

# System House

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## Big Players continue to make the News

We present below the Top Ten rankings of SCSi suppliers based on latest worldwide revenues. All hardware vendors have been excluded. By most definitions IBM would lead these rankings with SCSi revenues exceeding \$20 billion.

which could be as much as £5m". This was based on a valuation of \$9b which, as a ratio of value to revenue, is about the same as EDS.

### CSC

Top Ten "Independent" SCSi Companies by Worldwide Revenue

| Rank | Company                           | Nationality | Latest Year end | Revenue Previous Year | Revenue Latest Year | Growth |
|------|-----------------------------------|-------------|-----------------|-----------------------|---------------------|--------|
| 1    | Electronic Data Systems (EDS)     | US          | 31-Dec-95       | \$9,960m              | \$12,422m           | 24.7%  |
| 2    | Microsoft                         | US          | 30-Jun-95       | \$4,650m              | \$5,940m            | 27.7%  |
| 3    | Computer Sciences Corp. (CSC)     | US          | 31-Mar-96       | \$3,373m              | \$4,242m            | 25.8%  |
| 4    | Andersen Consulting               | US          | 31-Oct-95       | \$3,452m              | \$4,220m            | 22.2%  |
| 5    | Oracle                            | US          | 31-May-96       | \$2,967m              | \$4,200m            | 41.6%  |
| 6    | First Data (inc. First Financial) | US          | 31-Dec-95       | \$1,652m              | \$4,081m            | 147.0% |
| 7    | Computer Associates (CA)          | US          | 31-Mar-96       | \$2,623m              | \$3,500m            | 33.4%  |
| 8    | Automatic Data Processing (ADP)   | US          | 31-Dec-95       | \$2,249m              | \$3,166m            | 40.8%  |
| 9    | CAP Gemini Sogeti (incl Gemini)   | FR          | 31-Dec-95       | \$2,347m              | \$2,613m            | 11.3%  |
| 10   | Novell                            | US          | 31-Dec-95       | \$1,998m              | \$2,041m            | 2.2%   |

By contrast CSC has undertaken 56 acquisitions since 1964. We were delighted this month to be granted an interview with Ron Mackintosh who has been head of CSC Europe for some years and the person ultimately responsible for the quite superb performance of CSC UK - particularly in the outsourcing arena - in the last two years. Worldwide, CSC increased revenues by 26% to \$4.2b. PBT was up 33% at \$231m - a 5.4% margin. International revenues increased by over 50% to \$1.1b "principally from new outsourcing business".

European revenues were up an even higher 80% at \$965m. The UK put on an impressive 62% and, at \$485m, was half the total for Europe. Germany (\$250m) is the second

The worldwide Top Ten now has revenues of over \$46 billion and have grown by 32% in the last year. This growth is probably 3-4 times higher than the remaining companies. **Consolidation therefore continues apace.**

### EDS

At the start of the month there were just two of the Top Ten in which you could *not* invest directly. However, on 10th June 96 EDS stock began trading in New York at \$58.25 as the spin off was approved, as expected, by GM's shareholders. The shares were also listed in the UK (at £37.16). This put a value of £18b (c\$27b) on EDS which had revenues of \$12.4b and PBT of \$1.47b in the year to 31st Dec. 95 - i.e. a 12% margin. EDS' share price had fallen by 4% by the end of June.

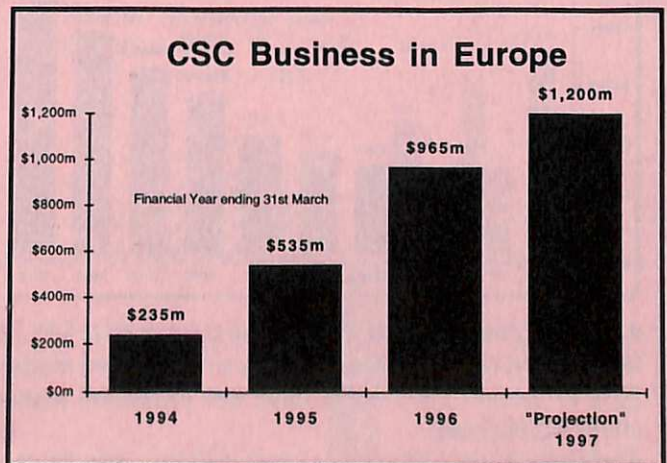
Apart from enhancing the value of GM's investment, the separate quote will distance EDS from GM and therefore "remove limitations to obtain business from companies that compete with GM and to enhance EDS' access to the capital necessary for investment in its future growth". i.e. to enable EDS to undertake even more acquisitions.

### Andersen Consulting

Andersen Consulting, on the other hand, as a partnership, is the only SCSi leader without a quote. AC has never really been in the acquisition mode.

This month strong rumours have emerged that AC might well spin out of Andersen Worldwide and thereafter obtain its own quote. The Independent on Sunday 16th June 1996 reckoned that "senior partners would share a windfall

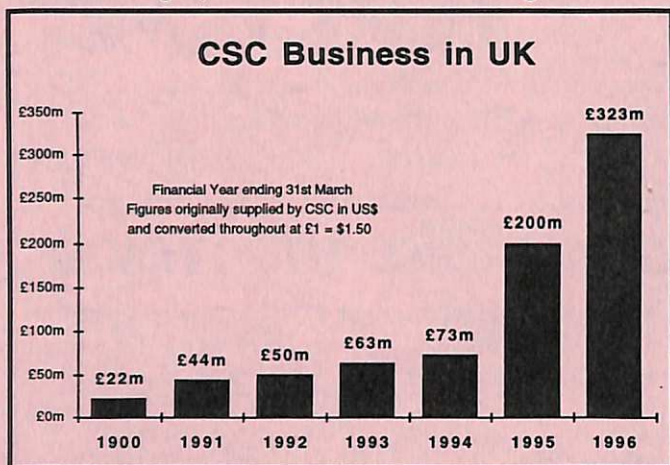
largest market in Europe. European revenues will ultimately benefit from the acquisition, finalised this month, of a 75% stake in Danish **Datacentralen**, which had revenues of \$168m in 1995. The \$1.5b acquisition of **Continuum** will also affect CSC's European revenues. Europe is very important to CSC. Mackintosh reckons it



will represent 25% of the CSC's total revenues in FY97. Of course, revenues are one thing but profits are rather more important - particularly as senior management are incentivised by "long term share price performance". The UK "has never made a loss and produced a healthy profit in FY96".

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But this is not so in Europe. The acquisition of CIG in Belgium in 1989 was "perhaps rather naive" and the operation lost a "sizeable amount of money" in the early 1990's ending up with a \$15m restructuring cost. The

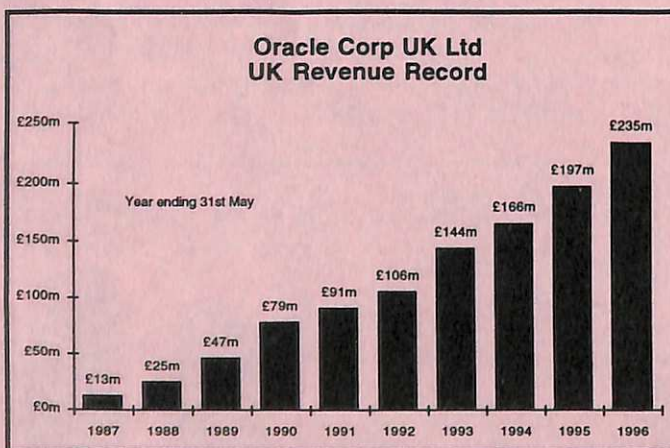


1991 acquisition of French Groupe Marie fared no better. The operation had been making margins of 12% but, as a result of staff defections, turned loss-making within 18 months. But it looks as though CSC Europe broke even in FY95 and "returned good profits" in FY 96. Mackintosh expects a higher profit margin from Europe by 2000 than for the rest of the group.

Half CSC's growth in Europe comes from outsourcing which is seen as the major growth potential for the future, embracing business processes as well as IT.

### Oracle

Oracle reported results for Q4 and the full year to 31st May 96 ahead of expectations. Revenues increased by 42% to \$4.2b and profit after tax was up 44% at \$636m. Clearly Oracle has increased market share but growth in Europe was still behind that in the US and Asia ("going through the roof"). Application licence growth exceeded



database growth. Oracle shares rose by over \$3 to \$37.75. Oracle's UK revenues increased by a rather more modest 20% to around £235m but have still increased market share significantly.

Applications (up 70%) and services performed particularly strongly in the UK market.

### Conclusion

The results above demonstrate - if you need any further evidence - that our industry is and will increasingly be dominated by a few large players. In many markets - outsourcing is just one example - size really does matter.

### Electronic Data Processing

EDP has announced revenues up 25% at £7.9m but PBT reduced by 17% at £1.5m and EPS was down 14% in the six months to 31st Mar. 96. "The reduction in profits is due to the very competitive nature of the markets in which we operate. Although activity levels are high, we continue to see long lead times in purchasing decisions". CEO Richard Jowitt says the "market is tough"...the problem we have is that our findings say that it is currently booming. We just feel that EDP has already missed its opportunity. It may wish to look for acquisitions but its record in finding and consummating such purchases is lamentable.

Of course, many would be very pleased with a PBT margin of 19% - particularly after a 5% increase in R&D expenditure to £898K (equivalent to 11% of sales) and (we are pleased to see) written off to the P&L account! We have long argued that EDP is one of the "missed opportunities" companies - sitting on a mountain of cash without any real idea of what to do with it.

At least they have consummated one acquisition - BML for £3.43m in Dec. 95 which has "helped make EDP the brand leader in the supply of software solutions to the merchanting/distribution industry in the UK".

However, as a result, cash balances have reduced from £12.3m to £8.8m in the last year.

As to the future Jowitt is "confident that PBT for the year as a whole will be satisfactory and acceptable". EDP shares fell by 8% to end June 96 on 90p.

### Rebus Group lives up to expectations

Rebus Group, the computer services company which demerged from CE Heath in April 1996, and better known previously as Peterborough Software and Datasure, has announced its proforma results for the year ended 31st March 1996.

These were almost identical to the forecast made in the prospectus at the time of the demerger. Revenue was up 5% at £60m and PBT after exceptionals was £225K. The operating profit, before exceptionals of £4.5m, was only slightly down at £6.1m on the comparative 1995 proforma figure of £6.5m. EPS naturally declined dramatically with a 94% drop. The exceptional items mainly comprised the expected provision of £2.5m due for Datasure's incentive provision scheme and the actual demerger costs of over £1.7m.

Peterborough Software's (human resources management software and a claimed UK #1 position in this field) revenue was up slightly at £31.7m with an identical PBT of £4.7m. Datasure (insurance industry systems) had static revenue of £24.6m but did show a PBT increase of some 21% to £2.1m. The other two subsidiaries, Sceptre (payroll) and Saffron (housing management systems) had combined revenues of £3.7m and profits of £700K (well up on the £100K reported in 1995).

Chairman Harold Cottam is "confident that our two largest operations, Peterborough and Datasure... will benefit from a more focused management... Both Sceptre and Saffron generated important new clients in the second half of the year... The costs of investment (of existing and new products) are however likely to restricts profit growth in the current financial year".

The original share price on flotation was 88p giving the group a value of £66m. Since then the share price has shot up to a high of 116p in May but has now fallen to end June on 87p - a drop of 19% in the month.

## Views of being a Judge

It was, perhaps, because we have never been asked to judge anything before that when ICL invited us onto the panel for the X/Open awards, we agreed. Just a half day meeting at Bracknell with the other judges like Rob Wirszycz from the CSSA and John Ockenden from the NCC, was all that was required. They didn't mention (or perhaps I should have known) that I would then be sent 57 detailed, voluminous submissions to read.

We hope we are not breaking too many confidences to say that the voting for the award for open systems product of the year was unanimous. **Sun Microsystems** got it for Java. The definition of an open product takes on new meaning when related to a product which is given away free!

The Open Business Application award was more contentious. It would be unfair to reveal all the details. Just to say that we were absolutely delighted that our points in favour of **Systems Union** won the day!

Systems Union is one of those rare gems of a business. Formed in 1981, it is UK owned, private and produces financial accounting and business software. Just like a hundred other UK also-rans you might now be saying.

