

System House

The monthly review of the financial performance of the UK computing services industry

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Exploding the outsourcing myths

The UK computing services industry is in the midst of one of its most impressive growth periods ever. Previous periods of high growth have been fuelled by increased user spend on the introduction of new systems. But the current period of high growth is quite different. Indeed, total IT spend is static with hardware spend in decline. The reason for the growth, of course, is the move to outsourcing.

EDS wins another £1 billion of revenue

This month EDS was awarded a £500m/10 year deal to manage Lucas' IT activities. In addition they acquired Lucas Engineering and Systems and Lucas Management Systems, which will add a further £500m revenues over 10 years. (See p6) EDS has now been awarded four out of the top five largest outsourcing deals, by annual revenue, to be undertaken in the UK. The others include:

- Inland Revenue - £1 billion+ over 10 years
- Xerox - \$3 billion/10 yrs. having "a significant effect on EDS UK as Rank Xerox Europe HQ is in UK".
- DVOIT - £125m/5 years.

With Lucas, EDS is currently on run rate UK revenues in excess of £500m - double that of 1993.

Scotching some myths...

"Outsourcing is predominately a public sector activity"

Clearly not true. Of the top ten outsourcing deals awarded in the last two years, only 3 came from the public sector. Over 80%, both by volume and value, of the 100+ outsourcing deals valued >£1m p.a. awarded in the last two years, were from the private sector.

"No-one can make any profits from outsourcing"

The best performing companies in the latest round of results have been those engaged in outsourcing. From the large companies - like Sema (profits up 29% - outsourcing revenues up 75% - see p10) and ICL (where its CFM outsourcing operation grew revenues by 28% in 1994) - to companies like Capita which announced an 87% increase in profits from outsourcing, ITNet (PBT up 22% - p8) and FI Group (the AM market leader) which

announced doubled profits last month - to smaller operators like Spargo (see p2). Overall FM margins (c7.5%) are both better than the average and improving.

"US companies dominate the UK outsourcing scene"

We have some sympathy with this feeling and it is true that nine out of the top ten FM deals ever awarded in the UK were to US companies with EDS and CSC predominating. However, over 80% of all deals are valued

at less than £5m p.a. Here non US companies pick up the majority of deals with Sema, Hoskyns, CFM (ICL), Capita, FI Group, PCL, Integris (Bull), ITNet, Data Sciences etc. all picking up a significant number of deals.

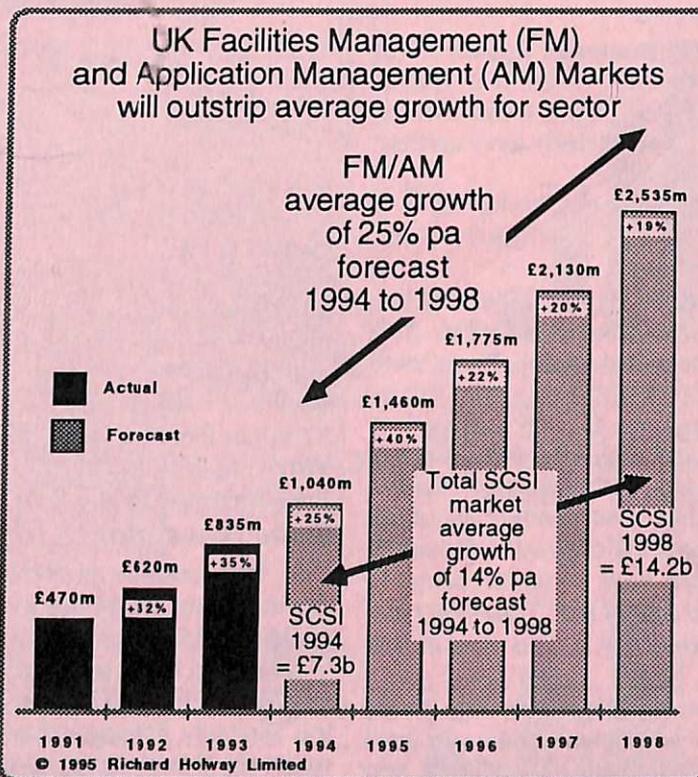
"Outsourcing is a fad which has had its day"

A few years back, several research companies predicted declines in FM billings in 1995. **But our only concern is that the 46% increase in FM billings that we forecast for 1995 will prove too low.** Of course, growth rates in the large datacentre-type FM deals are slowing. But these are being replaced by the outsourcing of desktop

services, network management and application management. Past outsourcing markets - like transport, fleet management, property services, catering etc. - have not witnessed a reversal. There seems every evidence that the move to outsource non-core IT activities will continue to accelerate for the rest of the decade with few companies deciding to move IT back in-house.

And finally.... "Software products companies have the most powerful influence on corporate IT"

We used to think hardware vendors, like IBM, had the power. Now most seem to quote Microsoft or Oracle. But it's not likely to remain the case. There are now more corporate computers, PCs, software and IT personnel under the control of computing services companies than users. The power of such companies as EDS and CSC by the year 2000 will be considerable. *Hardware vendors, software suppliers - and users - should take note.*



What a difference a couple of years can make

Philip Swinstead is now firmly on his way to leading one of the UK's top SCSi companies again. It has taken him less than two years to build a group which now figures within the Top Ten of UK-owned companies.

The events to date

Mar. 93 - Comac, a sleepy little IT staff agency, announces revenues of £11.1m and PBT of £447K for 1992. Share price = 18p.

June 93 - Swinstead buys 19.4% stake for £720K.

Oct. 93 - Comac buys **CSS Trident** for £18.5m which had revenues of £53m and PBT of £2m in year to 31st Mar. 93. 4-for-1 rights at 85p announced; raising £21.8m.

Nov. 93 - Paul Davies, ex of Easams and SD-Scicon, appointed Group MD.

Mar 94 - Comac announces results for year to 31st Dec. 93 and shares rise to 123p.

PARITY

July 94 - Comac changes name to **Parity** and buys **LBMS UK consulting division**

for £1.75m cash. (Rev. £3.8m, Op. profit £400K)

Aug. 94 - Parity acquires IT training operation **Class Ltd.** for £500K (Rev. £732K, PBT £90K)

Oct. 94 - Parity acquires **ACT Business Systems** and **BIS Training** from ACT for an initial £6.3m plus £2m in 96. Parity also announced a 1-for-7 rights issue at 125p, raising £5.7m, and the appointment of Keith Jennings from Easams as head of Parity Solutions

Dec. 94 - Jennings acts fast and axes the top layer of management then 70 staff from ACT Business Systems

Results for year to 31st Dec. 94

Parity announced revenues up from £19.8m to £88.8m, PBT of £4.2m (loss £228K) and a very impressive 93% boost in EPS (prior to exceptional charges). These were above expectations.

CSS Trident (£80m revenues), the IT staff agency, had boosted revenues by 40% and profits by 80%. Most of this growth was organic, which rather puts to rest the scepticism expressed by some of our readers about our reports of the buoyancy of the UK IT contract staff market. Parity believes many users now consider using IT contractors as "the accepted way of life". They now have 1500 contractors at 400 companies looked after by just 130 permanent staff.

Parity is to put all its other activities under the Parity Solutions banner. Jennings was quick to come to grips with the cost base acquired and the operation "is now behaving like a real software house". Current run rate is around £125m - with £90m from CSS Trident and £35m from Parity Solutions. Don't rule out further acquisitions. You could have bought Comac shares two years ago at 18p. Parity closed Mar. 95 on 112p.

LBMS returns to the black

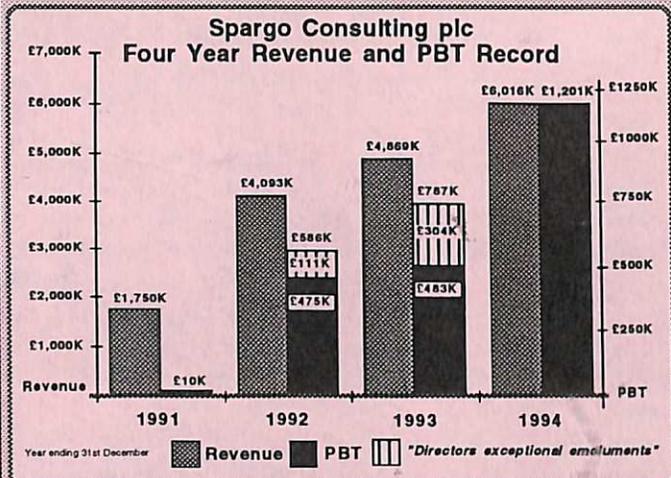
Back in Dec. 94, **LBMS** Chairman Rainer Burchett was confident that the measures taken after the £3.3m first half loss would return the company to profits. So it came to pass. LBMS, issuing quarterly figures as an American company, reported Q3 revenues up 25% at £5.9m and PBT of £317K (loss £1.14m). The US - revenues up 36% - showed the strongest growth.

Burchett had "nothing to add" about the £16m Performing Rights Society litigation. LBMS shares have performed well since the 70p rights in July 94 closing Mar 95 up 37% on 118p.

Spargo profits from AM

Spargo Consulting was a new issue in June 94 at 95p. Most of their revenues come from application management (AM) on long term contracts with such blue chips as Bank of America, BUPA, Conoco and Elf.

In their first year to 31st Dec. 94, Spargo has increased revenues by 24% to £6m, PBT increased by 151% to £1.21m and EPS advanced 47% (before exceptionals). Based on the current share price of 82p (14% down on the placing price) that equates to a modest 13 P/E.



The 20% profit margin (due to "tight control over costs") shows what can be done in the market and compares with a margin of just 5.3% at AM market leader **FI Group**. 25 new contracts were won in the year and staff increased by 30% to 131.

