

System House

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US SCSI companies increase European dominance

US-owned companies continue to increase their domination in the supply of software and computing services to the European market. IBM's SCSI revenues, which exclude operating software and hardware maintenance, grew by an impressive 25% in 1993 to over 3 billion ECU. IBM is a Top Five SCSI supplier in every one of the countries of Europe, whereas CGS/debis Systemhaus only appeared in the Top Five in four countries. IBM's SCSI revenues were over twice the revenues of the #2 - CGS. Indeed many of the largest European owned suppliers - like CGS and Finsiel - had lack-lustre performance in 1993 compared with significant growth from US-owned suppliers.

The US dominance of Europe is likely to increase in 1994. IBM took control of CGI in June 94, EDS has acquired several leading European players - like Apiron (Sweden), Eurosept (France) and Systems & Management (Italy) as well as securing several major outsourcing contracts in the UK. Outside the Top Ten, improvements in rankings are expected from Oracle, Computer Associates and CSC.

Higher rankings are also expected in 1994 from Sema (after the acquisition of SKD-Företagen of Sweden) and SAP.

The UK is represented by only seven entries in the Top 50 - the highest being Cray at #22, followed by ACT (#24) and Logica (#28). There currently is little evidence to suggest that UK companies will improve on their rankings in 1994.

There are many who would

Country of Origin of Top 50 SCSI Suppliers in European Market



still regard ICL as a UK company - certainly it is UK-managed. ICL increased its European SCSI revenues by 22% to £610m in 1993. ICL earns around 70% of its SCSI revenue in the UK where growth was much higher (+30%) than in the remainder of Europe.

The Netherlands had a particularly strong showing with BSO/Origin, RAET, Getronics, NVRCC and Philips all in the Top 50.

But overall there is depressing evidence that local/SCSI companies, particularly in the smaller European countries, are losing market share to international (in particular US) companies.

The UK has a particularly strong showing in the profits league tables.

Indeed, 11 out of Europe's Top 20

most profitable SCSI companies are UK-owned.

Unfortunately, recent profit forecasts for ACT and Micro Focus both indicate profit reductions this year.

Also UK companies have taken over from the French at the top of the mergers and acquisitions league. This was particularly helped by purchases by Pearson and Reuters of US home software companies.

Recent acquisitions - like the purchase of Saari by Sage (p10) - would tend to indicate that this is at least one area where the UK is likely to retain its pole position.

As the UK emerges from recession faster than most European countries, astute purchases could just point the way to a stronger UK performance in the future.

The information in the article is from the Software and Computing Services Industry in Europe Report published this month. See p 12.

1993 European SCSI Revenues

Rank	Company	Nationality	ECU (millions)
1	IBM	US	3132
2	CGS	France	1517
3	EDS	US	1221
4	Microsoft	US	1157
5	SNI	Germany	982
6	debis Systemhaus	Germany	879
7	Finsiel	Italy	877
8	Andersen Consulting	US	872
9	DEC	US	824
10	ICL	Japan	786

Note: £1=1.3 ECU

Most Profitable European-owned SCSI Companies in 1993

Rank	Company	Nationality	ECU (millions)
1	SAP	Germany	133
2	Finsiel	Italy	76
3	Sema Group	France	47
4	Sigos	France	41
5	ACT Group	UK	37
6	Cray	UK	34
7	Micro Focus	UK	28
8	Misys	UK	24
9	Datacentralen	Denmark	18
10	Easams	UK	18

Unisys continues move to services

Although total revenues declined marginally in Q3, "revenues from information services, our strongest business, grew by 23% in the quarter and 22% over the past 9 months" said James Unruh, Chairman of Unisys. "Information services is now our largest business revenue stream with 25% of total revenues" (i.e. about \$1.8 billion in a full year). Source - Financial Times 18th Oct. 94.

In the UK, Unisys has recruited over 300 consultants from the likes of Coopers & Lybrand, Ernst & Young etc. "to try to establish itself as a dominant player".

DEC Consulting made similar claims a few years back and it all ended in tears. "A hardware manufacturer and a services provider are fundamentally different... You have to choose what you want to be" commented Duncan Aitchison of Hoskyns. Source - MicroScope 19th Oct. 94.

You may recall that last month Unisys was awarded a large outsourcing contract by the Co-Operative Bank.

SpinOff....

We must pull the shutters down on the sad but predictable EIT story one day. But this month we heard of SpinOff Ltd. Readers may remember Jennifer Sanchez of Decisionware which was acquired by EIT in June 91 for £100k (plus an unbelievable profit related £1.6m earnout...which in the event was exactly that). EIT went into administrative receivership in early 1993.

Every offer that Sanchez and her team made to buy back Decisionware was refused - probably because it was about the only profitable bit left. Anyway they managed to buy the business and products (but not the name) in Mar. 94 and hence SpinOff.

SpinOff, currently with 6 staff, continues to sell Dynamo. But it is DynaTerm which is the most interesting product to readers. This provides a Windows "look & feel" to existing AS400, Unix and VMS applications.

Froth at On-Demand Information

On-Demand Information develops video compression software and various other multimedia information systems. As it had continuing revenues of <£3m and losses of £1.45m, at the time of its float at 78p in Nov. 93, we think we were justified in referring to it as the ultimate froth stock when it achieved a float capitalisation of £40m. But recent performance at such "stable" companies as MDIS, Coda, Azlan et al led us to think that the froth stock description was perhaps not so bad after all.

But this month, On Demand announced an 80% increase in losses to £2.62m (less than the £3m loss expected) on revenues from continuing operations up 75% at £5.23m. The Chairman's progress report really was very positive. Major new projects were announced in a wide range of areas from the public sector to financial services. An audience of 2.5m at 1,100 medical practices now watch the narrowcast video programme endorsed by the Central Office of Information.

The market, however, reacted negatively writing the share price down 38% to 66p - lower than the 78p launch price and around a half of the 1994 high of 119p. Clearly froth after all.

Footnote: Tucked away in the statement is "the loss includes a provision of £457K against the decline in value of British Government Stock... we are seeking compensation from the adviser concerned".

What a sad, sad story

As readers know, we greatly regret the "lost opportunities" at Macro 4. They had everything going for them - excellent profit margins, a guaranteed revenue stream, a client base of blue chip customers and a worldwide sales/distribution operation.

But Macro 4 management seemed incapable of understanding the changes affecting their largely IBM mainframe market. System House (and other observers) have pointed this out for the last four years so Terry Kelly can hardly say he wasn't warned.

Hitting a high of 660p in 1993, the shares have since fallen by a third as investors also realised that, with its current strategy, Macro 4 was going nowhere. So, Kelly has now decided that he can't think of any way to enhance EPS by using his £22m cash mountain to, say, build or buy a PC product. So he might as well buy his own shares. This month Macro 4 spent £3.6m buying 844,000 shares at 430p. The shares closed the month up 4% at 440p.

Micro Focus move to consultancy

Micro Focus has reported Q3 (i.e. to 31st Oct. 94) results showing revenues 20% higher at £19.5m and profits, like last time, around breakeven. Encouragingly, most of the revenue increase came from client server product sales. Our now oft repeated prediction that software products have gone ex-growth and such companies should turn themselves into specialist IT consultancies has caused more heated debate than many of our pronouncements (and that really is saying something!).

As part of the recovery initiative announced after the recent profits slump, Micro Focus decided to expand its consultancy services to "assist customers to implement distributed network applications". Chairman Paul O'Grady is currently particularly encouraged with the success of this initiative.

Computer Games = Jobs = Big Bucks

In May 93 Sony bought £7m p.a. rev. Merseyside-based games developer Psygnosis for £14m. Its best selling game was Lemmings.

This month Sony has decided to base its new games development centre in Liverpool; thus creating 259 new jobs. Sony Electronic Publishing's MD Ian Hetherington said "This is an emerging technology and must be the largest growth sector in the world at the moment. If we can pull some of that into Sony - and we can - 259 new jobs will only be the tip of the iceberg". Source - Financial Times 8th Nov. 94.

Also this month AT&T has entered the games business by acquiring The Imagination Network - which provides on-line games and entertainment in the US - for around \$40m.

London-based Belief in the Solutions Ltd. (shortened to BITS!), has developed a VR headset which sells for about £200. BITS had revenues of £1.7m and PBT of £170K last year and is apparently looking for £2.5m of venture capital. Source - Computergram 25th Nov. 94.

Readers should need no reminding that computer games and VR software are areas where the UK leads the world and where investment returns have been phenomenal. See Division (p7).



Come in MMT Computing - your time has come

Our reviews of MMT Computing, since we started in 1989, have been universally positive. The problem is that in that first issue in 1989 we reviewed an MMT which had just declared PBT of £2.1m and whose share price was 132p. We then went on to report on two years of decline followed by two years of recovery only to reach the financial position from which we started.

So why have we always been such a strong supporter? MMT was one of the pioneers of Application Management (AM) which now represents around 25% of total revenues.

The other 75% of MMT's revenues come from people-based systems development for such blue chip customers as Kingfisher, BUPA, Lloyds Bank and the Rank Organisation.

Their largest customer is still Marks and Spencer which represented 43% of revenues when they floated, but has since sensibly reduced to under 20%. These long term, predictable and recurring revenue sources are exactly what has always differentiated the good performers from the bad.

