

# System House

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

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## Double £ billion month!

### MCI Systemhouse Syntegra

The systems integration business of BT

We have looked forward for so many years to the time when the UK might have a major "world ranking" SCSI company of its own. This month it looks as we are finally going to get it.

On the 3rd Nov., BT announced a \$20 billion bid for MCI. Along with this came the announcement that BT's system integration activity - **Syntegra** - would be merged with **MCI Systemhouse** under American CEO Scott Ross. You may remember that MCI purchased Canadian **SHL Systemhouse** in Sept. 95 for \$1b. Their last declared European revenues were £650m in the year to 31st Aug. 95. In the UK, SHL Systemhouse had revenues of c£75m - but this had almost doubled in the last year as a result of the acquisitions of **Planning Consultancy** and the FM activities of **PCL**.

After a pretty lacklustre performance since 1990 when revenues always seemed to be "around £200m", Syntegra has also had a busy 1996. They bought **Europe Informatique** and Dutch **Rijhaave** as well as announcing JVs in the Far East, Australia and Japan. These will have boosted Syntegra to a run rate in excess of £300m p.a.

We understand that the opportunity will be taken to throw in some other SCSI bits of BT and MCI. So (assuming the BT/MCI deal goes through) the UK will now own a SCSI company with worldwide revenues in excess of \$2 billion and within sight of the Top Ten ranks of SCSI companies in the world.

However the merger, we are sure, will not be without its pain. SHL Systemhouse is one of the largest PC resellers in Canada and has tried to replicate that position in the UK with its PC reseller and support operations. But this does look increasingly illogical within an telecomms organisation dedicated to "communications intense systems integration" mainly for large international operations. Although Syntegra has much greater focus, its track record (until 1996) was mediocre. We would not be at all surprised to see some major management changes.

But, given that (in Sir Peter Bonfield) BT has a very "SCSI-friendly" CEO, the new grouping could quickly establish its presence. A few even medium-sized acquisitions and the UK could easily own one of the largest systems integrators in the world. *That's something we have waited for, far too long to see.*

December 1996

### SEMA GROUP

Another £1b first this month. **Sema's** share price has climbed to end Nov. on 950p which equates to a market cap. of £1,056m - the first time an SCSI company quoted on the London Stock Exchange has broken the £1b barrier. We have had the debate over the ownership of Sema on many occasions. At this juncture, just remember that there is as much Sema equity owned by UK shareholders as by the French.

The event which finally pushed Sema over £1b was the purchase of the remaining 50% stake in France Telecom's TELIS systems integration operation for a rather low £3m. Although TELIS had lost c£8m in the six months to 30th June 96, it had revenues of over £100m in 1995 and no debt...indeed we understand there might even be some cash there! We sense a political sell off, as France Telecom helps France meet the single currency criteria. In any event, it clearly looks a bargain basement deal for Sema...hence the share price rise.

#### Elsewhere

**Misys** has bought **Frustum** in the US for £37m (see p7) boosting Misys market cap. to £844m at the end of Nov.

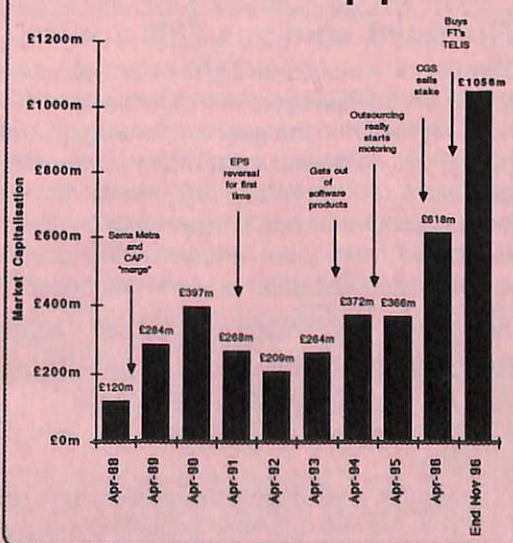
Now with significant US revenues,

can a US quote be too far away? Perhaps Misys will then break the £1b barrier too.

And all in a month when **Logica** (£541m), **CMG** (£545m) and **Sage**

(£542m) all comfortably exceeded the £500m barrier. *Our cup runneth over!*

### The rise, fall and rise of Sema Group plc



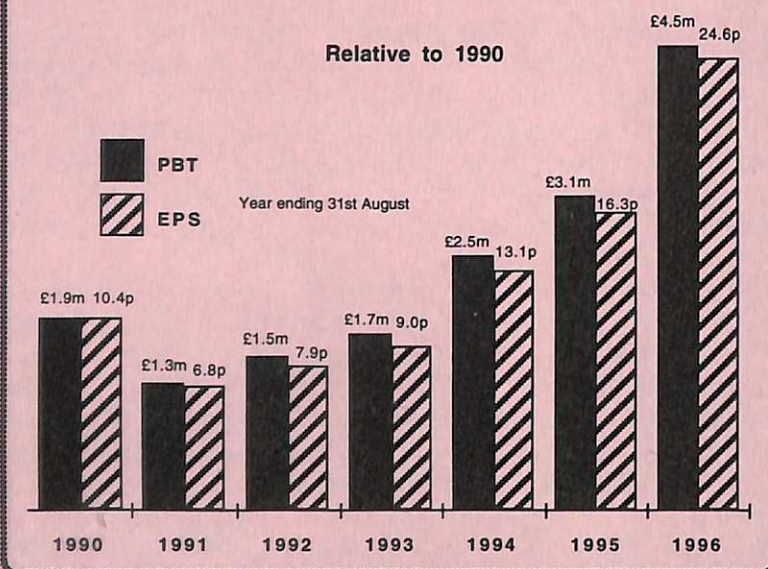


## Booming MMT Computing plc

Our readers tend to stay with us for a long time so at least most of you can bear witness to our "rave reviews" of **MMT Computing** over most of this decade. At first, as the two charts below show, strong EPS growth was not reflected in the share price performance. But in the last year, MMT's share price has literally rocketed - up an unprecedented 3-fold in the 12 month period Oct. 95 - Oct. 96. It was therefore of no great surprise that, even though the latest results were excellent, shareholders decided to take some profits resulting in a small 2% decline to 535p in November.

In the year to 30th Aug. 96, MMT boosted revenues by 21% to £16.9m and PBT was up 47% at £4.53m...yes, that's a 27% profit margin. Indeed, MMT has reported a 20%+ profit margin in everyone of the last ten years! This year, that included an exceptional gain on the sale of its stake in Sherwood Computers - but even so, PBT would have risen by 39%. EPS was up 51%. However, MMT's minority stake in MMT Reading "continues to disappoint".

## MMT Computing plc PBT and EPS Record



**Acquisitions** - MMT has announced the purchase of **Cortex Computer Systems Ltd** for a max. of £6.5m. It is a highly geared deal - £840K now (for a 78% stake) - the price for the rest of the equity depends on profits to 1998. Cortex had rev. of £1.45m, and PBT of £155K in the year to 31st July 95. MMT's Chairman Mike Tilbrook now says he hopes to conclude another acquisition in the near future. But, even so, shareholders are to be asked to give the board authority to buy back its own shares. This has never worked in our industry before (see ACT, Macro 4 etal) and, regardless of our high regard, we have no greater expectations for MMT.

### Firstpoint confirms TPM decline

The list of woe in the TPM sector got ever longer this month with **Stratagem's** announcement that **Firstpoint** had lost £869K in the year to 31st Aug. 96 (profit of £1.5m in FY95). "Several competitors had left the market although, unfortunately, not before depressing market prices"...now who could they mean? A "modest profit" is expected in the current year "by a combination of increased selling effort and stringent control of costs".

### Network Technologies meets expectations

**Network Technologies** was a new AIM issue at 114p in July 96. The prospectus forecast PBT of not less than £3.3m in the year to 30th Sept. 96 - and they achieved £3.335m.

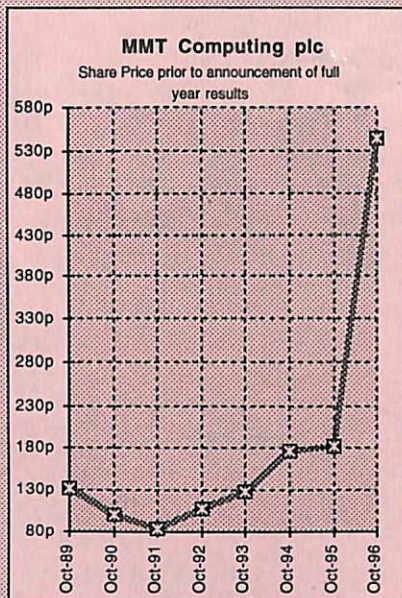
NT designs and builds systems to link office systems together. We had originally excluded them because of their high hardware content. However, most of the latest developments - like the recently launched Internet printing product - is software based.

MMT has had a canny habit of buying other SCSI stocks at the

right time. They bought Quotient - before they were acquired by ACT, they bought P-E International - before they were bought by Cray, they bought Total on the way up and sold at the peak (before the recent plunge). A couple of years ago they bought into Sherwood and held 5% of the equity at one time. Sherwood has been one of the best recovery stocks in the period!

Investors now realise (at long last) that MMT is in exactly the right place at the right time. It provides development/application management services to blue chip customers on long term contracts. "We have entered the new year with an outstanding order book...better than ever before".

Of course such events as the Y2000 and the Euro will be major boosts to the MMT order book. In our books, MMT is in for a good run of profits and EPS growth. *Come 2000 though...*



### Logica and the internet

There are many things we like about Dr. Martin Read CEO at **Logica**...the main one is that he listens.

Now we do not wish to claim any credit for Logica's success or detract from Read's contribution in any way, but there is a marked link between the main discussion point at each of our six monthly meetings and subsequent actions. Last time we spent most of the meeting discussing SCSI companies' inability to understand how the Internet was going to affect them and their customers. So we were delighted this month to read that Logica had entered into a JV with Open Market to resell their Internet-based electronic commerce systems.

### Coda buys and is bullish

**Coda** has acquired **SHS ehf** of Iceland for a max. of £2.3m. SHS provides PC and Internet skills. Coda also announced that 93 new customers were signed in the year to 31st Oct. 96, that Q2 losses will not exceed £1.2m and Coda ended the period with net cash of £1.8m.



