

System House

The monthly review of the financial performance of the UK computing services industry
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Raising efficiency, not fees

Every year since we started compiling statistics on the financial performance of the UK software and computing services industry, the top companies have grown significantly faster than their smaller brethren. In 1991/92, companies with UK revenues in excess of £100m grew by 12.6% - twice the industry average of 6%. In 1992/93, their growth was 16.5% compared with an industry average of 10%. These companies represented over 40% of the UK's total SCSi revenues of £6.7 billion in 1993. In the past, high revenue growth has been the preserve of the acquisitive companies. Apart from ACT and Cray,

however, the main growth in 1993 has been organic - much of it resulting from increased outsourcing. It is now clear that the rankings next year will be overshadowed by new outsourcing contracts. It is only a matter of time before EDS attains the #1 position. Sema and Hoskyns,

likewise, will climb again and Computer Sciences is bound to enter the rankings for the first time.

Outsourcing is having a major effect on the market. The new contracts awarded in the last twelve months alone will add annual revenues in excess of £500m to the market in 1995 - the biggest increase we have ever been able to identify this far in advance. We had been forecasting a 13% increase in total SCSi revenues in 1995 - we now suspect that this projection is too pessimistic.

Now observers might think that any trade association which was holding its annual conference just after a year when:

- the revenues in its industry had increased by 10%,
- average profits had increased by 27%,
- the fruits of its successful Buy IT in campaign were evidenced by the biggest switch to outsourcing ever experienced by any industry,
- the most pessimistic forecast was for growth of over four times the likely increase in GDP,

would be both a little self-congratulatory and upbeat.

Have none of it. Some of the main speeches at the Computing Services Association (CSA) annual conference held this month in Brighton seemed reminiscent of the arms industry when told of the end of the cold war. Rather than for once stressing the major achievements of so many CSA member companies, CSA Director General, Doug Eyeions chose the theme "raising standards = raising prices". He ended his speech with the rallying cry:

"When profit margins feel the squeeze, raise your standards, then your fees".

Raising standards in our books means raising efficiency.

In product terms that translates into better products produced in a shorter timescale with fewer bugs which sell in higher volume...usually at a lower price. Thus earning companies like Microsoft to Sage far higher profits. In service terms it means fixed price projects completed under budget or cost savings on outsourcing

Software and Computing Services Suppliers with UK SCSi Revenues >£100m in 1993

| Rank | Company | 1991 | 1992 | 1993 | Growth |
|----------------|----------------------------|-------|--------------|--------------|--------|
| 1 | ICL UK CSI Revenues | £250m | £320m | £415m | 30% |
| 2= | Andersen Consulting UK | £172m | £215m | £247m | 15% |
| 2= | EDS UK | £232m | £255m | £250m | -2% |
| 2= | IBM UK CSI Revenues | £170m | £208m | £252m | 21% |
| 5 | Sema Group | £145m | £172m | £212m | 23% |
| 6 | Hoskyns | £165m | £173m | £183m | 6% |
| 7 | Syntegra | £160m | £172m | £168m | -2% |
| 8 | Microsoft UK | £67m | £100m | £150m | 50% |
| 9 | Oracle UK | £91m | £106m | £144m | 36% |
| 10= | AT&T Istel - Business Unit | £150m | £150m | £130m | -13% |
| 10= | Cray Electronics | £82m | £59m | £129m | 119% |
| 10= | ACT Group | £91m | £106m | £127m | 20% |
| 13= | Logica | £101m | £106m | £112m | 6% |
| 13= | McDonnell Info. Systems | £130m | £118m | £112m | -5% |
| Average | | | 12.6% | 16.5% | |

projects. Without naming names, the two outsourcing companies which CSA members have complained most to us about unfair pricing have both lately been the best and most consistent profit growth performers.

Any company basing its revival upon increasing fee rates for average IT staff is in for a very rude awakening. There was a time when the industry could get away with such attitudes. Companies adopting such policies now will go the way of the dinosaurs.

The really encouraging fact is that most CSI companies already know the facts of life for the rest of the 1990s. Some like ICL, Sema and Hoskyns have already emerged fitter and leaner than before. Others like EDS, Data Sciences, AT&T Istel and Logica, which left the day of reckoning until rather later, are now well on the road.

"When profit margins feel the squeeze, raise your efficiency, not your fees".

Note: This issue is mainly concerned with exclusive reports of the performance of the largest UK SCSi providers.

PC Software sales slow but users rebel

The Software Publishers Association (representing all the main US PC software companies like Microsoft, Lotus et al) increased unit shipments in Europe by 75% in 1993 but revenues were up a more modest 11%. "Price declines have been the story in Europe this year". The UK increased revenues by an even more modest 9%.

"While the price declines have been hard on publishers, it has been good news for software consumers". Well, you may think so but... This month we addressed a user conference which took a very different view. Speaker after speaker from the floor, representing organisations with a total of tens of thousands of PCs, expressed concern at the horrendous cost of software upgrades and the hidden costs in terms of additional hardware (memory, disc space), training costs etc. just to make the new releases work as efficiently as the old version. "Who is demanding these new features?" they bellowed "not us...we didn't ask for tool bars and text rotation!".

The last decade has been characterised by increased user power and the decreased influence of the hardware vendors. Many believe that the "villains" with more power than sense in the 1990s are now the software vendors. What if user power gets what it wants from them too? Microsoft makes the majority of its profits from version upgrades; reckoning on a new version on average every 14 months. Take that revenue source away and Microsoft could make IBM's financial record look good.

We are a little biased. Having upgraded to Pagemaker 5.0 this month, with enormous attendant problems, we then found that for it to run as well as the previous version it needed a min. of 10mb of memory in both our Mac and our Laserprinter. We can understand users' concerns.

Best news for years from Hoskyns

We gave *System House* readers a very accurate preview of Hoskyns excellent results for 1993 two months ago. The official figures were released this month as shown below. As Hoskyns has changed its year end, we cannot reproduce the well worn twelve year record which until 1990 showed the most consistent growth in the industry. Although 1993's PBT of £13.3m (up 66% on 1992) was excellent, it was still less than the £17.3m achieved in 1990. Revenue from industry was the only sector to show significant (-13%) declines.

Hoskyns MD Tony Robinson reported a "remarkable recovery in demand" in Q1 1994. The news of the recruitment of a further 350 IT staff was the best news in

| HOSKYN'S GROUP plc | Year to 31st Dec. 92 | Year to 31st Dec. 93 | Growth |
|--------------------------|-------------------------|-------------------------|--------|
| Revenue | £199m | £215m | +7.7% |
| UK revenue | £173m | £183m | +5.9% |
| Net Operating profit/PBT | £8m | £13m | +66.3% |
| Profit margin | 4.00% | 6.20% | +55.0% |
| Average staff nos | 3227 | 3372 | +4.5% |

years. It came on top of the 200 Scottish Highland jobs and the 200 recruited last Oct. 93 by Hoskyns. A new organisation is in place with "customer facing" units served by just one mega production unit. This is fast becoming the 1990s model as adopted by the likes of Data Sciences and other more "forward facing" companies.

All CGS has to do now is follow the Hoskyns recipe in the rest of Europe. But legislation and attitudes will make this a difficult - if not impossible - task

UK excels in games software market

CentreGold

There are probably quite a few purists amongst our readers who think that because CentreGold publishes, markets and distributes entertainment software, it is not a "proper" SCSI company. As entertainment software seems to be one of few areas where UK companies lead the world, this seems a little unfair.

CentreGold was formed ten years ago by a former teacher. Its growth recently has been fuelled by the popularity of Sega and Nintendo games machines. Their own products go under the US Gold brand, like the best selling Winter Olympics game. Three new titles are due this year - including a World Cup game and one based on the Incredible Hulk "for which initial orders are encouraging".

If you think this is frivolous, the financials are deadly serious. CentreGold was one of the many new issues in the last year. Launched in Oct. 93 at 125p, the placing valued CentreGold at £50.3m. The shares soared to 170p at one point but were hit hard when Dixons announced that Christmas games sales failed to meet expectations. They ended April on 120p.

| CENTREGOLD plc | Year to 31st July 92 | Year to 31st July 93 | Six months to 31st Jan 94 | Interim Growth |
|------------------|-------------------------|-------------------------|------------------------------|-------------------|
| Revenue | £55.1m | £68.0m | £52.6m | +43% |
| Operating Profit | £2.1m | £2.9m | £2.6m | +22% |
| PBT | £1.7m | £2.7m | £2.6m | +24% |
| EPS | 3.56p | 5.63p | 4.70p | +4% |

CentreGold's first results since the placing, for the six months to 31st Jan. 94, were described by CEO Geoff Brown as "fairly pleasing". They showed revenues up 43% to £52.6m and PBT up 24% to £2.6m. Overseas sales now account for 34% of revenues. The US market did particularly well growing from £2.7m to £8.5m and sales of CDROM based games increased dramatically at the expense of cartridge based systems. Current trading, however, is described only as "satisfactory" but analysts expect profits of £4.2m this year.

The balance sheet, as a result of the float, also improved significantly. Net assets were up from £4.6m to £17.5m and cash balances topped £10m...and there were no capitalised R&D!

We are very pleased to include CentreGold as a leading UK-owned software producer. We can think of many "conventional" SCSI companies who would have been delighted to have reported CentreGold's latest results.