Now, at long last, all these attributes are being rediscovered by the market. After four years in the doldrums, MMT's share price

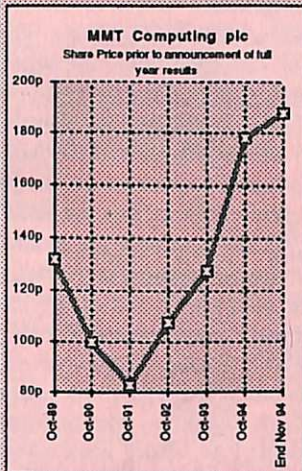
has rightfully come alive. The share price at the time of last year's results announcement was just 128p - MMT closed this month up 10% at 190p. That equates to a capitalisation of about twice FY94 revenues.

Full year results to 31st Aug. 94 showed PBT up 45% to a record £2.5m. Revenues increased by 54% to £10.9m and EPS was up 46%. After so many articles on the subject, it really is depressing to meet *System House* readers who *still* believe that high margins can only be achieved by software products companies. To save you the trouble of working it out, **MMT's profit margin is 23%**.

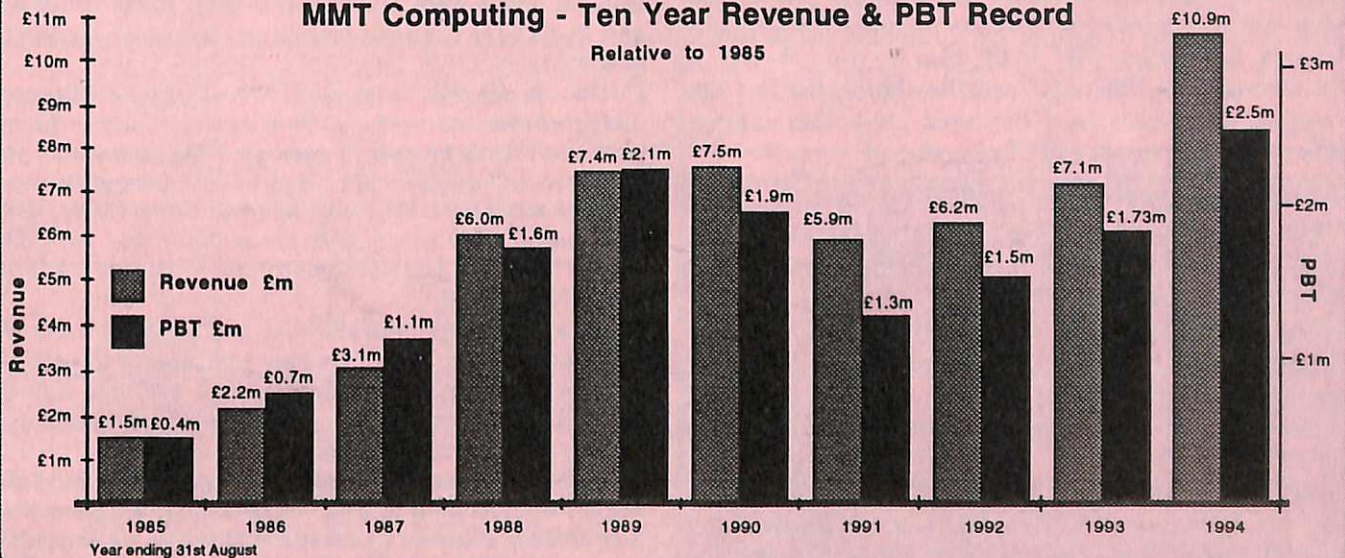
The key to success in MMT's business is tight cost control and high utilisation rates. A few years ago Mike Tilbrook moaned that utilisation had fallen from 100% to 95% - *he should be so lucky!* It now looks as if they might be up there again. On the Monday, when we 'phoned, only three MMT employees were unallocated to fee paid work - and one had just joined that morning!

MMT's 23% profit margin could have been even higher. "Our cash balances are over £4.5m although, with much lower interest rates nowadays, investment income is at about half the level enjoyed a few years back". Also Tilbrook is a dab hand at spotting the investment opportunities in the sector with past killings at P-E. Quotient and Total. But these *only* contributed £55K to profits in the year. Lately Tilbrook had built his stake in Sherwood to 5.3% which is currently showing only "a modest paper profit".

Given his past record though....



MMT Computing - Ten Year Revenue & PBT Record



Readers may be interested in the following accounts recently filed at Company House...

Computer Associates UK accounts for the year to 31st Mar. 94 show revenues down 3% at £68.6m but PBT up 65% at £11.8m. The UK revenues will be further boosted after the acquisition of ASK Group Ltd. and Data3 Europe in June 94.

Holistic Systems has had a superb year, increasing revenues by 46% to £8.9m and PBT by 75% to £1.1m in the year to 31st Mar 94. £4.2m of that is earned outside the UK with subsidiaries in Australia, Singapore and the US. They are a private company specialising in EIS and DSS systems around their open system based HOLOS product. The balance sheet is particularly strong showing net assets of £1.8m.

Leeds-based **Holdene Group plc** provides maintenance, IT training and FM (predominately at the PC level). After several years of losses, a modest PBT of £10K was reported on revenues up 17% at £16.4m in the year to 31st Mar. 94.

GSI UK - part of the c£420m p.a. French SCSI company - doubled UK revenues to £13.6m in 1993 due to two major new FM contracts. PBT, however, dived from £329K to just £27K.

Brian Mills' **Abtex** increased revenues by 35% to £22.4m but PBT reduced marginally to a still very respectable £811K in the year to 31st Dec. 93. Shareholders equity was up 34% at £1.57m

Cedardata - credit where credit's due

It feels sometimes that every new issue in the last two years can be categorised as either:

- all froth and no trading record
- good trading record followed by profits warning once the float is out of the way.

There are fortunately a very small number of exceptions... like **Cedardata**.

Eleven year old Cedardata has developed an Oracle-based commercial and financial accounting system - *cfacs*. Its financial record has been both excellent and consistent, with £2.7m PBT on revenues of £6.1m (i.e. a profit margin of 44%) made in the year to 31st Mar. 94.

Cedardata was floated in Mar. 94 at 105p valuing the company at £32m. Given recent disappointments from other new issues, we awaited Cedardata's maiden results with some trepidation. We need not have worried. In the six months to 30th Sept. 94, revenues increased by 43% to £3.73m, PBT was up 34% at £1.34m and EPS advanced by 22%. The performance was ahead of expectations. The slip in margin (but to a still enviable 36%) was due to a contract with Atomic Weapons Establishment "which necessitated the supply of low margin hardware in addition to *cfacs* software". The underlying figures were even better. Cedardata's old bureau services continue to decline, but revenues from new *cfacs* licenses were up over 50% in the period. Cash has increased by £1.1m to £3.8m in the six months.

Cedardata is currently developing a GUI for the product due for release in mid 1995. We stress again that Cedardata does not capitalise R&D.

Cedardata "views the future with confidence" with seven more new contracts in the last few months. Analysts are currently forecasting PBT of £3.45m for the full year. It therefore seem a little unfair that the share price at 102p is slightly down from the 105p issue price. This infers a quite modest prospective P/E of under 14.

FI Group share price up 85%

FI Group has a rather good PR dept...lots of releases, always helpful. It works as it translates into comment which starts from the premise "we like FI..."

Every six months since FI started their internal share market they have issued a press release on the latest share price on the internal market. 270p when Steve Shirley sold in 1991..... rising to 435p in Sept. 93 and 520p in Feb. 94.

Given that FI had boosted EPS by 32% in the year to 30th Apr. 94, we would have expected a similar rise in the internal share price - i.e. to c570p. We suggested this price in *System House* Sept. 94. This would have been more than fair given that our CSI Index had **fallen by 7%** in the period in question. We understand that the new share price announced in Sept. 94 was 805p - up 85% in the last year. That equates to an historic P/E of over 16 and values FI at around £20m.

In our view, that is about the price that Stock Exchange investors would put on FI in the current climate. Also we, unlike the FI internal valuer, are not party to the profit projections for the current year. The share price could have risen because *another* superb performance is expected. There is no reason why the internal price should lag behind the true market value. *But why - for the first time ever - did FI not want to issue a press release?*

Comdex in the Fall

In over 60 issues, we have never had an article written by "an outsider". **Neil Pearce**, whose involvement in our industry should need no introduction, went to Comdex in November. He was surprised how many *System House* subscribers he bumped into, so we guess his comments on the show might be of interest to many readers.

Every year, the biggest computer show in the world, Comdex/Fall, takes place in - where else - Las Vegas.

The show itself was, as usual, vast and very crowded taking a full three days to go around. It attracted 200,000 visitors from all around the world, of which nearly 30% were from outside the USA. This year, out of 2,150 stands, there were fewer than usual from software producers and far fewer vertical market packages exhibited. This may be a reflection of the impact Windows 95 will have and next year's show could well see a resurgence of software of products.

Hardware was characterised by the usual faster, smaller and cheaper syndrome. There was little real innovation apparent, more consolidation. This was especially true in the multi-media hall where the availability of a chipset to support full screen, full motion video meant that there was a plethora of products being demonstrated. Some of the well known manufacturers were showing their versions at a retail price of around \$995. Other less well known ones had similar products for around \$595. However, around the corner I found an excellent product based on the same chipset, only sold OEM, but at around \$150 (which would equate to a street price of about \$295).

The one hardware trend that does appear useful is the appearance of multi-use products which are designed to use less desk space. Typical products are those that combine fax, printer, copier and scanner in a single box. There were some quite spectacular LCD displays on show. None of your 640x480 displays, these were 800x600 and even 1024x768 on 9.4" and 10.4" LCDs! However, no-one was giving either pricing or availability.

On the software side, some trends were appearing which could well make systems more friendly in the future. Within the next year, you should be able to have an E-Mail system on your PC which will enable you to mail people without having to know all about the LAN E-Mail, Internet, CompuServe, X-400 or whatever. You simply give the address and the E-Mail system sorts out what system to use to deliver it and the appropriate format.

