

System House

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

Volume 7

Number 5

Available by subscription only

ISSN 0967-2583

March 1996

"Boring" IT services take centre stage

February 1996 has seen about the best news ever for the UK IT services sector. It has also been a pretty good month for Richard Holway too with our research quoted more widely than ever. We have long argued that IT services companies had

been neglected and were undervalued compared with more product oriented companies. Judging by the calls to us from analysts, investors and other journalists, this was the month when the message finally got through. This month has seen:

- the publication of the prospectus for **Data Sciences** (p2) - probably the largest unquoted UK-owned IT services company.
- the publication of the prospectus for **Triad Group** (p2) - an IT services company which, just like its "sister" company Vega, has a "boringly consistent" trading record.
- the announcement that **FI Group** (p2) - the UK leader in the provision of application management - is to float shortly.
- indications from other highly successful and well run IT services companies - like **Terence Chapman** (p8) - that they too will be seeking a listing very soon.

It was the successful float of **CMG** in Dec. 95 that unlocked the current plethora of new issues. CMG was launched at 290p on a P/E of c15. After just two months it is at 438p or a P/E of 23!

But no market should be influenced by just one event. The fact is that the IT services market is booming at present and, bluntly, there seems to be no reason why that boom should not continue for at least the near term.

You can have no better evidence of the attraction of services than the performance of both **Admiral** and **Capita**.

As many readers will know it was **Admiral** (p8) which, a few years ago, caused us to "invent" our Boring Awards, due to

being misquoted as saying "Admiral is Boring" rather than "Admiral's results are boringly consistent". With criteria such as no reversals in ten years or since inception and an average EPS growth exceeding 20% p.a., there have only been five

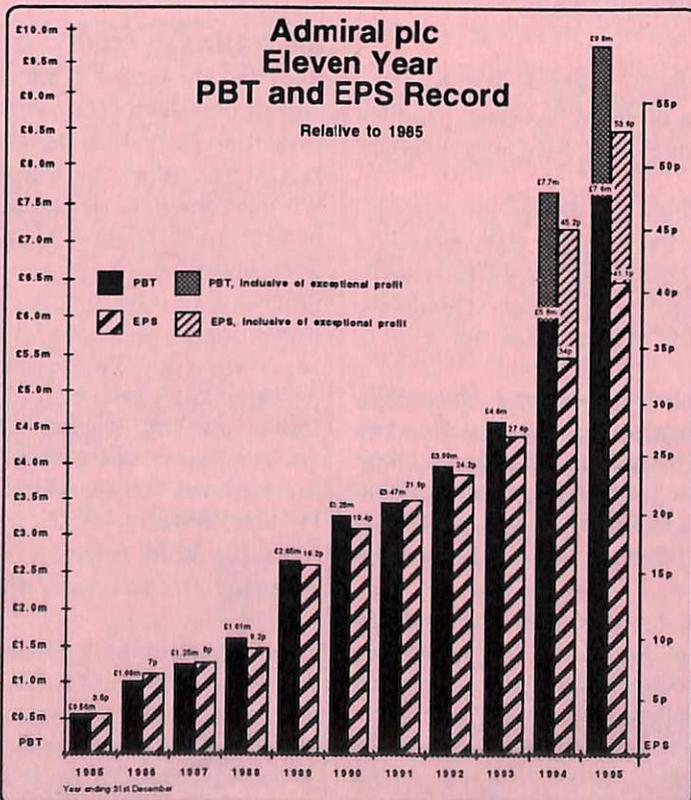
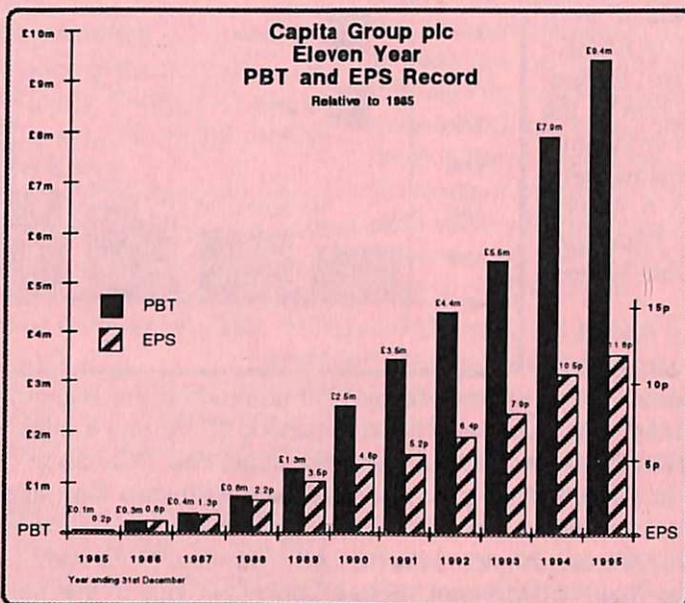
other companies which have earned the award. **They have all been companies making all, or a majority, of their revenues from IT services.**

On the basis that the original is still the best, the chart illustrates just why Admiral is still the most boring of the bunch! Chairman Clay Brendish told us this month that he still wasn't satisfied with their 11% profit margin - 13% is his aim. The recipe for success is simple. Good value fee rates for competent staff, high utilisation rates, long term contracts and high customer satisfaction leading to lower sales costs for repeat business.

You will find that simple recipe repeated at **Capita** (p7), the second of the companies to receive a Boring Award. Even more worthy given the significant acquisition activity. It has become clear this month that our Boring Awards are now being taken very seriously. For example, **Hoskyns** centred their whole management conference this year on our "Boring" theme. We presented Hoskyns with an "honorary" Boring Award for their performance in the 1980s - before they became exciting in the 1990s! If they keep up current performance, we will come back to present them with a real award in 2002.

Triad also seem to have based their analysts' briefings on our "we are a really boring company" theme.

We fully expect to award many more IT services companies for their boring performance in the future.



Footnote: Clay Brendish phoned us specially to suggest that we rename the awards as the "Lexus Award". Geddit?

Triad to the market in March

In Oct. 88, Triad Computing Systems called in the receivers. John Rigg and Dill Faulkes bought one of the divisions from the receivers for £53K and formed Triad Special Systems Ltd. They specialise in IT consultancy and development activities with revenues split roughly 50:50 between Government and the commercial sector.

Results since have been consistently good. Indeed back in 1993 Alistair Fulton - Triad's MD - wrote to point out that "you will undoubtedly note that we are becoming a very boring company, as per your renowned definition". We waited another two years before awarding Triad a rare (and now much sought after!) System House Boring Award based on their FY94 results.

Results to 31st Mar. 95, which have only just been signed off, are not quite as good as we had become accustomed to with PBT up a minimal 4% at £1.06m on revenues up 30% at £6.7m - i.e. a still very healthy 16% margin. The reason for the slower profit growth was "expansion of the management and infrastructure". We suspect that this was in preparation for the news this month that Triad is to float. This has now been confirmed for March 96.

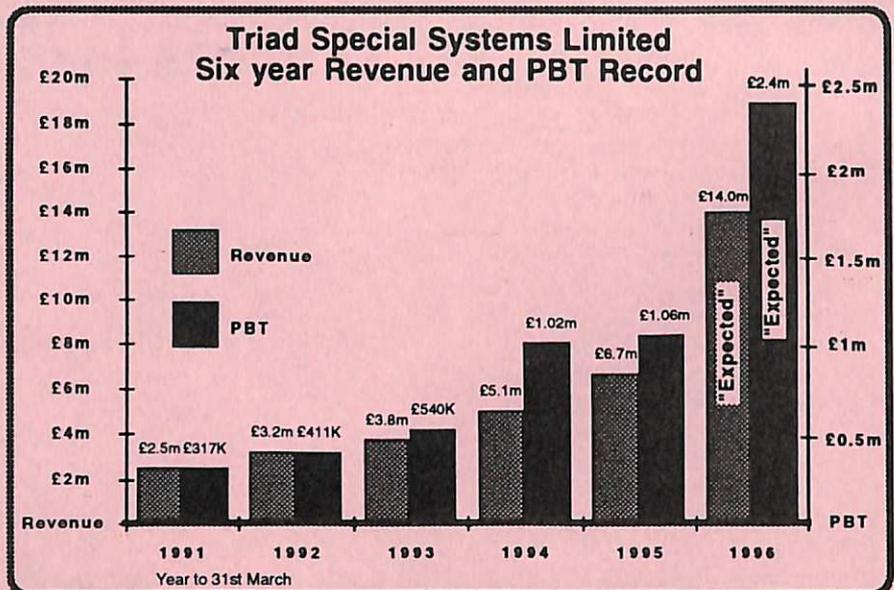
Triad has sent us the results for the six months to 30th Sept. 95 which show revenues of £3.7m and PBT of £778K - i.e. a return to a 21% margin. Indeed, Triad expects revenues of £14m for the full year and PBT of £2.2m or £2.4m if the profits of Generic (see below) were included for the full year. A market capitalisation of "between £30m and £35m" is expected. Source - Sunday Telegraph 11th Feb. 96.

The benchmark for Triad, of course, is Rigg's other SCSI company Vega, which

is similarly engaged in IT consultancy and development but centred on the equipment emulation systems. It too consistently makes a 20%+ margin. Vega is currently on an historic 25P/E and a value = 4 times revenues (based on results to Apr. 95). Vega was floated in June 1992 at 122p and closed Feb. 96 at 363p - i.e. a massive 200% increase.

Note: The R&A shows that in Oct. 95, Triad purchased **Generic Software Consultants** (another Rigg company involved in the IT staff contractor business) for shares equating to about 17% of the enlarged group.

Also Rigg is to step down as Chairman to concentrate full time on another SCSI venture in Holland. He is replaced by Robert Drummond, the former head of Grosvenor Venture Capital and one of the "stars" of the now much-regretted BBC "AdVenturers" fly-on-the wall exposé.



New issue update

- **FI Group** has decided to "go for it" with a float. No date has been announced but, as an EGM has been fixed for 2nd March, our guess would be in April. A valuation of £60m has been suggested.

- **Data Sciences** issued their pathfinder prospectus. Dealings will commence on 21st March. Data Sciences expects to raise up to £50m. £34.2m of this will be used to redeem the prefs. and the rest to repay debt. Observers are suggesting a valuation of c£80m when the price is announced on 15th March.

