

System House

The monthly review of the financial performance of the UK computing services industry
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Even higher SCSI growth forecast

Next month sees the publication of the third annual edition of our **Software and Computing Services Industry in Europe Report** - a partnership production between ourselves and Pierre Audoin Conseil (France and Germany) and Nomos Ricerca (Italy). The report reviews and provides forecasts for the SCSI market in each of the countries in Europe and profiles in detail over 130 of the leading players in those countries. *System House* will carry a summary of the European perspective in the near future.

The UK SCSI market is currently and is forecast to continue to enjoy the fastest growth of any of the major European countries. We are forecasting that the 11% growth experienced in 1993 will be repeated in 1994. However, the first full year of major outsourcing contracts, such as the Inland Revenue and British Aerospace, will result in an even higher 16%

growth in 1995; contributing to an AAGR of 13% in the five years between 1993 and 1998.

We must stress, yet again, that the major reason for this high growth is the switch from in-house resources to outsourcing. Indeed the total UK IT market - including hardware and in house people costs - will grow by an AAGR of just 4% in that same five year period - barely greater than the 3% p.a. inflation we have assumed for the period. Indeed we forecast a 2% p.a. decline in in-house people costs.

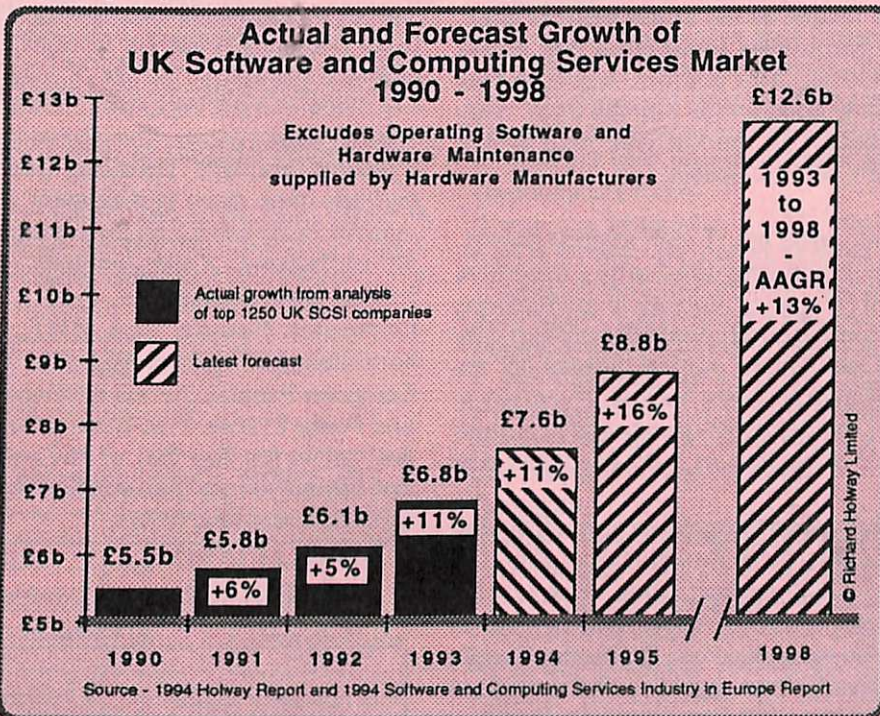
We are also forecasting static hardware spend in the period - equating to a significant decline in real terms. The hardware vendors will be hit further with a 1% p.a. decline in revenues from operating software and a 5% p.a. decline in hardware maintenance revenues. No wonder they are all trying to move into services!

The greatest surprise for us was the declining growth rates for software products. For as long as we have

known, software products have outgrown the total SCSI market. But intense price competition and growing commoditisation has driven unit prices down dramatically. This year growth is about the industry average - 11% - and we forecast a lower than average growth of 12% p.a. to 1998. Tools (e.g. database systems and 4GLs) will perform better than application products. Value added services - e.g. on-line information providers - will grow significantly from its current small base.

Professional services is forecast to remain the largest single sector in 1998 - worth £3.7 billion compared to £3.5 billion for all types of software product. But the mix will change. Conventional IT consultancy will have a tough time, but the use of contract IT staff (see major feature p2/3) and the move to application management will fuel higher than average growth. All the sectors associated with user outsourcing will have above average growth as shown in the table.

The feedback from our many discussions with the leaders of our industry is varied. If you are an established management consultancy, a TPM or a proprietary application software vendor trying to establish yourself in the highly competitive open systems market, your brow might well be furrowed. But if you are one of the UK's many established service and IT people providers, able and willing to take part in the outsourcing explosion, the smile on your face is justifiably getting wider.



Fastest SCSI Growth Sectors In UK	
	AAGR 1993 - 1998
Operational FM	25% pa
Application management	24% pa
Contract IT staff	18% pa

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Source - Software and Computing Services Industry in Europe Report published Nov./Dec. 94. Special pre-publication price of £5600 to *System House* subscribers. Call for brochure and order form.

Merger mania continues in IT agency sector

The UK acquisitions news this month has been dominated by the IT agency sector with M&A activity involving Parity, Computer People, KPG and INLINE (see below).

The market

We valued the UK professional services marketplace at £1.93 billion in 1993 and forecast that it will have grown by 11% to £2.15 billion in 1994. By 1998 we estimate the market will be worth £3.65 billion; equivalent to an average growth rate of 14% p.a. The main reason for this *above average* growth is the outsourcing of application management. Accompanying this is a radical shift in the source of supply.

The suppliers

In the past, professional services had been the preserve of the management consultancies (like KPMG and Coopers) or the major system houses (like Logica and Hoskyns). However, both end users and those very systems houses are now increasingly using contract IT staff. This they find both cheaper and avoids the risks inherent in the long term investment in permanent staff. IT staff agencies are almost as old as the industry itself, with several of the companies featured in this article established in the 1970s. The practice, however, has never had a particularly good image with the term *"body shopping"* often used. The market was also highly fragmented with many small suppliers.

Restructuring

M&A activity is transforming the IT staff agency market. We have no problem in agreeing with Parity's statement in Aug. 94 that *"the IT agency industry is restructuring and agencies are achieving good penetration of the quality end of the IT staff resourcing market, previously the domain of the established software houses. The ability to meet specific IT skill requirements quickly and at a lower cost is increasingly attractive to both business and government"*.

In June 93, Philip Swinstead bought into a small quoted IT staff agency - Comac (now Parity). Soon after, the company acquired CSS-Trident; then *"the largest independent contract agency for freelance IT consultants in the UK"*. In worldwide revenue terms, **Computer People** was larger than the new Comac operation. But only about £46m of its £69m revenues in 1993 came from the UK.

In April 94, in an exercise which had striking similarities with Swinstead's earlier moves, ex-BIS CEO Roger Graham and Tony Reeves moved in as Chairman and CEO of Computer People. They too set off on a buying spree; first with **The Span Consultancy** and this month by acquiring the £40m p.a. **VNG Group**.

But the smaller players were not to be out done. CRT (another quoted SCSI company involved in IT staff agency activities) had undertaken a string of smaller acquisitions before adding a further £13.3m to its £47m annual revenues by buying **Systems Resources** for £6.35m in Aug. 94. This month private IT agencies - **KPG Support Services** and **INLINE Computer Services** have merged to form a £30m p.a. revenue group.

Current trading

All the acquirers this month reported significant increases in demand for IT contract staff in the last few months.

Computer People (excl. VNG) reported 940 consultants

on contract in the UK in Oct. compared with 915 in Sept. and 801 in the first half of 1994. Proportionately similar increases were recorded in the USA and Europe with particularly *"strong growth"* in Spain.

Parity had already reported that it was *"trading well in the second half"* and now reports that the number of consultants placed *"has increased by 16% since the 1993 year end"* when they had 1261 placements. **INLINE KPG** claims *"700 contractors working in the field on day one"* of the merger. CRT had reported that *"the number of contractors placed (by Systems Resources) with customers had increased from 455 at 30th Apr. 94 to nearly 600 in Aug. 94"*. This was in addition to the 363 contractors placed by CRT itself.

If you take the Top Four as in any way representative of the IT staff agency market in the UK, it would equate to a growth of around 20% in the market since the start of 1994.

Expansion

Swinstead always intended his IT agency activities to be just one constituent in the building of a more broadly based SCSI company. First he bought **LBMS' Consultancy** activities and then IT trainer - **Class**. But this month Parity has made its most important moves towards building this broader based group. They have bought **ACT Business Systems** and **BIS Training** (from **ACT Group**). But perhaps even more significantly (as we suggested last month!) Parity has taken on the highly regarded ex-acting MD of **Easams** - Keith Jennings - to head up the newly formed Parity Systems.

Computer People and CRT also have growing consultancy, IT training and other SCSI interests.

Computer People now has annualised revenues of £150m and Parity £120m. This means that both companies are well within the Top Ten of UK-owned SCSI companies and already larger than such established companies as Data Sciences and Misys.

ANNUALISED REVENUES	Total Worldwide Revenues	UK IT Staff Agency/ Recruitment Revenues
Computer People	£150m	£105m
Parity	£120m	£80m
CRT	£75m	£50m
INLINE KPG	£30m	£27m

We get the feeling that we ain't seen nothing yet....

Competitive pressures?

Our analysis of average costs for the 133,000 staff working for the 1250 SCSI companies in our database indicated a meagre 1.5% increase in 1993. However, the latest analysis by **CSS Trident** (Parity) shows that average rates for IT contract staff have increased by 3% in the year to July 94. If that still looks minimal, **CSS Trident** reports that European IT contract rates have actually *declined* - although they are still 53% higher than in the UK.

C++ and Visual Basic were the most common skill requirements; whilst COBOL, CICS and DB2 demand declined. If this comes as any surprise you clearly have not been reading *System House*.

