

# System House

The monthly review of the financial performance of the UK computing services industry  
 Volume 5 Number 4 Available by subscription only ISSN 0967-2583 February 1994

## Another bumper year for acquisitions

Although there were an unprecedented seven flotations of software and computing services companies on the Stock Exchange, we have records of an equally unprecedented 175 acquisitions in 1993. We now hesitate to make annual comparisons based on our own figures because our collection methods get better and better each year which rather invalidates such comparisons. **Regent Associates**, however, reports a 10% increase by number and a massive 74% by value to £1825m in 1993. **Broadview Associates** reports the number of deals amongst Information Services companies "broadly unchanged from last year" but average value up nearly 50%. It should be noted that Regent Associates includes, for the first time, the amounts paid for assets in the major outsourcing deals announced in 1993. Namely **CSC/BAe** (£75m) and **EDS/Inland Revenue** (£70m). Their inclusion distorts the statistics.

share price no harm at all - now up 40% in the 13 months since the start of 1993. With a market capitalisation of over £8 billion, all these acquisitions might appear "small fry". With **ACT** doing the same, in a smaller way, in the financial services arena it does show that UK IT companies really are able to dominate world markets. **SHL Systemhouse** undertook four acquisitions in 1993 (see p10) but we could find no other companies undertaking more than three acquisitions in 1993. Broadview commented that 29% of all deals were disposals with companies such as **ACT** "pruning assets and refocussing their business". Relative prices paid are little changed from 1992 as the chart shows. The real recovery in prices paid had actually already taken place in 1992 in anticipation of the profits revival. Again statistics can be misleading. As Peter

### REUTERS

Ten acquisitions in 1993

American Real Time Services  
 Euro-File/Inasys  
 Effix  
 Future Pager  
 Thamesway  
 VAMP Health  
 Loan Pricing  
 Safetynet  
 Teknekron Software  
 AdValue Technologies

Plus Quotron  
 and Reality Technologies  
 in Jan. 1994

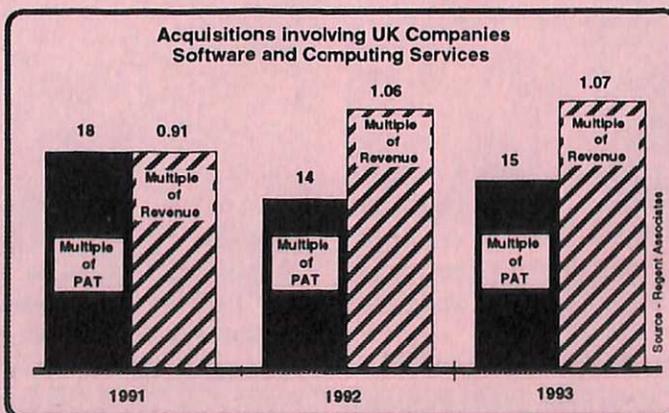
1993's largest acquisition was the MBO of **McDonnell Douglas Information Systems** (MDIS). On 24th Jan. 94, the MDIS board decided

| Date   | Buyer            | Type    | Target            | Seller            | Type    | Price   |
|--------|------------------|---------|-------------------|-------------------|---------|---------|
| Mar-93 | MBO              | Private | MDIS              | McDonnell Douglas | US      | £120.0m |
| Jun-93 | ACT              | Quoted  | BIS               | Nynex             | US      | £93.5m  |
| Dec-93 | Reuters          | Quoted  | Teknekron         |                   | Private | £83.4m  |
| Dec-93 | Pearson          | Private | Extel             | United Newspapers | US      | £73.5m  |
| Sep-93 | Cray Electronics | Quoted  | P-E International |                   | Quoted  | £16.2m  |

to proceed with a public offering in March which will value MDIS at £250m - the largest UK SCSI float ever. MDIS confirmed that the MBO consideration was £120m. **Reuters** was the multiple acquisitions star of 1993 undertaking 10 acquisitions and paying a total consideration well in excess of £100m. The largest of these was US dealing room systems supplier Teknekron (£83.4m). In the UK, Reuters bought VAMP, 90% of Future Pager and took a 20% stake in disaster recovery specialist Safetynet. This month Reuters have topped their 1993 buying spree by clinching Quotron and Reality Technologies (p7). The acquisitions have done Reuters

Rowell of Regent Associates says "Sound companies with excellent prospects have a l w a y s commanded good prices".

**1994?**  
 We believe that 1994 will see a continuation and acceleration of the trends in 1993. "Communications intense" companies, information providers and VARs with acknowledged niche expertise will command high prices. Although the lure of the Stock Exchange will increase the number of flotations and the values commanded, there will also be an increase in the number and value of acquisitions. The already large companies will concentrate their acquisition intentions on the ever decreasing number of medium sized SCSI companies. **Another exciting year seems to be in prospect.**



## Gresham restructures and disappoints

Gresham Telecomputing has solved its search for a new CEO and sales director in a novel way.

Back in early 1991, private Gresham had engineered a reverse takeover of much troubled, publicly quoted Telecomputing at around 11p a share. When Gresham inspected more closely they found they had bought a whole bundle of problems - which we have written about on many occasions. But they had also acquired an interest in TP+ which, together with ISAM-XA, were to create such excitement that the share price would rocket from a low of 6p in Oct. 91 to a high of over 180p in 1993.

But then in Nov. 93 it was announced that Gresham's founder, Chairman and CEO, Sid Green was standing down "due to ill health".

This month Christopher Swinbank has been appointed as Group MD and Christopher Howe-Davies has joined as Group Sales Director. Both had been with Telecomputing prior to the "merger" before setting up Hytec. Hytec sold the rights to TP+ to Telecomputing for £250K in 1990. In Mar 92, Hytec (which had grown to become ICL's largest UNIX VAR) was the subject of a £1.8m MBO backed by 3i. They then set up Interwork to provide network systems consultancy.

As part of the deal, Gresham is now to acquire Interwork for 700K Gresham shares (at 108p = £756K) and Swinbank and Howe-Davis have the right to acquire a further 400K shares at this price from Jan. 1997. But 100K of the 700K consideration shares "are to be transferred to Hytec for the waiver by Hytec of certain restrictions imposed on the activities of Swinbank and Howe-Davies". Interwork had made PBT of £26K in its first 9 months of operation and was cash positive.

Swinbank and Howe-Davis "have a reputation for tough decision making and may initiate a shake-up at Gresham". Source - Computing 13th Jan. 94. We can't vouch for that but they certainly now have quite a reputation for deal making. Gresham clearly needed new management to take them through the next stage of international exploitation of their new products and thereby help to meet the very high expectations that the market has for the company.

### Results for year to 31st Oct. 93

On 27th Jan. 94, Gresham also announced their results for the year. The accompanying press release was a model of how to highlight only the good news without mentioning the bad. Gresham's revenue fell by 20% to £5.8m as a result of the discontinuance of the hardware broking operations. The continuing operations grew by <1%. PBT was also down 28% at £551K, operating profit on continuing activities fell by 34% to £512K and EPS declined 46%. In previous years, EPS has been bolstered by past tax losses which have now run out. Cash balances reduced by 15% to £957K. There was a modest increase in PBT if last years exceptional gains of £236K (relating to the release of provisions made in previous years) are omitted. To be fair Sid Green (now Deputy Chairman) had said last July that it was "difficult to predict...short term profitability".

### Comment

We suggested (Mar 93) that "Gresham could be the next Micro Focus". The Micro Focus share price has plummeted since. Although it wasn't what we meant, Gresham has indeed followed suite - falling by 47% from its Feb. 93 high of 186p to close this month on 97p.

## Cray "In line with expectations"

If Torvill and Dean don't get straight sixes, everyone thinks they have failed. So when Cray Electronics announced pretty impressive interim results to 31st Oct. 93, which also just happened to be right in line with expectations, brokers wrote the shares down 7p.

The results do call for a some study, which is why we reproduce them below in detail. Last year Cray enjoyed a tax free exceptional profit of £13m from the sale of Malvern Instruments which is the reason for the decline in PBT.

| CRAY ELECTRONICS              | 6 months to<br>31st Oct 92 | 6 months to<br>31st Oct 93 | Change<br>%    |
|-------------------------------|----------------------------|----------------------------|----------------|
| <b>REVENUE</b>                |                            |                            |                |
| Cray Communications           | £42,300K                   | £74,900K                   | +77.1%         |
| Cray System                   | £16,700K                   | £19,400K                   | +16.2%         |
| Cray Technology               | £11,100K                   | £14,400K                   | +29.7%         |
| <b>Total continuing ops</b>   | <b>£70,100K</b>            | <b>£108,700K</b>           | <b>+55.1%</b>  |
| P-E Int (one month)           |                            | £5,219K                    |                |
| Discontinued ops              | £11,729K                   | £396K                      |                |
| <b>TOTAL Revenue</b>          | <b>£81,829K</b>            | <b>£114,315K</b>           | <b>+39.7%</b>  |
| <b>OPERATING PROFIT</b>       |                            |                            |                |
| Cray Communications           | £3,100K                    | £7,800K                    | +151.6%        |
| Cray System                   | £900K                      | £1,200K                    | +33.3%         |
| Cray Technology               | £800K                      | £600K                      | -25.0%         |
| <b>Total continuing ops</b>   | <b>£4,800K</b>             | <b>£9,600K</b>             | <b>+100.0%</b> |
| P-E Int (one month)           |                            | £32K                       |                |
| Discontinued Ops              | £919K                      | -£780K                     |                |
| <b>Total Operating Profit</b> | <b>£5,700K</b>             | <b>£8,800K</b>             | <b>+54.4%</b>  |
| Exceptionals                  | £13,026K                   | -£1,120K                   |                |
| Profit before interest        | £18,732K                   | £7,702K                    | -58.9%         |
| Net interest                  | -£899K                     | £102K                      |                |
| <b>PBT</b>                    | <b>£17,833K</b>            | <b>£7,804K</b>             | <b>-56.2%</b>  |
| <b>EPS</b>                    |                            |                            |                |
| Continuing operations         | 2.0p                       | 3.1p                       | +55.0%         |
| FRS3 basis                    | 10.3p                      | 2.5p                       | -75.7%         |
| FRS3 basis - ex. Malvern      | 2.0p                       | 2.5p                       | +25.0%         |

Revenues from continuing operations are up 55%. Even stripping out acquisitions, growth would still be over 10%. Operating profits have doubled and EPS is up 55%. Export revenues are up 33% and represented 40% of the total. A pretty impressive result in our books.