Comment We reviewed both companies in February's *System House* (back issues available on request). Readers will know of our high regard for both companies and their CEO's in particular. They are involved in exactly the kind of long term customer services contracts that we like so much. Their sectors of the market are forecast to have the highest growth.

They both have similar (5.6-5.8%) margins and the challenge is to improve these. We are not suggested they can meet Triad's 21% (see above) but Admiral's 11% must surely be a longer term objective.

Declaration Richard Holway was retained by Hambros Bank to assist in their due diligence in the run up to the Data Sciences' float. Our research has been/will be quoted in the Triad, Data Sciences and FI Group prospectus. Expressions of opinion are those of Richard Holway only.

Depressing Macro 4

According to **Macro 4**, they are "one of the world's leading and longest established independent software companies" Chairman Terry Kelly described their latest interim results to 31st Dec. 95 as "once again showing an improvement". We think they are depressing. Revenue up a mere 2.8% at £12.6m, PBT up 4.7% at £5.96m and EPS up 7.2%. EPS would have been even lower had not Macro 4 spent £4.6m of its then £18.2m cash mountain on buying its own shares at 430p. Macro 4 shares started 1995 on 438p, since when our CSI Index has risen by 60%+. But Macro 4 shares have **fallen** by 5% to end Feb. 96 on 415p. We repeat our strongly held view that the directors of any company in our sector that lacks imagination to that extent and believes that repurchasing its shares is the best thing for shareholders should be invited to retire at the next available AGM. Anyway, all the other examples of such action in our sector only drove the share price down as a result.

"In all our major mainframe territories the trading situation has again remained difficult with many existing and potential users changing to alternative platforms, impacting our overall revenue in the form of cancellations where an existing user is involved".

But, don't worry, "in 5 years time we would like to see around half of revenues from mainframes, with 30% from AS/400 and the rest from UNIX" - Source - FT 22nd Feb. 96.

Boom time for IT contractors

The latest survey by Freelance Informer contained very good - or very bad - news; depending on your viewpoint. Nearly half of all IT contractors expected their income to rise in 1996 with the average expecting a 38% increase and 5% expecting to double their income. These significant increases are not all due to rises in daily rates - although Tony Coombes of **Software Personnel** forecasts up to a 15% increase in rates in 1996 coming on top of a 12% increase in 1995. Source - FT 3rd Feb. 96. Clearly shortages of skilled staff will increase such contractors utilisation too, thus boosting total earnings.

Good news for contractors and IT agencies (see below) but not such good news for users (many of which are other SCSI companies). We have forecast for some time that the strong record of profit growth, being up to three times higher than that of revenue growth, could be severely curtailed by staff cost increases.

Boom time for IT staff agencies

It is not too difficult to find evidence of the boom times for IT contractors. The results of Delphi, Parity, CRT etc. tell it all. If you desire further evidence look at the recently announced results from **Lorien Group**.

Lorien has the distinction of being the very first SCSI company to get an AIM listing on 19th June 95 - the AIM opening day - at 100p. This coincided with their acquisition of **Telfast** (another IT staff agency with revenues of £8m) for a max. of £2.1m. Telfast had itself acquired the **ACT** IT staff contractor base in April 94.

Lorien was formed in 1977. Although IT agency and staff recruitment forms the majority of revenues, they are also involved in supplying engineers for such activities as cabling.

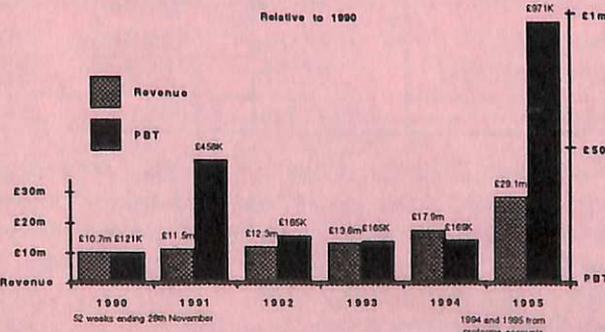
"Maiden" first year results to 26th Nov. 95 show revenues up 63% to £29.1m (£4.6m of this from Telfast) and PBT up 474% at £971K (Telfast contributed a quarter or £261K of this). EPS was up 348%.

Lorien confirms that "our markets are buoyant" and that "the employment strategies of many large corporate organisations, driven by economic pressures and skill shortages, are creating significant demand for long term contract staff".

On the surface the outlook looks bright both for the sector and Lorien. Indeed, since their new issue at 100p the shares have risen by 125% to close Feb. on 225p. But remember that:

- the IT contract market is the best barometer of the industry. It not only showed an upturn first, but is also the sector most immediately affected by a downturn.
- the threat (or opportunity) posed by the Internet (see p10) could severely affect performance.

**Lorien Group plc
Six Year Revenue and PBT Record**



Superscape shares advance

Superscape shares shot up by 88% to 778p this month on news of an agreement whereby IBM will market Superscape virtual reality software in Europe and the Middle East. Another JV with Silicon Graphics was announced a few days later and more are on the way.

We ought to be rather proud that UK firms lead the world in VR software. Indeed a VR share portfolio would have netted a decent profit as shown:

	Float date	New issue price	End Feb 95	Increase
Division	May-93	40p	83p	108%
Superscape	Apr-94	198p	778p	293%
Virtuality	Oct-93	170p	213p	25%

Super SAP

SAP "the world's leading business applications software vendor" increased its revenues by 47% to DM 2,698m (£1,175m) in the year to 31st Dec. 95. PBT was up 43% at DM674m - a very healthy 25% margin. If they go on this way they could overtake CGS as the largest European owned SCSI company; and, of course, they win hands down in the profits stakes.

But results from **SAP UK**, the fifth largest subsidiary, were even better with revenues almost doubling to £43.9m. R/3 licences accounted for £28.3m and training revenues were up 45% at £5.2m.

LBMS shares crash

LBMS was one of the best performers in the sector with a 256% share price rise in 1995. At one time they had been even higher. All this was on the back of a NASDAQ listing and a stream of bullish company announcements.

We got pretty annoyed at some of them - as readers know. Firstly we were upset that, contrary to previous assurances, development and other major group activities were relocated to the US. Secondly, that LBMS took the (in our view retrograde) step of "rebalancing licence versus services revenues"... "to focus on software products".

But we gain little satisfaction from reporting that LBMS this month put out a profits warning which resulted in a massive 59% slide in the share price. A loss of \$1.11m was reported in Q3 against \$469K profit last time. Revenues were down 5% at \$9.6m. "Product revenues outside the US (which declined by 53%) and implementation and training service revenues (which declined by 49%) worldwide" were blamed. "The company continues to be susceptible to potentially significant variations in... revenue and operating results".

Compel expands services revenues

Compel is a good illustration of the PC reseller market. A 43% increase in revenues to £40.4m for the six months to 31st Dec. 95 is excellent. A 21% increase in PBT is good. A 9% increase in EPS is below average. Perhaps this was due to its one and only acquisition - **Metrocom** from **Ingram Micro** for £893K. The reduction in margin from 4.2% to 3.6% is downright disappointing. Specialist Computer Holdings manages to achieve 4.8%.

At the time of their float back in Sept. 94, Compel estimated that around 10% of revenues came from services - the remainder from third party hardware and software product. Our guess would be that the ratios are still about the same. As fast as Compel grows its services, its hardware sales expand too. But there are few who would complain about a 40%+ increase in their services revenues.

"Spectacular results" from Misys?

A year ago, in February 1995, we learnt of the Misys' agreed bid for ACT Group. We were very sceptical. We believed that Misys had paid too much (the original bid was at £212m, but share price reductions meant the final price was £193m), that EPS growth would suffer and that a purchase of this size would take management's eye off running the existing bits of the business. We noted that Misys had said it had "prudently" changed the income recognition policies of ACT to "match revenue with expenses". That meant that £30m of revenues has been passed over for recognition into Misys' period of ownership. A further £21m property revaluation adjustment and redundancy and reorganisation provisions of £18m had been made. All these seemed to shift the benefit to the new Misys period of ownership.

For the record we never expressed any doubt about the FY96 results - it is the FY97 performance, after the fog of the ACT purchase has cleared, that really concerned us.

"The latest spectacular results are a vindication of the decision to acquire ACT" says Investors Chronicle (9th Feb. 96). Spectacular? Judge for yourself. For the six months to 30th Nov. 95 revenues doubled to £129.5, PBT increased by 71% at £19.2m but EPS was up just 4%. The "legendary Misys cash management" meant that borrowings reduced from £12.4m to £5.9m - even more impressive as £13.3m was needed to complete the ACT transaction.

It looks as though all the performance improvement came from the Banking Division - consisting of Misys-Kapiti International (MKI) and Kindle (the former ACT Banking Systems based in Ireland). "Results were ahead of expectations".

It is interesting to note that ACT had revenues of £106m in the six months to 30th Sept. 94 and Misys £64m to 30th Nov. 94 i.e. £170m in total. Due to disposals, combined revenues of Misys/ACT are now just £130m.

Profits from the Misys businesses existing before the ACT acquisition did not fare so well in the half year.

Misys plc	Revenue			Operating profit		
	1995	1994	Growth	1995	1994	Growth
6 months ending 30th Nov.						
Banking Division	£64.3m	£15.7m	309%	£12.6m	£2.3m	456%
Insurance Division	£18.1m	£16.7m	8%	£6.1m	£6.2m	-1%
Info. Sys. Division	£47.2m	£31.5m	50%	£3.8m	£3.5m	8%
Group				£1.8m	£1.2m	50%
TOTAL	£129.5m	£63.9m	103%	£20.7m	£10.8m	92%

In the Insurance Division, "the major investment programmes ...held profits back at last year's level".

In the Information Systems Division "whilst the order book grew sharply, profit performance was similar to the corresponding period last year". "Further attrition in the TPM base was a factor". But we were also alarmed that "the universities project in Australia is taking longer to complete than expected now that the customer's ultimate requirements are becoming clearer". Lomax always criticised such companies as Logica, SD-Scicon et al for taking on fixed price contracts.