Virtuality

The other "entertainment" oriented stock in our CSI Index is Virtuality which develops virtual reality games software and systems. They also came to the Stock Exchange in Oct. 93 at 170p valuing the group at £44.4m. Shareholders include IBM and Motorola. Of the 183 systems shipped in 1993, 166 went for export. Over 30% of revenues are earned in the US where an ADR programme is planned.

| VIRTUALITY | Year ending 31st December | | | |
|------------|---------------------------|--------|--------|--------|
| | 1990 | 1991 | 1992 | 1993 |
| Revenue | £0.10m | £1.75m | £5.25m | £5.40m |
| PBT | -£810K | -£600K | £220K | -£370K |
| EPS | | | +1.1p | -1.7p |

Since the launch the shares have rocketed - hitting a high of 361p - and were one of the best performers of the new issues in 1993. However their financial record - like so many other new issues - was non-existent. At least they have (largely) avoided capitalising R&D. This month, their first results since the listing were hailed as "exceeding forecasts". I.e. they made a loss of £365K rather than the £400K forecast in the prospectus. Losses of £1m are forecast for 1994.

IBM (UK) - 21% SCSI growth but losing out on FM

We battled for years to get breakdown information on UK SCSI revenues from IBM. In 1991 and 1992, IBM UK cooperated. The figures were positive showing how well SCSI revenues had grown. This year, the shutters have come firmly down again. We will not blame the UK - it really does appear that this ban on information comes from the very, very top in the US. It is both short-sighted and damaging to IBM's hard fought reputation as a UK "good neighbour". We have therefore had to resort to our usual methods. We collect all the factual data that IBM will provide - like UK revenue and all the press releases and stories in *UK News*. We talk to many people "off the record" and then resort to "guess work". Finally we present this to IBM. This puts them into a quandary. They cannot comment officially but on the other hand do not want incorrect data being published - particularly when their means of redress is removed (as in "we gave you the chance to correct the data but..."). So in the end we agree on an accurate but unofficial dataset. *Daft isn't it?*

It is even dafter as the figures show that IBM UK has grown their SCSI revenues by 21% in the last year putting them into equal second place. Professional services, IT consultancy and systems integration were the "star" performers - growing above average from a strong base. Although IBM's FM revenues showed the fastest growth - quadrupling in the year - this was from a very low base. Indeed, it has been a very unsatisfactory year after considerable investment unsuccessfully bidding for large contracts such as the Inland Revenue. The loss in March of the Xerox contract - again to EDS - must have been a particular blow. "The question remains whether IBM can compete against the likes of EDS, a leaner and more efficient organisation that can offer lower prices. Indeed the Xerox contract may show that IBM's massive restructuring problems have left it unable to afford low margins on such contracts". Source - Wall Street Journal 22nd March 1994.

| | 1993 £m | % Growth 1992/93 |
|--|--------------|---------------------|
| TOTAL REVENUE | £4,060m | 8% |
| UK REVENUE | £1,725m | 7% |
| UK HARDWARE | £910m | 8% |
| Rentals & Financing | £125m | 4% |
| Operating Software | £240m | 0% |
| Hardware Maintenance (Own) | £195m | -4% |
| SCSI Revenues: | | |
| Appl. Software (excl. Operating Software) | £54m | 0% |
| Professional Services incl. SI | £106m | 28% |
| Processing/Info Services | £27m | 17% |
| Facilities Management | £17m | 325% |
| Other Services (eg Disaster Recovery) | £48m | 9% |
| Total SCSI (excl own Hardware Maintenance & Op. Software) | £252m | 21% |
| Total Software and Services (Incl. own h/w maintenance & op. s/w) | £687m | 6% |

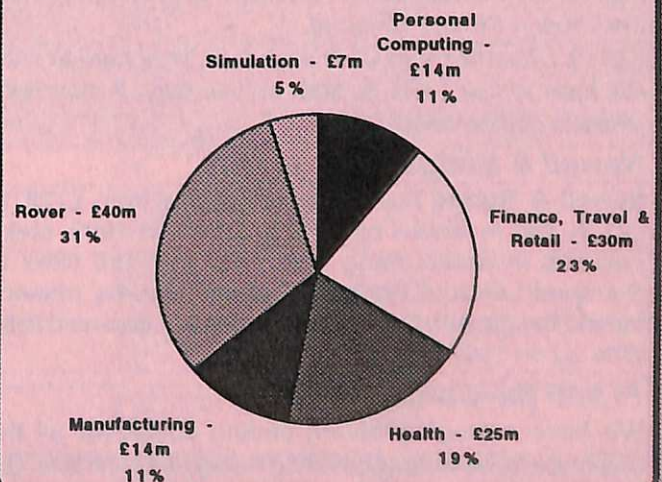
We have long said that IBM's future will stand or fall on its success in services. Being big in outsourcing is IBM's one last chance to regain customer control. On current performance, the omens are not good. The omens are also not good when important companies like IBM start withholding information - even EDS cooperates with us these days!

AT&T ISTEEL

"Richard, once again the massed ranks of ISTEEL set out to confuse and confound you". It would appear that the AT&T Isteel business unit had European SCSI revenues of £250m in 1993 - up from c£200m in 1992. However much of this growth was due to full year contributions from acquisitions - such as Infoplan, CAB and Dataid - made in 1992. Staff numbers seem to have reduced by 500 to 3500. UK revenues - a third of which still currently come from the Rover group - were down from £150m to £130m in 1993. This, and the decline in staff, was due to what AT&T describes as "restructuring" and the unquantified effects of moving the networking side into another area of AT&T. 400 of these job losses seem to have occurred in the UK where 1500 staff are now employed "at 19 locations from Newcastle to Barnstaple". No profit figures are available, but we would suspect another year of losses.

In the UK, Rover is still the largest "sector" representing nearly a third of total revenues. Clearly BMW represents both a serious threat and major opportunity. Services offered include network applications, systems integration, bespoke software development, software products (e.g. manufacturing/MRP products), personal computing services and IT outsourcing (at least seven health care FM contracts). Isteel's VADS services, e.g. their travel agent booking systems where they are ranked #1, are

AT&T Istel 1993 UK Revenue Breakdown



particularly well established.

Given the convergence of IT and telecomms, the link with AT&T promised much but so far the delivery has been rather disappointing. There have been some important wins in healthcare and local authorities by working jointly with GIS (NCR for those readers with longer memories). But "exploiting the AT&T dimension" where there are "unlimited joint opportunities" must surely be the major objective in 1994.

Computer Management Group (CMG) to go for listing in spring 1995

Defining what is and what is not a UK SCSI company is now an almost impossible task. Take CMG. Established in 1964 it is one of the UK's oldest SCSI companies. The "problem" is that in 1993, CMG made less than 30% (£38.2m) of its total revenues (£128.8m) from the UK market. The majority (60% or £81.9m) were earned from Holland. Over 95% of the shares are owned by 1800 directors, current/former employees and their relatives. Over 200 employees now have stock valued at over £70K. 68% of CMG's employees are based outside the UK. A bare majority of the shares are still UK-owned.

In the UK rankings, CMG is not even in the Top Twenty. Even its European revenues only just sneaks the company into the Top Fifty.

CMG's trading record has been safe rather than exciting. However, the 19% revenue increase to £129m and the 28% PBT increase to £11.1m in the year to 31st Dec. 93 were about the best for CMG for many a year. EPS decreased marginally in the year, from 35.3p to 35.1p due to losses in Germany not being allowed against UK tax charges (which grew from £3.3m to £5.8m as a consequence).

Growth was predominately organic. The acquisitions of the IMACS insurance package/Strata Business Systems and, in Holland, the IT consultancy business of The Management Share, added only

£3.8m revenues. UK revenues grew by just 2%, whereas in Holland revenues grew by 30% or 18% before exchange gains. Revenues in Germany grew by 5% to £8.8m where reorganisation costs of £1.1m were incurred "to reduce the significant losses made in 1992".

The majority (78%) of CMG's revenues come from consultancy, systems integration and project work. The remaining 22% come from FM/processing - a proportion which has reduced from last year's 24%.

Net assets increased by 5% £12.5m but cash increased by £1.6m to £11.1m at the year end.

CMG has a long tradition of employee shareholders as stated above. In the last year the internal share price has increased by 19% to £7.40 - which currently values CMG at around £115m or a P/E of around 21. This seems quite high for an internal market. Perhaps this is because CMG, at long last, has set a date - Spring 1995 - for its float on the London Stock Exchange.

CMG's Chairman and CEO says it is "very hard to predict the conditions which will prevail during 1994". But CMG is still here to celebrate its 30th anniversary. It may not be exciting, but it is safe. Many would settle for that as the ultimate compliment.

Newell & Budge triple profits

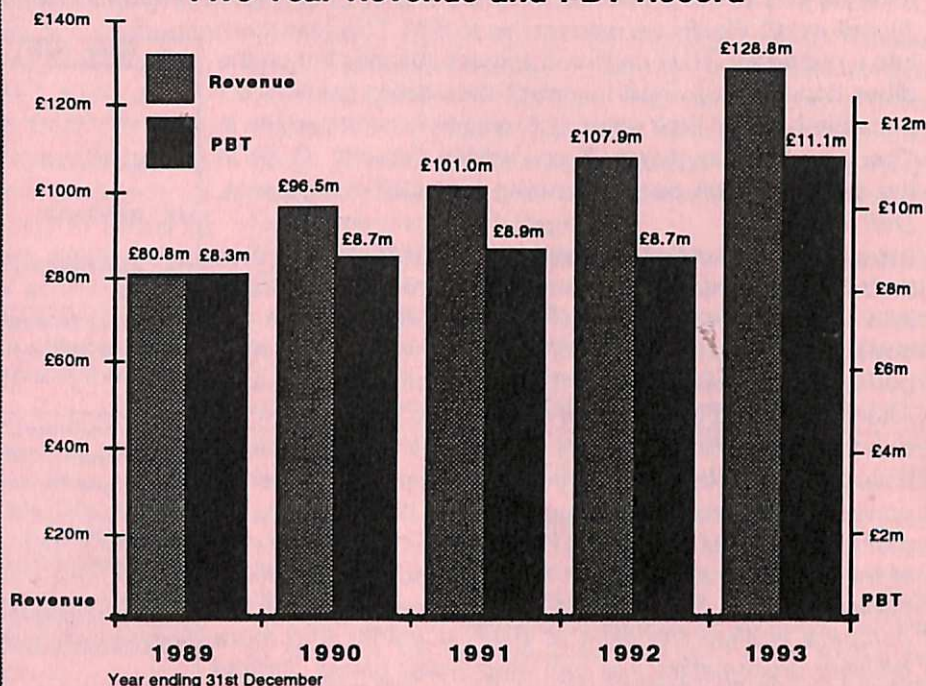
Newell & Budge has increased profits from £77K to £217K and revenues by 30% to £3.4m in 1993. Major success in outsourcing contracts with the likes of Standard Life and Bank of Scotland are the reasons behind the growth. Q1 1994 revenues are also said to be 20% up on 1993.

