

System House

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

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SCS Share Index up 43% in November

There has never been a month quite like Nov. 99. Our System House SCS Index has risen by a quite remarkable 43% in the month. The previous "record" monthly rise of 14% took place in Jan. 98 when the FTSE IT Index was launched. Indeed, that's the similarity, as FTSE launched techMARK on 3rd Nov. 99.

The techMARK 100 Index showed a similar 41% increase and the FTSE IT Index (SCS) was up an even higher 47%. Close launched a techMARK 100 fund at the same time. We understand that it has raised over £50m in its first month, thus making it the most successful unit trust launch in a long while. Of course, this money had to be invested - mostly in the larger stocks which still dominate the index. Sage (up 38%), Sema (up 35%), Misys (up 34%) all benefited. The situation was exacerbated by the elevation of Logica (up 63%) into the FTSE100 to replace Securicor. Indeed, we now face the prospect of CMG (up 40%) securing its place at the next review. We will then have gone from zero to five SCS stocks in the FTSE100 in less than two years.

But, the party was shared by the smaller stocks too as demonstrated by our unweighted SCS Index. Indeed, the Top Five performers this month were:

- 1- Superscape +330%
- 2 - Recognition Sys. +284%
- 3 - Ultima +200%
- 4 - Int. Enviro +183%
- 5 - Ter. Chapman +158%

Only one Techmark 100 amongst them!

So, should we be worried? Are we likely to repeat the savage correction seen in

Oct. 98? As readers know, throughout 1999 we have

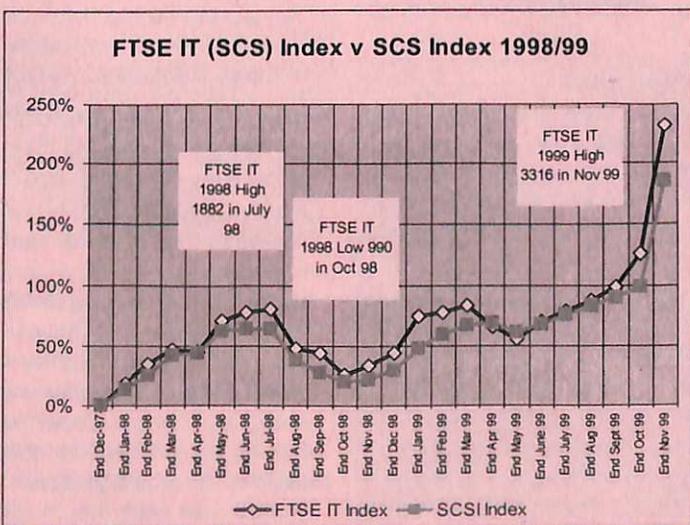
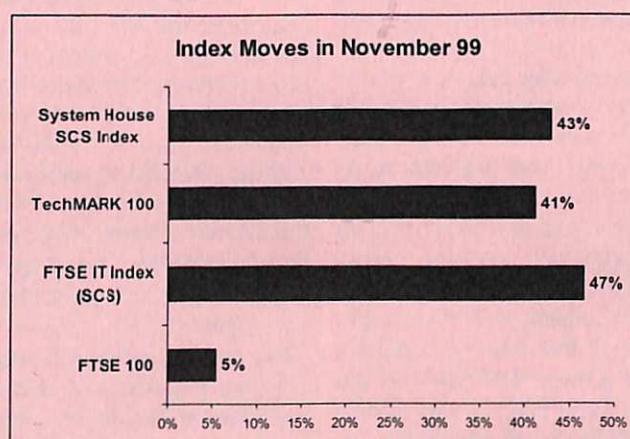
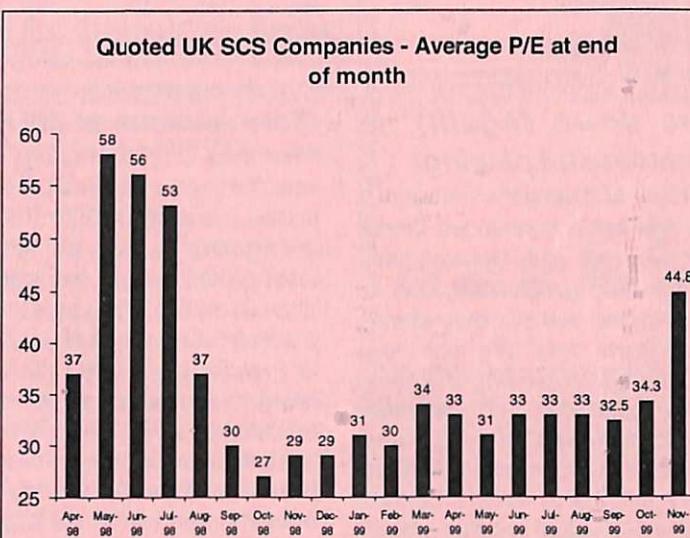
consistently said that any Oct. 99 correction should be viewed as an opportunity. We felt strongly that once the "Y2K microclimate" was out of the way, a new "Golden Era" would commence for the SCS sector from mid 2000. Even though valuations have risen dramatically of late, we still believe that current valuations are sustainable in the medium term.

As the chart of average P/Es quite clearly shows, heights of almost 60 were reached in May-June 98. They were clearly too high. The nadir reached in Oct. 98 of 27 was equally overdone. Indeed, many saw this as a "buying opportunity" and have reaped rich rewards since. Indeed the FTSE IT Index is up 149% in the last 12 months. Now we are on a high - but not record - average P/E of around 45. Given that the average profits growth for all the companies in our SCS Index is forecast to be around 35% in 2000, this is not that out of line.

Although we have seen a myriad of profits warnings, quite frankly they were quite predictable. Any company - or investor - who is now surprised by unexpectedly poor results for 1999 really only does have themselves to blame.

Even if you take eight of the sector's largest stocks and their forecast earnings per share for the current year and next year (courtesy of The Estimates Directory) the current - even higher - prices do not seem greatly out of line.

This shows that the average



continued from page one

P/E for these companies for the current year is an even higher 64 times earnings. That may seem high, but the City is already looking to 2000. For our selection of companies, the P/E for their second estimated year (December 2000 for Admiral, CMG, Computacenter and Sema, but September 2000 for Sage and April, May and June 2001 for FI, Misys and Logica respectively) drops to 56 times.

The average growth rate for the companies is 23% and when one takes that growth rate and divides it into the year 2 PE, one gets the price earnings to growth (PEG) ratio which averages out at 2.4.

The key point here is that this figure is very much in line with the PEG ratios experienced a year back on

forecasts for this year. So whilst we may see the sector catch its breath and move sideways, a major correction seems unlikely. Unless, of course, it is caused by the wider international issues (remember the Oct. 98 correction coincided with worries about the Russian economy) or other stockmarket issues such as interest fluctuations or a collapse of US technology stocks.

Company	Price p end Nov 99	Historic EPS	Yr1 est. EPS*	EPS Growth	Yr1 est. PE	Yr2 est. EPS*	Yr2 est. PE	EPS growth	PEG
Admiral	1353	24.9	27.5	10.4%	49.2	34.6	39.1	25.8%	1.5
CMG	3309	29.0	41.3	42.4%	80.1	50.8	65.1	23.0%	2.8
Computacenter	888	23.5	27.6	17.4%	32.2	32.8	27.1	18.8%	1.4
FI Group	630	5.8	7.9	36.2%	79.7	10.2	61.8	29.1%	2.1
Logica	1515	10.8	15.4	42.6%	98.4	19.5	77.7	26.6%	2.9
Misys	680	16.4	18.6	13.4%	36.6	21.7	31.3	16.7%	1.9
Sage	4331	28.9	39.7	37.4%	109.1	50.0	86.6	25.9%	3.3
Sema	1073	12.4	14.6	17.7%	73.5	17.6	61.0	20.5%	3.0
Average				27.2%	69.8		56.2	23.3%	2.4

*Source: The Estimates Directory

Revenue up, losses down (again), at Recognition... and a successful placing!

Recognition Systems (developer and vendor of integrated CRM software and systems) has again announced losses in their year's results to 30th Sep. 99. But, like last time, losses have been reduced, this time from £2.26m to £1.61m. Revenue has almost tripled but still only stands on £2.3m. Chairman Alan Benjamin said "We now have excellent products to offer the rapidly growing customer relationship management software market. The new deals signed with major organisations such as Charles Schwab, Clerical Medical and Bertelsmann demonstrate clearly the potential".

But the most important news this month is their share placing at 106p which was three times oversubscribed. This has raised £18m to fund a huge expansion in marketing and customer services operations mainly in the US and Europe.

Comment. This is a 'landmark' share offer that now values Recognition more in the US-style on projected sales. Recent big deals for their Protagona software is the main reason for the success of this placing - previous placings in 97 and 98 were much less successful. We have always had a soft spot for Recognition but have had worries that they might be snapped up by a (probably US) predator before they had time to reach their potential. Of course, this still could be the case but is now more unlikely with the present much higher share price. Let's hope the new management can now cope with future rapid growth. RS came to the market in May 96 at 70p and the 1998 placing was at only 9p. The shares ended the month up nearly three-fold on 337p - a market capitalisation of £64.7m. A very dramatic 33-times increase in the year.

Dialog still has debt problems

Debt laden **Dialog Corp.** has announced solid profits growth in the first nine months of FY99. Operating profits were up from £18.6m to £22.6m on revenues up a modest 5% at £137.6m. According to Chairman Allen Thomas, development of the business is being constrained by lack of working capital. The company has met its debt repayments schedule so far but further substantial payments are due in May 00. Many options are being considered including equity participation from a third party, a spin off and float of part of the business, and even a possible sale of the whole group. ICL has paid Dialog £2.5m to transfer the management of Dialog's US data centre to ICL. 55 staff will transfer. Dialog "expects multi-million pound efficiency savings" from the 7-year outsourcing contract..

More revenue at MERANT and more losses

After their Q12000 results, when **MERANT** announced it was "very pleased" with their large loss, Q2 figures show losses reduced to £4.3m on higher revenue. In their first six months to Oct. 99, MERANT has recorded a 61% revenue rise to £111.9m and total losses of £10.9m. "During Q2, we made substantial strides in strengthening our position in enterprise-based e-business solutions" according to President and CEO Gary Greenfield. CFO Ken Sexton notes "our revenue results reflect the transition in increasing e-business sales... With Y2K revenues excluded, we have actually seen a license fee revenue increase of 24% and overall revenues increasing 16%. As anticipated, operating margins improved as we begin to realise the full cost savings from our merger (with Intersolv) consolidation program".

Revenue and losses down at Superscape

Superscape VR (the 'VR' part is to be dropped shortly) develops and markets interactive 3D software. Like Recognition, they have low revenues and large losses. In the year ending 31st Jul. 99 revenue dropped 27% to £3m but they also managed to reduce losses from £3.5m to £2.8m. The fall in revenue reflects the continued low level of licence sales only offset partly by the build up of applications work. Sales in Japan and The Far East were particularly disappointing. The company has now reviewed its business and product strategy and has "initiated major changes".

The similarities with Recognition continue as Superscape has also announced a placing and open offer at 105p to raise a net £20.4m for future investment in sales, marketing and professional services.