We suspect that Misys might now well start a period of disposals in their non-banking divisions.

But let's remember "the process of consolidation is accelerating... larger companies like Misys should have competitive advantage". "Misys is the largest UK-based computer solutions group with annual sales running at around £300m - 55% UK, 45% overseas. It employs 3,459 staff". Misys is the #2 application software company in Europe (after SAP), the world's leading supplier of

international banking software and, of course, the largest UK-owned SCSI company.

All this news sent Misys' share price up 21% to 713p this month. But "questions have been raised about the company's ability to grow without further corporate deals, and the market is hoping for a new acquisition within 12 months...a purchase poorly received by the market could wipe out gains". Source - Tempus in The Times 2nd Feb. 96.

Regardless of these "spectacular" results, analysts stuck to their forecasts for the full year - PBT up 86% at £49.1m but EPS up 20%.

Mirrors?...Interesting isn't it... last year (interims to 30th Nov. 94) Misys, in their analyst's briefing, compared their EPS with the 3.1p reported in 1990 showing a CAGR of 34%. We pointed out that a five year comparison should have been with the results to 30th Nov. 89 (when EPS was 11p) showing a CAGR of just 8% - about the lowest in the sector. Misys did not agree.

But at long last Misys has taken notice of us! This time around Misys has AGAIN compared their EPS with the 3.1p reported in 1990! Thus reporting a CAGR of 41%.

When we sat at the feet of Lomax, he told us how important EPS growth was. We learnt well and we agree.

Misys grew EPS by just 4% in their latest interims and by a meagre CAGR of 7.8% since 1989.

We wait with anticipation to see which base date they take next year!

Footnote... Dick Willott has decided to retire "after 29 years in the banking software industry, 20 of these with Kapiti". He will be continuing as a non-exec. of the Misys banking division. Dick has extended a welcome to all the many System House readers who know him, to visit him for extended free visits at his new home in Spain. (To book your stay call him on....)

Sema surge

Sema's results for the year to 31st Dec. 95 arrived on our press day - so we will cover them in more detail next month.

The results exceeded expectations - which resulted in a 7% rise in the share price in this month.

Revenues were up 14% at £678m, PBT up 25% at £36.9m and EPS up 18%. "Order books grew by 33% - indicating further improvement in 1996". "The major part of the revenue growth was contributed by the UK and Sweden with only modest growth in France. Germany and Spain resumed growth from their 1994 positions".

Outsourcing grew by 22% to £222m in 1995.

Sema Group - Revenue by Country			
	1995	1994	Growth
UK	£275.3m	£224.0m	23%
France	£165.8m	£162.3m	2%
Scandinavia	£135.6m	£115.8m	17%
Germany	£38.5m	£35.7m	8%
Spain	£33.1m	£31.1m	6%
Benelux	£21.9m	£21.9m	0%
South East Asia	£7.5m	£5.3m	42%
Total	£677.7m	£596.1m	14%

To add to its earlier purchase of CAP-RS, Sema has this month acquired the Herts.-based disaster recovery company, Datashield, from its French parent - Sogeris SA. Datashield had revenues of £4.9m in 1995 but had reported a loss of £272K in 1994. It had been purchased from Data Sciences in Oct. 93 for £4m.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc				Electronic Data Processing plc					
REV	Final - Dec 94 £ 49,473,000	Final - Dec 95 £ 85,460,000	Comparison +72.3%	REV	Final - Sep 94 £ 14,013,000	Final - Sep 95 £ 12,605,000	Comparison -10.0%		
PBT	£ 7,719,000	£ 9,832,000	+27.4%	PBT	£ 4,123,000	£ 3,083,000	-25.2%		
EPS	45.20p	53.60p	+18.6%	EPS	10.21p	7.53p	-26.2%		
Azlan Group plc				Firecrest plc					
REV	Interim - Sep 94 £ 37,735,000	Final - Mar 95 £ 90,488,000	Interim - Sep 95 £ 72,716,000	Comparison +92.7%	REV	Interim - Jun 94 n/a	Final - Dec 94 £ 7,130,000	Interim - Jun 95 £ 2,820,000	Comparison n/a
PBT	£ 1,079,000	£ 3,906,000	£ 4,445,000	+312.0%	PBT	n/a	£ 414,429	£ 113,000	n/a
EPS	3.70p	12.50p	13.60p	+267.6%	EPS	n/a	2.30p	0.35p	n/a
British Data Management plc				Flomerics Group plc					
REV	Final - Jun 94 £ 16,817,000	Final - Jun 95 £ 17,042,000	Comparison +1.3%	REV	Final - Dec 93 £ 2,318,380	Interim - Aug 95 £ 2,055,000	Final - Dec 94 £ 3,098,672	Comparison +33.7%	
PBT	£ 4,618,000	£ 1,575,000	-65.9%	PBT	£ 177,179	-£ 120,000	£ 406,900	+129.7%	
EPS	9.80p	3.80p	-61.2%	EPS	n/a	n/a	11.00p	n/a	
Capita Group plc				Gresham Computing plc					
REV	Final - Dec 94 £ 73,800,000	Final - Dec 95 £ 86,994,000	Comparison +17.9%	REV	Final - Oct 94 £ 6,507,000	Final - Oct 95 £ 7,895,000	Comparison +21.3%		
PBT	£ 7,803,000	£ 9,420,000	+19.2%	PBT	£ 708,000	£ 1,281,000	+80.9%		
EPS	10.50p	11.80p	+12.4%	EPS	1.32p	2.36p	+78.8%		
Cedardata plc				INSTEM plc					
REV	Interim - Sep 94 £ 3,726,000	Final - Mar 95 £ 5,333,000	Comparison +43.1%	REV	Interim - Jun 94 £ 8,043,000	Final - Dec 94 £ 16,812,000	Interim - Jun 95 £ 11,205,000	Comparison +39.3%	
PBT	£ 1,337,000	£ 3,572,000	+49.2%	PBT	£ 505,000	£ 1,153,000	£ 577,000	+14.3%	
EPS	2.80p	7.90p	+50.0%	EPS	7.40p	16.80p	8.40p	+13.5%	
CentreGold plc				JBA Holdings plc					
REV	Interim - Jan 94 £ 52,554,000	Final - Jul 94 £ 91,314,000	Interim - Jan 95 £ 41,037,000	Comparison -21.9%	REV	Interim - Jun 94 £ 38,500,000	Final - Dec 94 £ 90,887,000	Interim - Jun 95 £ 49,464,000	Comparison +28.5%
PBT	£ 2,600,000	£ 4,033,000	-£ 3,883,000	Profit to Loss	PBT	£ 264,000	£ 6,131,000	£ 754,000	+185.6%
EPS	4.70p	7.30p	-6.44p	Profit to Loss	EPS	0.19p	12.13p	1.43p	+652.6%
Clinical Computing plc				Kalamazoo Computer Group plc					
REV	Interim - Jun 94 £ 735,000	Final - Dec 94 £ 1,471,684	Interim - Jun 95 £ 924,000	Comparison +25.7%	REV	Interim - Sep 94 £ 28,263,000	Final - Mar 95 £ 60,719,000	Interim - Sep 95 £ 32,358,000	Comparison +14.5%
PBT	-£ 227,000	-£ 688,596	-£ 357,000	Loss both	PBT	£ 3,003,000	£ 6,815,000	£ 2,012,000	-33.0%
EPS	-1.40p	-4.30p	-2.20p	Loss both	EPS	4.98p	11.80p	3.66p	-26.5%
CMG plc				Kewill Systems plc					
REV	Interim - Jun 94 £ 69,723,000	Final - Dec 94 £ 146,283,000	Interim - Jun 95 £ 94,599,000	Comparison +35.7%	REV	Interim - Sep 94 £ 16,405,000	Final - Mar 95 £ 33,667,000	Interim - Sep 95 £ 16,567,000	Comparison +1.0%
PBT	£ 6,771,000	£ 14,057,000	£ 8,640,000	+27.6%	PBT	£ 2,166,000	£ 5,067,000	£ 2,613,000	+20.6%
EPS	6.30p	13.90p	8.90p	+41.3%	EPS	12.16p	28.39p	14.55p	+19.7%
Coda Group plc				Learmonth & Burchett Management Systems plc					
REV	Final - Oct 94 £ 23,388,000	Final - Oct 95 £ 32,791,000	Comparison +40.2%	REV	Interim - Oct 94 £ 11,023,000	Final - Apr 95 £ 23,761,000	Interim - Oct 95 £ 12,440,000	Comparison +12.9%	
PBT	-£ 7,992,000	£ 1,030,000	Loss to Profit	PBT	-£ 3,278,000	-£ 5,251,000	£ 496,000	Loss to profit	
EPS	-27.70p	2.50p	Loss to Profit	EPS	-13.70p	-24.70p	1.80p	Loss to profit	
Compel Group plc				Logica plc					
REV	Interim - Dec 94 £ 28,272,000	Final - Jun 95 £ 70,019,000	Interim - Dec 95 £ 40,421,000	Comparison +43.0%	REV	Final - Jun 94 £ 209,952,000	Final - Jun 95 £ 250,135,000	Comparison +19.1%	
PBT	£ 1,194,000	£ 2,684,000	£ 1,441,000	+20.7%	PBT	£ 13,543,000	£ 20,310,000	+50.0%	
EPS	5.58p	11.10p	6.06p	+9.0%	EPS	14.00p	21.70p	+55.0%	
Computerised Financial Solutions plc				Lorien Group plc					
REV	Interim - Jun 94 £ 1,404,000	Final - Dec 94 £ 3,120,711	Interim - Jun 95 £ 1,276,000	Comparison -9.1%	REV	Interim - May 94 £ 7,800,000	Final - Nov 94 £ 17,904,000	Interim - May 95 £ 11,500,000	Comparison +47.4%
PBT	-£ 36,000	£ 350,617	-£ 66,000	Loss both	PBT	£ 142,403	£ 169,000	£ 414,315	+190.9%
EPS	-1.40p	3.97p	-1.50p	Loss both	EPS	2.39p	2.65p	6.17p	+158.2%
Cray Electronic Holdings plc				Lynx Holdings plc					
REV	Interim - Oct 94 £ 135,044,000	Final - Apr 95 £ 264,838,000	Interim - Oct 95 £ 128,957,000	Comparison -4.5%	REV	Final - Sep 94 £ 21,523,000	Final - Sep 95 £ 32,018,000	Comparison +48.8%	
PBT	£ 10,085,000	£ 835,000	-£ 14,594,000	Profit to loss	PBT	£ 2,009,000	£ 2,564,000	+27.6%	
EPS	3.00p	-0.30p	-6.30p	Profit to loss	EPS	4.50p	4.70p	+4.4%	
CRT Group plc				M.A.I.D plc					
REV	Interim - Oct 94 £ 29,187,000	Final - Apr 95 £ 72,762,000	Interim - Oct 95 £ 48,079,000	Comparison +64.7%	REV	Interim - Jun 94 £ 3,972,000	Final - Dec 94 £ 8,887,000	Interim - Jun 95 £ 5,782,000	Comparison +45.1%
PBT	£ 1,288,000	£ 5,972,000	£ 1,748,000	+35.7%	PBT	£ 440,000	£ 1,285,000	£ 408,000	-7.3%
EPS	1.42p	6.30p	1.71p	+20.4%	EPS	0.39p	1.14p	0.33p	-15.4%
DCS Group plc				MMT Computing plc					
REV	Final - Jun 94 £ 6,375,180	Final - Jun 95 £ 8,694,833	Comparison +36.4%	REV	Final - Aug 94 £ 10,861,498	Final - Aug 95 £ 13,957,949	Comparison +28.5%		
PBT	£ 426,144	£ 609,530	+43.0%	PBT	£ 2,505,106	£ 3,075,053	+22.8%		
EPS	4.32p	5.02p	+16.2%	EPS	13.10p	16.30p	+24.4%		
DRS Data & Research Services plc				MR Group plc					
REV	Interim - Jul 94 £ 5,756,000	Final - Dec 94 £ 8,798,000	Interim - Jul 95 £ 4,269,000	Comparison -25.8%	REV	Interim - Dec 94 £ 21,305,000	Final - Jun 95 £ 41,429,000	Interim - Dec 95 £ 18,580,000	Comparison -12.9%
PBT	£ 1,484,000	£ 1,487,000	£ 512,000	-65.5%	PBT	£ 3,136,000	£ 1,309,000	£ 2,174,000	-30.7%
EPS	3.19p	3.07p	0.95p	-70.2%	EPS	4.00p	1.60p	2.60p	-35.0%
Delphi Group plc				McDonnell Information Systems Group plc					
REV	Interim - Jun 94 £ 38,013,000	Final - Dec 94 £ 97,685,000	Interim - Jun 95 £ 83,168,000	Comparison +118.8%	REV	PF Interim - Jun 94 £ 68,809,000	PF Final - Dec 94 £ 148,911,000	Interim - Jun 95 £ 79,145,000	Comparison +15.4%
PBT	£ 733,000	-£ 391,000	£ 4,101,000	+459.5%	PBT	£ 5,044,000	£ 9,064,000	-£ 1,673,000	Profit to loss
EPS	3.42p	-7.76p	11.66p	+240.9%	EPS	3.48p	4.57p	-2.42p	Profit to loss
Division Group plc				Macro 4 plc					
REV	Interim - Apr 94 £ 2,106,000	Final - Oct 94 £ 5,270,000	Interim - Apr 95 £ 2,489,000	Comparison +17.2%	REV	Interim - Dec 94 £ 12,285,000	Final - Jun 95 £ 25,035,000	Interim - Dec 95 £ 12,635,000	Comparison +2.8%
PBT	-£ 892,000	-£ 1,440,000	-£ 1,575,000	Loss both	PBT	£ 5,685,000	£ 11,602,000	£ 5,956,000	+4.8%
EPS	-2.50p	-4.30p	-3.80p	Loss both	EPS	16.70p	35.20p	17.90p	+7.2%
Eidos plc				Micro Focus plc					
REV	Interim - Jun 94 £ 188,196	Final - Dec 94 £ 254,225	Interim - Jun 95 £ 96,128	Comparison -48.9%	REV	Interim - Jul 94 £ 42,950,000	Final - Jan 95 £ 89,885,000	Interim - Jul 95 £ 36,800,000	Comparison -14.3%
PBT	£ 47,834	-£ 107,623	-£ 267,533	Profit to loss	PBT	£ 7,020,000	£ 8,723,000	-£ 4,470,000	Profit to loss
EPS	1.93p	-4.16p	-10.03p	Profit to loss	EPS	33.10p	32.00p	-30.30p	Profit to loss