FI and the Co-Op

We have enough problem finding space for all the corporate news without covering new sales contracts. But we got a little concerned at the inaccuracies in the trade press over FI Group's "largest contract ever" - a £21.5m/ seven year "strategic alliance" with Co-Operative Bank "to provide systems development, enhancement and maintenance". 133 staff will transfer to FI. We understand that, contrary to other reports, the hardware side is not part of the deal. This really is a case of FI sticking to the knitting of its AM type business where it is now probably the UK market leader.

Can a float be too far away?

Computer Management Group plc (CMG) Five Year Revenue and PBT Record



We live in interesting times

First Philip Swinstead (ex SD-Scicon) becomes Chairman/CEO at Comac/CSS. Now Roger Graham (ex of BIS) has taken over as non-exec. chairman of "rival" Computer People and Tony Reeves becomes CEO. Clearly recruitment and contract IT staff is the place to be. Indeed, the latest MSL Index showed IT jobs advertised up 24% in Q1 1994.

General Motors lines up EDS for sale?

GM EDS stock "blasted to \$36 on Apr. 19 from \$26 in early Dec." (Source - BusinessWeek 2nd May 94) as a result of renewed speculation that GM will sell a minority stake. The old suitors, like AT&T and BT, are mentioned along with US Sprint.

Lucas SCSI profits slump

Lucas' Applied Technologies Division, which includes Metier (the Artemis project management system) acquired in 1990, reported revenues down 37% to £107.5m and profits down 81% to £800K in the six months to 31st Jan. 94.

Richard Holway Results Service

| | | | | | |
|---|----------------------------------|--|---|--|--|
| ACT Group plc | Results Revenue PBT EPS | Interim - Sep 92 £ 72,120,000 £ 4,543,000 5.01 | Final - Mar 93 £ 152,929,000 £ 20,478,000 10.63p | Interim - Sep 93 £ 107,595,000 £ 11,631,000 5.24p | Interim Comparison +49.2% +20.8% +4.6% |
| Admiral plc | Results Revenue PBT EPS | Final - Dec 92 £ 30,870,000 £ 3,986,000 24.2p | | Final - Dec 93 £ 36,640,000 £ 4,608,000 27.8p | Final Comparison +18.7% +15.8% +14.0% |
| Azlan Group plc | Results Revenue PBT EPS | Final - Mar 92 £ 29,283,000 £ 2,062,000 5.4p | Interim - Sep 93 £ 28,140,000 £ 1,862,000 6.3p | Final - Mar 93 £ 41,198,000 £ 2,964,000 8.4p | Final Comparison +40.8% +43.2% +55.6% |
| Capita Group plc | Results Revenue PBT EPS | Final - Dec 92 £ 33,098,452 £ 4,406,012 6.43p | | Final - Dec 93 £ 50,168,000 £ 5,463,000 7.9p | Final Comparison +51.8% +24.0% +23.4% |
| Cedardata plc | Results Revenue PBT EPS | Final - Mar 92 £ 4,062,000 £ 1,476,000 3.4p | Interim - Sep 93 £ 2,608,000 £ 998,000 2.3p | Final - Mar 93 £ 5,259,000 £ 1,778,000 4.2p | Final Comparison +29.5% +20.5% +23.5% |
| Centregold plc | Results Revenue PBT EPS | Interim - Jan 93 £ 38,001,000 £ 2,090,000 4.46p | Final - Jul 93 £ 67,985,000 £ 2,715,000 5.53p | Interim - Jan 94 £ 52,564,000 £ 2,900,000 4.7p | Interim Comparison +43.5% +24.4% +5.4% |
| Clinical Computing plc | Results Revenue PBT EPS | Final - Dec 92 (17 moe) £ 2,014,137 (£ 549,038) (2.12p) amended | | Final - Dec 93 £ 2,635,853 £ 1,163,951 £0.27p (amended) | Final Comparison Not comparable Loss to profit Loss to profit |
| Coda Group plc | Results Revenue PBT EPS | Final - Oct 92 £ 17,934,000 £ 3,248,000 n/a | | Final - Oct 93 £ 23,450,000 £ 3,752,000 9.6p | Final Comparison +30.8% +15.5% n/a |
| Comac Group plc | Results Revenue PBT EPS | Final - Dec 92 £ 11,118,158 £ 394,723 3.7p | | Final - Dec 93 £ 19,768,000 (£ 228,000) (1.9p) | Final Comparison +77.8% Profit to loss Profit to loss |
| Computerised Financial Solutions Europe Ltd | Results Revenue PBT EPS | Final - Dec 92 £ 3,224,898 £ 37,109 n/a | | Final - Dec 93 £ 3,338,636 £ 330,233 n/a | Final Comparison +3.5% +789.9% n/a |
| Computer People Group plc | Results Revenue PBT EPS | Final - Dec 92 £ 62,735,000 £ 145,000 (0.97p) | | Final - Dec 93 £ 68,748,000 £ 1,102,000 4.37p | Final Comparison +9.6% +660.0% Loss to profit |
| Cray Electronics Holding plc | Results Revenue PBT EPS | Interim - Oct 92 £ 91,862,000 £ 17,833,000 10.33p | Final - Apr 93 £ 200,785,000 £ 29,014,000 13.8p | Interim - Oct 93 £ 114,308,000 £ 7,804,000 2.39p | Interim Comparison +39.6% -56.2% -131.4% |
| CRT Group plc | Results Revenue PBT EPS | Final - Apr 92 £ 43,489,000 £ 6,158,000 8.26p | | Final - Apr 93 £ 47,035,000 £ 3,297,000 4.22p | Final Comparison +8.2% -46.5% -48.9% |
| DCS Group plc | Results Revenue PBT EPS | Interim - Dec 92 £ 2,903,000 £ 121,000 1.36p | Final - Jun 93 £ 5,545,366 £ 231,406 2.92p | Interim - Dec 93 £ 2,604,000 £ 41,000 0.61p | Interim Comparison -10.3% -66.1% -55.1% |
| Division Group plc | Results Revenue PBT EPS | Final - Oct 92 £ 1,081,913 (£ 107,783) (1.0p) | | Final - Oct 93 £ 2,078,000 (£ 503,000) (2.1p) | Interim Comparison +92.1% Loss both Loss both |
| Electronic Data Processing plc | Results Revenue PBT EPS | Final - Sep 92 £ 15,455,000 £ 4,877,000 12.8p amended | | Final - Sep 93 £ 14,341,000 £ 4,672,000 11.71p amended | Final Comparison -7.2% -4.2% -8.5% |
| Enterprise Computer Holdings plc | Results Revenue PBT EPS | Interim - Sep 92 £ 35,524,000 (£ 3,392,000) (4.3p) | Final - Mar 93 (restated) £ 58,231,000 (£ 6,143,000) (7.7p) | Interim - Sep 93 £ 9,895,000 £ 25,000 (0.02p) | Interim Comparison -72.1% Loss to Profit Loss both |
| Gresham Telecomputing plc | Results Revenue PBT EPS | Final - Oct 92 £ 7,250,000 £ 767,000 1.94p | | Final - Oct 93 £ 5,823,000 £ 551,000 1.04p | Final Comparison -19.7% -28.2% -46.4% |
| INSTEM plc | Results Revenue PBT EPS | Final - Dec 92 £ 14,272,000 £ 575,000 8.5p | | Final - Dec 93 £ 19,294,000 £ 1,021,000 14.8p | Final Comparison +35.2% +77.6% +74.1% |
| Kalamazoo Computer Group plc | Results Revenue PBT EPS | Interim - Sep 92 (Restated) £ 27,576,000 (£ 936,000) Nil | Final - Mar 93 (Restated) £ 56,509,000 £ 940,000 Nil | Interim - Sep 93 £ 29,582,000 £ 2,533,000 4.2p | Interim Comparison +7.2% Loss to Profit Loss to Profit |
| Kewill Systems plc | Results Revenue PBT EPS | Interim - Sep 92 (Restated) £ 15,418,000 (£ 172,000) (3.58p) | Final - Mar 93 (Restated) £ 33,341,000 (£ 5,192,000) (6.60p) | Interim - Sep 93 £ 15,999,000 £ 1,757,000 10.15p | Interim Comparison +3.8% Loss to Profit Loss to Profit |
| Kode International plc | Results Revenue PBT EPS | Final - Dec 92 £ 20,915,000 £ 1,031,000 8.6p | | Final - Dec 93 £ 24,916,000 £ 1,143,000 7.0p | Final Comparison +19.1% +10.9% -18.6% |
| Leamonth & Burchett Management Systems plc | Results Revenue PBT EPS | Interim - Oct 92 £ 10,713,000 £ 753,000 3.1p | Final - Apr 93 £ 23,645,000 £ 1,610,000 7.0p | Interim - Oct 93 £ 13,114,000 £ 201,000 1.0p | Interim Comparison +22.4% -73.3% -67.7% |
| Logica plc | Results Revenue PBT EPS | Interim - Dec 92 £ 104,208,000 £ 4,136,000 3.7p | Final - Jun 93 £ 217,434,000 £ 9,026,000 8.7p | Interim - Dec 93 £ 106,522,000 £ 3,211,000 3.3p | Interim Comparison +2.2% -22.4% -10.8% |
| Lynx Holdings plc | Results Revenue PBT EPS | Final - Sep 92 £ 7,447,000 £ 115,000 1.34p | | Final - Sep 93 £ 10,807,000 £ 619,000 4.27p | Final Comparison +45.1% +438.3% +219.7% |
| M.A.I.D plc | Results Revenue PBT EPS | Final - Dec 92 £ 3,485,337 £ 323,832 n/a | | Final - Dec 93 £ 5,723,909 £ 603,176 n/a | Final Comparison +64.2% +86.7% n/a |
| McDonnell Information Systems plc | Results Revenue PBT EPS | Final - Dec 92 £ 158,634,000 £ 18,658,000 n/a | | Final - Dec 93 (Pro Forma) £ 148,480,000 £ 12,857,000 14.3p | Final Comparison -6.4% -30.7% n/a |
| MR-Data Management Group plc | Results Revenue PBT EPS | Interim - Dec 92 £ 18,629,000 £ 4,020,000 4.89p | Final - Jun 93 £ 40,788,000 £ 8,759,000 10.6p | Interim - Dec 93 £ 19,602,000 £ 2,660,000 3.21p | Interim Comparison +5.2% -33.8% -34.4% |
| Macro 4 plc | Results Revenue PBT EPS | Interim - Dec 92 £ 11,213,000 £ 4,635,000 14.8p | Final - Jun 93 £ 23,256,000 £ 10,497,000 31.5p | Interim - Dec 93 £ 12,104,000 £ 5,400,000 16.0p | Interim Comparison +7.9% +9.4% +9.8% |