With the current version of Windows and hardware standards, it can be great fun (!) adding new components to your PC. Several companies were showing their self-help software which, it is claimed, would sort out many conflicts and even missing software components.

Several companies were demonstrating systems based on maps. Nearly all of these used software from Next Base which was recently acquired by Microsoft (see p7). Talking of Big Brother, following their acquisition of Intuit, Microsoft announced last week that they had agreed with Visa International to develop a standard method of transmission of electronic bank card transactions across public and private networks worldwide.

Sales of software on CD-ROMs increased by over 400% from 1993 and were over \$140m in the USA in Q2. Some 88% of such sales are still to the home user with the largest sales being reference and games at about 10% each.

The other very recent change to Comdex has been to allow some exhibitors to sell off the stand. It was easy to spot those stands selling product since they all had large crowds around them. Mind you, it may also have been due to the fact that many of them were selling soft porn CD-ROMs and some of them even had the models themselves on the stands. Well the show was in Las Vegas!

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

ACT Group plc					Gresham Telecomputing plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Apr 93	Final - Oct 93	Interim - Apr 94	Comparison
REV	£ 107,595,000	£ 250,630,000	£ 106,337,000	-1.2%	REV	£ 3,060,000	£ 5,823,000	£ 3,068,000	+0.3%
PBT	£ 11,531,000	£ 28,469,000	£ 1,006,000	-91.3%	PBT	£ 419,000	£ 551,000	£ 244,000	-41.8%
EPS	4.41p	12.15p	4.05p	-8.2%	EPS	0.86p	1.04p	0.43p	-50.0%
Admiral plc					INSTEM plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 17,710,000	£ 36,640,000	£ 24,560,000	+38.7%	REV	£ 9,585,000	£ 19,294,000	£ 8,043,000	-15.4%
PBT	£ 2,185,000	£ 4,608,000	£ 3,198,000	+46.4%	PBT	£ 410,000	£ 1,021,000	£ 505,000	+23.2%
EPS	13.30p	27.60p	18.50p	+39.1%	EPS	6.00p	14.80p	7.40p	+23.3%
Azlan Group plc					JBA Holdings plc				
	Final - Mar 93		Final - Mar 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 41,196,000		£ 61,506,000	+49.3%	REV	£ 29,908,000	£ 74,467,000	£ 38,500,000	+28.7%
PBT	£ 2,954,000		£ 3,871,000	+31.0%	PBT	£ -1,074,000	£ 4,610,000	£ 264,000	Loss to profit
EPS	8.40p		12.40p	+47.6%	EPS	-2.87p	10.23p	0.19p	Loss to profit
Capita Group plc					Kalamazoo Computer Group plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison
REV	£ 22,102,000	£ 50,168,000	£ 30,471,000	+37.9%	REV	£ 29,562,000	£ 60,911,000	£ 28,263,000	-4.4%
PBT	£ 2,038,000	£ 5,463,000	£ 2,710,000	+33.0%	PBT	£ 2,533,000	£ 6,355,000	£ 3,003,000	+18.6%
EPS	2.86p	7.85p	3.80p	+32.9%	EPS	4.20p	10.20p	4.98p	+18.6%
Cedardata plc					Kewll Systems plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Sep 93	Final - Mar 94	Final - Mar 94	Comparison
REV	£ 2,608,000	£ 6,120,000	£ 3,726,000	+12.9%	REV	£ 15,999,000	£ 31,780,000	£ 16,405,000	+2.5%
PBT	£ 998,000	£ 2,715,000	£ 1,337,000	+34.0%	PBT	£ 1,757,000	£ 4,043,000	£ 2,166,000	+23.3%
EPS	2.30p	6.30p	2.80p	+21.7%	EPS	10.15p	23.00p	12.16p	+19.8%
CentreGold plc					Kode International plc				
	Final - Jul 93		Final - Jul 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 67,985,000		£ 91,300,000	+34.3%	REV	£ 12,277,000	£ 24,916,000	£ 12,255,000	-0.2%
PBT	£ 2,715,000		£ 4,030,000	+48.4%	PBT	£ 710,000	£ 1,143,000	£ -515,000	-172.5%
EPS	5.63p		7.30p	+29.7%	EPS	4.30p	7.00p	-5.50p	-227.9%
Clinical Computing plc					Learmonth & Burchett Management Systems plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Final - Apr 93		Final - Apr 94	Comparison
REV	£ 1,180,000	£ 2,635,853	£ 735,000	-37.7%	REV	£ 23,645,000		£ 26,406,000	+11.7%
PBT	£ 446,000	£ 1,129,000	£ -227,000	Profit to loss	PBT	£ 1,610,000		£ 731,000	Profit to loss
EPS	3.70p	9.10p	-1.40p	Profit to loss	EPS	7.00p		-3.30p	Profit to loss
Coda Group plc					Logica plc				
	Interim - Apr 93	Final - Oct 93	Interim - Apr 94	Comparison		Final - Jun 93		Final - Jun 94	Comparison
REV	£ 9,321,000	£ 23,450,000	£ 13,327,000	+43.0%	REV	£ 217,434,000		£ 228,848,000	+5.2%
PBT	£ 427,000	£ 3,752,000	£ -2,546,000	Profit to loss	PBT	£ 9,026,000		£ 13,543,000	+50.0%
EPS	1.20p	10.60p	-8.00p	Profit to loss	EPS	8.70p		14.00p	+60.9%
Compel Group plc					Lynx Holdings plc				
	Final - Jul 93		Final - Jun 94	Comparison		Final - Sep 93		Final - Sep 94	Comparison
REV	£ 43,777,000		£ 54,542,000	+24.6%	REV	£ 10,807,000		£ 21,523,000	+98.2%
PBT	£ 604,000		£ 2,062,000	+241.4%	PBT	£ 619,000		£ 2,009,000	+224.6%
EPS	n/a		n/a	n/a	EPS	4.27p		4.50p	+5.4%
Computerised Financial Solutions plc					M.A.I.D. plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 1,638,000	£ 3,338,636	£ 1,404,000	-14.3%	REV	£ 2,601,746	£ 5,723,909	£ 3,971,619	+52.7%
PBT	£ 77,000	£ 330,233	£ -36,000	Profit to loss	PBT	£ 207,108	£ 603,176	£ 439,832	+112.4%
EPS	1.50p	7.30p	-1.40p	Profit to loss	EPS	0.24p	0.69p	0.39p	+62.5%
Computer People Group plc					McDonnell Information Systems plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		PF Interim - Jun 93	PF Final - Dec 93	PF Interim - Jun 94	Comparison
REV	£ 33,542,000	£ 68,748,000	£ 38,013,000	+13.3%	REV	£ 70,440,000	£ 148,480,000	£ 68,609,000	-2.6%
PBT	£ 364,000	£ 1,102,000	£ 733,000	+101.4%	PBT	£ 7,528,000	£ 21,248,000	£ 5,044,000	-33.0%
EPS	1.45p	4.37p	3.42p	+135.9%	EPS	4.86p	13.89p	3.48p	-28.4%
Cray Electronic Holdings plc					MR-Data Management Group plc				
	Final - Apr 93		Final - Apr 94	Comparison		Final - Jun 93		Final - Jun 94	Comparison
REV	£ 200,785,000		£ 271,718,000	+35.3%	REV	£ 40,788,000		£ 40,521,000	-0.7%
PBT	£ 29,014,000		£ 26,168,000	-9.8%	PBT	£ 8,759,000		£ 6,348,000	-27.5%
EPS	13.80p		8.60p	-37.7%	EPS	10.60p		8.00p	-24.5%
CRT Group plc					Macro 4 plc				
	Final - Apr 93		Final - Apr 94	Comparison		Final - Jun 93		Final - Jun 94	Comparison
REV	£ 47,035,000		£ 47,348,000	+0.7%	REV	£ 23,256,000		£ 24,367,000	+4.8%
PBT	£ 3,297,000		£ 532,000	-83.9%	PBT	£ 10,497,000		£ 11,211,000	+6.8%
EPS	4.22p		-0.13p	Profit to loss	EPS	31.50p		34.20p	+8.6%
DRS Data & Research Services plc					Micro Focus plc				
	Interim - Jul 93	Final - Dec 93	Interim - Jul 94	Comparison		Interim - Jul 93	Final - Jan 94	Interim - Jul 94	Comparison
REV	£ 6,868,000	£ 11,577,000	£ 5,756,000	-16.2%	REV	£ 40,800,000	£ 83,842,000	£ 42,950,000	+5.3%
PBT	£ 1,535,000	£ 1,689,000	£ 1,484,000	-3.3%	PBT	£ 11,554,000	£ 21,761,000	£ 7,024,000	-39.2%
EPS	3.47p	3.83p	3.02p	-13.0%	EPS	53.50p	101.20p	32.90p	-38.5%
DCS Group plc					Microgen Holdings plc				
	Final - Jun 93		Final - Jun 94	Comparison		Interim - Apr 93	Final - Oct 93	Interim - Apr 94	Comparison
REV	£ 5,545,366		£ 6,375,180	+15.0%	REV	£ 26,137,000	£ 53,351,000	£ 29,056,000	+11.2%
PBT	£ 231,406		£ 426,144	+84.2%	PBT	£ 3,758,000	£ 6,700,000	£ 3,441,000	-8.4%
EPS	2.69p		4.32p	+60.6%	EPS	6.10p	10.50p	5.50p	-9.8%
Division Group plc					Microvitac plc				
	Interim - Apr 93	Final - Oct 93	Interim - Apr 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 914,000	£ 2,078,000	£ 2,106,000	+130.4%	REV	£ 17,959,000	£ 35,170,000	£ 20,923,000	+16.5%
PBT	£ 10,000	£ 503,000	£ 892,000	Loss both	PBT	£ 570,000	£ 1,611,000	£ 1,120,000	+96.5%
EPS	-0.10p	-2.10p	-2.60p	Loss both	EPS	0.78p	2.05p	1.24p	+59.0%
Electronic Data Processing plc					Misys plc				
	Interim - Mar 93	Final - Sep 93	Interim - Mar 94	Comparison		Final - May 93		Final - May 94	Comparison
REV	£ 7,350,000	£ 14,341,000	£ 7,179,000	-2.3%	REV	£ 88,761,000		£ 93,358,000	+5.2%
PBT	£ 2,341,000	£ 4,672,000	£ 2,061,000	-12.0%	PBT	£ 15,125,000		£ 18,612,000	+23.1%
EPS	6.02p	11.71p	5.12p	-15.0%	EPS	26.80p		31.90p	+19.0%
Enterprise Computer Holdings plc					MMT Computing plc				
	Final - Mar 93		Final - Mar 94	Comparison		Final - Aug 93		Final - Aug 94	Comparison
REV	£ 58,231,000		£ 16,399,000	-71.8%	REV	£ 7,057,716		£ 10,861,498	+53.9%
PBT	£ 6,143,000		£ 2,052,000	Loss both	PBT	£ 1,725,549		£ 2,505,106	+45.2%
EPS	-7.40p		-2.60p	Loss both	EPS	9.00p		13.10p	+45.6%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

