

# System House

The monthly review of the financial performance of the UK computing services industry  
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## SAGE Group plc - *the exception?*

**Sage is exceptional.** It might also be the exception to the rule "*acquisitions seriously damage your wealth*". The lessons to be learnt from its success are, in our view, more important than the oft-repeated reasons for failure.

**The background.** Sage was formed by Chairman, David Goldman, and Technical Director, Graham Wylie in 1981. Sage saw the need for low-priced accounting software for the Amstrad PCW. In Dec. 1989 they launched onto the Stock Exchange at 130p.

The profits record has been, quite frankly, perfect. Since 1986, PBT and EPS has grown at a CAGR in excess of 50% pa. Full year results to 30th Sept. 91 showed PBT of £6.6m on revenues of £20m. The latest interim results, announced this month for the period to 31st Mar 92, show PBT up another 44% at £4.34m on revenues 85% higher at £14.5m.

Because of the rights issue last year, EPS improved by a more modest 25%.

**The acquisition.** Sage acquired Sky in Oct. 88, but its major acquisition was US DacEasy in May 91. Sage paid, in our view, a bargain \$18m for a 95% stake in its US equivalent; the remaining 5% stayed with DacEasy's President, Kevin Howe. DacEasy had previously been bought by Insilco, which subsequently filed for Chapter 11. DacEasy had performed well, making profits of \$5.6m in 1988 before sinking to \$2.13m in 1990. DacEasy, at the time of the acquisition, had sold 1.25m units of its accounting products; priced between \$70 and \$150 each.

We said at the time "*We are going to stick our neck out and say that the acquisition....is one of the most exciting UK inspired acquisitions for a long time. It richly deserves to succeed*". With due humility, we think we were right.

**The DacEasy exception.** DacEasy contributed profits of £1.4m (on revenues of £5.8m) in the last six months which, added to the £820K in the five months prior to that, makes c£2.4m pa. They have boosted margins from 18% to 25% but still have the objective of reaching Sage's UK margins of 36%. In fact both sides can and already have learnt from the other. Sage makes 44% of its revenues from existing clients compared with DacEasy's 58%. DacEasy sell annual upgrades (at \$45-\$65 a throw) - Sage tends, at present, to give them away to SageCover clients.

**If DacEasy could achieve Sage's profit margins and boost their US retail market share from the current 33% to Sage's 63% UK market share and Sage could boost its sales to existing clients from 44% to 58%....**

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**The faults.** About the only minor stain on Sage's squeaky clean record is their networking offering, MainLan. Networking contributes c9% of group revenues but MainLan Inc continues to make minor losses of c\$100K in the half year. We wouldn't be at all surprised to see it quietly dropped or even sold.

### **Why has Sage succeeded?**

The reasons for Sage's success are rather obvious.

- Sage is totally dedicated to developing low-priced accounting products. "*Sticking to the knitting*" has brought success - minor deviations (eg MainLan) have not.

- DacEasy was bought because it was in the business area that Sage knew, was well managed but had yet to reach its maximum potential.

- Sage has recognised the importance of recurring revenue; particularly

important in the current recession. Why didn't competitors like Pegasus realise this?

- they put far more emphasis on marketing (12% of sales) than R&D (4% of sales). Unfortunately, this is as non-British as you can get.

- there have been no Sage board departures since the company really got going and the DacEasy executives are the same as at acquisition. Both companies have strong, stable management - quite definitely the key common characteristic of successful companies; but unique to find it in both acquirer and acquired.

**The future.** Goldman anticipates that "*growth will be maintained in the second half and that the performance for the full year will be satisfactory*". Sage could be a major beneficiary of any early recovery in business confidence both here and in the US. Goldman is keen to expand into Europe - particularly Eastern Europe where he sees demand for his accounting products. But he recognises that partners or distributors are not the answer and is keeping his eyes open for possible, but admittedly rare, acquisition candidates.

The Sage share price seems like a one way bet. Launched at 130p in Dec. 89, they closed 1990 on 196p and 1991 on 329p. On 14th Apr. 92, the day of the interim announcement, they closed at 484p. The previous week, Boston-based investment house, Fidelity, had lifted their holding to 4.5%.

**Now if American investors got as interested in Sage (44% of revenues from US) as they have in Micro Focus that really could create some fireworks....**

**SAGE**  
**THE SAGE GROUP**  
**plc**

## Barometer still falling at Computer People

**Computer People** just might be one of the best barometers of the CSI scene. Computer People supply IT staff on contract (they call this IT consultancy, by the way). An ever-decreasing minority part of their revenue comes from recruitment. They were fairly acquisitive in 88 and 89, buying into similar businesses in the US. We raved about their performance and considered they were an excellent example of "how to do it". Indeed, until 1989, their record had been exemplary.

But the last two years have hit both the contract staff and recruitment markets hard - both in the UK and the US. PBT has declined from £4.2m in 89 to just £1m in the year to 31st Dec. 91 - that's a 67% decline in both PBT and EPS in the last year. Revenues were 11% lower at £67.7m.

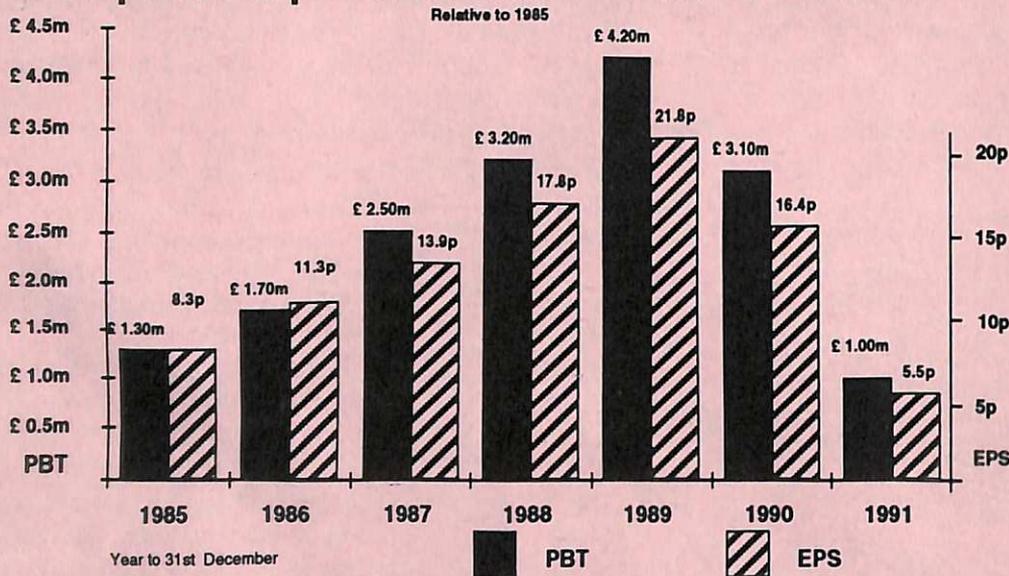
UK business was particularly hard hit with revenues down from £48m to £39.3m. "Revenues from consultancy declined by 15% due to a fall of 23% in the average number of consultants on assignment, partly compensated for by an increase of around 8% in our average fee rate as a higher proportion of consultants were more technically skilled". Recruitment has continued to decline and now represents just 3.75% of group revenues. Cost cutting in 91 has reduced sales, support and administration staff by 100 or 20%; resulting in annual savings of £2.8m. The US seems to have held up well with revenues down just 1%.

Net borrowings increased from £2.2m to £2.9m at the end of 1991 and gearing is up from 45% to 52%. But net interest charges were £217K down from £323K in 90.

Computer People found Q4 to be particularly difficult and they "started 92 at lower business levels than expected". They feel that "it will require only a small increase from current business levels for us to have a better year".

The problem is that there is so much spare capacity in the marketplace that recovery might have to be in place for some time before it starts to effect the contract staff and recruitment markets. When Computer People start to increase revenues, you will really know that the recession is over. Their shares have plunged from a 1990 high of 280p to just 90p now.

