

System House

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Revenue growth accelerates, but profits growth slows

Our recently completed update of our analysis of, and projections for, the UK SCSi market shows:

- an acceleration in growth from 14% in 1994 to 16% in 1995. Given the low inflation in 1995, this will represent the best real growth rate for a decade.
- forecasts now exceed 10% p.a. for each of the remaining years of the decade.
- the accelerating trend towards **outsourcing** - where growth of 44% (or higher) is now expected for 1995 - is the single major reason for the growth.

Admitting our errors... Last year we forecast a 25% growth for the outsourcing market in 1994. It actually turned out at 39%. We monitor every outsourcing deal and estimate as accurately as we can the month when these revenues will start to affect the SCSi supplier. The 44% growth for 1995 is fully supported by our records already; as are our forecasts for 1996. But *yet to be announced* outsourcing contracts are difficult to anticipate. The EDS/Rolls Royce deal this month is worth £60m p.a. - all on its own that represents 2.5% of the market. £50m+ p.a. outsourcing contracts are now hardly rarities - six have been announced in the last two years alone.

We repeat, for those readers who may doubt our forecasts, that our real fear is that our forecasts are *too low!*

- allied markets, like third party training, IT agency staff etc. have all benefited from the trend for companies to use external services rather than employ their own.
- markets which continue to decline include hardware maintenance and systems software. To this list can now be added IT consultancy, as supplied by the big management consultancies, which recorded no growth in 1995.
- perhaps as a surprise to many

readers, **software products**, are recording much lower than average growth. Although the UK **application software product** market grew by 9% in 1995, this was far below the 16% growth for the market as a whole. Products like wordprocessors and spreadsheets actually suffered declines - the growth coming from "niche" business applications. **Software tools** did rather better with a 13% growth.

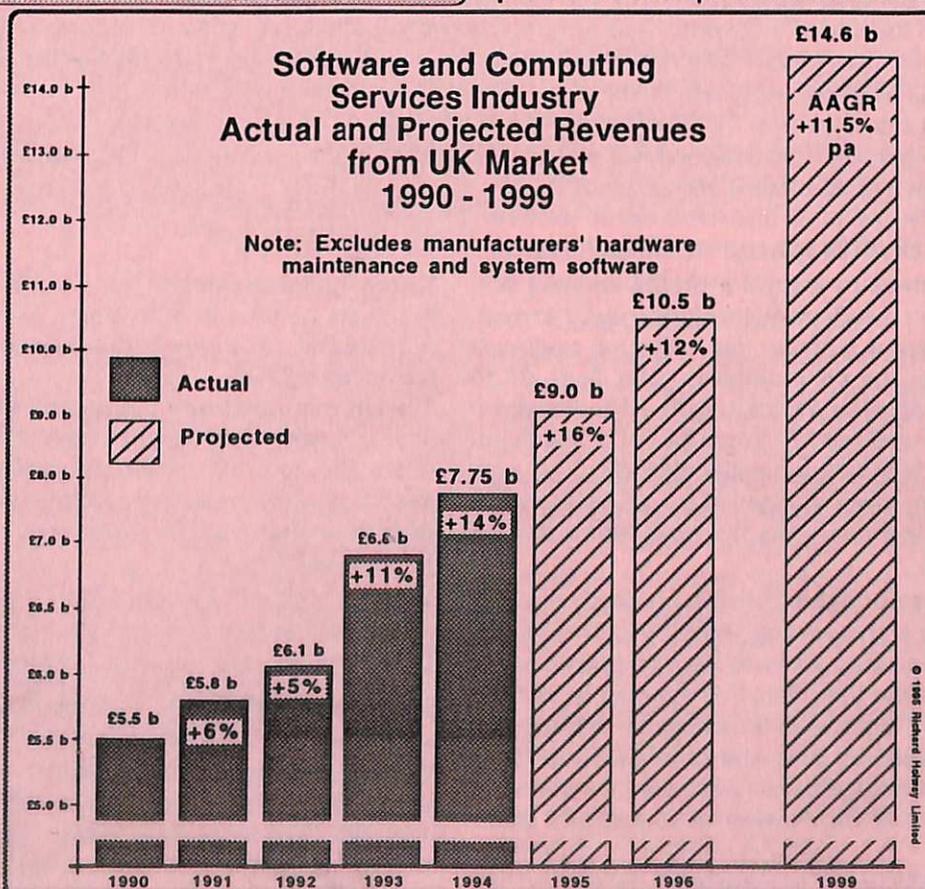
- the outsourcing trend, and the continued "consolidation" of the industry has meant that, as we have reported on many occasions before, **the already big are increasing their share of the market**. The Top Ten suppliers will have recorded revenue growth in excess of 25% in 1995 - three times the growth rate of the smaller companies. This trend is substantiated by a review of all 1995 results (including latest interims) from SCSi companies quoted on the UK Stock Exchange. This shows revenue growth of 22% in 1995.

But, if revenue growth is encouraging, profits were disappointing. **Those same companies which grew revenues by 22% only reported a 4% increase in profits**. This compares with 30%+ PBT growth in each of

the last three years. With increasing "skill shortages", increased wage pressure from existing staff cannot be far behind.

The cycle of "high revenue growth/cost expansion/low profits growth" followed by "low revenue growth/cost cutting/high profits growth" is all too familiar in our industry.

Analysis above from our "Software and Computing Services Industry in Europe 1995 - 1999" Report. See attached order form.



"Controlled confidence" at MMT Computing

"MMT Computing is the epitome of the excellent small UK SCSI company. Money in the bank, superb profit margins, an excellent living for its owner/directors..." Source - System House June 95.

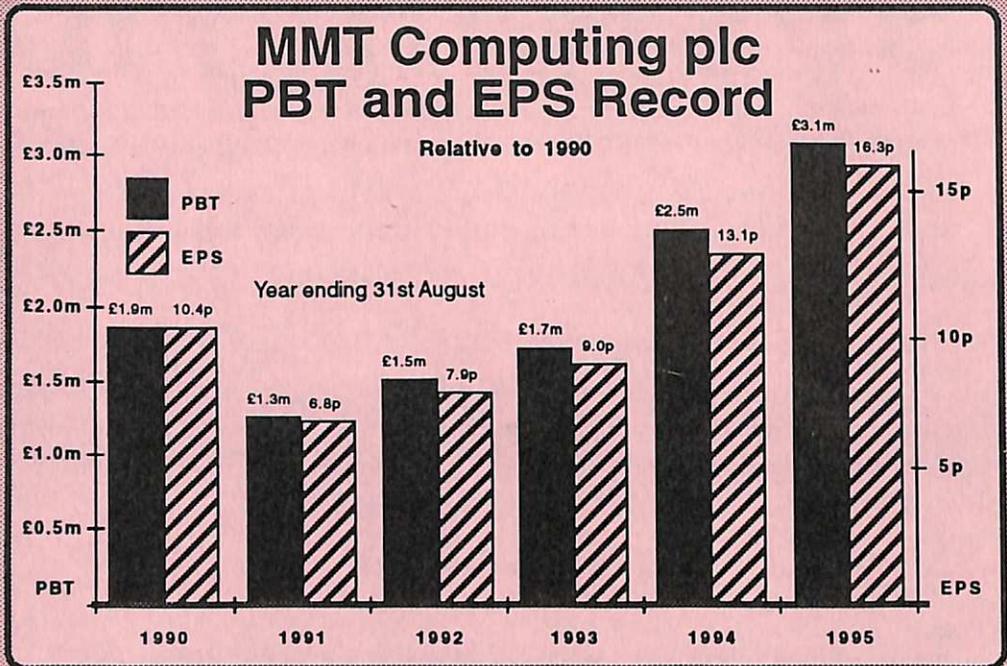
As readers will know we have always been a strong supporter of MMT. They were one of the pioneers of Application Management (AM); which represents about a quarter of their revenues. The majority of their revenue comes from systems development, particularly using Oracle and Ingres, for long term, blue chip customers; where Marks & Spencer is still the largest. That's not to say that it has all been plain sailing. Last time there were "disappointing results from South-East and AS/400 branch companies". But latest results report

"outstanding performances" from all the mainstream activities. So much so that MMT is increasing its ownership of South-East from 66% to 100% for £1.5m - mostly in shares.

MMT reported revenues up 28% at £14m and PBT up 23% at £3.08m in the year to 31st Aug. 95. That's a profit margin of 22%. MMT has reported a profit margin exceeding 20% every year for the last decade, proving that well run service companies often have much higher margins than product companies. EPS was up 24% and cash increased from £4.7m to £6.2m. MMT is extending its highly complementary recruitment and IT training activities for its clients with capability now extended to include Lotus Notes, Powerbuilder and HPS, which "will mean a substantial six figure investment, largely taken in the current half year".

Of course the other reason why we have a healthy respect for MMT's Chairman, Mike Tilbrook, is his ability to spot a winner. He bought Quotient (before they were bought by ACT), P-E International (before they were bought by Cray) and Total (on their periodic rise and selling before the equally periodic fall). He also bought into Sherwood where "we hold around 5% of the equity" now worth over £600K. Sherwood's share price has more than doubled so far in 1995. MMT's success - as in all people based businesses - is keeping the utilisation rate high. A few years ago Tilbrook moaned to us that utilisation rates had "fallen from 100% to 95%". Growth without erosion of those utilisation rates is still Tilbrook's aim. He feels he is "justified in controlled confidence at our prospects".

Given the past performance, so are we. MMT's share price rightly increased by 34% this month to end on 245p. But that still represents a quite modest 15 historic P/E.



As expected, profits slump at Kalamazoo

In Sept. 95 Kalamazoo issued a profits warning and Robert Jordan took over from Peter Harrop as Chairman. It was therefore not a surprise that, although revenues were up 14.5% in the six months to 30th Sept. 95 to £32.4m, PBT slumped by a third to £2m. EPS was down 27%. Cash decreased from £7.2m to £4.8m although net assets increased by 6% to a healthy £15.25m.

The Print Division, which reported a loss of £484K against a profit of £1.2m last time, was the main reason for the poor performance.

