

System House

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

Volume 3

Number 5

Available by subscription only

March 1992

Profiting during Adversity

In the July 1991 issue of *System House* we ran a review entitled "Best of the Privates" in which we spotlighted the five best performing privately owned UK computing services companies in 1990. We excluded all companies with PBT less than £500K.

This month we present a progress report. The results are quite remarkable. They show that in every case, these companies have continued, and in some cases extended, their exemplary performances in 1991.

PBT	1989	1990	1991	Growth 90/91
IPL Information Processing	£ 524K	£ 708K	£ 1,950K	175%
Autofile	£ 929K	£ 1,893K	£ 2,252K	19%
DataEase International	£ 1,008K	£ 1,800K	£ 2,100K	17%
Specialist Computer Holdings	£ 3,378K	£ 4,736K	£ 5,255K	11%
Portfolio Administration	£ 596K	£ 1,494K	£ 1,657K	11%

The very best performance in the last year was shown by **IPL Information Processing** increasing PBT by a massive 175% to £1.9m. IPL also leads our two year analysis with a 272% profits hike. IPL's principal activity is designing complex real time systems with a significant proportion of revenue deriving from IT consultancy and systems development. In other words, exactly the business areas which most others have used as an excuse for recent poor performance. More details on page 10.

The best performer last time, and the second best over a two year period, was

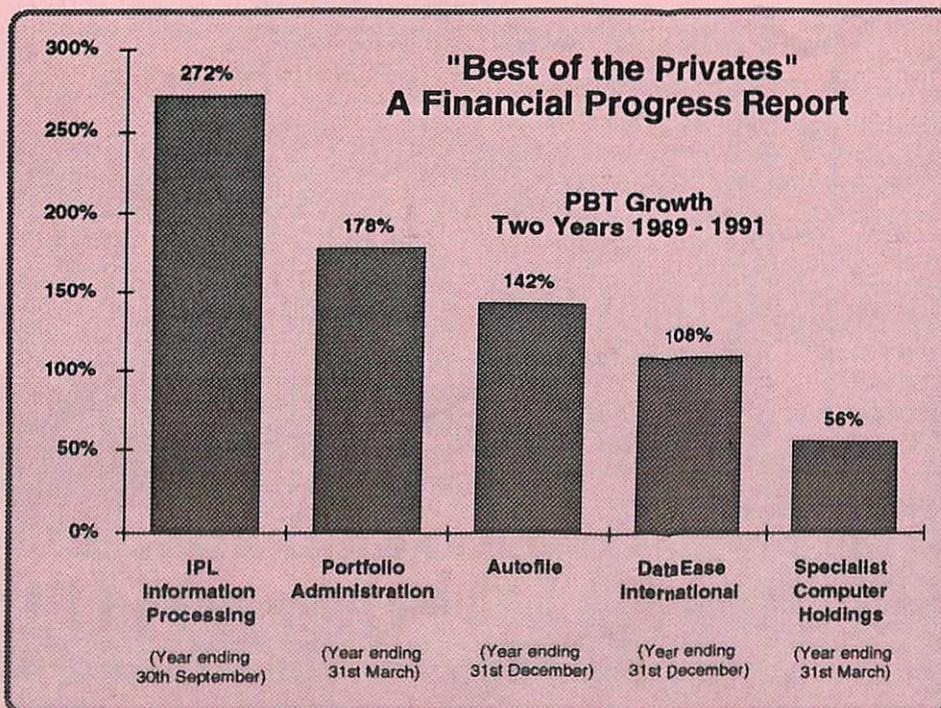
Portfolio Administration - the specialist securities industry computer bureau. They did well, in extremely difficult trading conditions, to increase PBT by another 11% in 1991 to £1.66m.

Autofile is famed for its ATOP tour operator system. The last couple of years has seen diversification of the product range. Autofile managed a 19% PBT growth in 1991 to £2.25m. More details on page 3.

Sapphire (now known as DataEase) sells the PC-based DataEase database software product. This year they merged with the developers, **DataEase**, in the US. It really was a merger. Sapphire owns c54% of the new Dutch registered holding company **DataEase Sapphire International NV**. On a comparable basis, Sapphire would have reported PBT up 17% at £2.1m for 1991.

Lastly IBM agent **Specialist Computer Holdings**, the largest of the companies featured, boosted PBT by 11% in 1991 to £5.25m. An excellent performance given the problems of other IBM agents.

All the companies in our list are cash positive with little or no borrowings. There are no other common characteristics as our list includes a hardware distributor, a PC software company, an IT consultancy and two companies operating in niche markets which have been very badly effected by the recession. Most of their competitors have done badly and have quoted "market conditions" as the excuse.



Note: This is not a definitive list of the best performers in 1990/91. This will be published later in the year when all the 1991 results are available.

We are reminded of a statement from Sir Peter Thompson (ex NFC, now Chairman of FI Group amongst other interests) "**When profits fall, economic recession and depressed demand are to blame. It is nothing at all to do with a lack of management skill. Yet good managers somehow seem to be able to push their business ahead**

regardless of external factors".

Source - Sharing the Success.

Perhaps the only real characteristic that successful computing services companies share is **good management**.

Profits dive at P&P

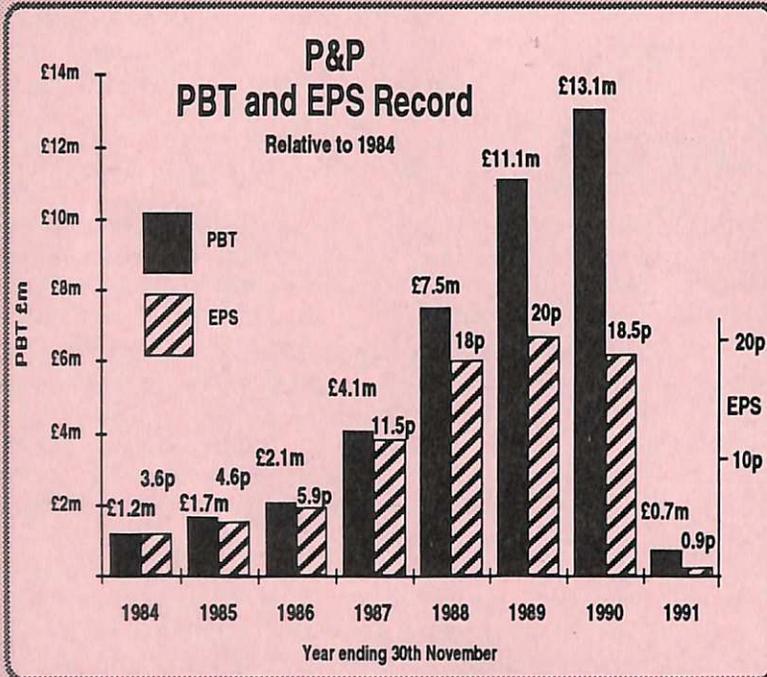
P&P had already reported a 52% profits dive to £3.3m for the six months to 31st May 91. This was followed, in Oct. 91, by a profits warning that the company was "unlikely to make a profit in the second half of the year". In the event this proved rather optimistic. Full year results to 30th Nov. 91 show PBT down 95% from £13.1m to £700K on revenues 2% higher at £228.3m. EPS was down 95%.

Indeed, John Atkin told us that the drop-off in demand had been much swifter than expected. The latest results for P&P's main competitors, Technology plc and Specialist Computer Centres, on the IBM front, and Rothwell, in the Apple corporate market, all show significantly increased revenue and profits in 1991; although these results are only to mid-1991, before the second phase of the recession really started to bite. Also, to be fair, P&P say that their Principal's third party Apple business has done well in 91.

P&P ended the year with £9.9m net cash. The company has been good at cash management, generating £22.2m this year after losing £80K in 1990.

But this was before the final £3.65m was paid in Dec. 91 to Nordic Datadistribution which was acquired in 1990 for up to £6.4m. This is the last "material earn-out commitment" arising from P&P's considerable earlier European acquisitions. John Atkin told us that P&P's Swedish subsidiary had been very successful and that all their European operations had comfortably exceeded their earn-outs. Indeed, P&P's Swedish and Belgian operations contributed £1.8m of P&P's £3m operating profit. The final dividend was held at 3p; dividend payments will cost P&P £2.4m requiring a transfer from reserves.