## Computer People Seven Year PBT and EPS Record



## Difficult year at Lucas....

**Lucas Industries** bought **Metier**, the project management and software products house, from **Lockheed** for around £40m in 1990. Metier had 1989 revenues of £54m. Metier was merged with Lucas' existing CSI activities under the **Lucas Management Systems** banner. At the time it was said that this new Lucas group would have CSI revenues "in excess of £80m".

It is impossible to determine the exact contribution that the new group has made to Lucas Industries performance in the six months to 31st Jan 92 but the division, which includes the CSI activities, had revenues of £134m and an "operating profit at breakeven". We understand that CSI revenues were around 50% of this.

## ....and at PA Consulting

**PA Consulting Group**, which makes around a third of its revenues from IT activities, has suffered a 1% reduction in revenues to £170.7m in the year to 31st Dec. 91. But PBT of £2.1m for 90 has been wiped out and replaced with a loss of £3.8m. "A significant part (£3.9m was a provision for potential future losses on unlet accommodation) of the reduction in profit was a consequence of the move to a single office site in London". Even so, profits at the operating level reduced from £8m to £3.1m.

PA believe this was a "creditable performance". Given results from other fee based concerns, this is probably true.

## Sorry Microvitec

Our article about **Microvitec's** continued and increased losses of £3.8m for the year to 31st Dec. 91 caused some controversy. We admit we made a mistake by referring to James Pickup as the Chairman. Jim Pickup was the Chairman of Logitek that Microvitec acquired last year. James Bailey has been the Chairman and CEO at Microvitec since the AGM on 26th April 1990. Also we said that the "US operations" had traded unprofitably. This should have read "Microvitec Inc".

Brokers, Henry Cooke, Lumsden (HCL), now estimate that the company will make profits of £2.5m in 92 and £5m in 93. On 31st March 92, HCL issued a "Strong Buy" for Microvitec when the shares stood at 35p. Their research document concludes - "A confidently forecast turnaround of £6.3m (1991/92) in profits is a significant achievement and demonstrates that management have the current business firmly under control. The enlarged and more broadly based Company is well placed to grow both organically and by considered, focussed acquisition in pursuit of its goal of becoming an international information technology and services group".

If this occurs it will be one the largest turnarounds in the history of the sector. The problem is that such a renaissance has been signalled before. But we would be amongst the first to raise a cheer when this occurs.

### Still no twinkle from Star

Star Computer Group reported losses (£886K) for the third consecutive year in the year to 30th June 91. This month yet another loss of £240K was reported for the six months to 31st Dec. 91. At least the loss was a bit less than the £253K last time. Revenues were down 57% at £3.47m "influenced by the continuing recession, which has impacted all business areas". It was really largely due to the £2.7m sale of their hardware maintenance operations to Misys in Feb. 91 and the disposal/cessation of trade of other operations like United Health, Connect Data, Inteq.

Star is now dependent on its legal software subsidiary, Pinnacle. In Dec.91, Star seemed very pleased with their current performance saying it showed "a significant improvement on the previous year". This mood of optimism, completely at odds with the financial results, continues. "Indeed, trading in recent months has significantly improved with every likelihood of a return to profit for the year to June 1992. All areas of business are making a positive contribution to this". But Star has continued to maintain positive cash balances "thanks to increasing recurring revenues and strict overhead controls".

The majority of Star's shares are still held by the founder directors, the Blechner's. But there are other shareholders who might think that their best interests would be served by a change of management or by Star becoming part of a larger grouping. Surely there must be an end to one of the longest unbroken records of losses in the business?

### Excellent performance from Sherwood

Sherwood Computer Services was one of the many companies to be badly hit by the after effects of Black Monday back in Oct. 87. They plunged to a £2m loss in 1988. As CEO, Richard Guy says, Sherwood had to take the cost-cutting medicine way before the on-coming recession hit other UK CSI companies. The performance in the last year has been exemplary. PBT is up 23% at £2.45m on revenues down 10% at £22.3m, due to the disposal of their disaster recovery activities to Guardian; a new operation majority owned by ICL. Even this venture has been "highly successful" with Sherwood receiving the maximum allowable under the terms of the joint venture agreement. EPS was up 26.5%. The good news doesn't stop there. The balance sheet has been strengthened significantly; indeed this was one of the main objectives of the disposal of the disaster recovery operations. Net assets are up £1m at £5.1m and net cash is up £1.4m at £2.3m.

Guy says "This leaves the company strongly placed to consider acquisitions which would strengthen its market position in its two main markets of financial services and government". Grant Oliver, ex of Wootton Jeffreys/Headland has joined to search for suitable candidates with a strong client base and significant recurring services revenue.

### ICL - "Largest supplier of computing services in the UK" Source - ICL Press Release 8th April 92.

ICL clearly deserves increased comment in *System House* - after all we were the researchers who enabled them to make the above claim in the press release which accompanied their latest results. These showed that in the year to 31st Dec. 91, PBT had dropped 43% to £62m on revenues up 16% at £1.88b. Quite correctly, Chairman Peter Bonfield reminded us that ICL had made a profit in a year when most of the competition had reported losses.

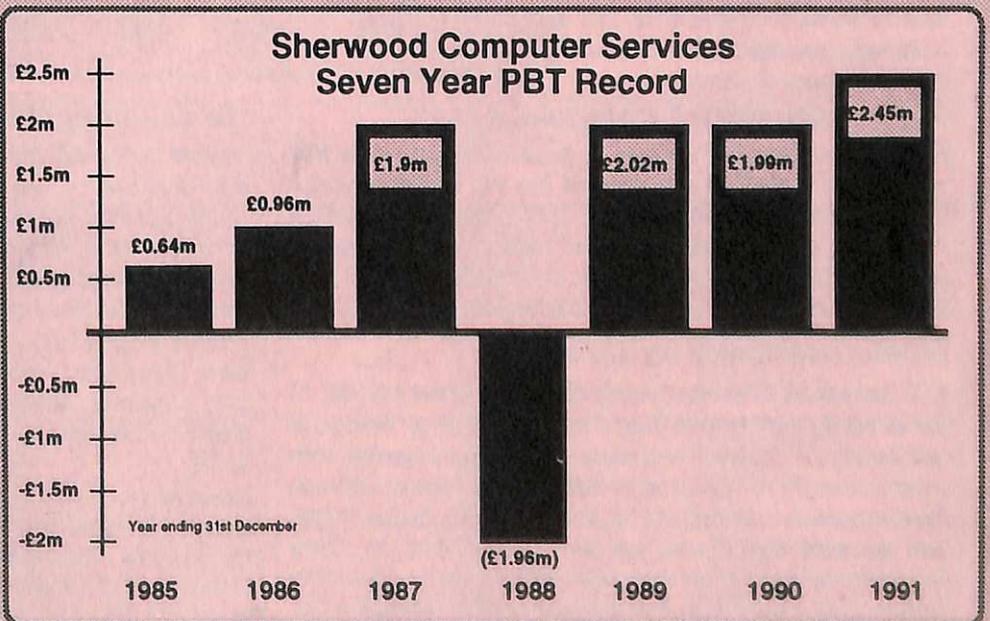
Software and services now account for over 50% of total revenue and has grown by 18% in the last year. "The company strengthened its position in facilities management and total managed services in Europe through the investment in CFM and Sorbus". But much of this is hardware maintenance and operating systems. We estimate that their true UK CSI revenues were around £250m - still enough to put them into the #1 slot.

It now looks as if the ICL stock market flotation is likely to be at the back end of the "two to five year" timescale promised. Bonfield said "We are still on track to hit the window but we will not float until we can get 225p for the shares". Fujitsu paid 161p a share for its 80% stake back in 1990. Northern Telecom owns the other 20%.

ICL may not be UK owned but it really does appear to be UK controlled - unlike many of the other previously UK owned CSI companies now under European control. We greatly look forward to including ICL in our CSI Index.

Sherwood has seen good performances from both the financial services and retail sectors. The strong profits and cashflow generated from these divisions has been invested in the Local Government and Lloyds systems markets. R&D spend was £2.6m in 91. Guy says that Q1 1992 has been fantastic for order intake. They have just signed their tenth Local Authority housing system client.

Sherwood "occupies a position at the forefront of open systems in all the markets in which it operates. The board intends to exploit this position and... believes that 1992 will prove to be another successful and profitable year". Sherwood shares have also performed well recently; currently at 207p - up 143% from the 91 low of 85p.