On Demand Information plc				Sanderson Electronics plc				
	Final - Jul 93	Final - Jul 94	Comparison	Interim - Mar 93	Final - Sep 93	Interim - Mar 94	Comparison	
REV	£ 18,989,000	£ 14,487,000	-23.7%	£ 12,057,000	£ 23,581,000	£ 14,217,000	+17.9%	
PBT	£ 1,450,000	£ 2,617,000	Loss both	£ 1,803,000	£ 3,327,000	£ 2,169,000	+20.3%	
EPS	-3.90p	-5.70p	Loss both	3.55p	8.46p	3.98p	+12.1%	
Oxford Molecular plc				Sema Group plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 591,000	£ 1,409,000	£ 1,086,000	+83.8%	£ 232,948,000	£ 501,992,000	£ 298,419,000	+28.1%
PBT	-£ 488,000	-£ 1,265,000	-£ 933,000	Loss both	£ 15,213,000	£ 24,855,000	£ 12,567,000	-17.4%
EPS	-4.40p	-8.90p	-3.50p	Loss both	10.46p	16.62p	9.13p	-12.7%
P & P plc				Sherwood Computer Services plc				
	Interim - May 93	Final - Nov 93	Interim - May 94	Comparison	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 121,800,000	£ 217,259,000	£ 118,900,000	-2.4%	£ 11,837,000	£ 23,561,000	£ 11,957,000	+1.0%
PBT	£ 2,000,000	£ 4,107,000	£ 2,700,000	+35.0%	£ 541,000	-£ 1,998,000	-£ 88,000	Profit to loss
EPS	2.10p	4.30p	3.00p	+42.9%	3.40p	-35.78p	1.50p	-55.9%
Parity plc				Spargo Consulting plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 5,298,000	£ 19,768,000	£ 38,803,000	+632.4%	£ 2,307,000	£ 4,869,000	£ 2,854,000	+23.7%
PBT	£ 60,000	-£ 228,000	£ 2,023,000	+3271.7%	£ 272,000	£ 483,000	£ 606,000	+122.8%
EPS	0.61p	-1.90p	3.54p	+480.3%	1.52p	2.58p	3.20p	+110.5%
Pegasus Group plc				Standard Platforms Holdings plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison	Interim - Mar 93	Final - Sep 93	Interim - Mar 94	Comparison
REV	£ 5,300,000	£ 7,502,000	£ 2,275,000	-57.1%	£ 865,617	£ 3,161,416	£ 749,995	-13.4%
PBT	£ 1,017,000	£ 6,930,000	£ 68,000	-93.3%	£ 382,695	-£ 1,065,027	-£ 35,640	Loss both
EPS	9.10p	72.00p	0.70p	-92.3%	-9.60p	-26.70p	-0.90p	Loss both
Persona plc				Superscape VR plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison	PF Final - Jul 93	PF Final - Jul 94	Comparison	
REV	£ 11,189,000	£ 22,862,000	£ 15,042,000	+34.4%	£ 642,018	£ 859,192	+33.8%	
PBT	£ 825,000	£ 1,749,000	£ 1,005,000	+21.8%	-£ 21,450	-£ 238,024	Loss both	
EPS	5.30p	11.08p	6.00p	+13.2%	-0.50p	-6.10p	Loss both	
Phonelink plc				Total Systems plc				
	Final - Mar 93	Final - Mar 94	Comparison	Final - Mar 93	Final - Mar 94	Comparison		
REV	£ 922,557	£ 1,241,000	+34.5%	£ 2,869,359	£ 2,092,429	-27.1%		
PBT	£ 30,905	-£ 1,761,000	Profit to loss	£ 832,906	£ 141,918	-83.0%		
EPS	0.10p	-5.00p	Profit to loss	6.08p	0.96p	-84.2%		
Proteus International plc				Trace Computers plc				
	Final - Mar 93	Final - Mar 94	Comparison	Final - May 93	Final - May 94	Comparison		
REV	£ 21,000	Nil	n/a	£ 18,042,438	£ 18,629,000	+3.3%		
PBT	-£ 3,547,000	-£ 6,618,000	Loss both	£ 211,504	£ 410,000	+93.8%		
EPS	-13.52p	-24.36p	Loss both	1.10p	2.33p	+111.8%		
Quality Software Products Holdings plc				Unipalm plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison	Final - Apr 93	Final - Apr 94	Comparison	
REV	£ 6,607,000	£ 13,346,543	£ 7,266,000	+10.0%	£ 8,390,000	£ 10,753,000	+28.2%	
PBT	£ 143,000	£ 553,214	£ 604,000	+322.4%	£ 605,000	£ 272,000	-55.0%	
EPS	2.00p	6.70p	6.90p	+245.0%	2.90p	0.89p	-69.3%	
Radius plc				Vega Group plc				
	Interim - May 93	Final - Dec 93	Interim - Jun 94	Comparison	Final - Apr 93	Final - Apr 94	Comparison	
REV	£ 10,723,000	£ 23,273,000	£ 12,325,000	+14.9%	£ 8,089,000	£ 9,703,000	+20.0%	
PBT	-£ 466,000	-£ 1,171,000	£ 808,000	Loss to profit	£ 1,478,000	£ 2,147,000	+45.3%	
EPS	-1.30p	-3.00p	1.80p	Loss to profit	6.38p	10.01p	+56.9%	
Real Time Control plc				Virtuality Group plc				
	Final - Mar 93	Final - Mar 94	Comparison	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison	
REV	£ 6,114,000	£ 8,534,000	+39.6%	£ 2,444,000	£ 5,400,000	£ 4,120,000	+68.6%	
PBT	£ 492,000	£ 1,387,000	+181.9%	£ 65,000	-£ 365,000	-£ 695,000	Profit to loss	
EPS	4.90p	13.30p	+171.4%	0.30p	-1.70p	-2.70p	Profit to loss	
Rolfe & Nolan plc				Vistec Group plc				
	Final - Feb 93	Final - Feb 94	Comparison	Interim - Oct 93	Final - Apr 94	Final - Apr 94	Comparison	
REV	£ 11,232,000	£ 12,720,000	+13.2%	£ 17,830,000	£ 45,018,000	£ 25,374,000	+43.9%	
PBT	£ 1,216,000	£ 1,573,000	+29.4%	£ 1,126,000	£ 3,409,000	£ 745,000	-33.8%	
EPS	8.85p	6.45p	-27.1%	0.62p	2.06p	0.41p	-33.9%	
Sage Group plc				Wakebourne plc				
	Final - Sep 93	Final - Sep 94	Comparison	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison	
REV	£ 41,289,000	£ 50,888,000	+23.2%	£ 12,004,000	£ 22,275,000	£ 18,172,000	+51.4%	
PBT	£ 9,656,000	£ 14,252,000	+47.6%	-£ 18,944,000	-£ 18,649,000	£ 1,068,000	Loss to profit	
EPS	32.50p	45.40p	+39.7%	-144.60p	-143.80p	3.40p	Loss to profit	

Vistec issues profits warning

Throughout the recession Vistec performed soundly, moving steadily away from hardware into software and services. Against this background, the latest results for the six months to 31st Oct. 94 are very disappointing. They show PBT down 34% at £745K on revenues up 44% at £25.3m. EPS also fell by 34%. The termination of the Informix distribution contract at Sphinx, reducing hardware & support margins and losses at recently acquired ISO (Nov. 93 for £500K plus deferred £1.6m) and Data Logic Communications (Feb. 94 for £2.5m cash), were blamed.

Vistec has had more than its share of acquisition indigestion (remember **01 Computers** which Chairman Bob Morton publicly described as "a can of worms") it was therefore of great concern that the losses at the new acquisitions were due to "cost over-runs on contracts at ISO" and "inadequate cost control at Data Logic". Data Logic had lost £1.1m on revenues of £6.8m in the year prior to the Vistec takeover, so perhaps the continued losses were not wholly unexpected. Sorting out these problems will cost "up to £350K" and will clearly "have an adverse impact on the second half's results, which will be substantially less than last year".