## Lorien "Coster has a lot to learn"

Lorien had the "honour" of being the first SCSi issue on AIM back in July 95. The 100p share price equated to a market cap. of £5.5m. Since then, Lorien has been about the best AIM performer around (although it now intends to move to the main market) - ending Nov. on 344p. Market capitalisation, due to rights issues to fund acquisitions (the most notable being of **P-E International** (from Cray for £11m incl. property), has risen even higher to £39m.

This month, we were 'phoned by Justin Marozzi of the FT for our comments on the incentive package for newly appointed CEO Malcolm Coster which could earn him £5m if Lorien manages a c20% p.a. EPS growth over the next three years. We were reported as saying that "as the sector is already achieving 20% p.a. earnings growth organically", the target seemed "fairly pedestrian".

Coster was a senior VP at Unisys and had apparently taken a pay cut from his Unisys package of "between £500K and £1m" to just £125K at Lorien. He had also given up his chauffeur-driven car. "I travelled on the tube for the first time yesterday, which I regard as a bit of a hardship. The Northern Line was bloody dirty" he told the FT.

We then started to feel really sorry for Coster. This remorse increased when Coster 'phoned us asking for further insight into the industry. ("Lorien is a Richard Holway customer, Mr. Coster". "I have a lot to learn here...not least which research we buy").

Lorien has two main areas of business - IT staff agency/recruitment and, with P-E, management consultancy. If Coster cannot make at least a 20% growth in the IT agency market in the years up to 2000, he doesn't even deserve his salary let alone his bonus. We accept that getting such growth out of P-E might be a little more difficult. We think Lorien now needs to add an outsourcing "third leg" to make the business rather more stable.

At the same time Lorien appointed Bert Morris as a non-exec. Although best known as the Dep. CEO at the Nat West, many readers will know him better as a director of Regent Associates and the enigmatic MC of their conference last January.

## ON • DEMAND • INFORMATION plc

On Demand Information provides "single source multimedia information systems". We described them as the "ultimate froth stock" when they were floated onto the USM in Nov. 93 at 100p.

That was three years ago but our description seems equally apposite today. Latest results for the year to 31st July 96 show revenues up 30% at just £11.4m and losses (albeit reduced) of £2.9m. These results were previewed in the profits warning last month. "A better trading performance was expected but it was affected by the slower than forecast sales of the BT on-line products...we are now unlikely to realise the full potential of the 4 year contract". Now that must be a little annoying to those that subscribed to the 180p rights issue on the announcement of the BT deal only six months ago in May 96. Chairman Graham Poulter told shareholders at the time that On Demand "would be back in profit by the end of 1996".

On-Demand shares had hit a high of 224p (which valued them at a startling £122m!). They have since fallen all the way back to end Nov. down 35% at 47p...but still with a market cap. of £26m. If you are one of the suckers, you obviously haven't been reading *System House* too closely!

## LBMS reports £11.2m loss but is "clearly pleased"

We think we ought to stop reporting on LBMS as a UK SCSi company. They have "spun-off" all their UK operations, moved the HQ to the US, report in \$ and, if the "conference call" press briefing is to be believed, now make all their revenue in the US. They still retain their UK quote...but for how much longer? When the USM closes on 1st Dec. 96, that might disappear too.

LBMS was well positioned with its SSADM methodology and tools but then moved into acquisition mode... and losses. In Jan. 93 LBMS made a rights issue at 100p, returned to profits and the share price soared to 363p. But then the cycle repeated itself over again. A rights issue in 1994 at 70p saw US shareholders take control and the share price soar to 320p in 1995. Only a year ago Chairman Rainer Burchett announced "LBMS is in excellent shape". In Aug. 96, LBMS issued another profits warning and the share price plunged to a low of 57p. Since then "new" management has yet again performed the "Road to Damascus" trick. Although reporting a loss before tax of a staggering £11.2m in Q2 (to 31st Oct. 96) on revenues more than halved to £3.05m new, new CEO Mike Bennett is "clearly pleased with the progress made". Slashing costs by 50%, LBMS has returned to a £672K "operating" profit in the quarter. "The accomplishments of the company in Q2 were substantial". So there are another set of fortunes to be made (well for "new" shareholders, anyway) Already LBMS shares are up 66% at 95p from their 57p low.

We joined in on a conference call to Bennett. He was so proud that "the lion's share of revenues was from new customers". That's the attitude you have when you are a products guy! Forget the existing punters. go search for pastures new!

LBMS UK has been spun out into a separate private company. Bennett admitted that they had allowed these new "distributors" to keep 100% of revenues to help them on their way. Bluntly LBMS UK, with "hit the road running" revenues of c£2.5m and 400 existing customers to look after, in our view seems to have a far more promising future than anything Bennett might deliver.

## BULL prospers...particularly in services

Bull Information Systems in the UK and Ireland increased revenues by 11% to £248m in Q3. On the surface that looks unexceptional. But remember Bull lost its BT contract to Computacenter in late 1995. Bull had been the principal supplier of PCs to BT for many years. Bull will not disclose how much revenue they lost as a result but we reckon it was around £35m p.a. For Bull to have made up the shortfall AND grow by 11% is pretty good going.

Yet again it is services which have been the star. **Integris** claims a 234% increase in Q3, helped by the Chessington contract. Integris is on course to report revenues of over £50m in 1996 (up from £21m in 1995). New outsourcing contracts - like the AM deals at Sedgwicks and Eastern Electricity - and "four deals we hope to announce shortly" should boost Integris' revenues to over £75m in 1997.

The Jan. 96 acquisition of Cara in Ireland has "outperformed expectations". Bull now has around 300 staff in Ireland. It helped Bull to boost SI revenues by 61% and customer services by 27%. We think CEO Richard Snook is justified in claiming "Bull UK and Ireland is one of the success stories of the industry".

BULL also announced that a further 5% of its equity would be privatised soon - bringing the FT & French Govt. share down to <50%.



## Lynx performing well

In Oct. 94, Lynx sold its Bounce About bouncy castle operations to concentrate on its SCSI operations. Since then it really has done no wrong. It has made a range of acquisitions which have included pension scheme systems supplier Heywood & Partners in Mar. 95 (for £4.5m) all the way through to the purchase this month of **Quadra Computer Services Ltd** for £2.66m plus £665K depending on profits to 31st Jan. 97. Quadra develops building society systems and reported PBT of £392K on revenues of £3.4m in the year to 31st Jan. 96. Lynx CEO Richard Last says Quadra "will be earnings enhancing from day one".

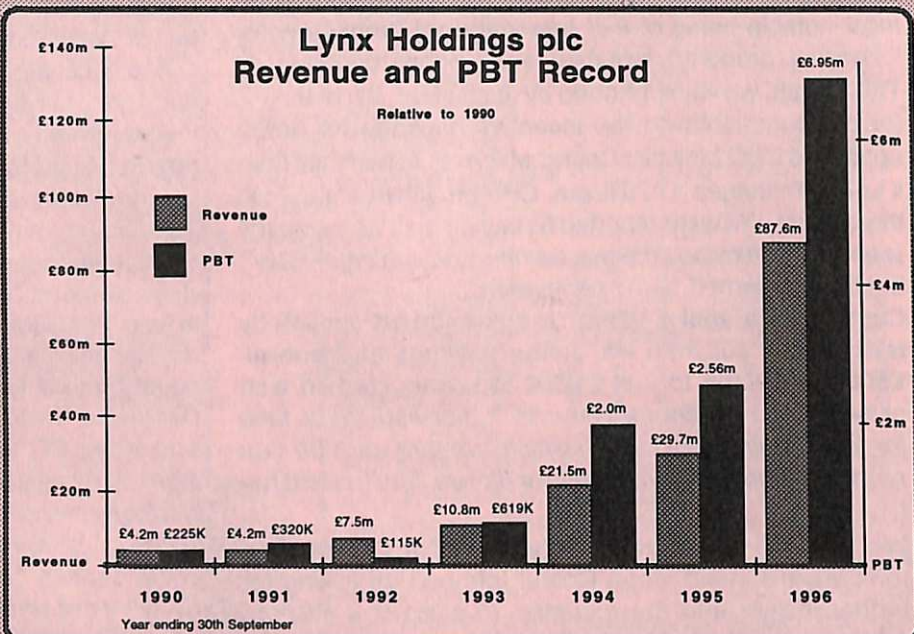
But, of course, the biggest buy of the lot was the £22m "reverse takeover?" of Bob Morton's Vistec in Oct. 95.

Lynx's latest results for the year to 30th Sept. 96 are really rather good. Of course revenues soared from £32m to £87.6m and PBT went up from £2.56m to £6.95m. But even more impressive, given the acquisitions, was the 14% increase in EPS. Around 70% of the revenues come from the computer division "significantly enlarged" by the Vistec purchase. This is basically a VAR operation as well as supplying installation through to hardware maintenance. "Both areas have performed well and the integration of Vistec has been completed successfully".

The Software and Systems division, although only representing 30% of revenues generates 45% of the profits (as readers might by now expect!). Here the Financial Systems operation has "made good progress" and their new car dealer system (Automate) will be released in early 1997. Lynx acquired Spanish auto dealer software company Tesoft SA in Mar. 96 for up to £6.4m. Tesoft is also motoring nicely and has recently been awarded a £4m contract by Renault Italy.

Lynx's balance sheet is also strong with £3.9m net cash to add to the £7.5m borrowing facilities. Last says he is on the look out for more "reasonably sized" acquisitions.

It all looks very bright. But Lynx shares actually fell 4% this month to 82p, still representing a 16% gain in calendar 1996 so far. But readers should note that the current capitalisation is still only £80m - less than the £87m revenues, and represents a modest 17 historic P/E.



**Cadcentre** joined Druid (see p10) as the second SCSI main market float this month. Priced at 200p - equating to a market cap. of £33.4m and a P/E of 25 - share dealings will commence on 5th Dec. 96. Cadcentre is a "leading supplier of computer aided design systems for process plant". The prospectus shows it to be a "strong number two" to Intergraph in the markets it serves. Intergraph reported losses of \$45m (on revenues of \$1.1b) in 95 and similar for 1996 to date.

Cadcentre's products are used by more than "300 customers in 40 countries" and, we are delighted to see, "over 40% of revenues are contractually recurring".

Cadcentre was set up by the Govt. in 1967 to exploit the links between Cambridge University and the private sector. It was the subject of a £7m 3i. 1994. 3i. (38%) and Cambridge University (13%) hold a slight majority with directors the remainder. Since then results have been good rather than spectacular. In the revenues were up 19% at £14.2m (most earned outside the UK) and PBT tripled to results in 1995 were depressed by several "one offs".