## Not a vintage year for NMW

We should start with the facts. **NMW Computers** is the Cheshire based provider of systems to the financial services sector which diversified into disaster recovery, FM and, with the acquisition of Charterhouse in 1991, the AS/400 software products market. NMW was hard hit by the after effects of Black Monday in Oct. 87 and plunged to a significant £1.3m loss in 1988. Since then costs have been cut hard and a return to profits was reported in 89. The latest results are, as NMW's Chairman Brian Bibby said, "disappointing". A loss of £207K is reported for the year to 31st Dec. 91 compared with PBT of £413K in 90. Revenues were up 21.3% largely as a result of the Charterhouse acquisition.

Volumes traded on the Stock Exchange continued to decline in 1991. NMW's revenue used to be almost entirely volume linked. NMW's business strategy over the last two years has been based on weaning the company away from this dependence. These stock broker related activities were still profitable for NMW in 91 but only because much of the fixed costs were shared with the newly established Systems Management Services division (SMS).

However, SMS has suffered considerable competition for its FM offerings. We have written about this on many occasions. Also, critical mass was difficult to achieve in their ICL disaster business. This was made worse when Sherwood sold their disaster recovery operations to ICL. To help resolve this, NMW bought **Business Recovery Services** in Feb. 92.

Since the Election on 9th April, the number of bargains traded have increased significantly which is bound to improve NMW's short term outlook.

But NMW's real revival depends on its newly acquired Charterhouse AS/400 products business. NMW Charterhouse specialises in systems for solicitors, insurance brokers and debt recovery operations.

### Further growth for Computacenter

Against conventional wisdom, it is interesting to note that companies in the top echelons of the PC dealer rankings have all increased profits in 1991. This month the largest UK PC dealer, **Computacenter**, with 21.5% of the IBM market, reported PBT up 4.5% at £8.1m on revenues up 7.1% at £224m. Services increased by 25% to £40m.

### More uncertainty for Dowty IT

**TI Group** bid £518m for **Dowty Group** on 23rd Apr. 92. TI immediately announced that, if successful, they wished to sell **Dowty IT**. Dowty IT had been hard hit by recession, with profits down from £7.3m to £700K on revenues of £87m in the six months to 30th Sept 91. Dowty's CEO, Bruce Ralph, had signalled that IT was for sale back in Dec. 91. **Cray Electronics** was widely rumoured at the time as a possible bidder. Cray told us then that they were not pursuing the bid.

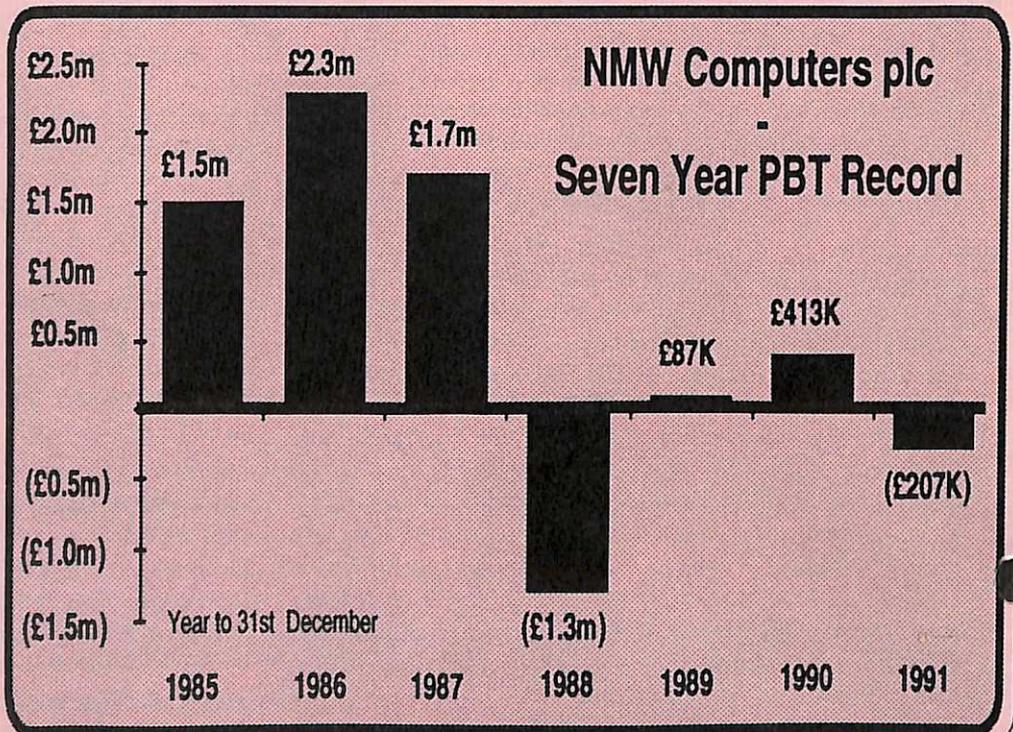
Charterhouse was in a "difficult" financial position when NMW took them on. This had been caused by major delays in bringing the new AS/400 products to market. NMW has had to shoulder more cost, both in resources and cash, to complete these developments. This was the major reason for the 1991 reversal in financial fortunes.

But this is now behind them. Charterhouse products are now shipping and the current order intake is impressive. NMW has also cut costs *yet again*.

The future of NMW not only depends on an ending of the recession, a revival in stockbroker volumes and the continued success of the Charterhouse products portfolio. It also depends on the intentions of Peter Rigby of **Specialist Computer Holdings** who has built a 25% stake in the company.

The last year has been stimulating and frustrating for both NMW and Richard Holway, the editor of *System House*, who is a non executive director. The whole board believes the company is poised to make a profits revival but will the shareholders have the patience of Job necessary to let them prove this?

Only time, possibly a very short amount of time, will tell.



### An action packed month for Apple

"**Apple Computer** has suffered a stunning defeat". So started the Financial Times 16th Apr. 92 news item that most of Apple's actions for copyright infringement taken out against **Microsoft** and **HP** had been dismissed. "Look and feel" is clearly not copyrightable. But Steve Jobs had always admitted that the ideas had come from **Xerox Park** in the first place. If Microsoft had lost, Bill Gate's "nightmare scenario" would have come true. As it was, Microsoft, which has sold over 10m copies of Windows 3.0 (in our biased view, still not a patch on the Apple OS), saw its stock price surge \$12 to \$129.

Apple has reorganised its European operations; getting rid of country MD's like the UK's Mike Newton (who will now head up Apple's European education activities). But Apple continued to buck the hardware manufacturer trend with Q2 profits up 3% at \$135m on revenues up 7.5% at \$1.72b.