We are on record saying that the £50m purchase of DOWTY IT in July 92 (now largely incorporated as Cray Communications) was about the best we have ever recorded. These results bear testimony to that. We also described the purchase of P-E, with revenues of £70m, for just £16m as "a bargain". As Cray has managed to record a profit of £32K on revenues of £5.2m from previously loss making P-E International in its first month within Cray we think our description will be seen in the future as equally appropriate.

Cray has now consolidated all its £70m p.a. computing services operations (i.e. from Autofile and P-E) into Cray Systems, run by Mike Shone. The management consultancy part of P-E continues as a separate division. In the past P-E's problem was lack of focus chasing every market around. Cray is sensibly pointing them at the communications arena.

The only weak side is Cray Technology; which at least made a profit - albeit reduced. This is now "non-core" and, we believe, will be sold when "the price is right".

"A traditionally stronger second half should lift full year PBT to £26m for earnings of about 8.8p. The shares are trading on a prospective P/E of c19". Source - Financial Times 14th Jan. 94.

We have no doubt that Cray will not rest on its laurels. More exciting large acquisitions, particularly in the computing services area, are confidently expected. Cray's share price has risen from 55p at the end of 1990 to 189p at the end of Jan. 94.

## Microgen "developing new sources of revenue"

Microgen is a "broadly based provider of computer output management services". But they admit that the COM market is changing radically with "the impact of new technologies" and Microgen will have to develop new services to complement their COM business.

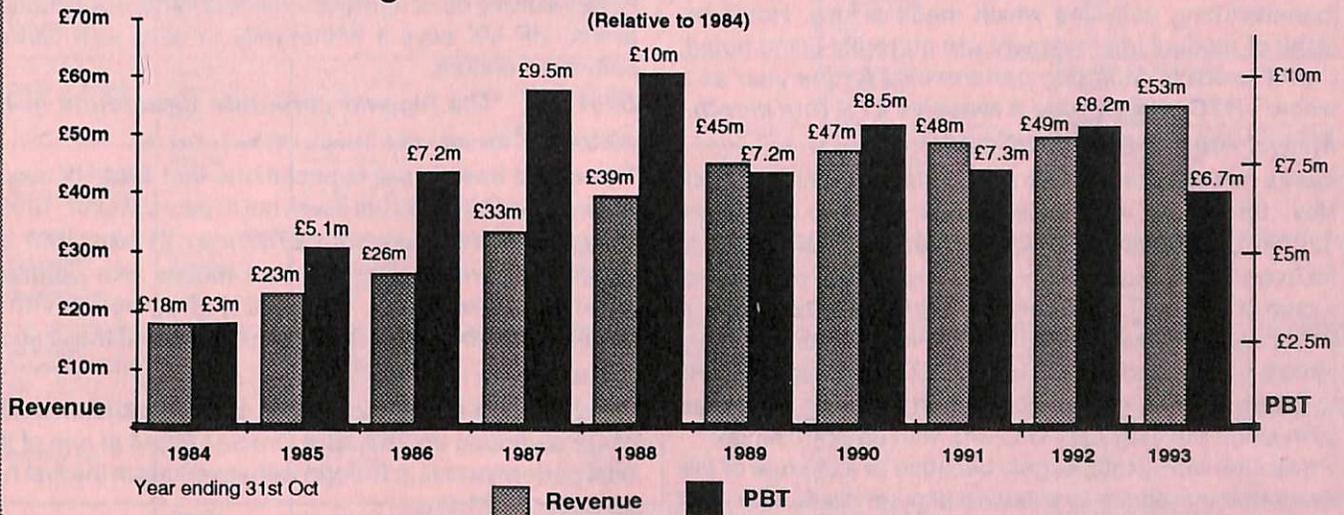
Latest results for the year to 31st Oct. 93 show revenues up 8.2% at £53.4m but PBT down 18.7% at £6.7m, which was below the £7m most analysts expected. EPS was down 24%. Cash has reduced from £2.5m to £1.3m. Microgen had warned of this downturn in July 93.

Microgen's COM business has suffered significant price competition, particularly in the UK. However, they have signed several new COM FM contracts - the most sizeable with existing customer BT for over 4.7m microfiche p.a. Their new non-COM venture, Demand Publishing, which allows users to store large but low demand documents such as training manuals on Microgen's computers ready for update and on demand printing, has attracted some 40 customers with 800 publications. It made an "anticipated" operating loss of £500K.

Microgen has undertaken over 30 acquisitions - mainly of COM bureau and in house operations. They have spent over £1.5m on three acquisitions in the last year alone. You would therefore think they knew how to do it by now. But the acquisition of Danish COM bureau JDC "was poorly handled and we lost attention to detail in our continuing business". Denmark incurred an operating loss of £500K and the management has been replaced. Microgen now makes over a third of its revenues from non COM, electronic publishing activities like their Invoice Management Service. Indeed, these non COM activities grew 23% last year whereas COM revenues were almost static. COM will continue to decline in importance as other technologies (optical disc, scanning etc.) take over. So Microgen MUST put all its efforts into "developing new sources of revenue in areas of affinity".

But at least last year's particular problems have been sorted and losses staunched. Chairman Douglas Lee says he has "good grounds for being confident of a more successful year ahead". Analysts expect c20% PBT increase to around £7.9m.

## Microgen - Ten Year PBT and Revenue Record



## Financial reality at Division

Division Group plc was launched onto the Stock Exchange in May 93 at 40p since when the shares have more than doubled to end the month on 91p. Latest full year results to 31st Oct. 93 show a increased **but anticipated** loss of £503K against £107K last time. Revenues were up 92% at £2.1m.

Division Group was one of the new breed of floats, like Virtuality, Phonelink, Proteus and On-Demand, which were all about phenomenal future potential rather than any kind of track record. Division has used the £5m raised in the float to reduce debt and to build an effective sales force. It is now setting its sights on the US. Also in the last year, Division has launched its ProVision 100 virtual reality workstation, its dVISE virtual design environment, the VPX graphics accelerator and has started working with Glaxo and the University of York on applying its virtual reality technology to drug design and, with Thorn EMI and Queen Mary Westfield College, on lighting design. It is now "developing a massively parallel graphics super computer" which certainly impresses us massively.

Division operates in the "serious" end of virtual reality (as opposed to games) and claim "world leadership" in this sector.

## The Next Generation...

Virtuality have a major licencing agreement with Sega for their virtual reality arcade systems. This month Virtuality has launched "the next generation of video arcade games...incorporating major advances in graphics quality, virtual reality headsets...and representing a quantum leap in quality". They claim that the payback period on the new systems has been substantially reduced which will increase the potential market. Trekky-speak might also apply to the share price which has "gone into orbit" since the launch in 1993 at 170p. They end the month up 8% at 357p.

It is good to see UK companies at the forefront of developments in such high tech. - and explosively growing - markets.



## Recovery at Real Time Control

**Real Time Control (RTC)** develops software and supplies systems and services for retail EPOS solutions. PBT dived by 59% to £492K in the year to 31st Mar 93. But at the time Chairman B Carrell reported increasing order books and he was "optimistic in the short term". We commented (*System House* Aug. 93) that RTC could well be one of the first to benefit from an upturn in consumer confidence.

The problem for RTC, however, was that **Riva**, perhaps its closest competitor, put out a profits warning on 5th Jan. 94. Riva said problems in Europe would result in a substantial pretax loss in the year to 31st Dec. 93 although "profitability had been maintained in the UK".

RTC clearly thought this might cause jitters on the market as Riva's shares had dived 10p to 15p on the announcement. So RTC rushed out its own interim trading results which did indeed show the significant recovery that Carrell had predicted. In the six months to 30th Sept. 93, revenues increased 14% to £3.58m, PBT was up an impressive 64% at £424K and EPS advanced 64%. Sales of systems and services into the EPOS market had shown a "sound improvement" and sales activity "continues to be buoyant". But recession has particularly affected RTC's manufacturing activities which made a loss. However, signs of modest improvement are currently being noted. Carrell predicts "a strong performance for the year as a whole". **RTC shares rose a massive 41% this month.**

## Misys meets expectations

**Misys** has announced results for the six months to 30th Nov. 93 in line with expectations. But the legendary "Lomax caution" meant that the share price fell by 11p to 537p on the announcement. They are, however, showing a gain of 50% since 1st Jan. 93. Current capitalisation of £208m put Misys in the UK Top Five. Revenues were almost unchanged at £42.1m but PBT increased by 19% to £8m and EPS was up 20%. Cash balances increased £2m since the year end to £23m, with no borrowings.

Revenues were static largely because of a change of mix away from hardware to software and services. After their insatiable acquisitions binge between 1988 and 1992, when they spent over £100m on 16 deals, Misys has been surprisingly quiet. Therefore "the improvement in EPS was almost entirely organic".

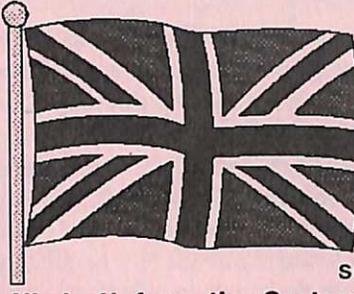
Misys now makes over 50% of its profits from **Financial Services** where the Countrywide motor insurance broker systems activity "performed particularly well". **Computer Services**, which includes the Misys TPM activity, saw profits dip slightly. **Computer Solutions** was "disappointing" with profits down 34% but **Open Systems** "continued the strong recovery...Mentor, ICC, and TIS Software all performed well" with profits up seven fold.