The float value of £33m equates to nearly 5-times the MBO value just 2 years ago although financial performance is roughly similar. But, unlike other privatisations at the time, Cadcentre is unlikely to be the subject of windfall tax!

## CADCENTRE

backed MBO in (43%) and staff with year to 31st Mar 96, £1.7m. However,

"We know you don't usually cover "product" launches but the launch of **MAXIM** - a business process implementation service - by **FI Group** is another trendsetter" - note from FI Group to Richard Holway.

Trouble is we seem to remember covering (some even say suggesting) FI's innovative AM services (MAINSTAY) a number of years ago. We didn't cover product launches then either! Frankly it seems like another "stick to the knitting, don't do anything too exciting" FI-type winner to us. FI embracing the Capita type of business must surely be good for everyone - not least shareholders! But we are probably too biased towards both FI and Capita by now.

### Is it April 1st already?

Along with the news of the UK getting its first \$2b SCSI company (p1) comes an even more unbelievable story. **Open Systems** - US accountancy software group - is to float on AIM in Dec., and **move its HQ to London**. c£2m will be raised and a market cap. of £10m is expected.

Open Systems - and its *Traverse* product - was bought from Unisys in 1990.



**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

Action Computer Supplies plc					Eldos plc				
REV	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison	REV	Final - Dec 94	Final - Mar 96	Comparison	
REV	£ 699,119	£ 1,088,905	£ 721,108	+3.1%	REV	£ 254,225	£ 3,706,000	n/a	
PBT	-£ 314,850	-£ 625,546	-£ 427,844	Loss both	PBT	-£ 107,623	-£ 1,949,000	Loss both	
EPS	-1.50p	-2.40p	-1.40p	Loss both	EPS	-4.16p	-44.60p	Loss both	
Admiral plc					Electronic Data Processing plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 30,204,000	£ 65,460,000	£ 43,009,000	+42.4%	REV	£ 6,326,000	£ 12,605,000	£ 7,894,000	+24.8%
PBT	£ 5,589,000	£ 9,832,000	£ 5,180,000	-7.3%	PBT	£ 1,807,000	£ 3,083,000	£ 1,505,000	-16.7%
EPS	6.40p	10.72p	5.50p	-14.1%	EPS	4.55p	7.53p	3.93p	-13.6%
AFA Systems plc					F.I. Group plc				
REV	Final - Dec 95 (5 mos)	Final - Apr 96	Interim - Jun 96	Comparison	REV	Final - Apr 95	Final - Apr 96	Comparison	
REV	£ 0	£ 217,000	£ 237,000	n/a	REV	£ 61,703,000	£ 78,824,000	+27.7%	
PBT	-£ 121,000	-£ 133,000	-£ 229,000	Both loss	PBT	£ 3,260,000	£ 3,763,000	+15.4%	
EPS	-1.62p	n/a	-3.06p	Loss both	EPS	7.60p	7.70p	+1.3%	
Anite Group plc					Flomerics Group plc				
REV	Final - Apr 95	Final - Apr 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	
REV	£ 284,838,000	£ 282,838,000	-0.8%	REV	£ 1,541,240	£ 4,147,187	£ 2,146,559	+39.3%	
PBT	£ 835,000	-£ 19,378,000	Profit to loss	PBT	-£ 110,288	£ 415,565	-£ 154,643	loss both	
EPS	-0.30p	-8.40p	Loss both	EPS	n/a	11.00p	n/a	n/a	
Azlan Group plc					Gresham Computing plc				
REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison	REV	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison
REV	£ 72,718,000	£ 196,459,000	£ 126,464,000	+73.9%	REV	£ 3,803,000	£ 7,895,000	£ 4,579,000	+20.4%
PBT	£ 4,445,000	£ 10,507,000	£ 6,034,000	+35.7%	PBT	£ 521,000	£ 1,281,000	£ 708,000	+35.9%
EPS	13.60p	30.30p	15.00p	+10.3%	EPS	0.98p	2.36p	1.32p	+34.7%
B.C.E Holdings plc					INSTEM plc				
REV	Final - Jun 95	Final - Jun 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	
REV	£ 9,154,000	£ 9,504,000	+3.8%	REV	£ 11,205,000	£ 21,324,000	£ 10,740,000	-4.1%	
PBT	£ 969,000	-£ 3,224,000	Profit to loss	PBT	£ 577,000	£ 1,244,000	£ 402,000	-30.3%	
EPS	0.51p	-1.34p	Profit to loss	EPS	8.40p	18.10p	5.80p	-31.0%	
Capita Group plc					Intelligent Environments Group plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 43,418,000	£ 86,994,000	£ 50,067,000	+15.3%	REV	£ 2,026,000	£ 4,051,000	£ 2,028,000	+0.1%
PBT	£ 4,011,000	£ 9,420,000	£ 4,588,000	+14.4%	PBT	-£ 3,000	£ 202,000	£ 35,000	Loss to profit
EPS	5.00p	11.80p	5.50p	+10.0%	EPS	-0.10p	1.00p	0.20p	Loss to profit
Cedardata plc					JBA Holdings plc				
REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 5,333,000	£ 12,071,000	£ 5,661,000	+6.2%	REV	£ 49,464,000	£ 124,693,000	£ 69,822,000	+41.2%
PBT	£ 1,995,000	£ 4,384,000	£ 1,935,000	-3.0%	PBT	£ 754,000	£ 1,714,000	£ 1,362,000	+80.6%
EPS	4.20p	9.50p	4.10p	-2.4%	EPS	1.43p	16.31p	2.33p	+62.9%
CFS Group plc					Kalamazoo Computer Group plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
REV	£ 1,276,000	£ 2,988,520	£ 1,751,000	+37.2%	REV	£ 32,358,000	£ 66,895,000	£ 35,218,000	+8.8%
PBT	-£ 66,000	£ 384,675	£ 26,000	Loss to profit	PBT	£ 2,012,000	£ 5,882,000	£ 2,340,000	+16.3%
EPS	-1.50p	4.77p	1.60p	Loss to profit	EPS	3.66p	10.20p	3.72p	+1.6%
Chemical Design Holdings plc					Kewill Systems plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
REV	£ 512,645	£ 1,811,407	£ 883,015	+68.3%	REV	£ 16,567,000	£ 35,242,000	£ 19,830,000	+19.7%
PBT	-£ 151,810	£ 239,488	£ 52,478	Loss to profit	PBT	£ 2,613,000	£ 6,061,000	£ 3,243,000	+24.1%
EPS	n/a	3.50p	0.69p	n/a	EPS	14.60p	33.70p	17.50p	+19.9%
Clinical Computing plc					Learmonth & Burchett Management Systems plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison
REV	£ 924,000	£ 2,355,178	£ 1,236,000	-33.8%	REV	£ 12,400,000	£ 25,855,000	£ 6,285,000	-49.3%
PBT	-£ 357,000	-£ 546,832	-£ 573,000	Loss both	PBT	£ 496,000	-£ 539,000	-£ 14,127,000	Profit to loss
EPS	-2.20p	-3.40p	-3.40p	Loss both	EPS	1.80p	-2.30p	-55.30p	Profit to loss
CMG plc					Logica plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Final - Jun 95	Final - Jun 96	Comparison	
REV	£ 94,559,000	£ 196,484,000	£ 116,616,000	+23.3%	REV	£ 250,135,000	£ 284,810,000	+13.9%	
PBT	£ 8,640,000	£ 18,460,000	£ 11,340,000	+31.3%	PBT	£ 20,310,000	£ 24,710,000	+21.7%	
EPS	8.90p	18.20p	11.40p	+28.1%	EPS	21.70p	27.10p	+24.9%	
Coda Group plc					Lorien plc				
REV	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison	REV	Interim - May 95	Final - Nov 95	Interim - May 96	Comparison
REV	£ 15,229,000	£ 32,791,000	£ 15,264,000	+0.2%	REV	£ 11,527,000	£ 29,109,000	£ 17,997,000	+56.1%
PBT	£ 993,000	£ 1,030,000	-£ 3,688,000	Profit to loss	PBT	£ 414,000	£ 971,000	£ 600,000	+44.9%
EPS	2.70p	2.50p	-13.90p	Profit to loss	EPS	6.17p	12.10p	7.05p	+14.3%
Compel Group plc					Lynx Holdings plc				
REV	Final - Jun 95	Final - Jun 96	Comparison	REV	Final - Sep 95	Final - Sep 96	Comparison		
REV	£ 70,019,000	£ 85,620,000	+22.3%	REV	£ 32,018,000	£ 87,644,000	+173.7%		
PBT	£ 2,684,000	£ 3,235,000	+20.5%	PBT	£ 2,564,000	£ 6,953,000	+171.2%		
EPS	11.10p	13.00p	+17.1%	EPS	4.70p	5.36p	+14.0%		
CRT Group plc					M.A.I.D plc				
REV	Final - Apr 95	Final - Apr 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	
REV	£ 72,762,000	£ 103,282,000	+41.9%	REV	£ 5,782,000	£ 13,642,000	£ 9,584,000	+66.3%	
PBT	£ 5,972,000	£ 6,515,000	+9.1%	PBT	£ 408,000	-£ 4,045,000	-£ 3,284,000	Profit to loss	
EPS	6.30p	5.70p	-9.5%	EPS	0.33p	-4.42p	-3.68p	Profit to loss	
DCS Group plc					MMT Computing plc				
REV	Final - Jun 95	Final - Jun 96	Comparison	REV	Final - Aug 95	Final - Aug 96	Comparison		
REV	£ 8,894,833	£ 30,482,000	+250.6%	REV	£ 13,957,949	£ 16,861,201	+20.8%		
PBT	£ 609,530	£ 2,366,000	+288.2%	PBT	£ 3,075,053	£ 4,531,886	+47.4%		
EPS	5.02p	8.31p	+65.5%	EPS	16.30p	24.60p	+50.9%		
DRS Data & Research Services plc					M-R Group plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Final - Jun 95	Final - Jun 96	Comparison	
REV	£ 4,269,000	£ 6,468,000	£ 2,918,000	-31.8%	REV	£ 41,429,000	£ 38,361,000	-7.4%	
PBT	£ 512,000	£ 594,000	-£ 363,000	Profit to loss	PBT	£ 1,309,000	£ 4,810,000	+267.5%	
EPS	0.95p	1.33p	-0.72p	Profit to loss	EPS	1.60p	5.70p	+256.3%	
Delphi Group plc					McDonnell Information Systems Group plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 83,168,000	£ 175,008,000	£ 100,174,000	+20.4%	REV	£ 79,145,000	£ 146,805,000	£ 60,540,000	-23.5%
PBT	£ 4,101,000	£ 9,015,000	£ 5,709,000	+39.2%	PBT	-£ 1,673,000	-£ 39,420,000	-£ 9,213,000	Loss both
EPS	11.70p	25.42p	15.10p	+29.1%	EPS	-2.30p	-37.02p	-9.39p	Loss both
Division Group plc					Macro 4 plc				
REV	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison	REV	Final - Jun 95	Final - Jun 96	Comparison	
REV	£ 2,469,000	£ 4,830,000	£ 3,034,000	+22.9%	REV	£ 25,035,000	£ 25,317,000	+1.1%	
PBT	-£ 1,575,000	-£ 3,893,000	-£ 2,283,000	Loss both	PBT	£ 11,602,000	£ 12,147,000	+4.7%	
EPS	-3.80p	-9.20p	-5.20p	Loss both	EPS	35.20p	37.50p	+6.5%	
Druid Group plc					Micro Focus plc				
REV	Final - Jun 95	Final - Jun 96	Comparison	REV	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison	
REV	£ 8,159,000	£ 12,013,000	+46.0%	REV	£ 36,802,000	£ 77,258,000	£ 34,140,000	-7.2%	
PBT	£ 1,303,000	£ 3,011,000	+131.1%	PBT	-£ 4,470,000	-£ 6,542,000	-£ 9,463,000	Loss both	
EPS	n/a	n/a	Loss both	EPS	-30.00p	-43.60p	-62.20p	Loss both	