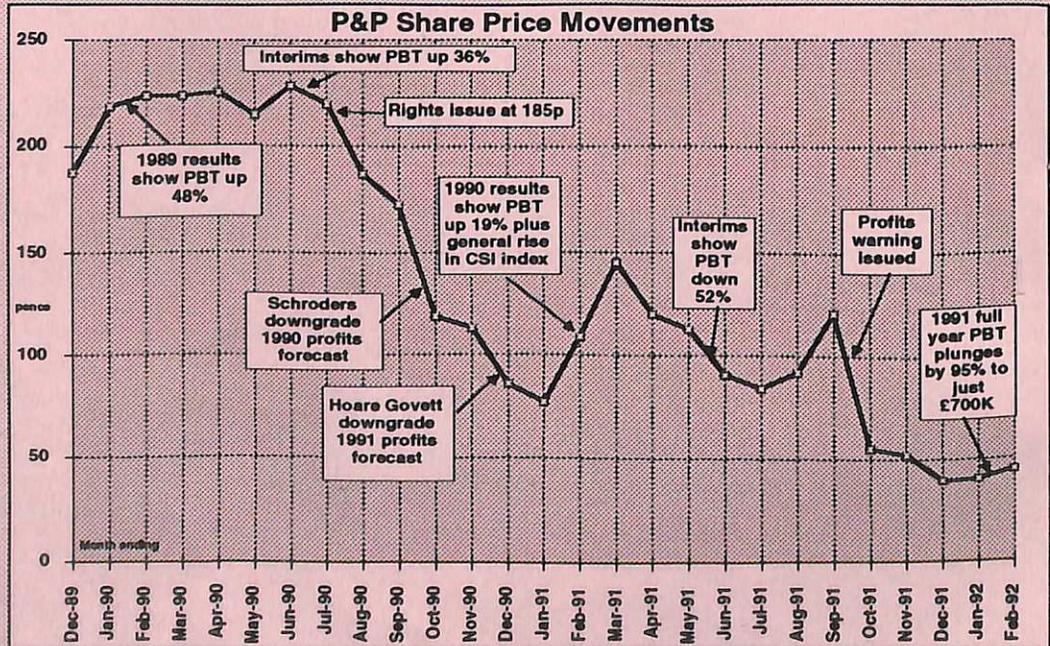
As to the future, Chairman Sir Roland Smith is "confident that the strategy which has been adopted along with the well-planned investments made in recent years will secure the future of the P&P Group". Brokers, Hoare Govett, are currently forecasting PBT of £3.5m this year and £5m in 1993, but the FT warns that P&P could "fall seriously into loss" if there is not a significant upturn in the PC market.



Back in June 90, P&P had a rights issue at 185p raising £26.7m when the shares were standing at 228p. The City feels mightily aggrieved as, since then, the shares have plunged to around 40p.

P&P has tried to restructure itself away from being a box-shifter/distributor towards value added services. Indeed their £1.1m "facilities management" contract with Unilever to support, install and maintain their PC functions was warmly welcomed as evidence of the success of this strategy. However, P&P now report that this change in strategy has been "expensive to implement - the numbers employed in services and solutions has increased whereas those employed in product sales has decreased". Half of the 690 UK staff are now employed on the services side - up 50% since last year. However, overall headcount has been reduced from 851 in Dec. 91 to 820 currently.

But it is the recession and the intense price competition between hardware vendors which P&P blames for the very poor second half performance. "P&P's corporate customers revised and delayed their capital expenditure".



...and buys ICI Computer Systems

On 10th Feb. 92, P&P bought ICI Computer Systems for £2m and has signed an agreement, under the Corporate Partners Programme, with ICI to supply PCs and associated services expected to be worth £10m pa.

People

Richard Fisher has resigned as MD of open systems distributor, **TIS Ltd**; part of the **Misys Group**. He is replaced by **John Anderson**, the former MD of P&P's distribution activities. **Gordon Skinner**, the TIS founder and chairman, left in 1991. Fisher was guarded over the reasons for his departure other than the inevitable "Anderson's ideas about distribution were very different to mine". As always seems to happen when Misys acquires companies, the "old guard" at TIS has been replaced by "Lomax's lieutenants".

Changes and "disappointment" at P-E

Hugh Lang has resigned from **P-E International** at the age of 60 to be replaced, as Executive Chairman, by **George Cox** who left **Butler Cox** in Nov. 91 after it was sold to **Computer Sciences Corp. (CSC)**, in May 91, for £14.3m. Cox's last recorded utterance at Butler Cox was to describe their performance in 1990 as "disappointing and frustrating". Lang uses the same words to describe P-E's performance in 1991. However, "major measures have been taken to reduce the cost base...the balance sheet remains strong and since the new year there has been a distinct improvement in sales". Full year results will be announced on 23rd Mar. (why so late we do not know) and the final dividend will be unchanged.

John Ockenden, currently Chairman of **Data Logic**, is tipped to be the next Chairman of the **National Computing Centre** taking over from **John Ashworth**.

Manpower pricing

INPUT have published their 8th annual guide to manpower pricing in the UK software and services industry (INPUT Tel.: 071 493 9335- Price £950). It makes depressing reading as for the first time the UK professional services industry saw "significant falls in manpower charge-out rates". Discounting is widespread as the recession has squeezed users' budgets.



"Some rates had decreased by as much as 11%". It seems that the major systems integrators and consultancies "have been experiencing the greatest difficulty.... At the top end (ie Senior Systems analyst and above), rate changes have ranged from -5% to +1%". At the lower end, the rates for Junior Programmers have increased but "companies are hiring out more staff at Junior Programmer rates, as recession forces user companies to reduce costs. In many cases, quite senior and experienced staff are being charged in this grade". Small software houses and start-up freelance operations have provided stiff competition to the larger companies.

IT jobs hard hit

A survey from "outplacement consultancy" **Drake Beam Morin** found that a third of all executives who lost their jobs in 1991 came from the IT sector and that only one in four found another job in IT.

Changing order

It is interesting to note that **Apple** (\$7.6b) now has a higher capitalisation than **DEC** (\$7.5b). **Microsoft** is now valued at \$21b - second only in the IT sector to **IBM** (\$51b).

Last ditch effort to save Alphameric

When Alan Benjamin took on **Alphameric** did he know just how hard the task would be? Alphameric shares had hit a low of 3/4p. On 5th Feb. 92, a complex £4.3m refinancing package was announced with the statement that "if the restructuring was not approved it is unlikely that the company will be able to continue to trade" and that in this event there would be no assets to distribute to shareholders. On 28th Feb. it was announced that only 22% of the shares available were applied for. Alphameric also announced their interim results showing losses cut from £1.75m to £377K. But this was not as good as it seems as there was an exceptional gain this time of £1.12m against an exceptional charge of £538K last time.

Reuters

Reuters, which some categorise as a computing services company, reported PBT up 6.3% at £340m on revenues up 7% at £1.47b. Reuter's CEO Peter Jobs said he "expected revenue growth to slow further in 1992". The Dealing 2000 foreign exchange product continued to sell well and the Instinet international trading network increased revenues by 30%.

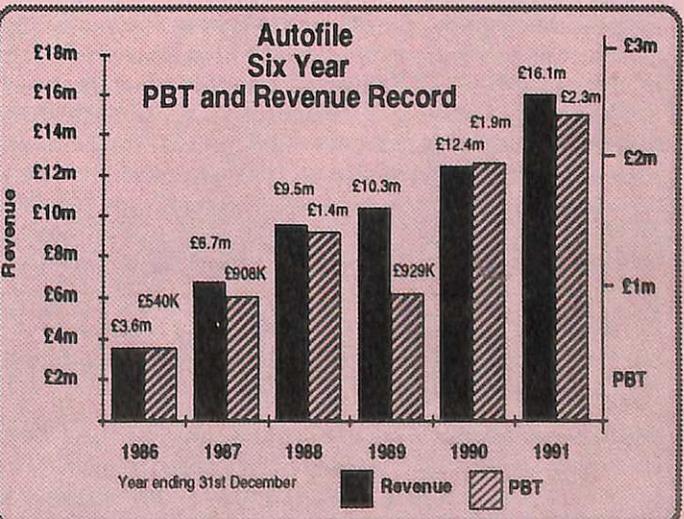
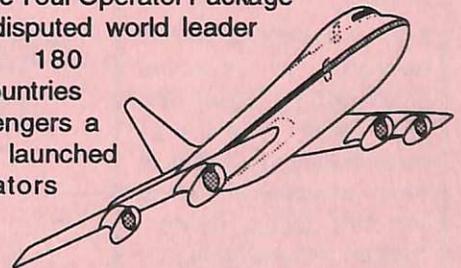
Net cash increased by 132% to £503m at the year end and further acquisitions are not ruled out.

Up, up and away with Autofile

We have featured **Autofile** before as one of the least known, best run and most successful private UK systems houses. The Autofile Tour Operator Package (ATOP) is the undisputed world leader used by over 180 companies in 23 countries carrying 8m passengers a year. In 1991 they launched their ferry operators system.

Various other diversifications include a "thriving" magazine publishing system, telecomms and facilities management operations.

Considering the extreme difficulties in Autofile's main market, their latest results for the year to 31st Dec. 91 are exemplary. (Incidentally, if they can publish their results this quickly every year, why can't others?). Revenue is up 30% at £16.1m and PBT grew by 19% to £2.25m.



Bob McPherson, Autofile's Chairman, owns c52% of the equity and Finance Director, Chris Clarke owns c35%. With results like these their future should be "interesting".

UK DP Expenditure Analysis reinforces shift to software and services

The latest OTR-Pedder UK DP Expenditure Analysis for the years 1990 to 1996 demonstrates the established shifts in the IT and CSI sectors. Hardware certainly is not the place to be with revenue growth at a halt.

