consumers, not businessmen, up from 34% in the mid 1980s".

Source - The Economist 17th Sept. 94 - Reprints £2 - Tel: 071 830 7004.

Did you also know that the combined profits of Intel and Microsoft now exceed the combined profits of **all the other players in the PC industry?** Source - FT 20th Sept. 94.

We remember giving a speech 12 years ago on the importance of the PC to SCSI companies. We were treated as a nutter - *real computer people don't use PCs*. We wonder whether the reaction to the prediction that the consumer market will be bigger than the business market by 2000 will be any different?



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