

# System House

The monthly review of the financial performance of the UK computing services industry  
Volume 4 Number 2 Available by subscription only ISSN 0967-2583 December 1992

## Single figure CSI growth until 1996

Predicting the future is a risky business as the last few Chancellors of the Exchequer have found to their cost. Accurate predictions, however, are the stuff of business success. We have made ours by analysing, to exhaustion, what has happened in the past, talking to most of the key industry people and then applying a bit of ESP.

Our analysis of the 750 CSI companies in our database shows that UK CSI revenues only increased by 6.1% in 1991. Indeed, if system software and hardware maintenance supplied by hardware manufacturers is included, the growth rate was just 5.1%. Readers will remember that CSI growth was 18% in 1989/90 and 28% in 1988/89. Our analysis of mid year results indicates that revenue growth will slow still further - to 4.7% in 1991/92. Bearing in mind an inflation rate of 3.5%, that's growth of just 1%.

As usual, this average covers a wide range. We reckon that bureau processing and associated network services have continued to decline - by 2.9% in 1991/92. IT training also continued its depressing fall - with billings down nearly 7%. Third party maintenance also declined by 1.3%.

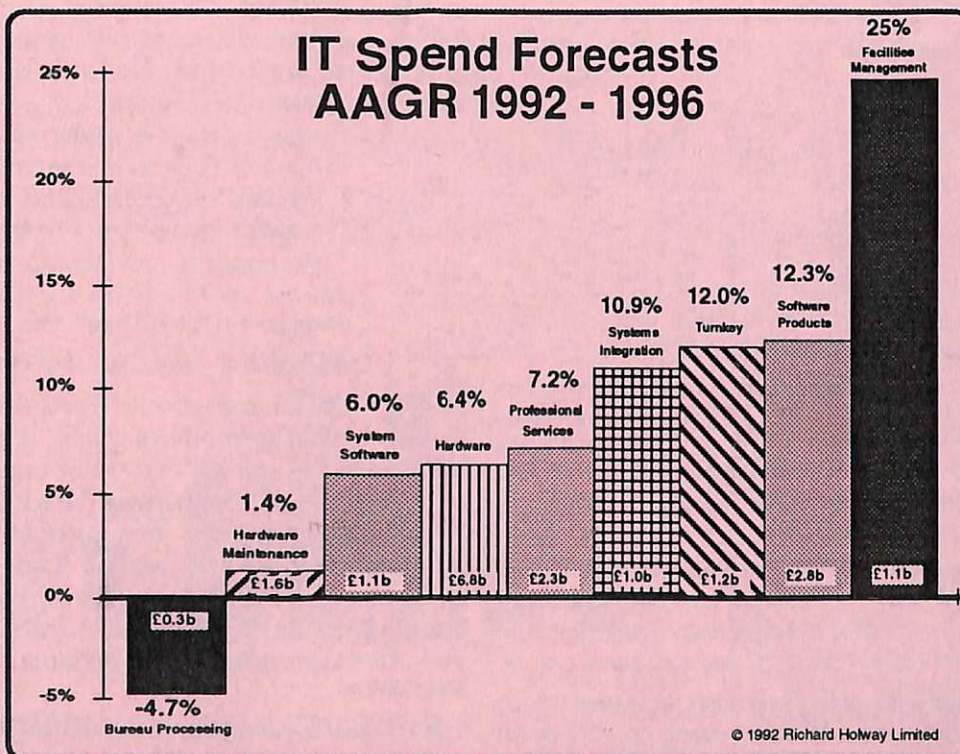
On the other hand the major gainer was our favourite business area - application software maintenance - up 20%; albeit from a small base. For proof of the claim, see MMT's results on page 4. FM, buoyed by increased Government and local government outsourcing, registered the largest growth in the major sectors - up 12.5%.

Indeed, the Government moves to increase the outsourcing of its IT activities is the single most significant reason for FM's lead position in our growth ranking in the period 1992

- 1996. We estimate an AAGR of 25% in the period compared with a total growth for the computing services industry of just 8.8%. That means another four years of growth rates in single percentage figures. At least that's somewhat greater than the growth we forecast in the hardware market - where we reckon UK total revenues declined by 2% in 1991/92.