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Microgen Holdings plc				Radius plc					
	Final - Oct 94	Final - Oct 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison	
REV	£ 58,774,000	£ 69,029,000	+17.4%	REV	£ 12,325,000	£ 24,866,000	£ 13,424,000	+8.9%	
PBT	£ 6,173,000	£ 8,383,000	+35.8%	PBT	£ 808,000	£ 1,451,000	£ 835,000	+3.3%	
EPS	10.00p	14.80p	+48.0%	EPS	1.19p	2.87p	1.96p	+64.7%	
Microvitec plc				Real Time Control plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison
REV	£ 20,923,000	£ 44,146,000	£ 26,550,000	+26.9%	REV	£ 8,491,000	£ 13,483,000	£ 5,325,000	-37.3%
PBT	£ 1,120,000	£ 2,560,000	£ 1,607,000	+43.5%	PBT	£ 1,050,000	£ 1,782,000	£ 742,000	-29.3%
EPS	1.24p	3.00p	1.47p	+18.5%	EPS	12.00p	20.00p	7.10p	-40.8%
Misys plc				Roife & Nolan plc					
	Interim - Nov 94	Final - May 95	Interim - Nov 95	Comparison		Interim - Aug 94	Final - Feb 95	Interim - Aug 95	Comparison
REV	£ 63,922,000	£ 153,395,000	£ 129,528,000	+102.6%	REV	£ 7,104,000	£ 14,288,000	£ 7,861,000	+7.8%
PBT	£ 11,245,000	£ 26,345,000	£ 19,216,000	+70.9%	PBT	£ 742,000	£ 1,512,000	£ 1,074,000	+44.7%
EPS	18.20p	35.10p	16.90p	+4.3%	EPS	2.90p	6.70p	5.35p	+84.5%
Moorepay Group plc				Sage Group plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Final - Sep 94	Final - Sep 95	Comparison	
REV	£ 1,991,972	£ 3,873,089	£ 2,342,152	+17.6%	REV	£ 50,888,000	£ 102,234,000	+100.9%	
PBT	£ 412,773	£ 686,336	£ 666,324	+61.4%	PBT	£ 14,252,000	£ 22,362,000	+56.9%	
EPS	3.79p	6.28p	5.88p	+55.1%	EPS	9.08p	13.88p	+52.9%	
OmniMedia plc				Sanderson Electronics plc					
	Incorp. - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Final - Sep 94	Final - Sep 95	Comparison	
REV		£ 124,594	£ 199,962	n/a	REV	£ 33,984,000	£ 57,801,000	+70.1%	
PBT		-£ 421,354	-£ 279,137	n/a	PBT	£ 4,228,000	£ 5,305,000	+25.5%	
EPS		-3.84p	n/a	n/a	EPS	7.30p	8.80p	+20.5%	
On Demand Information plc				Sema Group plc					
	Final - Jul 94	Final - Jul 95	Comparison		Final - Dec 94	Final - Dec 95	Comparison		
REV	£ 14,487,000	£ 8,786,000	-56.8%	REV	£ 596,111,000	£ 677,726,000	+13.7%		
PBT	-£ 2,617,000	-£ 3,646,000	Loss both	PBT	£ 29,518,000	£ 36,927,000	+25.1%		
EPS	-5.70p	-7.20p	Loss both	EPS	20.98p	24.79p	+18.2%		
Oxford Molecular plc				Sherwood Computer Services plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 1,086,000	£ 2,765,000	£ 2,832,000	+160.8%	REV	£ 11,957,000	£ 25,069,000	£ 10,988,000	-8.1%
PBT	-£ 933,000	-£ 2,906,000	-£ 2,112,000	Loss both	PBT	-£ 88,000	£ 79,000	£ 615,000	Loss to profit
EPS	-3.50p	-8.60p	-4.30p	Loss both	EPS	0.30p	-10.73p	5.90p	+1866.7%
P & P plc				Spargo Consulting plc					
	Final - Nov 94	Final - Nov 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison	
REV	£ 283,930,000	£ 341,990,000	+29.6%	REV	£ 2,854,000	£ 6,016,000	£ 3,329,000	+16.6%	
PBT	£ 8,016,000	£ 12,574,000	+56.9%	PBT	£ 606,000	£ 1,211,000	£ 192,000	-68.3%	
EPS	8.10p	11.00p	+35.8%	EPS	3.20p	6.29p	0.90p	-71.9%	
Parity plc				Standard Platforms Holdings plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison
REV	£ 38,003,000	£ 88,791,000	£ 61,512,000	+61.3%	REV	£ 749,995	£ 1,305,476	£ 699,119	-8.8%
PBT	£ 2,023,000	£ 4,176,000	£ 3,069,000	+51.7%	PBT	-£ 35,640	-£ 143,280	-£ 314,850	Loss both
EPS	3.51p	7.19p	4.82p	+37.3%	EPS	-0.90p	-1.10p	-1.50p	Loss both
Pegasus Group plc				Superscape VR plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Final - Jul 94	Final - Jul 95	Comparison	
REV	£ 2,275,000	£ 4,808,000	£ 3,038,000	+33.5%	REV	£ 859,192	£ 1,590,000	+85.1%	
PBT	£ 68,000	£ 243,000	£ 172,000	+152.9%	PBT	-£ 238,024	-£ 1,746,000	Loss both	
EPS	0.70p	12.70p	1.80p	+157.1%	EPS	-6.10p	-32.80p	Loss both	
Persona plc				Total Systems plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison
REV	£ 15,042,000	£ 31,537,000	£ 24,780,000	+64.7%	REV	£ 1,096,691	£ 2,289,437	£ 1,273,331	+16.1%
PBT	£ 1,005,000	£ 2,059,000	£ 1,350,000	+34.3%	PBT	£ 7,460	£ 53,516	-£ 54,488	Profit to loss
EPS	6.00p	11.42p	7.50p	+25.0%	EPS	0.04p	0.34p	-0.44p	Profit to loss
PhoneLink plc				Trace Computers plc					
	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison		Final - May 94	Final - May 95	Comparison	
REV	£ 797,000	£ 2,085,000	£ 2,103,000	+163.9%	REV	£ 18,628,990	£ 19,676,832	+5.6%	
PBT	-£ 1,963,000	-£ 3,702,000	-£ 2,712,000	Loss both	PBT	£ 409,901	£ 482,746	+17.8%	
EPS	-5.50p	-10.40p	-7.30p	Loss both	EPS	2.33p	2.55p	+9.4%	
Proteus International plc				Vega Group plc					
	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison		Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparison
REV	Nil	Nil	£ 30,000	n/a	REV	£ 5,710,000	£ 12,516,000	£ 7,260,000	+27.1%
PBT	-£ 3,666,000	-£ 7,925,000	-£ 3,618,000	Loss both	PBT	£ 1,020,000	£ 2,910,000	£ 1,271,000	+24.6%
EPS	-11.94p	-25.47p	-11.06p	Loss both	EPS	4.76p	13.49p	5.90p	+23.9%
Quality Software Products Holdings plc				Virtuality Group plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 7,266,000	£ 16,494,732	£ 10,115,000	+39.2%	REV	£ 4,120,000	£ 9,126,000	£ 6,269,000	+52.2%
PBT	£ 604,000	£ 2,512,400	£ 805,000	+33.3%	PBT	-£ 695,000	-£ 1,397,000	-£ 583,000	Loss both
EPS	6.90p	27.50p	9.10p	+31.9%	EPS	-2.70p	-5.30p	-2.20p	Loss both
RM plc				Wakebourne plc					
	Final - Sep 94	Final - Sep 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison	
REV	£ 65,493,000	£ 80,691,000	+23.2%	REV	£ 18,172,000	£ 35,336,000	£ 18,848,000	+3.7%	
PBT	£ 3,769,000	£ 5,023,000	+33.3%	PBT	£ 1,068,000	£ 1,865,000	-£ 356,000	Profit to loss	
EPS	15.50p	18.80p	+21.3%	EPS	3.40p	5.70p	-1.10p	Profit to loss	
Zergo Holdings plc									
	Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparison					
REV	£ 2,986,000	£ 7,074,520	£ 4,005,000	+34.1%					
PBT	£ 46,000	£ 12,769	-£ 479,000	Profit to loss					
EPS	n/a	n/a	n/a	Profit to loss					