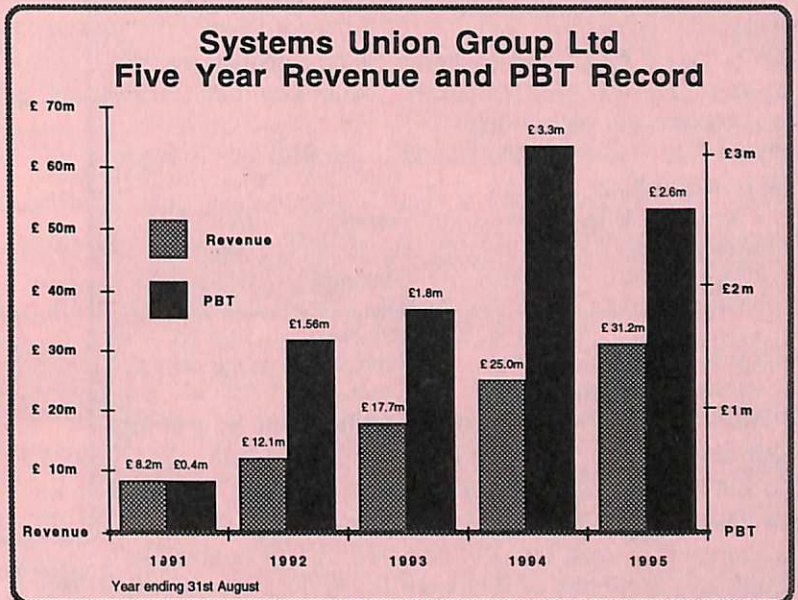
But no. In the year to 31st August 1995 revenues grew "for the 13th year in succession" by 25% to £31.2m - although profits reduced from £3.32m to £2.62m. This was due to R&D expenditure which increased by 56%. Chairman (and by far the majority shareholder) John Pemberton said "Net assets have increased to a healthy £4.5m and we have maintained worldwide cash balances over the £2m mark".

Of the £31.2m revenues, over £20m were earned outside the UK with Europe (£6.1m), America (£4.4m), Asia (£3.9m) and Australia (£3.4m) being the largest overseas markets. Over 400 staff are employed in 16 offices.

The principal activity of Systems Union is the development and sale of their SunSystems business and accounting software package. They also provide SunSystems support and maintenance together with consultancy.

"We start the new financial year with very ambitious growth targets in sales, product development and levels of profitability". Pemberton insists strongly that he has no intention of floating onto the Stock Exchange. But there is little doubt that Systems Union is now a very valuable operation.

**Footnote:** For those demanding more information, Systems Union have one of better web sites around ([www.systemsunion.com](http://www.systemsunion.com)).



## Could Kewill become Boring again?

If you took the chart below and removed 1992 and 1993, we might have given **Kewill Systems** a Boring Award. As it is, we have used Kewill as THE example of how one bad acquisition (Weigang in Germany) can bring a sound company to its knees.

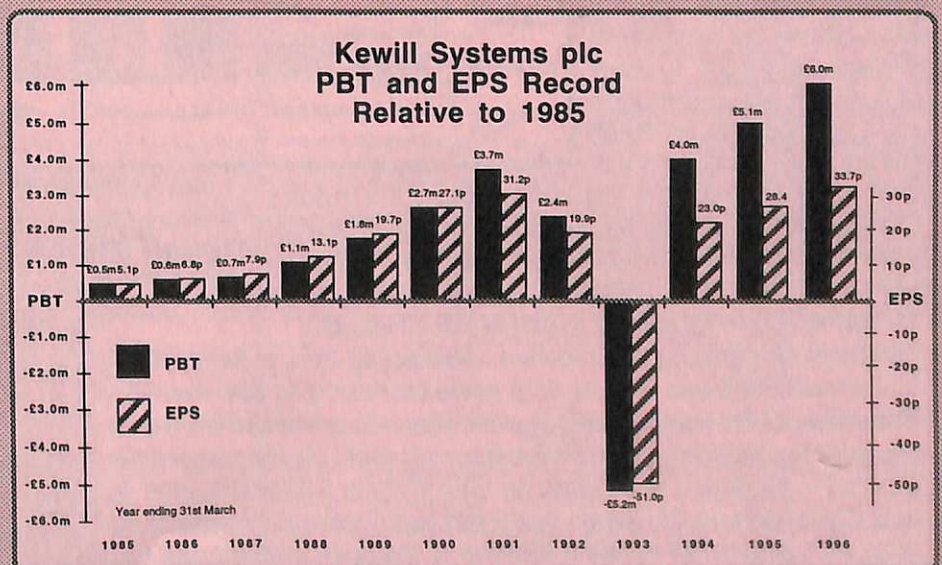
Although results for the year to 31st Mar. 96 showed PBT up 20% at £6.1m and EPS was 19% higher, revenues grew by just 5% to £35.2m - and most of that modest increase was a result of two months contribution from the acquisition of **Process Computing** in Feb. 96 for £1.6m. However, margins were a very respectable 17% and cash increased from £3.6m to £5.5m.

After the year end, Kewill acquired EDI supplier **Meadowhouse** for £3.3m. Indeed, even without this, UK EDI sales had grown by 30% in FY96 and is expected to contribute 30% of UK revenues in FY97.

Germany, via their HAN Datapoint operation, still causes concerns and "operating costs have been lowered in anticipation of continued tough conditions". However, operating profits increased by 30%.

Prospects for both organic and for growth through acquisition are good".

Kewill shares, however, fell 9% this month on the news.



## Azlan invades Europe

Azlan was a new issue in Nov. 93 at 230p. However, soon afterwards they lost their distribution deal with Madge, internal problems led to the departure of the CEO and by late 1994 the share price had fallen to a low of 116p.

Since then, Azlan has rocketed helped greatly by the Internet, its deal with Netscape, IBM etc. and all things connected with networking.

Azlan has also used the period to expand into Europe with acquisitions such as:

|                          |             |         |
|--------------------------|-------------|---------|
| • Research & Development | France      | May 94  |
| • Damguard               | Denmark     | Jun. 94 |
| • Asonic                 | Germany     | Oct. 94 |
| • Adcomp                 | Italy       | Jul. 95 |
| • Ronin                  | Holland     | Nov. 95 |
| • Scandinavia Comm. Sys  | Scandinavia | Dec. 95 |
| • ENS Datensysteme       | Czech Repl. | Mar 96  |

This all contributed to one of the most sparkling performances in the sector so far this year.

In the year to 31st Mar. 96 Azlan more than doubled revenues to £196.5m and PBT increased by 169% to £10.5m. But even more impressive, for an acquisitive company, EPS was up a brilliant 142%. This was well in excess of estimates made

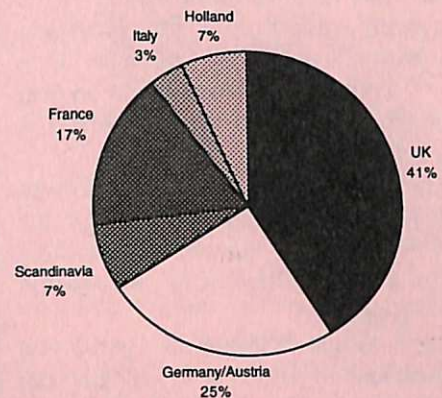
just a few months earlier. As you might expect, Azlan's share price has also sparked - at 698p, that's 6-times the low of under two years ago! But after years of bemoaning UK-owned companies' performances in Europe, Azlan deserve every accolade for its tripling of revenues in Europe which now represent 60% (FY95=40%) of revenues. Azlan now operates in eleven countries which represent 90% of the European networking market.

Although we would not wish to detract from the success of Azlan in its distribution activities, there is no doubt that as networking becomes

both more complex and vital for business, it is Azlan's service offerings which will offer the real opportunities. Indeed, 40% of Azlan's 700 staff are now "technical, product and service specialists". Services, offer better

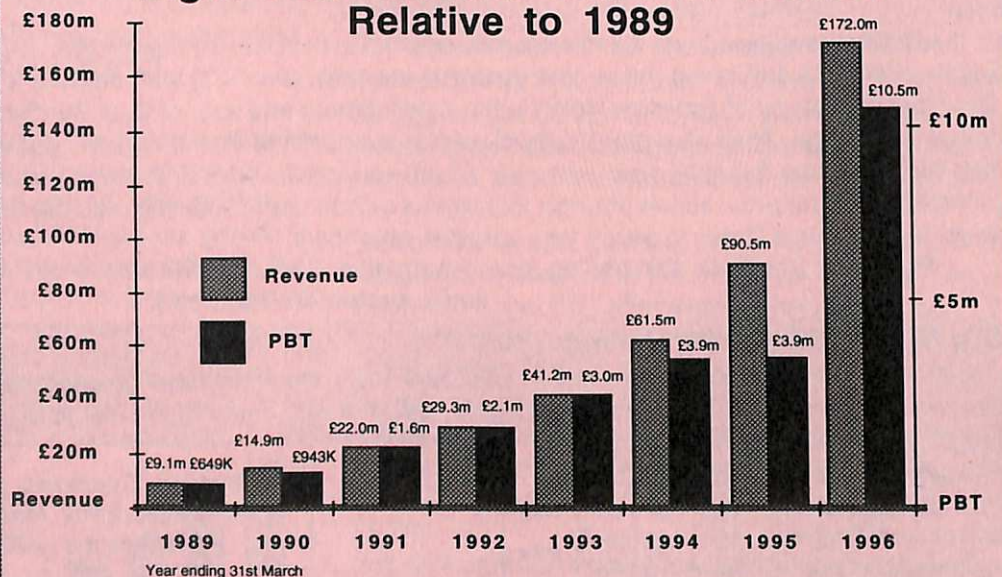
margins. Although, at 5%, Azlan is doing pretty well already.

## Azlan FY96 Revenue by Location



CEO Chris Martin said "as a result of the strong start to the new financial year, with sales and profits substantially

## Azlan Group plc Eight Year Revenue and PBT Record Relative to 1989



ahead of the same period last year, Azlan is confident of a year of continuing success".

Brokers SBC Warburg forecast PBT up 47% at £15.5m and EPS up 25% for FY97.

## Gresham Computing continues recovery

Gresham Computing has reported revenues up 20% at £4.6m, PBT up 36% at £708K and EPS up 35% in the six months to 30th Apr. 96. It has been an "interesting" period for Gresham. Since founder Sid Green departed two years ago, there has been a complete restructuring which resulted in the share price crashing from 180p to 31p in mid 1995. A new Chairman and CEO were appointed and Gresham returned to its roots as a supplier of systems software to the open systems and ICL mainframe markets. As you would expect from any self-respecting software company, Gresham has also announced a new product - Casablanca - "targeted at the fast growing Internet market". But all aspects of the business seem to have done well: particularly consultancy, support and IT contract staff.

But Gresham still ended June 96 down 20% at 57p.

## WS Atkins to float at last

We have reported on consulting engineers WS Atkins on many previous occasions. Although at the fringes of our SCSi company definitions, most of their activities are technology based. This month after years of speculation, they finally declared their intention to float in the summer of 1996. Results to 31st Mar. 96 (a new year end) showed revenues of £196m and PBT of £20.7m. A valuation of £160m-£200m is suggested which, in the current climate, looks eminently achievable.