But the Computer Services Division boosted revenues by 18% to £24.1m and operating profits by 22% to £2.6m. The motor trade business seems to have prospered where the order book for the Elite "flagship" product is "running very satisfactorily". But this is tempered by the need for an "on-going investment programme to generate future growth". European presence has increased from recently acquired Autodata in the Finnish, Swedish and Dutch markets.

"An improved performance" is expected in the second half.

Kewill "static"

Kewill Systems claimed "record" PBT of £2.6m (up 21%) in the six months to 30th Sept. 95. But operating profit (£2.5m) and revenues (£16.6m) were largely static. EPS advanced by 20%.

The UK reported lower profits and those in the US were static. "Lower operating costs assisted HAN Dataport (Germany) to a considerably improved operating profit of £700K (£400K)...Overall prospects...are good. Further growth, underpinned by strong recurring revenue, should be achieved".

Whether "growth by acquisition is clearly necessary for Kewill" Source - Computergram - 23rd Nov. 95 is open to debate. Kewill's share price has risen 38% this year so far to 330p.

Revenues and profits down at Fraser Williams

In our annual trawl through the accounts lodged at Companies House, we noted that Fraser Williams reported revenues down £1m at £20.3m and PBT down 14% at £456K in the year to end Mar. 95. We hinted at a float a year back, But on these lack-lustre results that looks rather less likely than a trade sale.

CGS and Sema...

CGS sold its 27.6% stake in Sema this month for £128m at around 496p per share. Sema reacted positively to the news - ending the month up 8% at 537p.

CGS had bought a stake in Sema Metra back in 1988 before the CAP "merger" at a pretty hefty price. It increased it to 27% in 1990. The investment had been showing a book loss throughout, but Sema's shares have recently performed well showing a 32% gain in 1995 so far. This meant that, at last, CGS could sell making a pretty modest profit of around £8m on the seven year investment.

Of course throughout the period, a CGS bid for Sema has been talked about. CGS had spent much of the 1980s buying SCSI companies at pretty fancy prices. The depressing CGS results in the 1990s put paid to such ambitions.

Now it's CGS, rather than Sema, which looks the more vulnerable. Daimler-Benz have until Jan. 96 to exercise their option to acquire a controlling interest. We now doubt that they will.

When we gave our presentation in Paris recently, there was much talk that the Sema stake might be bought by a US operator. Now, perhaps, those rumours will shift to CGS.

...and MAI

Q - What have Azlan, P&P and MAI in common?

A - They all now have Hoskyns directors as non-execs. This month CGS COO and Hoskyns Chairman Geoff Unwin joined MAI. Tony Robinson (Hoskyns MD) sits on the Azlan board and Tony Fisher is at P&P. Now if MAI could repeat the recent share performance of Azlan and P&P, that really would be something.

Micro Focus on the Internet

Now when a company loses £300K (same as last year) on revenues down 9% at £17.7m for Q3 (Aug.- Oct. 95) and the share price rockets by 10% as a result, more investigation is required. So we immediately 'phoned the FD of Micro Focus for more details, starting our conversation jocularly with "What have you done...ho, ho,ho...announced that Micro Focus is now involved with the Internet?" After a rather unexpectedly long pause the response was a rather embarrassing "Well, yes we have, Richard".

We have written on many occasions of the problems at Micro Focus as users move away from mainframes, where the bulk of Micro Focus' Cobol Workbench customers are found. We fully backed the re-focusing exercise, other than that it was late. The restructuring seems to be going reasonably well with costs - and staff numbers - both reduced.

To have any chance of recovering to be worth the £300m it was in 1992, Micro Focus will have to do something very exciting. Micro Focus will "run its operations and management as a Web-based company" and a new generation of rapid application development tools will be launched for the "enterprise Web". This is exactly the type of announcement which might just achieve that renaissance.

Postscript. Certain readers from QSP, CFS etc. please note. Micro Focus is now quoting all its results "excluding any net software capitalization". And to the "unwired" amongst you, Micro Focus made its results available on the www and only reluctantly sent a hardcopy.

Full marks to Cedardata

Leon Fattal's Cedardata, which has developed the Oracle-based cfacs accounting system, has had a quite superb record since its float in Mar. 94 at 105p. Latest results for the six months to 30th Sept. 95 show revenues up 43% at £5.33m, PBT up 49% at £2m and EPS up 50%. Gearing was nil and £4.5m cash in the bank. *Difficult to criticise that!* Profits growth of 20% p.a. "for some time to come" is promised.

An even better than average performance was put in by consultancy and training activities - which rose by 52%. "Services" now account for 41% of revenues. Cedardata is one of Oracle's top VARs. Indeed, Cedardata is just the kind of high value added reseller that Philip Crawford - Oracle UK's new MD - wants to foster. Revenues from third party hardware and software more than doubled - although they still, fortunately, represent less than 16% of revenues.

If Cedardata has a problem it is one of critical mass. They are still too small. We understand that acquisitions and JVs are under consideration. Although a share price rise of around 60% since launch is good, compared with others, they might have expected more. If they *only* meet analysts' expectations of PBT of £4.4m, Cedardata is on a prospective P/E of 17.

CODA back on track

After a disastrous start to life as a publicly quoted company in 1994, CODA has been amongst the best performers in 1995. Their share price is up 153% in 1995 so far.

This month CODA put out an announcement that PBT would not be less than £1m - allowing for £6m of expensed R&D costs in the year to 31st Oct. 1995. This compares with the £3m operating loss last year. Revenues are expected to be up 30% at in excess of £30m.

Growth "is entirely attributable to boosted sales of CODA-OAS" (the open, client/server version of CODA-Financials) which achieved revenues of over £12m in the year. Indeed, "this product has now been purchased by more than 100 customers".

If you are a follower of director's share dealings, you will know that Chairman Rodney Potts bought 200,000 shares at 88p in Jan. 95 and General Atlantic doubled its shareholding to 20% at 88p. CODA's shares ended Nov. 95 down slightly on 195p.

No disasters at Safetynet

Safetynet plc is a disaster recovery operation specialising in IBM mid-range, PC LAN and dealing room systems with an impressive record. In Dec. 93, Reuters took a 20% holding for a £5m consideration. The remaining 80% is still held by Safetynet's two founding directors.

Latest results show revenues up 30% at £12.2m and PBT up 75% at £2.6m in the year to 31st Mar. 95. As now seems to be usual for such companies, that's an impressive 21% profit margin. Part of the revenue increase came from the acquisition of PC LAN and Mobile Disaster Recovery services.

The further Americanisation of LBMS

LBMS joined MAID (see p11) by launching on NASDAQ this month. The offer, at 323p, raised £8.7m new funds plus allowing Messrs. Learmonth and Burchett to sell shares worth another £7.4m.

The pricing of the US offer led to a 15% fall in Nov. in the London share price to 317p.

Lynx "on the prowl" With due recognition to Computer Weekly 16th Nov. 95

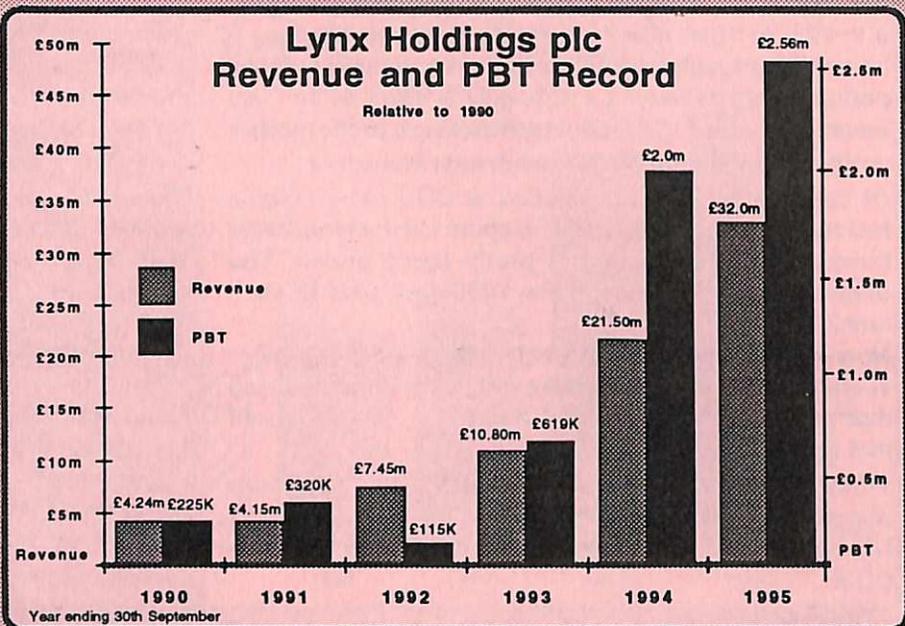
We reported last month on the Lynx purchase of Vistec. This was valued at £22m at the time but, as it was all share and the Lynx share price has climbed by 36% since, the deal is now technically worth over £30m.

This month Lynx has announced its results for the year to 30th Sept. 95 - obviously unaffected by Vistec. Revenues increased by 49% to £32m - with Vistec the new group has revenues of £90m. PBT increased 28% to £2.56m and was £3m before the exceptional loss of £451K on the disposal of the non-SCSI leisure division. For this reason, EPS was down 17% - otherwise it would have been up 16%. Cash doubled to £3.4m.

Lynx' SCSI businesses had a good year with the communications systems part of the automotive software business "being a particularly strong area". HR systems provider, Heywood & Partners, acquired for £4.5m in Apr. 95, "exceeded the board's expectations" with profits of £503K on revenues of £2.4m in the period. "Heywood already has business on hand accounting for 70% of its 1995/96 budgeted revenues".

This clearly contributed towards the board's optimism for the current year for the much enlarged group. But clearly Lynx does not intend to wait to digest its last main meal. Further acquisition opportunities are actively being considered.

It certainly all looks very encouraging at present. But as readers know only too well, we have been here with other companies too many times before...only to find that the dreaded "acquisition indigestion" sets in soon afterwards.