Kevin Lomax was one of the first to warn of the impending recession in the industry back in 1989. He has remained cautious ever since although he now detects "more evidence of a trend of economic recovery in the UK, but there are not yet clear signs of a sustained upturn in capital spending". Lomax is "confident that Misys should make good progress in the remainder of the year".

Analysts are currently forecasting PBT of £19m in the full year to 31st May 94 - up 26% on 1993.

"Even allowing for the cautious outlook, Misys looks like an undervalued high quality technology stock with a solid balance sheet, good management and an up to date product portfolio". Source FT 28th Jan. 94. We agree.

## UK bucking the trend?



## Siemens UK

**Siemens UK** increased UK revenues by 40% to £1.25 billion in the year to 30th Sept. 93. Of course most of this was in control systems rather than software and services. But **Siemens**

**Nixdorf Information Systems (SNI)** returned to profits of £500K in the year. In 1992 SNI had UK revenues of around £150m. Most of this revenue is hardware related but, like all other manufacturers, their independent SCSI growth is significant.

## Hewlett-Packard UK

**HP UK** outperformed its US parent with a 43% increase in revenues to £1.02 billion, in the year to 31st Oct. 93, and UK PBT of £82.6m compared with a £7.4m loss last time. HP's UNIX boxes are the market leader in the mid range and their PCs are gaining market share. HP has also prospered in other niche markets like laser printers. Now HP is following other hardware vendors into the outsourcing arena. HP UK says it is currently in talks with various software vendors.

## IBM UK "The biggest corporate turnaround in UK history"?

Source - Nick Temple UK News Oct. 93. There had been great expectations that **IBM UK** would record a profit in 1993 but it was not to be. However, 1992's losses were reduced from £767m to £174m. IBM UK increased revenues by 8% to £4060m with domestic revenues growing 6.7% to £1725m. No revenue breakdowns were given but we are promised these soon.

## Oracle UK

Oracle Corp's share price fell by 15% on announcement of Q2 revenues up 28%. But Oracle UK put in one of the best performances in Europe with revenues in the first half up 30% to £71.9m.

## Other Oracle related news...

In a highly significant move, Oracle has formed an alliance with **Bell Atlantic** to provide software for interactive TV systems. This is seen as one of the biggest emerging new markets. BT has adopted Oracle systems in the UK for its own interactive TV trials.

Oracle's ex head of international operations, **Geoff Squire**, was not out of work for long. As the new year started, it was announced that Squire was to head up **OpenVision's** international operations which would be based in Surrey. OpenVision specialises in systems management products for the client-server market. We hope that Squire will be able to take up his presidency of the CSA this year.

## But poor old DEC

**Digital Equipment** shares plummeted on announcement of a 12% drop in revenues and a \$72m net loss in Q2. The results were far worse than expected and show that users are ditching VAXs but not replacing them with Alpha systems. This is now fact and not "snake oil".

DEC UK has also announced that after the disappointment of losing out with both the Inland Revenue and BAe FM contracts, it will not bid for any more large FM contracts "until we have established a proven track record of successful projects on a smaller scale". Source DEC UK MD Chris Conway in DEC's internal newspaper.

# Richard Holway Results Service

|  |                                  |   |   |  |  |
|--|----------------------------------|---|---|--|--|
| <b>ACT Group plc</b>                                   | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92<br>£ 72,120,000<br>£ 9,543,000<br>5.01               | Final - Mar 93<br>£ 152,926,000<br>£ 20,478,000<br>10.63p             | Interim - Sep 93<br>£ 107,595,000<br>£ 11,531,000<br>5.24p | Interim Comparison<br>+49.2%<br>+20.8%<br>+4.6%                  |
| <b>Admiral plc</b>                                     | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 13,656,000<br>£ 1,960,000<br>11.6p              | Final - Dec 92<br>£ 30,870,000<br>£ 3,986,000<br>24.2p                | Interim - Jun 93<br>£ 17,710,000<br>£ 2,185,000<br>13.3p   | Interim Comparison<br>+29.7%<br>+11.5%<br>+14.7%                 |
| <b>Azlan plc</b>                                       | Results<br>Revenue<br>PBT<br>EPS | Final - Mar 92<br>£ 29,283,000<br>£ 2,062,000<br>5.4p                 |   | Final - Mar 93<br>£ 41,196,000<br>£ 2,954,000<br>8.4p      | Final Comparison<br>+40.6%<br>+43.2%<br>+55.6%                   |
| <b>Capita Group plc</b>                                | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 13,732,000<br>£ 1,769,000<br>2.53p              | Final - Dec 92<br>£ 33,098,452<br>£ 4,406,012<br>6.43p(Restated)      | Interim - Jun 93<br>£ 22,102,000<br>£ 2,038,000<br>2.86p   | Interim Comparison<br>+61.0%<br>+15.2%<br>+13.0%                 |
| <b>Centregold plc</b>                                  | Results<br>Revenue<br>PBT<br>EPS | Final - Jul 92<br>£ 55,100,000<br>£ 1,700,000<br>n/a                  |   | Final - Jul 93<br>£ 68,000,000<br>£ 2,720,000<br>5.53p     | Final Comparison<br>+23%<br>+60%<br>n/a                          |
| <b>Comac Group plc</b>                                 | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 4,900,000<br>£ 43,727<br>0.44p                  | Final - Dec 92<br>£ 11,118,158<br>£ 394,723<br>3.94p                  | Interim - Jun 93<br>£ 5,300,000<br>£ 59,950<br>0.65p       | Interim Comparison<br>+8.2%<br>+37.1%<br>+47.7%                  |
| <b>Computer People Group plc</b>                       | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 29,895,000<br>(£ 135,000)<br>(0.73p)            | Final - Dec 92<br>£ 62,735,000<br>£ 145,000<br>(0.97p)                | Interim - Jun 93<br>£ 33,542,000<br>£ 364,000<br>1.45p     | Interim Comparison<br>+12.2%<br>Loss to profit<br>Loss to profit |
| <b>Cray Electronics Holding plc</b>                    | Results<br>Revenue<br>PBT<br>EPS | Interim - Oct 92<br>£ 81,862,000<br>£ 17,833,000<br>10.33p            | Final - Apl 93<br>£ 200,785,000<br>£ 29,014,000<br>13.8p              | Interim - Oct 93<br>£ 114,308,000<br>£ 7,804,000<br>2.399  | Interim Comparison<br>+39.6%<br>-56.2%<br>-131.4%                |
| <b>Division Group plc</b>                              | Results<br>Revenue<br>PBT<br>EPS | Final - Oct 92<br>£ 1,081,913<br>(£ 107,783)<br>(1.0p)                |   | Final - Oct 93<br>£ 2,078,000<br>(£ 503,000)<br>(2.1p)     | Interim Comparison<br>+92.1%<br>Loss both<br>Loss both           |
| <b>Electronic Data Processing plc</b>                  | Results<br>Revenue<br>PBT<br>EPS | Final - Sep 92<br>£ 15,455,000<br>£ 4,877,000<br>38.4p                |   | Final - Sep 93<br>£ 14,341,000<br>£ 4,672,000<br>35.14p    | Final Comparison<br>-7.2%<br>-4.2%<br>-8.5%                      |
| <b>Enterprise Computer Holdings plc</b>                | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92<br>£ 35,524,000<br>(£ 3,392,000)<br>(4.3p)           | Final - Mar 93 (restated)<br>£ 58,231,000<br>(£ 6,143,000)<br>(7.7p)  | Interim - Sep 93<br>£ 9,895,000<br>£ 25,000<br>(0.02p)     | Interim Comparison<br>-72.1%<br>Loss to Profit<br>Loss both      |
| <b>Gresham Telecomputing plc</b>                       | Results<br>Revenue<br>PBT<br>EPS | Final - Oct 92<br>£ 7,250,000<br>£ 767,000<br>1.94p                   |   | Final - Oct 93<br>£ 5,823,000<br>£ 551,000<br>1.04p        | Final Comparison<br>-19.7%<br>-28.2%<br>-46.4%                   |
| <b>INSTEM plc</b>                                      | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 7,062,000<br>£ 551,000<br>7.96p                 | Final - Dec 92<br>£ 14,272,000<br>£ 575,000<br>8.5p                   | Interim - Jun 93<br>£ 9,505,000<br>£ 410,000<br>6.01p      | Interim Comparison<br>+34.6%<br>-25.6%<br>-24.5%                 |
| <b>Kalamazoo Computer Group plc</b>                    | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92 (Restated)<br>£ 27,576,000<br>(£ 936,000)<br>Nil     | Final - Mar 93 (Restated)<br>£ 56,508,000<br>£ 940,000<br>Nil         | Interim - Sep 93<br>£ 29,562,000<br>£ 2,533,000<br>4.2p    | Interim Comparison<br>+7.2%<br>Loss to Profit<br>Loss to Profit  |
| <b>Kewill Systems plc</b>                              | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92 (Restated)<br>£ 15,418,000<br>(£ 172,000)<br>(3.58p) | Final - Mar 93 (Restated)<br>£ 33,341,000<br>(£ 5,192,000)<br>(0.60p) | Interim - Sep 93<br>£ 15,999,000<br>£ 1,757,000<br>10.15p  | Interim Comparison<br>+3.8%<br>Loss to Profit<br>Loss to Profit  |
| <b>Kode International plc</b>                          | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 9,637,000<br>£ 330,000<br>2.5p                  | Final - Dec 92<br>£ 20,915,000<br>£ 1,031,000<br>8.6p                 | Interim - Jun 93<br>£ 12,277,000<br>£ 710,000<br>4.3p      | Interim Comparison<br>+27.4%<br>+115.2%<br>+72.0%                |
| <b>Learmonth &amp; Burchett Management Systems plc</b> | Results<br>Revenue<br>PBT<br>EPS | Interim - Oct 92<br>£ 10,713,000<br>£ 753,000<br>3.1p                 | Final - Apl 93<br>£ 23,645,000<br>£ 1,610,000<br>7.0p                 | Interim - Oct 93<br>£ 13,114,000<br>£ 201,000<br>1.0p      | Interim Comparison<br>+22.4%<br>-73.3%<br>-67.7%                 |
| <b>Logica plc</b>                                      | Results<br>Revenue<br>PBT<br>EPS | Final - Jun 92<br>£ 200,383,000<br>£ 7,062,000<br>7.0p                |   | Final - Jun 93<br>£ 217,434,000<br>£ 9,026,000<br>8.7p     | Final Comparison<br>+8.5%<br>+27.8%<br>+24.3%                    |
| <b>MR Data Management plc</b>                          | Results<br>Revenue<br>PBT<br>EPS | Final - Jun 92<br>£ 33,711,000<br>£ 8,227,000<br>10.6p                |   | Final - Jun 93<br>£ 40,790,000<br>£ 8,760,000<br>10.6p     | Final Comparison<br>+21.0%<br>+6.4%<br>+0%                       |
| <b>Macro 4 plc</b>                                     | Results<br>Revenue<br>PBT<br>EPS | Final - Jun 92<br>£ 19,016,000<br>£ 8,750,000<br>26.5p                |   | Final - Jun 93<br>£ 23,256,000<br>£ 10,497,000<br>31.5p    | Final Comparison<br>+22.3%<br>+20.0%<br>+18.9%                   |
| <b>Micro Focus plc</b>                                 | Results<br>Revenue<br>PBT<br>EPS | Interim - Jul 92 (restated)<br>£ 30,644,000<br>£ 9,628,000<br>44.5p   | Final - Jan 93 (restated)<br>£ 68,882,000<br>£ 22,777,000<br>106.6p   | Interim - Jul 93<br>£ 40,800,000<br>£ 11,554,000<br>53.5p  | Interim Comparison<br>+33.1%<br>+20.0%<br>+20.2%                 |
| <b>Microgen Holdings plc</b>                           | Results<br>Revenue<br>PBT<br>EPS | Final - Oct 92<br>£ 49,316,000<br>£ 8,243,000<br>13.8p                |   | Final - Oct 93<br>£ 53,351,000<br>£ 6,700,000<br>10.5p     | Final Comparison<br>+8.2%<br>-18.7%<br>-23.9%                    |