**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

| Admiral plc                      |                  |                |                  | FI Group plc                                |                  |                  |                  |                  |            |
|----------------------------------|------------------|----------------|------------------|---|------------------|------------------|------------------|------------------|------------|
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Final - Apr 94   | Interim - Oct 95 | Final - Apr 95   | Comparison       |            |
| REV                              | £ 49,473,000     | £ 65,480,000   | +32.3%           | REV   | £ 41,497,000     | £ 37,420,000     | £ 61,703,000     | +48.7%           |            |
| PBT                              | £ 7,719,000      | £ 9,832,000    | +27.4%           | PBT   | £ 2,080,000      | £ 2,089,000      | £ 3,260,000      | +56.7%           |            |
| EPS                              | 9.04p            | 10.72p         | +18.6%           | EPS   | 4.90p            | 4.90p            | 7.60p            | +55.1%           |            |
| Azlan Group plc                  |                  |                |                  | Firecrest Group plc                         |                  |                  |                  |                  |            |
|                                  | Final - Mar 95   | Final - Mar 96 | Comparison       |   | Final - Dec 94   | Final - Dec 95   | Comparison       |                  |            |
| REV                              | £ 90,488,000     | £ 196,459,000  | +117.1%          | REV   | £ 7,126,671      | £ 6,609,068      | -7.3%            |                  |            |
| PBT                              | £ 3,906,000      | £ 10,570,000   | +169.0%          | PBT   | £ 414,929        | £ 603,027        | +45.3%           |                  |            |
| EPS                              | 12.50p           | 30.30p         | +142.4%          | EPS   | 2.30p            | 2.30p            | +0.0%            |                  |            |
| British Data Management plc      |                  |                |                  | Flomerics Group plc                         |                  |                  |                  |                  |            |
|                                  | Interim - Dec 94 | Final - Jun 95 | Interim - Dec 95 | Comparison                                  |                  | Final - Dec 94   | Final - Dec 95   | Comparison       |            |
| REV                              | £ 8,599,000      | £ 17,042,000   | £ 9,485,000      | +10.3%                                      | REV              | £ 3,098,672      | £ 4,147,187      | +33.8%           |            |
| PBT                              | £ 535,000        | £ 1,575,000    | £ 1,561,000      | +191.8%                                     | PBT              | £ 406,900        | £ 415,565        | +2.1%            |            |
| EPS                              | 1.47p            | 3.80p          | 4.28p            | +191.2%                                     | EPS              | 11.00p           | 11.00p           | +0.0%            |            |
| Capita Group plc                 |                  |                |                  | Gresham Computing plc                       |                  |                  |                  |                  |            |
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Interim - Apr 95 | Final - Oct 95   | Interim - Apr 96 | Comparison       |            |
| REV                              | £ 73,800,000     | £ 86,994,000   | +17.9%           | REV   | £ 3,803,000      | £ 7,895,000      | £ 4,579,000      | +20.4%           |            |
| PBT                              | £ 7,903,000      | £ 9,420,000    | +19.2%           | PBT   | £ 521,000        | £ 1,281,000      | £ 708,000        | +35.9%           |            |
| EPS                              | 10.50p           | 11.80p         | +12.4%           | EPS   | 0.88p            | 2.36p            | 1.32p            | +34.7%           |            |
| Cedardata plc                    |                  |                |                  | INSTEM plc                                  |                  |                  |                  |                  |            |
|                                  | Final - Mar 95   | Final - Mar 96 | Comparison       |   | Final - Dec 94   | Final - Dec 95   | Comparison       |                  |            |
| REV                              | £ 8,932,000      | £ 12,071,000   | +35.1%           | REV   | £ 16,812,000     | £ 21,324,000     | +26.8%           |                  |            |
| PBT                              | £ 3,572,000      | £ 4,384,000    | +22.7%           | PBT   | £ 1,153,000      | £ 1,244,000      | +7.9%            |                  |            |
| EPS                              | 7.90p            | 9.50p          | +20.3%           | EPS   | 16.80p           | 18.10p           | +7.7%            |                  |            |
| CentreGold plc                   |                  |                |                  | JBA Holdings plc                            |                  |                  |                  |                  |            |
|                                  | Interim - Jan 95 | Final - Jul 95 | Interim - Jan 96 | Comparison                                  |                  | Final - Dec 94   | Final - Dec 95   | Comparison       |            |
| REV                              | £ 41,037,000     | £ 69,497,000   | £ 39,351,000     | -4.1%                                       | REV              | £ 90,687,000     | £ 124,693,000    | +37.5%           |            |
| PBT                              | -£ 3,883,000     | -£ 11,378,000  | -£ 1,047,000     | Loss both                                   | PBT              | £ 6,131,000      | £ 8,714,000      | +42.1%           |            |
| EPS                              | -6.44p           | -22.50p        | -2.43p           | Loss both                                   | EPS              | 12.13p           | 16.31p           | +34.5%           |            |
| Clinical Computing plc           |                  |                |                  | Kalamazoo Computer Group plc                |                  |                  |                  |                  |            |
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Final - Mar 95   | Final - Mar 96   | Comparison       |                  |            |
| REV                              | £ 1,471,684      | £ 2,209,023    | +50.1%           | REV   | £ 60,719,000     | £ 66,655,000     | +9.8%            |                  |            |
| PBT                              | -£ 688,596       | -£ 546,832     | Loss both        | PBT   | £ 6,815,000      | £ 5,882,000      | -13.7%           |                  |            |
| EPS                              | -4.30p           | -3.40p         | Loss both        | EPS   | 11.80p           | 10.20p           | -13.6%           |                  |            |
| CMG plc                          |                  |                |                  | Kewill Systems plc                          |                  |                  |                  |                  |            |
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Final - Mar 95   | Final - Mar 96   | Comparison       |                  |            |
| REV                              | £ 146,283,000    | £ 196,484,000  | +34.3%           | REV   | £ 33,667,000     | £ 35,242,000     | +4.7%            |                  |            |
| PBT                              | £ 14,057,000     | £ 18,460,000   | +31.3%           | PBT   | £ 5,067,000      | £ 6,061,000      | +19.6%           |                  |            |
| EPS                              | 13.90p           | 18.20p         | +30.9%           | EPS   | 28.39p           | 33.70p           | +18.7%           |                  |            |
| Coda Group plc                   |                  |                |                  | Learmonth & Burchett Management Systems plc |                  |                  |                  |                  |            |
|                                  | Final - Oct 94   | Final - Oct 95 | Comparison       |   | Final - Apr 95   | Final - Apr 96   | Comparison       |                  |            |
| REV                              | £ 23,388,000     | £ 32,791,000   | +40.2%           | REV   | £ 23,761,000     | £ 25,855,000     | +8.8%            |                  |            |
| PBT                              | -£ 7,992,000     | £ 1,030,000    | Loss to Profit   | PBT   | -£ 5,251,000     | -£ 539,000       | Loss both        |                  |            |
| EPS                              | -27.70p          | 2.50p          | Loss to Profit   | EPS   | -24.70p          | -2.30p           | Loss both        |                  |            |
| Compel Group plc                 |                  |                |                  | Logica plc                                  |                  |                  |                  |                  |            |
|                                  | Interim - Dec 94 | Final - Jun 95 | Interim - Dec 95 | Comparison                                  |                  | Interim - Dec 94 | Final - Jun 95   | Interim - Dec 95 | Comparison |
| REV                              | £ 28,272,000     | £ 70,019,000   | £ 40,421,000     | +43.0%                                      | REV              | £ 113,565,000    | £ 250,135,000    | £ 128,919,000    | +13.5%     |
| PBT                              | £ 1,194,000      | £ 2,684,000    | £ 1,441,000      | +20.7%                                      | PBT              | £ 7,220,000      | £ 20,310,000     | £ 9,035,000      | +25.1%     |
| EPS                              | 5.56p            | 11.10p         | 6.06p            | +9.0%                                       | EPS              | 7.80p            | 21.70p           | 9.80p            | +25.6%     |
| CFS Group plc                    |                  |                |                  | Lorien plc                                  |                  |                  |                  |                  |            |
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Final - Nov 94   | Final - Nov 95   | Comparison       |                  |            |
| REV                              | £ 3,120,711      | £ 2,986,520    | -4.3%            | REV   | £ 17,904,000     | £ 29,109,000     | +62.6%           |                  |            |
| PBT                              | £ 319,718        | £ 384,675      | +20.3%           | PBT   | £ 169,000        | £ 971,000        | +474.6%          |                  |            |
| EPS                              | 3.29p            | 4.77p          | +45.0%           | EPS   | 2.65p            | 12.10p           | +356.6%          |                  |            |
| Cray Electronic Holdings plc     |                  |                |                  | Lynx Holdings plc                           |                  |                  |                  |                  |            |
|                                  | Interim - Oct 94 | Final - Apr 95 | Interim - Oct 95 | Comparison                                  |                  | Interim - Mar 95 | Final - Sep 95   | Interim - Mar 96 | Comparison |
| REV                              | £ 135,044,000    | £ 264,838,000  | £ 128,957,000    | -4.5%                                       | REV              | £ 12,605,000     | £ 3,201,800      | £ 38,133,000     | +202.5%    |
| PBT                              | £ 10,085,000     | £ 835,000      | -£ 14,594,000    | Profit to loss                              | PBT              | £ 741,000        | £ 2,564,000      | £ 2,069,000      | +179.2%    |
| EPS                              | 3.00p            | -0.30p         | -6.30p           | Profit to loss                              | EPS              | 1.27p            | 4.70p            | 1.73p            | +36.2%     |
| CRT Group plc                    |                  |                |                  | M.A.I.D. plc                                |                  |                  |                  |                  |            |
|                                  | Interim - Oct 94 | Final - Apr 95 | Interim - Oct 95 | Comparison                                  |                  | Final - Dec 94   | Final - Dec 95   | Comparison       |            |
| REV                              | £ 29,187,000     | £ 72,762,000   | £ 48,079,000     | +64.7%                                      | REV              | £ 8,887,000      | £ 13,642,000     | +53.5%           |            |
| PBT                              | £ 1,288,000      | £ 5,972,000    | £ 1,748,000      | +35.7%                                      | PBT              | £ 1,285,000      | -£ 4,045,000     | Profit to loss   |            |
| EPS                              | 1.42p            | 6.30p          | 1.71p            | +20.4%                                      | EPS              | 1.14p            | -4.42p           | Profit to loss   |            |
| DCS Group plc                    |                  |                |                  | MMT Computing plc                           |                  |                  |                  |                  |            |
|                                  | Interim - Dec 94 | Final - Jun 95 | Interim - Dec 95 | Comparison                                  |                  | Interim - Feb 95 | Final - Aug 95   | Interim - Feb 96 | Comparison |
| REV                              | £ 4,007,000      | £ 8,694,833    | £ 14,335,000     | +257.7%                                     | REV              | £ 6,442,000      | £ 13,957,949     | £ 8,255,000      | +28.1%     |
| PBT                              | £ 105,000        | £ 609,530      | £ 1,204,000      | +1046.7%                                    | PBT              | £ 1,387,000      | £ 3,075,053      | £ 2,372,000      | +71.0%     |
| EPS                              | 0.88p            | 5.02p          | 4.27p            | +385.2%                                     | EPS              | 7.40p            | 16.30p           | 13.00p           | +75.7%     |
| DRS Data & Research Services plc |                  |                |                  | MR Group plc                                |                  |                  |                  |                  |            |
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Interim - Dec 94 | Final - Jun 95   | Interim - Dec 95 | Comparison       |            |
| REV                              | £ 8,798,000      | £ 6,468,000    | -26.5%           | REV   | £ 21,305,000     | £ 41,429,000     | £ 18,560,000     | -12.9%           |            |
| PBT                              | £ 1,487,000      | £ 594,000      | -60.1%           | PBT   | £ 3,136,000      | £ 1,309,000      | £ 2,174,000      | -30.7%           |            |
| EPS                              | 3.07p            | 1.33p          | -56.7%           | EPS   | 4.00p            | 1.60p            | 2.60p            | -35.0%           |            |
| Delphi Group plc                 |                  |                |                  | McDonnell Information Systems Group plc     |                  |                  |                  |                  |            |
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Final - Dec 94   | Final - Dec 95   | Comparison       |                  |            |
| REV                              | £ 97,685,000     | £ 175,006,000  | +79.2%           | REV   | £ 148,911,000    | £ 146,805,000    | -1.4%            |                  |            |
| PBT                              | -£ 391,000       | £ 9,015,000    | Loss to profit   | PBT   | £ 7,157,000      | -£ 39,420,000    | Profit to loss   |                  |            |
| EPS                              | -7.76p           | 25.42p         | Loss to profit   | EPS   | 3.10p            | -37.02p          | Profit to loss   |                  |            |
| Division Group plc               |                  |                |                  | Macro 4 plc                                 |                  |                  |                  |                  |            |
|                                  | Final - Oct 94   | Final - Oct 95 | Comparison       |   | Interim - Dec 94 | Final - Jun 95   | Interim - Dec 95 | Comparison       |            |
| REV                              | £ 5,270,000      | £ 4,830,000    | -8.3%            | REV   | £ 12,285,000     | £ 25,035,000     | £ 12,635,000     | +2.8%            |            |
| PBT                              | -£ 1,440,000     | -£ 3,893,000   | Loss both        | PBT   | £ 5,685,000      | £ 11,602,000     | £ 5,956,000      | +4.8%            |            |
| EPS                              | -4.00p           | -9.20p         | Loss both        | EPS   | 16.70p           | 35.20p           | 17.90p           | +7.2%            |            |
| Eidos plc                        |                  |                |                  | Micro Focus plc                             |                  |                  |                  |                  |            |
|                                  | Final - Dec 94   | Final - Dec 95 | Comparison       |   | Final - Jan 95   | Final - Jan 96   | Comparison       |                  |            |
| REV                              | £ 254,225        | £ 1,282,000    | +404.3%          | REV   | £ 89,885,000     | £ 77,258,000     | -14.0%           |                  |            |
| PBT                              | -£ 107,623       | -£ 1,452,000   | Loss both        | PBT   | £ 8,723,000      | -£ 6,542,000     | Profit to loss   |                  |            |
| EPS                              | -4.16p           | -40.18p        | Loss both        | EPS   | 32.00p           | -43.60p          | Profit to loss   |                  |            |
| Electronic Data Processing plc   |                  |                |                  | Microgen Holdings plc                       |                  |                  |                  |                  |            |
|                                  | Interim - Mar 95 | Final - Sep 95 | Interim - Mar 96 | Comparison                                  |                  | Final - Oct 94   | Final - Oct 95   | Comparison       |            |
| REV                              | £ 6,326,000      | £ 12,605,000   | £ 7,894,000      | +24.8%                                      | REV              | £ 58,774,000     | £ 69,029,000     | +17.4%           |            |
| PBT                              | £ 1,807,000      | £ 3,083,000    | £ 1,505,000      | -16.7%                                      | PBT              | £ 6,173,000      | £ 8,383,000      | +35.8%           |            |
| EPS                              | 4.55p            | 7.53p          | 3.93p            | -13.6%                                      | EPS              | 10.00p           | 14.80p           | +48.0%           |            |