The shares (we still consider them a UK company with two-thirds UK owned) have risen 330% this month to end on 349p. Acquisition details see p7.

Rolfe & Nolan continues the improvement

For the six months to 31st Aug. 99, a "leaner" **Rolfe & Nolan** saw revenues rise 12% to £10.7m, PBT increase over three-fold to £642K with EPS going from loss to 3.38p. Chairman Tim Hearley said "our results reflect our strong market position, with a continuation of the recovery which started in the second half of last year".

Their US operation continues to improve with revenues up 26% and Australia signed thirteen new bureaux clients. Hearley said "prospects are good, although as in previous years, we remain dependent upon the precise timing of licence sales". The company "does not expect the Y2K issue to have a significant effect on its business". Shares rose 68% this month to end on 323p.

Comino disposes of Prologic

Comino had three main strings to its bow. Social housing systems (Context), document management/workflow/call centres (ISE) and fashion/clothing (Prologic). We say had, because this month they have sold Prologic in a Lloyds TSB-backed MBO for £3.85m in cash.

In the six months to 30th Sep. 99, Comino boosted revenue by 27% to £11.04m, PBT by 23% to £1.56m and EPS by 11% to 8.02p (as a result of a full tax charge for the first time). These were in line with expectations.

The Prologic disposal (it contributed profits of c£400K in the full year) is not expected to affect Comino's trading profit. Context and ISE will be combined as they both service the "business to public" model in the occupational pensions, housing and LA space.

Footnote - Readers will recall that Chairman Mike Brooke stood down in favour of co-founder Gordon Skinner when Comino moved from AIM to the main market in July 99. Gordon retired due to ill-health last month and a new chairman is being sought. Comino was an AIM IPO in Nov. 97 at 130p...they ended Nov. 99 on 399p.

Touchstone prospers from services

Touchstone is "a leading supplier of financial management and business software" - mostly the resale of SunSystem from Systems Union. In the six months to 30th Sep. 99 revenue went up 37% at £4.8m, PBT up 53% at £703K and EPS up 51% at 5.08p.

They were an AIM IPO in Jul. 98 at 105p and have more than doubled in price since. This year Touchstone has acquired **Resource Systems** (for up to £1.4m) and **ICS** (for up to £1.5m) "both of which have made useful contributions to the interim results". Indeed they contributed £553K revenue and £92K profit in the period. But, like everyone else, it was consulting and services (up 55%) which compensated for slower "product" growth.

Romtec - whither to?

Romtec's (IT research) results for the six months to 31st Jul. 99 were, once again, disappointing. Revenue fell slightly to £1.84m although PBT did increase more than three-fold... to just £94K. "The board has reviewed a number of strategic opportunities... the outcome has been to move forward with an 'Internet business model'... we are investing in making Romtec a market leader in the use of the Internet for research". But Chairman (and by far the majority shareholder) Russ Nathan warns that "our investment in these new developments we expect to generate increasing benefits to shareholders in the next financial year".

A new IPO in Apr. 96 at 62.5p - the shares ended this month on just 68p. Ever since the IPO, Romtec have "developed the business with the longer term taking priority over short term gains". But will shareholders ever reap the benefit of those investments? More than many, we know from personal experience the state of the IT market research market. We do not pretend that it is easy, but the Romtec model and its management just does not seem to be working. We sincerely believe that Romtec's future - for all parties - would be better served as a part of a larger group.

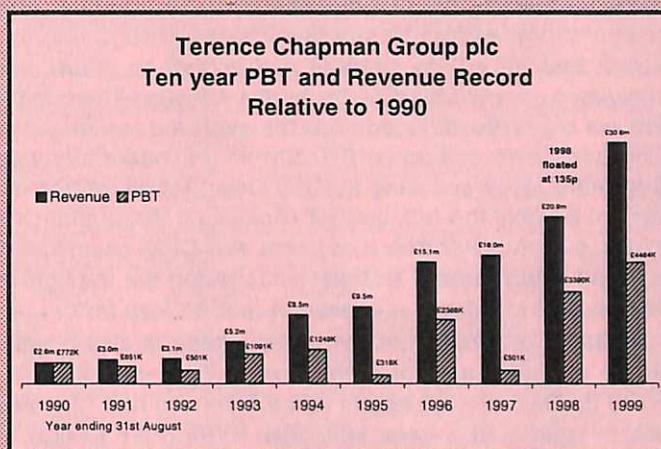
Fast moving Planit

Planit Holdings increased total revenues 34% to £6m in the interim six months to 31st Oct. 99. PBT did even better with a 93% rise to £1.3m and EPS increased 57%. They also announced a major £800K investment internet "Design on Line" product range.

Chairman Bob Morton said the accelerated programme "leaves the group well placed to continue our growth both organically and by acquisition".

Terence Chapman has an excellent year

Terence Chapman Group specialises in software and services for the financial services sector. The group came to the main market in July 99 at 135p. Their maiden financial results for the year ended 31st Aug. 99 are excellent. Revenue increased 47% at £30.6m (the 13th successive year of growth), PBT went up 32% to £4.5m with diluted EPS up 36%. It was of no surprise to us to learn that TCA Consulting was the star with revenues up 52% to £19.5m (and c80% of profits) with TCA Syntego (TAROT software products for stockbrokers) increasing revenues from £8.2m to £11.3m.



But, surprise, surprise, TCA has found that the first few months of the current trading year have been effected by the Y2K microclimate "particularly compared to the very strong first half of last year". But like others, TCA are seeing (hoping for?) evidence of significant spending plans post millennium.

The company has now decided on several management changes. Senior non-exec Sir Colin Southgate (still with his time cut out on the Royal Opera House, no doubt) becomes non-exec Chairman in place of Terence Chapman who becomes group CEO. A new non-exec, John Curry has been appointed.

After these excellent results, the share price has risen this month by 158% to 330p - at long last now well above the IPO price of 135p.

Eidos increases losses but Christmas looms

At this time of year, entertainment software developer **Eidos** announces its interim results. Always a bit pointless as they never bear any relation to the full year figures as sales of their various games are mainly made in the run up to Christmas. But for the record, in the six months to 30th Sep. 99, on revenue down 7% to £44m, they doubled losses to £27.9m. Current analysts' forecasts for the full year are sales approaching £300m and PBT of over £50m.

Of course the new Lara Croft Tomb Raider 4 game is widely predicted to sell well this Christmas to her many fans and other releases are due to complement the four new games recently released. "The high quality line-up represents our most impressive winter release ever" according to CEO Charles Cornwall.

Eidos has paid \$55m for a c20% stake in US **Maximum Holdings**. Maximum specialises in interactive video games and there are plans to float Maximum on NASDAQ next year at a possible valuation of c\$2 billion.

Eidos shares have continued their meteoric rise - they are up another 30% this month (that's 490% this year) to end on £55.48p. In order to increase marketability, Eidos are proposing to split each 10p nominal share into five 2p shares.

Profit warnings from...

Regular readers will have got either bored or resigned to our ever growing list of "Y2K microclimate" profit warnings. Earlier this year, when other learned analysts were expressing "surprise", we were quoted as saying "the only thing that surprises us is that anyone is surprised". We clearly upset some people with that.

Anyway, here's the latest batch of "surprises"....

...**Computerland UK** has issued yet another profit warning (the third this year!) saying that product sales in September and October had been below expectations. But the company tempered this somewhat by saying that H2 would show an improvement on H1 due to cost-cutting measures.

...**Stordata Solutions** has said it expects a greater loss for FY99 (c£875K) than in H199 when it lost £611K. The company is also proposing to raise £1m net in a 1-for-2 rights issue at 2.5p. "The group's trading has improved significantly since the end of May".

... **Druid Group** issued a sort of profit warning both in March and September this year due to the Y2K situation. Well there's no doubt that this month they have issued a 'proper' profit warning (or more accurately a 'loss warning'). The company now expect to report a loss in H12000 due to an "unexpectedly severe reduction in revenues". But they do expect that H2 will be stronger and enough to return them to overall year profits. Druid made £4m profit in H199 and analysts were expecting £13m for the full year. The company are not planning wholesale redundancies at this stage "so that we are prepared to address the expected market growth post millennium". Despite the profit warning, the shares rose 62% this month to end on £16.58p so it appears that investors believe that Druid will come back strongly in 2000.

Comment. After speaking to CEO David Tebbs he told us he expects Druid to be profitable next year... but only just! It will not be until the last quarter (April-June 2000) that Druid will return to its "model". It's mainly the core ERP business that is suffering - both e-commerce and CRM seem OK.

... **Bond International Software** has joined the ever growing band of Y2K delays when saying that, although H199 was fine, the H2 lockdown will result in a small loss for the year. The shares fell 23% this month to end on 76p.

...**Systems International**, like most others, is also blaming the Y2K effect. "Whilst the directors are convinced that this pause in trading activity is temporary... it will impact on all divisions in Q399". The company now expects a small loss in H100 (to Dec. 99) but hopes that the second half "will be strong enough to return the company to profit for the full year" but, or course, at a lower level than FY99 (PBT £1.5m).

...and...

The last chapter in the sad MDIS saga?

It would be difficult to write a more depressing SCS story than that of **MDIS**. An IPO (indeed the last ever public offering in the sector) in Mar. 94 at 260p - valuing the company at £260m - was quickly followed by a series of profits warnings. In five years which has seen most other SCS companies soar in value, MDIS's share price is now 26p and, as there are twice the number of shares in issue now, the value is £53.5m. Now MDIS has written the latest chapter in the sad saga. It has issued yet another profits shocker - the 8th on our reckoning. Indeed, the results for the six months to 30th Jun. 99 are truly dire. In the period revenue rose 11.5% to £68.6m but losses were a staggering £8.1m - compared with a loss of just £400K last time. However, UK operating losses reduced by 17% to a still pretty awful £2.3m.

Both Chairman Ian Hay Davison and CEO John Klein tendered their resignations. Chris Stone, who ran Digital's outsourcing operations in the UK and moved, a year back, to Andersen Consulting's UK managed services operations, takes over as CEO.

We first crossed swords with Hay Davison in 1994 when we questioned the probity of the IPO. John Klein joined in 1995 to try fix the mess. Klein was/is a gentleman and we feel sure he did his best. The MDIS staff might well feel uneasy at his passing. But Stone is a good, sound **services** manager. Indeed, MDIS is one of those companies which is a bit like a diamond mine. Some gems, which you have to dig hard for, surrounded by a lot of dirt. Stone is getting out of PRO IV (application dev. Tools) and Glovia (ERP business), which are being returned to JV partner Fujitsu. "Trading in both these activities has been below the Board's expectations and below that of 1998". But, as he points out, the IT consultancy bit has doubled its revenues to a run-rate of c£15m.

We would sincerely like to think this is the last chapter in the current volume - a new page, a new beginning, is long overdue.