Some growth in Software and Services is still forecast. OTR-Pedder reckon the market grew by 8.3% from £4.7b to £5.1b in 1991 and will grow by 9.4% in 1992 to £5.6b.

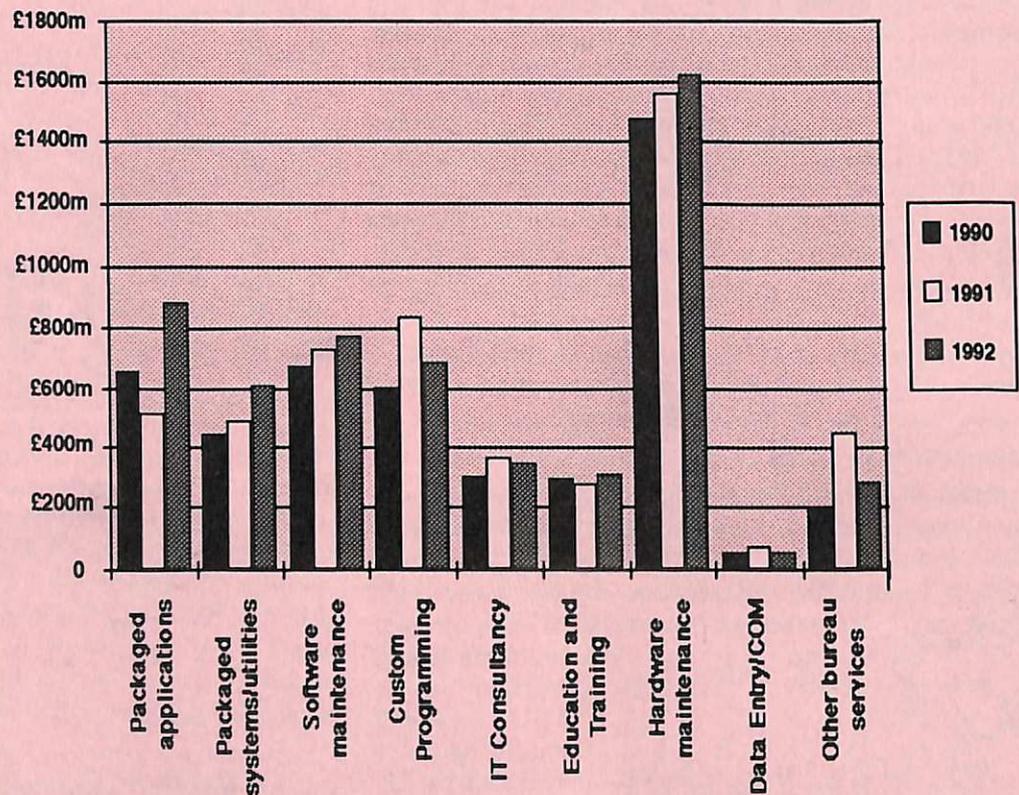
Packaged application products are expected to recover in 1992. The sector declined by 22% in 1991 to £510m, a finding that will come as

no surprise to many troubled software vendors - but is expected to grow by 71% to £880m in 1992. Packaged systems/utilities are also expected to show good growth - up 25% in 1992. Software maintenance, one of the largest sectors of the market is expected to grow by 6% in 1992 to £770m. Education & training is also expected to see some revival from the hard pressed markets of 1991.

It is the people based sectors - custom programming, down 18% in 1992 and IT consultancy, down 5% in 1992 - which are the worst effected areas. Indeed, custom programming by third parties is forecast to decline from a peak of 3.6% of IT budgets in 1991 to 2.3% in 1996.

The Analysis also provides gloomy reading for the FM suppliers. Contrary to the recent Romtec FM survey which showed steady growth of around 30% pa to 1995, the OTR-Pedder analysis "provide a more conservative view and indicate that expenditure on FM will remain constant in real terms until 1996 at least. It is clear that FM deals are frequently of limited duration, covering, for example, the running of an earlier system during a change to a new system". OTR-Pedder Tel: 081 940 4300 Price £2600.

OTR-Pedder DP Expenditure Survey - Software and Services 1990 to 1992



European LAN market to grow to \$2b by 1996

Both the OTR-Pedder report (see above) and the latest Frost & Sullivan report indicate that LAN maintenance and support will be a strong market growth area in the next few years. This gives added credibility to the moves by the likes of P&P into PC network support. F&S expects the hardware manufacturers to fight hard for a share of this market even in situations where they will be supporting other manufacturers kit. The TPMs will also compete - particularly those that have taken our advice to move to "total systems support". F&S Tel: 071 730 3438 Price \$3,200.

The Western European Systems Integration market is set to grow at a compound average growth rate of 19% from \$3.3b in 1991 to \$7.9b in 1996 according to a new report from INPUT. Services will account for 57% of the 1996 billings.

Tales of the unexpected....

Hewlett-Packard's shares rose 14% on better than expected. Q1 profits were up 49% at \$306m on revenues up 13% at \$3.9b. The success was attributed to a sharp increase in orders for laser printers and strong demand for workstations. This result rather proves the point made by Charles Burrows in his recent presentation (see p 12) that HP is likely to succeed only as a niche player.

"Modest growth" in Third Party Maintenance

The latest Romtec report on the third party computer maintenance market reports "modest growth" in 1991 to reach a value of £626m. The Top Ten TPMs - lead by Granada - accounted for 47% of the market.

Aggressive price competition, particularly from the hardware vendors, has led to a weak performance in the mid-range area. This was offset by a stronger showing in the PC market. 75% of PC sites looking for an alternative maintenance supplier "are interested in being offered a lower price for the same level of service".

TPM is a dying business. It is only those which can offer "total systems support", like P&P will provide to ICI (see p 2), which are likely to survive.

....and the expected

Norsk Data, the Norwegian mini computer maker, increased its losses from \$21m to \$126m in 1991. Norsk Data stressed that its biggest problem in 1991 involved ND Comtec and its German subsidiary. The collapse of the Robert Maxwell empire stopped QED Technology, a Maxwell offshoot, acquiring the operation.