**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

Microgen Holdings plc					Recognition Systems Group plc				
	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison		Final - Sep 94	Interim - Mar 96	Final - Sep 95	Comparison
REV	£ 34,868,000	£ 89,029,000	£ 38,291,000	+9.8%	REV	£ 625,000	£ 245,000	£ 869,000	+7.0%
PBT	£ 4,470,000	£ 8,383,000	£ 4,875,000	+9.1%	PBT	£ 6,000	£ 292,000	£ 397,000	Loss both
EPS	7.30p	14.80p	8.00p	+9.6%	EPS	0.00p	-1.40p	-2.10p	Loss both
Microvitac plc					Riva Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 26,550,000	£ 55,050,000	£ 33,840,000	+27.5%	REV	£ 34,718,000	£ 73,022,000	£ 32,348,000	-6.8%
PBT	£ 1,607,000	£ 3,411,000	£ 1,610,000	+0.2%	PBT	£ 58,000	£ 182,000	£ 905,000	Profit to loss
EPS	1.47p	3.10p	1.40p	-4.8%	EPS	-0.20p	0.10p	-3.00p	Loss both
Misys plc					Roife & Nolan plc				
	Final - May 95	Final - May 96	Comparison		Final - Feb 95	Final - Feb 96	Comparison		
REV	£ 153,395,000	£ 279,867,000	+82.4%	REV	£ 14,288,000	£ 17,128,000	+19.9%		
PBT	£ 26,345,000	£ 50,437,000	+91.4%	PBT	£ 1,512,000	£ 2,517,000	+66.5%		
EPS	35.10p	44.00p	+25.4%	EPS	6.70p	12.33p	+84.0%		
Mondas plc					Romtec plc				
	Final - Apr 95	Final - Apr 96	Comparison		Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison	
REV	£ 133,300	£ 134,176	+0.7%	REV	£ 1,614,000	£ 3,731,187	£ 1,990,000	+23.3%	
PBT	£ 232,066	£ 167,966	Loss both	PBT	£ 105,000	£ 257,430	£ 128,000	+21.9%	
EPS	n/a	n/a	n/a	EPS	1.50p	3.60p	1.70p	+13.3%	
Moorepay Group plc					Sage Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 2,342,152	£ 4,632,538	£ 2,717,248	+16.0%	REV	£ 50,822,000	£ 102,234,000	£ 71,836,000	+41.9%
PBT	£ 666,324	£ 1,142,110	£ 851,417	+27.8%	PBT	£ 11,740,000	£ 22,362,000	£ 16,116,000	+37.3%
EPS	5.88p	10.22p	7.52p	+27.9%	EPS	7.46p	13.88p	9.92p	+33.0%
MSB International plc					Sanderson Electronics plc				
	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison		Final - Sep 95	Final - Sep 96	Comparison	
REV	£ 15,692,000	£ 38,555,000	£ 29,981,000	+90.9%	REV	£ 57,801,000	£ 61,395,000	+6.2%	
PBT	£ 1,370,000	£ 3,420,000	£ 2,166,000	+58.1%	PBT	£ 5,305,000	£ 6,201,000	+16.9%	
EPS	4.80p	4.90p	7.00p	+45.8%	EPS	8.80p	10.10p	+14.8%	
OmniMedia plc					Sema Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 199,962	£ 275,275	£ 250,684	+25.4%	REV	£ 321,892,000	£ 677,726,000	£ 426,919,000	+32.6%
PBT	£ 279,137	£ 1,023,344	£ 670,769	Loss both	PBT	£ 16,034,000	£ 36,927,000	£ 19,754,000	+23.2%
EPS	-1.76p	-6.06p	-3.16p	Loss both	EPS	10.47p	24.79p	13.23p	+26.4%
On Demand Information plc					Sherwood International plc				
	Final - Jul 95	Final - Jul 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	
REV	£ 8,786,000	£ 11,429,000	+30.1%	REV	£ 13,195,000	£ 28,246,000	£ 11,801,000	-10.6%	
PBT	£ 3,646,000	£ 2,900,000	Loss both	PBT	£ 615,000	£ 6,850,000	£ 705,000	+14.6%	
EPS	-7.20p	-5.60p	Loss both	EPS	5.90p	66.20p	5.60p	-5.1%	
Oxford Molecular plc					Spargo Consulting plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 2,832,000	£ 6,179,000	£ 4,350,000	+53.6%	REV	£ 3,329,000	£ 7,379,000	£ 4,040,000	+21.4%
PBT	£ 2,112,000	£ 3,693,000	£ 950,000	Loss both	PBT	£ 192,000	£ 902,000	£ 602,000	+213.5%
EPS	-4.20p	-7.20p	-1.80p	Loss both	EPS	0.90p	4.43p	3.10p	+244.4%
P & P plc					Staffware plc				
	Interim - May 95	Final - Nov 95	Interim - May 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 171,100,000	£ 341,990,000	£ 179,200,000	+4.7%	REV	£ 1,819,534	£ 4,267,380	£ 4,044,061	+122.3%
PBT	£ 6,200,000	£ 12,574,000	£ 6,500,000	+4.8%	PBT	£ 146,380	£ 535,213	£ 159,812	+9.2%
EPS	5.30p	11.00p	5.80p	+9.4%	EPS	0.70p	3.90p	0.40p	-42.9%
Parity plc					Superscape VR plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Jul 95	Final - Jul 96	Comparison	
REV	£ 61,512,000	£ 127,711,000	£ 76,363,000	+24.1%	REV	£ 1,590,000	£ 3,888,000	+144.5%	
PBT	£ 3,069,000	£ 6,540,000	£ 4,303,000	+40.2%	PBT	£ 1,746,000	£ 2,873,000	Loss both	
EPS	4.82p	10.34p	6.75p	+40.0%	EPS	-30.70p	-37.90p	Loss both	
Pegasus Group plc					Systems Integrated Research plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - May 95	Final - May 96	Comparison	
REV	£ 3,038,000	£ 6,428,000	£ 3,729,000	+22.7%	REV	£ 1,901,000	£ 1,248,000	-34.5%	
PBT	£ 172,000	£ 893,000	£ 511,000	+197.1%	PBT	£ 42,000	£ 642,000	Loss both	
EPS	1.80p	10.30p	6.50p	+261.1%	EPS	-0.40p	-5.80p	Loss both	
Persona plc					Total Systems plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Mar 95	Final - Mar 96	Comparison	
REV	£ 24,780,000	£ 53,375,000	£ 65,164,000	+163.0%	REV	£ 2,289,437	£ 2,892,802	+26.4%	
PBT	£ 1,350,000	£ 2,832,000	£ 2,707,000	+100.5%	PBT	£ 53,516	£ 222,329	+315.4%	
EPS	6.88p	14.41p	7.78p	+13.1%	EPS	0.34p	1.60p	+370.6%	
PhoneLink plc					Trace Computers plc				
	Final - Mar 95	Final - Mar 96	Comparison		Final - May 95	Final - May 96	Comparison		
REV	£ 2,085,000	£ 4,358,000	+108.9%	REV	£ 19,876,832	£ 20,534,553	+4.4%		
PBT	£ 3,702,000	£ 6,711,000	Loss both	PBT	£ 482,746	£ 5,135,296	Profit to loss		
EPS	-10.40p	-17.30p	Loss both	EPS	2.53p	-35.88p	Profit to loss		
Proteus International plc					Triad Group plc				
	Final - Mar 95	Final - Mar 96	Comparison		Final - Mar 95	Final - Mar 96	Comparison		
REV	Nil	£ 1,063,000	n/a	REV	£ 6,699,570	£ 11,680,000	+74.3%		
PBT	£ 7,925,000	£ 5,395,000	Loss both	PBT	£ 1,059,350	£ 2,131,000	+101.2%		
EPS	-25.47p	-16.49p	Loss both	EPS	3.30p	7.09p	+114.8%		
Quality Software Products Holdings plc					Vega Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Apr 95	Final - Apr 96	Comparison	
REV	£ 10,115,000	£ 21,385,842	£ 11,797,000	+16.6%	REV	£ 12,516,000	£ 16,032,000	+28.1%	
PBT	£ 805,000	£ 502,697	£ 1,117,000	Profit to loss	PBT	£ 2,910,000	£ 3,452,000	+18.6%	
EPS	9.20p	5.20p	-8.60p	Profit to loss	EPS	13.49p	16.16p	+19.8%	
RM plc					Virtuality Group plc				
	Final - Sep 95	Final - Sep 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	
REV	£ 80,897,000	£ 99,032,000	+22.7%	REV	£ 6,269,000	£ 12,779,000	£ 3,541,000	-43.5%	
PBT	£ 5,023,000	£ 6,806,000	+35.5%	PBT	£ 583,000	£ 565,000	£ 3,783,000	Loss both	
EPS	18.80p	25.10p	+33.5%	EPS	-2.20p	-2.10p	-13.40p	Loss both	
Radius plc					Wakebourne plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 13,424,000	£ 28,052,000	£ 13,934,000	+3.8%	REV	£ 18,848,000	£ 36,714,000	£ 16,145,000	-14.3%
PBT	£ 835,000	£ 1,809,000	£ 1,006,000	+20.5%	PBT	£ 356,000	£ 3,384,000	£ 212,000	Loss to profit
EPS	1.96p	4.37p	2.40p	+22.4%	EPS	-1.10p	-12.20p	0.60p	Loss to profit
Real Time Control plc					Xavier Computer Group plc				
	Final - Mar 95	Final - Mar 96	Comparison		Period - Mar 96	Final - Dec 95	Interim - Sep 96	Comparison	
REV	£ 13,463,000	£ 11,903,000	-11.6%	REV	£ 457,000	£ 1,201,884	£ 3,740,000	n/a	
PBT	£ 1,782,000	£ 2,207,000	+23.8%	PBT	£ 86,000	£ 70,472	£ 260,000	n/a	
EPS	20.00p	20.80p	+4.0%	EPS	-0.26p	n/a	0.33p	n/a	
Rebus Group plc					Zergo Holdings plc				
	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison		Final - Apr 95	Final - Apr 96	Comparison	
REV	£ 28,293,000	£ 60,040,000	£ 30,255,000	+5.4%	REV	£ 7,074,520	£ 8,483,877	+18.9%	
PBT	£ 356,000	£ 1,969,000	£ 2,313,000	Loss to profit	PBT	£ 12,769	£ 214,693	Profit to loss	
EPS	-0.32p	0.33p	1.72p	Loss to profit	EPS	n/a	n/a	n/a	