## Richard Holway Results Service

|                                     |                                  |  |   |   |  |
|-------------------------------------|----------------------------------|--|---|---|--|
| Microvitec plc                      | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 25,533,000<br>£ 62,000<br>0.1p                 | Final - Dec 92<br>£ 49,888,000<br>(£ 2,137,000)<br>(3.4p)         | Interim - Jun 93<br>£ 17,959,000<br>£ 570,000<br>0.8p                 | Interim Comparison<br>-30.0%<br>+819%<br>+700%                   |
| Misys plc                           | Results<br>Revenue<br>PBT<br>EPS | Interim - Nov 92<br>£ 41,147,000<br>£ 6,757,000<br>11.9p             | Final - May 93<br>£ 88,761,000<br>£ 15,125,000<br>27.4p           | Interim - Nov 93<br>£ 42,086,000<br>£ 8,012,000<br>14.3p              | Interim Comparison<br>+2.3%<br>+18.6%<br>+20.2%                  |
| MMT Computing plc                   | Results<br>Revenue<br>PBT<br>EPS | Final - Aug 92<br>£ 6,215,475<br>£ 1,504,040<br>7.9p                 |   | Final - Aug 93<br>£ 7,057,716<br>£ 1,725,549<br>9.0p                  | Final Comparison<br>+13.5%<br>+14.7%<br>+13.9%                   |
| On Demand Information plc           | Results<br>Revenue<br>PBT<br>EPS | Final - Jul 92<br>£ 21,949,000<br>(£ 726,000)<br>n/a                 |   | Final - Jul 93<br>£ 18,989,000<br>(£ 1,450,000)<br>n/a                | Final Comparison<br>-13.5%<br>Loss both<br>Loss both             |
| P & P plc                           | Results<br>Revenue<br>PBT<br>EPS | Interim - May 92<br>£ 119,300,000<br>£ 1,000,000<br>1.0p             | Final - Nov 92<br>£ 222,752,000<br>£ 2,012,000<br>1.9p            | Interim - May 93<br>£ 121,800,000<br>£ 2,000,000<br>2.1p              | Interim Comparison<br>+2.1%<br>+100%<br>+110%                    |
| Pegasus Group plc                   | Results<br>Revenue<br>PBT<br>EPS | Interim - Jul 92<br>£ 4,193,000<br>£ 335,000<br>3.7p                 | Final - Dec 92<br>£ 10,269,000<br>£ 620,000<br>7.3p               | Interim - Jun 93<br>£ 5,300,000<br>£ 1,017,000<br>9.1p                | Interim Comparison (Note yr end)<br>+26.4%<br>+203.6%<br>+145.9% |
| Phonelink plc                       | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92<br>£ 327,000<br>(£ 2,000)<br>n/a                    | Final - Mar 93<br>£ 922,557<br>£ 30,905<br>0.1p                   | Interim - Sep 93<br>£ 586,000<br>(£ 301,000)<br>(0.8p)                | Interim Comparison<br>+79.2%<br>Loss both<br>Loss both           |
| Proteus International plc           | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92<br>Nil<br>(£ 1,516,000)<br>(4.73p)                  | Final - Mar 93<br>£ 21,000<br>(£ 3,547,000)<br>(13.52p)           | Interim - Sep 93<br>Nil<br>(£ 2,733,000)<br>(10.08p)                  | Interim Comparison<br>Both nil<br>Loss both<br>Loss both         |
| Quality Software Prod. Holdings plc | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 6,000,000<br>£ 227,000<br>3.9p                 | Final - Dec 92<br>£ 13,118,000<br>£ 1,201,000<br>16.2p            | Interim - Jun 93<br>£ 6,600,000<br>£ 143,000<br>2.1p                  | Interim Comparison<br>+10.0%<br>-37.0%<br>-46.2%                 |
| Radius plc                          | Results<br>Revenue<br>PBT<br>EPS | Interim - May 92<br>£ 11,988,000<br>£ 525,000<br>1.0p                | Final - Nov 92<br>£ 24,012,000<br>£ 1,231,000<br>2.9p             | Interim - May 93<br>£ 10,723,000<br>(£ 466,000)<br>(1.3p)             | Interim Comparison<br>-10.6%<br>Profit to Loss<br>Profit to Loss |
| Real Time Control plc               | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92<br>£ 3,134,000<br>£ 258,000<br>2.5p                 | Final - Mar 93<br>£ 6,114,000<br>£ 492,000<br>4.9p                | Interim - Sep 93<br>£ 3,579,000<br>£ 424,000<br>4.1p                  | Interim Comparison<br>+14.2%<br>+64.3%<br>+64%                   |
| Rolfe & Nolan plc                   | Results<br>Revenue<br>PBT<br>EPS | Interim - Aug 92<br>£ 5,307,000<br>£ 707,000<br>8.9p                 | Final - Feb 93<br>£ 11,232,000<br>£ 1,216,000<br>17.7p            | Interim - Aug 93<br>£ 6,055,000<br>£ 609,000<br>6.1p                  | Interim Comparison<br>+14.1%<br>-13.9%<br>-31.5%                 |
| Sage Group plc                      | Results<br>Revenue<br>PBT<br>EPS | Final - Sep 92<br>£ 27,274,000<br>£ 8,853,000<br>30.9p               |   | Final - Sep 93<br>£ 41,289,000<br>£ 9,656,000<br>32.5p                | Final Comparison<br>+51.4%<br>+9.1%<br>+5.2%                     |
| Sanderson Electronics plc           | Results<br>Revenue<br>PBT<br>EPS | Final - Sep 92<br>£ 21,398,000<br>£ 2,805,000<br>24.0p               |   | Final - Sep 93<br>£ 23,581,000<br>£ 3,327,000<br>25.4p                | Final Comparison<br>+10.2%<br>+18.6%<br>+5.8%                    |
| Sema Group plc                      | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 195,393,000<br>£ 28,534,000<br>5.3p (Adjusted) | Final - Dec 92<br>£ 416,675,000<br>£ 19,458,000<br>13.22p         | Interim - Jun 93<br>£ 232,948,000<br>£ 15,213,000<br>7.05p (Adjusted) | Interim Comparison<br>+19.2%<br>-46.7%<br>+33.0%                 |
| Sherwood Computer Services plc      | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 10,710,000<br>£ 1,748,000<br>16.7p             | Final - Dec 92<br>£ 21,103,000<br>£ 3,004,000<br>27.5p            | Interim - Jun 93<br>£ 11,837,000<br>£ 541,000<br>3.4p                 | Interim Comparison<br>+10.5%<br>-69.1%<br>-79.6%                 |
| Standard Platforms plc              | Results<br>Revenue<br>PBT<br>EPS | Final - Mar 92<br>£ 1,606,610<br>(£ 847,471)<br>n/a                  |   | Final - Mar 93<br>£ 2,700,000<br>(£ 405,368)<br>n/a                   | Final Comparison<br>+66.8%<br>Loss Both<br>n/a                   |
| Total Systems plc                   | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92<br>£ 1,361,536<br>£ 424,536<br>2.85p                | Final - Mar 93<br>£ 2,869,359<br>£ 832,906<br>6.08p               | Interim - Sep 93<br>£ 1,079,044<br>£ 12,330<br>0.078p                 | Interim Comparison<br>-20.7%<br>-97.1%<br>-97.3%                 |
| Trace Computers plc                 | Results<br>Revenue<br>PBT<br>EPS | Final - May 92<br>£ 19,311,869<br>£ 502,212<br>2.87p                 |   | Final - May 93<br>£ 18,042,438<br>£ 211,504<br>1.12p                  | Final Comparison<br>-6.6%<br>-58.0%<br>-61.0%                    |
| Vega Group plc                      | Results<br>Revenue<br>PBT<br>EPS | Interim - Oct 92<br>£ 3,623,000<br>£ 404,000<br>1.34p                | Final - Apr 93<br>£ 8,089,000<br>£ 1,705,000<br>7.99p             | Interim - Oct 93<br>£ 4,517,000<br>£ 757,000<br>3.54p                 | Interim Comparison<br>+24.7%<br>+87.4%<br>+164.2%                |
| Virtuality Group plc                | Results<br>Revenue<br>PBT<br>EPS | Final - Dec 91<br>£ 1,730,000<br>Loss<br>n/a                         |   | Final - Dec 92<br>£ 5,200,000<br>£ 217,000<br>1.1p                    | Final Comparison<br>+200%<br>Loss to profit<br>n/a               |
| Vistec Group plc                    | Results<br>Revenue<br>PBT<br>EPS | Interim - Oct 92<br>£ 18,703,000<br>£ 1,305,000<br>0.73p             | Final - Apr 93 (Restated)<br>£ 38,665,000<br>£ 3,282,000<br>1.88p | Interim - Oct 93<br>£ 17,630,000<br>£ 1,126,000<br>0.62p              | Interim Comparison<br>-5.7%<br>-13.7%<br>-15.1%                  |
| Wakebourne Group plc                | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 9,552,000<br>£ 325,000<br>0.21p                | Final - Dec 92 (Restated)<br>£ 24,171,000<br>£ 453,000<br>0.13p   | Interim - Jun 93<br>£ 12,004,000<br>(£ 18,944,000)<br>(4.3p)          | Interim Comparison<br>+23.4%<br>Profit to Loss<br>Profit to Loss |