Footnote: In 1992 and 93, Chairman Bob Morton and MD Tony Spargo cost the company £291K and £484K respectively. On flotation they reduced this to £180K and adjusted the accounts in previous years. If they hadn't done that the float price would have equated to a P/E of 37 rather than the still high P/E of 22 actually achieved. Why?... Spargo and Morton were the only beneficiaries of the £3m raised by the float.

Good news month for Misys...and Syntax?

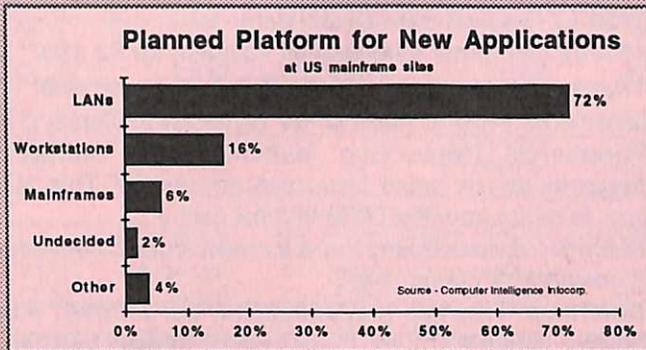
First, **ING's** rescue of **Barings** unfroze **Misys' £10.3m** deposit. Then, as 91.4% of **ACT** shareholders voted for the **Misys** bid, it was declared unconditional on 29th Mar. In answer to many readers' requests, just 2.07% of valid proxies at the **Misys** EGM were against the bid. But given the similarity between the **ACT** and **Misys** shareholder registers, this was not that surprising. Although **Misys** share price recovered to 355p this month - it is still 13% lower than the day before the bid.

Also, as we had predicted, **Syntax** has acquired **ACT Managed Services** (the old **Perthcrest** FM operation, bought by **BIS** for £3.2m in 1990, and the **NMW** disaster recovery operations - the sale did not include the **NMW** stock broker bureau operations) for £2.1m "after settlement of debt". Apparently **ACT Managed Services** lost £2.9m to 31st Mar 94. But Roger Foster had told us in Nov. 94 that the operation was "breakeven" in the first half on annualised revenues of £8m.

Syntax Processing Ltd is the UK arm of **Olivetti's** internal IT, outsourcing and managed services business in Europe which claims European revenues of "over £80m with over 700 employees". **Syntax** had UK revenues of £7.7m last year. A spokesman claimed the **ACT** purchase would boost UK revenues to over £20m in 1995.

Micro Focus hit by accelerating moves away from mainframe development

We spent the first three years since we launched *System House* in 1989 writing eulogies about **Micro Focus** and the last three years warning of impending doom. The flight from mainframe development was much faster than expected, with research showing just 6% of US mainframe sites planning new mainframe developments but over 88% planning new LAN or workstation projects.



Micro Focus were quite tardy accepting this and put out some rather DEC "snake oil"-type announcements concerning the impregnable mainframe.

This culminated in several profits warnings and the share price plummeting from £30 to just £6.88 - wiping over £300m off the value of the company. The interims announced last Aug. shocked investors and analysts alike but Chairman Paul O'Grady reminded us that his management team "is a seasoned group of people who have been through periods of transition before". We reminded you, at the time that the last time Micro Focus went through a "transition" it slipped to a £2.76m loss. Other analysts merely reduced their full year profit expectation from £25.7m to £13m.

The results announced this month for the year to 31st Jan. 95 show PBT down 60% at £8.7m on revenues up 7% at £89.9m. EPS dived by 69%. These figures included a full write-off of the cost of acquisitions in the year (£4.2m). But even so operating profits declined from £20m to £11.1m.

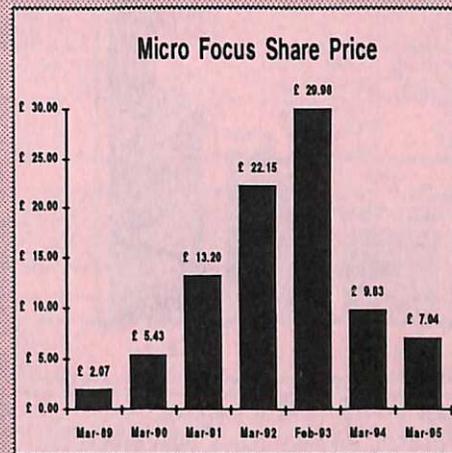
In addition we must point out again that Micro Focus is one of those declining number of companies which still capitalises R&D. Intangible assets now stand at £19.7m. In the past amortisation has roughly kept pace with newly capitalised assets. But worryingly this year they exceeded the amortisation by £2.5m - in other words around 30% of the already reduced profit. Also, for the

first time, cash balances reduced by £1.7m to a still quite tasty £55.8m. It is an interesting point that Micro Focus' net assets of £73m (mostly cash) compares with a current capitalisation of just £101m.

But Micro Focus is attacking the problem. Direct revenues from the new UNIX products grew by over 35%, and with OEM sales, now account for 20% of the total. We have long advocated that Micro Focus should develop its service offerings by helping its clients use its products. "During 1994, consulting services grew three-fold". Micro Focus wants to "put services on an equal footing to products". In addition, "revenues from maintenance now accounts for 30% (1993 25%) of our net revenue from our direct business".

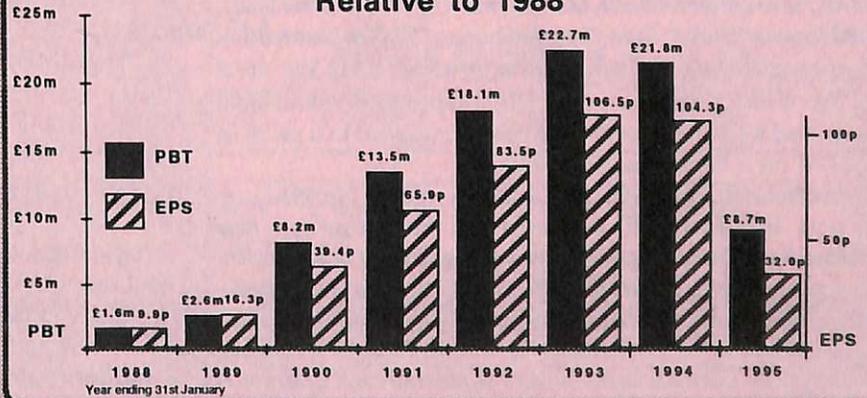
Micro Focus will be focusing on three market segments in 1995:

- off-loading development from mainframes to PCs
- re-hosting existing applications onto distributed networks
- Enterprise Client-Server applications.



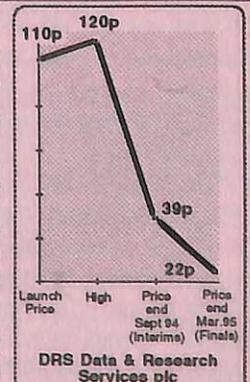
The strategy looks good. The only problem is that it should have been implemented several years earlier. Now Micro Focus can look forward to a tough two years getting its new act together. We hope they succeed.

Micro Focus Group plc Eight Year PBT and EPS Record Relative to 1988



DRS "opportunities largely lost"

Results at **Data Research Services (DRS)** for the year to 31st Dec. 94, as the warning last Nov. had foretold, showed a breakeven for the second half - i.e. PBT down 23% at £1.49m for the year on revenues down 21% at £8.8m. EPS fell from 4.02p to 3p. Cash, as a result of the float, stood at £9m. The "sudden and unforeseen" downturn in schools business was blamed. The problem for DRS is that the relaxation in the National Curriculum requirements, and the ending of funding for their Optical Mark Reader systems, mean that the "potentially very attractive, but time limited, profit opportunity for DRS has largely been lost". Indeed, the directors anticipate "tight trading conditions" in the short term with "retrenchment and investment" required for future growth. We await the results from the other schools IT supplier - RM plc - with interest. DRS was launched at 110p in Apr. 94 but crashed to end Mar 94 on just 22p. DRS is now one of the rare breed of companies with net assets higher than its £7.9m capitalisation - most in cash too!

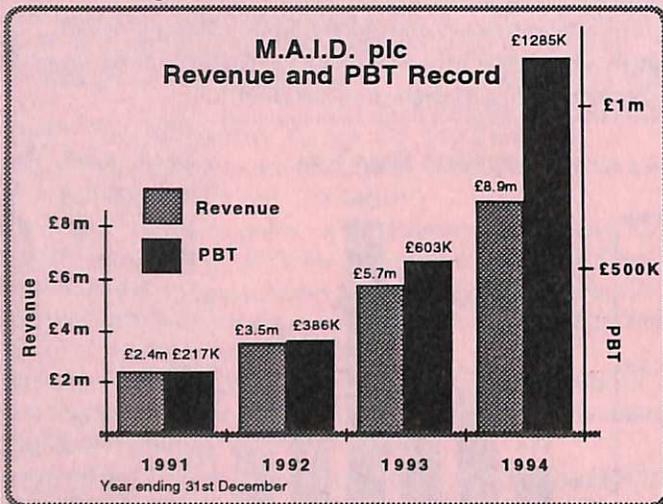


EASY ACCESS TO THE HARD FACTS

We are going to review **MAID plc** (Market Analysis and Information Database) in two completely different ways:

MAIDen results show major advance

MAID was successfully floated in Mar. 94 at 110p valuing the group at £89.1m inferring an impressive 200 P/E. Brokers Hoare Govett forecast PBT of £1m for 1994. In the event PBT more than doubled to £1.29m on revenues up 55% at £8.9m. EPS rose an impressive 65% and cash balance rose from nothing to £8.9m. MAID is in the fast growing market of distributing on-line information from a variety of suppliers. Chairman Michael Manders said "all targets and aspirations referred to in the listing particulars were achieved". Sounds too good to be true!