Benjamin takes chair at QSP

Alan Benjamin (ex CSA president, ICL, CAP) has become Chairman of **Quality Software Products** taking over from founder Alan Mordain who remains as CEO.

We have the greatest respect for Benjamin but we also have great concerns over QSP - whose share price has crashed from 708p to 293p since the profits warning in Jan. 96. Benjamin has requested a "right of reply" in *System House* for our comments; commenting on our *gung-ho* approach. After recent reports in the Evening Standard, he also intends

to take a *robust* approach to press relations.

We are sure he will take a similar *robust* approach to accounting policies, results announcements detailing how much profit is from R&D capitalisation, revenue recognition, software stability, director's share and option sales etc.

Acquisitions, disposals and liquidations

Blick plc (security access control and time recording systems) has acquired **PC International Ltd.** from **Expamet International Ltd.** **US Access Graphics** has acquired Avon-based integrator **FLS Data**.

ICM Computer Group has acquired (rescued?) **AppleCentre West London (ACWL)**. ACWL reported a loss of £759K on revenues down 25% at £6.75m in the year to 31st May 95. ICM, which makes about a fifth of its revenues from the Mac market, had revenues of £25m to 30th June 95. Terms were not disclosed.

Komparthas has gone into voluntary liquidation.

London Bridge Software Holdings has acquired **Wealden Computing Services**, which supplies UNIX and IBM AS/400-based finance, payroll and HR packages.

ROCC Computers has acquired **Uniclass Business Systems Ltd.** Uniclass specialises in financial management software for local authorities. No consideration was disclosed.

Kalamazoo (still the front runner to buy Datapoint's motor dealer operations - see *System House* Feb. 96) has acquired the Tetra hardware and software support contracts of much troubled **Wakebourne**. Brokers Hoare Govett are anticipating a £3m loss for 1995 and further disposals, although denied by the company, are widely rumoured. We do not expect that much money changed hands. **Oracle** and **IBM** have both taken minority stakes in UK database consultancy - **DBMX**. The company was turned down by several VCs when it setup in 1987. DBMX said UK VCs were too "risk-averse" and that Oracle's investment had "vindicated" that view.

Reports suggest that **WS Atkins** has finally decided to float. It has appointed Schrodgers to assist in a float which is expected to value them at around £200m. (see *System House* - Jan. 96).

Cray disposal

Cray Electronics has agreed to sell a 75% voting interest in **The IT Management Programme Ltd.** (ITMP) in an MBO backed by **Phoenix Fund Managers Limited** for £4.5m. The managers own the remaining 25% equity. Cray will receive a net cash benefit of £3.3m and report an exceptional profit of £4.2m as a result of this transaction in its accounts to 30th April 1996.

ITMP operates a continuous subscription based IT research programme and had revenues of £1.35m and PBT of £208K in the year to 30th April 1995 - they also had net liabilities of £222K.

Just imagine what **Cray Systems** and **P-E International** could be worth if they could demand similar ratios?

Global Knowledge Network (GKN)

GKN was born on 21st Dec. 95 when US VCs **Welsh, Carson, Anderson & Stowe (WCAS)** bought out DEC's **Digital Learning Services** on terms which are "confidential by mutual consent". On 25th Feb. 96 GKN (UK) Ltd. came into being. MD i/c UK and Ireland Malcolm Bland is responsible for a £15m operation employing 106 people. As well as DEC related training on subjects such as VMS, GKN is one of the largest providers of Microsoft training and has particular expertise in network products. Indeed, training covering some 102 products is offered in the UK.

Acorn/Apple

In a move which will be of interest to market leader **RM**, **Acorn** and **Apple** have formed a JV to market their products to UK schools. Acorn will transfer all their schools systems and services business to the JV in return for a 50% stake and £1.7m in cash. The JV will have net assets of £5m.

"Death by a thousand disposals"

One day we will write a book entitled "*Lies, damned lies and statements from corporate communications*". We will not bore you with the many **MDIS** denials of the sale of their IBS banking business ("*which lost £8m in 1995*") to **MTI** which was announced on 28th Feb. - for 2m MTI shares which must be kept until 1997. MTI/Winter Partners had, itself, been in financial trouble but had raised up to \$8m new funding in Dec. 95 and expects to return to profits in Q3 "*for the first time in recent years*".

Kewill buys Process

Kewill Systems has acquired **Process Computing** for an initial £1.55m plus an additional £1.63m (i.e. max. £3.2m) depending on profits to Mar. 98.

Process provides warehouse management systems and made PBT of £150K on revenues of £3.3m to 31st May 95.

ICI and Origin

An acquisition or an outsourcing deal? Difficult to tell the difference these days. This month **Origin** (the **Philips** and **BSO Origin** JV) has finally secured its ICI deal by "taking over" **ICI Systems** and **TASC** (ICI's telecoms and systems computing) in a deal worth £75m over 5 years. Around 400 staff will transfer. Incredibly "*a spokesman for ICI said savings of £75m would be made after the outsourcing*". Is it really that easy?

"A record year" for Capita

In a month of news from *Boring Companies* (see page 1) we were not surprised to see **Capita** reporting revenues up 18% at £87m, PBT up 19% at £9.42m (or up 28% if the 1994 exceptionals are excluded) and EPS up 12%. Cash increased from £9.7m to £10.6m. What did surprise us was seeing the share price fall on the news. Unfortunately, these results were just a smidgin less than other analysts had expected.

The **Outsourcing Division** apparently "*enjoyed an outstanding year*". Revenues increased by 12% to £57.3m and profits by 26% to £6m - i.e. a margin of 10.4%. This rather puts to rest any lingering arguments that say you can't make those kind of margins from outsourcing. Indeed some £170m of new outsourcing contracts were secured in the year. These included the Government's Nursery Vouchers Scheme, a JV with Drivesafe for running the written bit of the new driving test and, in Jan. 96, Capita won a similar contract in NI. Other new outsourcing deals included St. Mary's Hospital, IoW, London Borough of Bexley and Soc. of Motor Manufacturers and Traders. Revenues from the private sector are growing rapidly to counter the previous (perhaps) over reliance on local authority work. Indeed in **Capita Managed Services** "*1995 was the first year when commercial and non-local govt. sales order exceeded that from the traditional LA base*". Outsourcing now represents 66% of Capita's revenues. But it was **Property Services** (revenues up 50% at £20.4m and profits up 33% to £2.44m) which was the real star. Revenues in **Advisory Services** increased by just 3% to £9.3m and profits declined by 23% to £1m.

Chairman Rod Aldridge, says he "*anticipates reporting further progress to shareholders in 12 months time*". So we can anticipate yet another *Boring* year.

Admiral - "Still boring after all these years"

In describing Admiral's results for the last two years, one must first understand the Powersoft saga. In 1992, Admiral was awarded exclusive rights, for the UK and Ireland, to sell the PowerBuilder development tool set from Powersoft Inc. Admiral became Powersoft's "most successful international distributor". In a story which has been repeated many times in many other companies, once the hard work of establishing the product had been completed, the product owner decides he wants to sell direct and gives notice on the distribution deal. In this case, Powersoft achieved its ends by setting up a joint venture company - owned 51% by Powersoft - in August 1994. Powersoft paid Admiral £2.1m for its stake which resulted in a £1.9m exceptional profit in Admiral's FY94 results. But Admiral had the right to force Powersoft to buy out the remaining 49% at agreed terms if ownership changed. Indeed, Sybase acquired Powersoft in Nov. 94 and, in April 1995, Admiral was paid another £2.5m (resulting in a £2.24m exceptional profit in FY95).