PARITY

Parity has this month announced:

- the acquisition of ACT Business Systems and BIS Training from ACT Group for an initial £6.3m (inclusive of £3.8m debt) plus £2m in 1996 or discounted £1.7m on completion.

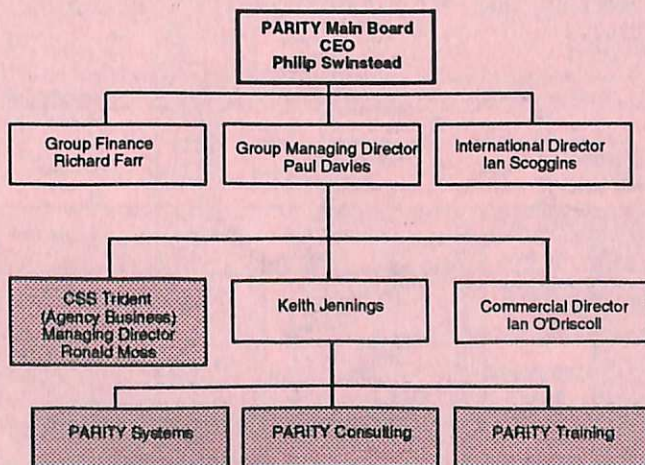
ACT (then Apricot) acquired Logsys for £1m in 1989. Logsys was merged with ACT's systems company and BIS Information Systems to form ACT Business Systems. It provided software development and project management primarily to the public sector and defence market. Revenues of £10.2m and pre tax profits of £592K were reported in the year to 31st Mar. 94.

BIS Training and ACT Business Systems (Ireland), part of the £93m BIS Group purchase in June 93, had revenues of £30.8m and pre-tax losses of £1.78m were reported in the 15 months to 31st Mar. 94. (Note: Deal does *not* include BIS Perthcrest which ACT retained by paying BIS Training £2.1m)

ACT has long signalled its intention to dispose of activities which were not part of its financial services core. This is ACT's fifth disposal in 1994 with the others being Cablestream (to Siemens for £7m), Brann Direct Marketing (MBO £8.1m), ACT Network Si and ACT Computer Support (MBO for £14.5m) and Tranman. This makes the remaining ACT non financial divisions - Medisys, Sigmex and Managed Services - now look even more likely to be sold.

- a placing/open 1:for:7 offer at 125p per share to raise a net £5.7m.

- the appointment of Keith Jennings from Easams. Reporting to Paul Davies, he will take charge of three of Parity's divisions - Systems, Training and Consulting. Ron Moss will continue to run the IT agency business.



Jennings joins from Easams where he has been acting MD for the last year and was responsible for the exemplary growth of their commercial division.

Comment

The latest acquisitions complement the agency business well and help build a broader base. Jennings is highly regarded - both within and outside Easams. We cannot believe Jennings will be the last Easams person to make the short journey from Camberley to Farnborough.

Parity is now on annualised revenues of £120m which will put it into the Top Ten rankings of UK-owned SCSl companies. We expect a continued high organic growth coupled with further acquisitions which could mean Parity as a contender for the pole position in a few years time.

We are sure that regaining that prize would be a sweet day indeed for Philip Swinstead.

November 1994

Computer People

Computer People has this month announced:

- the acquisition of IT contract staff agency VNG Group for £7.0m + £3.2m debt = £10.2m.

VNG was established in 1979. Acquisitions since include Royal Insurance PC training operations (1991), marketing rights to CBT product - Datatrain (1991) and Interskill. In addition, in 1991, VNG bought back the 25% stake held by Royal Insurance. These purchases "contributed to VNG's high level of debt".

VNG had revenues of £33.5m in the year to 31st Dec. 93 and made pre tax losses of £587K, struck after interest payments of £368K. This "placed further pressure on VNG's finances" which has led to the merger.

However cost reductions have resulted in a return to pre tax profits of £355K on revenues of £19.9m in the first six months of 1994. Of this, just 3% comes from consultancy and 2% from IT training.

- a placing/open 1:for:6 offer at 182p per share to raise a net £5.0m. £1.8m will be used to fund the cash element of the bid and "£3.2m to refinance VNG's existing debt arrangements". An 86% acceptance was reported.

Comment

This acquisition means that Computer People is on an annualised revenue of around £150m - which would have placed it fifth in the rankings of UK owned SCSl companies. In addition they are now the clear leader in the supply of IT contract staff and recruitment in the UK market with revenues of £105m.

Clearly the integration of VNG into Computer People will lead to further "economies of scale and synergies". If you include the debt, they are paying 25p for each £ of revenue purchased. Computer People had a capitalisation of in excess of 40p for each £ of revenue prior to this purchase. It was therefore not surprising that Computer People's shares ended Oct. on 198p - a premium of 16p to the 182p placing price and an impressive rise of 83% this year since the Graham/Reeves invasion.

Footnote

Readers will know that we have reported the likely sale of loss-making VNG for some time - the only piece of information we were lacking was the lead contender. After years of frankness, a few months ago Roger Graham said he "couldn't possibly" answer our queries about VNG. Yet again a "no comment" proved more informative than planned!



INLINE KPG

Services Ltd. (established in 1984). The two operations were about the same size, resulting in the new group having revenues of around £30m with some 700 IT contractors. All revenue comes from IT agency activities - about 90% UK-based.

John Holmes (of INLINE) becomes the new Group MD with a 19.9% shareholding. F Baldwin (previously KPG's Chairman) and his family own 24.1%. External investors Cygnus Venture Partners (also, but independently, involved in Cygnus Computer Group which owns Vega, BEC and Seachange) owns 24% and BZW 4.6%.

INLINE KPG's says its intention is to seek a listing in "2-3 years" and "expects to increase turnover by 30% p.a."

SUPERSCAPE

VIRTUAL REALITY SOFTWARE

The twenty new Stock Exchange SCSi entrants since the start of 1993 can be divided into two groups:

- 1) those with excellent consistent profit records
- 2) companies with a good idea, no track record (other than of losses) and a great deal of hype.

As it turned out, almost everyone in Group 1 has disappointed the market - some in quite spectacular fashion, whereas Group 2 have mostly exceeded expectations. *It's a funny old world!*

One of the Group 2 companies was **Superscape** which was placed in April at 198p. Superscape is involved in the business (rather than games) application of virtual reality. Customers include BT, Westland, RAF, Siemens Plessey and the like. As they are British we are rather pleased that they won the "Best VR Software Award 1994" and that they have just setup an office in Palo Alto.

We are even more pleased that their maiden results "exceeded expectations". When they floated in Apr. 94 they forecast "healthy losses of not more than £450K" for the year to 31st July 94. In the event losses were "just" £238K on revenues up 34% at £859K - due to "sales being higher than budgetted...and costs...less than anticipated". What a welcome change after writing that sentence round the other way on so many other occasions recently! Cash, as a result of the float, was £3m at the year end.

The aim is to establish "Superscape software as a worldwide product". Continued investments means "the board does not anticipate a profit in the current financial year". After hitting a high of 261p just after the float at 198p, Superscape shares ended the month at 204p.

Virtual success at Division too..

Division is one of the other quoted UK virtual reality software companies. Launched in May 93 at 40p, their shares have since been the best performer of any of the new entrants - closing this month at 125p.

Like Superscape, Division had previously been mainly involved in the serious application of VR in such things as lighting schemes and drug design. This month both Rolls Royce and VSEL have decided to use Division systems in future engineering design projects.

But don't write off games...

... **Division** has won a \$2m order from **US Virtual World Entertainment** to use their VPX 3-dimensional graphics systems in "next generation Virtual World entertainment centres in the US and Japan".

...**Virtuality** has announced a deal with **Atari** to "produce the world's first virtual reality games system for the consumer market".

...**Pearson** (owners of the Financial Times) undertook the largest UK SCSi acquisition in 1993 when they acquired **Software Toolworks** for £310m. This month the renamed **Pearson Mindscape** unit has bought **Strategic Simulations Inc.** for US\$11.5m (£7.1m). SSI "develops wargames, sports simulations and fantasy role-playing games", which makes accounting software look even more boring! Pearson has also bought **Atreid Concept** of France for FF8.6m (£1.0m).

...**Rage Software** (which develops video games) has undertaken a "reverse takeover" of quoted **BCE Holdings** BCE is paying £14m but BCE was valued at just £6m prior to the deal. Share dealings were suspended.

CentreGold

It would probably have warranted a front page slot

U.S.GOLD

for news of a UK company, recently floated on the Stock Exchange, which issued maiden results for the year to 31st July 94 ahead of expectations. If that company had increased revenues by 34% to £91.3m, PBT by 48% to £4m and EPS by 29% you might be even more amazed. If we then said that this company was also a UK distributor of third party software, you would be incredulous.

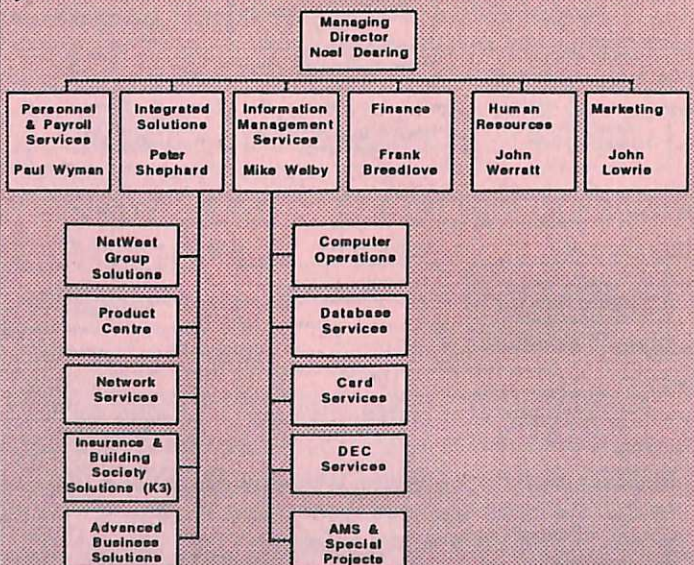
The funny thing is that we know that when we tell you the company is **CentreGold** and that they distribute and publish games software, suddenly all our readers will switch off. Software published on CD-Rom advanced by 62%. US sales doubled to £18.8m - 21% of turnover. A French office has been opened and a Japanese operation will be started soon.