Richard Holway Results Service

Admiral plc	Results Revenue PBT EPS	Interim - Jun 90 £ 9,785,000 £ 1,511,000 9.1p	Final - Dec 90 £21,207,000 £3,276,000 19.4p	Interim - Jun 91 £ 11,686,000 £ 1,667,000 10.3p	Interim Comparison +19.4% +10.3% +13.2%
ACT plc	Results Revenue PBT EPS	Interim - Sep 90 £ 46,162,000 £ 5,364,000 4.01p	Final - Mar 91 £ 98,831,000 £ 12,706,000 9.5p	Interim - Sep 91 £ 52,588,000 £ 7,648,000 5.13p	Interim Comparison +13.9% +42.6% +27.9%
Capita plc	Results Revenue PBT EPS	Final - Dec 90 £20,072,127 £2,511,995 13.7p		Final - December 91 £ 24,711,830 £ 3,448,487 15.71p	Final Comparison +23.1% +37.3% +14.7%
Computer People plc	Results Revenue PBT EPS	Interim - Jun 90 £ 38,988,000 £ 2,138,000 11.25p	Final - Dec 90 £ 76,170,000 £ 3,106,000 16.42p	Interim - Jun 91 £ 34,834,000 £ 669,000 3.53p	Interim Comparison -10.7% -68.7% -68.6%
Cray Electronics Holding plc	Results Revenue PBT EPS	Interims - Oct 90 £ 53,406,000 £ 788,000 0.54p	Final - Apr 91 £ 107,286,000 £ 3,509,000 2.5p	Interims - Oct 91 £ 40,044,000 £ 1,261,000 0.83p	Interim Comparison -25.0% +60.0% +53.7%
EIT Group plc (was Maxiprint)	Results Revenue PBT EPS	Interim - Sep 90 £ 200,000 (£ 128,000) n/a	Final - Mar 91 £ 485,000 (£ 246,000) (0.083p)	Interim - Sep 91 £ 1,200,000 (£ 99,000) n/a	Interim Comparison +500.0% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Final - Sept 90 £16,645,000 £2,100,000 17.38p		Final - Sep 91 £ 17,420,000 £ 4,083,000 32.83p	Final Comparison +4.7% +94.4% +88.9%
Enterprise Computer plc (was Systems Reliability plc)	Results Revenue PBT EPS	Interim - Jun 90 £ 95,345,000 £ 5,012,000 6.25p	Final - Dec 90 £ 183,149,000 £ 7,532,000 7.4p	Interim - Jun 91 £ 89,965,000 (£ 4,775,000) (6.59p)	Interim Comparison -5.6% Profit to Loss Profit to Loss
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Mar 90 £ 1,232,000 (£ 44,000) (0.99p) NOTE: THESE FIGURES	Final - Sept 90 £ 2,101,000 (£ 103,000) (16.47p) ONLY RELATE TO	Interim - Mar 91 £ 732,000 (£ 79,000) (1.26p) TELECOMPUTING PLC	Interim Comparison -40.6% Loss both Loss both
Hoskyns Group plc	Results Revenue PBT EPS	Final - Oct 90 £223,263,000 £17,253,000 13.0p		Final - Oct 91 £ 200,663,000 £ 14,299,000 10.5p	Final Comparison -10.1% -17.1% -19.2%
INSTEM plc	Results Revenue PBT EPS	Interim - Jun 90 £ 5,349,000 £ 505,000 7.07p	Final - Dec 90 £11,154,000 £1,005,000 14.0p	Interim - Jun 91 £ 7,870,000 £ 507,000 7.21p	Interim Comparison +47.1% +0.4% +2.0%
Kalamazoo plc	Results Revenue PBT EPS	Final - Jul 90 £ 62,221,000 £ 1,074,000 2.2p		Final - Jul 91 £ 61,149,000 £ 3,660,000 7.0p	Final Comparison -1.7% +240.8% +218.2%
Kewill plc	Results Revenue PBT EPS	Interim - Sept 90 £15,924,000 £1,513,000 11.38p	Final - Mar 91 £ 31,298,000 £ 3,731,000 29.43p	Interim - Sept 91 £ 21,459,000 £ 1,685,000 12.60p	Interim Comparison +34.8% +11.4% +10.7%
LBMS plc	Results Revenue PBT EPS	Interim - Oct 90 £ 9,643,000 (£ 618,000) (3.4p)	Final - Apr 91 £ 19,485,000 (£ 1,701,000) (10.5p)	Interim - Oct 91 £ 10,051,000 (£ 281,000) (1.7p)	Interim Comparison +4.2% Loss both Loss both
Logica plc	Results Revenue PBT EPS	Final - Jun 90 (Amended) £ 190,819,000 £ 8,822,000 8.7p		Final - Jun 91 £ 197,758,000 £ 3,676,000 (1.6p)	Final Comparison +3.6% -58.3% Profit to Loss
Macro 4 plc	Results Revenue PBT EPS	Interim - Dec 90 £ 8,100,000 £ 3,367,000 10.1p	Final - Jun 91 £ 18,026,000 £ 7,847,000 23.0p	Interim - Dec 91 £ 8,829,000 £ 3,826,000 11.5p	Interim Comparison +9.0% +13.7% +13.9%
Micro Focus plc	Results Revenue PBT EPS	Interim - Jul 90 £ 23,337,000 £ 7,633,000 33.0p	Final - Jan 91 £ 46,382,000 £ 13,549,000 63.5p	Interim - Jul 91 £ 25,387,000 £ 8,961,000 41.1p	Interim Comparison +8.8% +17.4% +24.6%
Microgen plc	Results Revenue PBT EPS	Final - Oct 90 £47,115,000 £8,504,000 13.5p		Final - Oct 91 £ 47,735,000 £ 7,283,000 12.2p	Final Comparison +1.3% -14.4% -9.6%
Microvitec plc	Results Revenue PBT EPS	Interim - Jun 90 £ 11,236,000 (£ 2,143,000) (5.2p)	Final - Dec 90 £ 23,444,000 (£ 2,415,000) (6.2p)	Interim - Jun 91 £ 12,484,000 (£ 2,212,000) (4.8p)	Interim Comparison +11.1% Loss both Loss both

Richard Holway Results Service

Misys plc	Results Revenue PBT EPS	Interim - Nov 90 £ 33,091,000 £ 1,521,000 3.1p	Final - May 91 £ 67,253,000 £ 5,626,000 11.5p	Interim - Nov 91 £ 32,304,000 £ 3,585,000 7.0p	Interim Comparison -2.4% +135.7% +125.8%
MMT plc	Results Revenue PBT EPS	Final - Aug 90 £ 7,524,390 £ 1,865,165 10.4p		Final - Aug 91 £ 5,920,484 £ 1,256,967 6.8p	Final Comparison -21.3% -32.6% -34.6%
NMW Computers plc	Results Revenue PBT EPS	Interim - Jun 90 £ 4,423,000 £ 210,000 0.6p	Final - Dec 90 £ 8,726,000 £ 413,000 1.3p	Interim - Jun 91 £ 4,977,000 £ 278,000 0.9p	Interim Comparison +12.5% +32.4% +50.0%
P & P plc	Results Revenue PBT EPS	Final - Nov 90 £ 223,787,000 £ 13,117,000 18.5p		Final - Nov 91 £ 228,324,000 £ 711,000 0.9p	Final Comparison +2.0% -94.6% -95.1%
P-E International plc	Results Revenue PBT EPS	Interim - Jun 90 £ 32,381,000 £ 2,753,000 10.3p	Final - Dec 90 £ 65,013,000 £ 4,214,000 15.0p	Interim - Jun 91 £ 33,565,000 £ 1,833,000 6.7p	Interim Comparison +3.7% -33.4% -35.0%
Pegasus plc	Results Revenue PBT EPS	Final - July 90 £13,039,000 £2,554,000 30.4p		Final - Jul 91 £ 8,493,000 £ 1,669,000 19.9p	Final Comparison -34.9% -34.7% -34.5%
Proteus plc	Results Revenue PBT EPS	Interim - Sep 90 £ 0 (£ 520,000) (2.44p)	Final - Mar 91 £ 7,000 (£ 1,502,000) (7.01p)	Interim - Sep 91 £ 2,000 (£ 1,273,000) (5.92p)	Interim Comparison n/a Loss both Loss both
Radius plc	Results Revenue PBT EPS	Interim - May 90 £ 14,521,000 £ 1,394,000 3.2p	Final - Nov 90 £29,902,000 £2,820,000 6.48p	Interim - May 91 £ 14,708,000 £ 801,000 1.71p	Interim Comparison +1.3% -42.5% -46.6%
Real Time Control plc	Results Revenue PBT EPS	Interim - Sep 90 £ 4,359,000 £ 661,000 6.1p	Final - Mar 91 £ 7,571,000 £ 1,199,000 10.9p	Interim - Sep 91 £ 3,002,000 £ 507,000 4.9p	Interim Comparison -31.1% -23.3% -19.7%
Rolfe & Nolan plc	Results Revenue PBT EPS	Interim - Aug 90 £ 2,969,000 £ 661,000 8.0p	Final - Feb 91 £ 6,298,000 £ 1,446,000 17.7p	Interim - Aug 91 £ 3,277,000 £ 704,000 8.5p	Interim Comparison +10.4% +6.5% +6.3%
Sage Group plc	Results Revenue PBT EPS	Final - Sept 90 £13,359,000 £4,731,000 18.6p		Final - Sep 91 £ 20,002,000 £ 6,638,000 25.5p	Final Comparison +49.7% +40.3% +37.1%
Sanderson Electronic plc	Results Revenue PBT EPS	Final - Sept 90 £14,259,000 £3,302,000 24.8p		Final - Sep 91 £ 20,503,000 £ 2,403,000 19.2p	Final Comparison +43.8% -27.2% -22.6%
Sema Group plc	Results Revenue PBT EPS	Interim - Jun 90 £ 189,921,000 £ 7,185,000 4.5p	Final - Dec 90 £375,410,000 £15,331,000 10.5p	Interim - Jun 91 £ 200,869,000 £ 6,566,000 4.7p	Interim Comparison +5.8% -8.6% +4.4%
Sherwood Group plc	Results Revenue PBT EPS	Interim - Jun 90 £ 12,336,000 £ 850,000 8.7p	Final - Dec 90 £ 24,785,000 £ 1,992,000 17.0p	Interim - Jun 91 £ 12,139,000 £ 575,000 6.6p	Interim Comparison -1.6% -32.4% -24.1%
Star plc	Results Revenue PBT EPS	Final - June 90 £13,567,000 (£1,995,000) (27.2p)		Final - Jun 91 £ 13,718,000 (£ 886,000) (12.6p)	Final Comparison +1.1% Loss both Loss both
Total Systems plc	Results Revenue PBT EPS	Interim - Sep 90 £ 966,765 £ 19,949 0.13p	Final - Mar 91 £ 2,041,384 £ 102,768 0.74p	Interim - Sep 91 £ 1,285,264 £ 351,002 2.38p	Interim Comparison +32.9% +1659.5% +1730.8%
Trace plc	Results Revenue PBT EPS	Final - May 90 £13,933,504 £1,807,644 10.49p		Final - May 91 £ 19,698,904 (£ 471,377) (2.04p)	Final Comparison +41.4% Profit to Loss Profit to Loss
Vistec Group plc	Results Revenue PBT EPS	Interim - Oct 90 £ 13,908,000 £ 78,000 0.04p	Final - Apr 91 £ 31,005,000 £ 1,763,000 0.95p	Interim - Oct 91 £ 14,271,000 £ 1,010,000 0.56p	Interim Comparison +2.6% +1194.9% +1300.0%

Acquisitions, disposals and liquidations

Amex to spin off IT processing subsidiary

American Express is to spin off its information processing division through a public offering which could raise up to \$1b. The new company will be known as **First Data Corp.** with Amex retaining 55-65% of the equity.