So, if you include the exceptional items from the Powersoft deals:

- revenues to 31st Dec. 95 were up 32% at £65.5m
- PBT was up 27% at £9.8m
- EPS was up 19% at 53.6p.
- staff numbers increased by 27% to end the year on 1171.

If you exclude the Powersoft deals the results could (technically) have looked even better. If you just exclude the exceptional gains, profits would have increased by 31% and EPS by 21%. If you exclude all the revenue and operating profit attributed to the PowerBuilder business, revenues would have grown by 39%, operating profit by 52% and EPS by 39%.

The two largest operations - Admiral Computing (project development) and Admiral Management Services (IT consultancy) - performed well, as did the smaller software distribution, training and customer solutions operation. However performance at Admiral's operations in Australia and Singapore "has not been in line with our plans".

In May 95, Admiral purchased Belgian systems house Delphy for £5.4m. It contributed £572K operating profit on £5m revenue in its first few months and "has more than lived up to expectations". More acquisitions are planned but Admiral is unlikely to be either rushed into it or pay over the odds.

With the "IT market growing at a phenomenal rate"... "Admiral will continue to grow and prosper". In other words further boring performances can be confidently expected. **For further comment see page one.**

Select buys into IT

Select Appointments, via its US subsidiary New Boston Select Group Inc., has acquired two IT businesses - US DB Concepts and Indian Client Server Software - which undertake IT consultancy and recruitment. The combined operations had revenues of \$2.2m and made a profit of \$500K in 1995. Against this the \$1.8m consideration looks a bargain.

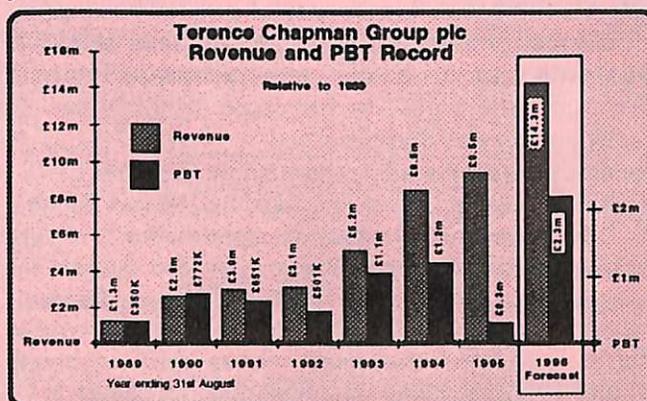
CGS returns to profit

We will bring you the CGS UK - i.e. Hoskyns - results next month. They are good and must have been the major contributor to CGS reporting a profit of FF52m compared with a loss of FF94m in 1994. Revenues increased by 11% to FF11.3 billion.

Terence Chapman Group plc

Terence Chapman Group plc is another high quality IT services company which is more than likely to float this year. They concentrate on systems for the financial services sector. "Demand for the group's products and services is currently insatiable". TC was formed providing consultancy services to the banking sector. Then in Jan. 94 they acquired Synergo with its client-server based stockbroking system - TAROT.

The financial track record had been excellent with margins consistently exceeding 15%. But, due to a number of factors like delayed contracts in Poland, the year to 31st Aug. 95 showed a reduction in PBT to £318K although revenue rose by 14% to £9.5m. However, that glitch seems to be behind them and strong growth in both revenue (to £14.3m) and PBT (to £2.3m) is forecast for the current year.



"Excellent year" at BULL UK

BULL UK has reported "a truly excellent year" to 31st Dec. 95. Overall revenues grew by 26% to £332m and PBT was up 31% at £16.9m. This was despite reductions in maintenance and operating software revenues.

But it was SCSI revenues, as shown in the table below, that were the real stars. Brian Gunn's Integris (outsourcing) activity grew from effectively nothing to a £21m revenue in its first year. It started 1996 with an order backlog of £100m and revenues of £50m are expected in 1996. Systems integration grew by 57%. So that means that BULL's UK "pure" SCSI revenues now exceed £100m. If you count hardware as well (which we don't), BULL reckons that currently over 2/3rds of its revenues are services related.

But Richard Snook has even higher ambitions. "Revenues of £8m per week by the end of 1996" and "revenues doubled twice" by the end of the decade.

This is unlikely from organic means alone and acquisitions, we understand, are under active consideration.

BULL UK	1993	1994	Growth 1993/94	1995	Growth 1993/94
Total UK Revenue	£240m	£263m	9.6%	£332m	26.2%
Hardware	£123m	£130m	5.7%	£168m	29.2%
Hardware Maintenance	£59m	£53m	-10.2%	£47m	-11.3%
Operating Software	£12m	£11m	-8.3%	£10m	-9.1%
Other	£1m	£1m	0.0%	£1m	0.0%
"SCSI" Revenues					
• Software	£16m	£21m	31.3%	£25m	19.0%
• Services	£19m	£32.5m	71.1%	£51m	56.9%
• Integris		£2.5m		£21m	740.0%
• Networking and Other Support	£10m	£12m	20.0%	£9m	-25.0%
TOTAL SCSI	£45m	£68m	51.1%	£106m	55.9%

SCSI Index shows "modest" 2.7% gain

Superscape heads the list with 88% rise this month due to the deal with IBM (p3). The City seemed to like the latest results from Misys (p4) which rose by 21% and, at £602m, is now the SCSI company with the highest capitalisation taking over the #1 slot from Sema (p4) (£547m).

LBMS shares crashed by 59% on the unexpected Q3 losses (p3). Poor old Proteus fell another 30%. Profit taking and the ups and down of US Internet stocks forced Firecrest 27% lower - but that's still nearly three times the AIM new issue price last July. QSP (p6) fell another 17% to 293p - now 23% less than the 380p new issue price back in 1993.

28th Feb. 96	CSI Index		2423.30
	FTSE 100		3738.20
CSI Index = 1000 on 15th April 1989	FTSE SmallCap		2050.25
Changes in indices	CSI Index	FTSE 100	FTSE Small Cap
Month (30/1/96 - 28/2/96)	+2.73%	+0.08%	+1.74%
From 15th Apr 89	+142.33%	+82.03%	
From 1st Jan 90	+163.37%	+58.26%	
From 1st Jan 91	+242.34%	+73.03%	
From 1st Jan 92	+131.93%	+49.94%	
From 1st Jan 93	+52.07%	+31.33%	+47.78%
From 1st Jan 94	+45.14%	+9.36%	+9.72%
From 1st Jan 95	+61.64%	+17.40%	+17.40%
From 1st Jan 96	+7.30%	+1.33%	+5.60%