**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

| Microvitec plc                         |                  |                  |                  |            | Riva Group plc  |                  |                  |                  |                |
|--|------------------|------------------|------------------|------------|---|------------------|------------------|------------------|----------------|
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Final - Dec 94  | Final - Dec 95   | Comparison       |                  |                |
| REV                                    | £ 44,148,000     | £ 55,050,000     | +24.7%           | REV        | £ 58,007,000  | £ 73,022,000     | +25.9%           |                  |                |
| PBT                                    | £ 2,560,000      | £ 3,411,000      | +33.2%           | PBT        | £ 10,000  | £ 182,000        | Loss to profit   |                  |                |
| EPS                                    | 3.00p            | 3.10p            | +3.3%            | EPS        | -1.50p  | 0.10p            | Loss to profit   |                  |                |
| Misys plc                              |                  |                  |                  |            | Rolfe & Nolan plc   |                  |                  |                  |                |
|  | Interim - Nov 94 | Final - May 95   | Interim - Nov 95 | Comparison |   | Final - Feb 95   | Final - Feb 96   | Comparison       |                |
| REV                                    | £ 63,922,000     | £ 153,395,000    | £ 129,528,000    | +102.6%    | REV   | £ 14,288,000     | £ 17,128,000     | +19.9%           |                |
| PBT                                    | £ 11,245,000     | £ 26,345,000     | £ 19,216,000     | +70.9%     | PBT   | £ 1,512,000      | £ 2,517,000      | +66.5%           |                |
| EPS                                    | 16.20p           | 35.10p           | 16.90p           | +4.3%      | EPS   | 6.70p            | 12.33p           | +84.0%           |                |
| Moorepay Group plc                     |                  |                  |                  |            | Romtec plc  |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Final - Jan 94  | Final - Jan 95   | Comparison       |                  |                |
| REV                                    | £ 3,873,089      | £ 4,632,538      | +19.6%           | REV        | £ 2,702,839   | £ 3,290,384      | +21.7%           |                  |                |
| PBT                                    | £ 686,336        | £ 1,142,110      | +66.4%           | PBT        | -£ 73,624   | £ 185,840        | Loss to profit   |                  |                |
| EPS                                    | 6.28p            | 10.22p           | +62.7%           | EPS        | n/a   | n/a              | n/a              |                  |                |
| MSB International plc                  |                  |                  |                  |            | Sage Group plc  |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Interim - Mar 95  | Final - Sep 95   | Interim - Mar 96 | Comparison       |                |
| REV                                    | £ 18,087,000     | £ 38,555,000     | +113.2%          | REV        | £ 50,622,000  | £ 102,234,000    | £ 71,836,000     | +41.9%           |                |
| PBT                                    | £ 1,417,000      | £ 3,420,000      | +141.4%          | PBT        | £ 11,740,000  | £ 22,362,000     | £ 16,116,000     | +37.3%           |                |
| EPS                                    | 1.82p            | 4.90p            | +169.2%          | EPS        | 7.46p   | 13.88p           | 9.92p            | +33.0%           |                |
| OmniMedia plc                          |                  |                  |                  |            | Sanderson Electronics plc   |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Interim - Mar 95  | Final - Sep 95   | Interim - Mar 96 | Comparison       |                |
| REV                                    | £ 124,594        | £ 275,275        | +120.9%          | REV        | £ 27,078,000  | £ 57,801,000     | £ 30,583,000     | +12.9%           |                |
| PBT                                    | -£ 421,354       | -£ 1,023,344     | Loss both        | PBT        | £ 2,805,000   | £ 5,305,000      | £ 3,317,000      | +18.3%           |                |
| EPS                                    | -3.84p           | -6.06p           | Loss both        | EPS        | 4.60p   | 8.80p            | 5.30p            | +15.2%           |                |
| On Demand Information plc              |                  |                  |                  |            | Sema Group plc  |                  |                  |                  |                |
|  | Interim - Jan 95 | Final - Jul 95   | Interim - Jan 96 | Comparison |   | Final - Dec 94   | Final - Dec 95   | Comparison       |                |
| REV                                    | £ 5,120,000      | £ 8,786,000      | £ 5,677,000      | +10.9%     | REV   | £ 596,111,000    | £ 677,726,000    | +13.7%           |                |
| PBT                                    | -£ 1,333,000     | -£ 3,646,000     | -£ 1,284,000     | Loss both  | PBT   | £ 29,518,000     | £ 36,927,000     | +25.1%           |                |
| EPS                                    | -2.60p           | -7.20p           | -2.50p           | Loss both  | EPS   | 20.98p           | 24.79p           | +18.2%           |                |
| Oxford Molecular plc                   |                  |                  |                  |            | Sherwood International plc  |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Final - Dec 94  | Final - Dec 95   | Comparison       |                  |                |
| REV                                    | £ 2,765,000      | £ 6,179,000      | +123.5%          | REV        | £ 27,067,000  | £ 26,246,000     | -3.0%            |                  |                |
| PBT                                    | -£ 2,906,000     | -£ 3,693,000     | Loss both        | PBT        | £ 79,000  | £ 6,850,000      | +8570.9%         |                  |                |
| EPS                                    | -8.60p           | -7.40p           | Loss both        | EPS        | -10.73p   | 66.20p           | Loss to profit   |                  |                |
| P & P plc                              |                  |                  |                  |            | Spargo Consulting plc   |                  |                  |                  |                |
|  | Final - Nov 94   | Final - Nov 95   | Comparison       |            | Final - Dec 94  | Final - Dec 95   | Comparison       |                  |                |
| REV                                    | £ 283,930,000    | £ 341,990,000    | +29.6%           | REV        | £ 6,016,000   | £ 7,379,000      | +22.7%           |                  |                |
| PBT                                    | £ 8,016,000      | £ 12,574,000     | +56.9%           | PBT        | £ 1,211,000   | £ 902,000        | -25.5%           |                  |                |
| EPS                                    | 8.10p            | 11.00p           | +35.8%           | EPS        | 6.29p   | 4.43p            | -29.6%           |                  |                |
| Parity plc                             |                  |                  |                  |            | Standard Platforms Holdings plc   |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Interim - Mar 95  | Final - Sep 95   | Interim - Mar 96 | Comparison       |                |
| REV                                    | £ 88,791,000     | £ 127,711,000    | +43.8%           | REV        | £ 895,119   | £ 1,066,805      | £ 721,166        | +3.1%            |                |
| PBT                                    | £ 4,176,000      | £ 6,540,000      | +56.6%           | PBT        | -£ 314,850  | -£ 625,546       | -£ 427,844       | Loss both        |                |
| EPS                                    | 7.19p            | 10.34p           | +43.8%           | EPS        | -1.50p  | -2.40p           | -1.40p           | Loss both        |                |
| Pegasus Group plc                      |                  |                  |                  |            | Superscape VR plc   |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Interim - Jan 95  | Final - Jul 95   | Interim - Jan 96 | Comparison       |                |
| REV                                    | £ 4,808,000      | £ 6,426,000      | +33.7%           | REV        | £ 478,000   | £ 1,590,000      | £ 1,589,000      | +232.4%          |                |
| PBT                                    | £ 243,000        | £ 893,000        | +267.5%          | PBT        | -£ 843,000  | -£ 1,746,000     | -£ 897,000       | Loss both        |                |
| EPS                                    | 12.70p           | 10.30p           | -18.9%           | EPS        | -14.90p   | -30.70p          | -13.10p          | Loss both        |                |
| Persona plc                            |                  |                  |                  |            | Systems Integrated Research plc   |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Final - May 94  | Final - May 95   | Comparison       |                  |                |
| REV                                    | £ 31,537,000     | £ 53,375,000     | +69.2%           | REV        | £ 2,258,320   | £ 1,901,000      | -15.8%           |                  |                |
| PBT                                    | £ 2,059,000      | £ 2,832,000      | +37.5%           | PBT        | -£ 798,139  | -£ 41,000        | Loss both        |                  |                |
| EPS                                    | 12.69p           | 15.70p           | +23.7%           | EPS        | n/a   | n/a              | n/a              |                  |                |
| PhoneLink plc                          |                  |                  |                  |            | Total Systems plc   |                  |                  |                  |                |
|  | Interim - Sep 94 | Final - Mar 95   | Interim - Sep 95 | Comparison |   | Interim - Sep 94 | Final - Mar 95   | Interim - Sep 95 | Comparison     |
| REV                                    | £ 797,000        | £ 2,085,000      | £ 2,103,000      | +163.9%    | REV   | £ 1,096,691      | £ 2,289,437      | £ 1,273,331      | +16.1%         |
| PBT                                    | -£ 1,963,000     | -£ 3,702,000     | -£ 2,712,000     | Loss both  | PBT   | £ 7,460          | £ 53,516         | -£ 54,488        | Profit to loss |
| EPS                                    | -5.50p           | -10.40p          | -7.30p           | Loss both  | EPS   | 0.04p            | 0.34p            | -0.44p           | Profit to loss |
| Proteus International plc              |                  |                  |                  |            | Trace Computers plc   |                  |                  |                  |                |
|  | Interim - Sep 94 | Final - Mar 95   | Interim - Sep 95 | Comparison |   | Interim - Nov 94 | Final - May 95   | Interim - Nov 95 | Comparison     |
| REV                                    | Nil              | Nil              | £ 30,000         | n/a        | REV   | £ 9,472,000      | £ 19,676,832     | £ 10,269,000     | +8.4%          |
| PBT                                    | -£ 3,666,000     | -£ 7,925,000     | -£ 3,618,000     | Loss both  | PBT   | £ 223,000        | £ 482,746        | -£ 50,000        | Profit to loss |
| EPS                                    | -11.94p          | -25.47p          | -11.06p          | Loss both  | EPS   | 1.19p            | 2.55p            | -0.35p           | Profit to loss |
| Quality Software Products Holdings plc |                  |                  |                  |            | Triad Group plc   |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Final - Mar 95  | Final - Mar 96   | Comparison       |                  |                |
| REV                                    | £ 16,494,732     | £ 21,385,842     | +29.7%           | REV        | £ 8,699,570   | £ 11,680,000     | +74.3%           |                  |                |
| PBT                                    | £ 2,512,400      | £ 502,697        | -80.0%           | PBT        | £ 1,059,350   | £ 2,131,000      | +101.2%          |                  |                |
| EPS                                    | 26.90p           | 5.20p            | -80.7%           | EPS        | 3.30p   | 7.09p            | +114.8%          |                  |                |
| RM plc                                 |                  |                  |                  |            | Vega Group plc  |                  |                  |                  |                |
|  | Interim - Mar 95 | Final - Sep 95   | Interim - Mar 96 | Comparison |   | Final - Apr 95   | Final - Apr 96   | Comparison       |                |
| REV                                    | £ 33,596,000     | £ 80,691,000     | £ 45,162,000     | +34.4%     | REV   | £ 12,516,000     | £ 16,032,000     | +28.1%           |                |
| PBT                                    | £ 1,041,000      | £ 5,023,000      | £ 1,322,000      | +27.0%     | PBT   | £ 2,910,000      | £ 3,452,000      | +18.6%           |                |
| EPS                                    | 4.00p            | 18.80p           | 5.00p            | +25.0%     | EPS   | 13.49p           | 16.16p           | +19.8%           |                |
| Radius plc                             |                  |                  |                  |            | Virtuality Group plc  |                  |                  |                  |                |
|  | Final - Dec 94   | Final - Dec 95   | Comparison       |            | Final - Dec 94  | Final - Dec 95   | Comparison       |                  |                |
| REV                                    | £ 24,866,000     | £ 26,052,000     | +4.8%            | REV        | £ 9,126,000   | £ 12,779,000     | +40.0%           |                  |                |
| PBT                                    | £ 1,451,000      | £ 1,809,000      | +24.7%           | PBT        | -£ 1,397,000  | -£ 565,000       | Loss both        |                  |                |
| EPS                                    | 2.87p            | 4.37p            | +52.3%           | EPS        | -5.30p  | -2.10p           | Loss both        |                  |                |
| Real Time Control plc                  |                  |                  |                  |            | Wakebourne plc  |                  |                  |                  |                |
|  | Interim - Sep 94 | Final - Mar 95   | Interim - Sep 95 | Comparison |   | Final - Dec 94   | Final - Dec 95   | Comparison       |                |
| REV                                    | £ 8,491,000      | £ 13,463,000     | £ 5,325,000      | -37.3%     | REV   | £ 35,336,000     | £ 36,714,000     | +3.9%            |                |
| PBT                                    | £ 1,050,000      | £ 1,782,000      | £ 742,000        | -29.3%     | PBT   | £ 1,865,000      | -£ 3,384,000     | Profit to loss   |                |
| EPS                                    | 12.00p           | 20.00p           | 7.10p            | -40.8%     | EPS   | 5.70p            | -12.20p          | Profit to loss   |                |
| Rebus Group plc                        |                  |                  |                  |            | Zergo Holdings plc  |                  |                  |                  |                |
|  | Final - Mar 95   | Final - Mar 96   | Comparison       |            | Interim - Oct 94  | Final - Apr 95   | Interim - Oct 95 | Comparison       |                |
| REV                                    | £ 56,963,000     | £ 60,041,000     | +5.4%            | REV        | £ 2,986,000   | £ 7,074,520      | £ 4,005,000      | +34.1%           |                |
| PBT                                    | £ 6,535,000      | £ 1,969,000      | -69.9%           | PBT        | £ 46,000  | £ 12,769         | -£ 479,000       | Profit to loss   |                |
| EPS                                    | 5.85p            | 0.33p            | -94.4%           | EPS        | n/a   | n/a              | n/a              | Profit to loss   |                |
| Recognition Systems Group plc          |                  |                  |                  |            | <b>Radius</b> - Mike Roberts announced several new deals at Radius' AGM including a £2m deal with Canadian Tire. "1996 will be another successful year for Radius". |                  |                  |                  |                |
|  | Final - Sep 94   | Interim - Mar 96 | Final - Sep 95   | Comparison |   |                  |                  |                  |                |
| REV                                    | £ 625,000        | £ 245,000        | £ 689,000        | +7.0%      |   |                  |                  |                  |                |
| PBT                                    | -£ 6,000         | -£ 292,000       | -£ 397,000       | Loss both  |   |                  |                  |                  |                |
| EPS                                    | 0.00p            | -1.40p           | -2.10p           | Loss both  |   |                  |                  |                  |                |