Triad to lose Boring Award

Although Triad's profit warning certainly was "no surprise" it is very sad to lose yet another **System House Boring Award** holder. Whilst results for the year to March were excellent, showing revenues ahead over 50% to £49.3m and pre-tax profits up 31% to £8.6m, Chairman John Rigg clearly indicated that the company was entering an uncertain period. Following the results, analysts cut their profit expectations to a flat performance in 1999/00 and now that looks highly unlikely to be achieved. Indeed brokers Beeson Gregory are now forecasting PBT of just £4m to 31st Mar. 00 - down from £8.6m in FY99. So an earnings reversal now looms.

Whilst Y2K lockdown is not directly cited as a cause, it is implicit in the statement because Rigg is showing considerable confidence for 2000. The statement indicates that utilisation rates are suffering, suggesting that it is the IT services side on the business rather than the contracting side that is being most badly affected.

This warning marks another turn in the volatile story of Triad since its listing on the London market in March 1996. The shares raced away from the float price of 135p to 277p only to come plunging down less than a year later when it committed the cardinal sin for any young plc and issued a profit warning. This statement came just weeks after the company had indicated that current trading was satisfactory. Results from then up to now had been exemplary and ironically, having annoyed some in the investment community by issuing a surprise profit warning in the first place, Triad then managed to annoy the same audience by doing too well and not keeping the City informed on the upside!

At the end of the day, it all comes down to disclosure levels and investor relations, and that is something that Triad has never got quite right. As a business, Triad has achieved spectacular organic growth but in telling the City about what has driven its growth, it has been severely lacking.

Triad ended November up 50% at 395p - still way off their 605p high.



Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

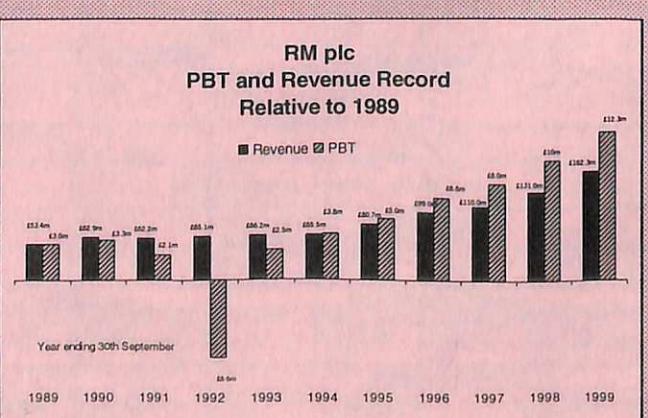
Admiral plc					Easynet Group plc					Lynx Group plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Final - Dec 97	Final - Dec 98	Interim - Jun 99	Comparison		Final - Sep 98	Final - Sep 99	Interim - Jun 99	Comparison	
REV £65,805,000 PBT £10,329,000 EPS 10.20p	£147,187,000 £23,479,000 -24.90p	£84,927,000 £10,936,000 11.20p	+29.1% +5.9% +9.8%		REV £7,433,000 PBT £1,315,000 EPS 5.21p	£16,978,000 £14,030,000 0.53p	£14,030,000 £14,030,000 0.53p	+128.4% Loss profit Loss profit		REV £180,870,000 PBT £13,252,000 EPS 8.57p	£212,541,000 £11,017,000 6.82p	£113,014,000 £3,966,000 3.05p	+17.5% -16.9% -21.3%	
AFA Systems plc					ECsoft Group plc					MMT Computing plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Final - Aug 98	Final - Aug 99	Interim - Jun 99	Comparison	
REV £113,000 PBT -£1,064,000 EPS -8.40p	£809,000 -£1,444,000 -11.80p	£386,000 -£716,000 -4.70p	+241.6% Loss both Loss both		REV £30,193,000 PBT £2,882,000 EPS 19.70p	£62,211,000 £8,108,000 49.90p	£34,186,000 £2,840,000 15.20p	+13.2% -1.5% -22.8%		REV £36,698,698 PBT £10,005,754 EPS 50.60p	£41,024,210 £9,710,952 52.20p	£133,014,000 £3,966,000 3.05p	+11.8% -2.9% -3.2%	
AIT Group plc					Eidos plc					MDIS Group plc				
Final - Mar 98	Final - Mar 99	Comparison			Interim - Sep 98	Final - Mar 99	Interim - Sep 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	
REV £13,556,000 PBT £2,164,000 EPS 7.11p	£17,460,000 £2,764,000 9.05p	+28.8% +27.7% +27.7%			REV £47,586,000 PBT £18,928,000 EPS 80.60p	£22,284,000 £37,920,000 141.50p	£44,050,000 £1,225,000 145.20p	-7.4% Loss both Loss both		REV £151,018,000 PBT £38,077,000 EPS 0.15p	£133,014,000 £3,966,000 3.05p	+11.5% -8.16,000 -3.05p		
Alphameric plc					Electronic Data Processing plc					Macro 4 plc				
Interims - May 98 8mos + Nov 98	Interims - May 99	Comparison			Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison		Final - Jun 98	Final - Jun 99	Comparison		
REV £6,183,000 PBT -£421,000 EPS 0.70p	£11,460,000 £900,000 1.20p	£11,161,000 £1,010,000 1.20p	+80.5% Loss to profit Loss to profit		REV £5,812,000 PBT £1,235,000 EPS 3.23p	£1,518,000 £2,210,000 5.89p	£5,469,000 £1,225,000 3.24p	-5.9% -0.8% +0.3%		REV £24,234,000 PBT £10,060,000 EPS 33.70p	£31,025,000 £10,400,000 34.80p	+28.0% +3.4% +3.3%		
Anite Group plc					F.I. Group plc					MERANT plc				
Final - Apr 98	Final - Apr 99	Comparison			Final - Apr 98	Final - Apr 99	Comparison			Interim - Oct 98	Final - Apr 99	Interim - Oct 99	Comparison	
REV £149,540,000 PBT £29,049,000 EPS 8.70p	£180,829,000 £6,788,000 1.50p	+20.9% -7.6% -82.8%			REV £161,595,000 PBT £10,670,000 EPS 3.68p	£22,353,000 £17,025,000 5.80p	£11,925,000 £11,593,000 6.00p	+41.3% +59.6% +57.6%		REV £69,411,000 PBT £5,878,000 EPS 14.30p	£215,473,000 £11,572,000 10.00p	+61.2% -11.593,000 -10.00p		
Axon Group plc					Financial Objects plc					Microgen plc				
Interim - Jun 98	Final - Jun 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	
REV £7,488,000 PBT £287,000 EPS 0.40p	£20,024,253 £1,624,401 2.80p	£11,744,000 £1,686,000 2.20p	+56.8% +487.5% +450.0%		REV £10,275,000 PBT £1,589,000 EPS 4.13p	£21,662,000 £3,438,000 8.98p	£10,690,000 £2,649,000 5.20p	+4.0% +66.7% +25.9%		REV £32,560,000 PBT £1,285,000 EPS 0.40p	£70,105,000 £8,492,000 2.20p	+52.5% +18.0% +425.0%		
Azlan Group plc					Flomericx Group plc					Misys plc				
Interim - Oct 98	Final - Mar 99	Interim - Oct 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Final - May 98	Final - May 99	Comparison		
REV £153,711,000 PBT £424,000 EPS 0.80p	£342,861,000 £3,835,000 2.60p	£193,984,000 £2,369,000 1.60p	+26.2% Loss to profit Loss to profit		REV £2,938,163 PBT £268,699 EPS n/a	£5,910,068 £384,123 10.10p	£3,443,222 £1,49,606 n/a	+17.2% Loss both n/a		REV £447,700,000 PBT £51,700,000 EPS 5.70p	£582,000,000 £91,400,000 10.50p	+30.0% +76.8% +35.0%		
Baltimore Technologies plc					Gresham Computing plc					Mondas plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - A pr 98	Final - Oct 98	Interim - A pr 99	Comparison		Final - A pr 98	Final - A pr 99	Comparison		
REV £7,970,000 PBT £523,000 EPS 6.40p	£9,883,512 £45,173,012 -25.30p	£8,10,000 £16,000,000 -5.70p	+23.1% Loss both Loss both		REV £8,522,000 PBT £1,017,000 EPS 1.91p	£20,063,000 £3,003,000 5.46p	£16,301,000 £1,483,000 2.35p	+91.3% +45.8% +23.0%		REV £297,169 PBT £248,322 EPS 7.90p	£955,301 £1,617,000 -5.70p	+21.5% +41.7% +33.2%		
Baron Corporation plc					Guardian IT plc					Moorepay Group plc				
Final - Aug 97	Sep 98 - Apr 99	Final - Aug 98	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	
REV £3,758,000 PBT £85,000 EPS n/a	£1,513,000 £8,400,000 n/a	£2,364,000 -£175,000 n/a	-37.1% Profit to loss n/a		REV £13,706,000 PBT £2,959,000 EPS 3.94p	£29,693,000 £6,629,000 9.00p	£19,647,000 £3,614,000 4.79p	+43.3% +22.1% +21.6%		REV £181,000 PBT £1,141,000 EPS 7.14p	£8,365,688 £2,043,492 12.30p	+78.0% +41.7% +33.2%		
Bond International Software plc					Harvey Nash Group plc					Morse Holdings plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jul 98	Final - Jan 99	Interim - Jul 99	Comparison		Final - Jun 98	Final - Jun 99	Comparison		
REV £4,320,000 PBT £284,000 EPS 1.37p	£8,607,697 £935,378 4.46p	£4,567,000 £3,27,000 1.58p	+45.7% +15.1% +5.3%		REV £44,861,000 PBT £4,074,000 EPS 9.52p	£104,851,000 £8,869,000 19.45p	£71,899,000 £5,326,000 11.81p	+46.3% +30.7% +24.1%		REV £216,101,000 PBT £11,799,000 EPS 19.60p	£283,943,000 £18,853,000 22.00p	+31.4% +59.8% +15.8%		
Cadcentre Group plc					Highams Systems Services Group plc					MSB International plc				
Interim - Sep 98	Final - Mar 99	Interim - Sep 99	Comparison		Interim - Sep 98	Final - Mar 99	Interim - Sep 99	Comparison		Interim - Jul 98	Final - Jan 99	Interim - Jul 99	Comparison	
REV £8,798,000 PBT £1,367,000 EPS 4.92p	£17,861,000 £3,001,000 11.21p	£10,929,000 £1,900,000 7.94p	+24.2% +39.0% +61.4%		REV £16,163,000 PBT £782,000 EPS 3.00p	£34,069,990 £1,524,855 5.40p	£14,967,000 £2,000 0.07p	+7.4% -99.7% Profit to loss		REV £90,403,000 PBT £5,474,000 EPS 7.05p	£191,345,000 £8,088,000 27.00p	+10.5% +23.5% +16.6%		
Capita Group plc					ICM Computer Group plc					MSW Technology plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Final - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Final - Jun 98	Final - Jun 99	Comparison		
REV £117,907,000 PBT £10,484,000 EPS 3.35p	£237,802,000 £27,019,000 8.68p	£150,227,000 £14,115,000 4.59p	+27.4% +34.6% +37.0%		REV £35,881,000 PBT £2,702,000 EPS 8.70p	£40,047,000 £4,335,000 14.90p	£11,697,000 £600 7.13p	+11.6% +60.4% +71.3%		REV £2,909,951 PBT £502,442 EPS 7.05p	£1,896,518 £1,641,522 20.86p	+34.8% +Profit to loss +Profit to loss		
Cedar Group plc					Intelligent Environments Group plc					NetBenefit plc				
Final - Mar 98	Final - Mar 99	Comparison			Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Period to Jun 98	Final - Jun 99	Comparison		
REV £12,506,000 PBT £2,564,000 EPS 5.30p	£23,046,000 £2,807,000 5.50p	£14,656,000 £4,959,000 3.82p	+84.3% +9.5% +3.8%		REV £2,627,000 PBT £874,000 EPS 3.20p	£6,633,118 £1,024,104 3.42p	£4,090,000 £3,200 1.20p	+55.7% Loss both Loss both		REV £1,138,823 PBT £2,857 EPS n/a	£1,969,751 £279,862 n/a	+73.0% Loss to Profit n/a		
CFS Group plc					Internet Technology Group plc					NSB Retail Systems plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Final - Oct 98	Final - Apr 99	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	
REV £3,151,000 PBT £161,000 EPS 1.23p	£10,989,000 £1,223,000 8.33p	£6,090,000 £262,000 1.29p	+92.7% +67.6% +49.4%		REV £4,286,000 PBT £1,640,000 EPS 0.42p	£8,854,000 £1,564,000 0.12p	£4,300,000 £2,000 0.12p	+106.6% Loss both Loss both		REV £3,413,000 PBT £749,000 EPS 4.30p	£8,366,637 £1,477,983 8.00p	+52.8% +16.6% +47.7%		
Clinical Computing plc					IS Solutions plc					Oxford Molecular plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	
REV £1,664,000 PBT £205,000 EPS 0.80p	£3,039,301 £276,584 1.10p	£1,561,000 £253,000 1.00p	-6.2% +23.4% +25.0%		REV £4,200,000 PBT £404,000 EPS 5.68p	£8,745,633 £942,384 13.67p	£4,300,000 £3,620,000 5.28p	+2.4% -10.4% -7.0%		REV £7,737,000 PBT £2,195,000 EPS 3.10p	£21,505,000 £1,228,000 12.70p	+31.3% -4,184,000 -2.20p		
CMG plc					ITNET plc					Parity plc				
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison		Interim - Jun 98	Final - Dec 92	Interim - Jun 99	Comparison	
REV £1,94,151,000 PBT £23,960,000 EPS 1.21p	£443,832,000 £35,788,000 29.00p	£290,496,000 £35,788,000 18.50p	+29.0% +40.5% +52.9%		REV £50,172,000 PBT £2,208,000 EPS 1.70p	£105,728,000 £7,346,000 6.90p	£60,969,000 £4,055,000 4.00p	+15.5% -26.3% +135.3%		REV £1,34,987,000 PBT £8,754,000 EPS 3.85p	£290,200,000 £20,032,000 18.30p	+13.8% +17.0% +22.4%		
CompuGroup plc														