Sphinx has now signed a distribution deal with Oracle which MD Terry Macdonald described as a "major coup" which will "eventually expected to result in a substantial increase in its business". But Vistec should be aware of the many other Oracle distributors out their fighting for the same business.

Vistec had hit a high of 31p in 1994 but collapsed a further 30% this month to end on 14.5p.

Acquisitions, disposals and liquidations

Microsoft in first UK acquisition

"Microsoft is after our business when we go banking with its Intuit acquisition; now it wants to make money out of us when we are on the road". So started the Computergram (2nd Nov. 94) news item on Microsoft's acquisition of UK **NextBase Ltd**. The NextBase products, Automap, AutoRoute and MapBase of which over 400,000 copies have already been sold, will become part of the ever growing MS Home range and is expected to form the basis of its personal navigation system codenamed Marvel. NextBase had revenues of around £7m. No consideration was given. Broadview acted for NextBase shareholders.

Readers should reread our articles loosely based on the theme "growth in the corporate IT market is dead, long live the consumer".

Games mean serious money

As previewed last month BCE has bought games software developers **Rage** for £4m and **Software Creations** for £10m. Their latest game "Ken Griffey Jr. present Major League Baseball" has already sold 500,000 copies. BCE was valued at just £6m when the shares were suspended - but £25m when dealings recommenced.

Further period of insecurity at Enterprise

Poor old **Enterprise** will have a nail-biting time up to Christmas. Their overdrafts with Barclays (£3.5m) and RBoS (£1.5m) were due for renewal on 31st Oct. 94. Enterprise had offered property and their 25% stake in SRL, which they claim is worth £2.5m, as security. The banks were a little unsure about this, but have extended the facilities until 31st Dec. in order to do more "due diligence". Enterprise's move from mainframe to client server systems was said to be taking longer than expected. Enterprise shares, although up 10% this month at 2.75p are down over 90% this year.

Kalamazoo pays 6x revenue for WIS

Kalamazoo (see p10) has paid one of the highest prices we have come across this year for **WIS**. Cardiff-based WIS "designs computer systems for companies engaged in manufacturing and distribution using its Oracle-based WIS-ANSWER product". In the year to 31st Mar. 94, WIS had revenues of just £979K and PBT of £127K. So the initial consideration of £1.78m (£1.5m in cash, rest in shares) looks high in its own right. But Kalamazoo is paying a further £4m if WIS trebles revenues in the next three years. This price will get many excited - particularly as Kalamazoo said it has £20m to spend on acquisitions.

ICL sells to CA

Computer Associates (CA) has acquired ICL's Open Systems Management Centre, together with its associated software products such as Team Distributor. 23 ICL staff will transfer in a deal said to be worth "more than \$6m". Source - Computer Weekly 24th Nov. 94.

ICL already has close ties with CA via CA-Unicenter (into which the purchases will fit). Negotiations are taking place with CA over ICL's TeamOffice software.

ICL said the "move is part of its retrenchment from development towards integration and provision of third party offerings". Source - Computergram 22nd Nov. 94.

The others..CMG, which has declared its intention to float next year, has acquired the software business of **Redcliffe Associates** with their FSS client and policy administration system for financial services providers. As Redcliffe had revenues of <£1m, one would guess that the consideration was <£1m too. After CMG's many acquisitions, we were surprised to learn that this was their first in the UK. **MicroAge** has taken a 25% stake in one of its UK resellers - **Genisys**. "One of the UK's oldest off-the-shelf PC sellers, **Qubié**, admitted that it was in financial trouble". Source - MicroScope 9th Nov. 94. **Virgin Interactive Entertainment** has acquired the multimedia software activities of **US Media Vision** which had been in Chapter 11. **Kewill Systems** has sold the freehold of one of its properties for £1.3m - £300K more than the book value. **FH Brown Business Equipment** has acquired **Fairhurst Instruments** which operates Applecentres in Manchester and Wilmslow. **UK Select Appointments** has bought a 49% stake in Japan's **Niscom Services** which specialises in IT staff. Select paid £3.3m for the stake. **Data Sciences** as acquired the **GIS division** of **Midsummer Computing**. Staff will be relocated to Farnborough. No consideration was given. **Pegasus** is to spend £1.75m building a new HQ in Kettering "bringing all employees under one roof for the first time in many years". **Pegasus** has also paid an initial £90K for the rights to a Windows-based contact and sales information management system developed by **Omega Computers** of Hampshire. **Alphameric**, whose recovery under Alan Benjamin we greatly admire, has acquired the remainder of **Alphaserv** (previously the **Ambrose Consultancy**) for £2.75m to be satisfied by the issue of 6.88m shares. 2.66m will be placed at 37.5p plus a further 3.59m to raise £890K additional working cash. **Kode** has sold its loss-making TPM subsidiary - **DCM** - to **Tellus Holdings** for £1.5m (Kode paid £3.2m for it in July 92). Kode warned that it was likely to pass on payment of a dividend this year.

Sybase and Powersoft

Sybase (the world's 2nd largest database software company) has acquired **Powersoft** (client/server software development tools with an estimated 40% of the world market) in a share deal worth around \$782m. Not bad considering Powersoft's revenues were \$57m in 1993. The resulting company will have annual revenues of \$730m "making it the seventh largest software company in the world. Its year-on-year growth rate of 75% makes it the fastest growing company in the Top Ten". It will also have over \$236m cash.

One of the homes for a bit of that cash could be **Admiral**. Three months ago Powersoft announced a joint venture to take over Admiral's exclusive rights to the PowerBuilder product in the UK. Although £2.1m cash was paid to Admiral for a 51% stake in the JV, the "up to £12m" performance related purchase of the remaining 49% could be activated ahead of time on change of ownership.

Division to raise £9.6m

"Serious" virtual reality software developer, **Division**, has been the best performer of any of the new issues. Launched in May 93 at 40p, the shares ended Nov. 94 three times higher at 128p. And that was after a 3:for:10 rights issue at 100p to raise £9.6m for marketing and R&D. Division said it expected losses of £1.44m (£503K) on revenues of £5.27m (£2.08m) for the year to 31st Oct. 94 - which is in line with expectations.

When we reviewed ACT Group's interim results a year ago, brokers were forecasting PBT of over £35m for 94/95 and the share price was 160p - off from its 187p high in

1993. ACT had just completed its purchase of BIS for £93.5m - the last (as it was to turn out) of a string of acquisitions which had included Kindle and NMW. At that time, Chairman Roger Foster described the slow down in organic growth as "a blip" and said that ACT was in a position "to deliver long term consistent growth". As readers will know, we were not so sure - forecasting that "ACT could suffer the same fate as Misys in 1990/91" when a slow down in the UK market coupled with enforced product redevelopment caused the share price to fall which, in turn, meant that acquisition activity had to cease.

The analogy was uncannily correct. In June 94 ACT put out a warning that "the current year's trading will be adversely affected, principally in the UK, by the restructuring of the financial products division and the significantly increased expenditure on new product development". The share price fell to under 100p.

ACT has been through more metamorphoses than most SCSI companies. It started as a bureau, then changed into the Apricot PC hardware manufacturer, then back into a broadly based SCSI company. It is now disposing of everything which is not related to financial services. Already this year ACT Cablestream (£5m), Brann Direct Marketing (£8.15m), ACT Computer Support & Network Si (£14.5m), ACT Business Systems & BIS Training (£8.3m) and ACT Sigmex (closed) have gone. That just leaves ACT Medisys (operating profits of £390K on revenues of £4.6m in six months to 30th Sept. 94), ACT Managed Services (the FM business of BIS Perthcrest with around £8m p.a. revenues but only "breakeven") and ACT Signex BV. Although disposals have raised significant cash - in part needed to pay the £25m deferred consideration to Nynex for BIS - they have caused a £8.8m loss on disposal, after accounting for goodwill, in the latest interim accounts.

The warning in June meant that the City was well prepared for the interim results. These were as follows:

	1993	1994	Change
Revenue	£ 107.6m	£ 106.3m	-1.2%
• Continuing	£ 64.5m	£ 83.3m	29.2%
• Discontinued	£ 43.1m	£ 23.1m	-46.5%
Operating Profit	£ 11.5m	£ 9.9m	-14.3%
• Continuing	£ 9.6m	£ 10.4m	8.7%
• Discontinued	£ 2.0m	-£ 0.5m	
Loss on disposals	£ 0.0m	-£ 8.8m	
PBT	£ 11.5m	£ 1.0m	-91.3%
EPS	5.24p	-1.41p	
EPS (adj. for exceptionals)	4.41p	4.05p	-8.2%
Dividend	1.75p	1.75p	0.0%

However the interims in 93 included only 3 months of BIS. On a like-for-like basis organic growth in continuing activities was around 7%.

Financial services products now represents 96% of profits and 88% of sales. Of these £73m revenues, 62% are earned outside the UK. Indeed, international sales of financial services grew organically by nearly 30% with operating profits up over 35%. Trading in the UK was "disappointing" with revenues down 13% and operating profits slumping from £4.6m to £960K. Mike Hart (ACT's MD) told us there were three main reasons for this:



- a substantial increase in R&D spend.

- a decline in market demand for such products as Quasar; in part due to delays in new releases.

- volume reductions in the equities market which affected revenues at NMW.

Hart said he could not see a return to high growth rates in the UK market and therefore recovery would depend on getting costs down.