# Acquisitions, disposals and liquidations

## Reuters surges ahead

Following on from last month's acquisitions of **Teknekron Software Systems**, **Capital Market Decisions** and a 20% stake in UK **Safetynet**, **Reuters** is to acquire US **Quotron Systems** from **Citibank**. Quotron's 40,000 dealing screens will double Reuters tally and give them a massive 25% worldwide market share, which just might cause competitors to shout "unfair". The terms were not disclosed but were expected to have been at best "nominal". One analyst even suggested that Citibank may have paid Reuters to take it off their hands. Citibank announced that it was taking a \$179m asset writedown on the sale - which shows how desperate they were to rid themselves of this loss-making activity.

On 27th Jan. it was further announced that Reuters had paid £9.2m for 79% of US **Reality Technologies** which develops personal investment systems like **WealthBuilder** which it markets jointly with Time's Money magazine.

Investors loved the deals marking the shares up 10% this month. To borrow a slogan, not bad for once for a UK IT company to be "doing rather well over there".

## Overseas

We do not attempt to cover foreign acquisitions by foreign companies, but the following are of strategic importance to many of our subscribers:

### IBM

**IBM Germany** has acquired a 40% stake in **Inasys** which specialises in securities analysis software. This is but the latest in a string of mainland Europe SCSI acquisitions for IBM. When (if ever) will IBM UK join the rush?

### EDS

**EDS** has acquired 67% (with the option and intention to buy the remainder) of Italian IT consultancy and bespoke developers **Gruppo Systems & Management**. According to EDS, S&M had revenues of \$56.5m in 1992 and employed 611 staff.

Last year EDS tried to acquire **Database Informatica** in Italy, which was nearly twice the size of S&M, but the deal was rejected by IBM which owned 12.5% of the equity (possibly because they would quite like to buy it themselves someday?). S&M is exactly the kind of deal you would expect CGS to have done - but they clearly have too many problems of their own right now. In 1992, EDS had European revenues of \$1.37 b compared with CGS' \$2.25 b. We can see that lead being seriously eroded in 1994. In what is just about a UK acquisition, EDS has also bought a 32% stake in **Ibos**, now becoming an equal partner with founding shareholders, the **Royal Bank of Scotland** and **Banco Santander**. **Ibos** allows banks to transfer cash between different countries. No consideration was disclosed, but the investment was "thought to have been priced at a premium to the £8m so far invested in its development". Source - Financial Times 26th Jan. 94.

## End of the development pipeline?

**Proteus International** has announced an increased loss of £2.73m (£1.51m) in the six months to 30th Sept. 93. Proteus, which now has a capitalisation in excess of £120m, says that products now moving into the clinical trial phase should provide "direct access to profits" in a year of "emphasis towards revenue generation".

**The others...** Property group, **Shield**, has rescued PC dealer **Kamco Computer Systems** "after a dispute with one of its maintenance suppliers...opened a £150K hole in the company's cashflow". Source - MicroScope 12th Jan. 94.

**Datashield** has acquired the disaster recovery operations of Belgium's **Promodata**. **Proteus International** has formed an alliance with US **AHP** to develop animal vaccines. The deal prompted a 42p rise in Proteus shares to 472p. US **BancTec** has acquired UK **Imagesolve** which has revenues of c£3m and a 10% share of the fast growing **Document Image Processing (DIP)** market. No consideration was disclosed. Law firm **Buxton Douglas** (i.e. John Buxton and the "famous" Sandy Douglas), which specialised in providing expert witnesses in computer related law cases, has collapsed owing £75K to its many "freelance experts". *They could always sue.*

For **ACT** disposals see p10.

## Compel boosts revenues

**Compel Group plc** accounts for the year to 30th June 93, recently filed at Companies House, show a dramatic 56% increase in revenue to £43.8m. However, PBT declined by 68% to £347K - at least in part due to a more than doubling of interest payable to £307m.

Compel's main activity is the maintenance of PCs and networks, although revenues from associated software products, SI, FM and consultancy is growing.

## "Like an orchard in the fall"

**AppleCentres**, once the pride of the Apple UK's empire, have had a rough time since Apple opened its sales channel to Uncle Tom Cobbley and all. As an indication of how low things have fallen, this month it was announced that **Argos** was to sell **Macs**. A disproportionately high number of **AppleCentres** have hit the dust and, as we have reported in recent issues, losses have been the order of the day for many of the rest.

This month, **AppleCentre Waterloo**, which had reported PBT of £104K on revenues of £5.3m in the year to 30th Apr. 92, called in the liquidators. £1m debts were reported with Apple being owed £500K. **Rothwell Group** has bought the service contracts and associated spares from the liquidator. Note: Richard Holway is non executive Chairman of Rothwell.

Apple's great future hope - the **Newton MessagePad** - has had a disappointing reception. Only 80,000 have so far been sold. Apple reported profits down 75% at \$64.5m in the quarter to 31st Dec. 93 on revenues up 23% at \$2.5b.

## Katie Potts "putting money where her mouth is"

Many of our readers will know **Katie Potts**, who until recently was a member of the **SG Warburg** electronics research team. There Katie built a reputation as the most highly regarded analyst in our sector and indeed was voted "Number One" in each of the last two years.

Now Katie has moved on to **Rutherford Asset Management** where she takes on the day to day management control of **Herald Investment Trust**. **Herald** comes to the market via an institutional placing on 16th Feb. 94 and is "designed to achieve capital appreciation through investments in smaller quoted companies, principally in the UK...in the areas of communications and multi media". The key target will be the 150 UK quoted companies in the sector with capitalisation less than £300m. Given the performance of these kind of companies included in our CSI Index, it should be an interesting fund.

## Terence Chapman buys Synergo

Terence Chapman Associates has bought Synergo Technology for a "seven figure" consideration.

Synergo, formed in 1985, had developed the UNIX-based stockbroking system (TAROT) using their own PREFIX development environment with *strong financial support* from Siemens. The client list is impressive including Albert E Sharp, Hambros Bank, Tilney & Co and Midland Bank. Synergo had grown rapidly to revenues of £3.5m in 1992 and a staff of 100. But the cancellation of Taurus, in which they had invested £1.8m, hit Synergo hard and they clearly came to the very edge of extinction in 1993. Their financial services software products and their client-server expertise are highly regarded by competitors. TCA say that both of these activities will be actively developed in the future. Indeed, both ACT and Sherwood were said to have expressed an interest before the deal was done with TCA. **Broadview Associates** acted for Synergo in the deal.

Steve Wise, who founded Synergo with his brother John, welcomed the financial stability that the deal would bring. The previous Chairman and FD, Ken Galvin, left Synergo some months before the acquisition.

TCA, itself only established in 1986, supplies IT consultancy to the banking and finance sectors. Their growth has been impressive, with revenues up 60% to £5.2m in the year to 31st Aug. 93 and PBT of £1.08m. We were greatly impressed with the 20% profit margin, which is amongst the highest in the industry, until Terence Chapman told us that a 30% margin had been made in previous years! Revenue growth of 40% to £7.4m and PBT of in excess of £1.4m is projected to Aug. 94. With Synergo, the enlarged group expects current year revenues of between £10 - £11m.

Chapman and his team own around 70% of the equity. VC Thompson Clive and "a wealthy private investor" own the remaining c30% of TCA's equity. Thompson Clive invested in Dec. 90 and are rightly "very pleased with the investment". Colin Clive was particularly impressed with TCA's performance in opening up the Eastern European market to counteract the recession being felt in the UK financial services market.

A Stock Exchange flotation is planned in 1995.

### Comment

Synergo was one of that only too common breed of software companies with great technical expertise and enthusiasm but few financial or implementation skills. TCA has acted fast to provide the missing links. TCA's undoubted service skills in the financial services arena, coupled with Synergo's software and associated product development skills, provide a rare combination.

Colin Clive confirmed that TCA has excellent management and particularly good financial control. Readers know our view that this is the single most important ingredient for success in our industry.

We will watch TCA with increased interest.

### Software vendors prosper

Microsoft continued its one way growth by boosting Q2 revenues by 20% to \$1.13b and profits by 22% to \$289m. System House has a high number of RDMS suppliers as subscribers. They seem to be doing well. Sybase had a sparkling quarter boosting both revenues and profits by 66% to \$138m and \$18m respectively. That makes revenues of \$427m and profits of \$44m for the full year. Gupta also increased sales by 64% to \$18m in the quarter.

## Capita disposal and restructuring

Capita has restructured its operations and will in future concentrate on its outsourcing activities which have become increasingly successful particularly in the public sector.

Telecom Capita (99% owned), Capita Managed Services (100% owned finance outsourcing company) and Capita Management Ltd. (50% owned with Serco) are being merged into one company - **Capita Managed Services**. Serco's shares have been acquired for "a nominal sum". John Jasper has received 100,000 Capita shares (worth c£210K) for his 1% stake in Telecom Capita.