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

RDL Group plc				Sherwood International plc				Torex plc			
Final - Sep 97	Interim - Mar 99	Final - Sep 98	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison
REV £10,615,000	£8,532,000	£15,692,000	+47.8%	REV £18,090,000	£42,591,000	£22,493,000	+24.3%	REV £9,426,000	£21,770,000	£18,532,000	+6.6%
PBT £298,000	£451,000	£1,154,000	+287.2%	PBT £1,846,000	£5,494,000	£2,881,000	+56.1%	PBT £1,603,000	£2,982,000	£1,775,000	+10.7%
EPS n/a	n/a	n/a		EPS 3.00p	9.00p	4.30p	+43.3%	EPS 3.80p	6.80p	3.90p	+2.6%
Real Time Control plc				Skillsgroup plc				Total Systems plc			
Final - Mar 98	Final - Mar 99	Comparison		Interim - May 98	Final - Nov 98	Interim - May 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison	
REV £15,880,000	£16,795,000	+5.8%		REV £96,400,000	£208,400,000	£115,000,000	+19.3%	REV £14,134,866	£3,247,157	-21.5%	
PBT £3,163,000	£4,366,000	+38.0%		PBT £6,500,000	£14,400,000	£5,400,000	-3.0%	PBT £1,019,675	£529,873	-38.2%	
EPS 30.80p	42.30p	+37.3%		EPS 5.80p	12.30p	5.30p	-8.6%	EPS 6.72p	4.29p	-35.2%	
Recognition Systems Group plc				Sopheon plc				Touchstone Group plc			
Final - Sep 98	Final - Sep 99	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Interim - Sep 98	Final - Mar 99	Interim - Sep 99	Comparison
REV £788,000	£2,315,000	+193.8%		REV £440,000	£891,000	£506,000	+15.0%	REV £3,508,000	£7,663,000	£4,812,000	+37.2%
PBT £2,260,000	£1,609,000	-Loss both		PBT £390,000	£981,000	£616,000	-Loss both	PBT £460,000	£1,048,000	£678,000	+47.4%
EPS 5.30p	-2.30p	-Loss both		EPS 2.00p	5.20p	3.00p	-Loss both	EPS 3.34p	7.60p	4.50p	+42.4%
Riva Group plc				Spring Group plc				Trace Computers plc			
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Apr 98	Final - May 99	Comparison		Final - May 98	Final - May 99	Comparison	
REV £36,199,000	£80,990,000	£36,544,000	+1.0%	REV £279,231,000	£403,154,000	£44,492		REV £14,658,625	£17,073,000	+16.5%	
PBT £349,000	£403,000	£938,000	+168.8%	PBT £18,109,000	£14,180,000	-21.7%		PBT £1,205,166	£4,367,000	+262.4%	
EPS 0.50p	1.00p	1.50p	+165.7%	EPS 8.30p	6.09p	-26.6%		EPS 6.11p	25.94p	+324.5%	
Rolle & Nolan plc				Staffware plc				Triad Group plc			
Interim - Aug 98	Final - Feb 99	Interim - Aug 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Mar 98	Final - Mar 99	Comparison	
REV £9,544,000	£21,000,000	£10,707,000	+12.2%	REV £9,641,000	£22,187,000	£11,223,000	+16.4%	REV £32,161,000	£49,306,000	+53.3%	
PBT £205,000	£1,600,000	£642,000	+213.2%	PBT £231,000	£250,000	£716,000	+210.0%	PBT £6,609,000	£8,629,000	+30.6%	
EPS 2.27p	7.90p	3.38p	-Loss to profit	EPS 1.20p	1.10p	3.50p	+191.7%	EPS 17.52p	22.74p	+29.1%	
Romtec plc				Stordata Solutions plc				Ultima Networks plc			
Interim - Jul 98	Final - Jan 99	Interim - Jul 99	Comparison	Interim - May 98	Final - May 99	Interim - May 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison
REV £1,861,000	£3,905,572	£1,845,000	-0.9%	REV £5,994,000	£11,286,246	£4,806,000	-19.8%	REV £8,280,000	£14,437,000	£6,470,000	+21.9%
PBT £30,000	£273,934	£94,000	+213.3%	PBT £245,000	£98,447	-£611,000	Profit to loss	PBT £1,070,000	£5,093,000	£610,000	-Loss both
EPS 0.30p	2.30p	0.50p	-Loss to profit	EPS 0.21p	0.54p	-0.38p	EPS 1.27p	4.85p			
royalblue Group plc				Superscape VR plc				Vega Group plc			
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Jul 98	Final - Jul 99	Comparison		Final - Apr 98	Final - Apr 99	Comparison	
REV £13,312,000	£29,514,000	£17,905,000	+24.5%	REV £4,220,000	£3,071,000	-27.2%		REV £22,457,000	£28,993,000	+29.1%	
PBT £1,815,000	£4,543,000	£2,744,000	+51.2%	PBT £3,516,000	£2,765,000	-Loss both		PBT £3,081,000	£4,292,000	+39.3%	
EPS 3.70p	9.30p	5.50p	+48.6%	EPS 3.70p	2.25p	-Loss both		EPS 13.71p	17.42p	+27.7%	
Sage Group plc				Synstar plc				VI Group plc			
Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison
REV £88,798,000	£191,547,000	£132,545,000	+49.3%	REV £78,827,000	£164,425,000	£104,034,000	+32.0%	REV £1,828,000	£4,117,000	£2,201,000	+20.4%
PBT £23,967,000	£47,635,000	£35,479,000	+48.0%	PBT £0	£2,169,000	£420,000	n/a	PBT £19,000	£333,000	£137,000	-Loss to profit
EPS 14.68p	28.85p	20.58p	+40.2%	EPS 0.00p	1.70p	0.30p	n/a	EPS 0.17p	2.40p	0.37p	-Loss to profit
Sanderson Group plc				Systems Integrated Research plc				Vocalis Group plc			
Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	Final - May 98	Final - May 99	Comparison		Final - Mar 98	Final - Mar 99	Comparison	
REV £34,743,000	£73,589,000	£54,366,000	+56.5%	REV £1,035,000	£1,405,000	+45.7%		REV £6,232,000	£8,820,000	+27.7%	
PBT £4,049,000	£8,592,000	£5,609,000	+38.5%	PBT £493,000	£140,000	Loss to profit		PBT £7,020,000	£1,098,000	Profit to loss	
EPS 5.20p	12.80p	7.20p	+16.1%	EPS 4.00p	0.71p	Loss to profit		EPS 0.18p	3.35p	Profit to loss	
SBS Group plc				Systems International Group plc - Pro Forma only				Workplace Technologies plc			
Final - Aug 98	Final - Aug 99	Comparison		Final - Jun 97	Final - Jun 98	Comparison		Interim - Jun 98	Final - Dec 98	Interim - Jun 98	Comparison
REV £35,856,000	£53,305,000	+48.7%		REV £6,438,894	£12,371,337	+92.1%		REV £39,970,000	£82,964,000	£56,200,000	+40.6%
PBT £1,485,000	£2,219,000	+49.4%		PBT £7,28,120	£1,573,632	+16.1%		PBT £1,317,000	£3,275,000	£280,000	Profit to loss
EPS 11.70p	16.10p	+57.6%		EPS 1.40p	3.00p	+21.4%		EPS 2.44p	6.50p	+2.34p	Profit to loss
Science Systems plc				Terence Chapman Group plc				XKO Group plc. Pro-forma only			
Interim - Jun 98	Final - Dec 98	Interim - Jun 99	Comparison	Final - Aug 98	Final - Aug 99	Comparison		Interim - Sep 98	Final - Mar 99	Interim - Sep 99	Comparison
REV £12,107,000	£24,319,000	£16,615,000	+37.2%	REV £20,866,000	£30,641,000	+46.8%		REV £13,217,000	£28,428,000	£13,485,000	+20.9%
PBT £1,245,000	£2,217,000	£1,511,000	+214.9%	PBT £3,390,000	£4,464,000	+31.7%		PBT £1,195,000	£2,667,000	£1,313,000	+9.9%
EPS 4.70p	8.90p	6.30p	+34.0%	EPS 4.02p	9.45p	+35.6%		EPS 3.50p	8.20p	3.90p	+11.4%
JSB Software Technologies has moved its listing from AIM to EASDAQ and raised \$50m by offering 3.33m shares at \$15. Part (\$19.5m) will be used to satisfy the cash consideration for their SurfWatch acquisition.											