The ACT balance sheet has recovered well with net assets up on the near zero position in Mar 94 to £11.3m in Sept. Net cash of c£9m has since been boosted still further by the £8m paid for ACT Business Systems. ACT now intends to use this cash to buy back up to 10% of its shares. "Any purchase will depend upon market conditions at the time which currently would enhance EPS". Foster added that purchases at 100p would definitely enhance EPS; taking into account the high dividend paid and tax saved. On 22nd Nov. 94, ACT honoured the pledge and bought 9m (4.85%) of its shares for £9.27m at 103p. They should have waited - in the following days they fell to 96p, and ACT could have bought the shares for £630,000 less.

Comment

Foster was upbeat when we spoke to him. He rightly pointed out the high international growth, the enviable 12.5% operating margin and the strong cash/cash generation position. He stressed ACT's "resilience" and anticipated a better second half. Analysts are forecasting PBT of £27m excluding disposal losses. Foster rounded on us when we questioned the BIS purchase. "The BIS and Kindle acquisitions were the best we have ever done". But building the new, and many would consider long overdue, ACT Distributed Banking Architecture product line has cost £22m this year; rising to £100m over the next few years.

Clearly ACT have their hands full coping with the existing portfolio. Acquisitions are off the agenda for the medium term, hence the share buy back. We have long suggested that a period of mainly organic growth would be in the best interests of ACT and it looks as if that's exactly what we will now get. That in our view will have a much more positive effect on the share price than the share repurchase plan. Indeed any ideas that the announcement would boost ACT's share price failed to work.

Share repurchases..

ACT's announcement that it was to repurchase up to 10% of its shares to boost EPS came in a month when similar schemes from National Power (£500m repurchase), Boots (also £500m), regional Electricity companies (£1b spent to date), Barclay's Bank (£900m) hit the headlines. In our own SCSI sector, Macro 4 (see p2) also spent £3.6m this month buying back its own shares.

The phenomenon is caused by low interest rates coupled with dividends which now look high. Reducing the number of shares reduces the dividend spend. *But most in our sector invest for growth rather than yield? Surely investment for future expansion (be it organic or by acquisition) would achieve better returns for shareholders?* The problem is made even worse because "surveys by the Bank of England and the CBI have shown that most companies demand unrealistic returns for capital expansion projects, as though inflation and interest rates were still at 1990 levels...if companies lack the imagination and courage to expand, potential growth will simply be forgone". Source - The Times 18th Nov. 94.

MDIS recovers as On-Demand crashes

Our CSI Index was unmoved this month despite a 1.2% drop in the FTSE100. However, there were some dramatic rises and falls. MDIS continued its recovery with a massive 27% rise this month. But the share price is still just under half the float price. Computer People's acquisition of VNG got the thumbs up with a 16% rise this month - that means a 113% increase since the start of 1994. Sage's superb results (see p10) were rewarded with a 12% share price rise.

On-Demand (p2) fell 38% to 66p - now below the float price 78p. Although increased losses were announced these were expected. MAID also fell 13% in sympathy. Bob Morton's Vistec (p6) tumbled by 29% on their profits warning. Morton's other quoted SCSI company - Spargo

- also fell 7% to 93p to under the 95p launch price. Wakebourne fell 17% on continued weakness in the TPM market. Cray's shares fell nearly 10% wiping £40m from their capitalisation (£375m) and losing their pole position to Sema (£394m) again.

28-Nov-94	CSI Index		
	FTSE 100	1517.34	
	FTSE SmallCap	3047.10	
CSI Index = 1000 on 15th April 1989	1765.85		
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (29/10/94 - 28/11/94)	+0.04%	-1.19%	-0.67%
From 15th Apr 89	+51.73%	+48.38%	
From 1st Jan 90	+64.91%	+29.01%	
From 1st Jan 91	+114.35%	+41.04%	
From 1st Jan 92	+45.22%	+22.22%	
From 1st Jan 93	-4.78%	+7.05%	+27.28%
From 1st Jan 94	-9.12%	-10.86%	-5.50%

System House CSI Share Prices and Capitalisation

	Share Price 28/11/1994 (£p)	Capitalisation 28/11/1994 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 28/11/94	Share price % move since 29/10/94	Share price % move in 1994	Capitalisation move (£m) since 29/10/94	Capitalisation move (£m) in 1994
ACT	£0.96	£178.10m	10.1	0.71	1523.81	-1.03%	-32.87%	£-1.80m	£-85.60m
Admiral	£6.37	£72.60m	19.5	1.98	4615.94	-1.09%	31.34%	£-0.80m	£20.20m
Azlan	£1.39	£30.40m	11.2	0.49	604.35	6.11%	-47.55%	£1.80m	£-27.50m
Capita	£1.67	£91.20m	21.3	1.82	5015.02	3.09%	-29.83%	£2.90m	£-21.60m
Cedardata	£1.02	£31.20m	16.2	5.10	971.43	9.68%	-2.86%	£2.70m	£-0.96m
Centregold	£1.04	£41.80m	14.2	0.46	832.00	-0.95%	-35.80%	£-0.40m	£-23.40m
Clinical Computing	£0.77	£12.50m	12.3	4.75	620.97	1.32%	-37.90%	£0.20m	£-7.60m
Coda	£0.79	£20.70m	8.2	0.88	336.17	0.00%	-66.38%	£0.00m	£-40.95m
Compel	£1.09	£16.60m	10.5	0.30	872.00	-1.80%	-12.80%	£-0.30m	£-3.10m
Computerised Financial	£1.06	£4.98m	loss	1.49	1177.78	2.91%	17.78%	£0.14m	£0.75m
Computer People	£2.30	£33.20m	52.4	0.48	946.50	16.16%	112.96%	£4.60m	£18.20m
Cray Electronics	£1.58	£375.10m	18.4	1.38	923.98	-9.71%	-1.86%	£-40.30m	£20.30m
CRT	£0.84	£56.40m	20.6	1.19	933.33	-5.62%	-14.29%	£-3.40m	£4.30m
DRS Data & Research	£0.31	£11.00m	7.4	0.95	281.82	-8.82%	-71.82%	£-1.10m	£-28.20m
DCS Group	£0.61	£5.77m	16.4	0.90	1016.67	8.93%	1.67%	£0.47m	£1.57m
Division Group	£1.28	£43.20m	loss	20.77	3200.00	2.40%	58.02%	£1.00m	£15.80m
Electronic Data Processing	£1.43	£37.50m	13.2	2.62	4378.44	3.62%	-27.78%	£1.30m	£-14.10m
Enterprise	£0.03	£2.13m	loss	0.13	22.00	10.00%	-91.27%	£0.20m	£-23.57m
Gresham Telecomputing	£0.40	£13.10m	35.9	2.25	430.11	-6.98%	-63.96%	£-1.00m	£-22.40m
INSTEM	£1.52	£6.89m	9.1	0.36	1520.00	-0.65%	12.59%	£-3.21m	£0.43m
JBA Holdings	£1.28	£42.30m	13.0	0.57	800.00	-6.57%	-20.00%	£-2.90m	£-10.50m
Kalamazoo	£1.19	£45.30m	13.3	0.74	3400.00	-0.83%	19.00%	£-0.40m	£7.20m
Kewill	£2.53	£30.70m	9.2	0.97	1000.00	0.00%	13.96%	£0.00m	£4.20m
Kode International	£0.62	£5.83m	8.9	0.23	288.37	3.33%	-61.25%	£0.18m	£-9.07m
Laarmonth & Burchett	£0.95	£20.70m	loss	0.78	791.67	-5.00%	-34.48%	£-1.10m	£-5.30m
Logica	£3.13	£193.40m	22.1	0.85	857.53	6.46%	14.65%	£11.70m	£25.50m
Lynx Holdings	£0.47	£19.80m	10.4	0.92	1175.00	4.44%	6.82%	£0.90m	£3.00m
MAID	£0.45	£36.60m	68.3	6.40	409.09	-13.46%	-59.09%	£-5.70m	£-52.50m
MDIS	£1.26	£126.00m	8.8	0.85	484.62	27.27%	-51.54%	£27.00m	£-134.00m
MR Data Management	£1.15	£63.80m	14.4	1.57	456.35	0.88%	-43.90%	£0.50m	£-49.80m
Macro 4	£4.40	£100.30m	12.4	4.12	1774.19	4.02%	-35.10%	£3.90m	£-53.70m
Micro Focus	£8.88	£127.90m	10.7	1.53	4289.86	-0.78%	-11.20%	£-1.00m	£-14.10m
Microgen	£1.12	£44.10m	11.2	0.83	478.63	-4.27%	-24.32%	£-2.00m	£-14.20m
Microvitec	£0.34	£21.70m	16.6	0.62	829.27	4.62%	4.62%	£1.00m	£0.50m
Misys	£4.18	£197.70m	13.1	2.12	1039.80	-1.42%	-17.23%	£-2.90m	£1.80m
MMT	£1.90	£21.40m	15.1	1.97	1130.95	9.83%	32.87%	£1.90m	£6.10m
On-Demand	£0.66	£33.70m	loss	2.33	846.15	-37.74%	-41.59%	£-20.40m	£-23.90m
Oxford Molecular	£0.49	£18.10m	loss	12.84	612.50	-12.50%	-38.75%	£-2.60m	£-11.40m
P&P	£0.76	£59.40m	18.9	0.27	340.81	10.14%	18.75%	£5.40m	£23.90m
Parity	£1.26	£46.20m	32.9	2.34	6999.97	-7.35%	14.55%	£-3.60m	£6.00m
Pegasus	£1.53	£9.57m	15.4	1.28	416.89	-4.38%	-28.50%	£-0.43m	£-4.53m
Persona	£1.41	£17.00m	12.6	0.74	881.25	0.00%	-11.88%	£0.00m	£-2.30m
Phonellink	£2.35	£83.40m	loss	67.20	1516.13	2.17%	-35.44%	£1.80m	£-45.80m
Proteus	£2.43	£75.60m	loss	n/a	2892.86	3.40%	-42.28%	£2.50m	£-39.80m
Quality Software	£3.84	£33.40m	55.3	2.50	1010.53	-0.78%	-5.19%	£-0.30m	£1.90m
Radius	£0.36	£10.00m	loss	0.43	260.87	-5.26%	28.57%	£-0.60m	£2.36m
Real Time Control	£1.56	£10.90m	11.8	1.28	3183.67	0.00%	113.70%	£0.00m	£5.79m
Rolle & Nolan	£2.00	£24.20m	31.1	1.90	2380.95	6.95%	35.59%	£1.50m	£7.50m
Sage Group	£6.75	£141.10m	14.9	2.77	5192.31	11.57%	32.35%	£14.70m	£36.00m
Sanderson	£0.80	£30.90m	9.4	1.31	1361.70	0.00%	0.00%	£0.00m	£2.40m
Sema Group	£4.25	£394.40m	25.6	0.79	1336.48	-2.30%	37.10%	£-9.30m	£112.30m
Sherwood	£0.93	£5.67m	loss	0.24	775.00	-7.00%	-15.45%	£-0.43m	£-1.04m
Spargo Consulting	£0.93	£11.60m	36.7	2.38	978.95	-7.00%	-2.11%	£-0.90m	£-0.30m
Standard Platforms	£0.13	£2.34m	loss	0.74	57.77	-10.34%	-59.38%	£-0.27m	£1.04m
Superscape	£1.97	£10.50m	loss	12.21	994.95	-3.43%	-0.51%	£-0.30m	£0.00m
Total	£0.36	£3.60m	37.4	1.72	679.25	0.00%	50.00%	£0.00m	£1.20m
Trace	£0.40	£5.59m	17.2	0.30	320.00	11.11%	5.26%	£0.56m	£0.20m
Unipalm	£1.12	£22.70m	125.8	2.11	1120.00	3.70%	12.00%	£0.80m	£2.46m
Vega Group	£2.53	£35.80m	25.5	3.69	2073.77	4.12%	15.53%	£1.40m	£4.90m
Virtuality	£2.03	£53.10m	loss	9.83	1194.12	17.34%	-38.67%	£7.90m	£-33.40m
Vistec	£0.15	£17.90m	7.8	0.40	630.43	-29.27%	-39.58%	£-7.40m	£-11.40m
Wakebourne	£0.78	£16.30m	loss	0.70	433.33	-17.02%	30.00%	£-3.30m	£3.80m