The property related activities are being consolidated into **Capita Property Services**. As conventional FM contracts embrace more and more "non IT" activities, these property service capabilities could become an important differentiator for Capita. Capita's third arm is their **advisory** activities like management consultancy, contract staff and corporate finance (backed by Schroder Ventures) assisting public sector staff to bid for market testing projects and MBOs.

This left no room for **Penn PR & Advertising** which has been sold to its largest customer, **West Midlands Travel**, for a nominal £10K plus repayment of £180K intercompany debt. The disposal neither produces a book profit nor loss. It all sounds very sensible - as you would expect from a company run by accountants - but the market reacted negatively. Capita's shares fell 12% this month.

### ICL, INS, GEIS and Ameritech

It's been a busy month for **GE Information Services** (GEIS). First **Ameritech** formed a new company with GEIS parent, **General Electric**. Ameritech put in \$472m in cash for 30% of the equity and GE put in GEIS for the remainder. GEIS specialises in electronic mail services and is the world leader in EDI. It operates in 31 countries and has revenues of \$600m. The new operation will be headed by GEIS President and CEO Hellene Runtagh. In 1987, ICL and GEIS formed a joint venture in the UK - **International Network Services (INS)**. This month GEIS has bought out ICL. INS is the UK's market leader for EDI and has over 5000 customers.

INS has been highly successful in the UK. Financial accounts for the year to 31st Dec. 92 show revenues up 15% at £17.1m and PBT up 22% at £2.93m. We are also delighted to see that John Thorpe (a long time subscriber to *System House*), who has been with INS since its inception and was in charge of their software activities, has been appointed MD. The previous MD, Lee Tate who was put in by ICL, has been moved to head up independent computer maintenance operation - **Sorbus Europe**. Sorbus is another ICL joint venture - this time with **Bell Atlantic**. ICL is starting to suffer the same way as its other hardware competitors. Last month it raised £100m by way of a rights issue to which only its 80% parent Fujitsu subscribed. The proceeds from the INS sale will obviously also help. *Perhaps Sorbus will also be considered non-core soon?*

**Footnote.** ICL France has taken a 70% stake in **Vendome Formation SA** which provides multimedia training. It has also announced the setup of a French FM business in partnership with ICL UK's CFM.

ICL UK has announced that it is vacating its prestigious 127,000 sq. ft. Bracknell HQ to save £5m p.a. Mercury is set to become the new occupant.

## January - a month of major moves

As can be seen, we have enlarged our CSI Index to include all the new flotations. 80% of the companies celebrated the start of 1994 with share price rises in January. The list was headed by **Wakebourne** (nee Maddox) which doubled (to 3p) in the month as their changed name and management provided recovery from the brink of disaster. **Total** also staged a recovery with a share rise of 79%. Remember, however, that **Total** fell by 68% in Dec! **Real Time Control** deservedly put on 41% due to excellent results (see p4).

At the other end of the scale, **Gresham Telecomputing** fell another 13% on disappointing results (see p 2). Their share price has dived from 186p to 97p in the last year. **Capita** fell 12% - correcting the 28% rise experienced in Dec. **Kode** fell 10% on their profits warning (see p12)

At the request of several readers we have added a ratio of revenue to capitalisation calculation to our P/E and other ratios. The average, even when the companies with ratios >10 are excluded, is a massive 1.7 times! It could be argued that this is one way of highlighting the companies with low valuations where a bit of cost cutting could provide

decent profits. On that basis **P&P**, **Trace**, **Computer People**, **Sherwood**, **Radius**, **INSTEM**, **Enterprise**, **Microvitec** and **Enterprise** all have ratios of <0.5 times. They could all be tipped for recovery or takeover.

Our rankings last month of the top performing SCSi shares in 1993 was headed by **Comac** - up 511%. We should (perhaps) have mentioned **EIDOS**, the UK software company which has developed a video compression system which will be used by, amongst many other, **BT** for its video on demand service. **EIDOS** shares rose a massive eight times in 1993 although they still have a capitalisation of just £6.2m.

| 31st Jan 94                         | CSI Index     |          | 1759.48        |
|-------------------------------------|---------------|----------|----------------|
|                                     | FTSE 100      |          | 3447.40        |
| CSI Index = 1000 on 15th April 1989 | FTSE SmallCap |          | 1997.78        |
| Changes in Indices                  | CSI Index     | FTSE 100 | FTSE Small Cap |
| Month (31/12/93 - 31/1/94)          | +5.38%        | +0.85%   | +6.91%         |
| From 15th Apr 89                    | +75.95%       | +67.87%  |                |
| From 1st Jan 90                     | +91.23%       | +45.95%  |                |
| From 1st Jan 91                     | +148.56%      | +59.57%  |                |
| From 1st Jan 92                     | +68.39%       | +38.28%  |                |
| From 1st Jan 93                     | +10.41%       | +21.11%  | +44.00%        |
| From 1st Jan 94                     | +5.38%        | +0.85%   | +6.91%         |

## System House CSI Share Prices and Capitalisation

|                            | Share Price<br>31/1/1994 (£p) | Capitalisation<br>31/1/1994 (£m) | Historic<br>P/E | Ratio<br>Rev/Cap | CSI Index<br>31/1/94 | Share price<br>% move<br>since 31/12/93 | Share price<br>% move<br>in 1994 | Capitalisation<br>move (£m)<br>since 31/12/93 | Capitalisation<br>move (£m)<br>in 1994 |
|----------------------------|-------------------------------|----------------------------------|-----------------|------------------|----------------------|---|----------------------------------|---|--|
| ACT                        | £1.74                         | £322.60m                         | 17.5            | 2.11             | 2761.90              | 21.68%                                  | 21.68%                           | £58.90m                                       | £58.90m                                |
| Admiral                    | £4.88                         | £52.70m                          | 20.5            | 1.71             | 3536.23              | 0.62%                                   | 0.62%                            | £0.30m  | £0.30m                                 |
| Azlan                      | £2.69                         | £58.80m                          | 32.0            | 1.43             | 1169.57              | 1.51%                                   | 1.51%                            | £0.90m  | £0.90m                                 |
| Capita                     | £2.09                         | £99.10m                          | 32.6            | 2.99             | 6276.28              | -12.18%                                 | -12.18%                          | -£13.70m                                      | -£13.70m                               |
| Centregold                 | £1.43                         | £57.50m                          | 25.3            | 0.85             | 1144.00              | -11.73%                                 | -11.73%                          | -£ 7.70m                                      | -£ 7.70m                               |
| Comac Group                | £1.13                         | £41.30m                          | 29.5            | 3.71             | 6277.75              | 2.73%                                   | 2.73%                            | £1.10m  | £1.10m                                 |
| Computer People            | £1.36                         | £18.90m                          | Loss            | 0.30             | 559.67               | 25.93%                                  | 25.93%                           | £3.90m  | £3.90m                                 |
| Cray Electronics           | £1.89                         | £416.50m                         | 18.4            | 2.07             | 1105.26              | 17.39%                                  | 17.39%                           | £61.70m                                       | £61.70m                                |
| Division Group             | £0.91                         | £30.70m                          | Loss            | 14.76            | 2275.00              | 12.35%                                  | 12.35%                           | £3.30m  | £3.30m                                 |
| Electronic Data Processing | £5.83                         | £50.70m                          | n/a             | 3.54             | 5948.98              | -1.69%                                  | -1.69%                           | -£ 0.90m                                      | -£ 0.90m                               |
| Enterprise                 | £0.33                         | £26.50m                          | Loss            | 0.46             | 260.00               | 3.17%                                   | 3.17%                            | £0.80m  | £0.80m                                 |
| Gresham Telecomputing      | £0.97                         | £31.50m                          | 93.3            | 5.41             | 1043.01              | -12.61%                                 | -12.61%                          | -£ 4.00m                                      | -£ 4.00m                               |
| INSTEM                     | £1.35                         | £6.46m                           | 9.7             | 0.45             | 1350.00              | 0.00%                                   | 0.00%                            | £0.00m  | £0.00m                                 |
| Kalamazoo                  | £1.19                         | £45.30m                          | 27.6            | 0.80             | 3400.00              | 19.00%                                  | 19.00%                           | £7.20m  | £7.20m                                 |
| Kewill                     | £2.54                         | £30.30m                          | Loss            | 0.91             | 1003.95              | 14.41%                                  | 14.41%                           | £3.80m  | £3.80m                                 |
| Kode International         | £1.43                         | £13.30m                          | 17.0            | 0.64             | 665.12               | -10.63%                                 | -10.63%                          | -£ 1.60m                                      | -£ 1.60m                               |
| Learmonth & Burchett       | £1.44                         | £25.80m                          | 20.3            | 1.09             | 1200.00              | -0.69%                                  | -0.69%                           | -£ 0.20m                                      | -£ 0.20m                               |
| Logica                     | £2.97                         | £182.70m                         | 34.2            | 0.84             | 813.70               | 8.79%                                   | 8.79%                            | £14.80m                                       | £14.80m                                |
| Macro 4                    | £7.18                         | £163.10m                         | 21.8            | 7.01             | 2895.16              | 5.90%                                   | 5.90%                            | £9.10m  | £9.10m                                 |
| Micro Focus                | £10.25                        | £145.60m                         | 9.4             | 2.11             | 4951.69              | 2.50%                                   | 2.50%                            | £3.60m  | £3.60m                                 |
| Microgen                   | £1.74                         | £68.60m                          | 12.6            | 1.29             | 743.59               | 17.57%                                  | 17.57%                           | £10.30m                                       | £10.30m                                |
| Microvitec                 | £0.37                         | £23.90m                          | Loss            | 0.48             | 890.24               | 12.31%                                  | 12.31%                           | £2.70m  | £2.70m                                 |
| Misys                      | £5.37                         | £208.40m                         | 19.5            | 2.35             | 1335.82              | 6.34%                                   | 6.34%                            | £12.50m                                       | £12.50m                                |
| MMT                        | £1.71                         | £18.30m                          | 23.3            | 2.59             | 1017.86              | 19.58%                                  | 19.58%                           | £3.00m  | £3.00m                                 |
| MR Data Management         | £2.03                         | £112.70m                         | 19.1            | 2.76             | 805.56               | -0.98%                                  | -0.98%                           | -£ 0.90m                                      | -£ 0.90m                               |
| On-Demand                  | £1.16                         | £59.20m                          | n/a             | 3.12             | 1487.18              | 2.65%                                   | 2.65%                            | £1.60m  | £1.60m                                 |
| P&P                        | £0.82                         | £45.50m                          | 43.5            | 0.20             | 367.71               | 28.13%                                  | 28.13%                           | £10.00m                                       | £10.00m                                |
| Pegasus                    | £2.29                         | £15.10m                          | 58.8            | 1.47             | 623.98               | 7.01%                                   | 7.01%                            | £1.00m  | £1.00m                                 |
| Phonelink                  | £4.05                         | £143.80m                         | n/a             | 154.62           | 2612.90              | 11.26%                                  | 11.26%                           | £14.60m                                       | £14.60m                                |
| Proteus                    | £4.23                         | £115.99m                         | Loss            | 5799.50          | 5035.71              | 0.48%                                   | 0.48%                            | £0.59m  | £0.59m                                 |
| Quality Software           | £4.28                         | £33.30m                          | 20.8            | 2.52             | 1126.32              | 5.68%                                   | 5.68%                            | £1.80m  | £1.80m                                 |
| Radius                     | £0.38                         | £10.40m                          | 13.1            | 0.43             | 275.36               | 35.71%                                  | 35.71%                           | £2.76m  | £2.76m                                 |
| Real Time Control          | £1.03                         | £7.21m                           | 21.1            | 1.18             | 2102.04              | 41.10%                                  | 41.10%                           | £2.10m  | £2.10m                                 |
| Rolfe & Nolan              | £3.63                         | £20.50m                          | 24.9            | 1.83             | 2160.71              | 23.05%                                  | 23.05%                           | £3.80m  | £3.80m                                 |
| Sage Group                 | £5.19                         | £106.90m                         | 15.9            | 2.59             | 3992.31              | 1.76%                                   | 1.76%                            | £1.80m  | £1.80m                                 |
| Sanderson                  | £3.48                         | £31.00m                          | 14.8            | 1.31             | 1480.85              | 8.75%                                   | 8.75%                            | £2.50m  | £2.50m                                 |
| Sema Group                 | £3.26                         | £296.70m                         | 26.4            | 0.71             | 1025.16              | 5.16%                                   | 5.16%                            | £14.60m                                       | £14.60m                                |
| Sherwood                   | £1.08                         | £6.59m                           | 3.2             | 0.31             | 900.00               | -1.82%                                  | -1.82%                           | -£ 0.12m                                      | -£ 0.12m                               |
| Standard Platforms         | £0.32                         | £1.30m                           | Loss            | 0.48             | 142.21               | 0.00%                                   | 0.00%                            | £0.00m  | £0.00m                                 |
| Total                      | £0.43                         | £2.40m                           | 7.6             | 0.84             | 811.32               | 79.17%                                  | 79.17%                           | £0.00m  | £0.00m                                 |
| Trace                      | £0.35                         | £4.96m                           | 37.1            | 0.27             | 280.00               | -7.89%                                  | -7.89%                           | -£ 0.43m                                      | -£ 0.43m                               |
| Vega Group                 | £2.40                         | £33.90m                          | 22.8            | 3.81             | 1967.213             | 9.59%                                   | 9.59%                            | £3.00m  | £3.00m                                 |
| Virtuality                 | £3.57                         | £93.30m                          | n/a             | 17.94            | 2100                 | 7.85%                                   | 7.85%                            | £6.80m  | £6.80m                                 |
| Vistec                     | £0.27                         | £33.00m                          | 15.9            | 0.85             | 1173.913             | 12.50%                                  | 12.50%                           | £3.70m  | £3.70m                                 |
| Wakebourne                 | £0.03                         | £25.10m                          | 16.4            | 1.04             | 666.666              | 100.00%                                 | 100.00%                          | £12.60m                                       | £12.60m                                |