MAID - another new issue built on sand

MAID's new issue in Mar. 94 was beset with problems. It had hoped to float at 150p, but adverse comment reduced the issue price to 110p. Further more, the shares crashed to 60p just two months later.

MAID is another of those companies which capitalise R&D. In the year to 31st Dec. 94 a further net £2.2m was added to intangible assets. If MAID had treated R&D like most of the other UK software products companies it would have reported a £900K loss for the year compared to a profit of £437K on a similar basis in 1993.

Conclusion Which of these views you take is clearly up to you. But give MAID its due, it is in there playing in one of the most exciting, high growth markets around. Its launch of Profound and its strategic alliance with Adobe have been well received - particularly in the US.

Dan Wagner, CEO of MAID, is threatening to move his listing from London to NASDAQ "unless things change in attitude and understanding". But is the current "confidence" of the Chairman shared by other MAID directors? In mid-March five MAID directors sold 3.5m shares (4.2%) at 75p - half the 150p they argued the company was worth just a year ago prior to the float - to Capital Research.

Enterprise holds gun to the heads of its shareholders

Either Enterprise Computer shareholders accept a 10-to-1 dilution or the company will go into receivership. Enterprise also placed 1.4m shares at the new 100p par price, with GFM taking 1.1m. Enterprise shares, suspended at 3p, fell to end March on 0.75p, when trading resumed. Enterprise warned that "results for the second half had been extremely disappointing".

Microvitec - at last a "Strong Buy"?

Our prediction that Microvitec was "coming right at last" a year ago, seems to have been spot on. Results for the year to 31st Dec. 94 show revenues up 26% at £44.1m, PBT up 59% at £2.56m and EPS up 43%.

During 1994, Microvitec spent £4.5m acquiring:

- **Cognito Software** (legal software)
 - **Project Assyst** (retail software)
 - **Justfree (t/a Layer One)** (specialist networking) for an initial £775K plus max. £1.2m deferred.
 - **Perex** (computer touchscreen supplier) for £2.43m. These will generate revenues of £12m in a full year.
- Microvitec reports each of its divisions - Displays & Peripherals, Networking, Multimedia and Software Applications - as being "extremely successful". They are now to move from the USM to a full listing. Chairman James Bailey looks forward to the future with "considerable confidence".

Comment Readers may remember our skirmish with analyst James Warhurst, then of Henry Cooke Lumsden, when we dared to comment on his "Strong Buy" issued on 31st Mar. 92 when Microvitec shares were 32p. Three years later, Microvitec closed Mar. 95 on... 33p. Perhaps Warhurst ought to reissue the recommendation now from his new employers Albert E Sharp.

ICL retains Number One slot

We had expected that EDS would overtake ICL as the prime supplier of SCSI services to the UK market, but their outsourcing contract with Inland Revenue only really cut in at the end of the year. So with UK SCSI revenues of £455m, ICL has retained its #1 position- although EDS (£310m) is closing and is likely to wrestle the prize from ICL in 1995. We will bring you more details of all the UK SCSI majors in our major feature next month.

Overall, ICL reported PBT up 21% at £28.4m and revenues up just 1.2% at £2.7b in 1994.

Peter Bonfield said 1995 will "be a much better year for the financial fortunes of ICL".

He also reconfirmed ICL's intention to float but most observers expect that long-awaited event is still a couple of years off.

ICL is now structured into three main business areas:

- **Technology.** The hardware oriented activity.
- **Industry Systems.** Here ICL is #3 in the retail sector. Their financial services activities have won ten new major customers in 1994. ICL Enterprises claims to be the "leading systems integrator in public administration".
- **Services.** I.e. the new ICL Sorbus (see last month) and the highly successful outsourcing operator CFM.

ICL has suffered - like all other hardware vendors - from a decline in operating software revenues. A rise in "own hardware" support revenues was due to a multi-million injection of revenues from the CHOTS project.

ICL's clear winner - yet again - was conventional SCSI revenues. Within that systems integration and facilities management were the star performers.



Quoted Companies - Results Service

Note: Shaded = Results announced this month.