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.

Sage - now *Simply the Best* UK software company

It is, perhaps, unfortunate that the base date for our statistics is 1985 as that was the year Sage reported a loss. Since then it has had nine consecutive years of profit and EPS growth. Indeed EPS has grown by a AAGR of 45% p.a. between 1986 and 1994. **No other quoted company can match that record.** Sage's share price performance is also unrivalled. It was floated five years ago in Dec. 89 at 130p. The shares closed this month up five-times at 675p.

PBT for the year to 30th Sept. 94 was nearly £1m better than expected - up 48% at £14.3m on revenues 23% ahead at £50.9m.

The UK performed particularly strongly with Sovereign sales up 34% and Sterling sales up 20%. The US, which had been the reason for Sage's rather unwarranted profits warning in 1993, increased profits by 85% to £2.2m which "marks a full recovery and clearly demonstrates a resolution of the difficulties experienced in the summer of 1993".

acquisition record.

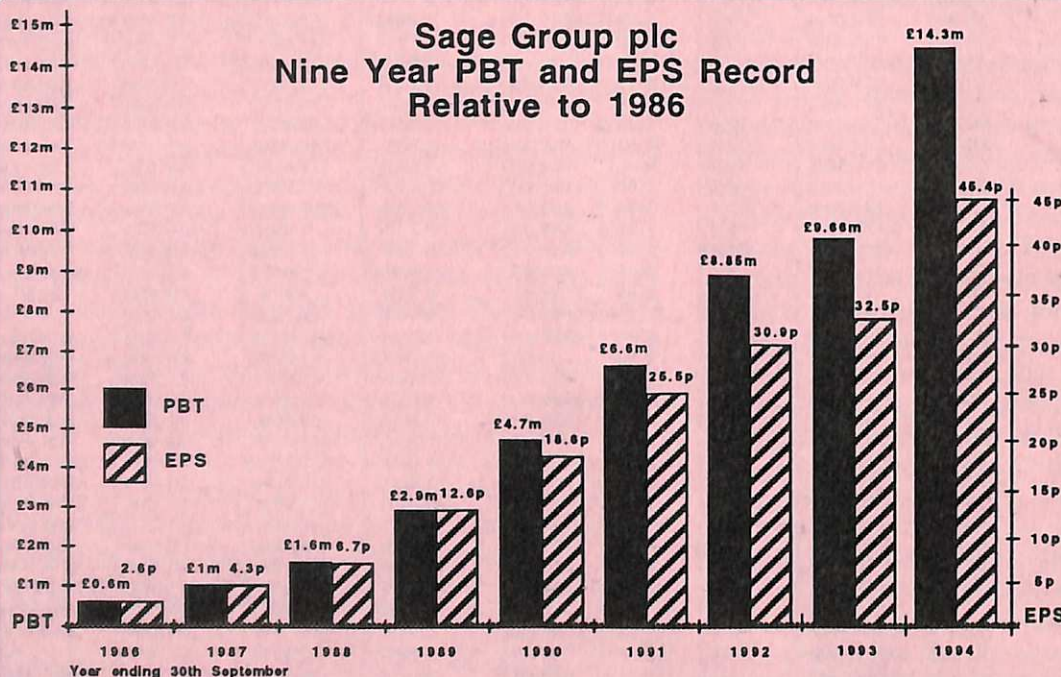
This year Sage has acquired:

- a 20% stake in Extra Software (Spain) for £188K
- Multisoft for up to £6.5m
- Timeslips Corp for up to \$12m
- Leslie J Cantrell for up to £2.5m.

Sage's largest acquisition was DacEasy in May 91 for \$18m, but this month that was put in the shade by the purchase of the leading accounting software supplier in France - Saari - for £18.7m cash. This seems to obey all the principles in our guide to successful acquisitions. Sage knows the sector like the back of its hand and is already active in France since the purchase of Ciel for £3.9m in 1992. The price paid is very reasonable given Saari's £29.1m revenue. This is because they only managed a £1.9m profit equivalent to a 7% profit margin. Sage managed a margin of 28% last year. As David Goldman said "Saari has 90 people in administration and finance while we have only 25. Its sales staff is 110. We have 12.

It spends 27% on R&D while we spend 5%". Also the deal is cash (financed by a £20m 5 year loan) without the usual Sage earn out. As readers know, this is the type of deal we really like as it avoids future complications and ensures that all the rewards are to the benefit of Sage shareholders. Clearly, the market was as impressed as we were - marking Sage shares up 12% this month. The Saari acquisition means that Sage will make around 40% of its estimated £90m revenues in FY 95

**Sage Group plc
Nine Year PBT and EPS Record
Relative to 1986**



Sage now has 680,000 users (before Saari - see below) and we are delighted to see that sales upgrades, services and products to existing customers increased by 17% to £22.3m or 44% of the total.

EPS grew by 40% - even more impressive given Sage's

from each of the French and UK markets with the remaining 20% from the US.

Given Sage's quite superb record and an estimated £18m PBT for FY95, we agree with the FT that the prospective P/E of 13 looks "very reasonable".

TPM still earning profits for Stratagem

In the beginning there was MBS, MBS begat Touchstone. Stratagem bought Touchstone. Touchstone changed its name to Firstpoint; which by then was an also-ran TPM. Stratagem tried to sell Firstpoint to Maddox but failed - which given what then happened to Maddox (now Wakebourne) was probably a relief.

Assuming you are still with us, Firstpoint announced this month that PBT for the year to 30th Sept. 94 had increased by 7% to £1.3m on revenues of £14m. Given the performance of other TPMs lately, that looks pretty good.

Stratagem is diversifying into network and desktop FM with the establishment of Stratagem Integrated Services.

Kalamazoo - "the outlook is good"

Kalamazoo (see WIS acquisition p7) has announced a 19% increase in PBT to £3m for the six months to 30th Sept. 94 on revenues down 4.4% at £28.3m. EPS was up 19%. The recovery was due to a good performance in the printed forms division, where profits of £1.2m were a third up on last year. But profits reduced slightly in computer services to £2.1m (£2.2m) on revenues of £20.5m.

As a pointer to even more exciting things to come, Chairman Peter Harrop said "the group is steadily moving to achieve larger acquisitions of core businesses in the UK and throughout the rest of Europe, while retaining a strong balance sheet....the outlook is good provided the UK economic recovery is sustained".