## Richard Holway Results Service

<b>ACT Group plc</b>	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%
<b>Admiral plc</b>	Results Revenue PBT EPS	Final - Dec 90 £21,207,000 £3,276,000 19.4p		Final - Dec 91 £ 26,104,000 £ 3,472,000 21.9p	Final Comparison +23.1% +6.0% +12.9%
<b>Capita Group plc</b>	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%
<b>Computer People Group plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 76,170,000 £ 3,106,000 16.42p		Final - Dec 91 £ 67,700,000 £ 1,010,000 5.48p	Interim Comparison -11.2% -67.5% -66.6%
<b>Cray Electronics Holding plc</b>	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%
<b>EIT Group plc</b>	Results Revenue PBT EPS	Interim - Sep 90 £ 200,000 (£ 128,000) n/a	Final - Mar 91 £ 485,000 (£ 246,000) (0.83p)	Interim - Sep 91 £ 1,200,000 (£ 99,000) n/a	Interim Comparison +500.0% Loss both Loss both
<b>Electronic Data Processing plc</b>	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%
<b>Enterprise Computer Holdings plc</b>	Results Revenue PBT EPS	2nd Interim - Dec 90 £ 87,804,000 £ 2,520,000 1.15p	Year to Dec 91 £ 152,496,000 (£ 3,043,000) (3.0p)	2nd Interim - Dec 91 £ 62,531,000 £ 1,732,000 3.59p	2nd Interim Comparison -28.8% -31.3% +212.2%
<b>Gresham Telecomputing plc</b>	Results Revenue PBT EPS	Final - Sept 90 £ 2,101,000 (£ 252,000) (4.74p)		Final - Oct 91 £ 6,296,000 £ 355,000 1.0p	Final Comparison +199.7% Loss to Profit Loss to Profit
<b>Hoskyns Group plc</b>	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%
<b>INSTEM plc</b>	Results Revenue PBT EPS	Final - Dec 90 £11,154,000 £1,005,000 14.0p		Final - Dec 91 £ 15,810,000 £ 1,010,000 15.2p	Final Comparison +41.7% +0.5% +8.6%
<b>Kalamazoo Computer Group plc</b>	Results Revenue PBT EPS	Interim - Jan 91 £ 28,348,000 £ 1,025,000 1.8p	Final - Jul 91 £ 60,764,000 £ 3,660,000 7.0p	Interim - Jan 92 £ 28,382,000 (£ 212,000) Nil	Interim Comparison +0.1% Profit to Loss Profit to Loss
<b>Kowill Systems plc</b>	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%
<b>Learnmonth &amp; Burchett Management Systems plc</b>	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
<b>Logica plc</b>	Results Revenue PBT EPS	Interim - Dec 90 £ 96,054,000 £ 4,671,000 4.4p	Final - Jun 91 £ 197,758,000 £ 3,676,000 (1.6p)	Interim - Dec 91 £ 98,575,000 £ 2,155,000 2.1p	Interim Comparison +2.6% -53.9% -52.3%
<b>Macro 4 plc</b>	Results Revenue PBT EPS	Interim - Dec 90 £ 8,100,000 £ 3,367,000 10.1p	Final - Jun 91 £ 18,028,000 £ 7,647,000 23.0p	Interim - Dec 91 £ 8,829,000 £ 3,828,000 11.5p	Interim Comparison +9.0% +13.7% +13.9%
<b>Micro Focus plc</b>	Results Revenue PBT EPS	Final - Jan 91 (amended) £ 46,495,000 £ 14,775,000 65.9p		Final - Jan 92 £ 55,869,000 £ 18,146,000 83.1p	Final Comparison +20.2% +22.8% +26.1%
<b>Microgen Holdings plc</b>	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%
<b>Microvitec plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 23,444,000 (£ 2,415,000) (6.0p)		Final - Dec 91 £ 36,873,000 (£ 3,847,000) (5.3p)	Final Comparison +57.3% Loss both Loss both

## Richard Holway Results Service

<b>Mlsys plc</b>	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%
<b>MMT Computing plc</b>	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%
<b>NMW Computers plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 8,726,000 £ 413,000 1.3p		Final - Dec 91 £ 10,588,000 £ 207,000 (0.9p)	Final Comparison +21.3% Profit to Loss Profit to Loss
<b>P &amp; P plc</b>	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%
<b>P-E International plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 65,013,000 £ 4,214,000 15.0p		Final - Dec 91 £ 68,750,000 £ 1,620,000 4.9p	Final Comparison +5.8% -61.6% -67.3%
<b>Pegasus Group plc</b>	Results Revenue PBT EPS	Interim - Jan 91 £ 4,138,000 £ 774,000 8.8p	Final - Jul 91 £ 8,483,000 £ 1,669,000 19.9p	Interim - Jan 92 £ 3,367,000 £ 320,000 3.8p	Interim Comparison -18.6% -58.7% -57.3%
<b>Proteus International plc</b>	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
<b>Radius plc</b>	Results Revenue PBT EPS	Final - Nov 90 £ 29,902,000 £ 2,820,000 6.5p		Final - Nov 91 £ 28,115,000 £ 366,000 0.8p	Final Comparison -6.0% -87.0% -87.7%
<b>Real Time Control plc</b>	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%
<b>Rolfe &amp; Nolan Computer Services plc</b>	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%
<b>Sage Group plc</b>	Results Revenue PBT EPS	Interim - Mar 91 £ 7,821,000 £ 3,024,000 11.61p	Final - Sep 91 £ 20,002,000 £ 8,638,000 25.5p	Interim - Mar 92 £ 14,489,000 £ 4,340,000 14.53p	Interim Comparison +85.3% +43.5% +25.2%
<b>Sanderson Electronic plc</b>	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%
<b>Sema Group plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 375,410,000 £ 15,331,000 10.45p		Final - Dec 91 £ 412,501,000 £ 14,015,000 11.02p	Final Comparison +9.9% -8.6% +5.5%
<b>Sherwood Computer Services plc</b>	Results Revenue PBT EPS	Final - Dec 90 £ 24,785,000 £ 1,992,000 15.5p		Final - Dec 91 £ 22,321,000 £ 2,446,000 19.6p	Final Comparison -10.0% +22.8% +26.5%
<b>Star Computer Group plc</b>	Results Revenue PBT EPS	Interim - Dec 90 £ 8,037,000 (£ 253,000) (3.7p)	Final - Jun 91 £ 13,718,000 (£ 886,000) (12.6p)	Interim - Dec 91 £ 3,473,000 (£ 240,000) (3.5p)	Interim Comparison -56.8% Loss both Loss both
<b>Total Systems plc</b>	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%
<b>Trace Computers plc</b>	Results Revenue PBT EPS	Interim - Nov 90 £ 9,946,000 £ 31,000 0.06p	Final - May 91 £ 19,698,904 (£ 471,377) (2.04p)	Interim - Nov 91 £ 9,715,000 £ 221,000 1.59p	Interim Comparison -2.3% +612.9% +2550.0%
<b>Vistec Group plc</b>	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

### Lynx acquires CSL

Quoted Lynx Holdings has acquired computer maintenance company, **CSL Systems Services Ltd**, for an initial £93.5K plus a deferred £30K. CSL had revenues of £1m in 91 with a loss of £26K. Lynx's MD, Richard Last, said "This acquisition more than doubles the size of Lynx's computer maintenance business and is a significant step towards our goal of establishing a nationwide computer maintenance company".

### Further growth for BT Customer Systems

Last month we reported on **BT Customer Systems** elevation as the third largest CSI supplier to the UK market and the largest UK owned CSI company. This month they have purchased the remaining 49% shareholding in **Secure Information Systems Ltd** (where BT Customer Systems marketing director, John Priestley, was Chairman) from **SD-Scicon**. SISL specialises in information systems security in the Government and defence markets. In the year to 31st Mar. 91, according to accounts filed at Companies House, SISL had revenues of £5m and a loss of £969K. SD-Scicon's commercial and legal director, John MacNaughton, said "This is an amicable arrangement in the best interests of all parties. BT and SD will be able to concentrate on their separate business interests". No consideration was disclosed other than that "the deal represented less than 1% of BT's net assets" - about the most meaningless statement we have encountered this year!

### Confidence in P-E

George Cox, the incoming Chairman, has bought 100,000 **P-E International** shares. Analysts are expecting a modest profits recovery to £2m in 92. Source - Sunday Telegraph 29th Mar. 92.

### Acquisitions growth for GSI

**Generale de Services en Informatique SA (GSI)**, one of France's (and Europe's) top twenty system houses, increased revenues by 17% to FF2.38b (\$423m) in the year to 31st Dec. 91. Profits increased 12% to \$19.3m - a modest 4.5% margin. Last year GSI acquired **UCOMS** (Holland), **Weber & Partner** (Germany), **Lammert** (Germany), **IMI Systems** (US) and **AMI** (France). Excluding acquisitions, revenue would have been declined by 12%.

### Symantec - a company to watch

We reported last month that **US Symantec** had acquired its UK distributor. We now learn that \$27m (£15.9m) was the consideration in this all share deal; making it one of the larger deals in the last year. Back in Aug. 91, Symantec acquired UK **Zortech** in an all share \$12.6m deal. Zortech was the first company to ship a native code C++ compiler for DOS in 1988 and has since added Windows, UNIX and Apple Mac versions.

Symantec is a PC systems utilities (70%) and applications (30%) software company which projects revenues of \$213m and profits of \$23m in the year to 31st Mar. 92. They have made seven acquisitions in the last couple of years; the largest of which was **US Peter Norton Computing** for \$70m in 1990. Symantec shares have doubled in the last three months. Clearly a company to watch.