## UK M&A

ETC has acquired "ailing" network distributor **Data Translation Networking**. **Pearson plc** has acquired **Telecomeuropa** (a newsletter publisher) for £2.1m. At long last, **Easynet** has "exchanged contracts" to acquire **UK Online** for £750K (£580K now, rest in 1997). This will add a further 4000 Internet access subscribers. Online lost £977K in the 9 months to 30th Sept. 96 and had net liabilities of £12K. **Dixons** has acquired **DN Computer Services plc** for £9.7m. DNCS provides computers and supplies via mail order to the corporate sector. **Integra** (consultancy and IT training) has acquired **QAC Quality Assurance Systems**. Comms consultancy **Smythe Dorward Lambert** has been bought by **US Omnicom Group**. **Sanderson Electronics** has acquired **Clegg Driscoll Consultants Pty Ltd** of Australia for £215K in shares and the 30% equity it did not own in **Sanderson CBT** for £200K in shares. **Parity** has acquired **TPI GmbH** for £500K cash. TPI had revenue of DM4.7m and PBT of DM600K in 1995. **CSC (UK)** has sold its cabling business to **Data Communications Associates (UK) Ltd**.

### CRT Link-Up

**CRT** has wasted no time in announcing its first acquisition since ET invested £109m for a 51% stake in Aug. 96. It is to acquire **Link-Up Services (LUP)**, a recruitment company, for £6m in cash. LUP had revenues of £14.2m and "profit, after adjusting for excess shareholders remuneration, of approx. £600K" in the year to 31st May 96. "Reported PBT was £200K".

LUP when combined with CRT's LINK Recruitment Services (no connection) "will have more than 3,000 temporary IT staff on contract".

More - and larger - acquisitions are expected soon.

### Delphi in placing and purchase

**Delphi** announced a £7.3m placing at 610p as well as the acquisition of a "US IT consultancy and IT staff agency for c\$2.6m cash". The company has revenues of \$4.8m and OP of \$300K in 1995. Delphi also said it is "in the early stages of negotiating two other small acquisitions, one in the UK the other on the Continent".

Much troubled **Clinical Computing**, a new issue at 124p in Feb. 94, has announced a placing/open offer at just 29p to raise £2.1m.

## Misys buys in US

**Misys** has this month consummated its biggest acquisition since the £195m purchase of **ACT** in Feb. 95 by purchasing **Frustum Group Inc.** for a max of £37.2m in cash - £28.2m now and a £9m "long term incentive". **Frustum** develops treasury management software for banks where its main product is MS based **OPICS** - currently used by 26, mainly US banks. "On the basis of accounting policies used by **Misys**", **Frustum** had revenues of £10.6m and PBT of £3.5m in the year to 31st Aug. 96 - so the historic 16 P/E is reasonable these days.

The deal seems to make a lot of sense. It extends **Misys'** leadership in the international banking marketplace where **OPICS** seems "entirely complementary to the existing business" and also boosts **Misys'** presence in the US market - where **Frustum** makes 75% of its revenues.

The more international/US revenue **Misys** can get the better. We see **Misys** becoming a candidate for a NASDAQ listing which would do wonders for the UK share price.

### Betting on MDIS

**MDIS** has issued Motorola with 4.7m shares (worth £1.8m or 4.5% of the equity) in "full and final payment of a royalty commitment of £3.7m". Either **Motorola** thinks that half the debt is better than nothing or it thinks **MDIS** share price is due to rise. Given that **MDIS** CEO **John Klein** told us last week that he had bought a further 50,000 shares himself (bringing his total to 70,000), it might well be the latter!

### "Boring" Macro 4

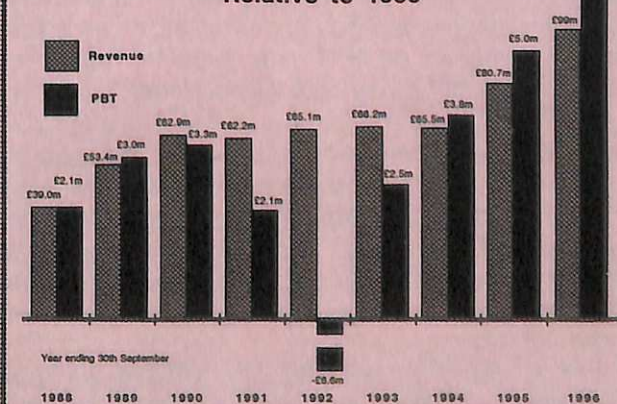
**Macro 4** is the only UK company which could justify a *System House Boring Award* but we have refused to award them one on the basis that they are....frankly really boring! They have the funds but have missed so many opportunities. This month they have committed the ultimate sin (in our books) by appointing **SBC Warburg** to buy back another 5% of their shares. They cannot think of a better way to use £5m of their £17m cash mountain. It didn't work the last time they did it. **Macro 4** shares had hit a high of 663p in 1993. Since then EPS growth has been minimal and the share price ended Nov. 96 on 498p. Conversely our **SCSI Index** has risen by 70% in the same period. So perhaps **Terry Kelly** should have done a **Mike Tilbrook** (see **MMT** review on p2) and invested in the UK **SCSI** sector rather than in his own lacklustre company.

## RM increases market share

**Research Machines (RM)** was one of the very rare new issues back in Dec. 94 at 175p. They have been one of the best performers since - up a massive 250% to close Nov. 96 on 613p. Latest results for the year to 30th Sept. 96 are exemplary with revenues up 23% at £99m "consolidating RM's position as the leading supplier of IT to UK education establishments". PBT was up an even higher 36% at £6.8m, EPS up 34% and net cash up from £10.4m to £13.5m. RM's core education business represented 92% of revenues - up 28% "comfortably ahead of market growth". But RM is hardly resting on its laurels. Three new business activities have been launched:

- **RM Learning Systems**, which distributes *SuccessMaker™*, had revenue of £2.1m - breakeven.
- **Key Solutions** (schools management software), acquired for "up to £2m" in Apr. 95, "contributed a small profit in H2" on revenue of £1.7m.
- but it is **Internet for Learning** which, perhaps, offers the greatest opportunity. It's somewhat irrelevant, but revenue increased 5-fold to £650K with losses of £510K. The **Virgin Net** JV will additionally bring this service into the home. Given that all the political parties are vying to put Education and the Internet at the head of the Election agenda, we cannot see why **RM** should not have the rosiest of futures.

Research Machines plc  
Revenue and PBT Record  
Relative to 1988





### **Cedardata risks Boring record**

Cedardata is one of Oracle UK's largest VARs with their Oracle based *cfacs* accounting system. They were a new issue in Mar. 94 at 105p. When we reviewed Cedardata's full year figures to 31st Mar. 96, which showed 20%+ rises in both PBT and EPS and an impressive 36% profit margin, we threatened to give the company a **System House Boring Award**. At that point we had recorded no reversals and strong earnings growth over the whole of their 13 year history.

But the latest pronouncements from Cedardata are perhaps rather too *exciting*.

Results for the six months to 30th Sept. 96 showed revenues up just 6% at £5.66m, PBT down a tad at £1.94m and an EPS reduction - albeit minimal - from 4.2p to 4.1p. There are genuine reasons for this as last time Cedardata recorded a 50% earnings rise due to "several unusually large orders". So licence revenues (which now represent just 37% of revenues) fell but services (consulting, training and recurring maintenance) "have continued to forge ahead - up 41%". Cash rose from £4.5m to £6.2m.

House brokers Greig Middleton forecast PBT up 23% at £5.4m and EPS up over 20% for the full year. So we hope the Boring record will remain intact for FY97 at least.

The real threat to the **Boring** record is Cedardata's first ever acquisition. They have acquired **Teleconnect Systems Ltd** in one of the most highly priced deals we have recorded. Teleconnect supplies call centre management systems to the likes of Cellnet, Orange and Mercury. They reported revenues of £1.5m and PBT of £500K in the year to 30th June 96. Now we are the first to recognise that this market is experiencing explosive growth and leaders in the field will command high valuations. But for this Cedardata is paying an **initial** £4m and a further £6m deferred (i.e. £10m in total). The original press release said the deferred element was based on "a minimum of a 25% compound increase in PBT for the three years to 30th Sept. 99". Leon Fattal has assured us that the max £6m (i.e. £10m in total) will only be paid if a compound 45% p.a. growth in PBT is made in the three years.

Fattal also told us that he had had little to do with the acquisition as it had been handled by non-exec Chairman Sid Cordier who "has had much experience of similar acquisitions" during his long spell at **MR Group**. We can only refer readers to our reviews of performance at MR Group contained in previous editions. We were even more concerned to learn from Fattal that Cedardata "does not want to run Teleconnect. We are on their board but we are too busy running Cedardata".