Richard Holway Results Service

| | | | | | |
|-------------------------------------|----------------------------------|---|---|---|--|
| Micro Focus plc | Results Revenue PBT EPS | Final - Jan 93 £ 68,882,000 £ 22,777,000 106.5p | | Final - Jan 94 £ 83,842,000 £ 21,781,000 101.2p | Final Comparison +21.7% -4.5% -5.0% |
| Microgen Holdings plc | Results Revenue PBT EPS | Final - Oct 92 £ 49,316,000 £ 8,243,000 13.8p | | Final - Oct 93 £ 63,361,000 £ 9,700,000 10.6p | Final Comparison +8.2% -18.7% -23.9% |
| Microvitec plc | Results Revenue PBT EPS | Final - Dec 92 £ 49,888,000 (£ 2,137,000) (3.4p) | | Final - Dec 93 £ 35,170,000 £ 1,611,000 2.1p | Final Comparison -29.5% Loss to profit Loss to profit |
| Misys plc | Results Revenue PBT EPS | Interim - Nov 92 £ 41,147,000 £ 6,757,000 11.9p | Final - May 93 £ 88,761,000 £ 15,125,000 27.4p | Interim - Nov 93 £ 42,086,000 £ 8,012,000 14.3p | Interim Comparison +2.3% +18.6% +20.2% |
| MMT Computing plc | Results Revenue PBT EPS | Final - Aug 92 £ 6,215,475 £ 1,504,040 7.9p | | Final - Aug 93 £ 7,067,716 £ 1,726,549 9.0p | Final Comparison +13.6% +14.7% +13.9% |
| On Demand Information plc | Results Revenue PBT EPS | Final - Jul 92 £ 21,949,000 (£ 726,000) n/a | | Final - Jul 93 £ 18,989,000 (£ 1,450,000) n/a | Final Comparison -13.5% Loss both Loss both |
| Oxford Molecular plc | Results Revenue PBT EPS | Final - Dec 92 £ 1,048,000 (£ 318,000) (9.7p) adjusted | | Final - Dec 93 £ 1,409,000 (£ 1,265,000) (8.9p) adjusted | Final Comparison +33.6% Loss both Loss both |
| P & P plc | Results Revenue PBT EPS | Final - Nov 92 £ 222,752,000 (£ 7,872,000) (14.0p) | | Final - Nov 93 £ 217,259,000 £ 4,107,000 4.3p | Final Comparison -2.47% Loss to profit Loss to profit |
| Pegasus Group plc | Results Revenue PBT EPS | Final - Dec 92 £ 10,269,000 £ 620,000 7.3p | | Final - Dec 93 £ 7,502,000 £ 6,930,000 72.0p | Final Comparison -26.9% +1017.7% +886.3% |
| Persona plc | Results Revenue PBT EPS | Final - Dec 92 £ 14,088,000 £ 259,000 2.36p | | Final - Dec 93 £ 22,862,000 £ 1,749,000 11.05p | Final Comparison +62.3% +366.5% +368.5% |
| Phonelink plc | Results Revenue PBT EPS | Interim - Sep 92 £ 327,000 (£ 2,000) n/a | Final - Mar 93 £ 922,567 £ 30,905 0.1p | Interim - Sep 93 £ 586,000 (£ 301,000) (0.8p) | Interim Comparison +78.2% Loss both Loss both |
| Proteus International plc | Results Revenue PBT EPS | Interim - Sep 92 Nil (£ 1,516,000) (4.73p) | Final - Mar 93 £ 21,000 (£ 3,547,000) (13.52p) | Interim - Sep 93 Nil (£ 2,733,000) (10.08p) | Interim Comparison Both nil Loss both Loss both |
| Quality Software Prod. Holdings plc | Results Revenue PBT EPS | Final - Dec 92 £ 13,118,183 £ 1,200,676 16.2p | | Final - Dec 93 £ 13,346,543 £ 553,214 6.7p | Final Comparison +1.7% -54% -66.6% |
| Radius plc | Results Revenue PBT EPS | Final - Nov 92 £ 24,012,000 £ 1,231,000 2.9p | | Final - Dec 93 £ 23,273,000 (£ 1,171,000) (3.0p) | Final Comparison (13 moe) -3.1% Profit to loss Profit to loss |
| Real Time Control plc | Results Revenue PBT EPS | Interim - Sep 92 £ 3,134,000 £ 258,000 2.5p | Final - Mar 93 £ 6,114,000 £ 492,000 4.9p | Interim - Sep 93 £ 3,579,000 £ 424,000 4.1p | Interim Comparison +14.2% +64.3% +64% |
| Rolle & Nolan plc | Results Revenue PBT EPS | Interim - Aug 92 £ 5,307,000 £ 707,000 8.9p | Final - Feb 93 £ 11,232,000 £ 1,218,000 17.7p | Interim - Aug 93 £ 6,055,000 £ 609,000 6.1p | Interim Comparison +14.1% -13.9% -31.5% |
| Sage Group plc | Results Revenue PBT EPS | Interim - Mar 93 £ 20,983,000 £ 5,380,000 17.66p | 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 | Final - Sep 92 £ 21,398,000 £ 2,805,000 24.0p | | Final - Sep 93 £ 23,581,000 £ 3,327,000 25.4p | Final Comparison +10.2% +18.6% +5.8% |
| Sema Group plc | Results Revenue PBT EPS | Final - Dec 92 £ 416,675,000 £ 19,458,000 13.22p | | Final - Dec 93 £ 601,992,000 £ 24,855,000 16.62p | Final Comparison +20.5% +27.7% +25.7% |
| Sherwood Computer Services plc | Results Revenue PBT EPS | Final - Dec 92 £ 21,103,000 £ 3,004,000 34.1p | | Final - Dec 93 £ 23,561,000 (£ 1,998,000) (35.78p) | Final Comparison +11.6% Profit to Loss Profit to Loss |
| Standard Platforms plc | Results Revenue PBT EPS | Final - Mar 92 £ 1,806,610 (£ 847,471) n/a | | Final - Mar 93 £ 2,700,000 (£ 405,368) n/a | Final Comparison +66.8% Loss Both n/a |
| Superscape 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 | Interim - Sep 92 £ 1,361,536 £ 424,536 2.85p | Final - Mar 93 £ 2,869,359 £ 832,906 6.08p | Interim - Sep 93 £ 1,079,044 £ 12,330 0.078p | Interim Comparison -20.7% -97.1% -97.3% |
| 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 £ 5,288,993 £ 698,831 2.3p | Interim - Oct 93 £ 4,943,000 £ 148,000 0.6p | Final - Apr 93 £ 6,390,000 £ 605,000 2.9p | Final Comparison +68.7% -13.3% +66.1% |
| Vega Group plc | Results Revenue PBT EPS | Interim - Oct 92 £ 3,623,000 £ 404,000 1.34p | Final - Apr 93 £ 8,089,000 £ 1,705,000 7.99p | Interim - Oct 93 £ 4,517,000 £ 757,000 3.54p | Interim Comparison +24.7% +87.4% +104.2% |
| Virtuality Group plc | Results Revenue PBT EPS | Final - Dec 92 £ 5,245,000 £ 217,000 1.1p | | Final - Dec 93 £ 5,400,000 (£ 385,000) (1.7p) | Final Comparison +2.9% Profit to Loss Profit to Loss |
| Vistec Group plc | Results Revenue PBT EPS | Interim - Oct 92 £ 16,703,000 £ 1,305,000 0.73p | Final - Apr 93 (Restated) £ 28,665,000 £ 3,282,000 1.88p | Interim - Oct 93 £ 17,630,000 £ 1,126,000 0.62p | Interim Comparison -6.7% -13.7% -15.1% |
| Wakebourne plc | Results Revenue PBT EPS | Final - Dec 92 £ 24,171,000 £ 453,000 0.13p | | Final - Dec 93 £ 23,233,000 (£ 16,649,000) (3.8p) | Final Comparison -3.9% Profit to Loss Profit to Loss |

Acquisitions, disposals and liquidations

Misys in biggest ever purchase

There are some rather *unusual* features about the purchase this month of banking software specialist **Kapiti** by **Misys**.