RM prepares for another step up in NgFL funding.
 RM issued results for year to 30th Sep. 99 which showed solid growth, but yet again it feels that RM is hiding its light under a bushel. Results were in line with expectations with revenues up 24% to £162.2m and PBT ahead 22% to £12.3m. However, CEO Richard Girling noted that the first half of RM's current fiscal year will reflect the fact that Govt. spending on National Grid for Learning (NgFL) is flat in the 1999/00 tax year, but will step up to £200m for the 2000/01 tax year (i.e. RM's H2). It therefore looks like RM's seasonality will follow a similar pattern to two years ago with a significant bias towards the second half - and that means lower H1 profits. However, two years ago, RM also came back strongly in H2 to produce impressive growth for the full year. Indeed, house broker SBC Warburg has increased its full year profit estimate from £14.7m to £14.9m. Software and services revenues were again the fastest growing part of the group, showing 40% growth to nearly £75m. With the majority of NgFL funding being spent on Primary Schools, RM's revenues in this area grew over 60%. Revenue from the Secondary Schools market grew by 20% in the year but, as the 1999/00 NgFL funding switches from Primary to Secondary, growth in Secondary is likely to accelerate. RM has also signed its first significant overseas contract in Australia and opened an office there.
 RM's Internet revenue streams continue to grow rapidly. Internet for Learning (IFL), which is a value added ISP service for schools, now has over 10,000 connected schools of which 6,000 have a networks connection (up from 2,000 a year ago). In addition, 35% of primary schools subscribe to RM's learning website - the Living Library. There is, however, still no mention of the possibility of taking Living Library into the home market. Long term managed services contracts are increasingly the way local authorities chose to organise their IT purchasing and RM continues to benefit from this trend. The first contract of this type, Dudley, is up and running with 43,000 pupils and Tynemouth College finished its first full year under outsourced IT services from RM. The biggest of these contracts, by a long way, is still in the bidding process, namely the £300m 10 year managed service contract for all of Northern Ireland's 1,300 schools. RM with ICL in a consortium called Trilith, is now the sole bidder. The results of the tender are expected next summer, but in the meantime, costs in the region of £2m in H1 will add to seasonal bias. Last, but not least, RM's offering in conjunction with the Open University for teacher training, called Learning Schools, has got off to a good start with a £4m order book at the year end. Finance Director Mike Greig says that orders are now substantially higher than that. The Learning Schools Programme was set up to take advantage of the £230m of extra funding for IT teacher training from the New Opportunities Fund. Technology in education has to be one of THE global opportunities in the next century and whilst RM is doing all of the right things, we would like to see its reach extend both from a geographical point of view and in terms of the markets in which it operates.
 Regardless, shareholders have little to moan about. An IPO in Dec. 94 at 35p, the shares ended Nov. up 21% at 757p - a mere 22-fold increase in those five years.



PolyDoc (knowledge management software) has acquired **AppliedNet** for c£8m. The company has also announced a placing at 125p to raise £8m before expenses and a change of name to **Sopheon plc**.

Hays has acquired **Hutchinson Smith** (IT contracting and solutions) for an initial £27.75m including debt. Further payments up to a maximum of £13m are conditional on future profits. HS had proforma FY99 revenue of £75m and operating profits of £2.6m.

Vega has acquired **Skillchange Systems** (training) for £3.6m. Skillchange had 1999 PBT of £254K on revenue of £1.59m.

Cedar Group has bought the **Financial Management System Division** of **PPSL** (itself a subsidiary of **Leading Software**) for £1.25m. FMS "is profitable" and had 1998 revenues in excess of £1.5m. They also said that 97.9% acceptances had been received for the recent rights issue. UK Holding company **Gladstone** has paid £1.5m for card payment software firm **Torstar**.

freecom.net is planning to raise £20m when it floats on AIM at the end of November after raising its offer price to 130p. The offer was 20-times oversubscribed despite losing £756K in the six months to Jun. 99. *Has the world gone mad?* freecom will have a market capitalisation of c£48.75m at this price and has SCS veteran Bob Morton as its non-exec. Chairman **Peel Hunt** are acting.

Infobank International is to acquire from Kevin Doyle the remaining 75% it does not own in associate company **Elliott Pearce** (e-commerce enterprise application integration) for £2m in shares.

Reseller and consultancy **Harrier Group** has floated on AIM at 110p raising £7.5m.

Guardian has acquired the Swiss disaster recovery arm of German **debis** for £1.3m. This will extend further Guardian's disaster recover business in Europe.

MERANT (see also p2) has entered into an agreement to acquire US **EnterpriseLink Technology** (enterprise extension software) for \$22m.

CMG is to acquire German IT services company **adit GmbH** for c£4.3m. adit provides ERP (Baan) and CRM services and had H199 revenues of £2.2m and PBT of £600K. **CMG** will also acquire German IT services company **banksys Software GmbH** on 1st Jan. 00 for c£1.8m cash. banksys was created in 1994 and has 12 staff, revenues of £1.2m and PBT of £200K.

Policy Master Group has bought US **Insurance Business Solutions** (IBS) for an initial \$1m in shares. Up to a further \$6m is payable on profits. IBS has 20 staff, revenue of \$708K but lost \$234K in the eight months to Aug. 99. Policy Master has also placed c276K shares at 320p in order to raise additional working capital.

French leading plc (£200m revenue, 4000 employees) **Sopra** has acquired **Mentor Computer Services** (consultancy, bespoke software, project services, AM etc. to IBM mid-range markets) for an undisclosed sum. Mentor has 150 staff and 1999 revenues of c£10m. (Ed. note - after so many years quoting other companies involvement in such-and-such an acquisition, we are rather pleased to state Richard Holway Limited did all the preliminary research for Sopra which identified Mentor as a target. *Remarkably good value....*)

ISP Agency.com is set to acquire rival **i-traffic Inc.** for \$15m. Agency also lodged its float prospectus with NASDAQ for a listing this month.

Sage has acquired Swiss **Sesam** for £11.1m. As one would

Mergers and acquisitions - continued

expect from Sage, Sesam are in the same business area producing PC accounting software. They had 1998 revenues of £4.4m and an active customer base of 18,000 which will provide Sage with a market leading position in Switzerland. **Torex** is to expand its retail division with the purchase of **Midas House Group (Systems)** for up to £11.5m. Midas had 1998 revenue of £8.8m and PBT of £901K.

ECsoft has acquired Dutch **Project in Motion** for an undisclosed sum. PiM has 31 staff and provides resources, consultancy and project management to medium/large Dutch businesses. ECsoft have also acquired Norwegian **IT Partner AS**, again for an undisclosed amount.

Neuer Markt quoted **Articon Information Systems** has acquired **Integralis** at a cost of £77m. The enlarged group will have estimated sales of over £38m. **KPMG** acted for Integralis.

Synstar has bought the business continuity operations of **Tecys** in Luxembourg for £416K. The acquisition is expected to add £220K revenues and £65K PBT.

London Bridge has purchased US **LenStar** which includes Lentec (Nevada), TekStar Admedia and Lensat IIc. Consideration was \$14.4m. Revenues for the businesses acquired were \$3.5m.

NewMedia Spark has invested £400K for a 15% stake in **LinkGuard** (Internet start up company).

Computacenter has acquired **Metrologie UK** from the receivers after the collapse of **CHS Electronics**. Price rumoured to be c£2m.

General Atlantic has invested £10m in e-services company **Entronet**. **Granville** advised Entronet.

Freeserve has invested a further £11.7m to up its stake in US **TelePost** to 57%. TelePost (like Hotmail) allows users access to their e-mail from any PC connected to the internet.

Sanderson Group has received a bid approach not a lot higher than 220p. Rumour has it that it's from an MBO team aiming to take the company private.

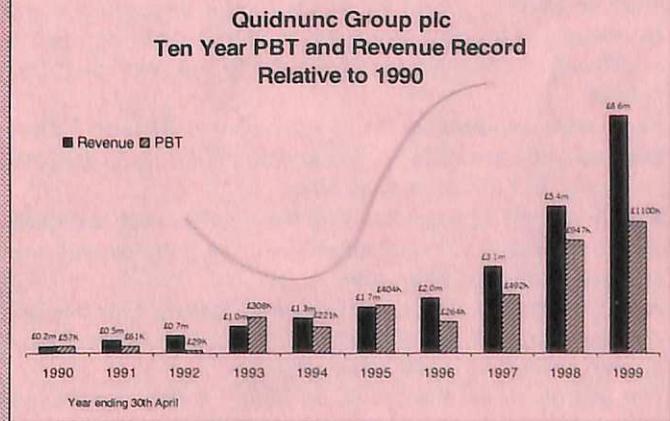
US Black Box Corp. has acquired **Datech Group**.

Affinity Internet is to raise £19.4m from a share placing at 11.50p. In addition they have announced a deal with **Colt Telecom** and to acquire **GamesZone** from **ICL**.

InterX (was Ideal Hardware) is to split its internet and software activities from its original core storage distribution business.

Quidnunc raises \$15m

Privately owned **Quidnunc** has raised \$15m for its US operations. If a Computergram report is correct, in the year to 30th Apr. 99, Quidnunc has increased revenues c60% to £8.6m but PBT by a lower 16% to £1.1m. That's a pretty good performance.



Amazing month

We have commented on the quite amazing SCS share price performance in November in our front page article. A 43% increase is quite unprecedented. Resellers (like Ultima (+200%) and Morse (+56%)) led the winners with software products companies (up 51%) also star performers. Indeed, Superscape (+330%), Recognition Systems (+284%) and others led the list of winners. But the gains were across the board with even ITSAs rising 22%!

Only eight companies managed - against the odds - to show falls with **Oxford Molecular** (down 26%), **Bond** (-23%) and **Systems International** (-20%) all issuing warnings.

End Nov 99	Move since 1st Jan 98	Move since 1st Jan 99	Move in Nov 99
System Houses	181.6%	81.7%	38.1%
IT Staff Agencies	-20.6%	-4.3%	22.3%
Resellers	51.5%	61.1%	66.9%
Software Products	284.5%	228.6%	51.4%

Admiral “not for sale”

Admiral has attempted to squash rumours that it is to be sold. Chairman Clay Brendish said "We are not talking to anyone nor have we received any approaches". Brendish also said that the search for a new CEO to replace Ceri James was "going well".

Regardless the shares have recovered well recently, rising 42% this month and are now double the low at the time of the profits warning earlier in the year.

Continued progress at Azlan

"The leading pan-European value added networking group" Azlan has experienced a turbulent few years to say the least. They managed a reasonable profit in FY99 after two years of heavy losses. At the six month interim stage to 30th Sep. 99, revenue increased 26% to £194m (and a higher 30% using constant exchange rates) and the previous loss of £424K has been turned into a PBT of £2.4m. All divisions managed to increase revenues. Products went up 28% to £167.6m (with operating profits up from £9.6m to £11.2m), Training contributed a 9% revenue rise to £19.5m (profits up 20% to £3m), with the smaller Services side doing extremely well with a 57% revenue rise to £7m and profits up five-fold to £1m.