CentreGold has also announced the acquisition of **Core Design** - a private entertainment software developer. Consideration is £5.34m - £2.94m in cash the rest in shares. Core had reported sales of £4.74m and PBT of £330K in the year to 31st July 94.

Bearing in mind all our recent articles about growth in the consumer PC market, perhaps the high valuations and prices paid for entertainment software companies are not too surprising.

Changes at Centre-file

Centre-file, wholly owned by the National Westminster Bank is "the UK's leading provider of HR systems and payroll processing" and is one of the oldest established SCSi companies in the UK. Just over 50% of revenues are derived from their banking parent. However, revenues have been static at around £83m for each of the last four years. In 1993 PBT reduced from £13.1m to £8.9m.



This month **Centre-file** has announced a re organisation into three business divisions - Personnel & Payroll, Integrated Solutions and Information Management. Ike Richards has returned to head up Corporate Systems delivery at Nat. West and a number of old established **Centre-file** executives have departed in a long overdue "delaying and reskilling" operation. **Centre-file** demonstrates the difficulties of being both an internal IT dept. and an external SCSi company. Many have tried to square this circle. They either abandon the ambition (like Barclays) or spin out the company (like Istel). *It will be interesting to see which route Centre-file follows.*

Richard Holway Results Service

ACT Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 152,926,000 £ 20,478,000 10.63p	Final - Mar 94 £ 250,830,000 £ 28,469,000 12.15p	Final Comparison +63.9% +39.0% +14.3%	
Admiral plc	Results Revenue PBT EPS	Interim - Jun 93 £ 17,710,000 £ 2,185,000 13.3p	Final - Dec 93 £ 39,640,000 £ 4,606,000 27.6p	Interim - Jun 94 £ 24,560,000 £ 3,188,000 18.5p	Interim Comparison +38.7% +46.4% +39.1%
Azlan Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 41,196,000 £ 2,854,000 8.4p	Final - Mar 94 £ 81,506,000 £ 3,871,000 12.4p	Final Comparison +49.3% +31.0% +47.6%	
Capita Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 22,102,000 £ 2,488,000 2.86p	Final - Dec 93 £ 50,168,000 £ 5,463,000 7.85p	Interim - Jun 94 £ 30,471,000 £ 2,710,000 3.8p	Interim Comparison +37.9% +33.0% +32.9%
Cedadata plc	Results Revenue PBT EPS	Final - Mar 93 £ 5,259,000 £ 1,778,000 4.2p	Final - Mar 94 £ 11,200,000 £ 2,715,000 6.3p	Final Comparison +16.4% +52.7% +50.0%	
Centregold plc	Results Revenue PBT EPS	Final - Jul 93 £ 87,985,000 £ 2,715,000 5.63p	Final - Jul 94 £ 91,300,000 £ 4,030,000 7.3p	Final Comparison +34.3% +48.4% +29.7%	
Clinical Computing plc	Results Revenue PBT EPS	Interim - Jun 93 £ 1,180,000 £ 256,000 3.7p	Final - Dec 93 £ 2,635,853 £ 1,129,000 8.1p	Interim - Jun 94 £ 735,000 (£ 227,000) (1.4p)	Interim Comparison -37.7% Profit to Loss Profit to Loss
Coda Group plc	Results Revenue PBT EPS	Interim - Apr 93 £ 9,321,000 £ 2,770,000 1.2p	Final - Oct 93 £ 23,450,000 £ 3,752,000 10.6p	Interim - Apr 94 £ 13,327,000 (£ 2,546,000) (8.0p)	Interim Comparison +43.0% Profit to Loss Profit to Loss
Compel Group plc	Results Revenue PBT EPS	Final - Jun 93 £ 43,777,000 £ 347,000 n/a	Final - Dec 93 £ 54,542,000 £ 2,062,000 n/a	Final - Jun 94 £ 54,542,000 £ 2,062,000 n/a	Final Comparison +24.6% +494.2% n/a
Computerised Financial Solutions Europe Ltd	Results Revenue PBT EPS	Interim - Jun 93 £ 1,638,000 £ 1,000 1.5p	Final - Dec 93 £ 3,338,636 £ 330,233 n/a	Interim - Jun 94 £ 1,404,000 (£ 35,000) (1.4p)	Interim Comparison +14.3% Profit to Loss Profit to Loss
Computer People Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 93,542,000 £ 364,000 1.45p	Final - Dec 93 £ 68,748,000 £ 1,102,000 4.37p	Interim - Jun 94 £ 38,013,000 £ 733,000 3.42p	Interim Comparison +13.3% +101.4% +135.9%
Cray Electronics Holding plc	Results Revenue PBT EPS	Final - Apr 93 £ 200,785,000 £ 29,014,000 13.8p	Final - Apr 94 £ 271,718,000 £ 26,168,000 8.6p	Final Comparison +35.3% -9.8% -37.7%	
CRT Group plc	Results Revenue PBT EPS	Final - Apr 93 £ 47,035,000 £ 3,297,000 4.22p	Final - Apr 94 £ 47,348,000 £ 532,000 (0.13p)	Final Comparison +0.7% +93.9% Profit to loss	
DRS Data & Research Services plc	Results Revenue PBT EPS	Interim - Jul 93 £ 8,888,000 £ 1,535,000 3.47p	Final - Dec 93 £ 11,577,000 £ 1,689,000 3.83p	Interim - Jul 94 £ 5,756,000 £ 1,484,000 3.02p	Interim Comparison -16.2% -3.3% -13.0%
DCS Group plc	Results Revenue PBT EPS	Final - Jun 93 £ 5,645,366 £ 231,406 2.89p	Final - Jun 94 £ 6,375,180 £ 423,144 4.32p	Final Comparison +15.0% +84.2% +60.6%	
Division Group plc	Results Revenue PBT EPS	Interim - Apr 93 £ 914,000 (£ 10,000) (0.1p)	Final - Oct 93 £ 2,078,000 (£ 503,000) (2.1p)	Interim - Apr 94 £ 2,106,000 (£ 892,000) (2.1p)	Interim Comparison +130.4% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Interim - Mar 93 £ 7,350,000 £ 2,341,000 6.022p	Final - Sep 93 £ 14,341,000 £ 4,672,000 11.712p	Interim - Mar 94 £ 7,179,000 £ 2,061,000 5.12p	Interim Comparison -2.4% -12.0% -15.0%
Enterprise Computer Holdings plc	Results Revenue PBT EPS	Final - Mar 93 £ 58,231,000 £ 6,143,000 (7.4p)	Final - Mar 94 £ 16,399,000 (£ 2,052,000) (2.6p)	Final Comparison -71.9% Loss both Loss both	
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Apr 93 £ 3,080,000 £ 413,000 0.86p	Final - Oct 93 £ 5,823,000 £ 551,000 1.04p	Interim - Apr 94 £ 3,068,000 £ 244,000 0.43p	Interim Comparison +0.3% -41.8% -50.0%
INSTEM plc	Results Revenue PBT EPS	Interim - Jun 93 £ 9,505,000 £ 410,000 8.0p	Final - Dec 93 £ 19,294,000 £ 1,021,000 14.8p	Interim - Jun 94 £ 8,043,000 £ 505,000 7.4p	Interim Comparison -15.4% +23.2% +23.3%
JBA Holdings plc	Results Revenue PBT EPS	Interim - Jun 93 £ 29,908,000 (£ 1,074,000) (2.87p)	Final - Dec 93 £ 74,467,000 £ 4,610,000 10.23p	Interim - Jun 94 £ 38,500,000 £ 264,000 0.19p	Interim Comparison +28.7% Loss to Profit Loss to Profit
Kalamazoo Computer Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 56,508,000 £ 940,000 (0.6p)	Final - Mar 94 £ 60,911,000 £ 6,355,000 10.2p	Final Comparison +7.8% +576% Loss to Profit	
Kewill Systems plc	Results Revenue PBT EPS	Final - Mar 93 £ 33,341,000 (£ 5,192,000) (0.60p)	Final - Mar 94 £ 31,780,000 £ 4,043,000 23.0p	Final Comparison -4.7% Loss to Profit Loss to Profit	
Kode International plc	Results Revenue PBT EPS	Interim - Jun 93 £ 12,277,000 £ 710,000 4.3p	Final - Dec 93 £ 24,916,000 £ 1,143,000 7.0p	Interim - Jun 94 £ 12,255,000 (£ 515,000) (5.5p)	Interim Comparison -0.2% Profit to Loss Profit to Loss
Learmonth & Burchett Management Systems plc	Results Revenue PBT EPS	Final - Apr 93 £ 23,645,000 £ 1,610,000 7.0p	Final - Apr 94 £ 26,406,000 (£ 731,000) (3.3p)	Final Comparison +11.7% Profit to Loss Profit to Loss	
Logica plc	Results Revenue PBT EPS	Final - Jun 93 £ 217,434,000 £ 9,026,000 8.7p	Final - Jun 94 £ 229,848,000 £ 13,543,000 14.0p	Final Comparison +5.2% +50.0% +60.9%	
Lynx Holdings plc	Results Revenue PBT EPS	Interim - Mar 93 £ 719,000 £ 105,000 0.63p	Final - Sep 93 £ 10,807,000 £ 619,000 4.27p	Interim - Mar 94 £ 7,257,000 £ 460,000 1.15p	Interim Comparison +53.8% +338.1% +38.6%
M.A.I.D plc	Results Revenue PBT EPS	Interim - Jun 93 £ 2,801,748 £ 207,108 0.24p	Final - Dec 93 £ 5,723,909 £ 603,176 0.69p	Interim - Jun 94 £ 3,971,819 £ 439,632 0.39p	Interim Comparison +52.7% +112.4% +62.5%
McDonnell Information Systems plc	Results Revenue PBT EPS	Interim - Jun 93 (Pro forma) £ 70,440,000 £ 7,528,000 4.88p	Final - Dec 93 (Pro forma) £ 148,480,000 £ 21,248,000 13.89p	Interim - Jun 94 (Pro forma) £ 69,609,000 £ 5,044,000 3.48p	Interim Comparison (Pro forma) -2.6% -33.0% -28.4%
MR-Data Management Group plc	Results Revenue PBT EPS	Final - Jun 93 £ 40,788,000 £ 8,759,000 10.6p	Final - Jun 94 £ 40,521,000 £ 6,348,000 8.0p	Final Comparison -2.8% -27.5% -24.5%	
Macro 4 plc	Results Revenue PBT EPS	Final - Jun 93 £ 23,259,000 £ 10,497,000 31.5p	Final - Jun 94 £ 24,367,000 £ 11,211,000 34.2p	Final Comparison +4.8% +8.8% +8.6%	