- the offer values Kapiti at £40m - the largest acquisition by far in a Misys record of around 20 acquisitions.
- £25m of this is to be paid in cash. To finance this Misys offered a 2-for-13 rights issue at 425p per share.
- Kapiti makes 90% of its revenues outside of the UK, so in one bound Misys goes from just 3% of its revenues generated overseas to over 25%.

We have written about Kapiti on many occasions. PBT of £2.4m in 1990 dived to £348K in 1991 after Kapiti "merged" with dealing room experts, **Aregon**, in Jan. 90. But performance had recovered to a PBT of £3.2m on revenues of £29.5m in the year to 31st Dec. 93. The rights issue document contains a *sort of* profits forecast for Kapiti for 1994 of "not less than £4m". This being the minimum PBT at which management can dispose of part of their shares.

This deal is perhaps the most important ever for Misys. It is at a *full price* - more in line with a float than a trade sale. But it also provides many opportunities. Analysts welcomed the move - due largely to their knowledge of Kapiti as a result of its own *beauty parade* ahead of its own planned float. The alternatives for Kapiti were a float - in an increasingly unreceptive market - or a purchase by an overseas group. We were pleased that two UK companies, both of which we hold in high regard, have joined forces. This bodes well for the UK SCSI industry.

Another party pleased with the deal was Colin Amies of **Advent**. Various Advent funds had invested in both Kapiti and **Aregon**. Amies had been a non exec. of one or the other since 1987. Advent, like many a VC, "did not have the luxury of being in for the long term". He confirmed that the Misys price was "comparable to a float price" with the added advantage that they could take out 75% in cash. The Advent fund which invested £2.3m in 1987 saw its investment quadruple to £8.5m.

The heavily discounted rights issue price of 425p caused the Misys share price to fall from 512p to 470p at one point before recovering to end April on 493p.

Pearson in £310m purchase

UK **Pearson plc** has made an agreed offer of \$462m for US **Software Toolworks** which develops "edutainment" and "infotainment" interactive software for PCs and Sega/Nintendo games machines. ST made PBT of \$6m on revenues of \$101m in the 9 months to 31st Dec. 93, so the deal looks "generous" to say the very least. (Strange jargon courtesy of Computergram). Pearson justify the deal because of the "explosive growth" in CD ROM publishing.

MAID...you were warned

Please don't ever say we didn't warn you. **MAID** was launched at 110p - below the 150p price at one time rumoured. In an effort to stop the slide, Chairman Dan Wagner bought 100,000 shares at 103p. It did not succeed - the shares slumped this month from 110p to a low of 63p. The problem is that the lemmings in the City seem to think that one overpriced issue which fails means that all the others are the same. The issue cannot have done a lot for broker Hoare Govett's reputation either.

May 1994

The others...CMG (see p4) has this month agreed to buy **Agridata BV** "which was profitable on turnover of about £12m last year: the price was a few million pounds".

Source - Computergram 29th Mar. 94. **US Legent Corp.** has bought UK IT change management consultancy **Fisher D'Alton Ltd.** **Sema Group** has acquired Spanish **Contact Group** (a loss-making card processing bureau with revenues of £7.1m) for £4.4m. **Hogg Robinson** has bought **Claybrook Computing**, which supplies pension systems, for £2m (£540K cash plus £1.46m loan notes). **EIT** (yes, they are still struggling on) has sold the IPR's in **Decisionware's** software to its management. **Adroit Systems**, developers of the Chronicle local government finance package, went into liquidation owing over £700K and was quickly snapped up by **Paragon Project Services (PPS)** for just £30K. **Kewill Systems** has acquired the "8.3% minority interest in its subsidiary **Programming and Software Implementation**, which was owned by **Alan Register its MD**" for Kewill shares valued at £113K. UK "FM" supplier **Serco** has acquired Canadian **Thompson-Hickling Aviation (THA)** for \$1.25m. THA provides "air traffic control, meteorology, systems integration and consultancy services to government and industry". **Proteus International** launched a 1-for-7 rights issue to raise £10.4m at 280p. Proteus had been as high as 505p since their USM launch at 84p in June 1990. However, analysts questioned the wisdom of taking up the rights and the shares fell to 268p. IBM reseller **Think Computers** has appointed the receivers. **EDS** has acquired French insurance management consultancy, **Eurosept SA.** **Lynx Holdings**, now part of our CSI Index, has acquired **S-Com Mobile Data Systems** for £384K in shares. S-Com Mobile is a mobile data systems integrator employing 14 staff with revenues of £747K in the year to 31st Aug. 93. UK **GP Computer Solutions** has "merged" with Irish software producers **AVN International** and **CHESS**. All companies operate in the medical computing market. **Capita** has bought **John Crilley & Son**, the UK's 2nd largest bailiff, for £1.05m in shares.

Sherwood sells Guardian stake to ICL

In May 91, after having to write off £125K in costs when the sale of their disaster recovery operations were aborted, **Sherwood Computer Services** announced the sale of a 75% stake in **Guardian** to **ICL**. In the previous year (1990) this operation had lost £242K on revenues of £2.7m. The announcement at the time said that ICL could acquire the remaining 25% stake for "up to £975K" in 1994. It looks as if **Guardian** has been a major success since. This month **Sherwood** has sold its remaining 25% stake to **ICL** for £825K. Sherwood results - page 12.

DRS valued at £39m



Data Research Services (DRS) is the latest in a long string of new issues. The placing of 38% of the equity at 110p per share by **Beeson Gregory** will value the group at £39.2m when dealings start on 5th May.

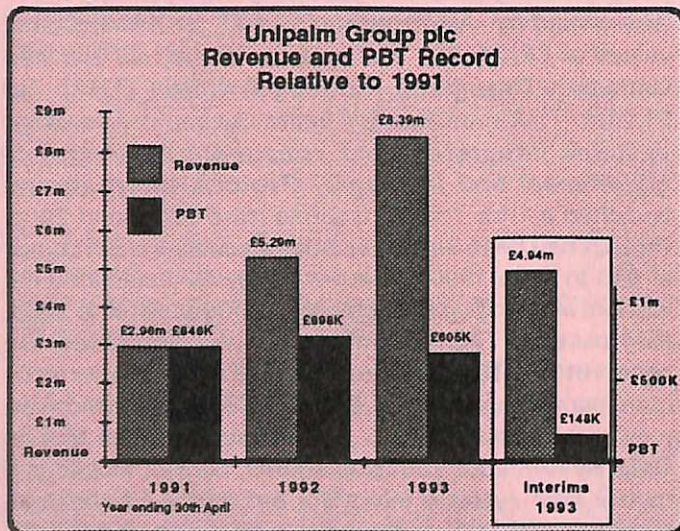
Setup in 1969 as a data capture bureau, their recent growth has been fuelled by their move into optical reading systems e.g. as used in marking multiple choice examination papers. Latest results for 1993 show PBT of £3m on revenues of £11.6m - an impressive 26% profit margin. The P/E of 16.3 is quite reasonable - at least when compared with other recent new issues.

This month's new issues

Unipalm

Dealings in Unipalm commenced on 31st March after a placing by Henry Cooke Lumsden of 7m shares at 100p each generated £5.4m net valuing Unipalm at £20.24m. Unipalm was founded by MD Peter Dawe in 1986. The original Unipalm business develops and sells TCP/IP networking software which represented 88% of revenues in 1993. The real excitement, however, is PIPEX which provides Internet connections to UK businesses. This market is undoubtedly witnessing explosive growth at present.

The financial record, shown below, is hardly exciting and unfortunately includes £300K capitalised R&D. Profits of "not less than £250K after taking into account losses of £450K in PIPEX" are forecast for the financial year ending 30th Apr. 94.



In Aug. 92, 3i invested £1m "to refinance the business". Part of the proceeds from the placing were used to repay £175K of prefs. 3i still holds 14.8% (c£3m) of the equity Unipalm ended April up a massive 38% at 138p.

Oxford Molecular

The placing of 34% of Oxford Molecular at 80p on 28th April 94 valued the developer of computer-aided molecular design software and systems for the pharmaceutical and biotechnology industries at £29.5m. The market for such software is said to be worth £140m p.a. and growing by 25% p.a.

Oxford made a loss of £1.2m to 31st Dec. 93 on revenues of just £1.4m. They went to great lengths to differentiate themselves from the other "100% froth" new issues of late and even the Investors Chronicle says the company has "more credibility than many of its peers". There are currently 14 products in the portfolio and customers are "blue chip" like Glaxo, Pfizer and SmithKline Beecham. The £9.35m net proceeds will be retained in the business.

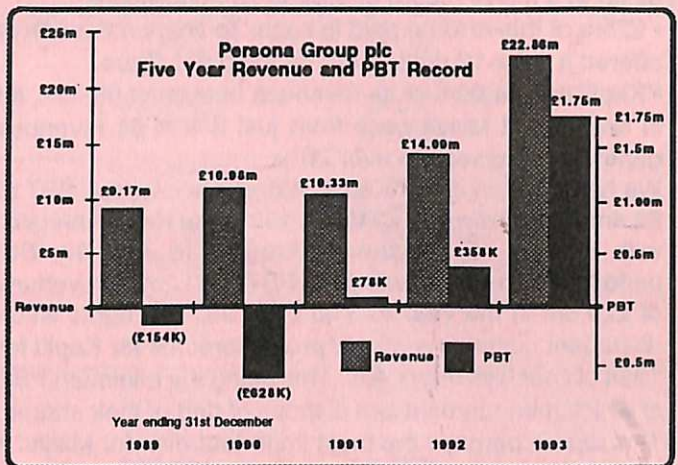


New issue balloon has burst?

Our front page headline "When will the bubble burst" just two months ago proved to be one of our more prophetic forecasts. Although the four new issues in April have maintained the trend of late, there has been only one new issue announcement this month - Data and Research Services (DRS - see p 7).