Chairman Barrie Morgans is "pleased to announce continued progress...the good volume momentum has carried over into the beginning of the second half.... We remain confident in our ability to deliver network solutions across Europe to provide strong prospects for future growth".

Azlan shares rose 4% this month to end on 89p.

Progress at XKO - and an acquisition

At the six month interim stage ended 30th Sep. 99, **XKO Group** announced static revenues of £13.5m, operating profit up from £1.2m to £1.3m, but, after exceptions and amortisation, a loss before tax of £551K was reported. It is difficult to compare these results to the prior proforma figures.

They also announced the acquisition of **Silicon Valley Services** (revenue £4.2m, profits £631K) for up to £5.25m, a placing of 1.2m shares at 344p.

XKO is slightly disappointed with the results which are lower due to the usual Y2K problems. They will probably not now achieve analysts' estimates of c£3.2m PBT for the full year. Chairman & CEO Brian Beverley however *"is pleased with our first half and the acquisition... opportunities leave us well placed to make rapid progress"*.

The shares ended the month on 360p - a rise of 62%.

30-Nov-99	SCSI Index	8652.63				
	FTSE IT (SCS) Index	3315.90				
	techMARK 100	3064.60				
	FTSE 100	6597.20				
	FTSE AIM	1638.50				
	FTSE SmallCap	2873.20				
SCSI Index +100 on 15th April 1999						
Changes In Indices	SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (31/10/99 to 30/11/99)	+43.01%	+5.47%	+41.18%	+46.66%	+34.30%	+9.01%
From 15th Apr 89	+765.26%	+221.25%				
From 1st Jan 90	+840.40%	+179.31%				
From 1st Jan 91	+1122.35%	+205.37%				
From 1st Jan 92	+728.11%	+164.62%				
From 1st Jan 93	+442.96%	+131.77%				+107.10%
From 1st Jan 94	+418.25%	+92.99%				+53.76%
From 1st Jan 95	+477.16%	+115.21%				+64.52%
From 1st Jan 96	+283.11%	+78.82%	+288.29%		+71.86%	+47.98%
From 1st Jan 97	+223.17%	+60.18%	+235.05%		+67.86%	+31.61%
From 1st Jan 98	+185.09%	+28.46%	+221.23%	+231.59%	+65.17%	+24.21%
From 1st Jan 99	+119.53%	+12.15%	+110.48%	+129.32%	+104.40%	+38.74%

It would be a brave man who can forecast what might happen in December or 2000, but we doubt if we will ever see such high rises in a month again.

Many might think the festive season is one for securing some of the fantastic gains.

Still BT “No name”

We understand that BT *still* cannot decide on a name for their **BT Solutions** division which had revenue up 25% to £531m in the six months to 30th Sep. 99. Anyway the **Syntegra** and **Syncordia** brands will remain and they are not to be 'fused' (and hence by implication nor will their operations). What are we to make of the reasons given for the delay? "*The opportunity is bigger than initially perceived*". Obviously 'politics' is involved!

Highams results as expected

After the July AGM announcement of a fall in the number of contractors placed, no one should have been surprised by the interim results this month of **Highams Systems Services** - indeed the market took them well and the share price actually rose 22% to end on 57p.

For the six months to 30th Sep. 99, revenue fell just 7% to £15m but profits all but disappeared to only £2K (£782K last time). Profits were not only affected by the Y2K lockdown but also with £200K exceptional redundancy payments and increased R&D. Recruitment Services saw the number of contractors on site down 24%, revenue down 10% at £12.8m and operating profits reduced from £1.3m to £1m. The small Business Solutions division experienced a 30% revenue drop to £1.37m and profits of just £105K (was £375K). Trainers is still loss making losing £203K on £763K revenue.

Chairman Nigel Maw expressed "confidence in the future which is undimmed by the temporary climate... an upturn in demand will occur in year 2000".

Keystone goes into the black (just)

Keystone Software provides systems for practice management of major professional firms. They were a new AIM issue in Mar. 99 at 10p. At the six month interim stage to 30th Sep. 99, revenue was up nearly four-fold to £2.4m and the previous loss of £1.2m was transformed into a small PBT of £17K - their first profitable period.

Non-exec. Chairman Tony Caplin said "The half year results bodes well for Keystone's future... the growing base of satisfied clients has become a powerful force". They claim 5,000 users worldwide and although Keystone "is still a new and technology-leading solution, it is no longer viewed as high risk". The company has high hopes of further contracts in both the UK and Australasia but expect fewer sales in the immediate future due to Y2K.

They shares ended the month on 58p - nearly six-times higher than the IPO price.