A detailed analysis of the source of supply for computing services in the UK shows continued change. There is little doubt that the "conventional" CSI companies are suffering at the hands of the "newcomers". We have already reported that IT revenue growth by the members of the Management

Consultancy Association has been over three times that of the industry as a whole. We now forecast that hardware manufacturers will have the fastest growth in the CSI sector in the period to 1996. The amount of effort - and money - they are throwing at the sector is bound to have some effect. Excluding system



software and hardware maintenance, we estimate that hardware manufacturers will grow their CSI revenues by 13.5% compared with a growth of 10.4% for that sector.

**The winners?** Most of the companies we speak to forecast "flat" revenues for 1992. But we reckon that ICL and ACT will top the CSI growth league - for the majors at least. But even they will be put in the shade by Cray Electronics which we reckon now has annualised CSI revenues of around £250m - putting them at the top of the UK-owned CSI companies for 1992.

But that disregards a major acquisition by BT - see page 11.

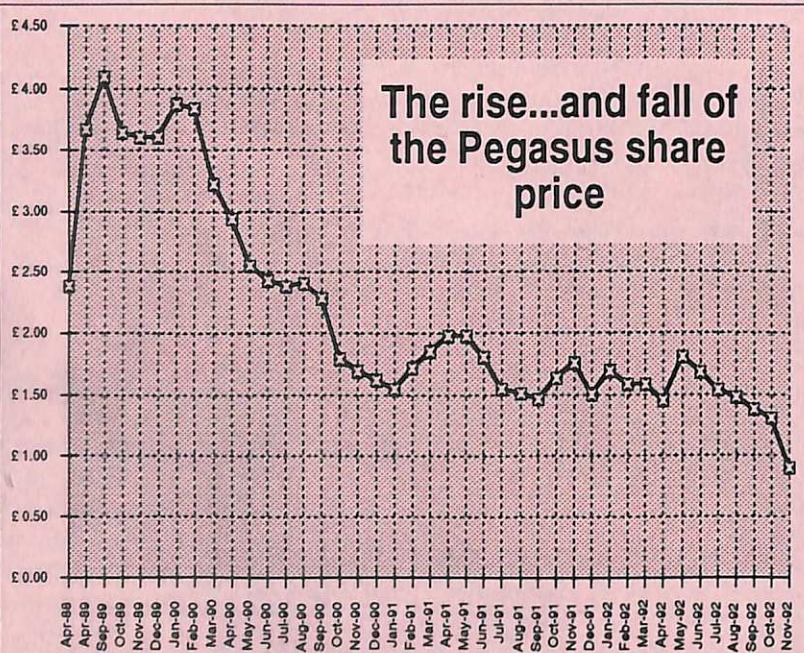


# The rise...and fall...of Pegasus

Pegasus Group plc is one of the UK's leading developers and suppliers of financial accounting software in both the DOS and UNIX markets. They have seen good and bad times. With a new management team in place, we hoped to see the Pegasus soar to new heights from its present low point. Earlier this month we met the new CEO - Jonathan Hubbard-Ford. He told us he "won't beat Pegasus in five years' time". As it turned out he wasn't there in five weeks' time. On 25th Nov. Hubbard-Ford "relinquished his duties....after a clash of management style". The shares crashed by over 25% on the day.

## A brief history

Announcing PBT almost doubled to £2.1m for the year to July 1988 and the appointment of David Fraser (ex Microsoft) and Keith Hall (ex Apple) as non-exec. directors, CEO Derek Moon said Pegasus is now "overqualified at the management level and ready to break out". Source - Computer Weekly 10th Nov. 1988.





This time around, Pegasus claimed to be #1 - with a 39% market share "by volume" - in the "modular accounting software market sold via third party dealers". This market is estimated to be worth £34m and demand in this sector has declined by 25% in the last year. So says the latest Pegasus press release. But this pole position was for one month - June 92. However, in June 92, **Tetra** (Pegasus' main rival in this market) achieved a 33% share by value (against Pegasus' 27% share).

In the last year Pegasus has entered the packaged financial accounting market. According to Romtec "Pegasus had achieved a 10% market share by July 1992". This marketplace is dominated by **Sage** with an 80%+ share.