Richard Holway Results Service

Micro Focus plc	Results Revenue PBT EPS	Interim - July 93 £ 40,800,000 £ 11,554,000 53.5p	Final - Jan 94 £ 83,842,000 £ 21,761,000 101.2p	Interim - July 94 £ 42,950,000 £ 7,024,000 32.9p	Interim Comparison +5.3% -39.2% -38.5%
Microgen Holdings plc	Results Revenue PBT EPS	Interim - Apr 93 £ 26,137,000 £ 3,058,000 6.1p	Final - Oct 93 £ 53,351,000 £ 7,790,000 10.5p	Interim - Apr 94 £ 29,056,000 £ 3,441,000 5.5p	Interim Comparison +11.2% -71.4% -9.8%
Microvitec plc	Results Revenue PBT EPS	Interim - Jun 93 £ 17,969,000 £ 2,700,000 0.78p	Final - Dec 93 £ 35,170,000 £ 6,111,000 2.05p	Interim - Jun 94 £ 20,923,000 £ 1,120,000 1.24p	Interim Comparison +16.5% +96.5% +59.0%
Miaya plc	Results Revenue PBT EPS	Final - May 93 £ 88,761,000 £ 15,125,000 26.8p		Final - May 94 £ 93,358,000 £ 18,612,000 31.9p	Final Comparison +5.2% +23.1% +19.0%
MMT Computing plc	Results Revenue PBT EPS	Interim - Feb 93 £ 3,165,000 £ 865,000 4.8p	Final - Aug 93 £ 7,057,718 £ 1,725,549 9.0p	Interim - Feb 94 £ 4,815,000 £ 1,215,000 6.4p	Interim Comparison +52.1% +40.5% +33.3%
On Demand Information plc	Results Revenue PBT EPS	Interim - Jan 93 £ 8,988,000 (£ 490,000) (1.49p)	Final - Jul 93 £ 18,989,000 (£ 1,450,000) nil	Interim - Jan 94 £ 11,847,000 (£ 669,000) (1.62p)	Interim Comparison +31.8% Loss both Loss both
Oxford Molecular plc	Results Revenue PBT EPS	Interim - Jun 93 £ 591,000 (£ 485,000) (4.4p)	Final - Dec 93 £ 1,409,000 (£ 1,265,000) (8.9p)	Interim - Jun 94 £ 1,086,000 (£ 933,000) (3.5p)	Interim Comparison +83.8% Loss both Loss both
P & P plc	Results Revenue PBT EPS	Interim - May 93 £ 121,800,000 £ 2,000,000 2.1p	Final - Nov 93 £ 217,259,000 £ 4,107,000 4.3p	Interim - May 94 £ 118,900,000 £ 2,700,000 3.0p	Interim Comparison -2.4% +35.0% +42.9%
Parity plc (was Comao Group)	Results Revenue PBT EPS	Interim - Jun 93 £ 5,298,000 £ 60,000 0.61p	Final - Dec 93 £ 19,768,000 (£ 228,000) (1.9p)	Interim - Jun 94 £ 38,803,000 £ 2,023,000 3.54p	Interim Comparison +617% +3272% +480%
Pegasus Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 5,300,000 £ 1,017,000 9.1p	Final - Dec 93 £ 7,502,000 £ 6,930,000 72.0p	Interim - Jun 94 £ 2,275,000 £ 68,000 0.7p	Interim Comparison -57.1% -93.3% -92.3%
Persona plc	Results Revenue PBT EPS	Interim - Jun 93 £ 11,189,000 £ 825,000 5.3p	Final - Dec 93 £ 22,862,000 £ 1,749,000 11.08p	Interim - Jun 94 £ 15,042,000 £ 1,005,000 6.0p	Interim Comparison +34.4% +21.8% +13.2%
Phonelink plc	Results Revenue PBT EPS	Final - Mar 93 £ 822,557 £ 30,905 0.1p		Final - Mar 94 £ 1,241,000 (£ 1,761,000) (5.0p)	Final Comparison +34.6% Profit to Loss Profit to Loss
Proteus International plc	Results Revenue PBT EPS	Final - Mar 93 £ 21,000 (£ 3,547,000) (13.52p)		Final - Mar 94 nil (£ 6,618,000) (24.36p)	Final Comparison nil Loss both Loss both
Quality Software Prod. Holdings plc	Results Revenue PBT EPS	Interim - Jun 93 £ 6,607,000 £ 143,000 2.0p	Final - Dec 93 £ 13,346,543 £ 553,214 6.7p	Interim - Jun 94 £ 7,266,000 £ 604,000 6.9p	Interim Comparison +10.0% +322.4% +245.0%
Radius plc	Results Revenue PBT EPS	Interim - May 93 £ 10,723,000 (£ 466,000) (1.3p)	Final - Dec 93 (13 months) £ 23,273,000 (£ 1,171,000) (3.0p)	Interim - Jun 94 £ 12,325,000 £ 808,000 1.8p	Final Comparison +14.8% Loss to profit Loss to profit
Real Time Control plc	Results Revenue PBT EPS	Final - Mar 93 £ 6,114,000 £ 492,000 4.9p		Final - Mar 94 £ 8,524,000 £ 1,387,000 13.3p	Final Comparison +39.6% +181.9% +171.4%
Rolfe & Nolan plc	Results Revenue PBT EPS	Final - Feb 93 £ 11,232,000 £ 1,165,000 8.85p (amended)		Final - Feb 94 £ 12,720,000 £ 1,573,000 6.45p (amended)	Final Comparison +13.2% +29.4% -27.1%
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 93 £ 4,298,000 £ 5,380,000 17.68p	Final - Sep 93 £ 41,289,000 £ 9,656,000 32.5p	Interim - Mar 94 £ 25,400,000 £ 6,864,000 22.25p	Interim Comparison +21.1% +27.6% +25.8%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 93 £ 1,057,000 £ 1,803,000 3.55p (amended)	Final - Sep 93 £ 23,581,000 £ 3,327,000 8.46p (amended)	Interim - Mar 94 £ 14,217,000 £ 2,169,000 3.98p (amended)	Interim Comparison +17.9% +20.3% +12.0%
Sema Group plc	Results Revenue PBT EPS	Interims - Jun 93 £ 232,948,000 £ 15,213,000 10.46p	Final - Dec 93 £ 501,992,000 £ 24,855,000 16.62p	Interims - Jun 94 £ 298,419,000 £ 12,567,000 9.13p	Interim Comparison +28.1% -17.3% -12.7%
Sherwood Computer Services plc	Results Revenue PBT EPS	Interim - Jun 93 £ 11,837,000 £ 541,000 3.4p	Final - Dec 93 £ 23,561,000 (£ 1,998,000) (35.78p)	Interim - Jun 94 £ 11,957,000 (£ 88,000) 1.5p	Interim Comparison -1.0% Profit to Loss -55.9%
Spargo Consulting plc	Results Revenue PBT EPS	Interim - Jun 93 £ 2,307,000 £ 272,000 1.52p	Final - Dec 93 £ 4,869,000 £ 483,000 2.56p	Interim - Jun 94 £ 2,854,000 £ 606,000 3.2p	Interim Comparison +23.7% +122.8% +110.5%
Standard Platforms Holdings plc	Results Revenue PBT EPS	Interim - Mar 93 £ 865,617 (£ 382,695) (9.6p)	Final - Sep 93 (18 months) £ 3,161,416 (£ 1,065,027) (26.7p)	Interim - Mar 94 £ 749,995 (£ 35,840) (0.9p)	Interim Comparison -13.4% Loss Both Loss Both
Superscope VR plc	Results Revenue PBT EPS	Final - Jul 93 (Pro forma) £ 642,018 (£ 21,450) (0.5p)		Final - Jul 94 (Pro forma) £ 859,192 (£ 238,024) (8.1p)	Final Comparison +33.8% Loss Both Loss Both
Total Systems plc	Results Revenue PBT EPS	Final - Mar 93 £ 2,869,359 £ 932,906 6.08p		Final - Mar 94 £ 2,092,429 £ 141,918 0.86p	Final Comparison -27.1% -83.0% -84.2%
Trace Computers plc	Results Revenue PBT EPS	Final - May 93 £ 18,042,438 £ 2,115,504 1.10p		Final - May 94 £ 18,629,000 £ 410,000 2.33p	Final Comparison +3.3% +44.3% +111.8%
Unipalm plc	Results Revenue PBT EPS	Final - Apr 93 £ 8,390,000 £ 505,000 2.9p		Final - Apr 94 £ 10,753,000 £ 272,000 0.69p	Final Comparison +28.2% -55.0% -69.3%
Vega Group plc	Results Revenue PBT EPS	Final - Apr 93 (amended) £ 8,089,000 £ 1,478,000 6.38p		Final - Apr 94 £ 9,703,000 £ 2,147,000 10.01p	Final Comparison +20.0% +45.3% +56.9%
Virtuality Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 2,444,000 £ 95,000 0.3p	Final - Dec 93 £ 5,400,000 (£ 365,000) (1.7p)	Interim - Jun 94 £ 4,120,000 (£ 695,000) (2.7p)	Interim Comparison +68.6% Profit to Loss Profit to Loss
Visteo Group plc	Results Revenue PBT EPS	Final - Apr 93 £ 88,665,000 £ 3,282,000 1.88p		Final - Apr 94 £ 45,018,000 £ 3,409,000 2.05p	Final Comparison +16.4% +3.9% +9.8%
Wakebourne plc	Results Revenue PBT EPS	Interim - Jun 93 £ 12,004,000 (£ 18,944,000) (144.6p)	Final - Dec 93 £ 22,275,000 (£ 18,649,000) (143.8p) (amended)	Interim - Jun 94 £ 18,172,000 £ 1,068,000 3.4p	Interim Comparison +51.4% Loss to Profit Loss to Profit