System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	SCS Cat.	Share Price 30-Nov-99	Capitalisation 30-Nov-99	Historic P/E	PSR Ratio	SCSI Index Cap./Rev.	Share price move since 31-Oct-99	Share price % move in 1999	Capitalisation move since 31-Oct-99	Capitalisation move (£m) in 1999
Admiral	Yes	CS	£13.53	£611.20m	50.9	5.51	48884.10	41.62%	16.09%	£49.60m	-£127.40m
AFA Systems		SP	£2.45	£27.10m	Loss	55.38	2041.67	63.33%	125.81%	£4.74m	£13.40m
AIT Group		CS	£7.78	£90.30m	85.6	8.91	5183.33	74.72%	238.04%	£3.50m	£43.60m
Alphameric		SP	£1.40	£57.00m	65.4	10.00	642.20	45.08%	233.33%	£17.71m	£32.80m
Anita Group	Yes	CS	£0.90	£143.10m	28.7	1.20	523.39	54.31%	123.75%	£0.00m	£44.80m
Axon		SP	£3.69	£145.60m	73.1	8.68	2105.71	23.45%	110.57%	-£4.40m	£60.20m
Azlan Group	Yes	R	£0.89	£91.70m	18.1	0.26	386.96	4.09%	44.72%	£5.99m	£25.80m
Baltimore Technologies		SP	£29.23	£566.20m	Loss	111.81	29974.36	55.87%	579.65%	£199.99m	£488.20m
Baron		SP	£1.79	£3.84m	n/a	2.18	1790.00	49.17%	79.00%	-£0.32m	£0.64m
Bond International		SP	£0.76	£14.20m	16.0	1.27	1169.23	-23.23%	-19.15%	-£1.06m	£1.40m
Cadcentre Group		SP	£3.30	£39.40m	22.6	3.17	1650.00	38.95%	30.18%	£3.87m	-£2.70m
Capita Group		CS	£11.35	£1,679.00m	130.6	9.54	102207.21	40.23%	104.23%	£234.73m	£580.00m
Cedar Group		SP	£2.48	£82.70m	41.8	6.89	2357.14	54.69%	156.48%	£36.59m	£50.40m
CFS Group		SP	£2.09	£27.40m	19.1	3.12	2322.22	21.16%	110.05%	-£0.86m	£11.60m
Clinical Computing		SP	£0.66	£8.79m	50.5	4.87	528.23	87.14%	79.45%	-£0.25m	-£0.37m
CMG	Yes	CS	£33.09	£3,033.00m	114.1	9.27	22820.69	39.86%	116.98%	£379.41m	£1,080.00m
Compel Group	Yes	R	£3.83	£90.70m	33.5	0.41	3060.00	33.74%	-3.89%	-£44.83m	-£23.10m
Computacenter	Yes	R	£8.88	£1,136.00m	29.5	1.02	1325.37	40.17%	101.82%	£8.14m	£357.20m
Comino		CS	£3.99	£43.20m	24.9	2.83	3069.23	25.67%	92.29%	£1.42m	£15.60m
DCS Group	Yes	CS	£9.10	£178.50m	37.9	1.99	15166.67	23.39%	68.52%	£23.62m	£53.80m
Delcam		SP	£1.50	£10.00m	Loss	0.77	576.92	-11.76%	222.58%	£1.44m	£7.26m
Diagonal	Yes	CS	£3.04	£206.00m	40.6	3.49	4412.51	19.02%	25.93%	-£40.48m	£12.50m
Dialog Corporation		CS	£0.80	£103.80m	24.5	0.75	727.27	16.79%	37.93%	£7.55m	£16.00m
DHS Data & Research		SP	£0.20	£7.61m	14.4	0.94	177.27	-11.36%	52.94%	-£0.69m	£3.20m
Druid Group	Yes	CS	£16.58	£236.80m	47.5	6.17	6027.27	61.71%	25.81%	-£24.20m	-£64.90m
Easynet		CS	£10.80	£150.70m	n/a	13.48	10800.00	76.33%	333.73%	£65.23m	£99.80m
ECSoft	Yes	CS	£11.63	£89.90m	20.9	2.00	643.33	40.91%	-37.16%	-£4.64m	-£111.80m
Electronic Data Proc		SP	£1.25	£23.80m	20.4	2.90	3812.00	36.81%	84.44%	£4.72m	£6.10m
Eridos		SP	£55.48	£782.90m	60.1	4.45	55480.00	30.39%	490.21%	£72.84m	£622.20m
FI Group	Yes	CS	£6.30	£1,189.00m	108.6	6.13	16153.85	20.92%	91.78%	£293.32m	£529.40m
Financial Objects		SP	£5.70	£121.00m	49.9	8.87	2478.26	67.65%	132.65%	£14.60m	£33.70m
Flomerics Group		SP	£3.83	£7.16m	26.0	1.49	2942.31	44.34%	146.77%	-£0.20m	£3.13m
Freeserve		CS	£2.95	£1,400.00m	n/a	n/a	1966.67	112.23%	96.67%	-£75.85m	-£110.00m
Gresham Computing		CS	£0.47	£17.70m	7.0	2.30	505.38	16.05%	-53.69%	-£1.78m	-£18.00m
Guardian IT	Yes	CS	£7.55	£340.50m	75.9	13.02	2960.78	13.53%	58.95%	£5.70m	£97.30m
Harvey Nash Group		A	£4.80	£121.60m	18.5	1.29	2742.86	12.54%	54.84%	£25.43m	£34.20m
Hightech Systems Servs		A	£0.57	£8.79m	18.1	0.36	1569.44	21.51%	-33.53%	£3.03m	-£7.21m
ICM Compute		CS	£4.28	£58.40m	28.7	2.01	2377.78	39.19%	68.84%	£3.35m	£10.10m
Intelligent Environments		SP	£3.47	£51.60m	Loss	21.53	3686.17	182.86%	678.65%	£14.73m	£37.80m
Internet Technology		CS	£2.69	£117.40m	n/a	12.71	13425.00	11.88%	59.82%	£16.42m	£74.70m
IS Solutions		CS	£4.55	£14.90m	34.0	2.53	3395.52	46.77%	121.95%	£0.94m	£5.06m
ITNET	Yes	CS	£6.36	£399.00m	67.6	3.93	1817.14	12.07%	34.60%	£59.77m	£66.80m
Jasmin		SP	£1.20	£4.93m	7.0	0.55	800.00	14.29%	-17.24%	£0.62m	-£1.45m
JSB Software		SP	£4.44	£38.10m	Loss	26.95	2217.50	38.59%	116.34%	£0.02m	£18.60m
Kalamazoo Computer		CS	£0.76	£30.00m	Loss	0.49	2157.14	7.86%	91.14%	-£2.36m	£13.10m
Kewill Systems	Yes	SP	£11.75	£477.20m	216.0	14.79	23221.34	74.07%	360.78%	£114.91m	£306.40m
Keystone		SP	£0.58	£14.40m	Loss	12.37	644.45	16.00%	222.22%	£7.92m	£12.42m
Laser-Scan		SP	£0.18	£4.51m	22.0	0.88	3600.00	28.57%	20.00%	£1.00m	-£0.32m
Logica	Yes	CS	£15.15	£3,701.00m	140.3	8.34	20747.69	62.73%	189.95%	£507.45m	£1,772.00m
London Bridge Software	Yes	SP	£44.55	£850.90m	225.3	61.45	22275.00	64.39%	246.02%	£121.67m	£469.80m
Lorien		A	£0.84	£16.70m	10.5	0.13	840.00	-1.18%	-42.66%	-£1.33m	-£12.00m
Lynx Holdings	Yes	SP	£1.29	£108.40m	18.9	0.62	3225.00	27.72%	-35.01%	-£7.46m	-£103.80m
Macro4	Yes	SP	£7.15	£118.20m	19.8	4.63	2883.06	19.17%	110.29%	-£4.41m	£51.20m
MDIS Group	Yes	CS	£0.26	£53.50m	8.4	0.46	99.04	11.96%	-44.02%	-£5.28m	-£44.40m
MERA/IT	Yes	SP	£4.50	£350.90m	63.2	2.91	2173.40	84.80%	334.78%	-£65.52m	£202.30m
Microgen Holdings		CS	£3.65	£92.30m	155.1	2.28	1559.83	105.63%	166.42%	£17.40m	£32.70m
Misys	Yes	SP	£6.80	£2,880.00m	40.8	6.82	8460.00	33.86%	55.52%	-£490.28m	£420.00m
MMT Computing	Yes	CS	£8.03	£73.20m	17.1	2.25	4776.79	33.31%	-14.40%	-£0.90m	-£39.30m
Mondas		SP	£0.64	£7.12m	Loss	9.30	846.67	12.39%	25.74%	£0.00m	£0.76m
Moorepay Group		CS	£2.70	£33.90m	17.4	3.78	4556.52	-6.90%	17.39%	-£2.10m	£7.00m
Morse		R	£3.58	£279.50m	15.7	1.49	1430.00	56.46%	43.00%	-£17.07m	-£26.20m
MSB International		A	£2.60	£39.80m	7.5	0.27	1365.79	33.08%	-23.68%	£9.43m	-£29.60m
MSW Technology		SP	£0.88	£5.25m	Loss	2.19	902.06	36.72%	-17.84%	-£1.60m	-£3.48m
NetBenefit		CS	£5.45	£29.00m	n/a	33.62	2725.00	134.91%	172.50%	£2.01m	£4.00m
NSB Retail Systems		SP	£10.60	£175.50m	132.5	24.38	9217.39	20.80%	523.53%	£26.50m	£156.80m
Oxford Molecular		SP	£0.25	£29.60m	Loss	1.38	312.50	-26.47%	-48.45%	-£3.03m	-£12.50m
Parity	Yes	A	£2.69	£305.50m	27.2	1.38	44749.83	31.94%	40.58%	-£73.03m	£23.30m
Pegasus Group		SP	£3.95	£28.10m	23.0	1.87	1076.29	5.76%	30.58%	-£0.82m	£4.90m
PhoneLink		CS	£0.47	£20.30m	Loss	3.00	300.00	57.63%	69.09%	-£2.01m	£1.40m
Plant		SP	£0.81	£35.50m	29.0	6.49	3375.00	68.75%	237.50%	-£2.54m	£19.80m
Policymaster		SP	£3.55	£45.10m	41.6	4.38	2366.67	10.94%	87.34%	£1.40m	£18.40m
Protherics		SP	£0.33	£60.80m	Loss	75.57	392.86	-12.00%	-7.04%	-£4.79m	£34.50m
QSP		SP	£6.58	£87.80m	22.4	2.86	1730.26	34.87%	85.21%	£15.46m	£39.50m
Quantica		A	£0.52	£18.80m	8.4	1.33	415.32	7.29%	-29.45%	-£1.00m	-£9.60m
Rage Software		SP	£0.57	£101.20m	53.9	18.51	2182.69	36.75%	587.88%	£25.06m	£81.10m
ROLI		CS	£0.96	£10.60m	10.9	0.68	1061.11	0.53%	6.11%	£0.00m	£0.50m
Real Time Control		SP	£9.40	£53.20m	22.2	4.08	19183.67	23.68%	94.82%	£9.40m	£19.40m
Recognition Systems		SP	£3.37	£64.70m	Loss	107.73	4807.14	284.57%	3265.00%	£26.99m	£61.01m
Riva Group		CS	£1.30	£39.10m	30.3	0.56	923.93	15.04%	282.35%	£0.92m	£28.20m
RM Group	Yes	SP	£7.57	£75.00m	77.1	4.13	21614.29	21.04%	63.21%	£94.28m	£154.10m
Rolls & Nolan		SP	£3.23	£25.50m	2.8	2.00	3839.29	68.41%	84.29%	-£0.00m	£2.20m
Romtec		CS	£0.68	£3.37m	23.9	0.92	1080.00	6.30%	-11.76%	£0.00m	-£0.68m
Royalibus Group	Yes	SP	£7.75	£180.00m	59.3	7.54	4558.82	24.00%	131.34%	£28.12m	£86.90m
Sage Group	Yes	SP	£43.31	£3,807.00m	150.1	26.09	166576.92	38.77%	175.86%	£480.61m	£1,986.00m
Sanderson Group	Yes	CS	£2.09	£97.10m	15.8	1.42	3557.45	10.00%	36.16%	£7.83m	£24.00m
SBG Group		A	£1.75	£11.40m	10.9	0.30	1750.00	34.62%	-11.39%	£1.00m	-£6.00m
Science Systems		CS	£3.37	£47.30m	33.0	2.38	2612.40	21.01%	115.34%	£1.90m	£20.70m
Semis Group		CS	£10.73	£3,680.00m	77.2	3.74	13496.86	34.97%	81.58%	£238.19m	£956.00m
Sherwood International		CS	£8.30	£220.90m	70.8	7.70	27651.43	41.28%	144.84%	£33.80m	£93.50m
Skillsgroup		CS	£2.20	£143.20m	19.2	0.52	984.30	34.25%	20.94%	-£61.79m	-£6.20m
Sopheon		SP	£2.23								

Another solid year at Computeraid

Old established privately owned Computeraid is basically a maintenance and support organisation. They were the subject of an MBO in Dec. 94 from Thorn EMI which valued them at a modest £5m with backing from CINVen. They have grown fast since then as can be seen from the chart.

Chairman Chris Wood (who with Maurice O'Brien could claim to be the founders anyway) has just sent us the accounts for the year ended 31st Mar. 99.

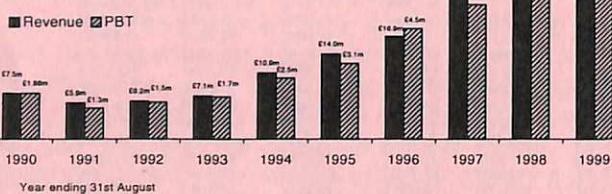
Revenue increased just 4% to £62m with PBT up a much higher 38% - but that's still only a 2.7% margin. Chris Wood is happy with the continued good growth in professional services, especially consultancy and their on-line net support desk. Wood also said that "we have been hit by the Y2K climate" but then went on to say that "our 2000 Q2+ order book is full of deferred commitments underlying (Holway's) view that the lull is temporary".

After over five years most VCs and investors would be looking for an exit about now...

Y2K microclimate affecting MMT too

MMT's results for the year ending 31st Aug. 99 have been affected by the Y2K microclimate. Revenue went up a below average 12% to £41m but PBT fell 3% to £9.7m. Diluted EPS managed a small 3% rise.

MMT Computing plc
PBT and Revenue Record
Relative to 1990



MMT is now being reorganised into two principal operating divisions, Business & IT Solutions and Specialist Solutions, "to reflect current trends within the IT industry". Chairman Mike Tilbrook stated "We expect the considerable softness in the market to continue until the early months of 2000" and he expects the recovery to be evident in MMT's second half next year and beyond. Tilbrook remains "confident and enthusiastic for our long term future" and "intends continuing to expand our successful core business of low risk T&M consulting activities". MMT's shares went up 33% this month to end on 803p.

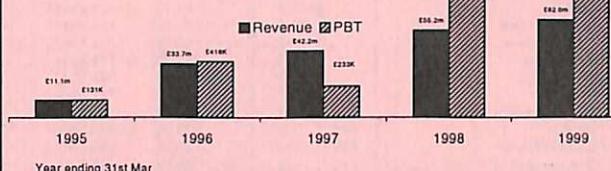
Cadcentre does well at the interim stage

Cadcentre Group provides 3D systems which aid the design of process and power plants. In their interims for the six months to 30th Sep. 99, they maintained their unbroken PBT growth record with a 39% rise to £1.9m on revenues up 24% to £10.9m. Diluted EPS was up a much higher 61%. Cadcentre issued a mild profit warning last year when falling sales in the Far East reduced FY profit expectations but they did still manage a small rise in PBT. Cadcentre has clients throughout Europe, US, Japan and the Far East as well as the UK and since buying a Japanese distributor a year ago, have now doubled turnover in south-east Asia. Sales in Germany have also risen 38%.

After various other acquisitions, the company now plan to shift their emphasis from 2D/3D software to focus on their engineering customers where they can see far more potential.

The shares ended the month up 39% on 330p.

Computeraid Services Ltd
PBT and Revenue Record
Relative to 1995



Lynx meets (revised) expectations

In Sep. this year, Lynx Group issued a profits warning that FY99 results would be lower than anticipated and analysts hastily revised their figures from c£15.8m to c£12m. The results therefore for the year ended 30th Sep. 99 should come as no undue surprise. Revenue increased 17% to £212.5m, operating profit before goodwill amortisation dropped 8% to £12.8m, PBT went down 17% to £11m with EPS down 27%. The main reasons for the decline in both profits and revenue have been the Value Added Distribution business. VAD revenue fell 14% to £93.4m with OP down from £4.9m to £2.8m. Training, like VAD, was also affected by the Y2K microclimate. Overall the Software and Systems Division had a 35% revenue rise to £82.4m with profits increasing 15% to £9.3m. Commercial Systems was the star performer here with a 46% revenue rise to £25.5m and profits up 79% at £2.5m with the other key business, Financial, also performing well. Their Corporate service business revenue fell from £41.1m to £39.2m although profits increased from £2.2m to £2.5m.

CEO Richard Last commented "We believe that the coming year will see significant progress in the successful growth and development of the Group's businesses which are well placed to benefit from many of the changes taking place in the IT sector". Last is also wary about the performance of the VAD business in the run up to the millennium as evidence suggests that demand for servers will be "below normal levels".

After the share slump at the time of the profit warning, the shares have recovered well to end the month up 28% at 129p.