Long term readers (of which Leon Fattal is one, and therefore should know better!) know of our adversity to performance related deals. But even we have not seen one of this magnitude. The problem is that if they meet the target, the rewards will largely go to Teleconnect shareholders. But if they start failing, Cedardata will have the devil's job in getting in there and sorting it out. As we have reported on many occasions, when this happens the buyer often has to buy out the performance element just to allow him to start exercising some control. How much better it would have been to pay for the shares up front and then set up an incentive for those executives remaining based on a mix of Cedardata and their own division's performance.

But whatever we might think, the market marked up Cedardata's shares by 7% to 220p during the month.

### **Azlan "The number one provider of equipment, training and support services for network computing systems in Europe"**

So claimed Azlan's CEO Christian Martin when announcing their acquisition of **Akam** - a Dutch-based "network computing training, product distributor and consultancy". Consideration is £22.6m + £7m performance related = £29.6m. In addition Azlan will refinance £2.5m of Akam's debt. Akam had revenues of £26.6m and "operating profit" of £9.8m in the year to 31st Dec. 95. The price therefore seems very reasonable.

To fund this Azlan also announced a 3-for-10 rights issue at 620p to raise £48.5m net. The remainder of the funds will be used to reduce debt (net debt was £12.3m at 4th Oct. 96). Azlan's share price had stood at 739p just before the announcement but has plunged to 591p since.

Azlan also announced results for the six months to 4th Oct. 96. These disappointed some analysts although they showed revenues up 74% at £126.5m. Organic growth was an equally impressive 51%. PBT up 36% at £6.0m but EPS up a fairly low 10%.

#### **Comment**

Martin quipped "this is what you advised us to do" when we discussed the Akam purchase. It's true (although the move to services is more likely as a result of such NEDs as Tony Robinson, MD of Cap Gemini UK). Azlan's training activities already contribute 25% of the profits and Akam will boost it to at least 35% - 160 of Akam's 190 staff work in services, rather than product distribution. Azlan's future looks bright if, as Martin agrees, it extends its well-focused network services still further across Europe. This market is one of the fastest growing in the industry where skill shortages - and therefore demand and resultant margin - will be greatest. So Azlan's policy of moving to higher margin services across Europe looks just right.

Azlan was a new issue at 230p in Nov. 93 and, ending Nov. 96 on 591p, has provided an excellent investment.

#### **Performance related deals?**

Perhaps Leon Fattal at Cedardata (see opposite) should note that Azlan has paid £2.7m to **Ronin** shareholders to buy out the performance related element of the deal announced only in Nov. 95. Azlan bought Ronin for £1.45m but was to pay a further £5m based on performance targets to 1999. However, Azlan has agreed to end the employment contracts of the sellers ahead of time. And "the sellers of Ronin no longer hold any Azlan shares".

#### **Persona**

Network distributor **Persona**, which effectively doubled its size a year ago by acquiring **Top Log** (France), put out a statement at the beginning of Nov. that it was in negotiation to acquire a European network distributor. There was much speculation that this was to be Dutch **Landis** which had revenues of c£50m in 1995. A price of c£15m was rumoured.

But the only formal announcement so far this month is that Persona is to acquire **Formalan SA** - a Paris-based network training company for £400K + £350K performance related. Persona also acquired the remaining 20% of **Top Log Spain**.

#### **Highams confirms AIM float**

**Highams Systems Services**, which we reviewed in the last edition, have confirmed their intention to float on AIM with the prospectus issued on 4th Dec raising a minimal £650K. We expect a modest P/E of <10.



Another modest 1% SCSI Index gain hides some notable individual changes again. **Omnimedia** heads the list with a 25% gain to 15p - but only as a small recovery from the disasters reported last month. Shareholders who subscribed to the rights issue at 55p just a couple of months ago must still be fuming. **Action** (+23%), **Parity** (+21%) and new comer **Mondas** (+21%) were the main gainers.

At the other end of the scale, the froth was blown away from our "ultimate froth stock" **On Demand** (p3); down 35% and now half its new issue price and 1/5<sup>th</sup> its 224p high. Poor old **Azlan** fell 21% on the rights issue and the Akam purchase (see p8) - a little overdone perhaps?

28th Nov 96	SCSI Index		2701.39
	FTSE 100		4050.20
	FTSE SmallCap		2158.63
SCSI Index = 1000 on 15th April 1989			
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (28/10/96 - 28/11/96)	+0.88%	+0.62%	-0.89%
From 15th Apr 89	+170.14%	+97.22%	
From 1st Jan 90	+193.60%	+71.47%	
From 1st Jan 91	+281.62%	+87.47%	
From 1st Jan 92	+158.54%	+62.46%	
From 1st Jan 93	+69.52%	+42.29%	+55.59%
From 1st Jan 94	+61.80%	+18.48%	+15.52%
From 1st Jan 95	+80.19%	+32.12%	+23.60%
From 1st Jan 96	+19.61%	+9.78%	+11.18%

System House SCSI Share Prices and Capitalisation									
	Share Price 28/11/96 (£p)	Capitalisation 28/11/96 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 28/11/96	Share price % move since 28/10/96	Share price % move in 1996	Capitalisation move (£m) since 28/10/96	Capitalisation move (£m) in 1996
Action Computer	£1.64	£52.60m	Loss	49.16	78.36	23.40%	10.47%	£10.00m	£47.44m
Admiral	£3.68	£231.50m	37.5	3.53	13282.74	15.57%	124.09%	£33.40m	£130.10m
AFA Systems	£1.46	£14.50m	n/a	n/a	1212.50	-1.36%	21.25%	-£0.20m	£2.52m
Anite (was Cray)	£0.36	£85.40m	Loss	0.32	210.53	12.50%	-13.25%	£9.50m	-£14.20m
Azlan	£5.91	£161.30m	18.8	0.82	2569.57	-20.78%	17.03%	-£42.40m	£25.50m
Capita	£4.66	£271.90m	38.5	3.13	13978.98	11.76%	63.33%	£28.70m	£111.40m
Cedadata	£2.20	£69.70m	23.5	5.77	2095.24	7.06%	32.53%	£66.47m	£18.90m
CFS	£0.91	£6.73m	12.5	2.25	1011.11	-1.62%	7.06%	-£0.11m	£2.56m
Chemical Design	£1.53	£9.96m	24.4	5.50	1390.91	-7.27%	39.09%	-£1.34m	£2.43m
Clinical Computing	£0.30	£5.10m	Loss	2.31	241.94	-7.69%	-3.23%	-£0.43m	£0.08m
CMG	£8.50	£544.80m	38.3	2.77	2931.03	8.83%	158.36%	£44.20m	£334.80m
Coda	£1.16	£30.90m	46.4	0.94	493.62	-10.77%	-45.79%	-£3.70m	-£25.20m
Compel	£1.72	£26.20m	12.6	6.55	1372.00	-12.05%	-9.26%	-£3.60m	-£2.60m
CRT Group	£2.77	£377.40m	35.2	3.65	3072.22	10.82%	140.43%	£36.80m	£299.80m
DCS Group	£2.37	£45.40m	29.8	1.49	3941.67	1.28%	215.33%	£0.60m	£31.20m
Delphi Group	£6.53	£187.90m	22.7	1.07	2685.19	16.00%	76.35%	£32.70m	£93.90m
Division Group	£0.60	£26.10m	Loss	5.40	1487.50	7.21%	-48.26%	£1.70m	-£24.40m
DRS Data & Research	£0.25	£8.55m	18.8	1.32	227.27	-1.96%	0.00%	-£0.17m	£0.00m
Druid	£2.95	£67.40m	32.0	5.61	1070.91	7.09%	7.09%	£4.50m	£4.50m
Eidos	£8.18	£108.70m	Loss	29.30	8175.00	3.48%	17.97%	£28.10m	£54.00m
Electronic Data Processing	£0.65	£16.90m	9.3	1.34	1974.89	0.00%	-44.40%	£0.00m	-£13.50m
FI Group	£4.73	£140.30m	41.2	1.78	2010.64	12.10%	101.06%	£15.10m	£70.50m
Flomerics	£2.35	£6.02m	21.4	1.45	1807.69	-7.84%	25.00%	-£0.51m	£1.21m
Gresham Computing	£0.64	£20.90m	27.1	2.65	688.17	4.07%	52.38%	£0.80m	£7.20m
INSTEM	£1.62	£7.45m	10.4	0.35	1620.00	-3.57%	-6.36%	-£0.28m	-£0.34m
Intelligent Environments	£0.70	£15.70m	50.5	3.93	744.68	0.00%	-25.53%	£0.00m	-£5.33m
JBA Holdings	£4.75	£162.00m	28.4	1.30	2968.75	-6.86%	21.48%	-£11.90m	£28.70m
Kalamazoo	£1.13	£32.40m	11.5	0.49	3214.29	-4.26%	-2.17%	-£1.40m	£10.00m
Kewill	£4.99	£63.30m	13.5	1.80	1970.36	5.50%	42.02%	£3.30m	£19.80m
Learmonth & Burchett	£0.95	£24.30m	Loss	0.94	791.67	11.76%	-66.67%	£2.60m	-£47.80m
Logica	£8.52	£540.70m	31.9	1.90	2332.88	8.13%	85.51%	£40.60m	£253.40m
Lorien	£3.44	£39.20m	28.7	1.35	3440.00	-2.82%	66.18%	-£1.20m	£27.40m
Lynx Holdings	£0.82	£79.80m	17.4	0.91	2037.50	-3.55%	16.43%	-£1.80m	£13.20m
M-R Group	£0.83	£46.00m	15.3	1.20	327.38	-2.94%	17.86%	-£1.40m	£6.90m
Macro 4	£4.98	£103.00m	13.2	4.07	2006.05	0.51%	17.61%	£0.50m	£15.90m
MAID	£2.46	£225.10m	Loss	16.50	2231.82	-12.63%	6.28%	-£32.60m	£13.30m
McDonnell IS (MDIS)	£0.39	£40.80m	Loss	0.28	150.00	-6.02%	-4.88%	-£0.70m	£0.30m
Micro Focus	£9.05	£136.70m	Loss	1.77	4371.98	-5.48%	60.18%	-£7.90m	£51.40m
Microgen	£1.49	£58.70m	10.1	0.85	634.62	0.00%	-17.04%	£0.00m	-£12.00m
Microvitec	£0.29	£22.80m	9.5	0.41	707.32	-7.20%	-40.82%	-£1.90m	-£14.30m
Misys	£9.92	£844.20m	22.6	3.02	2467.66	9.98%	74.04%	£77.50m	£366.50m
MMT Computing	£5.35	£63.10m	22.9	3.74	3184.52	-1.83%	117.48%	-£0.70m	£34.30m
Mondas	£0.91	£5.46m	Loss	42.00	1206.67	20.67%	20.67%	£0.94m	£0.94m
Moorepay	£2.77	£21.00m	23.8	4.54	3337.35	13.06%	75.32%	£2.40m	£9.00m
MSB International	£2.94	£59.60m	19.8	1.55	1544.74	14.42%	54.47%	£7.50m	£21.00m
OmniMedia	£0.15	£3.69m	Loss	13.42	200.00	25.00%	-76.92%	£0.74m	-£7.91m
On Demand	£0.47	£25.60m	Loss	2.24	596.15	-34.97%	-64.23%	-£13.80m	-£40.70m
Oxford Molecular	£3.59	£218.30m	Loss	35.32	4487.50	13.61%	34.96%	£26.20m	£80.60m
P&P	£1.41	£113.40m	12.6	0.33	630.04	-2.09%	-7.57%	-£2.40m	-£7.60m
Parity	£3.65	£154.90m	29.8	1.21	20249.92	20.90%	108.29%	£27.70m	£81.00m
Pegasus	£3.93	£24.80m	26.4	3.86	1070.84	-5.30%	87.14%	-£1.30m	£11.60m
Persona	£3.02	£74.80m	25.4	1.40	1884.38	-4.44%	6.16%	-£3.40m	£40.40m
Phonelink	£0.80	£38.20m	Loss	8.76	516.13	3.23%	-57.89%	£0.80m	-£37.70m
Proteus	£0.47	£25.60m	Loss	24.15	553.57	-16.96%	-61.25%	-£5.20m	-£13.60m
Quality Software	£2.38	£30.90m	45.8	1.44	625.00	17.28%	-63.80%	£4.60m	-£50.40m
Radius	£0.66	£18.30m	13.6	0.70	474.64	1.55%	23.58%	£0.30m	£3.60m
Rage	£0.11	£26.70m	Loss	2.81	423.08	-12.00%	-51.11%	-£3.70m	£26.57m
Real Time Control	£1.98	£13.90m	9.5	1.17	4040.82	6.74%	11.86%	£0.90m	£1.50m
Rebus	£0.74	£53.50m	18.0	0.89	835.23	2.08%	-16.48%	£1.10m	-£12.50m
Recognition Systems	£0.62	£16.60m	Loss	24.78	878.57	-6.11%	-12.14%	-£1.10m	-£2.30m
Riva	£0.25	£7.40m	245.0	0.10	174.13	0.00%	-15.52%	£0.00m	-£1.36m
RM	£6.13	£109.00m	32.6	1.10	3500.00	3.64%	43.78%	£3.80m	£37.30m
Rolle & Nolan	£3.38	£42.20m	27.4	2.46	4017.86	-2.88%	25.46%	-£1.20m	£8.60m
Romtec	£0.91	£4.71m	21.2	1.43	1448.00	-7.18%	44.80%	-£0.33m	£1.43m
Sage Group	£5.05	£541.90m	30.9	5.30	19423.08	4.77%	55.38%	£24.70m	£194.50m
Sanderson Electronics	£1.54	£68.30m	15.2	1.11	2612.77	-8.08%	8.10%	-£6.00m	£9.70m
Sema Group	£9.50	£1,056.00m	37.3	1.56	2987.42	11.44%	77.24%	£108.00m	£554.30m
Sherwood	£1.90	£16.30m	11.4	0.62	1583.33	-7.77%	2.70%	-£1.40m	£0.40m
Spargo Consulting	£1.49	£18.60m	22.3	2.52	1563.16	-1.98%	3.13%	-£0.30m	£0.60m
Staffware	£2.74	£31.70m	79.8	7.42	1215.56	6.21%	21.56%	£1.90m	£5.65m
Superscape	£4.50	£37.80m	Loss	9.72	2272.73	-9.55%	5.14%	-£4.00m	£1.80m
Systems Integrated	£0.48	£6.37m	Loss	5.14	413.04	-14.41%	-58.70%	-£1.07m	-£9.03m
Total	£0.31	£3.05m	19.0	1.06	575.47	-3.17%	45.24%	-£0.10m	£0.95m
Trace	£0.23	£3.17m	9.0	0.15	180.00	-15.09%	-43.75%	-£0.57m	-£2.43m
Triad	£1.84	£46.20m	23.4	3.95	1359.26	11.55%	35.93%	£4.80m	£12.20m
Vega Group	£2.98	£42.50m	18.5	2.65	2438.52	-7.75%	-16.90%	-£3.60m	-£8.70m
Virtuality	£1.07	£31.60m	Loss	2.47	626.47	-19.32%	-57.23%	-£7.60m	-£37.40m
Wakebourne	£0.16	£3.65m	Loss	0.10	88.89	14.29%	-8.57%	£0.46m	-£0.34m
Xavier	£0.13	£6.54m	Loss	5.45	1250.00	13.64%	25.00%	£0.79m	£1.32m
Zergo	£3.05	£28.10m	n/a	3.31	3128.21	-3.17%	79.41%	-£0.90m	£12.40m