Granada We will have to wait - as is our usual fate - to present the revenue and profit figures for **Granada Computer Services**. The division to which it relates reported static revenues and profits in the latest financial year. We have long said that this division is "non-core" and is "for sale". How it now fits in a Forte world is even more obscure.

Stock Exchange joiners and leavers

In 1995 we will have said goodbye to four SCSI companies quoted on the main market:

ACT Group - which was acquired by **Misys**.

Enterprise - which after a far too long illness called in the receivers in May 1995.

Unipalm - who this month finally fell to **UUNet**. (We use the word fell in the "Lizzy fell for Mr Darcy" sense.)

Vistec - who did a reversal into **Lynx** in Oct. 95.

We only welcomed one new SCSI main market new issue - **CMG** (see opposite) - a record low.

But six SCSI companies moved from trading their shares under the 4.2(a) rule (i.e. on a matched bargain basis) onto AIM. Given that AIM has attracted over 100 companies since its inception in June 95, the representation of SCSI companies is remarkably low.

On the other hand, the share price performance of **Lorien**, **Moorepay** and, in particular, **Firecrest** (p11) has been nothing short of spectacular, as shown in the table below.

CMG float exceeds all expectations

CMG's share price of 290p valued the group at £185m and "now to be viewed as modest" 15 P/E (based on 1995 profit forecast). But the intermediaries offer was 8.9 times over subscribed so when dealings commenced on 1st Dec., the shares quickly rose to 338p by 9.30pm when we went to press. Chairman Cor Stutterheim was rightly "delighted with the reception". CMG had issued a profit forecast of "not less than £19.5m" for 1995. That's 38% up on the equivalent figure for 1994. However, the launch will cost £1.7m, reducing PBT to £17.8m.

Comment We have spent the month giving our views on CMG. Although we are sorry that the timing is such that you will have read these elsewhere than *System House*, our views are exactly as reported in our many detailed reviews of CMG in the past. They are such an excellent company that they are in line for the next "Boring Award". The offer price, which infers a prospective P/E of just over 14, proved to be on the low side. That is all to the good as most investors kept their shares and, just for once, new investors can share in the success. We only wish we had been lucky enough to have secured a stake!

Hanging on the CMG float are new issues from **FI Group**, **Data Sciences**, **Triad**, **Heath** and others. We now look forward to a very exciting 1996.

AIM Company	Activity	Former Market	Date joined	Issue or first dealing price	Price 30/11/95	Price Chg	Capitalisation 30/11/95
Firecrest	Internet access	Rule 4.2(a)	Jul-95	40p	158p	295.0%	£26.3m
Lorien	IT contract staff	Rule 4.2(a)	Jun-95	100p	210p	110.0%	£12.0m
Moorepay	Payroll processing bureau	Rule 4.2(a)	Jul-95	80p	156p	95.0%	£11.8m
OmniMedia	CD-ROM software/content	Rule 4.2(a)	Sep-95	75p	70p	-6.7%	£12.5m
Voss Net	Database software/content	Rule 4.2(a)	Aug-95	143p	171p	19.6%	£4.6m
Zergo	Consultancy on IT security systems	Rule 4.2(a)	Sep-95	97.5p	140p	43.6%	n/a

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc				INSTEM plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 24,560,000	£ 49,473,000	£ 30,204,000	+23.0%	REV	£ 8,043,000	£ 16,812,000	£ 11,205,000	+39.3%
PBT	£ 3,198,000	£ 7,719,000	£ 5,589,000	+74.8%	PBT	£ 505,000	£ 1,153,000	£ 577,000	+14.3%
EPS	18.50p	45.20p	31.80p	+71.9%	EPS	7.40p	16.80p	8.40p	+13.5%
Azlan Group plc				JBA Holdings plc					
	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 37,735,000	£ 90,488,000	£ 72,716,000	+82.7%	REV	£ 38,500,000	£ 90,687,000	£ 49,464,000	+28.5%
PBT	£ 1,079,000	£ 3,906,000	£ 4,445,000	+312.0%	PBT	£ 264,000	£ 6,131,000	£ 754,000	+185.6%
EPS	3.70p	12.50p	13.60p	+267.6%	EPS	0.19p	12.13p	1.43p	+652.6%
Capita Group plc				Kalamazoo Computer Group plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison
REV	£ 30,470,000	£ 73,800,000	£ 43,420,000	+42.5%	REV	£ 28,283,000	£ 60,719,000	£ 32,358,000	+14.5%
PBT	£ 2,710,000	£ 7,903,000	£ 4,010,000	+48.0%	PBT	£ 3,003,000	£ 6,815,000	£ 2,012,000	-33.0%
EPS	3.80p	10.50p	5.00p	+31.6%	EPS	4.98p	11.80p	3.66p	-26.5%
Cedardata plc				Kewill Systems plc					
	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison		Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison
REV	£ 3,728,000	£ 8,932,000	£ 5,333,000	+43.1%	REV	£ 16,405,000	£ 33,667,000	£ 16,567,000	+17.0%
PBT	£ 1,337,000	£ 3,572,000	£ 1,995,000	+49.2%	PBT	£ 2,166,000	£ 5,067,000	£ 2,613,000	+20.6%
EPS	2.80p	7.90p	4.20p	+50.0%	EPS	12.16p	28.39p	14.55p	+19.7%
CentreGold plc				Learmonth & Burchett Management Systems plc					
	Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparison		Interim - Apr 94	Final - Apr 95	Interim - Apr 95	Comparison
REV	£ 52,554,000	£ 91,314,000	£ 41,037,000	-21.9%	REV	£ 26,406,000		£ 23,761,000	-10.0%
PBT	£ 2,600,000	£ 4,033,000	£ 3,883,000	Profit to Loss	PBT	£ 746,000		£ 5,251,000	Loss both
EPS	4.70p	7.30p	-6.44p	Profit to Loss	EPS	-3.10p		-24.70p	Loss both
Clinical Computing plc				Logica plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Final - Jun 94	Final - Jun 95	Comparison	
REV	£ 735,000	£ 1,471,684	£ 924,000	+25.7%	REV	£ 209,952,000	£ 250,135,000	+19.1%	
PBT	£ 227,000	£ 688,596	£ 357,000	Loss both	PBT	£ 13,543,000	£ 20,310,000	+50.0%	
EPS	-1.40p	-4.30p	-2.20p	Loss both	EPS	14.00p	21.70p	+55.0%	
Coda Group plc				Lorien Group plc					
	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparison		Interim - May 94	Final - Nov 94	Interim - May 95	Comparison
REV	£ 13,327,000	£ 23,388,000	£ 15,229,000	+14.3%	REV	£ 7,800,000	£ 17,904,000	£ 11,500,000	+47.4%
PBT	£ 2,546,000	£ 7,992,000	£ 993,000	Loss to Profit	PBT	£ 142,403	£ 169,000	£ 414,315	+190.9%
EPS	-8.00p	-27.70p	2.70p	Loss to Profit	EPS	2.39p	2.65p	6.17p	+158.2%
Compel Group plc				Lynx Holdings plc					
	Final - Jun 94		Final - Jun 95	Comparison		Final - Sep 94	Final - Sep 95	Comparison	
REV	£ 54,542,000		£ 70,019,000	+28.4%	REV	£ 21,523,000	£ 32,018,000	+48.8%	
PBT	£ 2,062,000		£ 2,684,000	+30.2%	PBT	£ 2,009,000	£ 2,564,000	+27.6%	
EPS	9.60p		11.10p	+15.6%	EPS	4.50p	4.70p	+4.4%	
Computerised Financial Solutions plc				M.A.I.D. plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 1,404,000	£ 3,120,711	£ 1,276,000	-9.1%	REV	£ 3,972,000	£ 8,887,000	£ 5,762,000	+45.1%
PBT	£ 36,000	£ 350,617	£ 66,000	Loss both	PBT	£ 440,000	£ 1,285,000	£ 408,000	-7.3%
EPS	-1.40p	3.97p	-1.50p	Loss both	EPS	0.39p	1.14p	0.33p	-15.4%
Cray Electronic Holdings plc				MMT Computing plc					
	Final - Apr 94		Final - Apr 95	Comparison		Final - Aug 94	Final - Aug 95	Comparison	
REV	£ 271,718,000		£ 264,838,000	-2.5%	REV	£ 10,861,498	£ 13,957,949	+28.5%	
PBT	£ 26,168,000		£ 835,000	-96.8%	PBT	£ 2,505,106	£ 3,075,053	+22.8%	
EPS	8.60p		-0.30p	Profit to loss	EPS	13.10p	16.30p	+24.4%	
CRT Group plc				MR Group plc					
	Final - Apr 94		Final - Apr 95	Comparison		Final - Jun 94	Final - Jun 95	Comparison	
REV	£ 47,348,000		£ 72,762,000	+53.7%	REV	£ 40,527,000	£ 41,429,000	+2.2%	
PBT	£ 532,000		£ 5,972,000	+1022.6%	PBT	£ 6,348,000	£ 1,309,000	-79.4%	
EPS	-0.13p		6.30p	Loss to profit	EPS	8.00p	1.60p	-80.0%	
DCS Group plc				McDonnell Information Systems Group plc					
	Final - Jun 94		Final - Jun 95	Comparison		PF Interim - Jun 94	PF Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 6,375,180		£ 8,694,833	+36.4%	REV	£ 68,609,000	£ 148,911,000	£ 79,145,000	+15.4%
PBT	£ 426,144		£ 609,530	+43.0%	PBT	£ 5,044,000	£ 9,064,000	£ 1,673,000	Profit to loss
EPS	4.32p		5.02p	+16.2%	EPS	3.48p	4.57p	-2.42p	Profit to loss
DRS Data & Research Services plc				Macro 4 plc					
	Interim - Jul 94	Final - Dec 94	Interim - Jul 95	Comparison		Final - Jun 94	Final - Jun 95	Comparison	
REV	£ 5,756,000	£ 8,798,000	£ 4,269,000	-25.8%	REV	£ 24,367,000	£ 25,035,000	+2.7%	
PBT	£ 1,484,000	£ 1,487,000	£ 512,000	-65.5%	PBT	£ 11,211,000	£ 11,602,000	+3.5%	
EPS	3.19p	3.07p	0.95p	-70.2%	EPS	34.20p	35.20p	+2.9%	
Delphi Group plc				Micro Focus plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Jul 94	Final - Jan 95	Interim - Jul 95	Comparison
REV	£ 38,013,000	£ 97,685,000	£ 83,168,000	+118.8%	REV	£ 42,950,000	£ 89,885,000	£ 36,800,000	-14.3%
PBT	£ 733,000	£ 3,910,000	£ 4,101,000	+459.5%	PBT	£ 7,020,000	£ 8,723,000	£ 4,470,000	Profit to loss
EPS	3.42p	-7.76p	11.66p	+240.9%	EPS	33.10p	32.00p	-30.30p	Profit to loss
Division Group plc				Microgen Holdings plc					
	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparison		Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparison
REV	£ 2,106,000	£ 5,270,000	£ 2,469,000	+17.2%	REV	£ 29,056,000	£ 58,774,000	£ 34,868,000	+20.0%
PBT	£ 892,000	£ 1,440,000	£ 1,575,000	Loss both	PBT	£ 3,441,000	£ 6,173,000	£ 4,470,000	+29.9%
EPS	-2.50p	-4.30p	-3.80p	Loss both	EPS	5.50p	10.00p	7.30p	+32.7%
Eidos plc				Microvitec plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 188,196	£ 254,225	£ 96,128	-48.9%	REV	£ 20,923,000	£ 44,146,000	£ 26,550,000	+26.3%
PBT	£ 47,834	£ 107,623	£ 267,533	Profit to loss	PBT	£ 1,120,000	£ 2,560,000	£ 1,607,000	+43.5%
EPS	1.93p	-4.16p	-10.03p	Profit to loss	EPS	1.24p	3.00p	1.47p	+18.5%
Electronic Data Processing plc				Misys plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Final - May 94	Final - May 95	Comparison	
REV	£ 7,179,000	£ 14,013,000	£ 6,326,000	-11.9%	REV	£ 93,358,000	£ 153,395,000	+64.3%	
PBT	£ 2,061,000	£ 4,123,000	£ 1,807,000	-12.3%	PBT	£ 18,612,000	£ 26,345,000	+41.5%	
EPS	5.12p	10.21p	4.55p	-11.1%	EPS	31.90p	35.10p	+10.0%	
Gresham Computing plc				Moorepay Group plc					
	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 3,068,000	£ 6,507,000	£ 3,803,000	+24.0%	REV	£ 1,991,972	£ 3,873,089	£ 2,342,152	+17.6%
PBT	£ 244,000	£ 708,000	£ 521,000	+113.5%	PBT	£ 412,773	£ 686,336	£ 666,324	+61.4%
EPS	0.43p	1.32p	0.98p	+127.9%	EPS	3.79p	6.28p	5.88p	+55.1%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