Acquisitions, disposals and liquidations

Capita buys Beard Dove

Capita has acquired construction industry consultants **Beard Dove** for £4.5m. The initial £2.7m is in shares with a further £1.8m dependent on profits. Beard Dove had revenues of £11.9m and PBT of £495K in the year to 30th Apr. 94. Capita also announced new outsourcing contracts with an annual value of £5m. New customers including NHS Pensions Agency and Broxbourne District Council. By the way, Capita is the best performing SCSi share since we started *System House* five years ago.

Kode for sale?

Given the problems at the DCM TPM subsidiary of **Kode**, and press reports in early Sept. that the division was for sale, it therefore came as a surprise that Kode this month had to issue an announcement that "the possibility of predators lurking is completely without foundation". What a disappointment!

World's biggest SCSi acquisition EVER

We couldn't not mention **Microsoft's** acquisition of **Intuit**, publishers of the personal finance product **Quicken**. The deal is worth \$1.5 billion making it the biggest software acquisition EVER. That's an interesting price for a company which had sales of just \$223m and losses of \$173m in the year to 31st July 94.

As we reported last month, the next few years will see the consumer PC market growing at twice the rate of the corporate market with 54% of PCs in consumers' hands by 2000. Source - Link Resources.

Microsoft had failed with its own personal finance product - **Money**. So recognising the market trend, this Microsoft purchase seems as astute as we have come expect from the world's predominant software company.

Sanderson boosts revenues to £55m

In a series of recent acquisitions, **Sanderson Electronics** has effectively boosted its revenues from £24m in 1993 to £55m. This month it has increased its stake in **SGA Pacific Ltd.** from 27% to 78% for a £3.4m consideration. This has been achieved by swapping Sanderson's shares in General Automation for GA shares in SGA + £629K in cash and £629K in unsecured loan notes.

SGA is basically a Sanderson look-a-like operating in Australia and the Far East with revenues of £11.3m and PBT of £308K in 1993. The deal effectively marks the end of Sanderson's (much criticised) involvement in hardware via its GA stake and should be welcomed as example of a global UK SCSi company in the making.

UK's weirdest SCSi disposal

Lynx Holdings has been one of the most acquisitive quoted SCSi companies of late having involvement in financial software, radio communications software, motor dealers systems and TPM. Despite this their latest results (see *System House* June 94) showed PBT up 338% at £460K on revenues of £7.3m in the six months to 31st Mar. 94.

But perhaps you may remember Lynx for another reason - they are the owners of the **Bounce About** which supplies bouncy castles for parties and fetes. This month they have sold Bounce About to Pargift for £200K to enable Lynx to concentrate on its core computing services activities. *Our industry suddenly becomes a little duller.*

The others... **Finansa Ltd.**, which develops electronic mail software such as WinMail for Windows, has appointed the receivers owing £1.5m to 3i - £1m of which was only secured a few months ago. KPMG says there is a great deal of interest in the company. **DEC UK** has sold **Desisco** (see p12). **Sema** has bought French defence systems company **Aero** for FF57m. Aberdeen-based dealer **Laserline** has been wound up by one its creditors. **KF Group** (which readers might know better under their previous name of **Bonsai**) has sold its TPM arm - **Mellordata** to **Eurosystems Group** for an undisclosed sum. Mellordata (then known as **Celsius**) was purchased by **Bonsai** from **Sketchley** in Mar. 91 for £6m. At the time it had revenues of c£27m and PBT of £811K. KF will now concentrate all its efforts on its PC retail chain - **Tempo**. **Learned Information (Europe) Ltd.** has acquired **Mecklemedia Corp.** UK computer trade shows activities. **Radius** has acquired local authority software developer, **Cintract Systems** of Altrincham, from the receivers for £170K.

Maintaining secrecy to the end

Portfolio Administration (PAL) is an IBM AS/400 bureau providing administration systems to approx. 20 UK stockbroking firms and fund managers.

They won our "Best of the Privates" award with a 151% increase in PBT in 1990 to £1.5m. PAL then managed the almost impossible - by achieving continued profit growth in the subsequent years. PBT of £1.7m and £1.9m were reported in 1991 and 1992 respectively when they had cash reserves of nearly £4m. But they have always been publicity shy. Indeed, PAL has adopted the dubious habit of filing modified accounts in recent years. Back in 1989 they had revenues of £2.2m. MD **Tim Musgrave** owned most of the equity.

This month they have been acquired by US **SunGard** for (you've guessed it) an "undisclosed amount". SunGard CEO **James Mann** said "PAL is well managed, with 100% recurring revenue and good margins..it will provide a significant base of operations to expand our business in the UK".

Hoskyns PCW joint venture with ABT

Back in 1983 (in the dim and distant days when **Richard Holway** was still the Group Marketing Director) **Hoskyns** took on the UK distribution rights to Project Manager Workbench (PCW). 150,000 licences later (30,000 in the UK) **Hoskyns** has sold its interests back to PCW's owners - **ABT Corp.**

Initially, **Hoskyns** will retain a 25% stake in the joint venture company - **ABT International** - in what was described to us as "a neutral asset transfer". 86 **Hoskyns** staff will transfer to the new entity whose MD will be "now ex-Hoskyns" **Eric Pavver**. "After three years **Hoskyns** will become a strategic minority shareholder in **ABT** in exchange for its 25% of **ABT International**".

Hoskyns will get dividends in the meanwhile and, as **ABT** is headed for an IPO, their stake should also be worth the odd few million.

It seems a well considered disposal - particularly bearing in mind the current cut price competition from such whippersnappers as **Microsoft Project**.



Network integration scores for BISS Ltd.

In July 93, BISS Ltd. was formed as a result of an MBO from parent BICC. BICC received £4.05m in cash plus £1.8m in vendor preference shares in BISS. The MBO was financed by 3i, who invested nearly £2m, and Lloyds Development Capital. Nat. West provided £2.75m of bank facilities. As well as the £5.85m for the purchase, the VCs provided £1.75m of working capital. As a result of the MBO, management and employees hold 26.4% of the voting shares.

BISS states as its mission to "expand its position as a leading integrator of networked computer systems". Its 170 staff provides network integration, software engineering, consultancy, training and support. BISS has accredited partnership arrangements with all the leading network suppliers. Their OpenCARE support scheme puts them in contention in the fast growing network management outsourcing market.

Results issued this month for the first 37 weeks of trading to 31st Mar 94 show revenues of £15.1m producing PBT of £983K. BISS also produced pro forma results which showed revenues up 17% at £20.4m and operating profits up 86% at £1.3m for the full year to 31st Mar 94.

BISS has a net asset value of £4.4m including cash of £3.2m. That makes the £5.85m MBO valuation look increasing like the *bargain of the century*.

"The continued strong market demand for highly complex corporate inter-networking systems and services...will provide a vigorous growth platform over the coming year". BISS says they "have no intention of a flotation in the foreseeable future". We would appreciate a £ for every time we have heard that before!

Azlan makes news again

In June Azlan bought Danish networking company **Damguard Data** for £1.05m. This month they have added to their European presence by acquiring the distribution division of German **Asonic Computer Equipment**. £700K in cash has been paid now with a further £1.3m (i.e. £2m in total) "paid over the subsequent two year period". Asonic, which like Azlan distributes networking products, had revenues of £4.1m last year.

Azlan has had a turbulent time since its float last year. This culminated last month in Chris Martin taking over as Group MD from David Randall. Adrian Lamb became FD. Back in June Hoskyns' MD Tony Robinson joined Mike Brooke and Gordon Skinner as non-execs. We said at the time that "keeping all those opinions in order will be a demanding task". This month Peter Back adds his opinions as another non-exec.

At least this month Azlan has signed new distribution agreements with IBM, Satelcom and BT who have one thing in common with Azlan - they are all *System House* subscribers.

None of this helped the share price which dropped by another 20% this month - that's a fall of 43% since the launch and 51% since the 1994 high. On 20th Oct. an institutional owner of about 1% of the equity decided to get out of high tech. stocks. The share price plunged as a result. Azlan then put out a statement saying that unaudited H1 results showed operating profits of £1.2m and sales of £37.7m. Azlan expressed its confidence in "a significant improvement" in H2. Brokers SG Warburg had forecast PBT of £4.8m on 9th Sept. 94.

Spikes Cavell & Co.

Why is it that as you get older you also get more cynical?

This month we were invited to visit the stately home which is the new offices for market researchers **Spikes Cavell & Co.** at Benham Village Nr. Newbury.

Luke Spikes (there is apparently no Cavell) owns around 95% of the firm. He has that wonderful youthful confidence that makes him say "we will turnover £4.5m this year, £8m next year and £16m in 1996...we aim to be a \$1 billion company by 2003". It is a bit difficult to check any of this out as Spikes Cavell & Co. is currently such a small company that it only needs to file abbreviated accounts. The last filed accounts as at 30th Apr. 93 show net assets of just £86K.