Persona

Persona Group plc is a distributor of PC network and comms products. This month Persona followed in the footsteps of its "one main competitor which competes across the full product range" - Azlan - by achieving a successful Stock Exchange float which valued the company at £19.3m. The placing at 160p was at a "modest" P/E of 14.4 compared with Azlan's 27.4 at the time of launch.



Persona probably has a better track record than Azlan. For example, last year it achieved an operating profit per employee of £29K compared with Azlan's £24.5K. Both the kind of the returns which will make most readers green with envy. Even so, the share price rose to 277p - a modest premium of 17p. In part this was due to the market's scepticism of third party product distribution. Persona is moving into services. E.g. it has a subsidiary - Faculty - which offers training and consultancy.

Although the placing involved 70% of the enlarged equity, only £2m is "new" money for the company. As to the future, "it is too early to forecast the outcome for the current year but trading in the first two months of 1994 was significantly ahead of 1993".

Superscape VR

It has been the year of virtual reality new issues. Division and Virtuality were amongst the very best performers and this month Superscape VR has joined their ranks. 33% of the company was placed at 198p per share valuing the group at £10.5m. The shares rocketed to 268p on the first day of trading. IBM invested £340K in a private subscription at 158p. 92% of the proceeds will be retained by the business particularly to expand overseas sales.

Yet again the placing involved a loss-making company - £21.5K on revenues of just £642K in the year to 31st July 93. This had grown to a loss of £73.3K on revenues of £390K for the six months to 31st Jan. 94 with "healthy losses" (sic) of not more than £450K forecast.

Superscape is more involved with the business application of VR rather than games, with customers including BT, Reuters, Intel and the MoD. The application of VR for architectural design, safety training, operator simulation etc is both exciting and an area where the UK is clearly a world leader. Given the record of other VR companies, Superscape was clearly attractive to the gamblers and rose 31% in the first few days. Indeed, non-exec Alan Wood has made a fortune out of astute investments in the SCSI sector. But staff numbers of just 14 will make Superscape the smallest quoted company in the sector.

Share price movements in April

The biggest share price rise in April was **Sherwood** - up 43% in a month when they declared a £2m loss and the Chairman resigned (p12). Sherwood is now considered to be a bid target and Tilbrook from MMT is out upping his stake. Newcomers **Unipalm** (up 38%) and **Superscape** (up 31%) proved yet again how hype is now more important than a trading record (p8). **Vega** was up 19% on the announcement of a £2m Royal Navy CBT contract.

MAID was the biggest faller - down 32% - even though only 3% of the shares have changed hands. Clearly the brokers cannot find buyers at any price (p7). **Virtuality** fell 16% due, in part, to a drubbing on BBC 2's "The Net" programme. Poor old **Micro Focus** fell 12% to 818p. Just two years ago Micro Focus had a capitalisation of £320m - it is now "worth" £117m. Shares in **Standard Platforms** were suspended.

Our CSI Index is Five Years Old this month. "Newcomers" **Capita** (up 580%) and **Comac** (up 530%) are the best performers. Of those quoted in April 1989, **EDP** (up 450%) and **Sage** (up 360%) are the best. The worst performers, of course, were "failures" **Ferrari**, **Headland**, **Memory** and **EIT**.

| 30-Apr-94 | | CSI Index | | 1718.22 |
|-------------------------------------|--|---------------|----------|----------------|
| CSI Index = 1000 on 15th April 1989 | | FTSE 100 | | 3125.30 |
| | | FTSE SmallCap | | 1920.44 |
| Changes in Indices | | CSI Index | FTSE 100 | FTSE Small Cap |
| Month (25/3/94 - 30/4/94) | | +0.44% | -0.12% | +0.03% |
| From 15th Apr 89 | | +71.82% | +52.19% | |
| From 1st Jan 90 | | +86.74% | +32.32% | |
| From 1st Jan 91 | | +142.73% | +44.66% | |
| From 1st Jan 92 | | +64.44% | +25.36% | |
| From 1st Jan 93 | | +7.82% | +9.79% | +38.43% |
| From 1st Jan 94 | | +2.91% | -8.57% | +2.77% |

System House CSI Share Prices and Capitalisation

| | Share Price 30/4/1994 (£p) | Capitalisation 30/4/1994 (£m) | Historic P/E | Ratio Cap./Rev. | CSI Index 30/4/94 | Share price % move since 25/3/94 | Share price % move in 1994 | Capitalisation move (£m) since 25/3/94 | Capitalisation move (£m) in 1994 |
|----------------------------|-------------------------------|----------------------------------|-----------------|--------------------|----------------------|--|----------------------------------|--|--|
| ACT | £1.74 | £322.60m | 17.5 | 2.11 | 2761.90 | 0.58% | 21.68% | £1.90m | £58.90m |
| Admiral | £5.60 | £63.80m | 20.6 | 1.74 | 4057.97 | 3.70% | 15.46% | £5.50m | £11.40m |
| Azlan | £2.79 | £60.90m | 33.2 | 1.48 | 1213.04 | 14.34% | 5.28% | £7.60m | £3.00m |
| Capita | £2.26 | £110.50m | 28.6 | 2.20 | 6786.79 | 0.00% | -5.04% | £3.40m | -£ 2.30m |
| Cedardata | £1.00 | £30.60m | 16.4 | 5.82 | 952.38 | -4.76% | -4.76% | -£ 1.56m | -£ 1.56m |
| Centregold | £1.20 | £48.30m | 18.1 | 0.71 | 960.00 | 0.00% | -25.93% | £0.00m | -£ 16.90m |
| Clinical Computing | £1.37 | £22.20m | 21.9 | 8.44 | 1104.84 | 3.01% | 10.48% | £0.60m | £2.10m |
| Coda | £2.34 | £61.40m | 24.4 | 2.62 | 995.74 | 0.00% | -0.43% | £0.00m | -£ 0.25m |
| Comac Group | £1.13 | £41.30m | 29.1 | 2.09 | 6277.75 | -8.13% | 2.73% | -£ 3.70m | £1.10m |
| Computerised Financial | £1.40 | £6.58m | n/a | 2.04 | 1555.56 | 5.26% | 55.56% | £0.33m | £2.35m |
| Computer People | £1.78 | £24.70m | 41.4 | 0.36 | 732.51 | -1.66% | 64.81% | -£ 0.40m | £9.70m |
| Cray Electronics | £1.86 | £409.90m | 18.1 | 2.04 | 1087.72 | 9.09% | 15.53% | £34.10m | £55.10m |
| CRT | £1.09 | £58.30m | 19.7 | 1.24 | 1211.11 | -1.36% | 11.22% | -£ 0.80m | £6.20m |
| DCS Group | £0.83 | £5.92m | 28.4 | 1.07 | 1383.33 | 9.21% | 38.33% | £0.60m | £1.72m |
| Division Group | £1.16 | £39.20m | Loss | 18.85 | 2900.00 | 16.00% | 43.21% | £5.40m | £11.80m |
| Electronic Data Processing | £1.79 | £46.70m | 15.3 | 3.26 | 5480.71 | -4.79% | -9.60% | -£ 2.40m | -£ 4.90m |
| Enterprise | £0.17 | £13.20m | Loss | 0.23 | 136.00 | -8.11% | -46.03% | -£ 1.10m | -£ 12.50m |
| Gresham Telecomputing | £0.69 | £22.50m | 62.0 | 3.87 | 741.94 | -4.17% | -37.84% | -£ 1.00m | -£ 13.00m |
| INSTEM | £1.51 | £6.85m | 9.5 | 0.36 | 1510.00 | -5.63% | 11.85% | -£ 0.40m | £0.39m |
| Kalamazoo | £1.18 | £44.90m | 27.4 | 0.79 | 3371.43 | -7.81% | 18.00% | -£ 3.80m | £6.80m |
| Kewill | £2.70 | £32.80m | Loss | 0.98 | 1067.19 | 6.72% | 21.62% | £2.20m | £6.30m |
| Kode International | £1.15 | £10.80m | 16.5 | 0.43 | 534.88 | -10.16% | -28.13% | -£ 1.10m | -£ 4.10m |
| Learmonth & Burchett | £0.99 | £18.00m | 14.0 | 0.76 | 825.00 | 4.21% | -31.72% | £1.00m | -£ 8.00m |
| Logica | £3.03 | £186.40m | 34.9 | 0.86 | 830.14 | 4.12% | 10.99% | £7.10m | £18.50m |
| Lynx Holdings | £0.48 | £20.20m | 12.0 | 1.87 | 1200.00 | -11.11% | 9.09% | -£ 1.60m | £3.40m |
| MAID | £0.69 | £56.10m | n/a | 9.84 | 627.27 | -32.35% | -37.27% | -£ 26.50m | -£ 33.00m |
| MDIS | £2.60 | £260.00m | 18.2 | 1.75 | 1000.00 | 2.36% | 0.00% | £6.00m | £0.00m |
| MR Data Management | £2.14 | £118.80m | 23.8 | 2.91 | 849.21 | 3.88% | 4.39% | £4.50m | £5.20m |
| Macro 4 | £6.40 | £145.50m | 19.2 | 6.26 | 2580.65 | -2.29% | -5.60% | -£ 3.40m | -£ 8.50m |
| Micro Focus | £8.18 | £117.00m | 7.8 | 1.40 | 3951.69 | -11.85% | -18.20% | -£ 14.80m | -£ 25.00m |
| Microgen | £1.48 | £58.30m | 14.9 | 1.09 | 632.48 | 0.00% | 0.00% | £0.00m | £0.00m |
| Microvittec | £0.34 | £21.50m | 15.2 | 0.61 | 823.17 | 5.47% | 3.85% | £1.10m | £0.30m |
| Misys | £4.93 | £220.90m | 18.3 | 2.49 | 1226.37 | -3.52% | -2.38% | £22.60m | £25.00m |
| MMT | £1.73 | £19.50m | 23.6 | 2.76 | 1029.76 | -2.81% | 20.98% | -£ 0.50m | £4.20m |
| On-Demand | £1.00 | £51.00m | n/a | 2.69 | 1282.05 | 1.01% | -11.50% | £0.50m | -£ 6.60m |
| Oxford Molecular | £0.81 | £29.90m | Loss | 21.36 | 1012.50 | 1.25% | 1.25% | £0.40m | £0.40m |
| P&P | £0.70 | £38.70m | 16.7 | 0.18 | 311.66 | -2.11% | 8.59% | -£ 0.90m | £3.20m |
| Pegasus | £1.97 | £12.30m | 21.4 | 1.64 | 536.78 | -2.96% | -7.94% | -£ 0.40m | -£ 1.80m |
| Persona | £1.77 | £21.40m | 15.9 | 0.94 | 1106.25 | 10.63% | 10.63% | £2.10m | £2.10m |
| Phonelink | £4.10 | £145.50m | n/a | 156.45 | 2645.16 | 10.51% | 12.64% | £13.90m | £16.30m |
| Proteus | £2.61 | £81.20m | Loss | n/a | 3107.14 | -10.62% | -38.00% | £1.20m | -£ 34.20m |
| Quality Software | £4.24 | £35.20m | 63.3 | 2.64 | 1115.79 | 0.00% | 4.69% | £2.20m | £3.70m |
| Radius | £0.29 | £7.92m | Loss | 0.34 | 210.14 | 0.00% | 3.57% | £0.00m | £0.28m |
| Real Time Control | £1.07 | £7.49m | 22.0 | 1.23 | 2183.67 | 2.88% | 46.58% | £0.21m | £2.38m |
| Rolle & Nolan | £3.08 | £18.70m | 21.1 | 1.67 | 1833.33 | 0.00% | 4.41% | £0.00m | £2.00m |
| Sage Group | £5.98 | £124.40m | 16.0 | 3.01 | 4600.00 | 14.12% | 17.25% | £15.40m | £19.30m |
| Sanderson | £3.23 | £30.70m | 13.8 | 1.30 | 1374.47 | 0.94% | 0.94% | £0.30m | £2.20m |
| Sema Group | £4.10 | £378.00m | 24.6 | 0.75 | 1289.31 | 4.33% | 32.26% | £18.00m | £95.90m |
| Sherwood | £1.16 | £7.08m | Loss | 0.34 | 966.67 | 43.21% | 5.45% | £2.14m | £0.37m |
| Standard Platforms | £0.36 | £1.43m | Loss | 0.53 | 159.99 | 0.00% | 12.50% | £0.00m | £0.13m |
| Superscape | £2.60 | £13.80m | Loss | 21.50 | 1313.13 | 31.31% | 31.31% | £3.30m | £3.30m |
| Total | £0.35 | £3.53m | 6.2 | 1.23 | 660.38 | 0.00% | 45.83% | £1.58m | £1.13m |
| Trace | £0.42 | £5.83m | 25 | 0.32 | 336.00 | 7.69% | 10.53% | £0.42m | £0.44m |
| Unipalm | £1.38 | £27.90m | 47.59 | 3.33 | 1380.00 | 38.00% | 38.00% | £7.66m | £7.66m |
| Vega Group | £2.48 | £35.10m | 23.6 | 3.94 | 2032.79 | 19.23% | 13.24% | £5.70m | £4.20m |
| Virtuality | £2.72 | £71.10m | Loss | 13.54 | 1600.00 | -16.31% | -17.82% | -£ 13.80m | -£ 15.40m |
| Vistec | £0.27 | £33.40m | 16.1 | 0.86 | 1184.78 | -4.39% | 13.54% | -£ 1.50m | £4.10m |
| Wakebourne | £0.0325 | £27.20m | Loss | 1.13 | 722.22 | 0.00% | 116.67% | £0.00m | £14.70m |