ACT Group plc					Gresham Computing plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Oct 93	Final - Oct 94	Comparison	
REV	£ 107,595,000	£ 250,630,000	£ 106,337,000	-1.2%	REV	£ 5,823,000	£ 6,507,000	+11.7%	
PBT	£ 11,531,000	£ 28,469,000	£ 1,006,000	-91.3%	PBT	£ 551,000	£ 708,000	+28.5%	
EPS	4.41p	12.15p	4.05p	-8.2%	EPS	1.04p	1.32p	+26.9%	
Admiral plc					INSTEM plc				
	Final - Dec 93		Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 36,640,000		£ 49,473,000	+35.0%	REV	£ 19,294,000	£ 16,812,000	-12.9%	
PBT	£ 4,608,000		£ 7,719,000	+67.5%	PBT	£ 1,021,000	£ 1,153,000	+12.9%	
EPS	27.60p		45.20p	+63.8%	EPS	14.80p	16.80p	+13.5%	
Azlan Group plc					JBA Holdings plc				
	Interim - Sep 94	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 28,530,000	£ 61,506,000	£ 37,735,000	+32.3%	REV	£ 29,908,000	£ 74,467,000	£ 38,500,000	+28.7%
PBT	£ 1,882,000	£ 3,871,000	£ 1,079,000	-42.7%	PBT	£ 1,074,000	£ 4,610,000	£ 264,000	Loss to profit
EPS	6.30p	12.40p	3.70p	-41.3%	EPS	-2.87p	10.23p	0.19p	Loss to profit
Capita Group plc					Kalamazoo Computer Group plc				
	Final - Dec 93		Final - Dec 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison
REV	£ 50,188,000		£ 73,800,000	+47.1%	REV	£ 29,562,000	£ 60,911,000	£ 28,263,000	-4.4%
PBT	£ 5,463,000		£ 7,903,000	+44.7%	PBT	£ 2,533,000	£ 6,355,000	£ 3,003,000	+18.6%
EPS	7.90p		10.50p	+32.9%	EPS	4.20p	10.20p	4.98p	+18.6%
Cedardata plc					Kewill Systems plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison
REV	£ 2,608,000	£ 6,120,000	£ 3,726,000	+42.9%	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		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 67,985,000		£ 91,314,000	+34.3%	REV	£ 24,916,000	£ 24,806,000	-0.4%	
PBT	£ 2,715,000		£ 4,033,000	+48.5%	PBT	£ 1,143,000	£ 9,117,000	Profit to loss	
EPS	5.63p		7.30p	+29.7%	EPS	7.00p	-96.50p	Profit to loss	
Clinical Computing plc					Learmonth & Burchett Management Systems plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison
REV	£ 1,180,000	£ 2,635,853	£ 735,000	-37.7%	REV	£ 13,114,000	£ 26,406,000	£ 11,023,000	-15.9%
PBT	£ 446,000	£ 1,129,000	£ 227,000	Profit to loss	PBT	£ 201,000	£ 731,000	£ 3,278,000	Profit to loss
EPS	3.70p	9.10p	-1.40p	Profit to loss	EPS	1.00p	-3.30p	-13.70p	Profit to loss
Coda Group plc					Logica plc				
	Final - Oct 93		Final - Oct 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 23,450,000		£ 23,388,000	-0.3%	REV	£ 106,522,000	£ 228,848,000	£ 121,972,000	+14.5%
PBT	£ 3,752,000		£ 7,992,000	Profit to loss	PBT	£ 3,211,000	£ 13,543,000	£ 7,220,000	+124.9%
EPS	10.60p		-27.70p	Profit to loss	EPS	3.30p	14.00p	7.80p	+136.4%
Compel Group plc					Lynx Holdings plc				
	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison		Final - Sep 93	Final - Sep 94	Comparison	
REV	£ 24,305,000	£ 54,542,000	£ 28,272,000	+16.3%	REV	£ 10,807,000	£ 21,523,000	+99.2%	
PBT	£ 993,000	£ 2,062,000	£ 1,194,000	+20.2%	PBT	£ 619,000	£ 2,009,000	+224.6%	
EPS	5.02p	10.35p	5.56p	+10.8%	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		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 1,638,000	£ 3,338,636	£ 1,404,000	-14.3%	REV	£ 5,723,000	£ 8,887,000	+55.3%	
PBT	£ 77,000	£ 330,233	£ 36,000	Profit to loss	PBT	£ 603,176	£ 1,285,000	+113.0%	
EPS	1.50p	7.30p	-1.40p	Profit to loss	EPS	0.69p	1.14p	+65.2%	
Computer People Group plc					McDonnell Information Systems plc				
	Final - Dec 93		Final - Dec 94	Comparison		PF Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 68,748,000		£ 97,685,000	+42.1%	REV	£ 148,480,000	£ 148,911,000	+0.3%	
PBT	£ 1,102,000		£ 391,000	Profit to loss	PBT	£ 21,248,000	£ 7,157,000	-66.3%	
EPS	4.37p		-7.76p	Profit to loss	EPS	13.89p	4.83p	-65.2%	
Cray Electronic Holdings plc					MR-Data Management Group plc				
	Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 114,308,000	£ 271,718,000	£ 135,044,000	+18.1%	REV	£ 19,602,000	£ 40,521,000	£ 21,305,000	+8.7%
PBT	£ 7,804,000	£ 26,168,000	£ 10,085,000	+29.2%	PBT	£ 2,660,000	£ 6,348,000	£ 3,136,000	+17.9%
EPS	2.49p	8.60p	3.03p	+21.7%	EPS	3.20p	8.00p	4.00p	+25.0%
CRT Group plc					Macro 4 plc				
	Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 22,427,000	£ 47,348,000	£ 29,187,000	+30.1%	REV	£ 12,104,000	£ 24,367,000	£ 12,285,000	+1.5%
PBT	£ 472,000	£ 532,000	£ 1,285,000	+172.2%	PBT	£ 5,400,000	£ 11,211,000	£ 5,685,000	+5.3%
EPS	0.56p	-0.13p	1.42p	+153.6%	EPS	16.00p	34.20p	16.70p	+4.4%
DCS Group plc					Micro Focus plc				
	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison		Final - Jan 94	Final - Jan 95	Comparison	
REV	£ 2,604,000	£ 6,375,180	£ 4,007,000	+53.9%	REV	£ 83,842,000	£ 89,885,000	+7.2%	
PBT	£ 41,000	£ 426,144	£ 105,000	+156.1%	PBT	£ 21,761,000	£ 8,723,000	-59.8%	
EPS	0.56p	4.32p	0.88p	+57.1%	EPS	104.30p	32.00p	-69.3%	
Division Group plc					Microgen Holdings plc				
	Final - Oct 93		Final - Oct 94	Comparison		Final - Oct 93	Final - Oct 94	Comparison	
REV	£ 2,078,000		£ 5,270,000	+153.6%	REV	£ 53,357,000	£ 58,774,000	+10.2%	
PBT	£ 503,000		£ 1,440,000	Loss both	PBT	£ 6,700,000	£ 6,173,000	-7.9%	
EPS	-2.10p		-4.30p	Loss both	EPS	10.50p	10.00p	-4.8%	
DRS Data & Research Services plc					Microvitec plc				
	Final - Dec 93		Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 11,133,000		£ 8,798,000	-21.0%	REV	£ 35,170,000	£ 44,146,000	+25.5%	
PBT	£ 1,950,000		£ 1,487,000	-23.7%	PBT	£ 1,611,000	£ 2,560,000	+58.9%	
EPS	4.02p		3.00p	-25.4%	EPS	2.10p	3.00p	+42.9%	
Electronic Data Processing plc					Misys plc				
	Final - Sep 93		Final - Sep 94	Comparison		Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparison
REV	£ 14,341,000		£ 14,013,000	-2.3%	REV	£ 42,086,000	£ 93,358,000	£ 63,922,000	+51.9%
PBT	£ 4,672,000		£ 4,123,000	-11.8%	PBT	£ 8,012,000	£ 18,612,000	£ 11,245,000	+40.4%
EPS	11.71p		10.21p	-12.8%	EPS	14.00p	31.90p	16.20p	+15.7%
Enterprise Computer Holdings plc					MMT Computing plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Aug 93	Final - Aug 94	Comparison	
REV	£ 9,980,000	£ 16,399,000	£ 2,930,000	-70.4%	REV	£ 7,057,716	£ 10,861,498	+53.9%	
PBT	£ 25,000	£ 2,052,000	£ 5,190,000	Profit to loss	PBT	£ 1,725,549	£ 2,505,106	+45.2%	
EPS	n/a	-2.60p	n/a	Profit to loss	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		Final - Sep 93	Final - Sep 94	Comparison		
REV	£18,989,000	£14,487,000	-23.7%	REV	£23,581,000	£33,984,000	+44.1%		
PBT	-£1,450,000	-£2,617,000	Loss both	PBT	£3,327,000	£4,228,000	+27.1%		
EPS	-3.90p	-5.70p	Loss both	EPS	6.30p	7.30p	+15.9%		
Oxford Molecular plc				Sema Group plc					
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£591,000	£1,409,000	£1,086,000	+83.8%	REV	£501,992,000	£596,111,000	+18.7%	
PBT	-£488,000	-£1,265,000	-£933,000	Loss both	PBT	£24,855,000	£32,034,000	+28.9%	
EPS	-4.40p	-8.90p	-3.50p	Loss both	EPS	16.62p	20.98p	+26.2%	
P & P plc				Sherwood Computer Services plc					
	Final - Nov 93	Final - Nov 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£217,259,000	£263,930,000	+21.5%	REV	£23,561,000	£25,089,000	+6.4%		
PBT	£4,107,000	£8,016,000	+95.2%	PBT	-£1,998,000	£79,000	Loss to profit		
EPS	4.10p	8.10p	+97.6%	EPS	-35.78p	+10.73p	Loss Both		
Parity plc				Spargo Consulting plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£19,788,000	£88,791,000	+349.2%	REV	£4,869,000	£6,018,000	+23.6%		
PBT	-£228,000	£4,176,000	Loss to profit	PBT	£483,000	£1,211,000	+150.7%		
EPS	-1.88p	7.19p	Loss to profit	EPS	2.58p	6.29p	+143.8%		
Pegasus Group plc				Standard Platforms Holdings plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Sep 93	Final - Sep 94	Comparison		
REV	£7,502,000	£4,808,000	-35.9%	REV	£3,161,416	£1,305,476	-58.7%		
PBT	£6,930,000	£243,000	-96.5%	PBT	-£1,065,027	-£143,280	Loss both		
EPS	72.00p	12.40p	-82.8%	EPS	-10.50p	-1.10p	Loss both		
Persona plc				Superscape VR plc					
	Final - Dec 93	Final - Dec 94	Comparison		PF Interim - Jan 94	PF Final - Jul 94	Interim - Jan 95	Comparison	
REV	£22,882,000	£31,537,000	+37.9%	REV	£390,121	£859,192	£478,371	+22.6%	
PBT	£1,748,000	£2,059,000	+17.8%	PBT	-£73,280	-£238,024	-£844,662	Loss both	
EPS	10.26p	11.42p	+11.3%	EPS	-2.20p	-6.10p	-15.90p	Loss both	
Phonelink plc				Total Systems plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison
REV	£586,000	£1,241,000	£797,000	+36.0%	REV	£1,079,044	£2,092,429	£1,096,691	+1.6%
PBT	-£301,000	-£1,761,000	-£1,963,000	Loss both	PBT	£12,330	£141,918	£7,460	-39.5%
EPS	-0.80p	-5.00p	-5.50p	Loss both	EPS	0.07p	0.96p	0.04p	-46.6%
Proteus International plc				Trace Computers plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparison
REV	Nil	Nil	Nil	n/a	REV	£8,200,000	£18,828,990	£9,500,000	+3.3%
PBT	-£2,733,000	-£6,618,000	-£3,666,000	Loss both	PBT	£216,000	£409,901	£223,000	+3.2%
EPS	-10.03p	-24.23p	-11.94p	Loss both	EPS	1.20p	2.33p	1.21p	+0.8%
Quality Software Products Holdings plc				Unipalm plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison	
REV	£13,346,543	£16,494,732	+23.6%	REV	£4,943,000	£10,753,000	£7,804,000	+57.9%	
PBT	£553,244	£2,512,400	+354.1%	PBT	£148,000	£272,000	£149,000	+0.7%	
EPS	6.70p	27.50p	+310.4%	EPS	0.50p	0.89p	0.47p	-6.0%	
Radius plc				Vega Group plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison	
REV	£23,273,000	£24,868,000	+8.8%	REV	£4,517,000	£9,703,000	£5,710,000	+26.4%	
PBT	-£1,171,000	£1,451,000	Loss to profit	PBT	£757,000	£2,147,000	£1,020,000	+34.7%	
EPS	-3.20p	2.87p	Loss to profit	EPS	3.54p	10.01p	4.76p	+34.5%	
Real Time Control plc				Virtuality Group plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£3,578,000	£8,534,000	£8,491,000	+137.2%	REV	£5,400,000	£9,126,000	+69.0%	
PBT	£424,000	£1,387,000	£1,050,000	+147.6%	PBT	-£365,000	-£1,397,000	Loss both	
EPS	4.10p	13.30p	12.00p	+192.7%	EPS	-1.70p	-5.30p	Loss both	
RM plc				Vistec Group plc					
	Final - Sep 93	Final - Sep 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison	
REV	£66,212,000	£65,493,000	-1.1%	REV	£17,630,000	£45,018,000	£25,374,000	+43.9%	
PBT	£2,525,000	£3,769,000	+49.3%	PBT	£1,126,000	£3,409,000	£745,000	-33.8%	
EPS	12.40p	14.20p	+14.5%	EPS	0.62p	2.06p	0.41p	-33.9%	
Rolfe & Nolan plc				Wakebourne plc					
	Interim - Aug 93	Final - Feb 94	Interim - Aug 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£6,055,000	£12,720,000	£7,104,000	+17.3%	REV	£12,004,000	£22,275,000	£18,172,000	+51.4%
PBT	£609,000	£1,573,000	£742,000	+21.8%	PBT	-£18,944,000	-£18,649,000	£1,068,000	Loss to profit
EPS	3.00p	6.45p	2.90p	-3.3%	EPS	-144.60p	-143.80p	3.40p	Loss to profit
Sage Group plc									
	Final - Sep 93	Final - Sep 94	Comparison						
REV	£41,289,000	£50,888,000	+23.2%						
PBT	£9,656,000	£14,252,000	+47.6%						
EPS	32.50p	45.40p	+39.7%						

Merchants in "£10m" MBO

IT marketing consultancy, **Merchants**, and telesales organisation, **Programmes**, achieved revenues of around £8m last year. The Merchants Group was founded in 1981, by born again Christian Robert D'Aubigny, and its charismatic approach to its business has aroused much comment.

Proving, yet again, that being very rich and Christian is perfectly compatible, D'Aubigny has sold nearly 70% of the Group this month; pocketing c£3m in the process. 70 managers put up £800K for a c30% stake and 3i put in £4.5m capital in exchange for a similar c30% stake. Merchants says it plans to float "within three years".

EDS acquires Lucas systems companies

No consideration was disclosed for the EDS acquisition of **Lucas Engineering and Systems** and **Lucas Management Systems** (see p1) as it is "<5% of Lucas net assets". Lucas paid Lockheed £40m for **Metier** (which became LMS) in 1990. The operations were understood at best to be breakeven.