**The others...** DEC has acquired PC software distributor **800 Software Inc**. ICL has sold its PABX maintenance activities to **Kingston Communications Ltd**. US mainframe and mid-range software house **Legent** is to acquire **US Goal Systems International** for \$400m in shares. The combined company will have annual revenues of around \$330m servicing 10,000 customers using 65,000 products. **US Computer Associates** has acquired **Scancom (Europe) Ltd** - a subsidiary of Surrey based Scancom Holdings, the developers of PC Audit. No consideration was given. US computer aided training specialist **WICAT** has been acquired by **Jostens Inc** for a max. of \$140m in shares. **Novell Inc** has purchased US Apple Mac networking operation, **International Business Software**, for \$5.2m cash. Payroll bureau supplier, **Payroll Services**, called in the receivers. They apparently owed £24m tax and NI collected on behalf of clients but not passed on to the Inland Revenue. Touche Ross have since sold the operation to a consortium of customers for c£1m. **Storagetek** has bought its Scottish distributor, **DML Computers**. **TPMDCM Holdings** has sold its £4.5m pa retail dealership, **DCM Retail Solutions**, to a Management Buy In team headed by ex-Ross Systems MD Tim Goodwin. **US Digital Communications Associates** has acquired US Unisys comms. software company, **Intercomputer Communications** for c\$12.9m. The previously reported proposed merger between **US Delrina** and **Wordstar** has been abandoned. **Electron House** has sold its airports card access control systems division **CEM Computers** in an MBO for £922K. The division had revenues of £1.7m and PBT of £113K in the year to 31st May 91. **BT** has sold loss-making aviation systems supplier, **IAL**, to **Serco** for £12.3m. **Ryan International** has sold Cardiff-based software house **Syntech** to its management. Syntech had revenues of £1.65m last year. **Frontline** (now part of **Computer 2000 AG**) has bought Autocad distributor, **Datech**. **Centre-file** has acquired financial services systems house, **K3**. The Worcester based company has 120 staff and had PBT of £513K on revenues of £4.7m in the year to 31st Jul 91. "A real gem of a deal" said Centre-file's FD Nick Scott. No consideration was disclosed in this part-cash deal. **Singapore Computer Systems** has bought **Applied Telematics** from the receivers. **Action Computer Supplies** has acquired **Datashop** - the supplies division of **Norsk Data**. **Media Direct** appointed the receivers.

### Sell out

Paul O'Grady and Brian Reynolds, joint founders of **Micro Focus**, sold another £8m worth of shares in early April. This was in addition to the £4m worth they sold earlier this year. The election on 9th April might just have had something to do with the timing.

### Growth for Group Alpha

**Group Alpha** is one of the very few companies offering facilities management services on Unisys hardware. In the year to 31st Dec. 91, revenues were £3.1m and PBT was £62.8K - reduced from £270K in 90. This month Group Alpha told us that "we have completed negotiations to take over the 16 FM contracts of **Wirral Borough Council**. This new business will increase turnover for 1992 to £5m. Projected profits for 1992 are c£300K". The new company, called **Orderunion Ltd**, is based in the Liver Building in Liverpool.

## A slice of the Apple pie....

### KRCS buys SAMS

On 6th Apr. 92, KRCS Group plc, which claims to be the largest Apple dealer outside London, acquired 100% of the equity of SAMS Group plc, which claims to be the UK's largest Apple dealer. The new group will have revenues in excess of £25m; undisputedly the largest Apple dealer in the UK and, they say, the 4th largest in Europe.

SAMS was founded by Max Wright and grew both fast and profitably. They reported PBT of £437K on revenues of £5.2m in the year to 31st Jan. 89. However, the last two years have seen revenue boosted dramatically, to £18.4m in the 15 months to 30th Apr. 91, but profits turned into a £138K loss. In 1991, Max Wright sold 60% of the equity to his management team which included ex-Apple sales director, John Smith. Max Wright and FD, Mike Walker, are leaving SAMS but John Smith, Tim Clark and Len Edmunds remain; albeit without an equity stake.

Nottingham-based KRCS has filed only modified accounts the year to 31st Dec. 91. They show PBT of £172K, up from £79.9K in 1990. KRCS is a private company, 70% owned by MD, Ken Woods who says in this Chairman's statement "KRCS is in a strong position to not only maintain its market share but also to increase its market share at the expense of other less well organised dealers". County Natwest Ventures has now been brought in to assist in financing the SAMS acquisition and future growth.

SAMS had been under the financial microscope for some time. The acquisition probably came as a relief to Apple who have witnessed the failure of many of their dealers; including the one time market leader CSS.

### Misys buys AppleCentre Basingstoke maintenance

Misys, via its Computer Maintenance Division, has bought the Apple maintenance activities of AppleCentre Basingstoke (Sign Express Group Ltd) for £400K. This adds 200 customers to the Apple base and "puts the company ahead with its total information support strategy". TIS, now part of the Misys Group, entered the Apple arena some time ago and was very successful with major Apple network orders from the likes of architects, YRM.

### Granada sells internal IT operations to Hoskyns

Hoskyns has bought Granada Information Systems Ltd, which provides in-house IT services to the Granada Group. Assets of £450K, 150 employees, IBM, Amdahl, mid-range and network operations and the support/marketing of the ADage airtime reservations systems will transfer to Hoskyns. No terms were disclosed. It sounds more like a mega 5-year FM contract win, where the competition was said to have included Sema, than an acquisition. Gerry Robinson, CEO at Granada Group plc, said "This change does not effect Granada Computer Services International" which will continue to maintain the transferred hardware. This month, Hoskyns also bought the Manchester-based Busman vehicle and crew scheduling operations from Wootton Jeffreys Consultants. You may remember that WJC was the subject of an MBO from Headland some months before that group collapsed.

### Software surges

Microsoft has announced a 40% increase in sales to \$681m and a 44% increase in profits to \$179m for Q3 (to 31st Mar 91). Lotus Development Q1 profits were three times higher at \$20.8m on revenues up 30% at \$227m.

### EDP buys ACSL in unbelievably cheap deal

Our light-hearted comment about Electronic Data Processing (EDP) using its cash mountain to buy two stately homes was not well received. We ended with the comment "Could have been worse..they could have acquired another systems company". This month...you've guessed it....

EDP has acquired Applied Computer Systems Ltd for £583K with £250K of this deferred "pending the establishment of ACSL's ownership of certain software products". ACSL supplies systems to builders merchants. It made PBT of £167K on revenues of £3.36m in the year to 31st Mar. 91. ACSL had net assets of £533.5K of which £377.7K was cash. This makes the deal look unbelievably cheap. EDP is already strong in the builders merchant sector and the deal will add another 200 clients. EDP expects ACSL "to be a positive contributor to group results in 1992/93". Seems too good to be true.

### Southgate comments on Data Sciences

Colin Southgate is the Chairman of Thorn EMI. In 1970, he formed Software Sciences. Readers may be interested in the comments from Business Profile in The Times on 18th April 92. "He has since sold (Software Sciences) three times, "each time for more money. It has made me financially independent". BOC bought it first. Then Thorn EMI bought it in 1982, and in July 1991, Southgate sold it again, this time to its management, but without him on board. "They paid a huge amount for it, bless their little hearts".

The July 91 MBO, which established Data Sciences, valued the company at £103m. Thorn EMI retained 20% and the staff/management bought 22%. CIN was the lead investor for the rest. Thorn EMI Software had revenues of £120m and PBT of £6.2m in the year to 31st Mar. 91.