## UK M&A

Distributor **PDQ Services** has appointed the receivers. **Division** has sold its PFX high end graphics technologies to **HP** for c£4m.

**Delphi** has acquired **Netserv Inc.** for \$400K cash initially plus \$2.1m based on profits in 1996. US-based **Netserv** provides LAN and WAN design and support services and had revenues of \$0.4m in the year to Mar. 96.

**Ceridian** (which purchased Nat West's **Centre-file** operations for £33m in Oct. 95) has acquired **Compower's** payroll and personnel business. The operation had revenues of around £4m. **Compower** was acquired from National Coal by **Origin** last year.

**Financial Technology Platforms** (the operation setup by Keith Williams and associates like John Prosser who was a founder of **BIS**) has acquired **Watkins & Associates**.

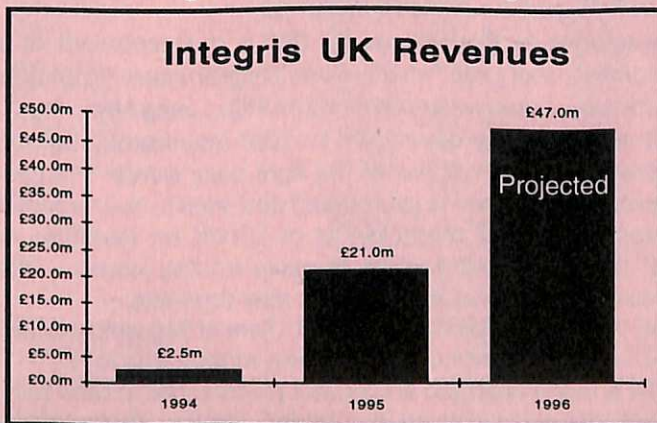
**Datrontech** has acquired **Connectivity Group** for up to £6.4m and has raised £3.7m new money. **Connectivity** - based in Hampshire - provides LAN and WAN products.

**On-Demand Information** has acquired the assets of **Sharpe Images** - a multimedia design and production operations - for £200K plus a further £300K based on Sharpe achieving sales of £1.5m p.a. **BCE** has acquired 8.3% of **AutoNomy** for £2.49m. **AutoNomy** supplies "a suite of autonomous agent software for Internet users".

### BULL UK and Integris

The **BULL UK** story has been told many times in *System House* as an example of how to do it right. It looks as though out of **BULL UK's** projected £400m revenues in 1996, around £300m will be what **BULL** likes to describe as services. Although **SI** has been an undoubted success, outsourcing - i.e. the **Integris** operation - has been the real star. In our interview BEFORE the Chessington deal, we were told that revenues would more than double to £47m in 1996.

The **Chessington** deal involves **Integris** and the



management team in the privatisation of the Cabinet Office's IT operations in a deal worth £75m over 5 years and was won against competition from **Capita** and **CMG** (who withdrew at the last minute). Some reports suggested that **Integris** had paid £15m for the operation.

### Eidos sells CentreSoft for £7.5m

**Eidos** "rescued" loss-making **CentreGold** in Mar. 96 in a share swap valuing them at £17m. This month **Eidos** sold **CentreSoft** (the distribution arm) in an MBO for £7.5m: enabling **Eidos** to concentrate on the development of computer games.

### IT staff agencies

Readers know our concerns over IT staff agency **MSB International** which was a new issue at 190p in May 96. But the market seems to like them and the shares have since risen by 21% to end June on 230p. **MSB** now says it "has over 1,000 IT contractors working at client's sites, doubling the contractor base in the last year". The April 96 Prospectus claimed "in excess of 900".

**CRT**, which makes 68% of its revenues from IT agency staff/recruitment and 30% from IT training, announced that it is likely that revenues in the year to 30th April 96 have increased by 37% to c£100m. However, "operating margins (in the IT recruitment activity) were lower than anticipated". **Karl Chapman** views FY97 "with cautious optimism". Fine, but if **CRT** can't really perform well in the current boom conditions for most of their business sectors, there is something wrong.

**CSS Trident** research indicates that IT contractor fee rates have risen by 6.2% in the last year - ahead of permanent staff where "the myth of security...seems to have almost disappeared".

### Standard Platforms

"Struggling" **Standard Platforms** has effectively proposed to reverse into **Action Computer Supplies**. **Action** forecasts revenues of around £130m and profits of £1.9m in the year to Aug. 96. No price so far disclosed.

**Standard Platforms** also announced revenues up 3% at £721K and losses increased from £315K to £435K in the six months to 31st Mar. 96.

### Syntegra in Asian alliance

**Syntegra** is clearly changing into a new gear after its long sleep. Hot on the heels of the **Europe Informatique** and **Rijnhaave** acquisitions, **Syntegra** has "announced an alliance" with **CSA Holdings** in Singapore as a springboard to enter the Asian market. "The IT market in Asia is expanding by 25-30% p.a. making it the fastest-growing market". **Syntegra** also plans to expand into Japan. **CSA** is the largest independent IT services company in Asia with 1995 revenues of \$370m.

### Firefox

In 1993 **CINVen** and **Syntech** invested £1m in UK-based **Firefox**, which makes LAN connectivity products when its value was <£10m. Then in May 95, **Firefox** became one of a growing band of UK companies to go for a US IPO which valued the group at more than \$100m. However, things did not go quite as well as expected and **FTP Software** made a bid of "between \$80m-\$100m" in Jan. 96. However, after a court case, **FTP** has this month reduced its bid to \$60m - \$40m less than originally hoped - due to significant changes in the TCP/IP market. Regardless of the lower exit price **CINVen** and **Syntech** must still be pleased with their profits on this investment.

### MDIS sells Australian operations

**MDIS** told its AGM that it expects to report a loss in the first half "due to major restructuring costs". **MDIS** planned for 1996 to be "a turnaround year... leading to improved financial performance in 1997".

A week later, **MDIS** signed a deal to sell its Australian subsidiary to **Continuum Australia** for £7m in cash. "The subsidiaries being sold had a turnover and operating profit in 1995 of approx. £20m and £500K respectively, primarily in the healthcare, local government and financial sectors with net assets (31st Dec. 95) of £8m".

## Oh damn...it's happened again

Our record of writing up bright young UK-owned SCSI companies, only to find them acquired within months, is impressive or depressing depending on your viewpoint. But we have never before had such a story as **Metrica**.

### New Profit Margin #1

Our new 1995 profit margin #1 (excluding all those with 1994 and 1995 PBT less than £500,000) which is - **Metrica Systems**. They managed PBT of £1.89m on revenues of £4m in the year to 30th Sept. 95 - to produce a margin of 47%. It was not a one year wonder either. They had doubled revenues and tripled PBT over 1994, when they had made an equally impressive 34% PBT margin.

| Metrica   | 1993  | 1994  | 1995    | 1996 (Est) |
|-----------|-------|-------|---------|------------|
| Revenue   | £1.0m | £1.9m | £4.0m   | £7.0m      |
| PBT       |       | £652K | £1,893K | n/a        |
| Staff     | 9     | 15    | 35      | 50+        |
| Customers | 2     | 6     | 15      | 30         |

Metrica is a predominately a products company - they make only around 15% from services. Their product is a software toolset which helps network operators (for example cellular radio operators) monitor the performance on their network. Orange, Cellnet and Mercury - amongst many others - were listed as clients. Metrica helps them to tune their systems for optimum performance.

75% of revenues (i.e. £3m out of the £4m) is non-UK with £1.7m coming from outside Europe. They have 40 staff working in offices in London, Boston and Kuala Lumpur. Perhaps of even greater note, they are totally privately owned and have no debt. Indeed the last balance sheet showed £761K cash in the bank.

*Metrica seems a real gem of a UK-owned company. When we asked for more details, we were sent the presentation they had recently given to the DTI on how UK companies could be successful in telecommunications. With a record like Metrica's we hope the DTI took note.*

Reprinted from 1996 Holway Report - early May 96

### ...and what happens next?

Within a few weeks, Metrica was sold to NASDAQ quoted **ADC Telecommunications** for shares which valued Metrica at \$36m (c£24m) making it one of the larger UK M&A deals of 1996 so far. It makes MD Mike Berman, who owned 40% of the equity, a multi-millionaire together with handsome returns for the other shareholders.