On Demand Information plc				Sanderson Electronics plc					
REV	Final - Jul 94 £ 14,487,000	Final - Jul 95 £ 8,786,000	Comparison -56.8%	REV	Final - Sep 94 £ 33,984,000	Final - Sep 95 £ 57,801,000	Comparison +70.1%		
PBT	-£ 2,617,000	-£ 3,646,000	Loss both	PBT	£ 4,228,000	£ 5,305,000	+25.5%		
EPS	-5.70p	-7.20p	Loss both	EPS	7.30p	8.80p	+20.5%		
Oxford Molecular plc				Sema Group plc					
REV	Interim - Jun 94 £ 1,086,000	Final - Dec 94 £ 2,765,000	Interim - Jun 95 £ 2,832,000	Comparison +160.8%	REV	Interim - Jun 94 £ 298,419,000	Final - Dec 94 £ 596,111,000	Interim - Jun 95 £ 321,892,000	Comparison +7.3%
PBT	-£ 933,000	-£ 2,906,000	-£ 2,112,000	Loss both	PBT	£ 12,567,000	£ 32,034,000	£ 15,208,000	+21.0%
EPS	-3.50p	-8.60p	-4.30p	Loss both	EPS	9.13p	20.98p	10.55p	+15.6%
P & P plc				Sherwood Computer Services plc					
REV	Interim - May 94 £ 118,900,000	Final - Nov 94 £ 263,930,000	Interim - May 95 £ 171,700,000	Comparison +44.4%	REV	Interim - Jun 94 £ 11,957,000	Final - Dec 94 £ 25,069,000	Interim - Jun 95 £ 10,988,000	Comparison -8.1%
PBT	£ 2,700,000	£ 8,016,000	£ 6,200,000	+129.6%	PBT	-£ 88,000	£ 79,000	£ 615,000	Loss to profit
EPS	2.80p	8.10p	5.30p	+89.3%	EPS	0.30p	-10.73p	5.90p	+1866.7%
Parity plc				Spargo Consulting plc					
REV	Interim - Jun 94 £ 38,003,000	Final - Dec 94 £ 88,791,000	Interim - Jun 95 £ 61,512,000	Comparison +61.9%	REV	Interim - Jun 94 £ 2,854,000	Final - Dec 94 £ 6,016,000	Interim - Jun 95 £ 3,329,000	Comparison +16.6%
PBT	£ 2,023,000	£ 4,176,000	£ 3,069,000	+51.7%	PBT	£ 606,000	£ 1,211,000	£ 192,000	-68.3%
EPS	3.51p	7.19p	4.82p	+37.3%	EPS	3.20p	6.29p	0.90p	-71.9%
Pegasus Group plc				Standard Platforms Holdings plc					
REV	Interim - Jun 94 £ 2,275,000	Final - Dec 94 £ 4,808,000	Interim - Jun 95 £ 3,038,000	Comparison +33.5%	REV	Interim - Mar 94 £ 749,995	Final - Sep 94 £ 1,305,476	Interim - Mar 95 £ 699,119	Comparison -6.8%
PBT	£ 68,000	£ 243,000	£ 172,000	+152.9%	PBT	-£ 35,640	-£ 143,280	-£ 314,850	Loss both
EPS	0.70p	12.70p	1.80p	+157.1%	EPS	-0.90p	-1.10p	-1.50p	Loss both
Persona plc				Superscape VR plc					
REV	Interim - Jun 94 £ 15,042,000	Final - Dec 94 £ 31,537,000	Interim - Jun 95 £ 24,780,000	Comparison +64.7%	REV	Final - Jul 94 £ 859,192	Final - Jul 95 £ 1,590,000	Comparison +85.1%	
PBT	£ 1,005,000	£ 2,059,000	£ 1,350,000	+34.3%	PBT	-£ 238,024	-£ 1,746,000	Loss both	
EPS	6.00p	11.42p	7.50p	+25.0%	EPS	-6.10p	-32.80p	Loss both	
Phonelink plc				Total Systems plc					
REV	Final - Mar 94 £ 1,241,000	Final - Mar 95 £ 2,085,000	Comparison +68.0%	REV	Final - Mar 94 £ 2,092,429	Final - Mar 95 £ 2,289,437	Comparison +9.4%		
PBT	-£ 1,761,000	-£ 3,702,000	Loss both	PBT	£ 141,918	£ 53,516	-62.3%		
EPS	-5.00p	-10.40p	Loss both	EPS	0.96p	0.34p	-64.6%		
Proteus International plc				Trace Computers plc					
REV	Final - Mar 94 Nil	Final - Mar 95 Nil	Comparison n/a	REV	Final - May 94 £ 18,628,990	Final - May 95 £ 19,677,000	Comparison +5.6%		
PBT	-£ 6,618,000	-£ 7,925,000	Loss both	PBT	£ 409,901	£ 482,000	+17.6%		
EPS	-24.23p	-25.47p	Loss both	EPS	2.33p	2.55p	+9.4%		
Quality Software Products Holdings plc				Unipalm plc					
REV	Interim - Jun 94 £ 7,266,000	Final - Dec 94 £ 16,494,732	Interim - Jun 95 £ 10,115,000	Comparison +39.2%	REV	Final - Apr 94 £ 10,753,000	Final - Apr 95 £ 17,687,000	Comparison +64.5%	
PBT	£ 604,000	£ 2,512,400	£ 805,000	+33.3%	PBT	£ 272,000	£ 442,000	+62.5%	
EPS	6.90p	27.50p	9.10p	+31.9%	EPS	0.89p	1.48p	+66.3%	
RM plc				Vega Group plc					
REV	Final - Sep 94 £ 65,493,000	Final - Sep 95 £ 80,891,000	Comparison +23.2%	REV	Final - Apr 94 £ 9,703,000	Final - Apr 95 £ 12,516,000	Comparison +29.0%		
PBT	£ 3,769,000	£ 5,023,000	+33.3%	PBT	£ 2,147,000	£ 2,910,000	+35.5%		
EPS	15.50p	18.80p	+21.3%	EPS	10.01p	13.49p	+34.8%		
Radius plc				Virtuality Group plc					
REV	Interim - Jun 94 £ 12,325,000	Final - Dec 94 £ 24,866,000	Interim - Jun 95 £ 13,424,000	Comparison +8.9%	REV	Interim - Jun 94 £ 4,120,000	Final - Dec 94 £ 9,126,000	Interim - Jun 95 £ 6,269,000	Comparison +52.2%
PBT	£ 808,000	£ 1,451,000	£ 835,000	+3.3%	PBT	-£ 695,000	-£ 1,397,000	-£ 583,000	Loss both
EPS	1.19p	2.87p	1.96p	+64.7%	EPS	-2.70p	-5.30p	-2.20p	Loss both
Real Time Control plc				Vistec Group plc					
REV	Final - Mar 94 £ 8,534,000	Final - Mar 95 £ 13,463,000	Comparison +57.8%	REV	Final - Apr 94 £ 45,018,000	Final - Apr 95 £ 50,172,000	Comparison +11.4%		
PBT	£ 1,387,000	£ 1,782,000	+28.5%	PBT	£ 3,409,000	-£ 327,000	Profit to loss		
EPS	13.30p	20.00p	+50.4%	EPS	2.06p	-0.38p	Profit to loss		
Rolfe & Nolan plc				Wakebourne plc					
REV	Final - Feb 94 £ 12,720,000	Final - Feb 95 £ 14,288,000	Comparison +12.3%	REV	Interim - Jun 94 £ 18,172,000	Final - Dec 94 £ 35,336,000	Interim - Jun 95 £ 18,848,000	Comparison +3.7%	
PBT	£ 1,573,000	£ 1,512,000	-3.9%	PBT	£ 1,068,000	£ 1,865,000	-£ 356,000	Profit to loss	
EPS	6.40p	6.70p	+4.7%	EPS	3.40p	5.70p	-1.10p	Profit to loss	
Sage Group plc									
REV	Interim - Mar 94 £ 25,400,000	Final - Sep 94 £ 50,888,000	Interim - Mar 95 £ 50,622,000	Comparison +99.3%					
PBT	£ 6,864,000	£ 14,252,000	£ 11,740,000	+71.0%					
EPS	4.44p	9.08p	7.46p	+68.0%					

Azlan gets connected

As previewed last month, Azlan reported revenues up 93% at £72.7m, PBT up 312% at £4.45m and EPS up 268% in the six months to 30th Sept. 95. Azlan also announced:

- the acquisition of **Ronin**, its counterpart in Holland, for a maximum of £6.95m. £1.95m (£1.45m in cash, rest in shares) payable now. The remainder payable based on financial targets to 1999. Ronin had revenues of £16.4m and PBT of £200K in 1994.