### Mixed fortunes for the hardware leaders

IBM surprised analysts by reporting Q1 profits of \$595m compared with losses of \$1.7b last time. But hardware sales slipped 2.7%. Yet again, maintenance (up 36% at \$1.3b) and services (up 19% at \$1.2b) saved the day. DEC announced a \$404m loss for the first 9 months of the current FY compared with profits of \$254m last time, on revenues down 8% at \$3.3b. Again, product sales fell 17% but services revenues increased 6% to \$1.5b. Job cuts may be deeper than the 10,000 already announced. Geoff Shingles said that DEC UK "showed a similar decline in volume". Analyst Tom Willott from the Aberdeen Group said "DEC's results are disastrous". Source - Computing 16th April 92. Olivetti Systems and Networks (basically Olivetti UK) reported PBT of £8.9m on revenues of £148m for 1991. This might come as some cheer to Chairman Carlo De Benedetti as he contemplates his six year gaol sentence. NCR, now part of AT&T, reported Q2 profits down from \$90m to \$46m. Data General reported a return to profits in 1991 after four years of losses and their stock rose to nearly \$19 in Jan. 92. This month DG announced that it was likely to record a loss in Q2 92 and that a further 1000 jobs were to go. DG stock closed at just \$9 on the day of the profits warning. Avion, DG's open system box, continued to sell well but sales of the older lines were below expectations. Unisys reported Q1 profits of \$48m compared with losses of \$98m on revenues down 2.4% at \$2b.

## Stock Market

Post election euphoria lead to an 8% increase in the FTSE 100 but a more modest 2.2% increase in the CSI Index. It was to be expected that Alpha stocks would benefit first and we expect the smaller companies, which constitute the majority of our index, to benefit in the months to come.

It is the third anniversary of our CSI Index. For most of that period, our index underperformed the FTSE 100 but the last year has witnessed considerable gains. It is now showing a 33% gain compared with a 28.7% gain in the FTSE 100. After three years the outright winner is still Micro Focus - up 835%. But EDP (+359%), Proteus (up 283%) and Sage (up 270%) are all recent entries to the top echelons of the list. The rest of the Top Ten also consists of long term, consistent performers like Admiral and Rolfe & Nolan rather than recovery stocks. Forgetting (if only we could) Headland and Ferrari, the largest losers are Gresham Telecomputing, P&P and Star - all with share prices down in excess of 80% since April 89.

Radius (up 26.5%) was the largest gainer this month on recovery hopes after the near 90% profits plunge reported last month. Sanderson gained 26% on news of record \$803K Q2 profits at General Automation, where the company holds 49% of the equity. P-E International recorded a 25% gain, which must have pleased incoming Chairman, George Cox, who bought 100,000 shares in

March. Vistec and Cray Electronics also recorded 20%+ growth in the month.

Micro Focus, for the first time ever recorded the largest fall - down 12.6% - on profit taking rather than any adverse news. Pegasus continued its fall (down 8.8%) on poor results (see page 10). Troubled Kewill fell 5.5% - that's a 51% fall this year so far. On 24th Apr. Kewill announced a "major restructuring" to focus on UNIX, PC networks and CAD. Omicron's CEO Mark Horne is leaving.

**Computing Services Index**  
**24th April 1992**  
 April 15th 1989 = 1000  
**1332.68**

Changes in Indices	CSI Index	FTSE 100
Month 27th Mar. 92 to 24th Apr 92	+2.19%	+7.97%
3 years 15 Apr. 89 to 24th Apr. 92	+33.27%	+28.70%
1st Jan 91 to 24th Apr. 92	+88.27%	+22.34%
1st Jan 92 to 24th Apr. 92	+27.55%	+6.01%

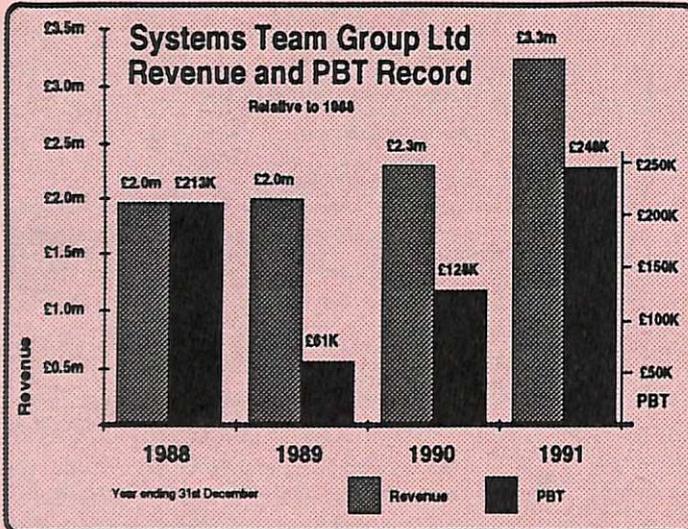
## System House CSI Share Prices and Capitalisation

	Share Price 24/4/1992 (£p)	Capitalisation 24/4/1992 (£m)	Historic P/E	CSI Index 24/4/92	Share price % move since 27/3/92	Share price % move this year	Capitalisation move (£m) since 27/3/92	Capitalisation move (£m) this year
ACT	£ 1.80	£ 234.00m	18.95	2881.15	9.09%	18.42%	£ 19.50m	£ 48.10m
Admiral	£ 3.30	£ 35.35m	15.07	2391.30	3.12%	10.37%	£ 1.04m	£ 3.05m
Capita	£ 3.26	£ 48.69m	20.75	3260.00	10.88%	24.43%	£ 4.79m	£ 9.39m
Computer People	£ 0.93	£ 12.92m	16.97	382.72	-2.11%	-19.13%	-£ 0.28m	-£ 3.08m
Cray Electronics	£ 0.75	£ 100.70m	30.00	438.60	20.00%	15.38%	£ 34.41m	£ 32.80m
EIT Group	£ 0.15	£ 4.90m	Loss	600.00	0.00%	25.00%	£ 0.04m	-£ 0.48m
Electronic Data Processing	£ 4.50	£ 39.21m	13.71	4591.81	9.76%	55.71%	£ 3.48m	£ 14.21m
Enterprise	£ 0.27	£ 19.30m	Loss	212.00	-5.36%	65.63%	-£ 1.04m	£ 6.90m
Gresham Telecomputing	£ 0.14	£ 4.46m	14.00	150.54	0.00%	55.56%	£ 0.00m	£ 1.59m
Hoskyns	£ 4.26	£ 391.30m	40.57	2078.04	1.67%	7.85%	£ 6.73m	£ 31.80m
INSTEM	£ 1.00	£ 4.50m	6.58	1000.00	4.17%	33.33%	£ 0.18m	£ 1.13m
Kalamazoo	£ 0.42	£ 7.74m	6.00	420.00	-4.55%	-11.58%	-£ 0.37m	-£ 0.64m
Kewill	£ 1.55	£ 14.74m	5.27	612.65	-5.49%	-50.79%	-£ 0.83m	-£ 15.36m
Learmonth & Burchett	£ 0.61	£ 8.13m	Loss	508.33	7.02%	5.17%	£ 0.53m	£ 0.40m
Logica	£ 2.07	£ 126.87m	Loss	567.12	11.89%	7.25%	£ 13.47m	£ 8.57m
Macro 4	£ 4.30	£ 96.08m	18.70	1733.87	1.18%	13.46%	£ 1.39m	£ 12.58m
Micro Focus	£ 19.35	£ 264.23m	23.29	9347.82	-12.64%	25.00%	-£ 37.59m	£ 61.83m
Microgen	£ 1.50	£ 58.06m	12.30	641.02	7.91%	-6.83%	£ 4.29m	-£ 4.24m
Microvitec	£ 0.33	£ 21.59m	Loss	804.88	-4.35%	127.59%	-£ 1.00m	£ 12.61m
Misys	£ 2.34	£ 84.61m	20.35	582.09	5.88%	15.27%	£ 4.73m	£ 15.41m
MMT	£ 0.85	£ 9.02m	12.50	505.95	-3.41%	2.41%	-£ 0.32m	£ 0.21m
NMW	£ 0.34	£ 7.18m	Loss	566.67	4.62%	-10.53%	£ 0.32m	-£ 0.47m
P&P	£ 0.35	£ 19.46m	38.89	156.95	-7.89%	-12.50%	-£ 1.58m	-£ 2.14m
P-E International	£ 1.06	£ 23.18m	21.63	436.22	24.71%	-15.20%	£ 4.58m	-£ 4.12m
Pegasus	£ 1.45	£ 9.21m	7.29	395.10	-8.81%	-3.33%	-£ 0.93m	£ 0.04m
Proteus	£ 3.22	£ 72.08m	Loss	3833.32	9.15%	89.41%	£ 6.07m	£ 33.98m
Radius	£ 0.43	£ 11.70m	5.38	311.59	26.47%	10.26%	£ 2.44m	£ 1.10m
Real Time Control	£ 0.82	£ 5.74m	7.52	1673.47	1.23%	-20.39%	£ 0.07m	-£ 1.47m
Rolfe & Nolan	£ 1.92	£ 10.80m	10.85	2268.07	-1.54%	0.00%	-£ 0.12m	-£ 0.10m
Sage Group	£ 4.81	£ 96.30m	18.86	3699.99	10.57%	44.44%	£ 9.20m	£ 30.40m
Sanderson	£ 1.45	£ 12.82m	7.55	617.02	26.09%	17.89%	£ 2.72m	£ 2.02m
Sema Group	£ 2.34	£ 212.74m	21.23	735.85	4.00%	7.83%	£ 8.19m	£ 14.54m
Sherwood	£ 2.08	£ 10.90m	10.61	1733.33	7.22%	55.22%	£ 0.75m	£ 3.97m
Star	£ 0.21	£ 1.43m	Loss	175.00	0.00%	-8.70%	£ 0.00m	-£ 0.14m
Total	£ 0.38	£ 3.80m	5.14	716.99	2.70%	11.76%	£ 0.10m	£ 0.40m
Trace	£ 0.32	£ 4.36m	Loss	256.00	3.23%	-11.11%	£ 0.14m	-£ 0.51m
Vistec	£ 0.16	£ 18.16m	16.84	699.26	23.08%	18.52%	£ 3.43m	£ 2.86m