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.

## Logica - a progress report

On 28th July 93, Dr. Martin Read took the helm at Logica and we were pleased to be amongst the first granted an interview (System House Oct. 93). At the time we were full of hope that Read would quickly turn around the fortunes of one of the finest of the dwindling band of UK-owned SCS companies. Logica's chairman Paul Bosonnet said that Read's two main immediate tasks were "to improve margins and resolve Logica's problems in the US".

Five months on, what's the progress?

- 100 staff laid off at a cost of £2.3m in H1; saving c£4.6m p.a. - i.e. costs to be fully recouped in savings in H2. The savings were largely made in the Logica "bureaucracy".
- a new regular review process for the operating units and "a move to an operationally more demanding environment and a more results-oriented culture".
- the appointment, from Marconi, of Jim McKenna in "the newly created position of group personnel director".
- we were rather surprised that McKenna was the only new top level appointment. Indeed, although the heads of the operating units have been shuffled around, there is not one new senior external appointment.
- a move to position Logica "further up the food chain - towards a higher level of influence within customers". Read said that too often Logica was "the sub contractor to the sub contractor". Read still feels that Logica has a "techy image" and wants to beef up their top level strategic consultancy capabilities.
- a "staunching of the flow of blood" at Logica US. Although still loss making in H1, Read expects Logica US to breakeven for the year (it lost £2.6m last year).
- the problems with the Hong Kong Stock Exchange contract are also behind them. The system successfully went live on what was to be the busiest trading day ever for the exchange. Because of problems with this contract, last year Logica Asia-Pacific lost £300K.
- Read forecasts "a worthwhile improvement in the underlying margins on modest revenue growth" for H1.
- Read felt that analysts had got their forecasts for the full year to 30th June 94 about right. The consensus view is for PBT of £12m - up a third on last year - and we would expect the interims due in March to be encouraging.

When Read was appointed the share price was 234p. It has since risen 27% to 298p adding £38m to their value. Read is optimistic about the future. He singled out the finance sector in particular where he said that business was currently "bubbling".

**Comment...** When we first met Read on his appointment at Logica he produced an article from the Holway Report listing the attributes that a CSI CEO should have. He clearly fitted the bill well. There is no doubt that Logica is now slowly on the road to recovery. SG Warburg issued a "Buy" notice this month saying "prospects exist for a 55-60% outperformance over the next 30 months" in Logica's share price, based on their estimate of £16.5m PBT in 1995 and £20.9m in 1996.

However, we were left with a feeling of unease. We would have liked something more radical to report, like some new external top level appointments or some new trading initiatives.

Perhaps the "we will do what we do better" approach is the line of minimum risk and disruption. This year Read has to show that Logica can return to being a high growth company. Otherwise the bid rumours will start again.

## SHL Systemhouse booms in Europe

Canadian SHL Systemhouse is one of the largest pure systems integrators in the world. Pure...because it has few, if any, products of its own but takes on the prime contractor responsibility for the implementation of some very large network intense and client/server projects, particularly for postal service operators. It describes its service as "transformational outsourcing". This term attempts to cover both the conventional FM of a customer's "legacy" systems AND the implementation and operation of the system that will replace it. Their financial and corporate history has not been without more than its fair share of problems, culminating in a net loss of C\$135m, mainly as a result of exceptional charges, on revenues of C\$913m in the latest year to 31st Aug. 93. However, latest Q1 figures show a net profit of C\$4.7m on revenues up a third at C\$268m.

**SHL Systemhouse Europe** increased revenues by around 40% to £84.6m in the year to 31st Aug. 93; around 90% emanated from the UK. 1993/94 budgets project revenues increasing to over £100m with 20% of revenues from outside the UK. In 1993 SHL purchased **AST-Transact** as well as a trio of small IT training operations. AST has been particularly successful and this month has announced a £500K sale of its Recovery Management System to Barclays Bank and a £2.5m outsourcing contract with the RAC for its IBM mainframes, ousting EDS in the process. This month we were taken on a tour of AST's Waterloo based Network Centre by General Manager, Trevor Read, and Marketing Director, Ken Hawes. It was truly impressive with a real *state of the art* system enabling faults and potential problems to be diagnosed anywhere within its customer's networks. They really do seem to have the network services which we believe customers now demand.

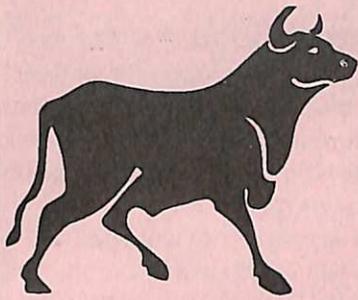
**Changes..** **Iain Macdonald**, who has been the Chairman of SHL Systemhouse Europe since his **ComputerGroup** was acquired for \$21m in 1989, has stepped down. **Ed Lukes**, from SHL in Chicago becomes President of SHL Europe.

**Mike McGoun**, co-founder of ComputerGroup with Macdonald and Group MD of SHL Europe since Jan. 93, had lately been running the training operations. McGoun has now also decided to leave. His place will be taken by **Bob** ("you can't keep a good man down") **Woodland** - known, we are sure, to many *System House* readers from his Ferrari days. Recently, his Skytech network training activities were acquired by SHL.

## ACT disposals

**ACT** is rightly keen to avoid debt. So, faced with a further £3m to pay to Kindle and £12.5m to Nynex for BIS but with "only" £9m in the bank, it was time to raise some cash. They did this neatly by selling firstly their "non-core" network communications business **Cablestream** to German **Siemens** for £4.5m in cash now plus a further £2.5m depending on net assets. Cablestream, which has sales of around £14m p.a., was one of the operations ACT inherited in its ITL acquisition back in Oct. 89 for £12.7m. ACT then raised a further £8.15m in cash by selling **Brann Direct Marketing**, which was part of its BIS purchase last year, in an MBO. Brann had assets of £6.64m in Dec. 92 and had made profits of £851K.