Spikes Cavell 100+ research customers are ... well *System House* subscribers like you. IBM, DEC, Andersen Consulting, Hoskyns, Syntegra, CFM were just a few of the customers quoted. Spikes Cavell constantly monitor the IT buying intentions of some 11,000 user sites in the UK making 200,000 telephone calls every quarter. Currently they report on FM, AM and client-server buying intentions and will expand into networking, telecomms and vertical applications in the future. All this is delivered via a service branded as *MarketEye* and "a rolling European participative research programme called *Technology Matters*".

In addition, they have recently launched their *Quest 4* service which provides extracts of, and access to, a wide range of IT newspapers and magazines on CD-ROM for £995 for 11 CDs p.a.. We were given the very latest Sept. 94 CD and, like any one would, typed in the keyword "Holway".. The latest of our research quoted was the 1992 *Holway Report* ... "according to Richard Holway of ICL" it read (sic). Perhaps sometimes it may seem like that to you but *it ain't true yet*.

Researching the market researchers

If you include hardware (£6.7b), software and services incl. hardware maintenance and operating software (£9.5b) and other IT related bought in services like supplies and telecomms (£3.3b), external spend in the UK IT industry will be worth nearly £20 billion in 1994. It may therefore come as a surprise to learn that the combined revenues of all the leading IT-specific market researchers in the UK market - IDC, Dataquest, Input, Romtec, Ovum etc. - comes to little more than £20m or just one tenth of a % of the total UK external IT spend.

Sure, organisations commission research from non-IT researchers, but could this low spend just be a reason for the UK's poor performance in international markets. Could it in anyway be the reason for the millions spent in developing products which no-one wants to buy? Could it be the reason why even when the UK builds superb products, it seems incapable of marketing them effectively? We are clearly biased as we would delight in an explosion in research spend. But we do contend that UK market research spend is derisory.

A recent exchange with one of the UK's richest IT organisations is typical:-

"We need a list of the largest FM deals awarded in the UK in the last two years".

"Of course", we replied "its part of the 1994 *Holway Report* - price £1450".

"Oh no we don't want to buy the whole report. Can't you just fax the relevant page to us".

Our response was unprintable.

Another month of share price falls

The share prices of 51 out of the 62 quoted SCSi companies fell in Oct. Enterprise fell to 2p until they "recovered" by 0.5p on Friday 29th Oct. "on hopes of a white knight". Enterprise has slumped by 92% since starting 1994 on 32p. Another "financial restructuring is imminent". Azlan fell 20% (see p8). The fall was even more before they issued their confidence building statement.

There seems to be absolutely no explanation for the 18% fall in DCS shares this month. Their results announced at the end Sept. exceeded expectations. DCS suffers from the vagaries of a thin market - 70% of the equity is held by just 10 directors/institutions.

At the other end of the scale, Proteus shares rocketed by 72% on news of the success of the BSE vaccine (see p12). Kode recovered 22% on rumours (strenuously denied by

Kode) that they were for sale (p7). Total also recovered by 16%. As we celebrate our 5th birthday, Total get our award for most volatile share price over the last five years! The three best performers were Admiral, Capita and Sage - all showing increases of nearly 400% since 1989.

29-Oct-94	CSI Index		1516.69
	FTSE 100		3083.80
	FTSE SmallCap		1777.83
CSI Index = 1000 on 15th April 1989			
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (29/9/94 - 29/10/94)	-1.33%	+3.05%	-2.27%
From 15th Apr 89	+51.67%	+50.17%	
From 1st Jan 90	+64.84%	+30.56%	
From 1st Jan 91	+114.26%	+42.74%	
From 1st Jan 92	+45.16%	+23.69%	
From 1st Jan 93	-4.83%	+8.34%	+28.15%
From 1st Jan 94	-9.16%	-9.79%	-4.86%

System House CSI Share Prices and Capitalisation

	Share Price 29/10/1994 (£p)	Capitalisation 29/10/1994 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 29/10/94	Share price % move since 29/9/94	Share price % move in 1994	Capitalisation move (£m) since 29/9/94	Capitalisation move (£m) in 1994
ACT	£0.97	£179.90m	9.1	0.72	1539.68	-4.43%	-32.17%	-£8.40m	-£83.80m
Admiral	£6.44	£73.40m	19.8	2.00	4666.67	-0.16%	32.78%	-£0.10m	£21.00m
Azlan	£1.31	£28.60m	10.6	0.46	569.57	-19.63%	-50.57%	-£7.00m	-£29.30m
Capita	£1.62	£88.30m	20.6	1.76	4864.86	-1.82%	-31.93%	-£0.50m	-£24.50m
Cedardata	£0.93	£28.50m	14.8	4.66	885.71	-7.00%	-11.43%	-£2.10m	-£3.66m
Centregold	£1.05	£42.20m	14.4	0.46	840.00	15.38%	-35.19%	£5.60m	-£23.00m
Clinical Computing	£0.76	£12.30m	12.1	4.68	612.90	-2.56%	-38.71%	-£0.30m	-£7.80m
Coda	£0.79	£20.70m	8.2	0.88	336.17	-5.95%	-66.38%	-£1.30m	-£40.95m
Compel	£1.11	£16.90m	10.7	0.31	888.00	-6.72%	-11.20%	-£1.30m	-£2.80m
Computerised Financial	£1.03	£4.84m	loss	1.45	1144.44	-1.90%	14.44%	-£0.09m	£0.61m
Computer People	£1.98	£28.60m	45.1	0.42	814.81	-0.50%	83.33%	-£0.10m	£13.60m
Cray Electronics	£1.75	£415.40m	20.4	1.53	1023.39	-1.69%	8.70%	£3.00m	£60.60m
CRT	£0.89	£59.80m	21.9	1.26	988.89	-4.81%	-9.18%	-£3.00m	£7.70m
DRS Data & Research	£0.34	£12.10m	8.1	1.04	309.09	-10.53%	-69.09%	-£1.40m	-£27.10m
DCS Group	£0.56	£5.30m	15.0	0.83	933.33	-17.65%	-6.67%	-£1.14m	£1.10m
Division Group	£1.25	£42.20m	loss	20.29	3125.00	-1.57%	54.32%	-£0.70m	£14.80m
Electronic Data Processing	£1.38	£36.20m	12.8	2.52	4225.35	-3.50%	-30.30%	-£1.30m	-£15.40m
Enterprise	£0.03	£1.93m	loss	0.12	20.00	-28.57%	-92.06%	-£0.78m	-£23.77m
Gresham Telecomputing	£0.43	£14.10m	38.6	2.42	462.37	-14.00%	-61.26%	-£2.30m	-£21.40m
INSTEM	£1.53	£10.10m	9.2	0.52	1530.00	-6.13%	13.33%	-£0.90m	£3.64m
JBA Holdings	£1.37	£45.20m	13.9	0.61	856.25	-2.14%	-14.38%	-£1.00m	-£7.60m
Kalamazoo	£1.20	£45.70m	13.6	0.75	3428.57	-9.09%	20.00%	-£4.50m	£7.60m
Kewill	£2.53	£30.70m	11.0	0.97	1000.00	-3.80%	13.96%	-£1.20m	£4.20m
Kode International	£0.60	£5.65m	8.6	0.23	279.07	22.45%	-62.50%	£1.04m	-£9.25m
Learmonth & Burchett	£1.00	£21.80m	loss	0.83	833.33	-0.99%	-31.03%	-£0.20m	-£4.20m
Logica	£2.94	£181.70m	21.0	0.79	805.48	-5.47%	7.69%	-£10.50m	£13.80m
Lynx Holdings	£0.45	£18.90m	17.3	1.75	1125.00	-8.16%	2.27%	-£1.70m	£2.10m
MAID	£0.52	£42.30m	78.9	7.40	472.73	-11.86%	-52.73%	-£5.70m	-£46.80m
MDIS	£0.99	£99.00m	6.9	0.67	380.77	-7.48%	-61.92%	-£8.00m	-£161.00m
MR Data Management	£1.14	£63.30m	14.3	1.56	452.38	-12.98%	-44.39%	-£9.40m	-£50.30m
Macro 4	£4.23	£96.40m	11.9	3.96	1705.65	-1.63%	-37.61%	-£1.60m	-£57.60m
Micro Focus	£8.95	£128.90m	10.8	1.54	4323.67	9.41%	-10.50%	£11.10m	-£13.10m
Microgen	£1.17	£46.10m	11.7	0.86	500.00	-7.87%	-20.95%	-£3.90m	-£12.20m
Microvitac	£0.33	£20.70m	15.9	0.59	792.68	-13.33%	0.00%	-£3.20m	-£0.50m
Misys	£4.24	£200.60m	13.3	2.15	1054.73	-2.30%	-16.04%	-£4.70m	£4.70m
MMT	£1.73	£19.50m	17.7	2.76	1029.76	-2.81%	20.98%	-£0.50m	£4.20m
On-Demand	£1.06	£54.10m	loss	2.85	1358.97	-3.64%	-6.19%	-£2.00m	-£3.50m
Oxford Molecular	£0.56	£20.70m	loss	14.68	700.00	-3.45%	-30.00%	-£0.70m	-£8.80m
P&P	£0.69	£54.00m	17.1	0.25	309.42	1.47%	7.81%	£0.80m	£18.50m
Parity	£1.36	£49.80m	35.5	2.52	7555.53	1.49%	23.64%	£0.70m	£9.60m
Pegasus	£1.60	£10.00m	16.1	1.33	435.97	-7.51%	-25.23%	-£0.80m	-£4.10m
Persona	£1.41	£17.00m	12.6	0.74	881.25	-9.62%	-11.88%	-£1.90m	-£2.30m
Phonellink	£2.30	£81.60m	loss	65.75	1483.87	-9.45%	-36.81%	£0.60m	-£47.60m
Proteus	£2.35	£73.10m	loss	n/a	2797.62	71.53%	-44.18%	£30.50m	-£42.30m
Quality Software	£3.87	£33.70m	55.6	2.52	1018.42	-1.28%	-4.44%	-£0.40m	£2.20m
Radius	£0.38	£10.60m	loss	0.46	275.36	-13.64%	35.71%	-£1.70m	£2.96m
Real Time Control	£1.56	£10.90m	11.8	1.28	3183.67	0.00%	113.70%	£0.30m	£5.79m
Rolle & Nolan	£1.87	£22.70m	29.1	1.78	2226.19	-1.58%	26.78%	-£0.30m	£6.00m
Sage Group	£6.05	£126.40m	16.3	3.06	4653.85	-1.47%	18.63%	-£1.90m	£21.30m
Sanderson	£0.80	£30.90m	9.4	1.31	1361.70	-9.09%	0.00%	-£3.10m	£2.40m
Sema Group	£4.35	£403.70m	26.2	0.80	1367.92	1.16%	40.32%	£4.70m	£121.60m
Sherwood	£1.00	£6.10m	loss	0.26	833.33	-0.99%	-9.09%	-£0.06m	-£0.61m
Spargo Consulting	£1.00	£12.50m	39.4	2.57	1052.63	-1.96%	5.26%	-£0.30m	£0.60m
Standard Platforms	£0.15	£2.61m	loss	0.83	64.44	-6.45%	-54.69%	-£0.18m	£1.31m
Superscape	£2.04	£10.80m	loss	12.56	1030.30	-5.12%	3.03%	-£0.60m	£0.30m
Total	£0.36	£3.60m	37.4	1.72	679.25	16.13%	50.00%	£0.50m	£1.20m
Trace	£0.36	£5.03m	15.5	0.27	288.00	-5.26%	-5.26%	-£0.28m	-£0.36m
Unipalm	£1.08	£21.90m	121.3	2.04	1080.00	-2.70%	8.00%	-£0.60m	£1.66m
Vega Group	£2.43	£34.40m	24.5	3.55	1991.80	-4.71%	10.96%	-£1.70m	£3.50m
Virtuality	£1.73	£45.20m	loss	8.37	1017.65	8.12%	-47.73%	£3.40m	-£41.30m
Vietec	£0.21	£25.30m	11.2	0.56	891.30	-14.58%	-14.58%	-£4.30m	-£4.00m
Wakebourne	£0.94	£19.60m	loss	0.84	522.22	3.30%	56.67%	£0.60m	£7.10m