First Data is the leading third party processor of MasterCard and Visa transactions with 1991 revenues of \$994m and profits of around \$118m. In Jan. 91, they purchased UK **Signet** from Nat. West, Midland, Lloyds and the Royal Bank of Scotland for £146m. In Jan. 92, it was announced that 420 UK staff were to be made redundant.

Rolfe & Nolan joins the acquisitions trail

One-by-one, companies on our list of top performers have decided to use their hard earned position to go on the acquisition trail. The results are almost always a reversal in performance. **Rolfe & Nolan** (R&N) has been one of the best and most consistent performers around and they had achieved this record totally from organic growth. This month, R&N has paid \$500K cash for an initial 19.9% stake in **US Brokerage Systems Inc.** (BSI) - a supplier of back office accounting, administration and management systems to US financial institutions. R&N has also acquired an option to purchase the remaining shares in BSI at any time up to 28th May 93 for \$3.5m or an amount based on the BSI's profits of between \$1.2m and \$5m. "It is the intention of both companies that a full merger will take effect". A full merger would have required Class 1 documentation and shareholder approval. "We wanted to get on with it, not least because important clients have been pressing us to do so. This way the more time consuming Stock Exchange procedures can be dealt with at the second stage".

BSI made a loss of \$640K on revenues of \$5.6m in the year to 30th Nov. 91 due to delays in the induction of new RISC based systems and the recession in the US.

R&N justify the acquisition as allowing it to market its products and services in the US and allowing BSI to market theirs in the UK and Europe. Clearly R&N will be in control at BSI but this is bound to put a major additional load on a management which has its time cut out dealing with the difficult trading conditions in the financial services market. We wish R&N success but the record of successful companies buying loss making companies in the belief that they can turn them around is littered with failures.

Sales successes

We don't usually cover sales orders but believe that these will be of significant interest to our readers. **IMI plc** bought **Redwood**, the developers of **UNIPLEX**, in Dec. 91 for an initial £15m. This month an order, which could be worth in excess of \$10m, has been announced in conjunction with Boeing Computer Services to supply UNIPLEX software to every site of the US Army Reserves and National Guard. **Sherwood** also announced orders valued in excess of £1m. The Telecomms division of **Cray Electronics** announced £7m of orders from Motorola and others.

March 1992

The others... US **Clarion Software** and UK-based **Jensen & Partners International** (JPI) have announced their intention to merge. JPI is about the last bastion of UK-based compiler development with their **Topspeed C** optimising compilers. **Specialist Computer Holdings** has setup an open systems group under Stephen Moyle; ex of **Optim**. The **BTS Group** has appointed the receivers thereby putting its five micro subsidiaries up for sale. The original founders of dealer, **Micro Facilities**, which had 22 employees and sales of c£3m pa, who had sold it to BTS in 1990, have bought it back from the receivers for "a very minor % of what BTS paid for it in the first place". Source - *MicroScope* 26th Feb. 92. **Piccadilly Micros** employs seven with c£1m revenues. **Micrelec**, the leading UK petrol station systems supplier, has appointed **Broadview** to help them "evaluate strategic options". Bid discussions are taking place with "a number of interested third parties". Dutch chemical group **DSM** has sold its computer arm, **Computer Centrum Nederland** (CCN), to Dutch automation group **Raet**. CCN employs 300 and had revenues of \$50m of which 15% was derived from outside of DSM. Source - FT 5th Feb. 92. DEC rental company, **ICS Rentals**, has been bought from the receivers by **Baltic**. Similarly **TGL Rentals** has been acquired by **Ambitron**. US **Keane Inc.** is to purchase the assets of **Ferranti Healthcare Systems Inc.** which filed for Chapter 11 in Dec. 91. UK **Unitech plc** has raised \$12.6m, about the same as they paid, by selling its 9.5% holding in **US Computer Products**. US **BCE** has bought 60% of Canadian **SHL Systemhouse** for Can\$415m (c£200m) and in exchange, SHL has acquired certain assets of BCE's subsidiary, **Bell Canada**. A few days later another block of 29% of SHL's equity was sold to **Midland Walwyn** for cCan\$150m. SHL purchased **Computer Group** and **UK Computer Marketing** last year. Source - *MicroScope* 12th Feb. 92. SHL had hit considerable debt repayment problems. The new equity backers were warmly welcomed as they will secure SHL's future. **Data Sciences** has acquired **Finale**, the marketing, administration and accounting system for the financial services sector, from Farnborough-based **Hollingdale Financial Ltd** for a consideration "close to £1m". **Volmac** has sold its 50% equity stake in **Aegon** (Netherlands). Receivers were called in to Newcastle based network company, **Hill International**. The managers are reported to be arranging an MBO. **Vision Technology**, which runs the UK's first PC superstore, has raised £1.8m from "a foreign investor" to open its second store at Brent Cross. **Metrologie** (which purchased **Rapid Recall** in the UK in 1990) has raised £43m from French backers to offset a predicted £58m+ loss this year. Three directors have undertaken an MBO at Cad/Cam supplier **ECS**. It was reported that **Dowty** has failed to find a buyer for **Dowty IT**. **Cray Electronics** was previously rumoured to be interested. Source - CW 27th Feb. 92. **Admiral** is rumoured to be the successful bidder for **Systematica**; the IBM mid-range agent which appointed the receivers last month. Source - *Computing* 27th Feb. 92.

Another grey Apple dealer goes bust

MacMegastores, one of the largest grey importers of Apple Macs, has appointed the receivers. They join an ever increasingly long line of rather dubious Apple resellers to hit the dust - companies like **MacBudget** and the original **Camelot** (not the current Camelot owners, **Type Technology**, which is still in business). We would suspect that there are few tears being shed amongst the surprisingly high number of legitimate Apple resellers who are *System House* subscribers.

Digital Designs goes bust

Manchesterbased ICL VAR, **Digital Designs**, has appointed the receivers to its reseller and FM operations which was reported as owing just £700K. These parts of the company employed 55 staff and had annual revenues of c£7m. Last year they acquired ICL trader **ASL** which had gone bust. The number of mid-range, mid-sized systems houses experiencing deep problems seems to be increasing by the week.

Major share sales at EDP....

We really cannot blame the shareholder/directors at **Electronic Data Processing** for cashing in a significant part of their shareholding whilst the shares are riding high. On 7th Feb. non-exec. chairman Mike Heller sold 300,000 of his non-beneficial shares to raise £1.26m (he still owns 13.45%) and MD Richard Jowitt sold 400,000 shares to raise £1.68m (he still owns 7.1%). The shares, representing 8.5% of the EDP equity, were placed at 420.5p by Henry Cooke Lumsden with four institutional investors including Equitable, Pearl and Perpetual. EDP shares were trading at just 74p a year ago - they ended Feb. 92 on 443p - up a massive 500%.

Richard Jowitt tells us that EDP is right on forecast for Q1. He defines the reason for EDP's success as selling a standard product into a focused market (the Merchant retailing system), moving to open systems before it became the fashion, destocking (EDP has reduced inventory from £4.25m in 1990 to £1.2m today), strong cash management (EDP has £9m in the bank) and avoiding "acquisitions for growth's sake". Although, to be fair, much of EDP's success stems from buying BCL - and its retailing customer list - from the receivers many years ago. We just hope we will be able to continue to quote EDP as a UK success story. Our fear is that they will fall prey to illusions of growth by acquisition or, indeed, will be acquired by a foreign predator. Recent history in our industry makes either increasingly likely.

.... and Hoskyns' directors cash in too....

Hoskyns' directors (Geoff Unwin, Tony Fisher, Tony Robinson and Ray Harsant) sold shares worth £1.6m in Oct. 91 and a further £1.6m this month. This prompted the Sunday Times to suggest that other shareholders follow suit. However, they failed to remind shareholders that the shares will be worth 14% more in under a year's time when CGS has to buy them for £4.69.

.... as CGS acquires Programator....

Cap Gemini Sogeti (CGS) has bought Swedish **Programator** for FF500m (£50m). The combined group will be the largest software company in Scandinavia, with revenues of SKr2.7b (c£260m) and 3,500 employees.

CGS say that provisional profits for 1991 will be 10% lower at FF560m (£56m) on revenues up 10% at FF10b (£1b).

...and merges with Volmac....

World Software, who are the majority shareholder in **Volmac**, are merging their Benelux operations with CGS. The new group will employ 4000 staff, have revenues of FF2.7b and be the market leader. The new holding group will be 2/3rds owned by CGS.

Rumours were rife during the month that **Gemini** (the CGS holding company) was about to acquire UK IT consultancy **PA Consulting**. PA has seen profits drop from £8.2m in 1990 to just £200K in 1991. Everyone we spoke to at PA, CGS and Hoskyns said they were unaware of any talks.

New European software maintenance operation formed

Groupe Bull, Steria and **Sligos** have formed a new joint company, **B2S**, specialising in software maintenance. As we have been saying for a long time, this is a significant new market for outsourcing. It may not be exciting but we all know the value of recurring revenue streams in these difficult times. **Jacque Pantin**, MD of Steria, claims that up to 80% of development resources are consumed in maintaining existing applications.