Metrica was basically a "free" spin out of Leading Technologies (t/a **Protek**) - where Berman was also a director. Here the product was sold for £2K and didn't do too well. Metrica turned it into a £200K product and, as you can see, it then sold like hot cakes. There must be a moral here! But the story of the "prophet not appreciated in his own land" can be applied to many, many other companies.

### DCS really motoring

**DCS**, via its French **GMB** subsidiary, has signed a major deal with Renault to put its Global DMS system into 70 branches. The contract is likely to be worth £10m over 3 years.

However DCS shares still fell 6% this month despite the news. But remember that when DCS took a 20% stake in GMB for £750K in Jul. 95, they also got an option to acquire the whole of GMB for around £5m. That would add over £13m revenues to the £28m currently expected for DCS this year. GMB made PBT of £387K in 1995. So there is probably more scope for improvement.

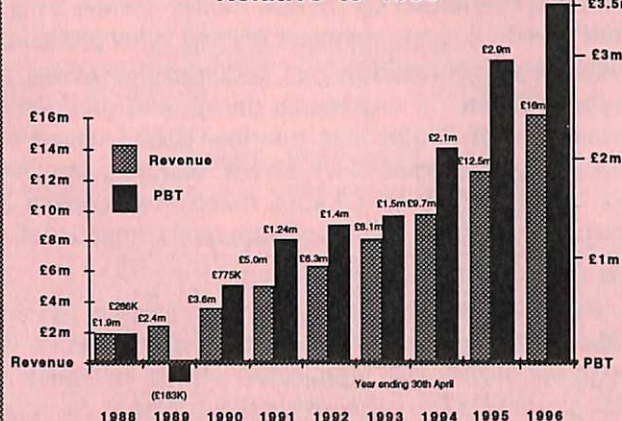
To confirm this, on 28th June, DCS announced that it was acquiring a further 14% of GMB for £650K.

## Vega - fortunately still boring

**Vega** - a recipient of one of our esteemed **Boring Awards** - reported revenues up 28% at £16m and PBT up 19% at £3.45m for the year to 30th Apr. 96. That means a slight margin reduction to a still healthy 21%. Vega has been one of the best examples of our "IT services is the place to be" stories. EPS was up 20%.

We had been concerned when MD Kelvin Harrison "unexpectedly resigned" in Apr. 96 but our fears over the results seem groundless. Chairman Robert Drummond had been critical of Vega's success with their emulation software. "Good progress" has been made with the RAF Emulator project due for acceptance in Jul. 96 and a series of other proposals to the military sector are under evaluation. Even so, it looks as if no new emulator business has been won in at least six months.

### Vega Group plc Nine Year Revenue and PBT Record Relative to 1988



Drummond reckons shareholders can "look forward to the future with confidence". They have certainly done well with the share price up from 122p when they launched in June 92 to end June 96 at 308p. We certainly hope to be able to repeat the same boring story in future.

### Intelligence Environments

**Intelligence Environments (IE)** is the developer of a software tool - AM "which allows programmers to develop complex business applications on PCs, using Hyperlogic". It was originally developed for IBM mainframes but the press release contains all the right buzz words. IE's new product (Amazon) is (of course!) designed to build Internet applications. IE made profits of £200K on revenues of £4m in 1995 but expects to make trading losses in the next two years as it exploits its new products.

IE obtained its AIM listing on 29th June at 94p which valued IE at a mighty £21.03m. £6m new money was raised and 74% of the enlarged equity was placed. The shares were not that well received and ended the first day's trading down 10% at 85p.

**Footnote:** Yet another AIM entrant to boost the pensions of ex-Logica executives. After David Mann's successful AIM float with Flomerics, IE's CEO is Dr. Tim Cooke - also ex-Logica.

**Network Technologies** also plans an AIM listing in July. Profits of £3.3m are anticipated on revenues of £16m this year which is said to value the business at £35m. Founders Mr. and Mrs. Bollmann will retain their 60% stake. 3i own 29%. £1m of new money will be raised. It is suggested that NT is "the Anglo-German answer to Cisco Systems". Source - Evening Standard 19th June 96.



## SCSI Index registers first fall in a long while

After a record-breaking run, the SCSI Index fell by nearly 5% in June compared with a 1.7% fall in the FTSE100.

**LBMS** led the losers with a 46% fall resulting from the continued losses reported a month ago. That means LBMS shares have fallen by 54% since June 95 when Rainer Burchett pronounced LBMS "in excellent shape". **Real Time Control** also fell 41% in a knee jerk reaction to the resignation of CEO Brain Emerson. Results to 31st Mar. 96 will be announced in July but are expected to be similar to last year's £1.8m. If so the P/E of 9 looks a real bargain. **Firecrest** was up 17% before the shares were suspended.

| 30th June 96                         | SCSI Index 2817.31 |          |                |
|--------------------------------------|--------------------|----------|----------------|
|                                      | FTSE 100           | 3711.00  |                |
| SCSI Index = 1000 on 15th April 1989 | FTSE SmallCap      | 2190.98  |                |
| Changes in Indices                   | CSI Index          | FTSE 100 | FTSE Small Cap |
| Month (29/5/96 - 30/6/96)            | -4.88%             | -1.71%   | -1.79%         |
| From 15th Apr 89                     | +181.73%           | +80.71%  |                |
| From 1st Jan 90                      | +206.20%           | +57.11%  |                |
| From 1st Jan 91                      | +298.00%           | +71.77%  |                |
| From 1st Jan 92                      | +169.64%           | +48.85%  |                |
| From 1st Jan 93                      | +76.79%            | +30.37%  | +57.93%        |
| From 1st Jan 94                      | +68.74%            | +8.56%   | +17.25%        |
| From 1st Jan 95                      | +87.92%            | +25.46%  | +25.46%        |
| From 1st Jan 96                      | +24.74%            | +0.59%   | +12.85%        |