The market reacted well to the news. ACT's share price has been in the doldrums recently but rose 23% to 174p on this month. Broadview acted for ACT on the Cablestream disposal.



# Bull market sees announcement of unprecedented four new launches in month

SCSI floats are a bit like buses - you wait for years and then four come along all at once! January saw an unprecedented four companies declaring their intention to float. They range from the biggest float ever - MDIS to be valued at £250m - to one the smallest - CFS at £4.23m - from the company with one of the best pre float records ever - CODA - to one of the highest valuations on no trading record we have ever recorded - MAID. Analysts like us certainly do live in "interesting times".

## MDIS

A very excited David Malaperiman 'phoned us at 8.00pm on 24th Jan. 94 to say that the board of **McDonnell Douglas Information Systems (MDIS)** had that day decided to confirm the float, by a rare *public offering*, in early March. The press release confirmed the MBO consideration at £120m - lower than the £140m which we had estimated, but somewhat closer to the mark than the £200m which other more "learned" commentators had suggested! MDIS also said that operating profits to 31st Dec. 93 were up 16% at £22m on revenues of £149.7m. In 1992 revenues of £159m were recorded. The fall is due to a reduction in both the price and proportion of revenues from hardware.

**A valuation of around £250m is projected, making MDIS the biggest UK SCSI launch of all time.** £150m will be raised by the issue which "will principally be used to repay borrowings relating to the MBO". Assuming no

premium (unlikely in today's raving Bull market), that would put MDIS in fourth place behind

|                | Capitalisation<br>27th Jan 94 | Latest<br>Op. Profits | Ratio<br>Op Profit/Cap |
|----------------|-------------------------------|-----------------------|------------------------|
| ACT            | £328m                         | £19.1m                | 17.2                   |
| Cray Elect     | £416m                         | £13.0m                | 31.9                   |
| Logica         | £183m                         | £8.1m                 | 22.6                   |
| Misys          | £208m                         | £14.7m                | 14.2                   |
| Sema           | £297m                         | £17.6m                | 16.8                   |
| <b>Average</b> |                               |                       | <b>19.8</b>            |
| <b>MDIS</b>    | <b>£250m</b>                  | <b>£22.0m</b>         | <b>11.4</b>            |

Cray, Sema and ACT. Readers may think the launch price is high but an analysis of the five quoted SCSI companies with capitalisation closest to £250m, show that MDIS on launch will have the lowest ratio of capitalisation to operating profit of the lot - a **42% discount to the average**. As Jeremy Causley told us "we have every intention of allowing investors to make money from the launch". We will cover MDIS in detail next month, prior to the launch.

## M.A.I.D.

**M.A.I.D. (Market Analysis and Information Database) Systems Ltd.** is to be floated in March "with an anticipated price tag of at least £100m". Source - Mail on Sunday 23rd Jan. 94. Not bad, you might say, for a company with PBT of just £340K on revenues of £3.5m in the year to 31st Dec. 92, £600K likely in 1993 and a mere £1m forecast for 1994. The MAID on-line service provides access via a PC to market research from a variety of different sources.

## Comment

It would appear that everyone with the slightest ambition for a float has recognised that the window of opportunity is currently wide open. It promises to be a bumper year for floats in the SCSI sector. **What conclusions can be drawn?**

- a trading record seems to be a disadvantage in a float - much better future promises without the burden of a history.
- "access to information" is now a very hot market as the success of **On-Demand Information** (floated in Dec. 93 at 78p and now up 49% at 116p) and **Phonelink** (launched at 155p and now up a massive 161% at 405p - one of 1993's largest risers) indicate only too well.
- every IT-related float in 1993 is so far trading at a premium. That seems to mean that sponsors are setting higher and higher launch prices. Such greed could mean that the bubble could burst. That will make it difficult, once again, for good solid SCSI companies to raise the capital needed from the market.

But MDIS and CODA are amongst the best UK SCSI companies around. We hope quality will out.

## Computerised Financial Solutions

**Computerised Financial Solutions (CFS)** is to be floated on 3rd Feb. at 90p per share valuing the company at £4.63m. CFS provides credit management software, with particular emphasis on the motor industry, and has an impressive list of blue chip customers. CFS had revenues of £3.2m and PBT of just £37K in the year to 31st Dec. 92. PBT of "not less than £325K" is forecast for 1993 which the company says equates to a P/E of 16.5 on launch. However, readers should note that **capitalised software development amounts to £408K - rather more than the £380K total net assets for the company.** Net additions have greatly exceeded profits in every year to date and were £120K in the first six months of 1993 alone.

IBM UK bought 26% of the group in Nov. 90 for £260K (plus £360K for prefs). The placing will raise £214K for IBM plus valuing its remaining 15% holding at £695K - not a bad return and a whole lot better than most of IBM's many similar investments in the same period.

## CODA

**System House** readers who are unfamiliar with **CODA** clearly have not been paying attention. We have probably run more features on CODA since we started in 1989 than any other private company. We rate them highly. They have one of the best financial records around (see *System House* - Jan. 94) growing profits by an average 19.6% p.a. over the last five years, a high level of recurring revenue from maintenance, one of the best management teams, one of the highest regarded accounting products available, one of the best export records (46% from the US alone) and **CODA has never capitalised a £ of R&D.** Over 90% of current revenues come from CODA's proprietary products. The launch of the open system version of IAS provides enormous future potential.

The exact terms of the placing will not be available until 3rd Feb. - i.e. after our press day - with dealings commencing on 9th Feb. We do know that £25m will be raised, £19m going to existing shareholders. This infers a capitalisation of about £55m and a high P/E of around 22. Interestingly, it was announced that **US General Atlantic** will be taking 10% of the shares placed and that GA is then permitted to go on to acquire up to 10% of the total equity.

### Move to contract staff?

We have expressed our misgivings about Philip Swinstead's assertion that users would move to use contract IT staff in the future. Clearly the stock market does not share our concern as the Comac share price knows no bounds. We must also report that Coventry based **Systems Resources**, in the same market as Comac, increased revenues by 25% to £16.8m to 30th Sept. 93 and "a 58% increase in the placement of freelance contracts".

### Systems Union grows

Accountancy software developer, **Systems Union Group**, has increased revenues by 47% to £17.7m and PBT is up 20% to £1.8m in their latest year to 31st Aug. 93.

### Profits warning from Kode

In July 92, **Kode International** acquired TPM supplier **DCM** from Hillsdown for £3.2m. This move to services led to a 115% increase in PBT to £710K in the six months to 2nd July 93. Although market conditions in TPM were "difficult...with intense price competition (i.e. like every other TPM company was reporting)...continued success has been achieved in non maintenance activities such as FM and network management".

It was therefore disappointing to see the profits warning this month which said "1993 PBT will be below expectations, currently around £1.6m, but would still be above the £1m achieved in 1992". Difficult market conditions for DCM were blamed. DCM's MD Joel Jervis has since resigned and Kode's share price has fallen 10% this month.

### Sanderson wise to jettison General Automation

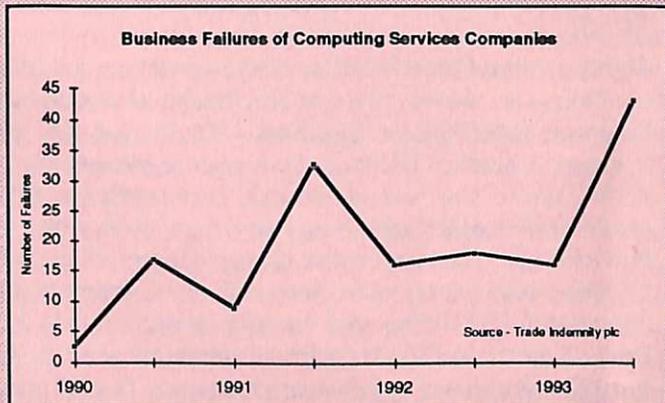
You may remember that on 31st Aug. 93 **Sanderson Electronics** sold the majority of its stake in US hardware manufacturer **General Automation**, thus ensuring that they did not have to consolidate its losses any more. A wise move. In a quiet little announcement this month, GA has announced a disastrous Q4 showing a net loss of \$1m - up from a loss of \$240K last time. That makes a loss for the year to 30th Sept. 93 of \$577K on revenues of \$43m.

### ...and finally

With words reminiscent of *The Day, Today*, Hoskyns' recruitment ads now carry the by-line "Hoskyns is a customer facing organisation".

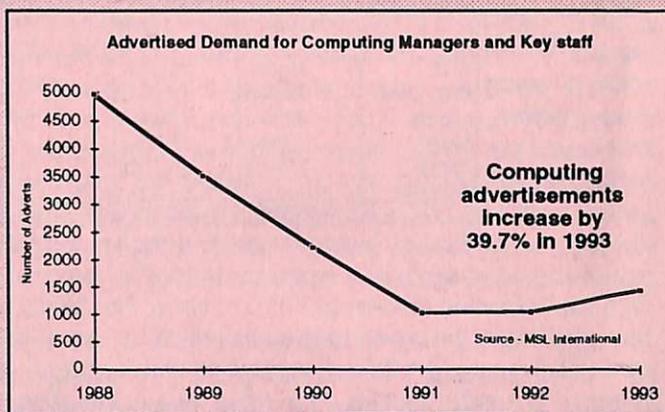
### Computing services failures hit all time high

Trade Indemnity has reported that "the rate of failure of computer services companies hit a new record in Q3 1993. Evidence suggests firms under 15 years old are more prone to fail. Many young computer services companies will have suffered but survived the additional pressures from interest rate levels in the late 1980's, only to be joined by new competitors further crowding the market." At least you now know officially that you haven't been the only one to suffer.



### On a brighter note..

MSL Index has reported a 14% increase in the number of IT jobs advertised in Q4 1993. This means that after four years of decline, computing job advertised increased by 40% in 1993.



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System House™ is published monthly by Richard Holway Limited, New Acre, 18 Great Austins, FARNHAM, Surrey, GU9 8JQ. Telephone 0252 724584; which also publishes the annual "Holway Report". Richard Holway is a director of several computing services companies.

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