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 largest company has the same effect on the index as a similar change in the share price of the smallest company

## Another year of solid growth at Systems Team

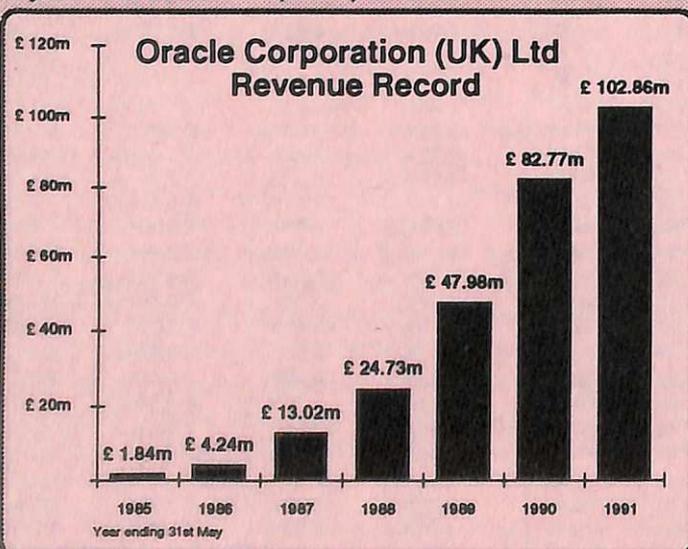
Systems Team Group Ltd is one of the many small UK CSI companies which have continued to make good profits during a period when many of their larger competitors have experienced increasing difficulties. Systems Team supplies UNIX systems, on a variety of platforms including the RS6000, to the health service and large professional and trade associations. They invested heavily, £104K, in R&D in 89 which caused the profits dip, but the last few years have seen consistent growth. In 1991, they increased PBT by 94% to £249K on revenues up 41% at £3.25m.



They are predominately privately owned by the executives, although 3i hold c11%. When we asked Systems Team's FD, Colin Black, for their formula for success he replied "a clear focus on selected markets coupled with rigid control of the financials". Chairman Bob Williams expects a further 30% growth in 92.

## Rewriting history at Oracle UK

We have just received the financial results for Oracle Corporation (UK) Ltd for the year to 31st May 91. In what was a troubled year for Oracle worldwide, revenue was up 24% from a restated £82.8m to £102.9m. This put Oracle (UK), with 1240 UK employees, just outside the Top Ten providers of computing services to the UK market (see *System House CSA Special*).

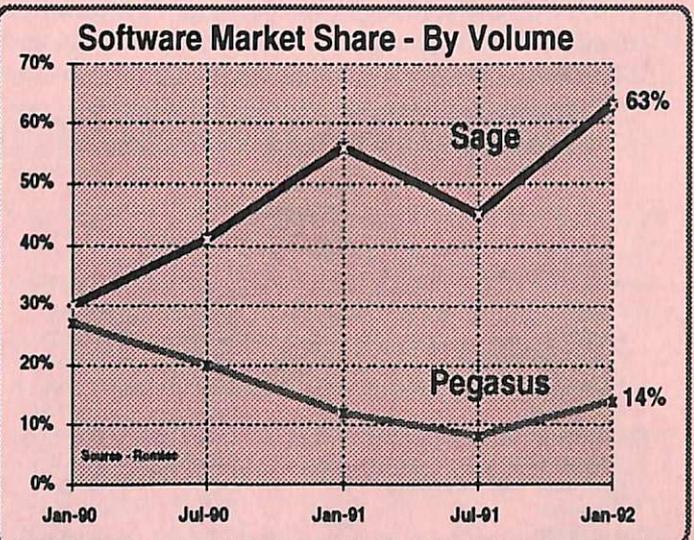


PBT is £2.9m - an increase from a restated £2.7m for 1990. However, Oracle had originally declared PBT of £4.7m for the year to 31st May 90. Interest payable has increased from £2.7m to £3.3m.

## Changes and difficult times at Pegasus

Accounting software developer and supplier, Pegasus, achieved its best performance, PBT of £3.1m, in the year to 31st July 89. Since then it's been a long downwards slump. Latest results for the six months to 31st Jan. 92 show revenues 19% lower at £3.4m, PBT down another 59% at just £320K and EPS 57% lower. Cash balances were, however, unchanged at £2.85m; to be held in waiting for possible acquisitions.

Pegasus has introduced two new product ranges in the period. The budget range is based on the FACTS products acquired in Mar. 91 for an initial consideration of just £200K. A DOS Windows product has been jointly developed with Access Accounting in which Pegasus has a 17.6% stake. Their software product sales were down 18% which Pegasus attributed to a continued decline in the UK accounting software market due to the recession. Researchers, Romtec, have found that the accounting software market was third lower in 1991. But Pegasus fails to mention that it has also lost market share in the period to competitors such as Sage (see page 1). As can be seen from the chart below, Sage has increased its share by volume from 30% to 63% in the last two years while Pegasus, starting at around the same level, has seen its share slump to just 14%.



But Pegasus reports a sustained increase in sales activity since the beginning of 1992, pointing to a better performance in the second half.

Pegasus has finally found its new CEO. Jonathan Hubbard-Ford, who was FD at Butler Cox until it was acquired by CSC in 91, replaces Derek Moon who takes on the non-executive Chairman role. Previous Chairman, John Nash, and director Keith Hall are both leaving the board.

Regular readers will know that Geoff Squire, Chairman Oracle UK, usually heads our Highest Paid Director league tables. This year the HPD at Oracle saw his, one assumes profit related, pay reduce from £484.3K to £318.4K.

This puts Oracle in the #2 slot in the HPD league table. Peter Rigby, Chairman and MD at Specialist Computer Holdings, earned £461.5K; up from £308K in 1990. Roger Foster at ACT earned £275K in 1991. It is heartening to note that many HPD's reduced their remuneration in 1991. We will bring you the full analysis in a few months time.

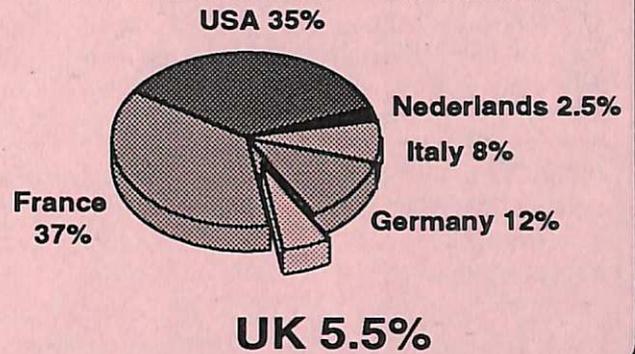


# France dominates European CSI market

The latest analyses, from figures produced by French market researchers **Pierre Audoin Conseil (PAC)**, show that CSI companies currently in French ownership/control dominate the Top Twenty suppliers of software and services to Europe in 1991; with 7 companies and c37% of the revenues. In comparison, the UK was represented by just two companies, **BT Customer Systems** and **Granada Computer Services**. **Logica** has now fallen out of the European Top Twenty. The UK represented just 5.5% of revenues. Note: excludes hardware manufacturer CSI revenues.