## System House SCSI Share Prices and Capitalisation

|                            | Share Price<br>30/6/96 (£p) | Capitalisation<br>30/6/96(£m) | Historic<br>P/E | Ratio<br>Cap./Rev. | CSI Index<br>30/6/96 | Share price<br>% move<br>since 29/5/96 | Share price<br>% move<br>in 1996 | Capitalisation<br>move (£m)<br>since 29/5/96 | Capitalisation<br>move (£m)<br>in 1996 |
|----------------------------|-----------------------------|-------------------------------|-----------------|--------------------|----------------------|--|----------------------------------|--|--|
| Admiral                    | £2.70                       | £169.00m                      | 33.3            | 2.58               | 9758.75              | 2.66%                                  | 64.63%                           | £4.90m                                       | £67.60m                                |
| Azlan                      | £6.98                       | £190.60m                      | 23.0            | 0.97               | 3034.78              | 9.06%                                  | 38.22%                           | £18.40m                                      | £54.80m                                |
| British Data Management    | £1.57                       | £39.20m                       | 22.8            | 2.30               | 1256.00              | -3.09%                                 | 26.61%                           | £1.30m                                       | £8.20m                                 |
| Capita                     | £3.76                       | £211.30m                      | 32.0            | 2.43               | 11291.29             | 1.90%                                  | 31.93%                           | £3.90m                                       | £50.80m                                |
| Cedardata                  | £1.70                       | £52.00m                       | 17.9            | 4.31               | 1619.05              | -12.82%                                | 2.41%                            | £7.70m                                       | £1.20m                                 |
| Clinical Computing         | £0.57                       | £9.69m                        | Loss            | 4.38               | 459.68               | -18.57%                                | 83.87%                           | £2.21m                                       | £4.67m                                 |
| CMG                        | £6.58                       | £420.10m                      | 31.3            | 2.14               | 2268.97              | -2.95%                                 | 100.00%                          | £12.70m                                      | £210.10m                               |
| Coda                       | £2.05                       | £54.50m                       | 79.8            | 1.66               | 872.34               | -15.29%                                | -4.21%                           | £9.90m                                       | £1.60m                                 |
| Compel                     | £2.22                       | £33.90m                       | 18.1            | 0.48               | 1776.00              | 5.71%                                  | 17.46%                           | £1.90m                                       | £5.10m                                 |
| CFS                        | £0.90                       | £6.66m                        | 19.3            | 2.23               | 1000.00              | -10.00%                                | 5.88%                            | £1.76m                                       | £2.49m                                 |
| Cray Electronics           | £0.42                       | £99.60m                       | Loss            | 0.38               | 245.61               | -3.45%                                 | 1.20%                            | £3.50m                                       | £0.00m                                 |
| CRT                        | £1.59                       | £107.50m                      | 24.5            | 1.48               | 1766.67              | -1.24%                                 | 38.26%                           | £1.30m                                       | £29.90m                                |
| DCS Group                  | £1.17                       | £22.50m                       | 18.4            | 2.59               | 1950.00              | -6.40%                                 | 56.00%                           | £1.50m                                       | £8.30m                                 |
| Delphi Group               | £5.55                       | £141.50m                      | 21.8            | 0.81               | 2283.95              | 15.63%                                 | 50.00%                           | £19.10m                                      | £47.50m                                |
| Division Group             | £0.82                       | £36.00m                       | Loss            | 7.45               | 2050.00              | -9.89%                                 | -28.70%                          | £3.90m                                       | £14.50m                                |
| DRS Data & Research        | £0.29                       | £9.92m                        | 21.8            | 1.53               | 263.64               | -19.44%                                | 16.00%                           | £2.38m                                       | £1.37m                                 |
| Eidos                      | £7.95                       | £62.80m                       | Loss            | 49.06              | 7950.00              | -6.25%                                 | 14.72%                           | £4.20m                                       | £8.10m                                 |
| Electronic Data Processing | £0.90                       | £23.60m                       | 12.9            | 1.87               | 2755.66              | -8.16%                                 | -22.41%                          | £2.10m                                       | £6.80m                                 |
| FI Group                   | £3.85                       | £114.30m                      | 49.8            | 1.85               | 1638.30              | -3.51%                                 | 63.83%                           | £4.20m                                       | £44.50m                                |
| Firecrest                  | £0.70                       | £16.40m                       | 30.4            | 2.48               | 1750.00              | 16.67%                                 | -42.62%                          | £6.40m                                       | £3.90m                                 |
| Flomerics                  | £2.45                       | £7.05m                        | 22.3            | 1.70               | 1884.62              | 11.36%                                 | 30.32%                           | £1.42m                                       | £2.24m                                 |
| Gresham Computing          | £0.57                       | £18.60m                       | 24.2            | 2.35               | 612.90               | -19.72%                                | 35.71%                           | £4.60m                                       | £4.90m                                 |
| INSTEM                     | £1.82                       | £8.19m                        | 10.0            | 0.38               | 1820.00              | 4.00%                                  | 5.20%                            | £0.31m                                       | £0.40m                                 |
| Intelligent Environments   | £0.85                       | £19.00m                       | n/a             | 4.75               | 904.26               | -9.57%                                 | -9.57%                           | £2.03m                                       | £2.03m                                 |
| JBA Holdings               | £5.17                       | £178.30m                      | 32.0            | 1.43               | 3231.25              | -2.27%                                 | 32.23%                           | £2.10m                                       | £45.00m                                |
| Kalamazoo                  | £1.23                       | £35.40m                       | 11.0            | 0.53               | 3514.29              | -13.99%                                | 6.96%                            | £7.10m                                       | £13.00m                                |
| Kewill                     | £4.51                       | £55.90m                       | 13.4            | 1.59               | 1782.61              | -8.52%                                 | 28.49%                           | £5.20m                                       | £12.40m                                |
| Learmonth & Burchett       | £1.25                       | £31.90m                       | Loss            | 1.23               | 1041.67              | -46.35%                                | -56.14%                          | £27.50m                                      | £40.20m                                |
| Logica                     | £6.45                       | £406.40m                      | 27.4            | 1.62               | 1767.12              | 6.44%                                  | 40.52%                           | £24.30m                                      | £119.10m                               |
| Lorien                     | £3.30                       | £18.80m                       | 26.3            | 0.65               | 3300.00              | -1.49%                                 | 59.42%                           | £0.30m                                       | £7.00m                                 |
| Lynx Holdings              | £0.79                       | £76.10m                       | 16.8            | 2.38               | 1975.00              | -4.82%                                 | 12.86%                           | £3.80m                                       | £9.50m                                 |
| Macro 4                    | £4.80                       | £99.40m                       | 13.0            | 3.97               | 1935.48              | 0.00%                                  | 13.48%                           | £0.00m                                       | £12.30m                                |
| MAID                       | £2.58                       | £236.50m                      | Loss            | 17.34              | 2345.45              | -17.83%                                | 11.69%                           | £51.40m                                      | £24.70m                                |
| McDonnell IS (MDIS)        | £0.73                       | £73.00m                       | Loss            | 0.50               | 280.77               | -17.98%                                | 78.05%                           | £16.00m                                      | £32.50m                                |
| Micro Focus                | £8.23                       | £124.30m                      | Loss            | 1.61               | 3975.85              | -11.51%                                | 45.66%                           | £16.10m                                      | £39.00m                                |
| Microgen                   | £1.71                       | £67.50m                       | 11.6            | 0.98               | 730.77               | -0.58%                                 | -4.47%                           | £0.40m                                       | £3.20m                                 |
| Microvitec                 | £0.66                       | £50.00m                       | 20.9            | 0.91               | 1597.56              | -6.43%                                 | 33.67%                           | £3.40m                                       | £12.90m                                |
| Misys                      | £7.78                       | £659.00m                      | 25.8            | 4.30               | 1935.32              | -7.27%                                 | 36.49%                           | £51.60m                                      | £181.30m                               |
| MMT                        | £4.58                       | £53.60m                       | 22.6            | 3.84               | 2726.19              | -8.40%                                 | 86.18%                           | £4.90m                                       | £24.80m                                |
| Moorepay                   | £2.05                       | £15.60m                       | 21.0            | 3.37               | 2469.88              | 2.50%                                  | 29.75%                           | £0.40m                                       | £3.60m                                 |
| MR Group                   | £0.90                       | £50.20m                       | 56.3            | 1.21               | 357.14               | 2.27%                                  | 28.57%                           | £1.10m                                       | £11.10m                                |
| MSB International          | £2.30                       | £46.70m                       | 19.1            | 1.21               | 1210.53              | -2.13%                                 | 21.05%                           | £1.04m                                       | £8.10m                                 |
| OmniMedia                  | £0.60                       | £14.80m                       | Loss            | 53.82              | 800.00               | -7.69%                                 | -7.69%                           | £1.20m                                       | £3.20m                                 |
| On Demand                  | £1.58                       | £87.10m                       | Loss            | 9.91               | 2025.64              | -7.06%                                 | 21.54%                           | £6.60m                                       | £20.80m                                |
| Oxford Molecular           | £3.08                       | £187.30m                      | Loss            | 30.31              | 3850.00              | -13.73%                                | 15.79%                           | £29.80m                                      | £49.60m                                |
| P&P                        | £1.58                       | £127.50m                      | 14.2            | 0.37               | 708.52               | -1.86%                                 | 3.95%                            | £2.40m                                       | £6.50m                                 |
| Parity                     | £2.62                       | £110.60m                      | 25.3            | 0.87               | 14555.50             | -1.87%                                 | 49.71%                           | £2.10m                                       | £36.70m                                |
| Pegasus                    | £3.05                       | £19.20m                       | 22.0            | 2.99               | 831.06               | 0.33%                                  | 45.24%                           | £0.00m                                       | £6.00m                                 |
| Persona                    | £3.04                       | £75.40m                       | 19.5            | 1.41               | 1900.00              | 15.15%                                 | 7.04%                            | £9.90m                                       | £41.00m                                |
| Phonelink                  | £1.76                       | £85.00m                       | Loss            | 40.67              | 1135.48              | -9.74%                                 | -7.37%                           | £9.20m                                       | £9.10m                                 |
| Proteus                    | £0.63                       | £34.30m                       | Loss            | n/a                | 750.00               | -14.86%                                | -47.50%                          | £6.00m                                       | £4.90m                                 |
| Quality Software           | £2.68                       | £34.80m                       | 51.9            | 1.63               | 705.26               | -12.99%                                | -59.15%                          | £5.20m                                       | £46.50m                                |
| Radius                     | £0.63                       | £17.60m                       | 14.4            | 0.68               | 456.52               | -18.18%                                | 18.87%                           | £3.90m                                       | £2.90m                                 |
| Real Time Control          | £1.84                       | £12.90m                       | 12.2            | 0.96               | 3755.10              | -41.03%                                | 3.95%                            | £8.90m                                       | £0.50m                                 |
| Rebus                      | £0.87                       | £63.30m                       | 263.6           | 1.05               | 988.64               | -19.44%                                | -1.14%                           | £15.30m                                      | £2.70m                                 |
| Recognition Systems        | £1.09                       | £29.40m                       | Loss            | 43.88              | 1557.14              | -0.91%                                 | 55.71%                           | £0.30m                                       | £10.50m                                |
| Riva                       | £0.36                       | £10.90m                       | 360.0           | 0.15               | 255.86               | 2.86%                                  | 24.14%                           | £0.30m                                       | £2.14m                                 |
| RM                         | £5.48                       | £97.50m                       | 27.3            | 1.21               | 3131.43              | 12.99%                                 | 28.64%                           | £11.20m                                      | £25.80m                                |
| Rolle & Nolan              | £3.30                       | £41.20m                       | 26.8            | 2.41               | 3928.57              | 2.17%                                  | 22.68%                           | £0.80m                                       | £7.60m                                 |
| Romtec                     | £0.91                       | £4.70m                        | n/a             | 1.43               | 1456.00              | -5.21%                                 | 45.60%                           | £0.26m                                       | £1.42m                                 |
| Sage Group                 | £4.88                       | £523.60m                      | 29.9            | 5.12               | 18769.23             | 7.02%                                  | 50.15%                           | £34.30m                                      | £176.20m                               |
| Sanderson Electronics      | £1.59                       | £66.10m                       | 17.1            | 1.14               | 2706.38              | -4.22%                                 | 11.97%                           | £2.60m                                       | £7.50m                                 |
| Sema Group                 | £7.32                       | £687.30m                      | 29.5            | 1.01               | 2301.89              | 10.91%                                 | 36.57%                           | £68.20m                                      | £185.60m                               |
| Sherwood                   | £2.49                       | £21.40m                       | 11.3            | 0.82               | 2075.00              | -12.01%                                | 34.59%                           | £2.90m                                       | £5.50m                                 |
| Spargo Consulting          | £1.51                       | £18.90m                       | 34.1            | 2.56               | 1589.47              | -2.58%                                 | 4.86%                            | £0.50m                                       | £0.90m                                 |
| Standard Platforms         | £0.16                       | £4.85m                        | Loss            | 4.53               | 68.88                | 6.90%                                  | -6.06%                           | £0.31m                                       | £0.31m                                 |
| Superscape                 | £4.60                       | £38.60m                       | Loss            | 24.28              | 2323.23              | -24.96%                                | 7.48%                            | £12.90m                                      | £2.60m                                 |
| Systems Integrated         | £1.16                       | £15.50m                       | n/a             | 8.16               | 1008.70              | -4.92%                                 | 0.87%                            | £0.80m                                       | £0.10m                                 |
| Total                      | £0.31                       | £3.10m                        | 32.2            | 1.35               | 584.91               | 3.33%                                  | 47.62%                           | £0.10m                                       | £1.00m                                 |
| Trace                      | £0.26                       | £3.67m                        | 10.2            | 0.19               | 208.00               | 8.33%                                  | -35.00%                          | £0.29m                                       | £1.93m                                 |
| Triad                      | £2.15                       | £54.10m                       | 30.3            | 4.62               | 1592.59              | -9.66%                                 | 59.26%                           | £5.80m                                       | £20.10m                                |
| Vega Group                 | £3.08                       | £44.00m                       | 21.2            | 2.74               | 2524.59              | 8.07%                                  | -13.97%                          | £3.20m                                       | £7.20m                                 |
| Virtuality                 | £2.81                       | £82.90m                       | Loss            | 6.49               | 1652.94              | -6.02%                                 | 12.85%                           | £0.10m                                       | £13.90m                                |
| Wakebourne                 | £0.28                       | £6.38m                        | Loss            | 0.18               | 155.56               | -3.45%                                 | 60.00%                           | £0.23m                                       | £2.39m                                 |
| Zergo                      | £2.80                       | £25.80m                       | n/a             | 3.65               | 2871.79              | 0.00%                                  | 64.71%                           | £0.00m                                       | £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.

### Butler moves from EDS to Origin

This month Tom Butler (who ran part of EDS Europe incl. the UK) and Geoff Carroll (who ran EDS Southern Europe) emerged as MD and Sales Director respectively of **Origin**. Dutch-owned Origin was founded in 1976. In 1995 they merged with their Dutch partner **Philips**, which had held a 41% stake. Philips contributed their **Philips C&P** operation to the deal. This has created one of the larger European-owned SCSl companies which is now 82% owned by Philips. Financial institutions own 10% and the managers and staff 7%.

**BSO/Origin**, the immediate parent, made an operating profit of £12.7m on revenue of £385m in 1995 and is one of the largest companies in the Netherlands in terms of the domestic market and #1 in terms of worldwide revenue. The "new" company has 11,318 employees and revenues of some \$1,250m and operates from 147 offices literally around the world. Indeed this truly "global" coverage is considered to be one of their major strengths and differentiators.

As well as the change in ultimate ownership, it has been an exciting period in its own right for Origin in the UK. In late 1994, the new JV secured a deal to take over **British Coal's IT and Compower** - the British Coal external bureau - which also involved a two year FM contract. We understood at the time that the two deals were worth around £20m.

Then in Sept. 95, the new operation secured its largest FM deal with ICI worth £75m over 5 years - i.e. £15m p.a. Philips C&P commenced trading in the UK in March 1991. But they have "been creating and refining national and international data processing and communications infrastructures for three decades". 40% of their £44.3m revenue in the UK in 1995 was for the parent company. Services offered span the range of FM and outsourcing for systems and networks and include managed payroll and consultancy. C&P manage a cluster of mid range computers with extensive LAN capabilities. The company also operate an international multi protocol network which "is one of the most extensive private comms systems ever created". Philips C&P claim that all the £44m is outsourcing - or systems management as they call it. But given the parent revenues etc., we estimate £20-£25m external outsourcing revenues in 1995.

**Origin UK** increased revenues from £15.1m to £17.8m in 1995 and 300 people were employed in the UK. The components of this business are package implementation (principally SAP, MFG Pro and Triton), custom solutions, systems operations and technical automation.

The combined Philips C&P and Origin UK operations are expected to have revenues of about £100m in 1996. They employ over 1000 staff (interestingly over 150 SAP specialists). A number of smaller outsourcing contracts have been added recently. We expect non-Philips outsourcing revenues of, possibly, up to £60m in 1996. We also expect an aggressive approach towards winning new outsourcing deals. After all Butler was instrumental in the significant/mega deals awarded to EDS UK in the last few years and the pair "between them brought in more than \$8 billion European business for EDS". Source - Computergram 6th June 1996.

Of course many have questioned the long term profitability of such mega deals. But with a stock exchange float expected for Origin in 1998, the new ex EDS management are highly incentivised towards *near term growth*.

### Methods Application Ltd.

**Methods Application** is an IT staff agency. Its results for the year to 30th Apr. 96 show the buoyancy of this part of the market. Revenues increased by 64% to £5.3m and PBT more than doubled to £370K. MD Tony Webb (who owns c90% of the equity) "attributes the success to its niche in the market based on the price advantage over many other suppliers. The private and public sectors provide business in about equal proportions".

### Computeraid profitable and expanding

**Computeraid** completed its MBO from **THORN EMI** in Dec. 94. THORN-EMI retained a 20% stake. CINVen backed the deal with funds of £2.3m.