- an open offer to raise £20.4m on the basis of 2-for-9 at 440p. This will leave Azlan with no borrowings and "enable the group to continue to make further acquisitions which fit the group's strategic objectives".

Azlan was a new issue back in Nov. 93 at 230p. It had a troubled start to public life after its main distribution deal with

Madge was cancelled. Major restructuring, including widespread changes at the top, followed. Since then Azlan's results have been excellent. In Apr. 95 a new pan-European network distribution deal was announced with IBM and the deal with Netscape last month added the fizz to the share price - up 270% in 1995 so far at 496p.

But you would expect us to highlight the real success that Azlan has had in developing its services offerings. "Training and consultancy services contributed in excess of 25% of the gross profit for the period and we anticipate further growth in this area". We really do believe that Azlan's future depends on utilising its undoubted expertise to offer high value service offerings (connected to products, of course) in the networking arena; rather than just in product distribution.

Given that, and reports of "strong start" to H2, we might well be in agreement with Chairman Mike Brooke that Azlan is "well placed for the future".

Current estimates are PBT of £9.3m for the full year.

Acquisitions, disposals and liquidations

Sun and Oracle reseller **Radan Business Systems** has been bought by **Palm Technology** for £600K. Radan had reported revenues of £7.8m and PBT of £2K in the year to 31st May 95. Palm - based in Cardiff - raised an additional £2.4m from 3i. Palm already owns **Syntech** and **Network Wales Ltd**. **Lincoln Software** has acquired the IPRs to **Ipsys**' Object IE application development environment from the receivers (as we reported last month). **Eidos** has acquired the IPRs to **Image Charm's** CD-ROM games for £516K.

Components distributor **Datrontech Group plc** has acquired Swiss distributor **C Connect AG** for a max. of £3.1m.

Microsoft sold its 18% stake in UK CD-Rom and book publisher **Dorling Kindersley** raising "about £60m".

Delphi Group (nee **Computer People**) has continued its long string of acquisitions by purchasing **DBI Associates** for up to £1.75m (£500K initially + £1.25m profit related). DBI, which principally supplies IT consultancy and contract staff to the public sector, reported PBT of £33K on revenues of £2.5m in the year to 30th Apr. 95.

Reports suggest that **Wakebourne** is trying to sell its application software business after the "unexpected downturn" announced last month which required provisions of £160K. The business has revenues of around £2m.

Prodis (the parent of **SDL** and **Silica**) which appointed the receivers last month, has been bought out of administration by **The Anglo Corp.** for "about £1m". Source - *MicroScope* - 15th Nov. 95.

UK Informix system house **Mach 4 Software** has acquired **Storm Software** in South Africa.

Computer Power (of Australia) has sold its US and UK business operations for "about \$71m cash" to **Interim Services Inc.** thus freeing the company from debt. The CP bits sold provided systems integration, systems development and professional services. Interim's main business is the supply of temp. staff to non-IT customers in the medical, legal and accounting etc. arenas. CP had revenues of about A\$410m worldwide and about £5m in the UK. The new operation - whatever it will be called - has run rate revenues of about \$2 billion. (*Bang goes another System House subscription!*)

Arrival Boss Ltd (the bit of Jeff Trendell's **Arrival Holdings** which acquired the **Intelligent Office Co** from the receivers in June 95) has "merged" with **Mason Fox BIU Ltd** "a client/server, database and EIS consultancy" creating a new company called **DecisionWorks Ltd**. Floyd Bradley (ex UK MD of Lotus) joins as CEO.

P&P is trying to find a buyer for its Mac distribution operation - **Principal**. Source - *MicroScope* 22nd Nov. 95. **Network SI** (one of ACT's many disposals in 1994 before the Misys takeover) has sold its Irish TPM DDT to ITG for £500K fuelling rumours that Network SI is getting out of TPM altogether (which seems like a good idea to us!).

Footnote: In an incestuous transaction, our "rival" market researchers **Dataquest** (owned by **Dun & Bradstreet**) has been bought by **Gartner Group** (50% owned by **Dun & Bradstreet**) for \$75m. Interestingly, **Dataquest Europe** made an operating loss of £115K on revenues of £6.1m in the year to 30th Nov. 94. Now, if only they had offered that for **Richard Holway Limited** their bid might have succeeded!

PARITY

As anticipated (see *System House* Sept. 95) **Parity**, this month, spent £3.5m

extending its business model into Europe. The shareholders were similar in each case:

- **CSS-Trident** acquired **Software 92 plc**, which had revenues of £10.1m and PBT of £400K in the year to 31st Mar. 95. Software 92 supplies IT contractors.

- **Parity Solutions** acquired **Eurosoft Solutions GmbH**, which had revenues of £1.4m and PBT of £35K in the year to 31st Dec. 94, and **Eurosoft SARL** which commenced trading only in Jan. 95. Eurosoft provides systems development and training, mainly via its own staff in Germany and contractors in the UK.

Parity "expects these acquisitions to be earnings neutral in 1995 and to make a positive contribution in 1996".

With these acquisitions Parity has annualised continental Europe revenues of £25m. Revenues of over £120m are expected in 1995 and the run rate is now nudging £140m. These are the first acquisitions in over 12 months for Parity. Although they make great sense, we would like to see Parity developing a "third leg" to the stool. A conventional outsourcer would fit so well with the CSS-Trident IT contractor/recruitment and Keith Jennings's Parity Solutions systems development operations.

SAGE

THE SAGE GROUP PLC

Our views on **Sage** are well known. When you use a headline like "Simply the Best" so often, it tends to give the game away!

Apart from being a rare UK-owned company that actually believes in marketing, it has steadfastly "stuck to the knitting" of its accounting software market by continually developing depth (i.e. the **Multisoft** acquisition extended the offerings at the higher end) and width (the **DacEasy**, **Saari** etc. acquisitions extended the coverage into the US, France etc.).

This month Sage has bought **Sybel Informatique** for FF125m (£16.2m) in cash. This has added both depth in France (Sybel specialises in the high end accounting systems for larger companies, whereas Ciel and Saari, Sage's previous French purchases, concentrate on small/medium users) and width (by adding a further £19.2m revenues in France). Just like Sage overall, Sybel makes "only" about a half of its revenues from software licences - the rest comes from development, training and support.

The great potential of Sybel is in Sage applying pressures to its margins - these were just 5% in 1994 compared to Sage's 23% overall profit margin and 35% in the UK.

The whole thing looks absolutely right. Given that Sage is currently valued at nearly 6 times revenues, buying a company like Sybel for <1-times revenue looks an absolute bargain. Our only "concern" about Sage at present is that as the "best looking girl at the UK hop" how long will she remain unattached? We remind readers of our previous comments about a Gates/Goldman assignation. Sage's full year results are due 5th Dec. 95.

Sema Sema's Pierre Bonelli says that the Cisi deal "is far from being concluded". (see *System House* Nov. 95) So, to satisfy their appetite in the meanwhile, Sema has acquired a 40% stake in **TS FM** - the France Telecom FM subsidiary - for £22.9m; with an option on another 10% for £5.9m. **FTLIS** already has a 25% stake in Sema's outsourcing business in the UK.

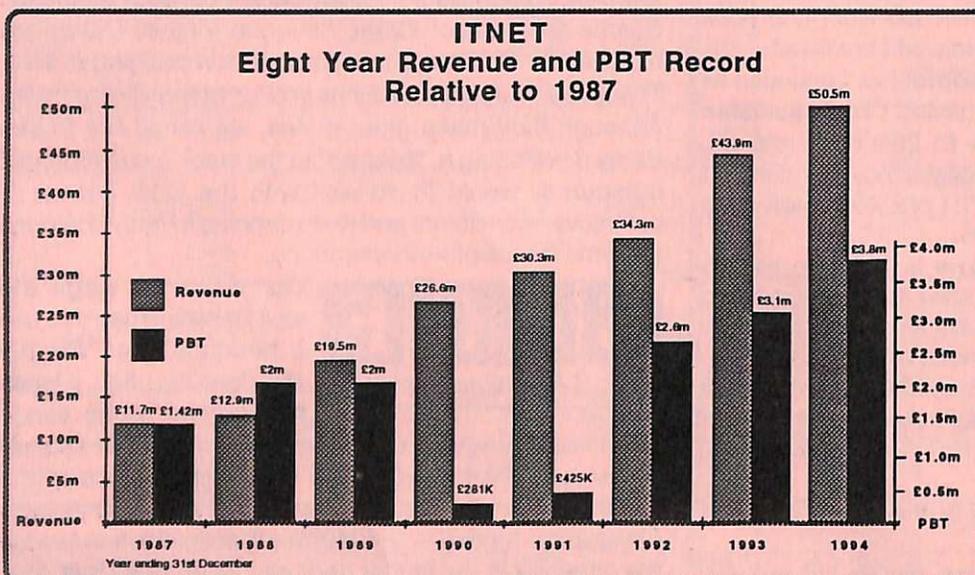
Sorry, but we did tell you...