More sad stories

The **Logitek** story is really rather sad. They were the best performing distributor for many years up to 1989. But they then went on an acquisitions binge buying such companies as **Advansys**. Profits plunged and they ignominiously fell into the hands of **Microvitec** in a deal valuing them at just £3.5m. This month it looks as if they have now lost their all important **Altos** distributorship - on which much of their previous prosperity was based. Anyway, parent **Microvitec** was at least able to announce a £4m vdu order from the MOD.

Rigby ups stake in NMW

This month Peter Rigby of **Specialist Computer Holdings** pounced again by buying the c5% stake previously owned by **Gartmore** in **NMW Computers** (where **System House** editor Richard Holway is a non-executive director); thus taking SCH's holding to around 21%.

Lloyd Savage falls to US buyers

Easel Corporation has purchased its UK distributor **Lloyd Savage Graphical Interfaces Ltd**, which employs 19 staff, for \$1.2m in cash.

Capita buys out deferred consideration

Capita has announced that it is to buy out the contingent deferred consideration for **JEG Grestorex** (JEG) for £288K. **Capita** acquired this consulting engineering company in May 90 for £5m plus a £4m maximum deferred consideration "payable when JEG achieve PBT of £2.05m". **Capita** now say that JEG "has performed well" - but obviously not *that* well as profits from consultancy services were down 28% this year.

EDS - conquering the world?

"Having conquered America and much of Europe, **EDS** has turned its sights on increasing its presence in Japan and has paid \$27m for a 19.9% stake in **Japan Systems**, a broadly based software house that is a reseller of **Fujitsu** small business computers and has strong links with the local government market". Source - Computergram 17th Feb. 92.

Clarification

Gordon Skinner has asked us to point out that **TIS Ltd** was only one of the parts of the **TIS Group** which was purchased by **Misys**. The maintenance operations, for which **Misys** paid the majority of its £26.5m consideration, is still highly profitable. **TIS Ltd** was the CT and MIPS hardware distribution operation. Since the **Misys** takeover, all the value-added/software parts of this company have been transferred to other **Misys** companies. Although our statement that **TIS Ltd** was the only part of **Misys** which was currently loss-making was factually correct - it hardly did justice to the considerable contribution that the **TIS** companies have made to **Misys**. *Sorry*.

Stock Market

It has happened at last. Our CSI Index has finally caught up with the rise in the FTSE 100 since we established our index in April 1989: both indices are up 24% in the last 34 months. The CSI Index has now risen a massive 76% since 1st Jan. 91.

Microvitec was our winner this month - up 34%; due to the announcement of a £4m vdu order (see opposite). **Sherwood** also announced significant new orders (see p 7) and rose 30%. **Proteus** continued its speculative rise, up 27%, as confidence in a successful commercial outcome to their AIDS vaccine trial mounted. Many readers have "phoned to ask the reason behind **Sema's** recent gains - up 18% this month. We wish we had a conclusive reason to give. Remember that the shares are still trading at around half their 1991 high when CGS bid speculation was rife. **Sema's** results are due on 6th Mar.

At the other end of the scale, **Kewill** continued their downwards spiral; down another 29% this month making a reduction of 56% this year. Balance sheet difficulties, coupled with severe trading problems at their German Weigang subsidiary, has sent **Kewill** around the investment institutions in an attempt to put together a new funding package. **P-E International** lost 26% as George Cox took over at the helm (see p 3). People-based IT consultancy has been one of the worst affected areas in the recession

NMW was down 13% despite **Rigby's** purchases (see p8) as a result of a gloomy Chairman's statement issued a month ago. **NMW** is now capitalised at just £6.8m.

Micro Focus (£324m) continues to close the gap on **Hoskyns** (£378m) to become the highest capitalised CSI company on the Stock Exchange. When we started our index in Apr. 89, **Micro Focus** was valued at just £26m and **Hoskyns** was worth £164m. **Star** still picks up the booby prize - with a capitalisation of just £1.5m.

Computing Services Index

28th February 1992

April 15th 1989 = 1000

1243.02

Changes in Indices	CSI Index	FTSE 100
Month 31st Jan. 92 to 28th Feb. 92	+5.76%	-0.35%
34 months 15 Apr. 89 to 28th Feb. 92	+24.30%	+24.76%
1st Jan 91 to 28th Feb. 92	+75.60%	+18.59%
1st Jan 92 to 28th Feb. 92	+18.97%	+2.77%

System House CSI Share Prices and Capitalisation

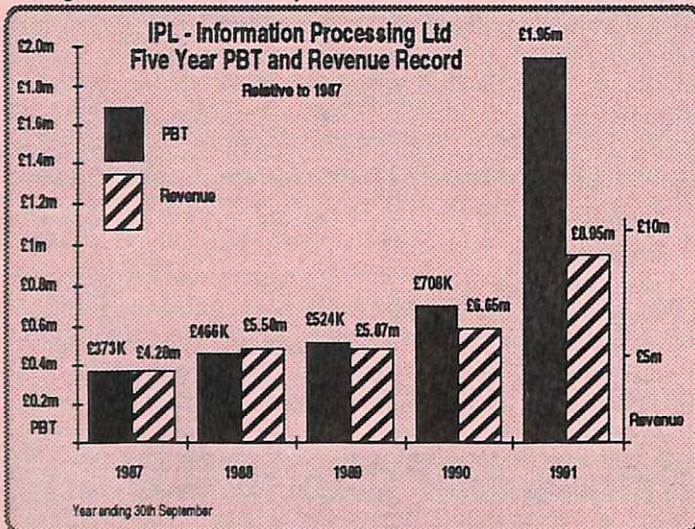
	Share Price 28/2/1992 (£p)	Capitalisation 28/2/1992 (£m)	Historic P/E	CSI Index 28/2/92	Share price % move since 31/1/92	Share price % move this year	Capitalisation move (£m) since 31/1/92	Capitalisation move (£m) this year
ACT	1.79	£ 232.70	18.84	2865.14	7.83%	17.76%	£ 16.90	£ 46.80
Admiral	3.00	£ 32.20	15.46	2173.91	0.00%	0.33%	£ 0.00	-£ 0.10
Capita	3.06	£ 45.66	19.48	3060.00	2.00%	16.79%	£ 0.86	£ 6.36
Computer People	0.90	£ 12.50	5.48	370.37	0.00%	-21.74%	£ 0.00	-£ 3.50
Cray Electronics	0.67	£ 71.06	26.80	391.81	0.00%	3.08%	£ 0.06	£ 3.16
EIT Group	0.16	£ 5.16	Loss	640.00	-5.88%	33.33%	-£ 0.27	-£ 0.22
Electronic Data Processing	4.43	£ 38.66	13.49	4520.39	11.03%	53.29%	£ 3.96	£ 13.66
Enterprise	0.21	£ 14.99	2.77	164.00	10.81%	28.13%	£ 1.49	£ 2.59
Gresham Telecomputing	0.11	£ 3.50	Loss	118.28	22.22%	22.22%	£ 0.63	£ 0.63
Hoskyns	4.12	£ 377.82	39.24	2009.75	1.48%	4.30%	£ 5.42	£ 18.32
INSTEM	0.75	£ 3.37	5.36	750.00	-8.54%	0.00%	-£ 0.32	£ 0.00
Kalamazoo	0.45	£ 8.29	6.43	1285.71	-6.25%	-5.26%	-£ 0.56	-£ 0.09
Kewill	1.39	£ 13.21	4.72	549.41	-28.72%	-55.87%	-£ 5.39	-£ 16.89
Learmonth & Burchett	0.52	£ 6.93	Loss	433.33	-11.86%	-10.34%	-£ 0.93	-£ 0.80
Logica	1.85	£ 113.37	Loss	506.85	-7.50%	-4.15%	-£ 9.23	-£ 4.93
Macro 4	4.40	£ 97.95	19.13	1774.20	16.09%	16.09%	£ 13.55	£ 14.45
Micro Focus	23.75	£ 323.60	37.40	11473.42	9.70%	53.42%	£ 28.60	£ 121.20
Microgen	1.48	£ 57.30	12.13	632.48	-2.63%	-8.07%	-£ 1.50	-£ 5.00
Microvitec	0.26	£ 16.32	Loss	621.95	34.21%	75.86%	£ 4.12	£ 7.34
Misys	2.16	£ 78.05	18.78	537.31	3.85%	6.40%	£ 2.85	£ 8.85
MMT	0.95	£ 10.08	13.97	565.48	14.46%	14.46%	£ 1.27	£ 1.27
NMW	0.33	£ 6.82	25.38	550.00	-13.16%	-13.16%	-£ 1.04	-£ 0.83
P&P	0.41	£ 22.70	45.56	183.86	2.50%	2.50%	£ 0.50	£ 1.10
P-E International	0.86	£ 18.82	5.73	353.91	-25.86%	-31.20%	-£ 6.58	-£ 8.48
Pegasus	1.59	£ 10.10	7.99	433.25	-6.47%	6.00%	-£ 0.30	£ 0.93
Proteus	2.50	£ 55.92	Loss	2976.18	26.90%	47.06%	£ 11.82	£ 17.82
Radius	0.32	£ 8.71	4.94	231.88	-15.79%	-17.95%	-£ 1.59	-£ 1.89
Real Time Control	0.83	£ 5.81	7.61	1693.88	0.00%	-19.42%	£ 0.00	-£ 1.40
Rolfe & Nolan	2.05	£ 11.50	11.58	2421.64	5.67%	6.77%	£ 0.60	£ 0.60
Sage Group	4.45	£ 89.10	17.45	3423.07	6.46%	33.63%	£ 5.40	£ 23.20
Sanderson	1.23	£ 10.84	6.41	523.40	7.89%	0.00%	£ 0.84	£ 0.04
Sema Group	2.34	£ 212.75	22.29	735.85	18.18%	7.83%	£ 32.75	£ 14.55
Sherwood	1.95	£ 10.20	11.47	1625.00	30.00%	45.52%	£ 2.33	£ 3.27
Star	0.22	£ 1.50	Loss	183.33	-4.35%	-4.35%	-£ 0.07	-£ 0.07
Total	0.38	£ 3.80	51.35	716.99	-5.00%	11.76%	-£ 0.20	£ 0.40
Trace	0.34	£ 4.63	Loss	272.00	-2.86%	-5.56%	-£ 0.14	-£ 0.24
Vistec	0.15	£ 16.49	15.26	633.70	-3.33%	7.41%	-£ 0.51	£ 1.19