German companies strengthened their positions with the entry of **Debis Systemhaus** (the Daimler Benz Group) and the strong growth of **SAP**. 1992 will see **CGS** building on their lead with the acquisitions of **Programator** and **Volmac**. **AT&T Istel** will also grow with **Dataid** and **CAB**. The German position would strengthen still further if Daimler-Benz take control of **CGS** in 1995.

**Ownership of Top Twenty  
CSI Suppliers to the European Market  
By 1991 European Revenue**



The US is also doing well with **EDS** now in the #2 position (up from #5 in 1990). The **SD-Scicon** acquisition was just part of the reason.

Europe Rank	World Rank	Company	1991 European Revenue \$m	1991 Worldwide Revenue \$m	Country	Year ending
1	1	CAP GEMINI SOGETI	\$1660m	\$2043m	FR	31-Dec-91
2		EDS	\$1350m	\$7100m	USA	31-Dec-91
3	2	FINSIEL	\$1030m	\$1030m	I	31-Dec-91
4		ANDERSEN CONSULTING	\$908m	\$2360m	USA	31-Aug-91
5	3	SEMA GROUP	\$728m	\$728m	FR	31-Dec-91
6	4	DEBIS SYSTEMHAUS	\$713m	\$713m	GER	31-Dec-91
7		COMPUTER ASSOCIATES	\$690m	\$1348m	USA	31-Mar-91
8		MICROSOFT	\$688m	\$1800m	USA	30-Jun-91
9	5	THOMSON-BSI	\$585m	\$585m	FR	31-Dec-91
10	6	SLIGOS	\$569m	\$570m	FR	31-Dec-91
11		ORACLE	\$506m	\$1030m	USA	31-May-91
12	7	DATEV	\$446m	\$446m	GER	31-Dec-91
13	8	FTLIS	\$442m	\$442m	FR	31-Dec-91
14		AT&T ISTEEL	\$426m	\$426m	USA	31-Dec-91
	9	SOFTWARE AG	\$276m	\$430m	GER	31-Dec-91
19	10	SAP	\$350m	\$426m	GER	31-Dec-91
15	11	GSI	\$423m	\$423m	FR	31-Dec-91
16	12	AXIME	\$367m	\$367m	FR	30-Jun-91
17	13	BT CUSTOMER SYSTEMS	\$353m	\$353m	UK	31-Mar-91
	14	LOGICA	\$278m	\$352m	UK	30-Jun-91
18	15	GRANADA CS	\$351m	\$351m	UK	31-Aug-91
	16	CGI INFORMATIQUE	not known	\$327m	FR	31-Dec-91
20	17	VOLMAC	\$320m	\$320m	NL	31-Dec-91
	18	CONCEPT	\$313m	\$313m	FR	31-Dec-91
	19	PROGRAMATOR	\$308m	\$308m	SW	31-Dec-91
	20	CISI	\$262m	\$262m	FR	31-Dec-91

Based on information supplied by Pierre Audoin Conseil 1992

PAC concludes "Companies are increasingly looking to acquire an international dimension, and "national flagship" strategies are beginning to lose ground faced with the need for a presence in all major European markets".

For good or bad, it now seems less likely that the UK will have its own "national flagship" in the Top European ranks.

We can only quote **Barney Gibbens**. He ought to know as he was the Chairman of CAP and the **Sema Group**. He wrote to us after the **CSA Conference** saying "Don't be put off by these New-Europeans who say that ownership doesn't matter provided it's European - you and I know that that is rubbish".

## Note - Cap Gemini Sogeti

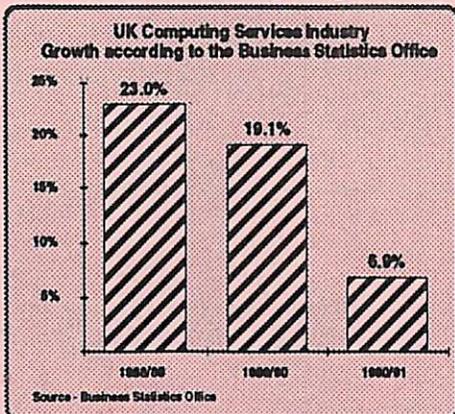
We have already reported the **CGS** 1991 results; showing revenues up 9.3% at FFr 10 billion but net income down 10.1% at FFr 560m. These previously unaudited results were approved at a **CGS** board meeting on 1st April. We had previously been unaware that \$270m revenues from **Gemini Consulting** were excluded from the above. As **Sogeti** (the **CGS** holding company) holds 66% of **Gemini** equity and **CGS** holds the remaining 34%, it seems quite justifiable to amalgamate these figures. Thus the \$2043m quoted in the table above. It also means that **CGS** is now #3 in the 1991 international ranking tables; after **EDS** (\$7.1b) and **Andersen Consulting** (\$2.4b) but ahead of **Microsoft** (\$1.8b).

## Queen's Award for Godel, Escher, Bach

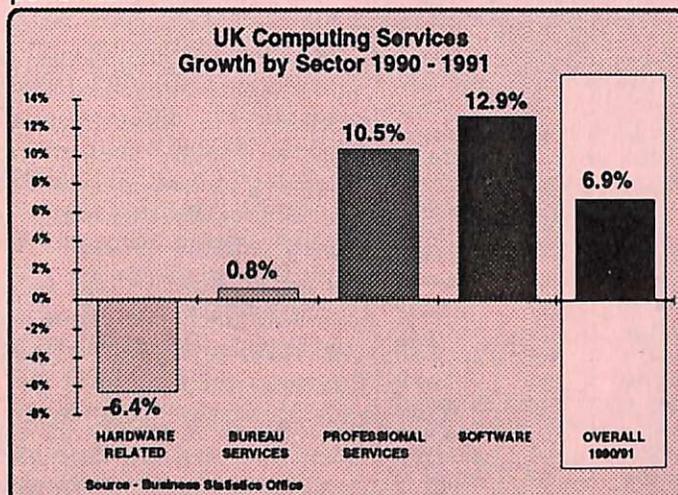
We have always had the greatest respect for **Lawrence Kemmish**, founder of **Godel, Escher, Bach**; not least for naming his company after his three greatest heroes. **GEB** is a 22 person management consultancy with revenues of c£1.6m. We first came across them whilst working for **Apple**. Now **GEB** has won a **Queen's Award for Exports** for their executive information systems software - sales of which have trebled in the last three years. "Even the most computer illiterate board director, by clicking a button and viewing a screen, can see all he or she needs to know about their market in order to make strategic decisions". They describe their system as "user promiscuous". **GEB** sent us their submission for the **Queen's Award** which contains the statements "We were determined, at the outset, to have a truly international company but to keep it wholly British owned and based in Britain" and "We work such extraordinarily long hours to such high standards that our clients refer to us being "at the bleeding edge" of our industry". **Kemmish** is one of the few people that has made us feel guilty for only working 18 hours a day. **Godel, Escher, Bach** deserve their award and we hope they continue to fulfil their ambitions. Other CSI companies so honoured include **Format**, **Data Connection** and **Vector Fields**.

## DTI figures confirm downturn

We understand that the Business Statistics Office of the DTI is to revamp its statistics on the computing services industry yet again. We have been quite impressed with the accuracy of the figures since the last major revamp in 1989, which made it compulsory for all businesses with revenues in excess of £5m to respond.



Latest DTI figures show that CSI revenue growth reduced substantially in 1991. **Hardware related** billings went into reverse. The "winner" yet again was **software**; with **software maintenance** - up 30% - as the overall best performer.



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