### Pegasus - strengths

Pegasus certainly has some key strengths which can be further exploited in the future. In particular:

- by whatever research you wish to choose, Pegasus is one of the top five leaders in the PC and/or UNIX financial accounting marketplace.
- it has an established base of 600 dealers/VARs and an installed base of 60,000 sites.
- it still has a majority stake in one of the largest forms businesses in the UK. The sale of a 25% stake to US Deluxe looks well timed as the forms business seems to have peaked and there are some powerful new competitors on the scene. Because of this "an exceptional gain of £1.25m will be recorded this year so the overall outturn for Pegasus will show a pre-tax profit". The deal really does appear to be attractive. If Deluxe exercise their option for the remaining 75% of Stockform's equity, this will raise a minimum of a further £3.1m (or an 11 P/E if higher) before Dec. 1994. It is worthwhile putting that in context with

Pegasus' current capitalisation of just £5.7m. In addition, 12.5% commission will be paid on sales to existing customers in the following five years - which could bring in a further £2m.

- at the end of Nov. 92 it still had £2.5m cash.

### Pegasus - weaknesses

But Pegasus clearly has some weaknesses, on top of its poor financial and stock market performance of late.

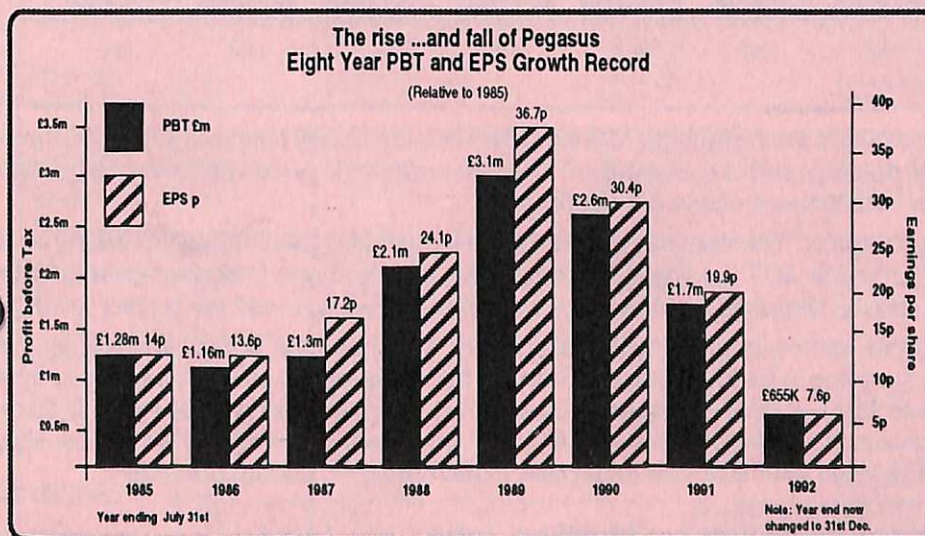
- it has failed to concentrate - and capitalise on - its core products. Clearly, the move out of the forms business is part of the strategy to correct this.
- Hubbard-Ford admitted that Pegasus Nine was a "turkey" - costing over £2m but even now installed in only 100 sites. The new deal with Pegasus founder Johnnie Johnson, is part of the strategy to address the new product deficiency.
- he said that Pegasus has "not worked closely enough with its dealers to maximise opportunities to work with the client base". They are now working closely with dealers to maximise the takeup of the new VAT module for release in Dec. 92 and the new PAYE module in April 93. Unlike Sage, which makes over 40% of its revenues from support, Pegasus hands this high quality recurring revenue to its dealers. It therefore either has to sell direct - which is difficult without upsetting its existing dealers - or it needs to work with its partners to maximise "upgrade" revenue.
- its cost base was out of line with the "new reality" of the market. Pegasus had already stripped £400K out of its wages bill and closed its Maidenhead offices. With Hubbard-Ford stepping down, further short term cost cuts were announced.

- it put too little attention on sales & marketing and too much on R&D. Readers will note that Sage spends 4% on R&D but 12% on marketing. Pegasus seems to want to copy that profile.

- it put emphasis on European expansion - which never happened. These ambitions have now been shelved.

### The outlook

Pegasus shares have fallen 31% to 90p this month. They now have a capitalisation of just £5.7m but £2.5m cash. But Pegasus really does have a lot of strengths - which we now feel could be best exploited as part of a larger group. We suspect the shareholders could well achieve an exit in the near future - but not exactly at the price they might have hoped.



### Computing services profits decline for CE Heath

Insurance broker, **CE Heath plc**, makes nearly 30% of its turnover from computing services. **Peterborough Software** saw profits fall from £2.1m to £1.7m in the six months to 30th Sept. 92 having felt "recessionary pressure with new contracts taking noticeably longer to conclude". But profits at **Datasure** have been eliminated as it has "suffered from the difficult market conditions being experienced by its clients in the London insurance market".