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; in other words a change in the share price of the Stock Exchange company has the same effect on the index as a similar change in the share price of the smallest company

Another hit for IPL Information Processing

A year ago we published an analysis of the best performing privately owned computing service companies in 1990. **IPL Information Processing Ltd** came fifth with a respectable 35% increase in PBT to £708K. IPL was so pleased that it put out a press release to make sure, quite rightly, that the rest of the world was acquainted with its achievement. *System House* is used to one hit wonders. What makes IPL so special is its latest results - they indicate that the company really is rather special.

In the year to 30th Sept. 91, IPL increased revenue by 34% to £8.9m "exceeding the target of £8.5m by a significant margin" but PBT was up a massive 175% to £1.95m.



IPL is privately owned - directors David Embleton, Michael Johnson and Clive Jones together own 91% of the equity. IPL is a broadly based computing services company. "Historically, IPL's principal activity has been the design and implementation of complex real-time systems for communications, transport, defence and industrial applications. However, a significant proportion of IPL's business is now derived from IT consultancy and systems development". Source - IPL 1991 R&A. The problem with that statement is the ever increasing number of companies that use that same business area as an *excuse* for their poor performance in the last year.

So what makes IPL different? IPL says that their success is attributable to high utilisation and a high level of repeat business from satisfied customers. Another reason is a complete absence of debt. Indeed, IPL finished the year with £538K cash. They also own their Bath headquarters building - a project which will have cost in excess of £3.5m in total by the time it is completed in May 92 - and therefore do not have rent to pay. The highest paid director is paid just £77K and there were no dividends on the A shares; a modest dividend of £22K on the B shares was invested in the executive director's pension scheme.

"Broadly based" CSI companies have been the worst hit in the current recession but IPL seems to have bucked the trend. As our page one story this month shows, IPL is both the best performing private UK CSI company in the last year and over a two year period.

The problem with success stories like IPL is that they do not stay independent for long. We feel a certain amount of guilt in giving them publicity; having due regard to the ultimate fate of most of the other successful private companies we have featured in the past year.

What's going on at Computer Power?

A feature in *Computergram* (10th Feb. 92) started with the words "According to sources, financial problems have forced the Melbourne, Australia-based systems integration company, **Computer Power**, to scale back its 1,000-strong **Computer Power Europe** operation and retreat to a core business shell back down under".

This seemed mighty strange as we have just received **Computer Power's** (CPG) accounts for the year to 30th Sept. 91. They show, in today's climate, a healthy rise in profit after tax from Aus\$4.5m to Aus\$7m on revenues up 9% at Aus\$312m. CGS says it "enjoys the full support of its shareholders". News Ltd and Westpac own around 55% of the equity. Westpac has assets of Aus\$66b. CPG itself owns around twenty companies world wide including **Computer Power UK** which employs 60 staff in London. CPG also have a 33% stake in CSA member, **Harwell Computer Power**.

CPG's activities are mainly:

- professional and contract services
- education and training. CPG sold its French and German training operations in 1991, for a profit of Aus\$5.4m. These had been acquired, 100% by borrowings, from Control Data in Feb 89. CPG found having to sell their profitable German operation was "disappointing" but has helped them to cut debt from Aus\$77m to Aus\$48m.
- software products through the TODAY application development environment. It is delays in the release of TODAY which have fuelled the current rumours. However, the company says V5.0 will be released by the end of Mar. The situation, says Roger Allen, Chairman and CEO of CPG, is being addressed by the setting up of an "separate, independent company in the US to market the product under the leadership of ex-Unify CEO, David Saykelly". He also added that they had just been awarded a \$5m order from Ford US to install TODAY in 25 manufacturing plants. Anyway, software products represent just 6% of CPG's revenues.

So why was the *Computergram* article so negative? Allen told us "Our latest results are very positive. We are not negotiating a sale of TODAY and, in fact, intend to market the product worldwide. We are quite capable of continuing to fund its ongoing development. Indeed the National Bank of Australia is cash funding the development as part of the tax partnership scheme". His response described the *Computergram* comments as "mischievous" and that the story was probably the "venom of an angry ex-employee". This might be a reference to Chris Leptos, the ex-MD of **Computer Power Europe**, whose views were widely quoted in the *Computergram* article.

Any article in a respected newsletter with international circulation that uses the quote "**Computer Power is crumbling**" is bound both to get noticed and criticised from some quarters. We were greatly impressed with Roger Allen - the 46 year old founder, 22% shareholder, Chairman and CEO of CPG. He seemed pretty realistic commenting that CPG, as the largest computing services operation in Australia, was doing well in the circumstances. After all IBM Australia lost Aus\$360m in 1991 compared with a profit of Aus\$90m in 1990. He has an impressive array of shareholders to support his company. We sincerely hope his statements to us are both correct and effective.

FM booms for Capita

Capita Group plc has produced the expected set of excellent results for the year to 31st Dec. 91. Revenue is up 23% at £24.7m, PBT increased 37% to £3.45m and EPS, after the recent acquisitions, increased by a more modest 15%.

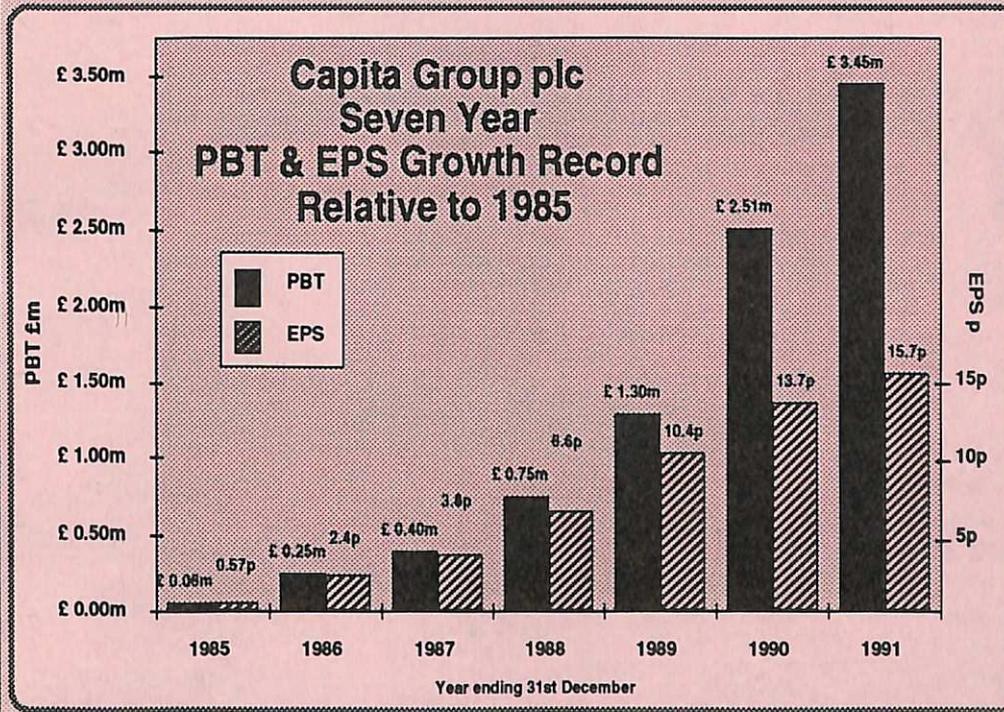
As one might expect from a company directed by accountants, Capita ended the year with cash balances of £6.7m and net assets of £8.4m.