System House SCSI Share Prices and Capitalisation

	Share Price 28/2/96 (p)	Capitalisation 28/2/96 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 28/2/96	Share price % move since 30/1/96	Share price % move in 1996	Capitalisation move (£m) since 30/1/96	Capitalisation move (£m) in 1996
Admiral	£9.33	£116.60m	20.6	2.36	6760.87	12.00%	14.06%	£13.30m	£15.20m
Azlan	£5.40	£145.30m	24.1	1.61	2347.83	-4.09%	6.93%	£6.10m	£9.50m
British Data Management	£1.54	£38.50m	35.3	2.26	1232.00	-1.91%	24.19%	£0.70m	£7.50m
Capita	£3.12	£185.00m	29.7	2.13	9369.37	2.30%	9.47%	£13.30m	£24.50m
Cedardata	£1.67	£51.10m	18.1	5.72	1590.48	-1.18%	0.60%	£0.60m	£0.30m
Centregold	£0.37	£15.90m	5.1	0.17	296.00	-2.63%	-31.48%	£0.40m	£7.30m
Clinical Computing	£0.45	£7.29m	7.2	4.96	362.90	0.00%	45.16%	£0.00m	£2.27m
CMG	£4.38	£279.60m	22.7	1.91	1510.34	7.35%	33.13%	£19.10m	£69.60m
Coda	£2.36	£62.80m	94.4	1.92	1004.26	6.31%	10.28%	£4.60m	£6.70m
Compel	£2.04	£31.10m	16.7	0.44	1632.00	3.55%	7.94%	£1.00m	£2.30m
Computerised Financial	£0.86	£4.21m	26.9	1.35	955.56	-8.51%	1.18%	£0.40m	£0.04m
Cray Electronics	£0.43	£102.00m	Loss	0.39	251.46	6.17%	3.61%	£6.00m	£2.40m
CRT	£1.29	£87.10m	19.9	1.20	1433.33	7.50%	12.17%	£6.10m	£9.50m
DCS Group	£0.86	£16.30m	17.1	1.88	1433.33	3.61%	14.67%	£0.60m	£2.10m
Delphi Group	£3.70	£94.30m	45.8	0.97	1522.63	-0.80%	0.00%	£0.40m	£0.30m
Division Group	£0.83	£36.40m	Loss	6.91	2075.00	-20.19%	-27.83%	£9.30m	£14.10m
DRS Data & Research	£0.31	£10.60m	43.9	1.20	281.82	-6.06%	24.00%	£0.70m	£2.05m
Eidos	£7.35	£58.10m	Loss	232.40	7350.00	4.55%	6.06%	£2.60m	£3.40m
Electronic Data Processing	£0.99	£25.90m	12.9	2.05	3031.23	-3.88%	-14.66%	£1.10m	£4.50m
Firecrest	£1.13	£18.80m	49.1	2.64	2825.00	-27.10%	-7.38%	£7.00m	£1.50m
Flomerics	£2.12	£5.43m	19.3	1.75	1630.77	-1.40%	12.77%	£0.08m	£0.62m
Gresham Computing	£0.45	£14.70m	18.9	1.86	483.87	4.65%	7.14%	£0.60m	£1.00m
INSTEM	£1.72	£7.74m	9.6	0.46	1720.00	0.00%	-0.58%	£0.00m	£0.05m
JBA Holdings	£3.89	£132.60m	40.9	1.46	2431.25	-1.52%	-0.51%	£2.10m	£0.70m
Kalamazoo	£1.08	£21.20m	10.8	0.35	3085.71	-10.00%	-6.09%	£2.20m	£1.20m
Kewill	£4.05	£50.20m	14.3	1.49	1600.79	9.76%	15.38%	£4.40m	£6.70m
Learmonth & Burchett	£1.43	£36.50m	Loss	1.54	1191.67	-58.67%	-49.82%	£51.70m	£35.60m
Logica	£4.90	£307.20m	22.8	1.23	1342.47	5.38%	6.75%	£15.60m	£19.90m
Lorien	£2.25	£12.80m	18.6	0.44	2250.00	4.65%	8.70%	£0.50m	£1.00m
Lynx Holdings	£0.90	£85.70m	19.1	2.68	2250.00	18.42%	28.57%	£13.30m	£19.10m
Macro 4	£4.15	£85.90m	11.2	3.43	1673.39	1.22%	-1.89%	£1.40m	£1.20m
MAID	£1.75	£160.50m	153.5	18.05	1590.91	-7.41%	-24.24%	£12.80m	£51.30m
McDonnell IS (MDIS)	£0.66	£66.00m	14.5	0.45	253.85	24.53%	60.98%	£13.00m	£25.50m
Micro Focus	£5.78	£87.30m	18.1	0.97	2792.27	-6.77%	2.30%	£6.30m	£2.00m
Microgen	£1.87	£73.90m	12.6	1.07	799.15	0.54%	4.47%	£0.40m	£3.20m
Microvitec	£0.57	£43.10m	19.1	0.98	1378.05	8.65%	15.31%	£3.70m	£6.00m
Misys	£7.13	£602.50m	23.7	3.93	1773.63	20.85%	25.09%	£108.10m	£124.80m
MMT	£2.87	£33.60m	17.6	2.41	1708.33	10.38%	16.67%	£3.20m	£4.80m
Moorepay	£2.00	£15.20m	31.8	3.93	2409.64	9.29%	26.58%	£1.30m	£3.20m
MR Group	£0.90	£50.20m	56.3	1.21	357.14	18.42%	28.57%	£7.80m	£11.10m
OmniMedia	£0.60	£10.70m	Loss	89.17	800.00	-4.76%	-7.69%	£0.60m	£0.90m
On Demand	£1.86	£94.90m	Loss	10.80	2384.62	35.77%	43.08%	£25.00m	£28.60m
Oxford Molecular	£3.19	£188.70m	Loss	68.12	3987.50	2.57%	19.92%	£27.70m	£51.00m
P&P	£1.53	£121.80m	13.9	0.36	686.10	11.68%	0.66%	£12.70m	£0.80m
Parity	£2.01	£84.80m	24.6	0.96	11166.63	3.08%	14.86%	£2.50m	£10.90m
Pegasus	£2.03	£12.80m	14.6	2.66	553.13	-0.98%	-3.33%	£0.10m	£0.40m
Persona	£2.60	£64.50m	25.1	2.05	1625.00	-5.11%	-8.45%	£3.50m	£30.10m
Phonelink	£1.73	£69.10m	Loss	33.06	1116.13	-2.81%	-8.95%	£2.00m	£6.80m
Proteus	£0.57	£18.60m	Loss	n/a	678.57	-30.49%	-52.50%	£8.20m	£20.60m
Quality Software	£2.93	£36.30m	10.2	2.20	771.05	-17.46%	-55.34%	£7.70m	£45.00m
Radius	£0.53	£14.70m	14.7	0.59	384.06	0.00%	0.00%	£0.00m	£0.00m
Real Time Control	£2.14	£15.00m	14.1	1.11	4367.35	22.29%	20.90%	£2.80m	£2.60m
RM	£4.59	£81.20m	22.9	1.01	2622.86	5.28%	7.75%	£4.00m	£9.50m
Rolfe & Nolan	£3.00	£37.50m	32.8	2.62	3571.43	0.67%	11.52%	£0.30m	£3.90m
Sage Group	£3.37	£361.30m	24.2	3.53	12961.54	-0.59%	3.69%	£2.10m	£13.90m
Sanderson Electronics	£1.40	£58.00m	16.2	1.00	2382.98	2.19%	-1.41%	£1.30m	£0.60m
Sema Group	£5.84	£546.60m	22.7	0.81	1836.48	6.57%	8.96%	£33.70m	£44.90m
Sherwood	£1.86	£16.00m	Loss	0.64	1550.00	12.73%	0.54%	£1.80m	£0.10m
Spargo Consulting	£1.98	£24.80m	48.8	4.12	2084.21	14.45%	37.50%	£3.20m	£6.80m
Standard Platforms	£0.18	£5.48m	Loss	4.18	77.77	12.90%	6.06%	£0.63m	£0.32m
Superscape	£7.78	£65.40m	Loss	41.13	3929.29	87.92%	81.78%	£30.60m	£29.40m
Total	£0.23	£23.00m	23.9	10.04	433.96	15.00%	9.52%	£21.00m	£20.90m
Trace	£0.36	£5.08m	14.2	0.26	288.00	0.00%	-10.00%	£0.00m	£0.52m
Vega Group	£3.63	£51.90m	24.9	4.15	2975.41	-0.55%	1.40%	£0.30m	£0.70m
Virtuality	£2.13	£59.00m	Loss	6.46	1252.94	-8.97%	-14.46%	£5.80m	£10.00m
Wakebourne	£0.20	£4.56m	2.8	0.13	111.11	-4.76%	14.29%	£0.23m	£0.57m
Zergo	£2.80	£25.80m	n/a	3.65	2871.79	-1.75%	64.71%	£0.50m	£10.10m

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

Internet News Page

If either you or your customers still think you can ignore the Internet then please let the following snippets of news this month snap you out of your lethargy:

• **Wal-Mart** "the world's largest retailer" has launched Wal-Mart Online using Microsoft "merchant server" software. "The service might ultimately cover all Wal-Mart's 200,000 product lines... On-line shopping is forecast to reach several billion dollars a year by 2000". Source - FT 13th Feb. 96.

• **Associated Newspapers** has acquired a majority stake in **PeopleBank** "the new UK electronic recruitment agency". Target is to get 250,000 people to register their CVs free. Employers then pay £10 to look at the detailed CV and £50 for contact details. PeopleBank aim to save employers 90% of typical agency recruitment costs. If successful, this kind of approach could be a major threat (or opportunity, depending on how they react!) to companies such as Parity, Delphi, CRT etc. It could also be a major threat to Computing and Computer Weekly.

Cambridge Neurodynamics, which has produced "the world's first intelligent Internet surfer", is likely to float on AIM in the next few months.

Online Services headed for decline?

If you believe research from **Forrester**, the on-line service providers like **Compuserve** and **America OnLine** are in for a tough time competing with the Internet. Content providers will increasingly shun such "closed" services in favour of the huge markets offered on the www. Indeed on-line shopping is seen as one of the fastest growth areas of the net. **Datamonitor** reckons there will be 2m active on-line shoppers in Europe in 2000. A report this month from **NOP** found that 150,000 Britons had used the Internet to purchase goods in the last 6 months - a figure forecast to triple in 1996. The problem is that, as in past revolutions in our industry, **YOU don't think it will happen or will affect your business**. A survey from **IDC** found that only 10% of marketing executives from high tech. companies intended to sell products/services on the Net.

But Compuserve is hitting back by making its well developed shopping mall available to all on the www. Indeed **WH Smith** is set to become its first UK retailer.

This month **H&R Block** announced that its Compuserve subsidiary will be spun out in a public offering in April. It was also announced that **Sears Roebuck** is to sell its 50% stake in **Prodigy** "the 3rd largest on-line access provider" - one assumes to **IBM**, which owns 50%.

Perhaps one of the biggest threats to Compuserve in the UK will come from the **BT Internet** service announced this month. This offers "local call" charging for Internet access to 28,000k bpcs lines to everyone in the country. Something you don't get from many others; which caused a flurry of "cross subsidy - unfair competition" claims.

Product margins to decline

Forrester Research Inc., which specialises in Internet-related research, forecasts that "Internet Computing will result in Microsoft and Intel saying good-bye to 25% margins and hello to 15% margins. That will cause some pain in Redmond. It's easy to get used to the good life".

The report continues (as we have said before!) "many of the future winners in Internet Computing will be companies we have not heard about yet... These new companies will emerge very quickly; fortunes will be made virtually overnight".

Internet M&A

Manx & Overseas transferred from the Ofex to the AIM market in Dec. 95 at 25p. As it was mainly concerned with selling plumbing materials we did not take much notice! However, it has a 30% equity stake in **Enterprise** which is the Internet access provider for the Isle of Man. This month Enterprise has taken a 33% stake in US-based **ICC** which offers "a virtual shopping system, a survey and market research system and interactive on-line publishing on the www".

Easynet to join AIM

Easynet "one of the UK's leading Internet service providers", has issued its prospectus for an AIM listing at 100p which will value the group at £14.3m. Given the Internet connection, the fact that Easynet had revenues of just £542K and a loss of £142K in the 17 months to 31st Dec. 95, will not come as a great surprise!

Earlier this month **MAID** bought a 15% stake in Easynet for £1.5m. This deal was conditional on Easynet going ahead with its AIM listing.

Easynet had been connected with the **Cyberia Cybercafes** - but four directors have bought this out immediately prior to the offer. Shame really, as the cafes bit was the one clear differentiator from the myriad of other small Internet providers.

Reuters Holdings plc

As we have said on many occasions before, **Reuters Holdings plc** is probably the largest UK-owned supplier of SCSI services worldwide. In the year to 31st Dec. 95, Reuters had revenues of £2.7 billion (up 17%) and PBT of £599m (up 17%). That's a PBT margin of 22.1%. EPS was up 19%.

Reuters activities are arranged in three divisions:

• **Information products.** £1.88 billion and up 14% on 1994 e.g. news and analysis of financial markets. "Domestic equities revenue grew by 32%, reflecting the benefits of the Quotron acquisition in the US and other domestic equities acquisitions in Europe and Asia, combined with growth from UK Equity Focus".

• **Transaction products.** £671m and up 27% on 1994 e.g. systems and software enabling customers to use terminals to trade in foreign exchange, futures and options etc. The major contributors were Instanet and Dealing 2000 products.

• **Media products.** £153m and up 9% on 1994 e.g. news in the form of text, graphics, pictures and video.