Overall CE Heath saw profits decline from £12.3m to £8.9m.

### ERM hits Kalamazoo

In the six months to 30th Sept. 92, Kalamazoo slumped from PBT of £1.5m to a loss of £86K on largely static revenues of £27.6m. Two thirds of revenues (£18.3m) came from computing services where new business sales were "severely and suddenly curtailed in Sept. as customers curtailed investment decisions in response to the uncertainties caused by sterling's withdrawal from the ERM". CSI activities still managed a profit before interest of £1.78m down only marginally from £1.97m in 1991.

Kalamazoo expects to be in profit for the year but said "forecasting is extremely difficult".

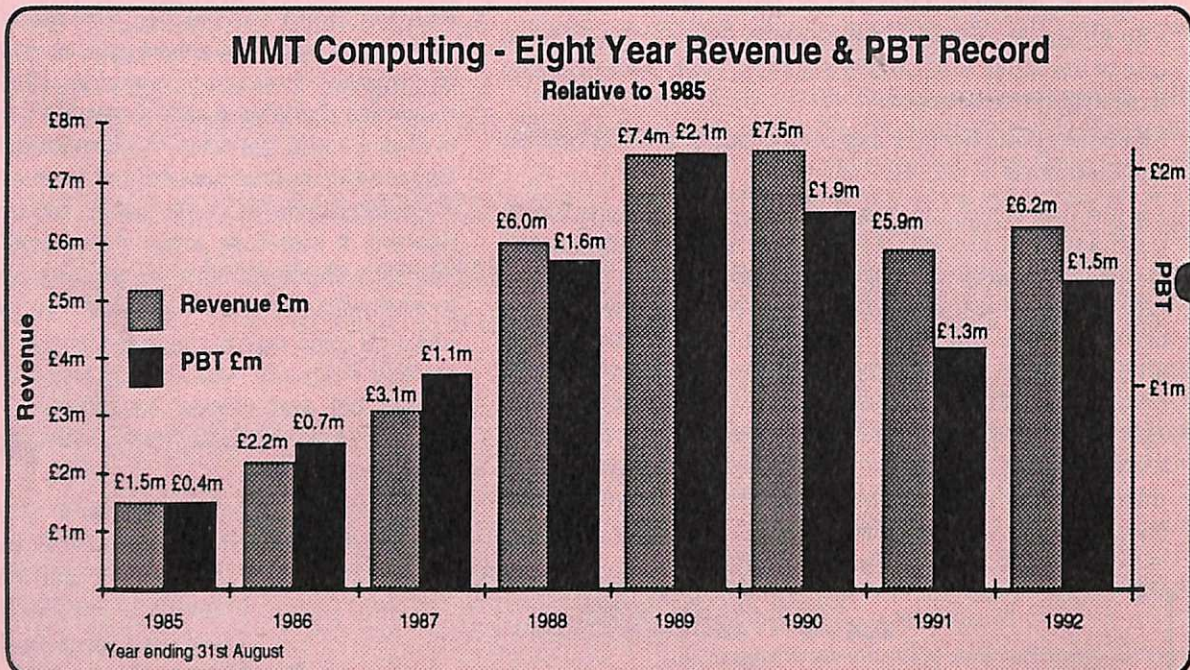


## "Most creditable performance" says Mike Tilbrook of MMT Computing

We have long been a fan of MMT Computing. We think part of that is due to our admiration for any one who has the guts to put out a press statement saying *"The marketplace is difficult at present and utilisation of fee earning staff is currently 95% as opposed to almost 100% in earlier years"*. Chairman's statement May 1990. The other reason for our admiration is that MMT was one of the first CSI companies to recognise the potential of application software maintenance - now one of the fastest growth areas in the sector.

Latest full year results to 31st Aug. 92 show PBT up 19% at £1.5m on revenues up a more modest 5% at £6.22m. EPS increased 16%. MMT finished the year with cash of £4m. Chairman Mike Tilbrook said that, in a year when *"trading conditions in the software house industry were the toughest that most of us could recall"*, performance had been *"most creditable"*. He particularly noted that *"our software facilities management services have continued to prove popular with, and offer value to, our established client base"*. This has now grown to represent around 20% of MMT revenues. The customers for these application software maintenance activities include Marks and Spencer, BP and Rail Freight. Tilbrook now intends to target this service at the Central Government sector. *"A good number of long term clients have awarded us repeat business for our conventional time and materials consultancy services, the mainstay of our business"*.