Our own "customer satisfaction" research says, overwhelmingly that readers value our "opinion" (whether or not they agree!) but get most annoyed with statements like "as we predicted two years ago..."

Actually we are rather proud of the accuracy of our predictions....it's just our timing that is such rubbish! As many of our readers have been with us for many years you can at least testify to two of our oft-repeated predictions coming to pass this month.

ITnet

At long last ITnet secured its MBO from parent Cadbury Schweppes. ITnet had reported revenues of 15% at £50.5m and PBT up 22% at £3.8m in the year to 31st Dec. 94. ITnet employs 1,000 staff. Outsourcing



represented 60%, where major new contracts included the £18m/6 year contract with the London Borough of Croydon. ITnet also recorded growing revenues from managed services (up 108%) and desktop services (up 40%).

The MBO deal would appear to value ITnet a £37.1m. Management get 25.1%, 3i get 37.4%, employees (via an Employee Benefit Trust) 25% and Cadbury Schweppes retains 12.5%. RBoS is providing debt facilities. Indeed ITnet will continue to provide IT services to Cadbury Schweppes which represents 25% of their revenues.

Comment This seems an absolute bargain. Capita - their nearest competitor - is currently valued at about twice revenues. The ITnet MBO was at 0.75 of revenue. We now anticipate a float or trade sale within two years with all parties making substantial profits.

And as a vindication of the "I told you so" tag, ITnet used our predictions extensively in their "beauty parade" presentations.

CE Heath - Peterborough, Datasure et al

At least ITnet had been open in their "off-the-record" discussions with us. CE Heath's SCSi activities - Peterborough Software, Datasure and the smaller operations, Sceptre and Saffron, have had "for sale"/MBO signs out for years. But "of course" they were always denied as in "of course we are part of CE Heath's core business" Source - David Laking's comment to us Nov. 94 etc. We were away on holiday in July 95 when the FT was admonished by CEO Peter Presland for suggesting it

might "float or demerge its successful computer services operations". Source - FT 14th July 95.

On the basis that "if he protesteth that much...", CE Heath this month announced that it was to demerge its SCSi activities from its insurance broking activities. "The quality of these (SCSi) earnings has not been reflected in our share price" said CE Heath's Chairman Michael Kier. It reckoned the SCSi business was worth £60m.

It was therefore perhaps marginally unfortunate that the announcement of a reduction in profits from £2.7m to £2.1m (in the six months to 30th Sept. 95) should accompany the "demerger" news. "A temporary drop in revenues from Peterborough's PC division, management changes associated with Heath Computer Services and an investment in a new area of business" were blamed.

In preparation for the demerger, CE Heath has acquired the 20% equity it does not own in Datasure for £6.15m from fellow insurance broker Lowndes Lambert. Also Peter Presland is to become CEO of the SCSi activity.

Comment In the last full year CE Heath's SCSi activities had revenues of £56.7m and reported PBT £6.4m. The £60m valuation seems quite justified. We are delighted that we will be able to welcome another quoted SCSi company.

CE Heath shares, however, dropped by 8% on increased concerns associated with insurance activities.

Who else?

In the same reviews in which we predicted the "fate" of ITnet and Heath above, we also reviewed Axis (still part of RHM), AAH Meditel (still part of AAH), IMI Computing (still part of IMI). **Watching this space** strongly recommended.

Capita "There are 541 local authorities. Of these only 10% have contracted out their computer requirements and 6% their accounts requirements. Compulsory Competitive Tendering (CCT) will change all that. ...Analysts reckon the CCT programme will generate £2b of business during the next five years". Source - Investors Chronicle 17th Nov. 95.

Judging by the performance of Capita, ITnet is in a booming market. Capita has announced another two major outsourcing contracts this month - worth £29m - with Bexley and the Society of Motor Manufacturers and Traders. There are gathering rumours that Capita will emerge as the buyer for ICL's CFM activities which reported PBT of £7.3m on revenues of £101m in 1994. Capita shares ended the month up another 13% at 274p - that's a 67% rise so far in 1995.

EDS Contrary to previous reports, EDS (not CSC) won the £600m/10 year outsourcing "risk and reward sharing" deal with Rolls Royce Aerospace Group involving the transfer of over 750 staff.

It also looks as though EDS is the front runner to win the £1b/worldwide outsourcing deal with JP Morgan.

SCSI shares power ahead

Every month now, our CSI Index reaches new heights - up another 7% this month. That's a 47% rise in 1995 so far. Given that, it was not surprising that the launch of **CMG** on 1st Dec. 95 was such a success. 9-times oversubscribed, the shares opened at a near 50p premium to the 290p issue price. The main gainer, however, was **Unipalm** (see p11) - up 65% at 750p as the UUNet deal was finalised - although they had hit an even higher 855p earlier in the month. **On-Demand** (p11) - up 52% - and **Spargo** (up 51% on recovery hopes) led a long list of major gains.

At the other end of the scale, **Wakebourne** fell another 19% - that's more than a 70% fall in 1995 - on the continuing list of woes that we reported last month. **MAID**

also fell 17% (p11) on profit taking. Even so, **MAID's** shares are up 240% this year. Surprisingly, **DCS** fell 17%. Given that profits of £2.25m are forecast for the year, that's a prospective P/E of just 12.

30th Nov. 95		CSI Index		2202.72
CSI Index = 1000 on 15th April 1989		FTSE 100		3664.30
		FTSE SmallCap		1948.98
Changes in Indices		CSI Index	FTSE 100	FTSE Small Cap
Month (30/10/95 - 30/11/95)		+7.22%	+4.40%	+0.42%
From 15th Apr 89		+120.27%	+78.43%	
From 1st Jan 90		+139.40%	+55.14%	
From 1st Jan 91		+211.18%	+69.61%	
From 1st Jan 92		+110.81%	+46.98%	
From 1st Jan 93		+38.22%	+28.73%	+40.48%
From 1st Jan 94		+31.93%	+7.19%	+4.30%
From 1st Jan 95		+46.93%	+19.53%	+11.60%