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.

Lewis quits Technology for Schroder Ventures The story so far...

Derek Lewis sets up volume PC distributor **Combrio** in 1984 which he sells to **MBS** (later **Touchstone**, even later **Strategem**). Under the "guidance" of such notable IBM managers as **Stafford Taylor** (now i/c of BT's **Cellnet**) and **Tim McGinn** (now i/c of **Merchants**) **MBS** was driven to the very edge of receivership. In May 89, Lewis helps by undertaking a £28.1m MBO of the PC distribution division which had just reported losses of £18.8m. The MBO was backed by **Schroder Ventures**. Under the **Realnew** name of **Technology plc**, the company once again prospers; turning in PBT of £5.3m in the year to 30th June 91.

In July 92, **Technology** was sold (again) to **ICL** for £30m + a further £27m based on *revenue* to the end of 1995. Lewis made an initial profit of nearly £2m on the deal and **Schroders** at the time expressed happiness with the terms! Immediately **Technology** joined the **ICL** stable, **IBM** and other suppliers withdrew their agreements. In addition, **ICL's** own resellers were unhappy to see this important part of the supply (and credit) chain removed. Earlier this year, **ICL** had to put a new organisation in place - **ICL Client-Server Systems** - to help address the problems. This month after what **Alan Cane** in the **FT** described as "some 18 months of strife among staff and customers" Lewis has quit. The price **ICL** had to pay to buy him out of the revenue based incentive was not disclosed, but knowing Lewis....

In an expression of how happy **Schroder Ventures** were with the original **Technology** investment, Lewis is now to join them to determine the group's electronics and computer investment policy. Lewis could do worse than to suggest another MBO of a PC distribution company as the first investment!

"Tidy Year for a Tiddler" says Alistair Jacks

In our quest to report the smaller companies as well as the monoliths, last year we announced ex-BOS founder **Alistair Jacks** MBI (with the help of **3i**) into **Thenon**. With revenues of £124K in 1993, we rightly described them as "tiny" but ended our report with "but with Jacks on board..." **Thenon** produce an AS/400 based change management system. The first year of the Jacks' reign has indeed produced a near four-fold increase in revenues to £478K and PBT of £51K (loss of £252K in 1993). And that's after what Jacks describes as "3i's usurious interest payments". As Jacks is proving - yet again - "building your own systems software and selling it to the world can make a very nice earner indeed". It looks as though **Thenon** might be one of the few **3i** **SCSI** investments which make it.

Not the best time to launch a SCSI Investment Trust

In Feb. 94 **Katie Potts**, the respected ex **SG Warburg** analyst, launched **Herald IT** dedicated to "investments in smaller quoted companies, principally in the UK.. in the areas of communications and multi media". We know that many **System House** subscribers decided to back her considerable reputation.

Herald IT shares are now trading at 92p + 40p for the 1:for:5 warrants. I.e. 100p, the same as the Mar. 94 issue price. This compares with a decline of 13% in our **CSI** Index in the same period.

Bearing in mind that one of **Potts's** larger investments was at **Coda**, managed by her namesake **Rodney**, the overall performance looks pretty good.

Campaign to clear up the new issue act

"If new issue documents are to mean anything at all, the word of a blue-chip City house has to carry some weight. They take the fees when the going is good, they should hand them back when investors are duped by poor due diligence". Source - **Sunday Times** 16th Oct. 1994.

The quote above just happened to relate to **Aerostructures** and the role played by **NM Rothschild**. **Aerostructures** had come to the market in June 94 at 120p, founders and investors had sold much of their stock. Then, just four months on, the by now inevitable bombshell profits warning was issued and the shares dived by over 80% to 24p. It all sounded so reminiscent of **MDIS**, **Coda**, **DRS**..

Company	*Sponsor*	Float Date	Issue Price	Price 21/10/94	Change
Division	Henry Cooke	May-93	40p	126p	215.0%
Phonelink	Allied Provincial	May-93	155p	233p	50.3%
On-Demand	Albert E Sharp	Nov-93	78p	108p	38.5%
CFS	Wise Speke	Feb-94	90p	103p	14.4%
Unipalm	Henry Cooke	Mar-94	100p	108p	8.0%
Spargo	Peel Hunt	Jun-94	95p	100p	5.3%
Superscape	Henderson Crosthwaite	Apr-94	198p	207p	4.5%
Quality Software Products	Hoare Govett	Mar-93	380p	389p	2.4%
Virtuality	Beeson Gregory	Oct-93	170p	165p	-2.9%
Cedardata	Greg Middleton	Mar-94	105p	96p	-8.6%
Compel	Societe Generale	Sep-94	125p	111p	-11.2%
Persona	Beeson Gregory	Mar-94	160p	141p	-11.9%
JBA International	Kleinwort Benson	Jun-94	160p	140p	-12.5%
Oxford Molecular	Henry Cooke	Apr-94	80p	63p	-21.3%
CentreGold	Smith New Court	Oct-93	125p	85p	-31.2%
Clinical Computing	Kelth, Bayley Rogers	Feb-94	124p	76p	-38.7%
Azian	SG Warburg	Nov-93	230p	132p	-42.6%
MAID	Hill Samuel	Mar-94	110p	52p	-52.7%
MDIS	Baring Brothers	Mar-94	260p	100p	-61.5%
Coda	SG Warburg	Feb-94	235p	73p	-68.9%
DRS Data & Research	Beeson Gregory	May-94	110p	34p	-69.1%

In the **SCSI** sector there have been 21 new issues since the start of 1993. 13 of these are currently trading at below the issue price and a basket of all these stocks is now worth 16% less than at the time of issue. But you may say that the whole market has declined in that time. NOT TRUE. The **FTSE100** has increased by 8% since 1st Jan. 93 and our own **CSI** Index EXCLUDING the new issues listed above has risen by 2% in the same period.

The new issues act has got to be cleaned up. Advisers must do a better job, accept full responsibility and be prepared to pay compensation. There should be severe limits on the proportion of shares which can be sold by directors and VCs in a float.

"Institutions have warned that their willingness to buy into forthcoming issues will now depend on the sponsor...accident prone issuing houses will find it hard to re establish their reputations". Source - **Sunday Times** - 22nd Oct. 94. On that basis readers should note that all the new **SCSI** issues sponsored by **SG Warburg** and **Beeson Gregory** are currently trading at (in most cases) substantial discounts to their issue price. No multiple issuing house has an unblemished record, but **Henry Cooke's** is better than the others.

Any more new issue scandals of this type will kill one of the most important mechanisms for raising new money for our industry. That would indeed be a disaster.

P&P "ahead of expectations"

P&P reported that it was "performing ahead of expectations". **Computers for Business**, acquired in Apr. 94 for "up to £6.6m", is "expected to achieve its full earn-out target for 1994". The originally specified target for the additional £1.6m payout was a 1994 profit of £950K. The other big **P&P** acquisition - **QA Training** - was "performing in line with expectations". As a result, **P&P** shares were up 1.5% against the trend this month.