However, it was facilities management which has really boomed for Capita. Profits for the FM operations increased by 248% to £1.96m which was fortunate as profits for consultancy services declined by 28% to £1.03m and marketing services profits were down 12% at £461K.

Telecom Capita has added new FM contracts with Companies House and Oxford CC. Under a recent agreement, Telecom Capita has become IBM's chosen provider of FM to local government. This market is seen by many as one of the fastest/largest growth areas. In 1987 there were just 3 real local authority FM contracts - by 1991, the number had grown to 30. It is said that around 50% of local authorities are currently investigating a move to FM. It is perhaps in managed services that Capita has really carved out a unique niche. Its "Cherished Numberplates" contract with DVLA has raised in excess of £50m for the Dept. of Transport. This concept has been extended to assisting local authorities to collect debt (over 20 contracts in place) and the much publicised contract with the Television Licensing.

"We have many strengths within the Capita Group including a strong market niche in public sector professional services, an increasing portfolio of long term contracts, an ability to develop innovative services in advance of the competition and a particularly strong financial position" says Chairman and CEO Rod Aldridge. We must admit that the facts seem to support the claim. Certainly the City shares the view as the shares are up 17% this year.

"There are early signs that the difficult market conditions...are starting to ease. The year has started well and this augurs well for our results for 1992".



Marginal recovery for CMG

Computer Management Group (CMG) unveiled "record sales and profits" for the year to 31st Dec. 91. The statement was factually correct but a little strong on the hype. Revenue was up just 7% at £103m and PBT was up 6% at £9.1m. However only two years ago, in 1989, CMG had made PBT of £8.9m. EPS increased 7.5% to 39.8p.

CMG is one of the oldest established - and still independent - UK computing services companies. CMG provides a wide range of services from bureau operations to IT consultancy.

Around 53% of CMG's revenues now come from Holland. CMG "is keen to expand in Germany, where it is currently looking at potential acquisitions in the £25m to £40m range". UK sales were static at £39m in 1991 but UK profits totalled £600K compared with a loss of £1m in 1990. CMG ended the year with cash reserves of £8.5m.

Chairman Ron White announced the intention to seek a Stock Exchange quote after 27 years of being owned by employees and relatives. "We need to fund future expansion without recourse to bank borrowing. This prompted us to sell a 4.3% shareholding (for £3.1m) to Midland Montagu Ventures and commit to seeking a full listing by 1996".

White said that the current year had started well in all three of CMG's main geographic markets and that he was "cautiously optimistic" for the future.

March 1992

Consistent results from Macro 4

We have been lead to expect good results from Macro 4, the leading independent supplier of system software for IBM mainframe users. Results for the six months to 31st Dec. 91 showed revenues up 9% at £8.83m, PBT up 13.7% at £3.83m and EPS up 13.9%.

Macro 4 is in the unique (?) position of sitting on a cash mountain which grew by £1.8m to £11.3m in the half year. Thus the interim dividend has been increased by 34%. Previously reported "cost control" in the US resulted in a substantially improved contribution from Macro 4 Inc. - their largest subsidiary. "This policy will be continued until trading conditions improve in the USA market". Net sales grew in the UK market - which is described as a "cautious and nervous marketplace against a depressed economic background".

Macro 4 is also unique in being an independent UK software house making over 80% of its revenue from overseas. Chairman Terry Kelly anticipates that the results for the full year "will be broadly in line with that achieved in the first half". Macro 4's share price is at last benefiting from their excellent and consistent performance; it has risen from 235p to 440p since 1st Jan. 90 after years in the doldrums.

Macro 4 also confirmed that it had paid £100K to take over the activities of its Benelux agent.

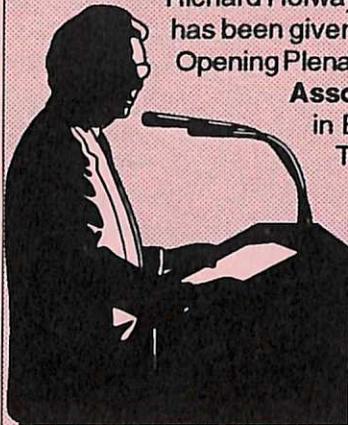
Burrows predictions

I had the pleasure this month of sharing a platform with **Charles Burrows**; the much respected computer industry analyst from **James Capel**. His insight of the computer industry has meant that his previous predictions have been pretty accurate. This time he repeats that he believes there will only be two or possibly three global hardware players by the mid 90s. He expects those to be Fujitsu, IBM "and its satellites" and, possibly, DEC. He believes the likes of Unisys and Wang will "expire". Others like Sun, Tandem and HP will succeed but only in their particular smaller niche markets. He thinks there is a strong chance that Apple will get bought by IBM.

Burrows was highly complimentary of ICL. Indeed, in our many talks with industry leaders, there is an open and major respect for ICL's recent achievements and Peter Bonfield in particular. Five years ago these same people had written ICL off, now they are back on most people's "partnership" list. Burrows thinks "ICL's choice of Fujitsu as a partner will seem inspired to historians". He sees Siemens joining the Fujitsu fold to form the largest supplying group to Europe. Olivetti has a "difficult future" and Bull cannot be "held up by the French government for ever".

"We are entering a decade of profound change. Computers are an agent of change but now change will effect the computer makers themselves". Strong stuff...but difficult to argue against.

Holway talks....



Richard Holway, the editor of *System House*, has been given the honour of addressing the Opening Plenary of the **Computing Services Association's Annual Conference** in Bournemouth on 26th March.

The CSA conference is always well attended with all the key figures on the UK CSI scene present. (CSA Tel.: 071 405 2171)

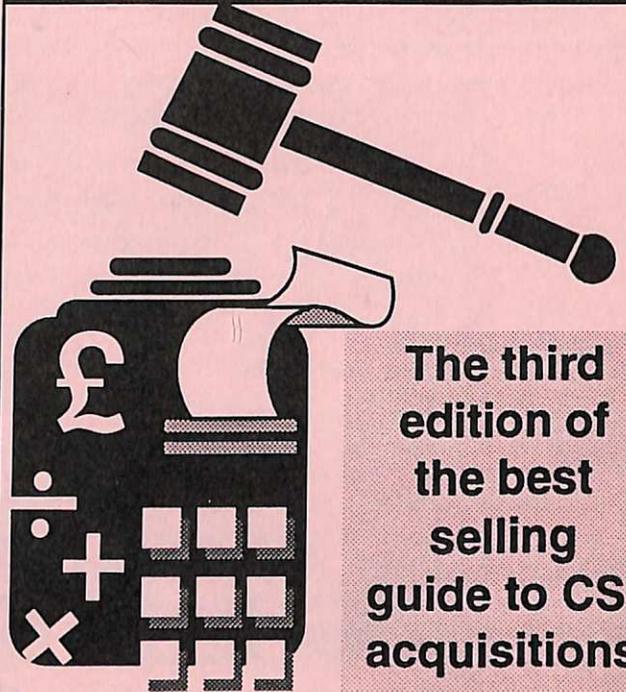
Richard Holway is also addressing **COMDEF** on the Canberra (29th May - 1st June).

Profits of £15m at Centre-File

Centre-File, the computing services subsidiary of the Nat West Bank, increased PBT by a massive 43% to £15.1m in the year to 30th Sept. 91. Revenues increased by just 4.7% to £86.9m. An exceptional charge of £1.1m resulted from the closedown of their building society operations.

Nat West business accounts for just over 50% of Centre-File's business; which ranges from PC supply and systems development to payroll processing.

Acquisitions involving UK Computing Services Companies in 1991



The third edition of the best selling guide to CSI acquisitions

We have now published the third edition of our annual review of *Acquisitions involving UK Computing Services Companies in 1991*. This year's edition is twice as big - over 75 pages. It contains details of 160 acquisitions, detailed comment on the larger deals, a review of the aftermath of the acquisitions undertaken since 1988; as well as our "Acquisitions Checklist".

Acquisitions Review and System House ORDER FORM

From:		Delivery address:	
Please supply:			
<input type="checkbox"/>	One year's subscription to <i>System House</i> @ £280	<input type="checkbox"/>	Review of Acquisitions in 1991 @ £275
<input type="checkbox"/>		<input type="checkbox"/>	Cheque enclosed
Cheque payable to Richard Holway Ltd		<input type="checkbox"/>	
Richard Holway Ltd, 18 Great Austins, FARNHAM, Surrey, GU9 8JQ.		Please invoice my company	
Signed:		Date:	

System House is published monthly by Richard Holway Limited, New Acre, 18 Great Austins, FARNHAM, Surrey, GU9 8JQ. Telephone 0252 724584; which also publishes the annual "Holway Report". Richard Holway is a director of several computing services companies including NMW Computers plc.

© 1992 Richard Holway Limited. The information contained in this publication may not be reproduced without the written permission of the publishers. Whilst every care has been taken to ensure the accuracy of the information contained in this document, the publishers cannot be held responsible for any errors or any consequences thereof. Subscribers are advised to take independent advice before taking any action.