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.

ICL

Reviewing ICL needs both care and tact. Everyone thinks of ICL as a UK company - rather than owned by Japanese Fujitsu. Secondly, everyone

pays justifiable homage to CEO Peter Bonfield - in much the same way as fans pay homage to Bonfield's "hero" Eric Clapton. Any criticism of either the company or the man seems strangely unpatriotic.

If you were so inclined you could criticise ICL for reporting decreased profits for four consecutive years. The latest results for the year to 31st Dec. 93 showed PBT declining

by 40% to £23.4m. ICL's long awaited Stock Exchange float seems as far away as ever. Reviewers are kind about these results because they contrast them with the disasters at IBM, DEC, BULL et al. Nobody ever seems to make the comparison with HP or even to the renaissance at Unisys.

In our view ICL deserves the kind treatment because of their achievements in the software and services arena. ICL was the first hardware manufacturer - perhaps a decade ago - to realise that the key to its future success lay in computing services. By a combination of organic growth centred on a small number of specific markets - like retail and local government - and an astute acquisitions policy, ICL has built itself into the

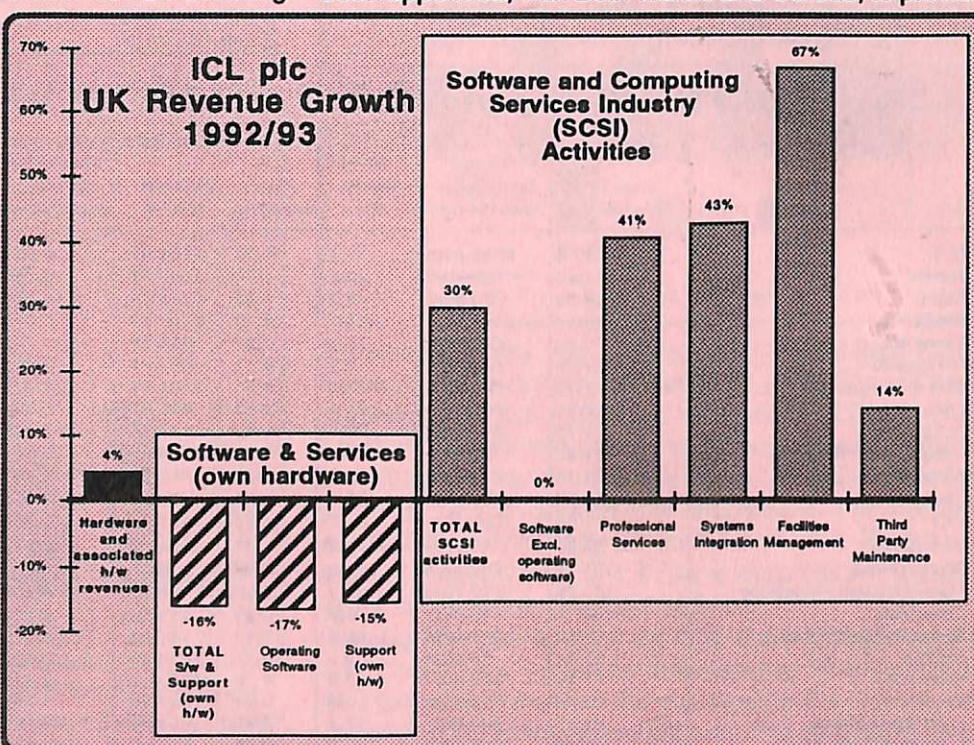
largest supplier of SCSI services to the UK market. 1993 UK SCSI revenues increased by 30% to £415m - maintaining, and indeed increasing at least for this year, ICL's dominance over EDS (ranked #2 at £250m).

As readers know we have a strict - and often unpopular - definition of SCSI revenues which excludes operating software revenues and hardware support revenues associated with "own hardware". This year the definition has acted in ICL's favour, as both these revenue streams

witnessed a major 16% decline.

The star performer for ICL UK was its FM activities, undertaken by CFM, which grew by 67% to revenues of £75m. The acquisition of MMC (ICL's closest local authority FM competitor) for £3.5m in Oct. 92 and taking over LOLA "the largest outsourcing contract so far in local government" in Dec. 92 clearly assisted. But for CFM the most significant contract was taking over the running of the IBM mainframes at the Co-Operative Wholesale Society. CFM now employs nearly 1500 staff.

ICL is particularly pleased with its "vertical industry" specialisation in, for example, the retail sector, financial services and the travel industry. In the latter, ICL has been appointed, with Bell Atlantic and Sorbus, to provide



| ICL plc - 1993 | UK | Europe | International | TOTAL |
|--|---------|--------|---------------|---------|
| TOTAL REVENUE | £1,275m | £935m | £415m | £2,625m |
| HARDWARE and associated | £595m | £550m | £260m | £1,405m |
| Operating Software | £100m | £30m | £15m | £145m |
| Support (own hardware) | £165m | £160m | £85m | £410m |
| Software (excl. op. software) | £95m | £50m | £25m | £170m |
| Professional services | £155m | £65m | £15m | £235m |
| Systems Integration | £50m | £20m | £15m | £85m |
| Facilities Management | £75m | £0m | £0m | £75m |
| Third Party Maintenance (incl. Sorbus) | £40m | £60m | £0m | £100m |
| Total Software and Services (incl. own h/w maintenance & op. software) | £680m | £385m | £155m | £1,220m |
| Total SCSi (excl. own hardware maintenance & op. software) | £415m | £195m | £55m | £665m |

"support of around 250,000 devices used by more than 23,000 travel agents and 42 airlines in 45 countries" for American Airlines/SABRE.