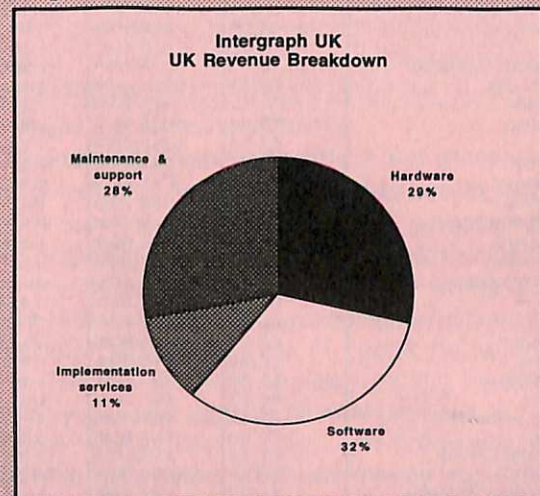
In the year since the MBO, Computeraid has increased its revenues by about 15% to c£38m and has made profits of about £1.3m. Indeed this month they have acquired the assets and IPRs of the UK applications division of **Alcatel Telecom** which "provides systems to retail and hospitality customers. For many years Computeraid had been designing desktop based EPoS software". They currently support 25,000 EPoS systems. "The sum of the two parts is often greater than the whole" said MD Maurice O'Brien.

We understand that further acquisitions are expected shortly.

### Intergraph UK back in profit

**Intergraph Corp.** is a \$1 billion revenue vendor of NT and Win95-based graphics intensive systems. Revenues have been static for five years- the last three being loss-making.

In Jul. 95, Roger Hill, who was the founder of **Cimage**, took the helm of the similarly loss-making UK operations. In 1995 UK revenues declined by 17% to £32m and operating losses increased to £1.7m.



But under Hill's leadership, Intergraph UK has been transformed. The first profits were recorded in Q4 and profits have been made every month so far in 1996 with "sales volume up 50%". Staff numbers have reduced by 15-20%.

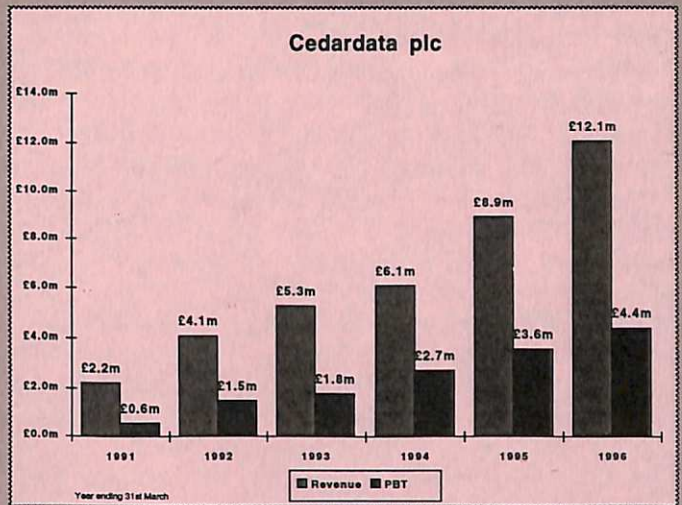
Although of course still a significant hardware supplier, over 70% of revenues come from SCSl activities with Govt./Utilities (40%), Building/Process Engineering (40%) and Manufacturing (20%) being the main business areas. A new division has recently been set up targeted at the public safety market. Over 25% of UK sales are via VARs. It does seem to be a success story - largely unreported to date - greatly to the credit of UK management.

### Cedardata on the road to being Boring

We have become tired telling people that *System House* is not about tipping shares but about company performance. **Cedardata** is a case in point. A new issue at 105p in Mar. 94, their maiden results were excellent. A year ago their brokers reckoned £4m PBT for FY96. As it turned out PBT was up 23% at £4.4m on revenues up 35% at £12.1m. EPS was up 20%. Margins remained at an impressive 36%. Despite this the share price fell 13% as a result.

Cedardata has an Oracle-based accounting software product - cfacs. But licences only represent 42% (FY95=47%) of revenues; up 20% in the year. However services revenues from consultancy, training and bureau operations were up 71%.

CEO Leon Fattal said "trading in the new financial year has started well with our sales campaign already having yielded valuable orders. The strength of our prospect list suggests that Cedardata will again continue to make good progress in the coming year".



### Coda shocks again

On 1st July (after our stats. on p9), **Coda** shares crashed by over 20% as losses of £3.7m on static revenues of £15.3m were declared for the six months to 30th Apr. 96. "Lumpiness of Group revenues" is blamed. In other words, they have not yet secured some of the large contracts for which they are bidding and "in the absence of these client gains, a profit for the year may not be achieved". PBT of £2m was expected prior to the announcement.

The last time Coda shocked the market soon after their float at 235p in Feb. 94, Chairman Rodney Potts told us that it things did not improve "you wouldn't be interviewing me again". Potts has now resigned from the board of the company he founded 17 years ago, with Dr. Colin Gaskell becoming non-exec. chairman.

Finally, we have apologised before for giving Coda a **Boring Award**. One shock we can perhaps forgive, but two so soon is far too exciting for us.

### Paper costs affects Kalamazoo

**Kalamazoo Computer Group** - the supplier of specialist computer solutions and security and business forms printer - has announced results in line with their previous forecast for the year ended 31st March 1996.

Although revenue was up 10% to £66.7m, PBT fell 14% to £5.8m, with EPS down a similar amount. Indeed if exceptional profits from the sale of discontinued and associated businesses are excluded, amounting to some £455K, the position would have been even worse. The profit margin is still however an acceptable 8.8%.

The company's Security Print division was badly affected by "unprecedented" paper price increases which cost an estimated £900K with a further £300K in exceptional redundancy expenditure. Despite a 9% rise in the division's revenue to £18.4m, PBT declined from £2.48m to just £900K. However there was a strong recovery in the second half so hopefully the worst of the problems in this division are now over.

The Computer Services division performed well with a 10% rise in revenue to £48.3m (72% of total Group revenue) and profits up 7.5% to £5.8m.

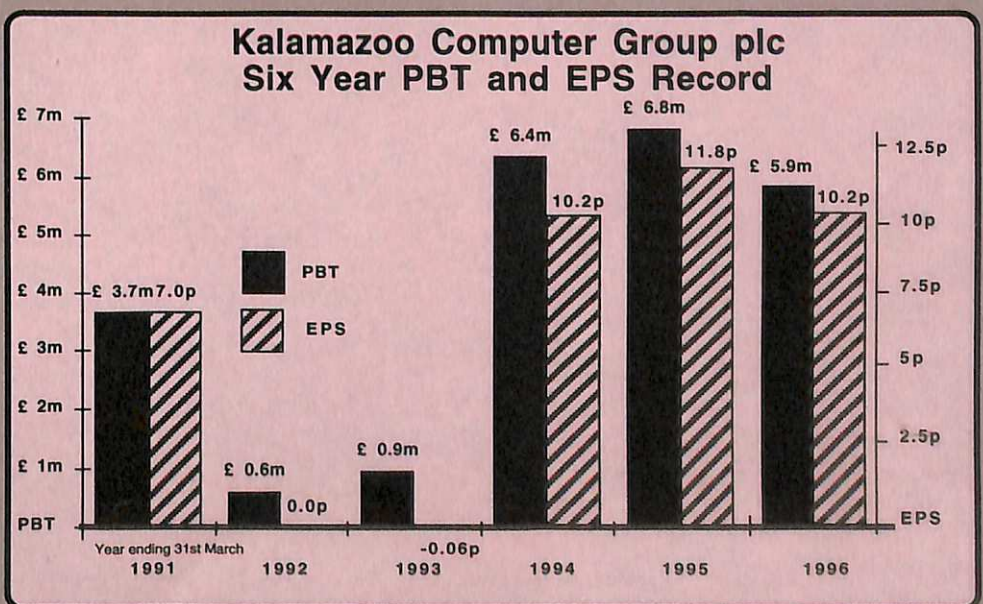
Kalamazoo is a specialist in the retail motor trade arena which accounts for c£33m of revenue. Their Elite flagship product has done particularly well.

Computer Solutions had revenue of £15.2m - up 11% - and it would appear that this division is possibly loss making overall. However losses in Kalamazoo Computer Training were "stemmed" until its sale to Corporate Services in Oct. 95.

Chairman Bob Jordan is optimistic. "The acquisition of the European Automotive Dealer Systems (EADS)

division from Datapoint marks a major step forward for the Group. Kalamazoo will be the leading supplier of dealer management systems in Europe with revenues in excess of £50m.... I am confident in the Group's future prospects".

The market as yet does not appear to share this optimism as, after an initial 8p fall in the share price, they continued to fall and ended June 96 on 123p - a drop of 14% on the month.



## Outsourcing

Outsourcing is of importance to us not least; because the majority of our readers are involved in the sector, that it is the fastest growth sector (up 40%+ in 1995) and is rapidly becoming the most significant segment of our market.

In turn it is the most emotive. The UK has too few IT journalists of real class. One of them (in our opinion) is Tony Collins at Computer Weekly. He *investigates* (rather than regurgitates press releases) and reports regardless of the consequences.

Although we respect Collins, the problem is that **we now often find ourselves defending him**. Most of the CEOs of the main players consider his reporting totally biased against outsourcing. Indeed, we have taken this up with Collins on many occasions; challenging him to write a good news outsourcing story. Ideas we have suggested include outsourced staff who have progressed to very senior positions in services companies, the enhanced training opportunities, wider career opportunities and, to be blunt, what happens to non-outsourced staff (i.e. they also lose their jobs) etc. *Collins has so far not taken up the challenge!* Of course staff do lose their jobs in outsourcing deals and, yes, many employers use outsourcing as a softer option than making such staff redundant themselves. But we are sure Collins would be the last to defend keeping unnecessary and redundant skills on the payroll just for the sake of it.


We only make these comments because this month **PA Consulting** published their *Strategic Sourcing 1996 Report*. It was actually a rather positive report although you would never guess that from the six lines which Collins afforded it in Computer Weekly.

PA Consulting "conclude...that outsourcing is here to stay;

it constitutes a genuinely new approach to business. It is not driven primarily by costs or by government pressure. Instead it is a fundamental part of the universal search for more effective performance". "Horror stories surrounding outsourcing are clearly exaggerated and would seem to be limited to a relatively few well publicised failures. More than 90% of those who responded to our survey consider the service that they are receiving from their outsourced supplier as good or better than the in-house regime".

The PA Consulting report confirms a long held *System House* belief. Firstly, that previously outsourced operations (like catering, property management, distribution/transport, legal services) do not tend to get brought back in-house. Figures from *ITnet* showed that in 1995, 36 outsourcing contracts were renewed - 7 with the existing supplier and 9 switching to an alternative. Of the seven contracts moving back in house, four were legacy systems which just came to an end to be replaced with new client server systems. Secondly, that the impression that it is mainly the public sector which uses outsourcing is incorrect. Figures from *ITnet*, even after years of catching up, show that the public sector even now represents only about a third of outsourcing revenues. In the first six months of 1996 the private sector has been responsible for 80% of the deals signed.

But perhaps the most telling statistic from the PA report is the relationship between outsourcing and business success. Of course such a relationship is easier to prove in non-public companies. PA found "that there was a generally positive relationship between high levels of outsourcing and enhanced stock market performance". Now given that stock market performance is usually in line with enhanced earnings, that must be about the best advert for outsourcing you could get.

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|--|-------------------|----------------|--------------|--------|---------|----------|------|--------------|-------------------|--------|---|---|
| <table border="1"> <tr><td>5.30 pm Wednesday</td></tr> <tr><td>17th July 1996</td></tr> <tr><td>Make note to</td></tr> <tr><td>attend</td></tr> <tr><td>Richard</td></tr> <tr><td>Holway's</td></tr> <tr><td>CSSA</td></tr> <tr><td>Presentation</td></tr> <tr><td>at London Portman</td></tr> <tr><td>Hotel.</td></tr> </table> | 5.30 pm Wednesday | 17th July 1996 | Make note to | attend | Richard | Holway's | CSSA | Presentation | at London Portman | Hotel. | <p><b>Your very last chance....</b></p> <p>Richard Holway's annual presentation on the financial state of the industry on behalf of the CSSA last year was considered by many to have been the best "networking event" of the year. <b>This is your last chance to join around 200 have already booked for this year's event on 17th July.</b> Starting at 5.30 pm, the evening at the London Portman Hotel includes dinner and drinks.</p> <p>A FREE place for every one who orders a copy of the 1996 Holway Report or £97.50 + VAT from the CSSA - Tel: 0171 405 2171.</p> |  <p><b>The 1996 Holway Report now available for IMMEDIATE DELIVERY</b></p> |
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