System House CSI Share Prices and Capitalisation

	Share Price 30/11/95 (£p)	Capitalisation 30/11/95 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 30/11/95	Share price % move since 30/10/95	Share price % move in 1995	Capitalisation move (£m) since 30/10/95	Capitalisation move (£m) in 1995
Admiral	£7.98	£99.00m	20.9	2.00	5782.61	1.92%	25.67%	£2.70m	£26.60m
Azlan	£4.96	£127.50m	22.1	1.41	2156.52	7.83%	270.15%	£26.80m	£98.20m
Capita	£2.74	£150.40m	25.3	2.04	8228.23	13.22%	67.07%	£17.50m	£60.90m
Cedardata	£1.68	£51.40m	18.2	5.76	1600.00	-4.00%	66.34%	-£2.10m	£20.50m
Centregold	£0.69	£29.70m	9.5	0.33	552.00	0.00%	-40.52%	£0.00m	-£17.00m
Clinical Computing	£0.38	£6.08m	6.0	4.14	302.42	-12.79%	-44.03%	-£0.89m	-£4.82m
Coda	£1.95	£51.10m	20.3	2.18	829.79	-3.47%	153.25%	-£1.80m	£30.90m
Compel	£1.86	£28.40m	16.0	0.41	1488.00	8.14%	70.64%	£2.20m	£11.80m
Computerised Financial	£0.81	£3.97m	25.4	1.27	900.00	8.00%	-21.36%	£0.30m	-£0.87m
Cray Electronics	£0.50	£118.50m	Loss	0.45	292.40	13.64%	-69.04%	£14.20m	-£264.90m
CRT	£1.20	£81.00m	19.0	1.11	1333.33	0.00%	51.90%	£0.00m	£27.80m
DCS Group	£0.83	£15.70m	23.3	1.81	1383.33	-17.00%	13.70%	-£3.20m	£8.79m
Delphi Group	£3.24	£82.30m	40.1	0.84	1333.33	0.31%	33.88%	£0.30m	£23.00m
Division Group	£1.06	£46.50m	Loss	8.82	2650.00	-3.64%	-9.40%	-£1.80m	£7.00m
DRS Data & Research	£0.24	£8.23m	34.0	0.94	218.18	9.09%	-25.00%	£0.64m	-£3.17m
Eidos	£5.13	£40.50m	Loss	162.00	5130.00	7.32%	68.20%	£3.20m	£31.68m
Electronic Data Processing	£1.55	£40.60m	16.1	2.90	4745.87	6.90%	8.39%	£2.60m	£3.10m
Gresham Computing	£0.44	£14.40m	23.6	2.21	473.12	12.82%	18.92%	£1.60m	£2.30m
INSTEM	£1.70	£7.65m	9.5	0.46	1700.00	0.59%	13.33%	£0.04m	£0.85m
JBA Holdings	£4.07	£138.80m	42.8	1.53	2543.75	6.27%	167.76%	£8.20m	£88.60m
Kalamazoo	£0.94	£18.30m	9.3	0.30	2685.71	-1.05%	-13.76%	-£0.20m	-£23.20m
Kewill	£3.30	£40.90m	11.5	1.21	1304.35	0.00%	38.08%	£0.00m	£11.90m
Learnmonth & Burchett	£3.17	£81.20m	Loss	3.42	2641.67	-15.24%	296.25%	-£3.30m	£63.80m
Logica	£4.67	£292.30m	21.8	1.17	1279.45	-3.11%	43.69%	-£8.50m	£91.50m
Lorien	£2.10	£12.00m	79.2	1.51	2100.00	40.00%	110.00%	£3.45m	£6.70m
Lynx Holdings	£0.71	£67.60m	15.1	2.11	1775.00	12.70%	51.06%	£35.30m	£47.80m
Macro 4	£4.13	£89.60m	11.2	3.58	1665.32	-1.20%	-5.71%	-£1.10m	-£5.40m
MAID	£2.35	£191.10m	206.1	21.50	2136.36	-17.25%	240.58%	-£39.80m	£135.00m
McDonnell IS (MDIS)	£0.70	£70.00m	15.3	0.48	269.23	-9.68%	-27.50%	-£7.50m	-£31.00m
Micro Focus	£5.93	£89.50m	18.5	1.00	2864.73	-0.84%	-27.68%	-£0.80m	-£28.60m
Microgen	£1.75	£69.10m	15.0	1.18	747.86	9.37%	71.57%	£6.10m	£28.90m
Microvitec	£0.53	£38.60m	17.7	0.87	1280.49	8.25%	43.84%	£2.90m	£15.30m
Misys	£5.94	£497.80m	16.9	3.25	1477.61	-0.83%	45.23%	-£4.20m	£303.10m
MMT	£2.45	£28.70m	15.0	2.06	1458.33	33.88%	19.51%	£7.70m	£5.60m
Moorepay	£1.56	£11.80m	25.7	3.05	1879.52	17.29%	87.95%	£1.70m	£5.50m
MR Data Management	£0.74	£41.30m	52.6	1.00	293.65	8.82%	-32.73%	£3.40m	-£20.10m
On Demand	£1.20	£61.20m	Loss	6.96	1538.46	51.90%	79.10%	£20.90m	£27.00m
Oxford Molecular	£2.48	£128.40m	Loss	46.35	3100.00	-5.70%	313.33%	-£7.70m	£106.30m
P&P	£1.57	£124.80m	16.0	0.47	704.04	7.53%	112.16%	£8.70m	£66.90m
Parly	£1.71	£72.20m	20.9	0.81	9499.96	5.56%	35.71%	£4.30m	£26.00m
Pegasus	£2.20	£13.90m	15.8	2.89	599.46	-4.35%	46.67%	-£0.60m	£4.51m
Persona	£2.72	£32.90m	23.8	1.04	1700.00	2.64%	70.00%	£0.80m	£13.60m
Phonelink	£1.86	£74.30m	Loss	35.55	1200.00	10.71%	-12.68%	£7.20m	-£1.30m
Proteus	£1.09	£35.60m	Loss	n/a	1297.62	37.97%	-37.71%	£9.80m	-£18.80m
Quality Software	£6.45	£80.00m	22.5	4.85	1697.37	-3.01%	68.41%	£1.90m	£46.70m
Radius	£0.56	£15.60m	15.5	0.63	405.80	9.80%	47.37%	£1.40m	£5.00m
Real Time Control	£1.78	£12.50m	8.9	0.93	3632.65	1.71%	4.09%	£0.30m	£0.50m
RM	£3.85	£64.80m	20.5	0.80	2200.00	13.57%	86.89%	£7.70m	£30.10m
Rolle & Nolan	£2.68	£33.50m	39.9	2.34	3190.48	5.93%	44.86%	£2.60m	£11.10m
Sage Group	£2.75	£294.00m	22.7	5.78	10576.92	4.17%	104.01%	£11.80m	£153.10m
Sanderson Electronics	£1.43	£59.10m	16.3	1.02	2434.04	14.40%	81.01%	£7.50m	£28.70m
Sema Group	£5.37	£502.10m	25.6	0.84	1688.68	7.83%	31.62%	£36.50m	£123.50m
Sherwood	£1.77	£12.60m	Loss	0.50	1475.00	5.99%	121.25%	£0.70m	£7.72m
Spargo Consulting	£1.06	£13.20m	26.1	2.19	1115.79	51.43%	16.48%	£4.45m	£1.80m
Standard Platforms	£0.16	£5.01m	Loss	3.82	71.11	3.23%	14.29%	£0.16m	£2.49m
Superscape	£4.26	£35.80m	Loss	22.52	2151.52	13.30%	108.82%	£14.70m	£25.00m
Total	£0.22	£2.20m	22.9	0.96	415.09	4.76%	-37.14%	£0.10m	-£1.30m
Trace	£0.40	£5.60m	15.7	0.28	320.00	2.56%	-2.44%	£0.14m	-£0.13m
Unipalm	£7.50	£154.50m	506.8	8.73	7500.00	65.20%	535.59%	£61.00m	£130.60m
Vega Group	£3.43	£49.00m	25.5	3.91	2811.48	0.88%	30.42%	£0.70m	£11.80m
Virtuality	£2.72	£75.30m	Loss	8.25	1600.00	5.43%	23.08%	£3.80m	£17.50m
Vistec	£0.25	£30.40m	Loss	0.61	1065.22	13.95%	88.46%	£3.90m	£14.40m
Wakebourne	£0.22	£5.02m	3.1	0.14	122.22	-18.52%	-72.15%	-£0.92m	-£11.48m

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.

Hot Tips

Last year we suggested that Sanderson Electronics was due for a re-rating and, indeed, rather rashly put it forward as our "Hot Tip for 1995". Although, we might have done better with outsiders like Unipalm, Sanderson has more than justified our confidence.

Latest results for the year to 30th Sept. 95 show revenues up 70% at £57.8m, PBT up 25% at £5.3m and EPS up 21%. This, and *better sentiment* towards the sector, has meant that the share price has risen by 81% so far in 95.

Sanderson has about the most extensive portfolio of product around - all now available in the open systems environment. "Annual recurring revenues from licence fees and service & support contracts provided turnover of over £19m and covered 63% of the overheads".

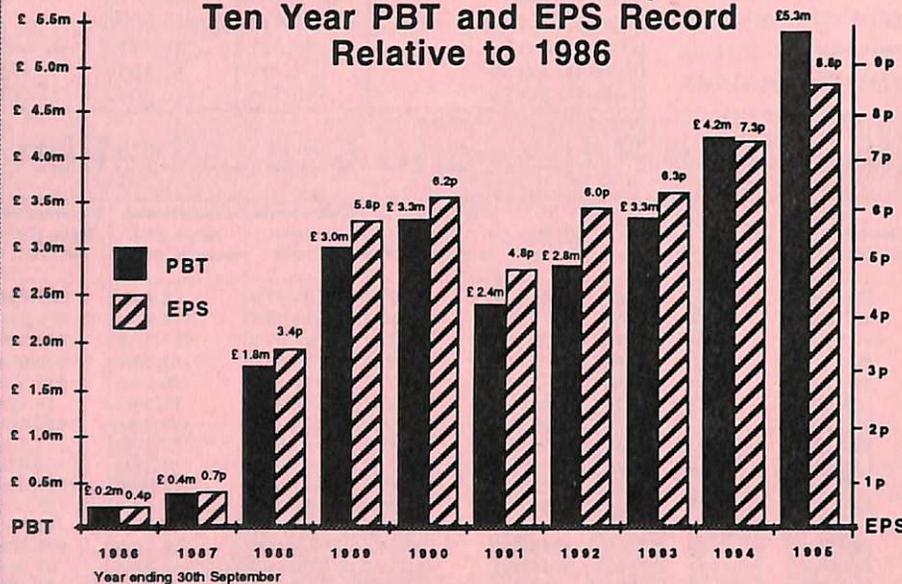
Sanderson has been one of the most acquisitive companies in the sector. But there have been no new acquisitions in the last year. However, the stake in Sanderson Pacific (which subsequently contributed £890K

of profits on revenues of £12.7m) was increased to 82% as was the stake in Commercial Systems.

It was also announced that Paul Thompson has given up his role as CEO of Sanderson Electronics to Chris Winn. Thompson continues as Chairman. Winn, of course, was a director of ACT.

Hot Tip for 1996? Comparing both P/E and the ratio of capitalisation to revenues (see p9) would still indicate that Sanderson was considerably undervalued. Performance has been consistent rather than exciting - just as we like it. We also admire Thompson's ability to say "no" to doing bad acquisitions. If we get forced into naming a *Hot Tip for 1996*, we might just recycle last year's response.

**Sanderson Electronics plc
Ten Year PBT and EPS Record
Relative to 1986**



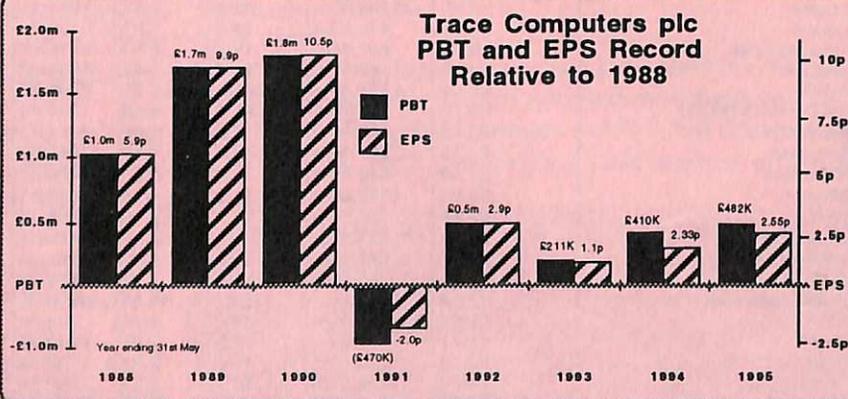
B Careful - no confidence any more in Trace

Trace Computers has reported revenues up 6% at £19.7m, PBT up 18% at £482K and EPS up 9.4% in the year to 31st May 95 (quite why it takes so long each year to announce these results is beyond us). With a profit margin of 2.4% you can understand why the directors describe this as "still below our expectations and potential". But giving Trace due credit, they did write off £1.6m R&D.

Trace Financial "faced a difficult year", the insurance operation and Trace Isys "had a good year". Trace-MIS (the merger of previous acquisition Gordon & Gotch and Proteus) had "a moderately successful year". Trace Solutions "managed to return a good profit despite difficult trading conditions in the property sector". The supplies operation, Trace Workflow, reported "steady growth" and Prospect, the recruitment and IT agency staff business, "had an excellent year".

Robert Careful is to hand over as Chairman of Trace to Colin Clarke. We mourn the passing of "B Careful" who will go down in our corporate history for his overuse of the word "confidence". He used it in every Chairman's statement - apart from his last - regardless of whether Trace was reducing profits or plunging into losses.