But it was not all good news. The MMT Computing (Training) Ltd. subsidiary had been trying for years to make profits. But in an IT training market that we estimate has declined by over 6% for the second year in a row, this had proved impossible. The subsidiary has now been integrated



back into the main business with an associated saving in costs. The same fate had previously befallen the RTL Software Services Ltd. subsidiary. MMT has still not disposed of the leases on their two unwanted London premises - a problem which seems to be facing many other companies in these difficult times.

Tilbrook is also a bit of stock exchange dabbler. You may remember that he bought into Quotient before selling on to ACT at 80p. He made a good profit, although ACT did finally bid 200p. Last year he turned his attentions to Total Systems where he now has a 6.5% stake - *"acquired at an average price per share under half the current level"*.

Tilbrook is obviously a subscriber to what we now refer to as the "new reality" - i.e. don't talk about what will happen when the recession ends, this is how it's going to be for a long time into the future so ensure you can make money at today's trading levels. Tilbrook believes MMT is *"well equipped to do just that... We have our cost base firmly under control, a loyal and competent workforce and a stable yet growing client list"*. MMT may be small but, in our view, they are currently showing companies many times their size how to survive, indeed prosper, during a recession.

### You can't please all of the people all of the time

*"We were never really interested in interest rates until we started borrowing"*. Overheard at CBI Annual Conference.  
*"The reduction in interest rates will cost us £100K in lost interest earned this year"*. Mike Tilbrook of MMT.

### Losses reduced at SHL Systemhouse

Canadian SHL Systemhouse is *"one of the largest systems integration and outsourcing organisations in the world"*, and are particularly strong in systems for postal operators. SHL increased revenues by 7% to \$739m in the year to 31st Aug. 92. Net losses were down from \$19.9m to \$9.5m. *"Recessionary conditions in the UK"* in Q4 were specifically mentioned.

**Goodbye John...** John Leighfield is to step down as CEO of AT&T Istel. He is replaced by Peter Teague (38), currently director of finance and corporate services. Leighfield, 55 years old, will continue in a non-exec. capacity but this will leave more time *"for his hobby of cartography and his role as a professor at Warwick University"*. Leighfield was the founder of Istel in 1979 - back in the British Leyland days. He masterminded the £35m MBO in 1987 and the subsequent highly successful sale to AT&T for £184m in 1989. In so doing he became a multi millionaire and many other staff made varying-sized "fortunes".