Bit of a mixed bag at Kewill

Kewill Systems' results for the six months to 30th Sep. 99, show overall revenue up 30% to £35.7m, operating profits up from £4.5m to £5.6m, PBT (after goodwill amortisation) fell 26% to £2.3m with diluted EPS down 46%. The e-commerce business was the star with a 78% revenue rise to £11.8m (33% of the total) and profits doubled with margins still of over 20%, ERP saw a 49% revenue rise to £15.2m with profits ahead 40% to £3.1m but Logistics saw a turnover fall of nearly 10% to £5.2m and profits no more than break-even. Their German Design Division "remains solid and profitable". The company's net debt has increased from £1m to £17.8m primarily due to acquisitions costing £19m in the last year.

Kewill has now recruited a new UK sales team at Logistics and their US operation has new management.

Their future strategy is based around the Kewill Business Portal where FDX Corp. has entered into an agreement to make use of their products. Future development of Business Portal is expected to cost Kewill £6.3m over the next two years.

Kewill has also announced a placing at £10.88 to raise £38.6m to speed up development of e-commerce products.

About a year ago you could buy Kewill shares at under £2. This year to date they have increased 361% to end the month on £11.75p - that's a rise of 74% this month alone.

SBS - a ray of sunshine in a gloomy staffing market

In amongst all the gloom, doom and profit hits among UK IT staff agencies there appears to be a little ray of sunshine - from AIM-listed **SBS Group**, which announced revenues up 49% to £53.3m and PBT up 49% to £2.2m in the year to 31st Aug. 99. EPS rose 38% to 16.1p. Gross margins were trimmed from 18.3% to 17.5% but PBT margins rose a tad to 4.2%. About 40% of the revenue growth was 'genuine' increase in business - only c5% was attributable to fee rate increases - a sign of the state of the ITSA market as compared to the 15%+ increases seen in the heady days of 1997/98. And what's more, all growth in the US for the FY was organic, helped along with the Mar. 98 acquisition of JCC Group (now rebranded to fly the SBS flag) and the Jul. 98 acquisition of QRL. The teacher supply business that came with JCC contributed £1.12m revenue and £40K profit - and they plan to keep this business, at least for now.

UK revenues grew 33% to £28.6m and now represent 54% of the total - down from 60% the year before. The new (Feb. 98) Manchester office "performed well" - it now has c20 contractors - and moved into profit. So it was overseas that SBS reaped its greatest rewards - revenues from continental Europe soared 78% to £17.2m (32% of the total), aided by the opening of a new office in Frankfurt in Mar. 99 to take over servicing the German market (previously handled from London). Their Rotterdam office "showed modest growth in the number of contractors during the year". The North American business (c90 contractors) grew 63% to £7.5m (14% of the total).

About two-thirds of group revenues comes from just three sectors - IT (i.e. other SCSI companies - SBS' biggest client is CSC), finance (especially investment banking) and telcos. Indeed, SBS's telco business is set to double with the Oct. 99 acquisition of specialist telco staffing company US-based Applied Concepts Inc (ACI) for £6.4m (max.). ACI had revenues of £4.3m and PBT of £200K in year to 30th Oct. 98 and estimated turnover of £7m and PBT of £900K for FY99. ACI has 90 contractors on direct assignment and controls an additional 140 contractors as 'gatekeeper' to AT&T.

Like almost everyone else, business slowed due to the Y2K "microclimate" (we should have trade-marked that phrase!) "which is likely to result in a decline in earnings in the first half of the current year" but Chairman John Davies said they "expect a return to organic growth in the second half".

Comment. SBS is a software house-turned-ITSA, starting business some 30 years ago. They first hit the US back in 1979 and acquired a majority stake in US ITSA Eurosystech International in 1990. SBS floated on AIM in Jun. 97 at 100p valuing the company at £7m. Unlike some of the IT staff agencies at the commodity end of the market (yes, you know who you are), SBS has helped mitigate the Y2K slowdown by spreading its geographical wings and by specialising in a small number of (usually) fast-growing sectors. Indeed, they expect the US side of the business to reach 30% of total revenues this FY. What's more, newly acquired ACI is a 'prime vendor' (i.e. gatekeeper) for AT&T's contract staffing requirements. At the moment ACI supports AT&T in just 10 US states - we guess that means there's still 40-odd to go! SBS is also looking at expanding the managed service side of the business. So, all in all, they appear to be following the Holway ITSA 'recipe book' and so perhaps stand a better chance than some of its peers in weathering the Y2K 'storm'. Even with these very good results, SBS is still unlikely to appear in the UK ITSA 'Top 20' list for 1999 - but then again, with the right moves up the value chain, size does not have to be everything!



ICL has announced a £100m plan to expand its e-commerce activities worldwide. 4,400 new jobs will be created over the next 3 years, including 1,000 in the UK, 2,700 in continental Europe and 700 in the US. A further 4,000 staff will be retrained and redeployed into their 'eBusiness' division.

ICL also announced a slew of new e-commerce 'design, build, operate' contracts, including deals with UK retailer Kingfisher (group-wide intranet), Finland's Leonia Bank (on-line banking through mobile phones), Lloyds (extranet-based shipping register) and the Irish Government (pan-European business-to-business internet trading community). The Leonia deal comes on the back of a new agreement with Nokia to develop WAP (wireless application protocol) applications using Nokia's tools and servers.

ICL will also open seven 'eBusiness Centres of Excellence' at ICL facilities in the UK, continental Europe and the US. The £100m investment will be funded from e-commerce revenues and ICL's own resources.

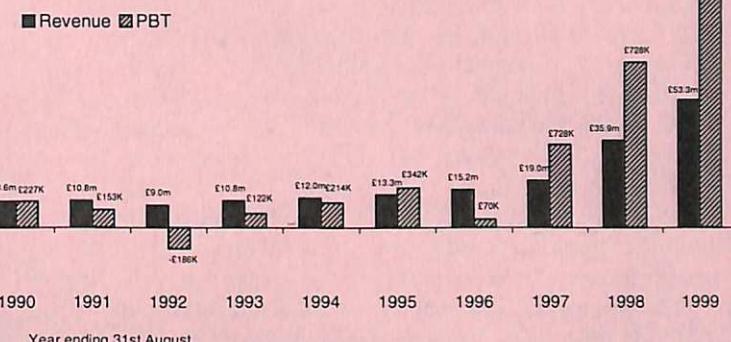
Comment. It's great to see ICL 'come out of the closet' with this announcement, which comes on the back of a doubling of 'pure' e-commerce revenues from c£80m last year to over £150m. This makes ICL one of the top (if not the top) supplier of 'true' e-commerce services in the UK. For too long ICL has kept its e-commerce light well hidden under a bushel - yet it has already designed, built and now operates branded websites for no fewer than 120 organisations, including AOL's 'free' Netscape Online ISP service.

And there's more! ICL has also built cable operator NTL's interactive digital TV infrastructure platform as well as the infrastructure, portal and merchandising services for Sega's phenomenally successful Internet-enabled Dreamcast games console.

We think this is a terrific achievement and it's about time the world got to hear about it. The £100m investment will give an extra push to ICL's recently unveiled strategy to refocus the entire business to design, build and operate customer relationship management systems.

The timing of this announcement is, of course, not incidental to the run-up to ICL's proposed re-listing on the London Stock Exchange next year. Although our views are pretty well known, if ICL really could be rebranded as "Internet Commerce Ltd" it could do wonders for the chances of success and its associated valuation.

SBS Group plc Ten Year PBT and Revenue Record Relative to 1990



Internet madness...or are you just bitter?

It's been a pretty amazing month if you are contemplating an internet related IPO. **freecom.net** (internet services to SMEs) and **365 Corporation** (internet content specialist) revised their valuations northwards when pre-IPO demand soared. freecom was over 20-times oversubscribed and will raise £20m (not the £12.5m originally planned) when they float on AIM at 120p on 1st Dec. 99. This values the operation, which lost £756K in the six months to 30th Jun. 99, at £49m. 365 is to float at a proposed valuation of c£285m at 160p - about 10% higher than even they thought a few weeks back. *They are unusual as an internet company as they made profits of £277K on revenue of £4.6m in the quarter to 30th Jun. 99.*

GlobalNet Financial.com (which provides on-line financial news) is to go to AIM next month with a valuation of c£140m. **NewMediaSpark**, which invests in internet start ups, has seen its value more than double this month. **Oneview.net** (another provider of internet services to SMEs) has seen its value rise substantially from the £19m at its Sep. IPO. They now plan to raise £5.26m in a "substantially oversubscribed" placing at 300p to fund their future expansion plans.

Comment - Of course the easiest reaction is "*it will all end in tears*" but investment in almost any internet stock in the last 12 months - even the much over-hyped **Freeserve** - is showing handsome returns. And that's the rub.

Nobody would doubt that e-commerce will be THE driving force for our sector in the next decade. There will be failures in the current crop but, equally, there are guaranteed to be some spectacular successes too. Backing as wide a spread as possible of the players has always been the best strategy in the past. Likely to be even more rewarding in the future.

Easams for sale

We have had connections with **Easams** for many years. They are part of **GEC** - now renamed **Marconi** which will be listed in the IT sector on the main market. It has now been announced that the systems business will be split in two - Marconi Systems and Easams. The release says that "**Easams will be sold over the coming months**". We understand that the bits "for sale" are the FM/bureau business, the Sun/VAR reseller operations and the ITSA operations. All these are considered "non core". We would suspect an MBO.

Erratum Sorry we made two silly mistakes in our "Class of 1989" chart on p2 in last month's **System House**. **Misys** and **Sema**'s 1999 market cap. should have read £2,945m and £3,551m respectively. Apologies to our readers and thanks to the several phone calls we had pointing out our errors. Also, can we point out that **Memory Corp.** has no connection with **Memory Computers** (which went bust in the early 90s).

Software and IT Services Industry in Europe Markets & Strategies 1999 - 2003

We are delighted to report the imminent publication of the 8th annual edition of our highly respected European research project. As past customers know, the tome covers every country in Europe, the lead companies in each country and, of course, the pan-European players. The research is a co-production between Richard Holway Limited in the UK, **Pierre Audoin Conseil** in France and **PAC GmbH** in Germany. Having seen off most of the competition, we are delighted that this research is now held in such high esteem. Indeed, one of the largest SCS companies in Europe recently told us that it was now the ONLY European research they now felt they could rely upon and another said that their annual bonuses were linked to how they fared relative to the Holway market averages! Perhaps the best testimony is that it is this research work which has been quoted in most of the IPOs in recent years.

TECHMARK research™

We certainly hope that you have all taken a look at **techmarkresearch.com**, and its associated **Newsdesk** service, which we launched on 3rd Nov. Initial reaction has been very positive. As well as all the news and comment, our very own SCS Share Index can be seen in "real-time" (well, 20 minute delayed actually....)

We would really like to know what YOU think. After all it was designed for you and it's "free".

Lastly, can we wish all our readers a very **Happy Christmas**, and a bug free millennium celebration. The Jan. 00 edition will be a little later than usual as we can't find a printer to come in on 1st Jan. this time!

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