Optimism wearing thin at MR Data Management

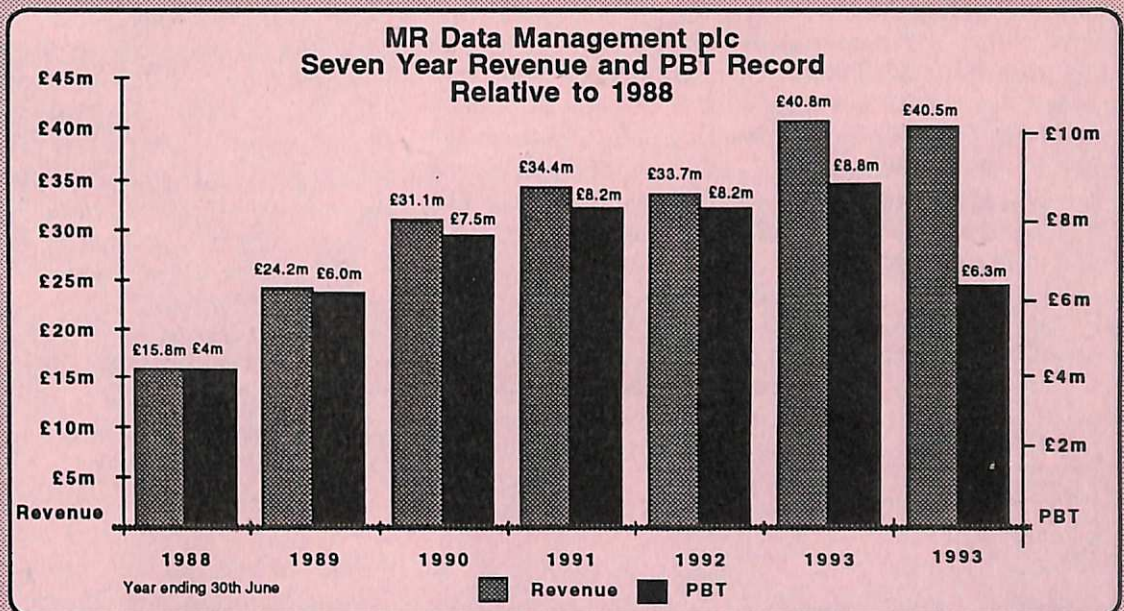
Computer Output on Microfiche (COM) bureaux had a cushy time for most of the last 20 years. Long term contracts, low tech. and high margins - it was an investors dream. But then technology came along and spoiled it all. We could have chosen several other companies (like Microgen,...) to illustrate the story, but we will use MR Data Management. MR has announced PBT down 27% at £6.35m on static revenues of £40.5m. EPS was down 25%. Cash had reduced from £6.9m to £4.3m although £1.5m has been raised from property sales since the year end.

A year ago, MR said it was "in excellent shape" and just six months ago said it was "optimistic about the remainder of the year". Brokers Matheson Securities had then forecast PBT of £10m for the year. A few months later on 11th July, MR correctly issued a profits warning that market expectations would not be met.

So what went wrong? Like MDIS, it has had great problems with delays in orders from

police forces for its text retrieval software. Restructuring (i.e. job losses) hit the image processing division which reported a £480K loss. Much of this was blamed on *acquisition indigestion* after the purchase of Taylor Woodrow Data Graphics for £1.8m in Jan. 93.

MR is now, rather belatedly in our view, introducing CD-ROM services. "The board remains optimistic" - exactly the same words as last year. Brokers currently forecast £8m PBT for 1994/95



Eidos - high risk but even higher potential

Eidos produces video editing software. They were a USM new issue in 1990 but have reported losses ever since. We have not included Eidos in our CSI Index because they are minute and it is difficult to determine their share price. This month Eidos has reported its first ever profits of £48K on revenues of just £188K for the six months to 30th June 94. In May Eidos organised a 1-for-10 rights issue at 240p which provided £517K net. Since then the share price has risen to 340p with an associated capitalisation of around £9m.

The excitement over Eidos is due to their involvement at the very heart of the multimedia market. Their video compression software is crucial to the success of many other companies and has recently been licensed to On-Demand Information, Visual Access and Computer Concepts. As well as supplying this software to others, Eidos is developing its own videophone which will run under Windows as well as other editing products.

Clearly Eidos is small and very high risk but the need for video compression as the multimedia market explodes is obvious to anyone who has used the current offerings. If Eidos gets it right, the future could be rewarding indeed.

Confidence wearing very thin

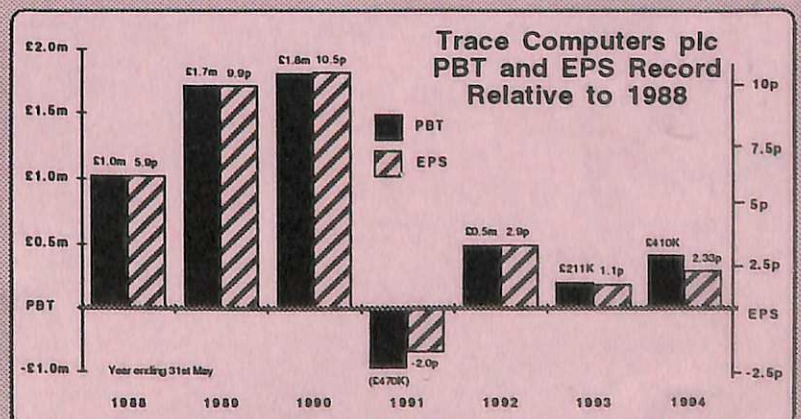
Trace is not a subscriber to *System House*. We say this only because we have written articles three years on the trot reporting on Chairman Robert Carefull's "confidence" only to find that confidence = performance "well below expectations"

Source - Trace Press Release 26th Oct. 94. Clearly no one has tipped him the wink not to repeat the *confidence* word.

Although PBT was almost doubled at £410K and EPS was up from 1.1p to 2.33p, revenues advanced by just 3% to £18.6m. Trace Solutions (property software) "had a good result" and the insurance division "had an acceptable year in terms of profits generated". Trace Financial continued to trade at a loss. But a glance at the chart opposite indicates that this performance is a shadow of Trace's performance in the 80s.

In case we all think that SCSI companies upsetting the market is new phenomenon, we should remind you that Trace was a new entrant in June 89 at 125p - they closed this month at just 36p. Carefull thanked shareholders for their "patience"...a new word in the Trace dictionary!

Readers will be interested to learn that Mr Carefull still faces the future with "confidence" due to "an encouraging resurgence in activity" - whatever that may now mean.



Lucas SCSI operations for sale

Lucas Industries' new CEO George Simpson this month decided that their two SCSI operations were to be put up for sale. In addition, Lucas decided to outsource "the provision of consultancy and selected IT services".

In 1990 Lucas bought Metier from Lockheed for around £40m. This was merged with Lucas Management Systems and provides project management software under the Artemis name. The operation has 500 staff and revenues of £40m. We understand that <1% of revenues come from Lucas and over 75% of revenues are earned overseas.

The other operation put up for sale is **Lucas Engineering and Systems** which is a consultancy operation specialising in business re engineering, manufacturing systems and FM. It has revenues of around £20m and 400 staff. Only about £5m of this revenue is from outside the Lucas group with customers including Rolls Royce, Rover etc.

No profit figures were available but in recent years the operations have struggled to breakeven.

Broadview has been appointed to handle the sale. A trade sale must be the most likely option with the emphasis on one of the larger outsourcing companies. However, an MBO has been given a chance with four VCs - Schroders, CINVen, Nat West and Lloyds - being authorised to talk to the management.

"It's good moos for Proteus" Daily Mail 14th Oct. 94
Apart from inspiring the worst headline so far this year, Proteus shares rose an impressive 71% this month on news that its Prometheus modelling program had helped to develop the first accurate test for BSE which could be administered whilst the cow was still alive.

The market for the test is worth \$100m a year and Proteus will receive a royalty of 10%.

As we have said many times, Proteus' reward sharing agreements - rather than selling its product - could well be a trail blazer for how other companies in our industry could construct deals in the future.

The Americanisation of LBMS

As widely forecast when Bessemer Ventures bought 20% of the equity in July 94, Roger Learmonth has stepped down as CEO of LBMS. John Bantleman, the US COO takes over as CEO. Just one further step in the "de-UKing" of LBMS.

"An IBM-like resurgence" at DEC?

It now looks as if DEC UK has ceased to exist as a separate entity. DEC UK MD Chris Conway had already been moved to head up DEC Accounts in Europe and it is unlikely that he will be replaced. Instead, three business units have been created, reporting to their respective unit heads in Europe; Richard Jones (Systems), Mike Powell (Accounts) and David Jones (Personal Computers).

DEC has continued to exit the software market by the sale this month of **800-Software Inc.** for \$25m. In the UK, DEC has sold its 100-strong financial systems unit (**Desisco**) to **Dealformatics** of Dublin who will merge it with its own **Quay Financial Software** subsidiary. Desisco was formed in Oct. 1990 when DEC acquired the financial systems activities of **Data Logic** for £3m.

Asset sales have now raised over \$500m including \$108m from **Oracle** for **Rdb**.

Pundits are now tipping DEC to perform "an IBM-like resurgence" and the share price has already risen over 50% from its July 94 low of \$20.

Happy Birthday to us

This month we celebrate the 5th anniversary of the first publication of *System House*. You may remember that Monday 16th Oct. 1989 was, at the time, thought to be a repeat of Black Monday. Our first front page headline was "£180m lost in one day" - relating to the capitalisation fall of quoted SCSI companies. It is interesting to note that MDIS alone has lost close to a similar amount in 1994 since its float! We reported on *too good to be true* results from **Headland** and **Ferrari** (they both went broke) as well as the first losses at **SD-Scicon** (bought by **EDS**), **NMW** (acquired by **ACT**) and **Sherwood** (still hanging on...). **IDC** estimated that by 1994 the total FM market in the whole of Western Europe would be worth just \$1.2 billion (the UK market alone is now worth more than that).

Some things haven't changed. **Admiral** and **Capita** produced "excellent" results...and **Microgen** issued a profits warning! **Thank you to all of our subscribers who remained loyal to us through those five years.**

5
years old
today

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