Arrival buys again

Jeff Trendell's **Arrival Holdings** has been buying again. This time it's Irish systems house **System Dynamics** which had revenues of Ir£1.9m and operating profits of Ir£29K in 1994. No consideration was disclosed. We expect further acquisition announcements soon.

Arrival had revenues of £4.3 in 1994 and expects that to double in 1995. Perhaps even more importantly, Arrival has no VC funding and no debt. We will bring you a more detailed review next month.

Acquisitions, disposals and liquidations

Compel buys Metrocom

Compel has acquired the corporate PC systems and services business of Metrocom for £893K cash from Ingram Micro. All of the consideration is covered by stock and other assets acquired "which we expect to turn back into cash quickly". Metrocom made PBT of £704K on revenues of £22.6m in 1993 but "expects to report a loss on reduced turnover" for 1994.

CMG consummates German deal

The CMG acquisition which will "double our turnover in Germany" (c7% of the total) turned out to be PECOM - a software and consultancy operation with revenues of DM18m (£7.2m). Consideration was 1x revenue - i.e. £7.2m. It looks well priced, strategically sound and the right size.

Lynx acquires Heywood & Partners

Lynx has acquired Heywood & Partners, which specialises in pension administration systems, for £4.5m. (£2.25m in shares, £2.25m in cash; £1.5m of which will be raised in a placing). Heywood had PBT of £599K on revenues of £4.5m in the year to 30th Apr. 94. Rather less than the obviously exceptional £2.1m PBT recorded in 1993. Lynx says that Heywood has warranted "profit before interest and tax" of £500K to 30th April 95 and "will repay to Lynx an amount equal to ten times the amount by which the profit shall be less than £500K up to a max. of £2m".

Minerva merges with Systems Team

Minerva Industrial Systems Ltd. and Systems Team Ltd. have merged their operations to "create a group that not only expects to see PBT this year exceed £1.2m on revenues of £12m but also anticipates achieving a £20m turnover within three years". Minerva, which reported PBT of £411K on revenues of £3m to May 94, supplies systems to industry whereas Systems Team, which had revenues of £4.3m and PBT of £106K to 31st Dec. 93, supplies to the NHS, trade associations and charities. John Caines will head the new group.

The others...ABC (IT) Services (part of Arab Banking Corp.) has acquired City dealing room systems supplier BACMac. VC Apax Partners has bought a 60% stake in French Metrologie for £15.5m. Sharptext (83% owned by DCC (Dublin)) has bought computer products distributor, Gem, for an initial £2.925m plus up to a further £1.625m depending on profits to 1997. Gem had revenues of around £40m - demonstrating yet again the reducing value put on third party distribution companies. Amstrad paid the liquidators £375K for modem maker Dataflex. Guildford-based mail order supplier Direction Technology has gone into liquidation. ASC Instagraphic has completed an MBO from The Ashfield Group. The last remaining subsidiary of the ill-fated EIT Group, TPM Systematic, has been sold to Formscan. NEC has paid £1.6m @49.5p per share for a 2.3% stake in UK VideoLogic. DSL has split into two: Disaster Survival Ltd. is an MBO with DSL Software remaining. US SMS has bought Professional Datacare from North West Regional Health Authority for a reputed £8m. US Dose Systems has acquired medical systems suppliers, CHC, from the administrators. MTI has acquired the rights to the EXTRA brokerage system, developed by Alfred Berg. Reflex has quit the software market by selling Auto-Computing in an MBO for Ir£110K and the sale of its other software to Aishling for Ir£15K.

DST C&T acquires HiPortfolio

Last month we reported the 90% revenue increase to £15.4m in 1994 at DST Clarke & Tilley. If revenues from other group companies like DST Belvedere and CTDS are included, revenues reached £23.8m. This month they effectively doubled that to £48m by acquiring HiPortfolio Pty Ltd. of Australia. HiPortfolio and DST "were undoubtedly the leading suppliers to the asset management industry in 1994".

No terms were disclosed but Chris Shannon, HiPortfolio's founder, said DST's "was not the highest bid". Parent DST Systems Inc. is planning a 51% public offering.

SRH in receivership

Our warnings about Systems Reliability (SRH) in last month's edition were sadly prophetic. Price Waterhouse was appointed as receivers on 2nd March. As the rest of the TPM industry scrambled to take over the abandoned clients, a buyer looks increasingly unlikely.

Dire two years at Sherwood

The last two years has been dire for Sherwood culminating in a loss of £2m in 1993, CEO Richard Guy departing and the sell off of several of its businesses. It must have been miffed when its Guardian disaster recovery operation, which it had sold to ICL for a total of just £3m, was sold on, just months later, for over £26m. This month Sherwood has been a-dealing with ICL again - forming a joint venture with ICL's CFM subsidiary to "market FM and AM services into the life, pensions and insurance sectors". Although presented as a positive move, it will cut overheads considerably by closing its Romford datacentre. Sherwood has also acquired Beta Computers (Europe), its partner in another loss-making joint venture - Sherwood International. The consideration was £875K, which seems a bit steep for a company which lost £83K on revenues of £978K to 30th June 94. But Beta's shareholders took it all in shares which they have promised not to sell for two years.

In addition, Sherwood announced that it had pulled out of the local govt. and housing association markets by transferring the IPRs to its distributor - Capita. Sherwood will receive future royalties of up to £750K.

Results for year to 31st December 1994 showed revenues up 6.4% at £25.1m. PBT, prior to exceptional costs, was £1.4m compared with a loss of £136K in 1993. Exceptionals, which totalled £1.33m, comprised £449K redundancy costs, £1m of provisions for the reorganisation of the FM business (see ICL above) but net gains on disposal of £152K. Indeed Sherwood claims that operating costs have been cut by 18%.

There has been comment concerning Sherwood recognising revenue ahead of when others might so do. *We hope these accounts are not so afflicted.*

After all of this, PBT was a meagre £79K - although a significant improvement when set against the £2m loss in 1993. Operating profit of £1.2m compared with operating losses of £200k (both prior to exceptionals) meant that Sherwood could claim "operating performance...improved substantially in 1994".

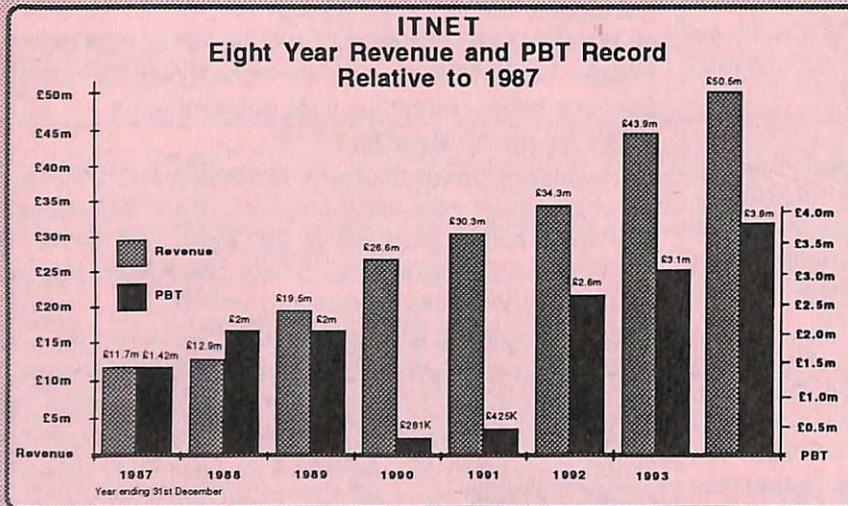
"Prospects for the future must take into account the state of the London Insurance Market, where the board believes there is likely to be only limited opportunity in the short term for organic growth".

From that heady high of 310p, Sherwood shares hit a low of 85p in 1994 before recovering to end Mar. 95 on 139p.

Outsourcing flourishes at ITNet too

ITNet is a wholly owned subsidiary of, and was created from the internal IT department of, the £3.7 billion Cadbury Schweppes giant. ITNet specialises in FM and managed services with particular emphasis on local government as well as manufacturing, retail and distribution.

ITNet had its "best year ever" in the year to 31st Dec. 94. PBT increased 22% to £3.8m. Overall revenues increased by 15% to £50.5m, but the Cadbury Schweppes group sales - at £17m - were largely static. External sales were up 23%. The 7.5% profit margin is similar to other outsourcing companies whose results were announced this month.



FM represents around 60% of revenue with four major new contracts signed in 1994 - the largest of which was the £18m/6 year deal with the London Borough of Croydon. But managed services (e.g. payroll services to the local government market) grew by 108% to £5m in 1994. ITNet also confirms the growth in the desktop services market - with billings up 40%.

MD Bridget Blow says 1995 "is looking like an even better year".

Comment. Last year we pondered "an Istel-type MBO for ITNet?" It didn't happen, but we still live in hope. As one of a rare breed of UK-owned outsourcers, ITNet is quite a jewel.

Quality Software Products still capitalising R&D

Quality Software Products plc (QSP) develops and sells the OLAS financial accounting software product range. In the beginning this was directed at IBM mainframe users. QSP was floated at 380p in March 1993. Soon after the shares rocketed to a high of 592p...only to fall back to a low of 362p in 1994. The latest results for the year to 31st December 1994 can be viewed in a number of ways. Computergram (24th March 1995) said QSP Chairman Alan Mordain was "a happy man...After investment totalling around £21m and six long years, he can see the fruits of his company's labours at last". Indeed, reports which read "PBT leaps 354% to £2.5m from turnover up 24% to £16.5m in its first full year since flotation" would bring joy to anyone. EPS more than tripled. The problem - of course - is that QSP had capitalised an unprecedented £5.9m of R&D. The net effect (i.e. amount capitalised less amount amortised in year) was to boost profits by £3.5m. In other words the £2.5m PBT would have been a loss in excess of £1m if the same accounting policies as used by most its competitors like Coda etc. had been applied.