**Goodbye Geoff...** First we lose Ken Olsen, now Geoff Shingles, the Chairman/CEO of DEC UK, is to step down.



# Richard Holway Results Service

<b>ACT Group plc</b>	Results Revenue PBT EPS	Interim - Sep 91 £ 52,588,000 £ 7,648,000 5.13p	Final - Mar 92 £ 119,447,000 £ 17,020,000 10.83p	Interim - Sep 92 £ 72,120,000 £ 9,543,000 5.34p	Interim Comparison +37.1% +24.8% +4.1%
<b>Admiral plc</b>	Results Revenue PBT EPS	Interim - June 91 £ 11,686,000 £ 1,667,000 10.3p	Final - Dec 91 £ 26,104,000 £ 3,472,000 21.9p	Interim - Jun 92 £ 13,656,000 £ 1,960,000 11.6p	Interim Comparison +16.9% +17.6% +12.6%
<b>Capita Group plc</b>	Results Revenue PBT EPS	Interim - Jun 91 £ 11,104,000 £ 1,382,000 7.1p	Final - December 91 £ 24,711,830 £ 3,448,487 15.71p	Interim - Jun 92 £ 13,732,000 £ 1,769,000 7.6p	Interim Comparison +23.7% +28.0% +7.0%
<b>Computer People Group plc</b>	Results Revenue PBT EPS	Interim - Jun 91 £ 34,834,000 £ 669,000 3.53p	Final - Dec 91 £ 67,660,000 £ 1,006,000 5.48p	Interim - Jun 92 £ 29,895,000 (£ 135,000) (0.73p)	Interim Comparison -14.2% Profit to Loss Profit to Loss
<b>Cray Electronics Holding plc</b>	Results Revenue PBT EPS	Final - Apr 91 £ 107,286,000 £ 3,509,000 2.5p		Final - Apr 92 £ 84,786,000 £ 4,787,000 3.2p	Final Comparison -21.0% +36.4% +28.0%
<b>EIT Group plc</b>	Results Revenue PBT EPS	Final - Mar 91 £ 485,052 (£ 246,437) (4.15p)		Final - Mar 92 £ 7,028,738 (£ 190,510) (1.3p)	Final Comparison +1349% Loss both Loss both
<b>Electronic Data Processing plc</b>	Results Revenue PBT EPS	Interim - Mar 91 £ 8,654,000 £ 1,865,000 14.69p	Final - Sep 91 £ 17,420,000 £ 4,083,000 32.83p	Interim - Mar 92 £ 7,468,000 £ 2,407,000 18.83p	Interim Comparison -13.7% +29.1% +28.2%
<b>Enterprise Computer Holdings plc</b>	Results Revenue PBT EPS	Final (restated) - Dec 90 £ 183,149,000 £ 7,532,000 7.4p		Final -15 mos to Mar 92 £ 157,857,000 (£ 8,330,000) (9.8p)	Final Comparison not comparable Profit to Loss Profit to Loss
<b>Gresham Telecomputing plc</b>	Results Revenue PBT EPS	Interim - Mar 91 £ 732,000 (£ 79,000) (1.26p)	Final - Oct 91 £ 6,296,000 £ 355,000 1.0p	Interim - Apr 92 £ 3,954,000 £ 284,000 0.57p	Interim Comparison +440.2% Loss to Profit Loss to Profit
<b>Hoskyns Group plc</b>	Results Revenue PBT EPS	Interim - Apr 91 £ 102,800,000 £ 8,600,000 6.4p	Final - Oct 91 £ 200,663,000 £ 14,299,000 10.5p	Interim - Apr 92 £ 95,700,000 £ 5,600,000 3.9p	Interim Comparison -6.9% -34.9% -39.1%
<b>INSTEM plc</b>	Results Revenue PBT EPS	Interim - Jun 91 £ 7,870,000 £ 507,000 7.21p	Final - Dec 91 £ 15,810,000 £ 1,010,000 15.2p	Interim - Jun 92 £ 7,062,000 £ 551,000 7.96p	Interim Comparison -10.3% +8.7% +10.4%
<b>Kalamazoo Computer Group plc</b>	Results Revenue PBT EPS	Interim - Sep 91 £ 26,500,000 £ 1,500,000 2.7p	Final - 8 mos - Mar 92 £ 38,300,000 £ 600,000 Nil	Interim - Sep 92 £ 27,600,000 (£ 86,000) Loss	Interim Comparison +4.1% Profit to Loss Profit to Loss
<b>Kewill Systems plc</b>	Results Revenue PBT EPS	Interim - Sep 91 £ 21,459,000 £ 1,685,000 13.56p	Final - Mar 92 £ 41,824,000 £ 2,421,000 19.91p	Interim - Sep 92 £ 15,418,000 (£ 172,000) (3.58p)	Interim Comparison -28.2% Profit to Loss Profit to Loss
<b>Learmonth &amp; Burchett Management Systems plc</b>	Results Revenue PBT EPS	Final - Apr 91 £ 19,485,000 (£ 1,701,000) (10.5p)		Final - Apr 92 £ 21,404,000 £ 303,000 0.7p	Final Comparison +9.8% Loss to Profit Loss to Profit
<b>Logica plc</b>	Results Revenue PBT EPS	Final - Jun 91 £ 197,758,000 £ 3,676,000 (1.6p)		Final - Jun 92 £ 200,383,000 £ 7,062,000 7.0p	Final Comparison +1.3% +92.1% Loss to Profit
<b>Macro 4 plc</b>	Results Revenue PBT EPS	Final - Jun 91 £ 18,028,000 £ 7,647,000 23.0p		Final - Jun 92 £ 19,016,000 £ 8,750,000 26.5p	Final Comparison +5.5% +14.4% +15.2%
<b>Micro Focus plc</b>	Results Revenue PBT EPS	Interim - Jul 91 £ 25,387,000 £ 8,961,000 43.1p	Final - Jan 92 £ 55,869,000 £ 18,146,000 83.1p	Interim - Jul 92 £ 30,053,000 £ 9,420,000 45.9p	Interim Comparison +18.4% +5.1% +6.5%
<b>Microgen Holdings plc</b>	Results Revenue PBT EPS	Interim - Apr 91 £ 24,604,000 £ 4,328,000 7.2p	Final - Oct 91 £ 47,735,000 £ 7,283,000 12.2p	Interim - Apr 92 £ 24,974,000 £ 4,368,000 7.2p	Interim Comparison +1.5% +0.9% Same
<b>Microvitec plc</b>	Results Revenue PBT EPS	Interim - Jun 91 £ 12,484,000 (£ 2,212,000) (4.8p)	Final - Dec 91 £ 36,873,000 (£ 3,847,000) (5.3p)	Interim - Jun 92 £ 25,533,000 £ 62,000 0.1p	Interim Comparison +104.5% Loss to Profit Loss to Profit