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.



## Rebus "Maiden" results as expected

Rebus was the SCSI "spin-off" from CE Heath; launched at the equivalent of 88p in Apr. 96.

Rebus is better known by its subsidiaries:

- **Peterborough Software** - HR. systems
- **Datasure** - insurance broking and underwriting systems. Rebus' only acquisition - **EPG Insurance Systems**, which was purchased in Oct. 96 for £11.95m - falls into Datasure
- **Sceptre** - payroll bureau
- **Saffron** (60% owned) housing management systems

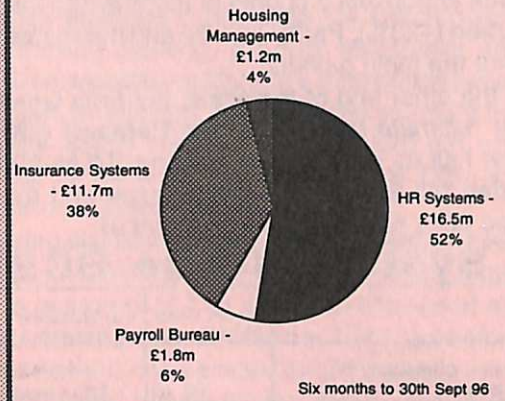
and, the two latest subsidiaries:

- **Media Broadcast Systems** (TV and radio scheduling)
- **Mobile Phone Directory**

"Maiden" results for the six months to 30th Sept. 96 show revenues up 7% at £30.3m, PBT down 6% at £2.3m and EPS also down 7%. But it was not as bad as that. Over £600K of additional overhead costs have been incurred as a result of becoming a separate company. Rebus has also invested £800K in the two new subsidiaries above. These new ventures lost £1.1m in the six months. If these are stripped out Rebus achieved "an excellent underlying profits growth rate in its core business of 39%". Indeed all four core business did well with Peterborough increasing PBT by 26% on revenues up 10% and Datasure increasing PBT by 16% although revenues fell by £200K to £11.7m but only as a result of a decline in CE Heath business. The payroll business suffered a minor reduction in profit but the housing management operation recorded a £437K profit contribution against a loss of £62K last time on revenues up threefold at £1.2m.

**Comment** Rebus' results are largely in line with expectations at the time of the new issue. Frankly we have always thought the new operations to be a distraction. Rebus has enough opportunities in its existing operations - particularly if it went for some wider geographic coverage - without this. But all the interest from other analysts at the briefing were directed towards these new areas - *so perhaps we are wrong again!* It's also worth remembering that the extra "separation" costs will not show up in comparisons next year. Rebus is the only new issue of recent times to be trading at a discount. They closed November down 16% at 74p. Analysts currently forecast PBT of £6.6m for the full year - a very low 13.5 prospective P/E; particularly bearing in mind the strength of the core businesses.

## Rebus Revenue by Division



## KALAMAZOO COMPUTER GROUP

Kalamazoo has reported revenues up 9% at £35.2m, PBT up 16% at £2.3m and EPS up 2% in the six months to 30th Sept. 96.

You may recall that Kalamazoo purchased the European Automotive Dealer System, EADS, from Datapoint for £21.8m in May 96. This operation contributed revenues of £4.67m and profits of £307K in the period. On the basis of continuing operations, therefore, revenues and profits in the Computer Division would have decreased. "The shortfall is, in part, as a result of the sale of the TEC training business" (£1.2m) and a "one-off" sale to GM last time around.

The Security Print division returned a £267K profit after last year's £484K loss on revenues up 11% at £9.1m.

It looks as if the EADS purchase and the "recovery" in the print division will be savours of the group.

Kalamazoo shares have been static this year but have ended Nov. down 4% at 113p.

### Higher price than expected for Druid

Druid (see review last month) was a new issue this month at 275p; equating to a £62.9m market capitalisation. £3.9m was raised - but just £1.85m net of this was new money. The bulk went to VCs Candover and Phoenix.

Despite the high price, Druid was well received ending Nov. up 7% at 295p.

## Late news... (more detailed reviews next month)

**Sanderson Electronics** has announced revenues up just 6% at £61.4m, PBT up 17% and EPS up 15% "to a record 10.1p" in the year to 30th Sept. 96. Sanderson has made "four significant acquisitions" in the period, so the revenue growth is pretty disappointing. Although recurring revenues (from annual licence fees, maintenance etc.) rose from £19m to £22m and revenues from Sanderson Pacific rose from £12.7m to £16.6m, this means that new licence revenues from the booming UK market actually declined. Mind you, you would not think it from the Chairman's statement. Sanderson shares have hardly sparkled (which proves yet again that you should take your tips from TechInvest not us!) They fell 8% this month to 154p meaning a minimal 8% rise in 1996.

**Kewill Systems** announced revenues up 20% at £19.8m, PBT up 24% at £3.2m and EPS up 20% in the six months to 30th Sept. 96. Chairman Kevin Overstall was pleased with this "strong growth" and expected further growth "both organically and through strategic acquisition". It looks as though the UK was the strongest performer with operating profit up nearly 60%. But profits actually dropped by 14% in Germany. The market was rather impressed with these results marking Kewill up 6% to 499p this month.