Against a near 50% rise in our CSI Index, Trace shares have fallen 2% so far in 1995.



Hoskyns resumes growth

Hoskyns - the UK bit of CGS - proudly announced profits up 56% in the six months to 30th June 95. Unfortunately, they did not disclose "from what to what". Revenues from "continuing activities" were up 23% to £110m. Finance (£30.5m - up 28%) was the largest sector but a 28% increase was also recorded in the public sector.

Charles Cox (Group Marketing Director) admitted that the main reason for the release was to attract more staff rather than be a meaningful statement to financial analysts.

On Demand Information

On Demand Information reported revenues down 57% at £8.9m and losses increased from £2.6m to £3.6m in the year to 31st July 95. You might not recognise this statement as the press release reported revenues up 68% (on a continuing basis). But, giving ODI its due, the £1.5m of R&D was written off as incurred - described as "our hidden asset". The deal with BT (see p11) helped the share price up by 52% this month.

ODI expects to "move into modest profits next year".

Exciting, exciting, exciting...

If you thought our "Rocketing with the Internet" feature last month was unbelievable...you were right. Netscape shares rose again in Nov. to a high of \$127 putting a value of \$4.85b on a company with revenues of \$17m in 94.

Our story about some Unipalm shareholders considering the 450p/£97m bid from UUNet "a letdown" also had a sequel. Another buyer did not emerge, but as the UUNet bid was all share and its share price rocketed in the four weeks before the bid closed, this pushed Unipalm (with their Pipex Internet connectivity operations) up to a record high of 855p/£184m. This made founder Peter Dawe's own holding worth nearly £40m. Unipalm had revenues of £18m in the year to Apr. 95. Unipalm floated in Q1 1994 at 100p, so the gain is the highest ever recorded for a new issue since our records began.

MAID, which provides on-line third party market research information, was a new issue at 110p at the same time as Unipalm. We, and most other observers, were "troubled" with the £89m valuation. MAID at the time had revenues of only £5.7m. We were also concerned at the way it capitalised R&D, enabling it to report profits rather than losses. MAID's share price slumped to 54p in May 94.

But then in Sept. 95, MAID announced the classic moves from the "How to quadruple your share price overnight" text book:

- they announced a deal to provide its services to the Microsoft Network (Note; two blinders here - Microsoft AND Network!)

- they launched onto NASDAQ raising about £25m net. Note: For any other UK company thinking of following suite, MAID nearly had to pull the offer. MAID's US advisers, Hambrecht & Quist, had said they couldn't get the offer away at much more than 240p. But UK rules say that the max. discount to the UK price is 10%. MAID shares immediately, and conveniently, fell by 36p to 269p (they had hit a high of 355p the previous week) allowing the US issue to proceed at 242p.

After announcing losses of £3.4m in Q3 (compared with profits of £705K last time) on revenues of just £3.8m, Although up 240% in 1995, MAID's share price fell 17% to end Nov. on 235p (£191m). Interestingly one of the reasons given for the loss was "the commencement of the amortisation of product development costs".

Not quite in the Unipalm/MAID League, but On-Demand Information (see p10) also provides on-line information services and was launched in Nov. 93 at 78p. This month they signed a deal for BT to distribute two of those information services. ODI's share price has increased by 79% in 1995.

Firecrest is an advertising and media group which moved onto AIM in Jul. 95 at 40p. In Sept., they took a 74% stake in Nethead - the Internet access provider - and launched the Global On-Line Directory (GOD for short!) which is a "superindex" for Internet surfers. They also announced a cheap Internet 'phone service. As you can guess by now, the share price has rocketed into cyberspace. Up 295% at 158p. Minimal revenues - but a value of £26m.

Comment It is extremely good to see UK companies sharing in the current US excitement for high tech. stocks. But the Unipalm bid shows how "undervalued" our own stocks are and how vulnerable they are to US predators. Also "a host of technology companies have enjoyed similar gains, but investors should be wary because it could all end in tears". Source - Tempus in The Times 15th Nov. 95.

December 1995

Boring, boring, boring...

As readers will know, one of the more amusing features we have introduced over the years were the System House™ Boring Awards.

This started by accident when we described Admiral's superb financial performance in 1990 as "boringly consistent" only to have this misquoted as "Admiral is boring". We have given away few such rewards - Admiral, Capita, Vega, Triad and - unfortunately - CODA. We expect to award Sage such an award after their results are announced on 5th Dec. and, barring accidents, CMG (p4), which had such a successful float this month, will get one in 1996.

The feature created great interest. We were surprised at the number of letters we got starting "our results are now just as boring as Admiral's!" This month Roger Graham took the trouble to send us (addressed to "the man who made boring valuable") a recent US study showing that "dull companies with steady earnings growth...over the long term make the best investments...Over the past 25 years low P/E stocks have outperformed high P/E stocks by a factor of two". Forbes - Nov. 6th 95.

A System House™ Boring Award can only be given to a company which has a consistent (i.e. no reversals) profit and EPS record over at least the previous five years when EPS must have grown at 20% p.a. or more. As we said before, very few companies are that boring! Indeed all the recent high flyers like Unipalm, MAID, Oxford Molecular etc. would have failed on all counts.

So how would you have done if you had established a "boring" portfolio? If you had invested £1000 in each of Admiral, Capita, Vega, and to prove we are fair, CODA at the time we gave them their awards, your £4000 investment would now be worth a massive £16,500. Even now "boring" Sage - already up 10-fold in the last six years - might prove rewarding if our long held view that they seem the perfect partner for Microsoft comes about. You might get your chance to invest in boring old Triad in 1996. As Forbes columnist David Dreman says, such companies "don't get the adrenaline flowing, don't make for cocktail party chatter" but they are certainly a whole lot more interesting than either a building society or really exciting companies like Headland, Ferrari, EIT, Enterprise.....

Firstpoint...The story so far...

In the beginning there was MBS. MBS begat Touchstone. Stratagem bought Touchstone. Touchstone changed its name to Firstpoint. 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. 95 had increased by 10% to £1.48 m on revenues up 7% at £15m. It was also confirmed that Firstpoint's MD Richard Hill had departed after initiating legal proceedings to recover £403K of bonus earned prior to the Stratagem takeover. Jim Stoddart (known to many of our readers) is MD of all Stratagem's SCSI activities.

RM plc "the leading supplier of IT services, products and resources to education in the UK" on 30th Nov. 95 announced revenues up 23% at £80.7m, PBT up 33% at £5m and EPS up 21%. Full report next month.



Goodbye

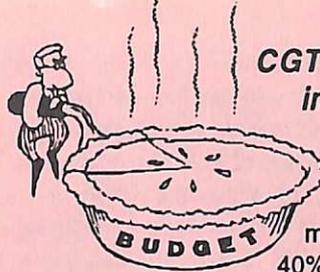
- to Doug Eyeions - DG of the **CSSA** - as he hands over to Rob Wirszycz and to Geoff Squire as he hands over the presidency to John Leighfield. (Barring accidents, Data Sciences' Andy Roberts will be President next year)
- to Robert "Confidence" Careful as he hands over as Chairman of **Trace** to Colin Clarke. See p10
- to Brian Boswell who has resigned as FD at **MR Group (was MR Data Management)**. Chairman Colin Haylock reported that "trading conditions remain broadly flat". MR shares have fallen 33% this year.

Note: There have been more resignations from FDs than MDs this year. *What does this mean?* Did they all have their hands in the till (very unlikely), did they all refuse to capitalise R&D (marginally less unlikely) or did they shoot the messenger?

- to Roger Graham (ex BIS) who has resigned after only two years as Chairman of **Delphi Group**. Tony Reeves has been appointed as both Chairman and CEO and Delphi is "looking to appoint at least two independent non-exec. directors". Graham now has his hands full as a director of Hambros Bank.
- to Paul Thompson who has given up his role as CEO of **Sanderson Electronics** to ex-ACT director Chris Winn. Thompson continues as Chairman.
- to Peter Bonfield as CEO of **ICL**. Bonfield (*surely Sir Peter before too long?*) has been given perhaps the most exciting job in the industry today - as CEO of **BT**. We welcome the move along with almost everyone else. If Bonfield can make BT into an IS company by buying into software (Novell?) and services (EDS?) we might get the UK back on the map again.

Keith Todd has taken over as ICL's CEO but it is the appointment of a new visionary Chairman which we eagerly await.

- to Giles Hemmings who resigned as Operation Director of **MDIS** a day after John Klein was appointed as CEO. Klein (described as an "industry veteran" by the FT) joined MDIS from DEC in June 95. Quite how a long term career spent in DEC and IBM qualifies him to lead a deeply troubled services company is totally beyond us. We advised Ian Hay Davison against such a move, but clearly this is yet another area of profound disagreement between us.



CGT on long term investments

Our article last month which told the tale of our campaign to get short term gains taxed more highly than the current 40%, but long term gains (say over 5 years) tax free produced a truly amazing response. Many readers contacted us to support the campaign. We did, however, have one letter of objection - from a Mr Clarke of 11 Downing Street. Full text available to anyone who requests it.

However, a certain Mr Gordon Brown of the same postal area found our proposals so attractive that he incorporated them - almost verbatim - into **A Budget for Britain - Labour's Strategy for Investment**. As a long term Tory supporter we found ourselves in the invidious position of receiving a letter from Brown thanking us for expressing our views which many of you will have read in other organs like *Computing*.

So Clarke's budget contained no significant changes to CGT. Indeed, no proposals as far as we could determine which would specifically help our industry at all. We suspect now that the real objection to our proposals came from the City. After all any proposal which would drastically reduce share transaction volume would be highly damaging. We accept that damaging the City - which has the highest per capita expenditure on SCSI-related expenditure - would damage our industry too.

But that just means that we are sentenced to short termism for at least another 18 months.

Demand for on-line research?

We were interested that one of our competitors - **Datamonitor** - decided to terminate its contract with **MAID**. Mintel had quit a year ago.

There is a growing feeling in the IT market research community that few customers will pay for "base data" in the future. What they will pay handsomely for is well informed interpretation of the market, its players and trends.

Any reader views would be received with interest.

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