Excellent results from Lynx

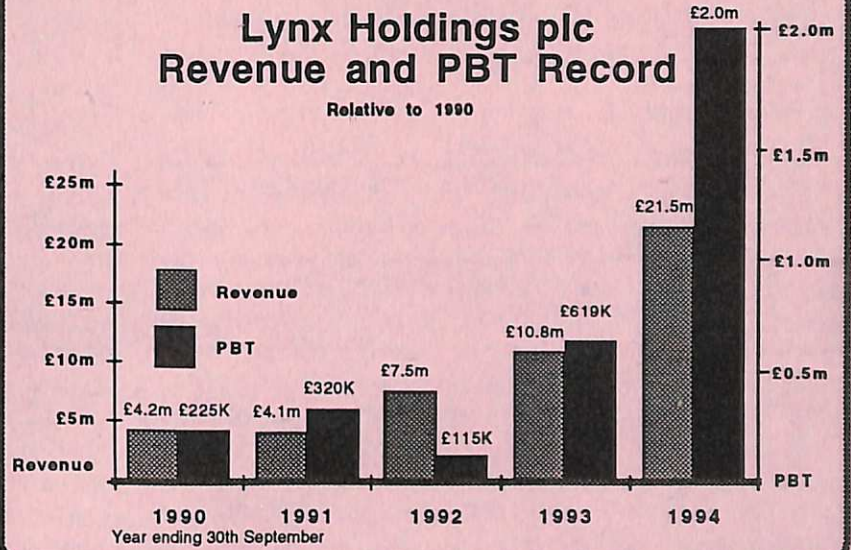
We added Lynx Holdings to our list of quoted computing services companies at the beginning of 1994 due to their considerable acquisition activity in the sector. These have now eclipsed Lynx' leisure activities and readers may recall that their bouncy castle operation was sold to Pargift for £200K last month.

Latest results for the year to 30th Sept. 94 show revenues doubled to £21.5m. Of this, continuing activities increased by 31% to £11.8m and acquisitions contributed £8.3m. PBT was up from £619K to £2m. But EPS was up just 5%, showing the difficulty of growing EPS whilst in acquisition mode. Net cash grew to £2.2m.

Lynx' SCSI activities now consist of:

- Communications (APD-Mertech and S.Com Mobile Data Systems acquired in Apr. 94). Software and products for the radio communications industry. However, the level of orders "did not live up to expectations".
 - Computer systems and software for motor dealers (Signal Ltd. - acquired in July 1993 for £1m) which reported "above target performance".
 - Chess Valley Computers (mortgage software) acquired in Nov. 93 for £2.4m "performed well" and Financial Systems Ltd. (off-shore financial services software) acquired in Nov. 93 for £2.9m "contributed strongly".
 - Hardware maintenance and support (Lynxserv Ltd. and Computer Service Technology (CST) acquired for £2m in Mar. 94). "Our PC maintenance business has experienced similar difficult trading conditions to its competitors, but has managed to achieve a small operating profit". Services have been broadened into the UNIX and networking areas.
- "It remains the Board's intention to actively identify appropriate acquisition opportunities in the communications, computer software and computer services sectors".

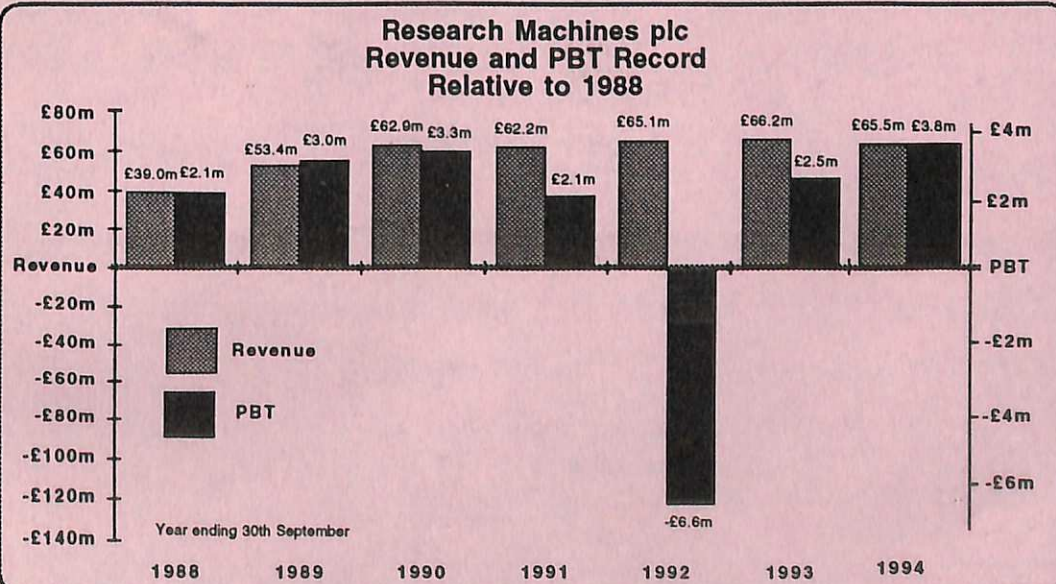
Lynx Holdings plc Revenue and PBT Record



Research Machines to float

This month Oxford-based Research Machines, or RM plc as we must now call them, has finally announced their intention to float on the Stock Exchange, with dealings to commence on Christmas Eve. We really do recommend that you re-read our review in Mar. 94's *System House* - if only because that was the exact timing we then predicted!

Initially RM was a hardware manufacturer. Withdrawing from this activity was the major reason for the losses in 1992, as Chairman Mike Fischer soon saw the light like a *Roger Foster on the M40 to Birmingham*. RM is now an education software/VAR. It has overtaken Apple and Acom to become the lead supplier to schools with its IBM-compatible software. Its main products are RM Net LM and RM Window Box. RM sees "significant growth opportunities" in multimedia, integrated



learning systems, the use of such things as the Internet in schools and the expansion of their education products into the home environment.

After the horrendous £6.6m loss in 1992, RM has boosted PBT by 50% to £3.8m in the year to 30th Sept. 1994 on static revenues of £65.5m. About half the revenue, and almost all the profits, now come from software and services.

A valuation of around £30m has been suggested. Our initial reaction is that RM is

worth a PE of c15, at issue, leaving some scope for new investors to make some gain. But readers should take care as no new money is being raised as RM already has nearly £7m cash in the bank. The 25% equity floated will come from the VCs - like Abingworth (15%), Citicorp (15%), 3i (6%), Kleinwort Benson and Rothschild - cashing in. The placing is sponsored by SG Warburg. Their other SCSI floats in the last two years have been Coda and Azlan which also involved major sales by shareholders at the float only to be followed soon after by a profits warning and share price crash. We are sure that Warburg's will take every care to avoid a repeat.

Peterborough and Datasure "performing well"
 CE Heath's computer services division certainly did "perform well" with continued healthy growth at Peterborough Software (HR software) and recovery at Datasure (Lloyds broker software supplier).

CE Heath Computer Services Activities			
Six months to:	30-Sep-93	30-Sep-94	Change
CSI revenue	£ 21.7m	£ 23.5m	8%
Peterborough	£ 14.3m	£ 14.8m	3%
Datasure	£ 7.4m	£ 8.7m	17%
CSI PBT	£ 2.1m	£ 2.7m	26%
Peterborough	£ 1.8m	£ 1.9m	8%
Datasure	£ 0.4m	£ 0.8m	109%

MD, David Laking told us that Peterborough "has successfully achieved its half year targets in complete contrast to its competitors. We are seeing continuous strong growth in our PC product range with the Open Systems market also performing well". Growth at Datasure was "partly as a result of the diversification programme undertaken in recent years and partly from their London Insurance Market electronic placing product". When we asked Laking about the rumoured sale of his company, he said "the half year statement from CE Heath says it all - we are a part of their Core Business". So now you know!

"Encouraging start" at Logica

Logica's Chairman, Paul Bosonnet, told the AGM this month that "the company has made an encouraging start to the year with order intake, revenues and PBT for Q1 all ahead of the previous year". Logica's brokers Hoare Govett are currently forecasting PBT of £18m (£13.5m) for the year to 30th Jun. 95

Another warning from DRS

This month DRS has issued another warning to say that their sales to schools have deteriorated still further and that second half figures will be similar to the first half. This is about a third lower than the forecast issued by their own brokers - Beeson Gregory - just a month ago. DRS has been one of the disaster stocks of 1994. Launched at 110p in Apr. 94, the poor interim results and the warning have resulted in a 72% collapse to 31p.

Kewill - the German nightmare reoccurs

We have a certain sympathy for Kewill. Sound company, excellent track record. Then it does one bad acquisition - Weigang in Germany - and the company comes crashing to its knees. But after selling Weigang at a very substantial loss, it bounces back to a healthy £4m PBT on revenues of £31.8m in the last full year to 31st Mar 94.

The excellent performance has continued in the six months to 30th Sept. 94. Although disposals meant that revenues were up just 3% at £16.4m, PBT increased by 23% to £2.17m and EPS was up 20%. Cash of £600K at the period end will be enhanced by the £1.3m proceeds from the sale of one its freehold properties.

Strong performance was recorded in the UK where operating profits advanced by 25% with good performances from their Micros and Trifid manufacturing products. Operating profits increased by 60% (to £720K) in the USA with the Micro-MAX manufacturing system.

But it was the double-whammy in Germany which spoilt the show. HAN-Dataport reduced profits by 18% to £440K. Kewill has sold its German manufacturing systems product activities in an MBO for £250K. And Kewill's main distributor for its CAD-CAM building services products in Germany - Microway - has collapsed which meant a loss of royalty revenue of £240K in unpaid royalty revenue (fully provided for in the accounts) in the first half.

When the problems are sorted out, Microway's demise will be to Kewill's advantage as they can take the support contracts direct rather than through a third party.

Comment

"Overall, the prospects for Kewill remain positive ...the directors are confident that Kewill will continue to move steadily forward".

So ended the Chairman's interim statement to shareholders dated 22nd Nov. 94 which inexplicably made no mention whatsoever of the Microway collapse. The announcement of this on 22nd Nov. caused the share price to fall by over 10%.

But the really important shareholders had been told at the briefings on 22nd and the others could read it in the FT on 23rd (after the share price had collapsed) so, as Ian Hislop would say, "that's alright then".

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