ICL's SCSi revenues are still predominately earned in the UK. In 1993, whereas UK SCSi revenues grew by 30%, European SCSi revenues "only" increased by 11%. Expansion in Europe is clearly both the challenge and the opportunity. We expect ICL to focus its acquisition activities in Europe rather than the UK. In March 1994,

ICL bought ABB Datasystems of Finland. But perhaps Bonfield has his eyes on bigger fish as the following quote suggests:

"Bonfield believes ICL might even be able to forge an alliance with the software and services side of BULL, the ailing French computer giant. The French industry department recently sought his informal advice on how BULL - the government's biggest headache - might be turned round".

continued p11

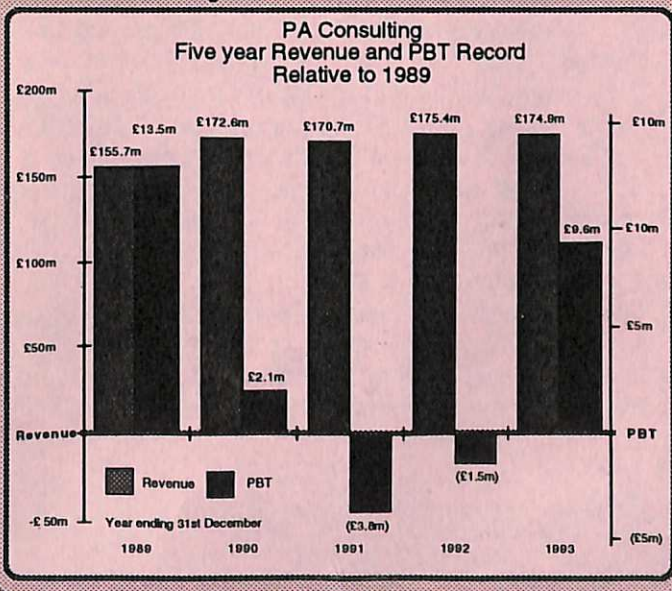
ICL - continued from p10

Source - Andrew Lorenz in The Times - 6th Mar. 94.

This quote concludes with the words *"The ICL revolution could have received no greater tribute"*. This perhaps encapsulates the whole industry thinking about ICL. ICL and its management know all there is to know about rescuing ailing hardware manufacturers. They understood that the future lay in software and services and *went for it*. ICL now leads the UK SCSI market and could well lead Europe too. Most of ICL's competitors would love to be in their shoes right now. But we will bring them all back to earth by repeating our quote from last year. *"They say it takes 10 years to change the culture of a company...ICL started that change fourteen years ago in 1980"*.

Profits recovery at PA Consulting

The last few years have been tough for PA Consulting. Provisions for unlet property, staff redundancies etc. all added to the management consultancy sector downturn we have reported on many occasions before. But 1993 has seen a major profits recovery for PA (but on static revenues) as shown in the chart below. We understand that IT related activities represented around 30%, or £55m, of 1993 revenues - £37m of this earned in the UK. 80% of shares are held by a trust fund and the remainder by staff. In 1989 a Stock Exchange float was openly talked about. Clearly with these current results this could well be back on the agenda for 1995.



Sage shows what a class act it is...again

In July 93, Sage issued a warning that profits *"would be lower than general market expectations"*. The share price dived to 380p but full year results still showed EPS up 5%. Latest interims for the six months to 31st Mar 94 show revenues up 21% at £25.4m, PBT up 28% at £6.86m and EPS up 25.8%. The shares ended the month up 14%.

Last year's problems in the US seem to have been overcome. DacEasy increased operating profits by 32% to £1.3m on revenues of £6.9m and TeleMagic converted last year's loss of £370K into a profit of £47K.

The UK continued to be the best market with revenues up 33% to £13.8m *"with particularly strong growth from the Sovereign mid-market range of accounting software"* although UK profits increased by a lower 17% to £4.9m. Cash doubled from £4.2m to £9m in the last six months and further acquisitions are expected in the near term.

"The problems and distractions of the last year are firmly behind us"

Let's start by a quick recap of the *"problems and distractions"* at Wakebourne (previously briefly also known as Maddox). In Mar. 92, entrepreneur Hugo Biermann changes name of Pathfinder Personnel Services to Maddox, moves to full listing and acquires C&F and Seacoast in US. In Aug. 92, rights issue at 8p raises £16.5m to buy TPM Wakebourne for £13.3m. In 1993 Maddox acquires Computer Profiles (£150K) and Switch (£950K). They also announce sale of C&F and of Seacoast to Lantek for £19.9m.

Maddox was owed £15.1m by these subsidiaries which was rather *"unfortunate"* as C&F promptly went into receivership and left their investment in Lantek of doubtful value. Maddox auditors qualified the accounts and the shares dived to <1p. Hugo Biermann left to spend more time with his family and analysts like us started to review the company's obituary.

But the previous Wakebourne shareholders had the right to repurchase their company in the event of Maddox going broke. In return for waiving these rights they organised a financial restructuring involving a rights issue at 1p raising £3.6m and ended up owning over 30% of the newly renamed Wakebourne Group.

The results for the year to 31st Dec. 93 are therefore somewhat academic. A loss of £18.6m (PBT £453K in 1992) was reported, most of which was due to the writing off of the US investment above, on revenues of £23.2m. Wakebourne ended the year with £3.6m cash but total net liabilities of £2.1m. An EGM will be held on 10th May to eliminate this deficit and consolidate every 40 shares of 1p into one 40p share. There is still a chance that the Lantek investment could be partly recovered if the proposed merger with VTX comes about.

Wakebourne NV, Cablelink and Cytek all operated at a loss (total £444K in 1993). Cablelink was sold in Nov. 93 at a loss of £2.9m and Cytek was sold in Feb. 94 in an MBO at a loss of £176K. The Belgian operations of Wakebourne were retained and *"will begin to contribute in 1994"*.

But let's not dwell only on the past. Wakebourne was a successful TPM with net profits of £2.6m on revenues of £13.2m in the year to 31st May 1992. In 1993, Wakebourne's UK computer support activities *"recorded operating profits of £2.6m excluding discontinued activities and central costs"*. Wakebourne's principal activities are now:

- computer systems support services
- cabling systems
- installation roll-out projects
- UNIX/open systems projects and consultancy
- network management services.

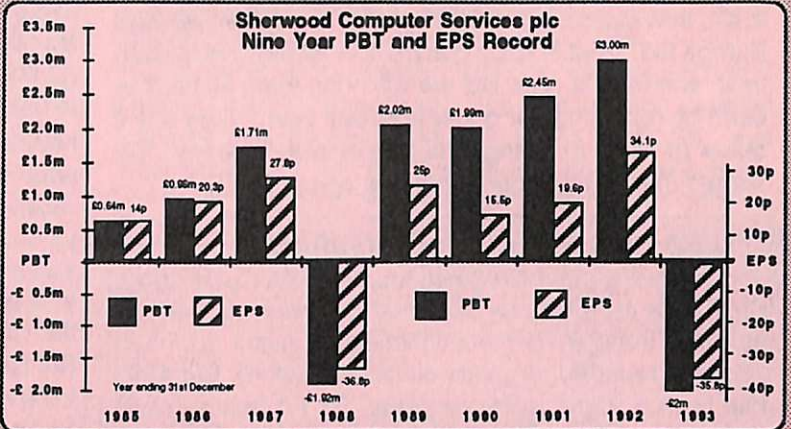
This month Hoare Govett (of MAID fame) put out a rather strange report on the company saying *"Wakebourne is not exposed to the ravages of the IT market, like product obsolescence and price erosion"*. Clearly we have misunderstood the TPM market for some time!

Wakebourne says 1994 has started well and should be *"a year of significant progress"*. Analysts are forecasting PBT of £2.5m. But Wakebourne shares fell 25% from 3.75p to 2.75p on the announcement. Given that even Maddox only valued Wakebourne at £13.3m in Aug. 92 when they were making the same operating profit as now, the current capitalisation of £25m still looks high.

Sherwood loses £2m and Guy resigns

Just a year ago we were writing about the "record" PBT of £3m at Sherwood Computer Services and a share price of 310p. The troubled Lloyds insurance market had surprisingly "achieved significant growth" backed by three acquisitions. But the last year has seen two profits warning and the shares plunged to 60p. This month full year results to 31st Dec. 93 were reminiscent of the disastrous results in 1988. A loss before tax of £2m (profit £3m last year) on revenues up 12% at £23.6m was reported. Exceptional charges of £1.86m arose from property lease provisions, redundancies and the writing down of the book values on some of their housing software products - a lesson to those who capitalise R&D. Capita has now been appointed as distributor for these products which could eventually see Capita owning the IPRs in return for a revenue stream of £750K. The main reason was the "dramatic downturn" in the Lloyds market. We have already reported the disposal of Venus to Clarke & Tilley and, this month, the 25% stake in Guardian to ICL(p7). Previous acquisitions had pushed borrowings to £2.9m. Clearly Sherwood will now return to its core and abandon acquisitions.

After 17 years, Richard Guy has resigned as Chairman & CEO. The Board's goal is now "to return Sherwood to profitability in 1994". The shares rocketed 43% as bid target spotter Mike Tilbrook of MMT upped his stake to 4%.

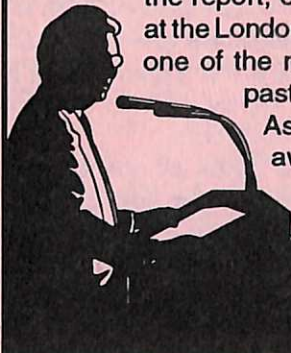


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"Restructuring" hits Centre-file

Centre-file is owned by the Nat. Westminster Bank, which accounts for "just over half" of their revenues. Its financial services activities were hit by the abandonment of Taurus. However, their strong position in the HR software arena was strengthened by the acquisition of Percom in Feb. 94. Centre-file claims 30% of the outsourced payroll market. Their NT-based workflow initiatives, to be launched in May 94, could produce an exciting future.

Latest results are for a 15 month period to 31st Dec. 93 and show PBT of £11.1m (£13.1m for 12 months to 31st Oct. 92) on revenues of £107.6m (£84.2m). On a comparable 12 month basis revenues declined marginally from £84m to £83m. Profits declined significantly which ever figures you use.

Centre-file is one of those UK companies which delayed its restructuring and paid the price. But a new management team under Noel Dearing, new products and service initiatives are aimed at transforming the company.

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