Reuters had undertaken a number of acquisitions in our sector in previous years. The largest was of **Teknekron Software Systems** of California for around £83m in Dec. 93. Teknekron designs digital trading/dealing room systems and contributed profits of £33m (at a 42% profit margin!) in 1995. It seems to have been the star of the show.

In the UK, Reuters acquired **VAMP Health** for £13.3m in Nov. 93 and in Dec. 93 Reuters bought 20% stake in UK disaster recovery operation **Safetynet** for £5m.

Reuters seems to have undertaken no acquisitions of note in the SCSI market in the last year. Indeed, with no better use for it, Reuters is now looking at ways of returning part of its £850m cash mountain to its shareholders. Given the opportunities now facing the information providers with the growth of the Internet, we are surprised that Reuters cannot find a better use for its cash.

P & P plc

P&P's results for the year to 30th Nov. 95 were, on our criteria anyway, really rather good. Revenues were up 30% at

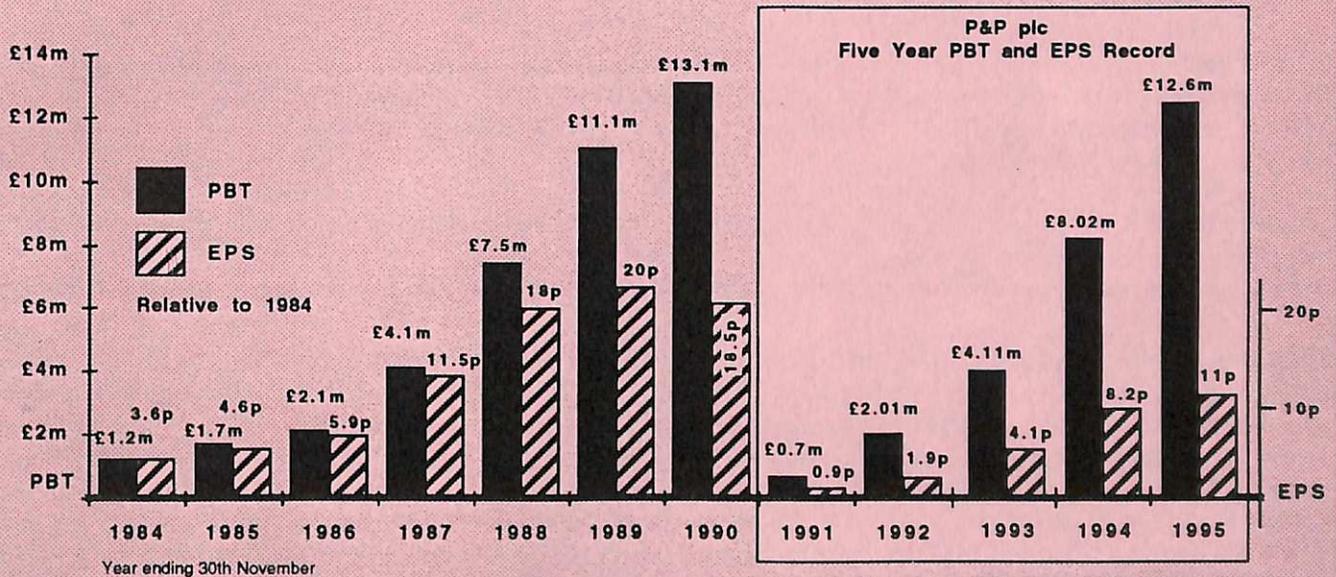
£342m but PBT was up a massive 57% at £12.6m and even EPS was up 36%. The problem, of course, is that is still only a 3.7% margin.

"All businesses of the Group performed to or beyond expectations during the year". Indeed it looks like - at long last - all group operations made a profit; even the Belgian subsidiary after three years of losses.

QA Training (purchased for £18m in May 94) recorded "record" profits. With £19m revenues, IT training represents nearly half of P&P's services revenues. The rest relates to technical services and support.

"The new financial year has started positively and we look forward to an encouraging 1996". If P&P can really embrace the IT services arena, which it has long promised to do, then it could really boost its valuation. Analysts are forecasting PBT of £14.5m for FY96 which implies a P/E of just 12 compared to 20+ for its services peers. Acquisitions "at the right price" are clearly on the cards. Indeed P&P seems to have a good track record with its purchases to date. In the last year P&P has acquired The

P&P plc Twelve Year PBT and EPS Record



The chart clearly shows the two ages (so far!) of P&P. In the 1980s they were the archetypal PC hardware and software distributor. They performed well until both became commodity items and margins fell like a stone. But P&P sensibly realised that the future lay in services and decided to do something about it before it was too late. It has not been any easy ride - that kind of fundamental change never is. But the results for P&P#2, as shown in the chart, illustrate the wisdom of the policy. Indeed it is the services part of P&P in which we are most interested. We understand that these now account for 18% - or £42.1m - of UK revenues but contributed a third (£4.1m) of operating profit and were, beyond doubt, the most profitable part of the business. This is the first year when P&P has been willing, officially, to declare its services revenues. This lack of openness in the past led us to estimate P&P's services revenues at £47m last year. Clearly we were wrong (or P&P's services revenues have declined - which is unlikely!).

Technology Training Centre Ltd. and the Space Consultancy business (AS/400 and RS/6000 platforms) for an aggregate consideration of £2.4m.

Bimbos

Compuserve may ban pornography from its network but we are proud to publish a full frontal exposure of the latest bimbo. Don't get too excited, the bimbo (Buy in management buyOut) we refer to is the Rod McMillan (Buy in Chairman) and Kevin Hawkins (Buy out of P&P MD) purchase of Principal Distribution from P&P. Principal is "the UK's largest distributor of Apple Mac software" with revenues of £25m and 50 employees. We understand that the consideration was for the net book value - i.e. £2m.

That kind of minimal valuation is indicative of the problems currently facing the Apple channel. Being a Mac groupie, we wish the bimbo well. It's just that, like all bimbos, it might soon be past its "sell by" date.

Goodbye TPM?

ICL Sorbus is to cut 225 - 5% of its UK workforce - and move to reduce the number of brands it supports. As we reported last month, IBM UK suffered a 6% drop in its hardware maintenance revenues in 1995 and BULL (UK) (pB) an 11% reduction. We would not expect ICL to have fared any better.

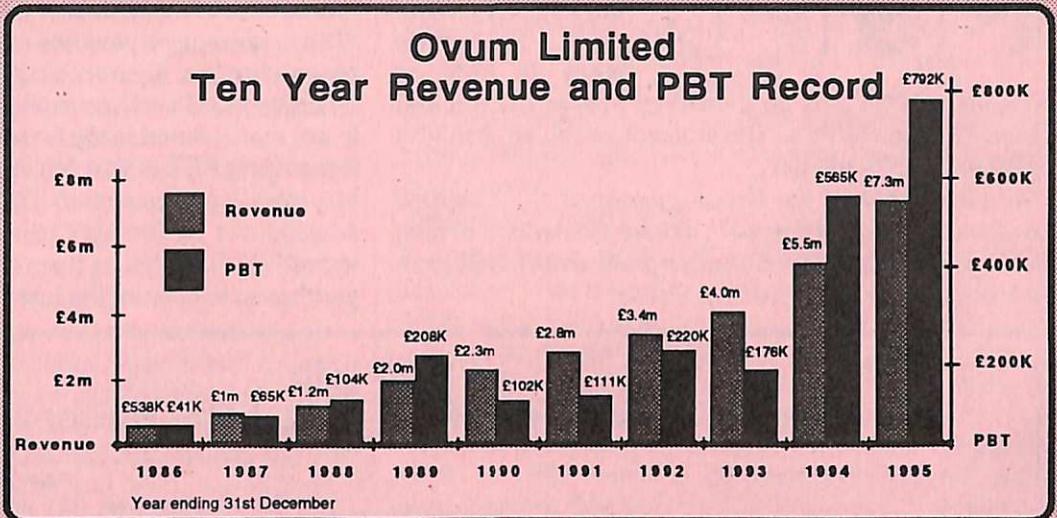
Services for sale?

A report by Merrill Lynch suggests that big US IT services companies may themselves become takeover targets. It identifies CSC, FiServ, Sungard, Bisys and Systems & Computer Technology as "eligible takeover candidates". We report this as a public service in our quest towards a UK company making it big in the worldwide rankings!

Sorry, Ovum

With all innocence, we started our article last month on Romtec's forthcoming AIM listing with the accolade "the largest UK-owned specialist IT market research company".

With our readership, we are never allowed to get away with making such an error. Peter Harrop, (ex-Chairman of Kalamazoo) has recently been appointed as non-exec. Chairman of Ovum which is not only UK-owned, is quite clearly involved in specialist IT market research (42% computing and the rest telecoms) but, as Harrop says, "is rather larger and has prettier financials" than Romtec.



Ovum is owned completely by its current and past employees and has "averaged 29% p.a. growth between 1987-1995". Reports represent around 52% of revenues with the remainder coming from consulting (33%) and continuous information programmes (15%).

Ovum might well consider a float itself "in a few year's time" but for the moment is engaged in establishing a US presence to add to the London and Melbourne operations. Indeed, the UK is currently only 24% of revenues with the rest of Europe contributing 47%.

We are not only glad to put the record straight, but delighted that the IT research sector is at long last experiencing such strong growth.

MR Group - facing the future with "some optimism"

MR Group plc is the second largest COM bureau in the UK. It had had a consistent - but unexciting - financial record until a string of profits warnings led to reversals in 1994 and 1995. MR is an object lesson in our industry. I.e. you cannot stand still - if you do technological change will blow you out of water (please take note, all you Internet-phobics). MR belatedly has moved away from its total reliance on COM.

But MR is still counting the cost of this in its latest results for the six months to 31st Dec. 95. Revenues are down 12.9% at £18.6m, PBT down 31% at £2.2m and EPS down 35%. Cash increased from £4.5m to £6.9m. They have also found a buyer for £800K for two of their unused properties.

MR has been trying to sell Memex for some time. It lost another £750K in the six months but still "no firm offers have been received". The laser printing activity "experienced increased turnover".

But MR is "beginning to see the benefits of the restructuring of its core business last summer, resulting in substantial improvements...we look forward to the future with some optimism".

After dropping 36% in 1995, MR has continued its recovery with a 18% gain this month.

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