But we would not want this criticism to hide an otherwise rather good performance. Although there were solid increases in maintenance and services revenues, the best pointer to the future was the 84% increase in product licence revenues in 1994. Universal OLAS now has in excess of 60 client installations on 8 platforms at 120 sites in 20 countries.

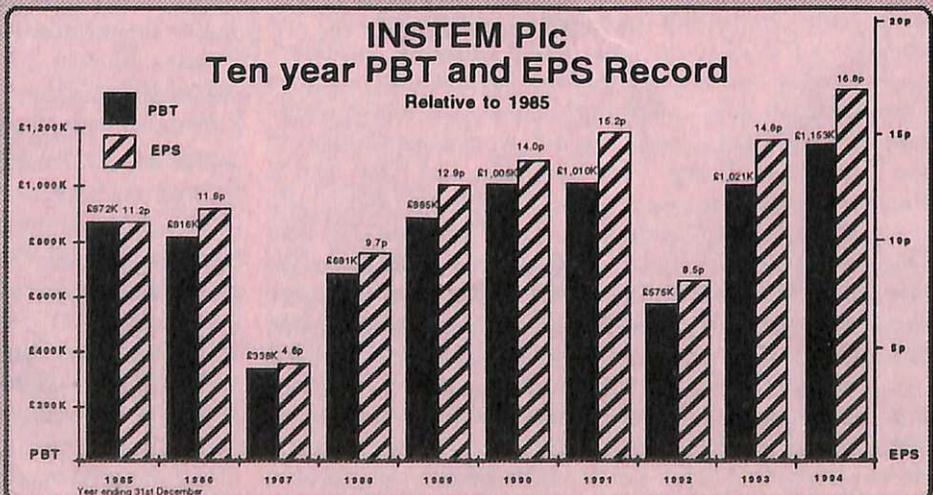
Superscape

VR software developer Superscape reported greatly increased losses of £845K (£73K) in the six months to 31st Jan 95 due to planned investment in marketing. Software revenues increased 71% to £343K. *More next month.*

INSTEM "satisfactory"

INSTEM is one of the lesser known SCSI companies; perhaps because its specialised subject is computerised control systems for power stations, water boards and others like BNFL. That is a bit of a shame as, unlike almost every other SCSI company, it has reported a profit in every one of its 26 years. It also has, in David Gare, one of the most honest chairman you are likely to find. Everyone of this forecasts - both good and bad - have come to pass. So last year when he predicted "a satisfactory outcome for the year" we suggested that you believed him. The results for the year to 31st Dec. 94 were indeed *satisfactory* with an increase of 13% in both EPS and PBT (to £1.15m) on revenues down 13% at £16.8m. "Order intake was a record £22m". INSTEM has benefited from several of its electronics manufacturing customers experiencing an upturn in business activity.

INSTEM now has net assets of £5.3m - only £1m less than their current market value. The shares are on a low historic P/E of 8.6.



No change in CSI Index, except...

Sherwood Computer produced the largest share price gain this month - up a surprising 46% on the *dire* results reported on p7. LBMS' return to the black in Q3 (p2) produced a 37% share price rise and Phonelink's deals

31st Mar. 95	CSI Index		1433.28
	FTSE 100		3137.90
CSI Index = 1000 on 15th April 1989	FTSE SmallCap		1695.32
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (27/2/95 - 31/3/95)	-0.05%	+3.72%	+0.11%
From 15th Apr 89	+43.33%	+52.80%	
From 1st Jan 90	+55.77%	+32.85%	
From 1st Jan 91	+102.48%	+45.25%	
From 1st Jan 92	+37.17%	+25.86%	
From 1st Jan 93	-10.06%	+10.24%	+22.20%
From 1st Jan 94	-14.15%	-8.21%	-9.28%
From 1st Jan 95	-4.40%	+2.36%	-2.93%

with BT and Cellnet pushed shares up 30%.

Enterprise Computer shares fell to 0.75p on the resumption of trading after the suspension at 3p (p4). Proteus fell another 30% (40% this year alone). Apparently 10,000 are for sale and "it is hard to place them". No wonder when R&D is costing £600K cash a month. Source - Investors Chronicle 31st March 95. DRS also fell a further 21% on even worse than expected results (p3).

Deleting Kode

As Kode sold DCM in Dec. 94 to Tellus for £1.5m it is not a SCSi company any more. All the activities remaining relate to PCB manufacture.

Kode's R&A shows that DCM made a loss of £2m on revenues of £6m in 1994. In addition Kode lost £744K on the disposal and had to write off goodwill of £6.4m. Kode had bought DCM from Hillsdown in July 92 for £3.2m.

System House CSI Share Prices and Capitalisation

	Share Price 31/3/95 (£p)	Capitalisation 31/3/95 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 31/3/95	Share price % move since 27/2/95	Share price % move in 1995	Capitalisation move (£m) since 27/2/95	Capitalisation move (£m) in 1995
ACT	£1.10	£194.20m	11.6	0.77	1746.03	11.11%	10.55%	£19.50m	£9.60m
Admiral	£6.26	£71.40m	18.4	1.44	4536.23	-1.26%	-1.42%	-£0.90m	-£1.00m
Azian	£1.18	£25.70m	9.5	0.42	513.04	-2.48%	-11.94%	-£0.70m	-£3.60m
Capita	£1.48	£81.10m	14.1	1.10	4444.44	-3.90%	-9.76%	-£3.30m	-£8.40m
Cedardata	£0.92	£28.20m	14.6	4.61	876.19	2.22%	-8.91%	£0.70m	-£2.70m
Centregold	£0.54	£23.40m	7.4	0.26	432.00	20.00%	-53.45%	£4.00m	-£23.30m
Clinical Computing	£0.55	£8.91m	6.0	3.39	443.55	-8.33%	-17.91%	-£0.81m	-£1.99m
Coda	£0.84	£22.00m	Loss	0.94	357.45	-16.00%	9.09%	-£4.20m	£1.80m
Compel	£1.14	£17.40m	11.0	0.32	912.00	0.00%	4.59%	£0.00m	£0.80m
Computerised Financial	£0.95	£4.46m	n/a	1.34	1055.56	5.56%	-7.77%	£0.23m	-£0.38m
Computer People	£2.34	£57.10m	Loss	0.58	962.96	4.46%	-3.31%	£2.40m	-£2.20m
Cray Electronics	£1.64	£388.10m	19.0	1.43	956.14	15.96%	1.24%	£53.40m	£4.70m
CRT	£0.88	£59.20m	Loss	1.25	977.78	15.79%	11.39%	£8.10m	£6.00m
DRS Data & Research	£0.22	£7.90m	5.7	0.90	200.00	-21.43%	-31.25%	-£2.20m	-£3.50m
DCS Group	£0.76	£7.22m	21.3	1.13	1266.67	-3.80%	4.11%	-£0.28m	£0.31m
Division Group	£0.95	£41.70m	Loss	7.91	2375.00	0.00%	-18.80%	£0.00m	£2.20m
Electronic Data Processing	£1.41	£36.90m	13.8	2.63	4317.21	2.92%	-1.40%	£1.00m	-£0.60m
Enterprise	£0.01	£0.59m	Loss	0.04	6.00	-75.00%	-62.50%	-£1.78m	-£0.96m
Gresham Telecomputing	£0.29	£9.48m	22.0	1.46	311.83	-9.38%	-21.62%	-£1.02m	-£2.62m
INSTEM	£1.44	£6.48m	8.6	0.39	1440.00	0.00%	-4.00%	£0.00m	-£0.32m
JBA Holdings	£1.65	£54.50m	16.1	0.73	1031.25	-1.79%	8.55%	-£0.90m	£4.30m
Kalamazoo	£0.98	£18.70m	11.1	0.31	2800.00	-4.85%	-10.09%	-£20.70m	-£22.80m
Kewill	£2.69	£32.50m	9.9	1.02	1063.24	2.67%	12.55%	£0.80m	£3.50m
Kode International	£0.64	£6.08m	Loss	0.25	297.67	-3.03%	20.75%	-£0.19m	£1.09m
Learmonth & Burchett	£1.18	£25.70m	Loss	0.97	983.33	35.63%	47.50%	£6.70m	£8.30m
Logica	£3.25	£200.80m	17.5	0.88	890.41	5.52%	0.00%	£10.50m	£0.00m
Lynx Holdings	£0.40	£16.80m	8.9	0.78	1000.00	-6.98%	-14.89%	-£1.30m	-£3.00m
MAID	£0.80	£65.00m	70.2	7.31	727.27	0.00%	15.94%	£0.00m	£8.90m
MDIS	£0.81	£81.00m	16.8	0.55	311.54	17.39%	-19.80%	£12.00m	-£20.00m
MR Data Management	£1.05	£58.60m	13.1	1.45	416.67	-10.26%	-4.55%	-£6.70m	-£2.80m
Macro 4	£3.93	£85.30m	11.5	3.50	1584.68	-1.75%	-10.27%	-£1.50m	-£9.70m
Micro Focus	£7.04	£101.40m	22.0	1.13	3400.97	-6.13%	-14.15%	-£6.60m	-£16.70m
Microgen	£1.09	£42.90m	11.8	0.73	465.81	0.93%	6.86%	£0.30m	£2.70m
Microvitec	£0.33	£23.90m	10.8	0.54	792.68	-2.99%	-10.96%	-£0.80m	£0.60m
Misys	£3.55	£169.00m	11.1	1.81	883.08	11.29%	-13.20%	£17.20m	-£25.70m
MMT	£1.88	£21.20m	14.4	1.95	1119.05	-2.59%	-8.29%	-£0.60m	-£1.90m
On-Demand	£0.70	£35.70m	Loss	2.46	897.44	9.37%	4.48%	£3.10m	£1.50m
Oxford Molecular	£0.56	£24.30m	Loss	17.23	700.00	-8.20%	-6.67%	-£2.20m	£2.20m
P&P	£0.88	£68.80m	10.9	0.26	394.62	7.32%	18.92%	£4.70m	£10.90m
Parity	£1.12	£46.90m	15.6	0.53	6222.20	-2.61%	-11.11%	-£1.30m	£0.70m
Pegasus	£1.38	£8.69m	11.1	1.81	376.02	-7.38%	-8.00%	-£0.70m	-£0.70m
Persona	£1.77	£21.40m	15.5	0.68	1106.25	2.31%	10.63%	£0.50m	£2.10m
Phonelink	£2.40	£85.20m	Loss	68.65	1548.39	29.73%	12.68%	£19.50m	£9.60m
Proteus	£1.05	£34.30m	Loss	n/a	1250.00	-29.53%	-40.00%	-£14.30m	-£20.10m
Quality Software	£3.69	£33.80m	13.4	2.05	971.05	0.82%	-3.66%	£2.00m	£0.50m
Radius	£0.33	£9.17m	11.5	0.37	239.13	0.00%	-13.16%	£0.00m	-£1.43m
Real Time Control	£1.64	£11.50m	12.3	1.35	3346.94	-2.38%	-4.09%	-£0.30m	-£0.50m
RM	£1.90	£32.00m	12.2	0.49	1085.71	0.00%	-7.77%	£0.00m	-£2.70m
Rolle & Nolan	£1.60	£19.50m	24.6	1.53	1904.76	-9.60%	-13.51%	-£2.10m	-£2.90m
Sage Group	£7.90	£168.30m	17.4	3.31	6076.92	8.37%	17.21%	£13.80m	£27.40m
Sanderson	£0.86	£34.00m	12.5	1.00	1463.83	-2.27%	8.86%	-£0.80m	£3.60m
Sema Group	£3.95	£367.70m	18.6	0.62	1242.14	0.00%	-3.19%	£0.00m	-£10.90m
Sherwood	£1.39	£9.87m	Loss	0.39	1158.33	46.32%	73.75%	£3.98m	£4.99m
Spargo Consulting	£0.82	£10.20m	13.0	1.69	863.16	-5.75%	-9.89%	-£0.70m	-£1.20m
Standard Platforms	£0.11	£3.44m	Loss	2.63	48.89	-15.38%	-21.43%	-£0.63m	£0.92m
Superscape	£1.77	£9.38m	Loss	10.91	893.94	-12.38%	-13.24%	-£1.32m	-£1.42m
Total	£0.28	£2.80m	29.2	1.34	528.30	-9.68%	-20.00%	-£0.30m	-£0.70m
Trace	£0.39	£5.46m	18.3	0.29	312.00	-15.22%	-4.88%	-£0.98m	-£0.27m
Unipalm	£1.22	£25.00m	137.1	2.33	1220.00	-2.40%	3.39%	-£0.60m	£1.10m
Vega Group	£2.53	£35.70m	25.3	3.68	2073.77	0.00%	-3.80%	£0.00m	-£1.50m
Virtuality	£1.95	£52.10m	Loss	5.71	1147.06	-6.70%	-11.76%	-£3.10m	-£5.70m
Vistec	£0.16	£19.10m	8.4	0.42	673.91	10.71%	19.23%	£1.90m	£3.10m
Wakebourne	£0.63	£13.90m	Loss	0.60	350.00	-8.70%	-20.25%	-£1.30m	-£2.60m

Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.

Sema - Europe in microcosm

With its near £600m revenues, **Sema Group** is a pretty good indicator of the current opportunities - and difficulties - in the European SCSI market.

In 1993, Sema made an exceptional £11.3m gain on selling **Axome** (to IBM) and a 24% stake in their FM operations (to France Telecom). We chose to present Sema *before* this gain last year so, to be consistent, we should do the same now even though this year they made a £2.5m loss on the disposal of **I-Linie** (Mar. 94 to CGI (IBM) for £1.5m). Sema reported revenues up 19% at £596.1m, PBT up 28.9% at £32m and EPS up 26%. But margins were 5.4% - still a long way from Bonelli's objective of 10% when he was appointed CEO in 1990. But this hides more than it reveals:

- Sema acquired Swedish **SKD-Foretagen** for £20.5m at the end of 1993 which contributed revenues of £116m in 1994. Without that Sema's revenues would have grown by just 4%.

- the UK, now confirmed as Sema's largest market, was the only major country to show growth. Revenues increased 5.6% to £324m.

- France (down 5.1% at £162m) and Germany (down 15% at £36m) both suffered major declines.

- system integration and consultancy, still (at £382m or 64%) Sema's largest business activity, showed a modest 4% growth.

- software products lost £2.5m on revenues of £42.2m. The sale of **I-Linie** is expected to return the sector to profit.

- conversely, outsourcing grew by 75% to £172m. Sema made

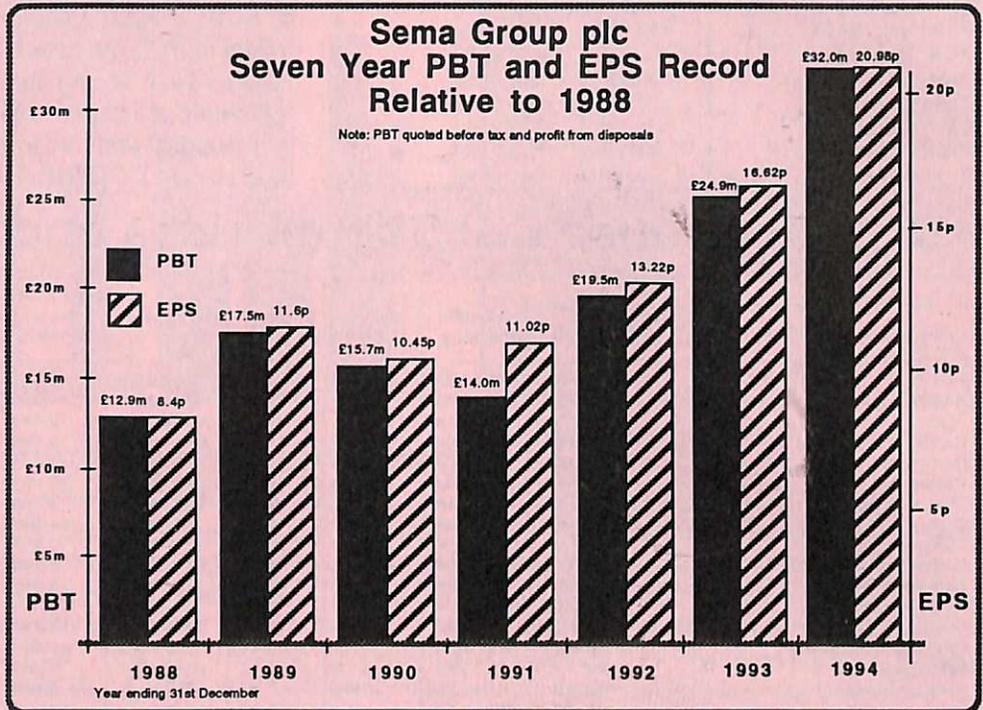
£12.8m profit from its outsourcing activities - a margin of 7.5% compared with a margin of 5.7% from systems integration. In Aug. 94, Sema acquired Spanish FM supplier, **Contact Group**, for £4.4m.

- although the order book grew by 17.5%, the "*Book-to-Bill*" ratio declined from 1.11 at the end of 1993 to 1.03 at the end of 1994.

- net interest paid was £1.1m, compared with net interest received of £1.4m last year, despite net cash increasing from £23.5m to £28.2m at the year end. Interest on Sema's £50.3m debt greatly exceeded the interest earned on the massive £78.5m cash in hand.

Sema's results give evidence of the boom in outsourcing - now spreading throughout Europe - and the buoyancy of the UK market compared with continued difficulties in France and Germany.

The gradual increase in margins is much welcomed. As a result, analysts upgraded 1995 forecasts to a PBT of around £40m.



"Strongest position ever" for Persona Group plc

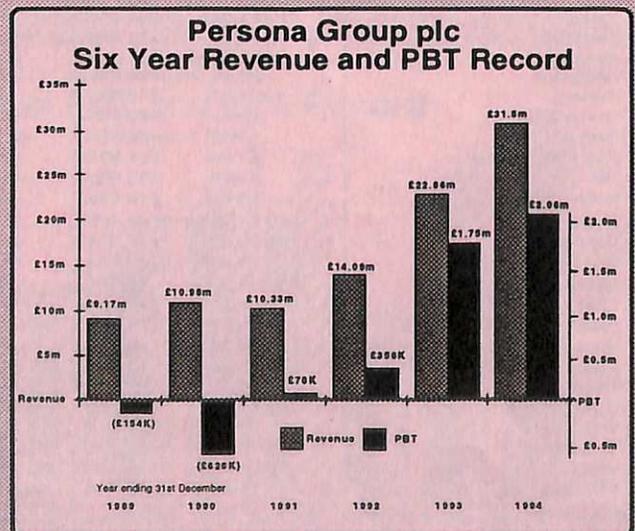
Persona Group plc is a distributor of PC network and comms products. In April 94 Persona was floated on the Stock Exchange at 160p - valuing the company at £19.3m.

In its maiden results for the year to 31st December 1994, Persona reported revenues up 38% at £31.5m, PBT up 18% at £2.1m and EPS up 11%. The profits were struck after a charge of £147K for the float.

Persona supplies product from 22 manufacturers. "*Seven new suppliers were added to our range and we now distribute in the UK for the top three internetworking manufacturers worldwide - we started the year with just one*".