We will not waste too much further space on **Trace Computers** - we covered the profits warning back in the Sept. edition. Suffice to say that the actuals were even worse with a £5.13m loss (PBT £483K last time) on revenues up minimally at £20.5m in the year to 31st May 96. The loss before property revaluations, goodwill and disposals was £896K - Trace had estimated £855K two months back.

Anyway Trace now admits that it "is too thinly spread across too many markets for its size". We do not have to remind readers that we have used the same words in our reviews for at least the last five years. Chairman J Perry says "a programme of disposals of non-core businesses is being actively pursued" allowing Trace to concentrate on insurance, financial and property markets. A new issue back in June 89 at 125p, the shares had fallen to just 12p after the profit warning. They have recovered well to end Nov. on 23p.



## Dr. Solomon...#1 on EASDAQ

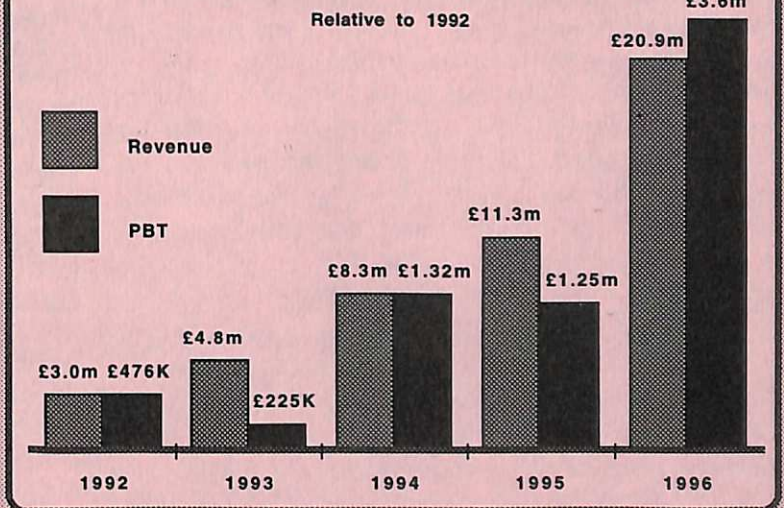
Dr. Solomon's Antivirus Toolkit is now installed on a staggering 3m PCs worldwide. You might therefore automatically believe it was a US company. **You would be wrong.** S&S International was founded in Aylesbury in 1984. As CEO Geoff Leary says "This British product, of which we are very proud, is a world beater".

In Feb. 96, S&S changed ownership (and its name to **Dr. Solomon's Group plc**) as a result of an **Apax and 3i**-backed MBO led by Leary. Dr. Alan Solomon continued as a non exec. However, the much respected Dr. Solomon Data Recovery business (which we were glad to use on our one and only catastrophic hard disc crash) became a separate organisation - **AuthenTec** which remains owned by Alan and Susan Solomon.

Financial performance has been...**exemplary**. Revenues increased by 85% to £20.9m and PBT nearly tripled to £3.6m in the year to 31st May 96. On 27th Nov. 96 Dr. Solomon became the first company to start trading on the new EASDAQ market. Mind you, they "*hedged their bets*" with a simultaneous NASDAQ listing too. The IPO was at \$17 per share valuing them at \$310m. Of the \$96.9m raised - \$28.9m was raised on EASDAQ. Of the \$61m being raised, \$36m will be used to repay the prefs from the MBO.

This provided a massive return for the managers and VCs (Apax and 3i) which had valued the operation at just £30m as recently as Feb. 96.

## S&S International plc Revenue and PBT Record



## It's a Small world

Yet *another* UK company obtained a NASDAQ listing this month. We might well get to the point where there were more US IPOs of UK companies in 1996 than main market floats in London!

**Smallworldwide plc** was founded in the UK in 1988 by Richard Newell, Tim Cadman and others. They had previously founded Cambridge Interactive Systems Ltd in 1977, developed the Medusa product, sold the company to Computervision in 1983 for £20m and left when Prime acquired CV in 1988. Smallworld therefore has distant links with CadCentre (see p 4) - coincidentally a new UK float this month.

Other than the founders and directors, the main external shareholder is Southern Electric with 19.2%. Smallworld develops client/server software for the spatial design of complex physical networks. These are used primarily by telecomms and utility companies like Deutsche Telekom, Ericsson and others.

In the year to 31st Dec. 95, Smallworld had revenues of \$18m and PBT of \$242K. However, Smallworld is growing rapidly with \$18.8m revenue and PBT of \$585K in the first six months of 1996. Most of the revenue is earned in Europe with only 17% coming from the US.

The IPO put an approx. value on Smallworld of \$77m at the issue price of \$11. \$31m was raised - \$17m of it "*new*" money. The share price remained static at the end of Nov.

## MAID

EASY ACCESS TO THE HARD FACTS

MAID is yet another UK company which has chosen a NASDAQ listing. So we now

have to get used to quarterly results. In Q3 MAID reported losses reduced from £3.4m to £2.4m although revenues increased by 37% to £5.2m.

MAID was a new issue at 110p in Mar 94 and ended Nov. 96 on 246p. This equates to a market cap. of £225m. But, have no fear, CEO Dan Wagner expects to be back into profit next year. *Do you ever feel you are in the wrong business?* Dan's Dad John sold £3m of his MAID stock this month...he still has £15m worth left though.

## SSA hits accounting snag

**System Software Associates (SSA)** (which many readers will know of via their BPCS product and others because they "*merged*" with Martin Anderson and Jane Tozer's highly regarded Softwright in Oct. 95) has not had a good year. Firstly they have plunged into losses on revenues \$30m lower (at \$75m) in Q3, setting off a slide in their share price from \$28 to \$10. This month they fired their auditors Price Waterhouse for requesting SSA to restate their 1994 and 1995 accounts due to the dreaded revenue recognition issue. This had dogged products companies like Oracle in the past, but we thought that stricter rules meant this was a thing of the past.

SSA's COO Terry Osbourne has resigned (totally unconnected we are assured) to become non exec Chairman of SSA Europe.

## IBM wins British Steel outsourcing....the Big Blue Giant sleeps no more!

After our major front page story last month on the growth of **IBM UK's Global Services** to the unrivalled #1 supplier of SCSI to the UK market, IBM have topped it all by announcing their biggest ever outsourcing contract...won this month after intense competition from Cap Gemini UK (Hoskyns) and EDS. The deal is worth "*at least*" £350m over a 10 year period and involves over 600 staff transferring to IBM. We reckon that, with the recent £180m/10 year deal from General Accident, IBM UK's outsourcing revenues are now on an annual run rate of least £250m p.a.

We also reckon that we got last month's estimate of IBM UK + Data Sciences UK revenues in 1996 wrong. Rather than £650m...it's more likely to be nearer to £700m. After decades of falsely fearing the "*threat*" from IBM in services, you are advised to take them seriously now. **The Big Blue Giant sleeps no more!**



### Sorry, sorry, sorry

We had quite a few requests to point out "errors(?)" in last month's *System House*. We do try very hard to get our facts right...but it's usually our opinions which upset readers! Anyway, I guess we should be pleased that people care so much!

### Sorry Bob...

We reported Bob Williams, CEO at DCS, as saying that he would be "disappointed if sales are not £100m and profits £15m by 1998 or at least 1999".

Williams contends that he never said this but did agree his "ambition was to achieve 15% margins over the next two to three years". As "size is becoming increasingly important especially in bidding for outsourcing contracts" Williams said that "£100m was a significant milestone" but did not specify the timescale.

### Sorry Bill...

Our report on **Morse Group** last month was affected by the gremlins. We did not wish to imply that Chairman Bill Passmore owned 50% of the equity after the MBO - indeed he holds none. It is the managers who hold that stake.

Anyway, Morse is doing very well and we still expect a float before too long.

### Sorry Tim..

Tim Simon of **Mondas** was a bit unhappy with our statement last month that **Quotient** had "a pretty chequered record". Given that Quotient produced a 22-times return for its shareholders in the ten years it was a quoted company before being acquired by ACT for £27.2m in 1991...Simon has a point! We were just referring to the plunge into losses post "big bang"...but many other financial services companies had similar records.

Anyway, we are delighted to report the excellent reception of Mondas on AIM. Launched at 75p, Mondas ended their first month up an excellent 21% at 91p.

### Is Tomb Raider on your Christmas list?

There is something about our industry that dictates that IBM winning the £350m British Steel outsourcing contract against such rivals as Cap Gemini UK (Hoskyns) and EDS is "real computing" but computer games software is hardly worthy of serious comment.

In a way you can understand, but games software is one market in which the UK leads the world. We are led to believe that over 40% of the games software sold in the world have IPR's residing with UK-based companies.

In addition, if you are a serious Stock Exchange punter (of course, we never give share tips) you just could not beat an investment in **Eidos**. Even if you had come in at the float in Dec. 90 at 100p your shares would now be worth 8-times more at 818p. But if you had taken the tip Connor McCarthy of Techinvest gave when they had sunk to their low, you could be sitting on a 1200% gain. *They do not come better than that!*

But it would be the seriously naive of you to expect this company to make any profits. Indeed latest results for the six months to 30th Sept. 96 show losses of £4.71m on revenues of £20.5m. Readers would expect comparisons with previous periods...but since last year Eidos has acquired Domark, Simis, Big Red Software and (the largest of the lot) CentreGold...so, frankly, the comparisons are meaningless.

Eidos now has a UK market cap. of £109m and is embarking on a NASDAQ IPO - the nth company featured in this month's *System House* so to do. You would have expected the IPO to have taken something of a knock this month on news that Eidos is putting two of its subsidiaries (acquired as part of the CentreGold deal) into the US equivalent of receivership - with debts to Eidos of £500K. But the Eidos share price rose 3% on the news - evidence, perhaps, of the new world order.

**Tomb Raider?** Well that's Eidos' new computer game for Christmas which has sold 700,000 copies already.

**Web News...** just to give you advance warning that, in early Dec., you will have to register to gain access to our [www.holway.co.uk/hotnews](http://www.holway.co.uk/hotnews) page. Once you have registered, you just access the page for **free** as often as you like just as at present. 100s of you access everyday...thanks. We enclose a "flyer" from **FourthNet** who run our web page. We have never done this before, but for a small company they have done a fantastic job at a very economical price. They are one of those excellent small UK companies that *System House* likes to promote. *They deserve to succeed.*

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