In Dec. 94 Persona established a consultancy division. The other services-type activity is **Facility Ltd.** which provides training. Facility's turnover increased by 18% to £1.9m and PBT rose 35% to £298K. Acquisitions, particularly in the training arena, are likely this year.

With a new twist on the over used *confidence* word Chairman Wayne Channon says "*Persona enters 1995 in its strongest position ever and I look forward to the remainder of the year with enthusiasm*".



Logica "firing on all cylinders"

We have undoubtedly been critical of Logica over the years. Only a few months ago Colin Rowland reminded a reporter from Microscope of Holway's jibe some years back that Logica was "like a car which always had two cylinders which wouldn't fire - and they always appeared to be a different two".

On 28th July 93, Dr. Martin Read was appointed as CEO of Logica from GEC. So the last six months of 1994 were the first results where we could reasonably expect to see the *Read effect*.

So we are delighted to read the first results statement from Logica where *all its cylinders are firing* - i.e. all its divisions are both profitable and growing. The effect of this on Logica's profits was, of course, astounding. In the six months to 31st Dec. 94 revenues increased by 15% to £122m, PBT grew by 125% to £7.2m and EPS was up 136%. True, the previous period had included restructuring costs of £2.1m, but even if you exclude these PBT was up 37% and EPS up 42%.

UK operations increased revenues by 14% to £58m (48% of the total) and profits rose by 20%. Finance, transport, energy and utilities were earmarked as doing particularly well. A UK operating margin of 7.3% was achieved.

The US returned to a £200K profit (loss £700K in previous year) on revenues up 44% in dollar terms. Part was due to the **Synercom** acquisition (Sept. 94 for £4m) which produced "better than expected results" but US **Precision Software** (May 94 for "up to \$12.3m") "suffered delays". Continental Europe grew only modestly due to the disposal of the **Logicasiel** business in June 94, but still produced a £1.8m operating profit.

Asia/Pacific also returned to profit on revenues up 16% as overspend on the Hong Kong Stock Exchange project became a thing of the past.

The future? "Growth in order intake and generally positive trading conditions in most of our markets encourage the Board to believe that the second half will result in continuing revenue growth and further margin improvement".

Current forecasts for the full year were revised upwards to £18.5m and the shares put on 6% this month.

Logica and Application Management

Declaring an interest immediately, in that we were asked to talk at the press launch of Logica's AM services this month, does not detract from our view that AM is a natural for Logica. A view we expressed, and had rejected by, Logica's previous management some time ago. Logica aims to be the UK's leading FM-independent AM supplier within three years. Currently **FI Group** hold that position with AM revenues of around £25m.

Translating Trace

Trace Computer's Chairman Robert Careful reported "an encouraging resurgence in activity" last Oct. We suggested you did not hold your breath. Results for the six months to 30th Nov. 94 showed a mere 3% increase in revenues (to £9.5%), a 3% increase in PBT (to £223K) and a 0.8% increase in EPS.

Mind you, Careful had used the *confidence* word in every one of his statements since he floated at 125p in June 89 (share price now 39p) when he reported PBT of £1.7m (PBT in 1994 = £410K). You should now be able to translate statements like "encouraging resurgence" and his latest "we anticipate a continuing improvement in our fortunes" into more meaningful language!



As the Inland Revenue and DVOIT's contracts only came on line at the end of the 1994 financial year, **EDS UK's** revenues increased by a relatively modest 20% to £310m in the year to 31st Dec. 94. Operating profits reduced from £41m to £23.5m but staff numbers

increased from 3680 to around 5000.

Systems management (or FM) now represents around 50% of revenues with systems development and integration around 35%

In the UK we estimate that around £35m of EDS' FM revenues come from parent General Motors. Even if such revenues from parents are excluded, EDS had around £120m FM revenues in 1994 - meaning that **Hoskyns** (FM rev. c£115m) has lost its #1 slot after all these years. We estimate that EDS UK FM revenues will double to around £250m in 1995 - five times higher than the similar figure for 1991 - as the full effects of the Inland Revenue and other contracts are experienced. *And that is before the recently announced Lucas contracts.* In total, it looks as though EDS UK revenues will exceed £500m in 1995.

Virtuality pleases market

Virtuality Group claims a "80% share of the worldwide immersive VR entertainment market".

Virtuality was floated in Oct. 93 at 170p and the share price has fluctuated wildly since to a high of 361p and then all the way back down to 160p.

Assuming you are operating in actual reality, Virtuality has a current capitalisation of £52m. This should be compared with results for the year to 31st December 1994. Virtuality increased revenues by 69% to £9.13m but pre tax losses increased from £370K to £1.4m. Development expenditure increased from £1.23m to £1.81m. The losses were, in fact, less than expected at the time of the float. Chairman, David Payne, said this had provided "a base from which we can grow a profitable business".

In September 1994, The Investors Chronicle concluded that "those with a handle on the technology are likely to think the shares good value". How right they were. The shares then stood at 160p - they ended Mar. 95 on 195p.

Radius reports "strong upturn"...again

Our past reviews of **Radius** have used headlines such as "round and round in circles" or "Radius comes full circle". Radius had a superb trading record to 1989 but then the acquisitions binge it had undertaken started to cause the dreaded acquisition indigestion just when the market started to stagnate and users started to demand open systems.

But Radius fought back with a significant recovery in 1992, only to plunge to its first ever loss of £1.17m in the 13 months to 31st Dec. 93.

Radius reported "a strong upturn in interest in its software products" in the year to 31st December 1994. This resulted in a return to profits of £1.45m on revenues up "an annualised 16%" at £24.9m. Net cash increased to £2.9m after spending £570K on the acquisition of certain assets of **Cinteract Systems**.

Radius' products in the retail and printing arenas did particularly well but elsewhere they faced strong competition and their Professional Accounting offerings had a particularly difficult year.

After falling to a low of 27p in 1994, Radius ended March 1995 on 33p.

Computer People

Computer People has seen many changes in the last year. In April 1994, Roger Graham, ex CEO of BIS, joined Computer People as Chairman and Tony Reeves became CEO.

In June 1994 they started their acquisitions by buying **The Span Consultancy** for £5.5m. In Oct. 94, they acquired IT contract staff agency **VNG Group** for £7.0m + £3.2m debt = £10.2m and a placing at 182p raised a net £5.0m.

This month they have acquired the business (but not assets or liabilities) of the LA branch of **US Automated Concepts Inc.** for an initial \$850K plus \$1.15m deferred. AC had revenues of \$5.2m but reported a loss of \$72K for 1994. The acquisition adds another 39 consultants on assignment to its current operations in LA.

In the year to 31st Dec. 94 an excellent combination of a 15% organic growth of the original UK business, a 21% increase in the US and the effects for part of the year of the acquisitions detailed above, pushed revenues up 42% to £97.7m. However exceptional items resulted in a pre tax loss of £391K compared with PBT of £1.1m in 1993. If these exceptional items are excluded, operating profits were up 153% at £4m, PBT up 230% at £3.64m and EPS also would have increased by 230%. The exceptional costs relate to "the reorganisation and integration of the UK businesses which cost £1.18m and will result in annual savings of more than this in 1995" and to £2.85m relating to property writedowns.

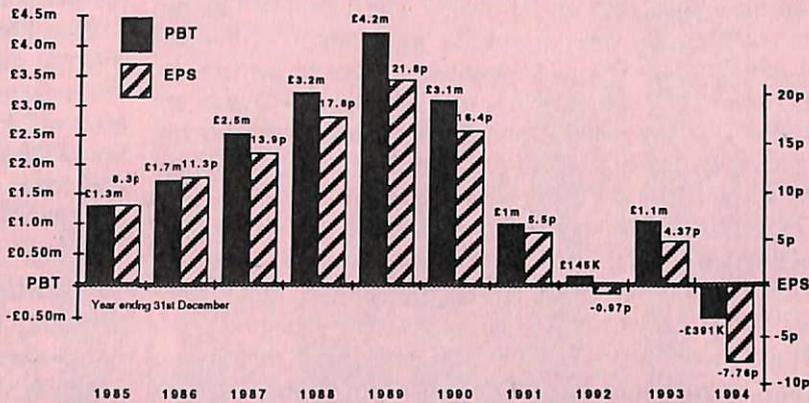
UK operations contributed 68% or £66.3m of group

revenues - up 50% on 1993. Span contributed £11.5m (5 months) and VNG £4.0m (2 months). The Computer People Barometer showed revenues from the provision of IT professionals in the UK increased 48% to £62m and recruitment "continued its recovery with placement revenues up 60% at £2.8m".

In the US revenues increased by 21% to \$44.1m and contributed 30% of group revenues.

In Europe, **Interskill SA**, which was acquired as part of the VNG purchase, contributed £2.5m (2 months).

**Computer People
Ten Year PBT and EPS Record
Relative to 1985**



Tony Reeves reports that "the group has started 1995 well with results ahead of our plans". Further major acquisitions are said to be unlikely except perhaps in the US where Computer People is keen to develop its business..

Before the new management took over, Computer People had sunk to a 1994 low of 105p. The shares ended Mar. 95 up 4.5% at 234p.

5.30 pm Wednesday
19th July 1995
Make note to
attend
Richard
Holway's
CSSA
Presentation
at London Portman
Hotel.

On 19th July 1995, Richard Holway will be giving his annual presentation on the financial state of the industry on behalf of the CSSA. Starting at 5.30pm, the evening at the London Portman Hotel includes dinner and drinks. Last year over 150 CEOs attended. Also as usual a FREE place for every one who orders an advance copy of the 1995 Holway Report (see below).

More Good News

With the recruitment sections now of record weight, we were delighted to learn of the following new jobs: **Andersen Consulting** (350 graduates), **EDS** (400 graduates), **Hoskyns** (700 new staff). Booms at **Parity** and **Computer People** (see this edition) confirm the sector's continuing recovery.

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