# Richard Holway Results Service

Misys plc	Results Revenue PBT EPS	Final - May 91 £ 67,253,000 £ 5,626,000 11.5p	Final - May 92 £ 68,023,000 £ 9,118,000 17.8p	Final Comparison +1.1% +62.1% +54.8%	
MMT Computing plc	Results Revenue PBT EPS	Final - Aug 91 £ 5,920,484 £ 1,256,967 6.8p	Final - Aug 92 £ 6,220,000 £ 1,500,000 7.9p	Final Comparison +5.1% +19.0% +16.2%	
NMW Computers plc	Results Revenue PBT EPS	Interim - Jun 91 £ 4,977,000 £ 278,000 0.9p	Final - Dec 91 £ 10,588,000 (£ 207,000) (0.9p)	Interim - Jun 92 £ 4,872,000 (£ 1,233,000) (5.7p)	Interim Comparison -2.1% Profit to Loss Profit to Loss
P & P plc	Results Revenue PBT EPS	Interim - May 91 £ 120,700,000 £ 3,300,000 3.9p	Final - Nov 91 £ 228,324,000 £ 711,000 0.9p	Interim - May 92 £ 119,300,000 £ 1,000,000 1.0p	Interim Comparison -1.2% -69.7% -74.4%
P-E International plc	Results Revenue PBT EPS	Interim - Jun 91 £ 33,565,000 £ 1,833,000 6.7p	Final - Dec 91 £ 68,750,000 £ 1,622,000 4.9p	Interim - Jun 92 £ 35,508,000 £ 514,000 1.5p	Interim Comparison +5.8% -72.0% -77.6%
Pegasus Group plc	Results Revenue PBT EPS	Final - Jul 91 £ 8,493,000 £ 1,669,000 19.9p	Interim - Jan 92 £ 3,367,000 £ 320,000 3.8p	2nd Interim - Jul 92 £ 7,560,000 £ 655,000 7.6p	12 month Comparison -11.0% -60.7% -61.8%
Proteus International plc	Results Revenue PBT EPS	Final - Mar 91 £ 7,000 (£ 1,502,000) (7.01p)	Final - Mar 92 £ 3,000 (£ 2,410,000) (11.05p)	Final Comparison -57.1% Loss both Loss both	
Radius plc	Results Revenue PBT EPS	Interim - May 91 £ 14,708,000 £ 801,000 1.7p	Final - Nov 91 £ 28,115,000 £ 366,000 0.8p	Interim - May 92 £ 11,988,000 £ 525,000 1.0p	Interim Comparison -18.5% -34.5% -41.2%
Real Time Control plc	Results Revenue PBT EPS	Final - Mar 91 £ 7,571,000 £ 1,199,000 10.9p	Final - Mar 92 £ 6,835,000 £ 1,192,000 11.1p	Final Comparison -9.7% -0.6% +1.8%	
Rolfe & Nolan Computer Services plc	Results Revenue PBT EPS	Final - Feb 91 £ 6,298,000 £ 1,446,000 17.7p	Final - Feb 92 £ 6,737,000 £ 1,390,000 15.9p	Final Comparison +7.0% -3.9% -10.2%	
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 91 £ 7,821,000 £ 3,024,000 11.61p	Final - Sep 91 £ 20,002,000 £ 6,638,000 25.5p	Interim - Mar 92 £ 14,489,000 £ 4,340,000 14.53p	Interim Comparison +85.3% +43.5% +25.2%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 91 £ 10,606,000 £ 1,501,000 11.0p	Final - Sep 91 £ 20,503,000 £ 2,403,000 19.2p	Interim - Mar 92 £ 10,610,000 £ 1,801,000 16.0p	Interim Comparison +0.0% +20.0% +45.5%
Sema Group plc	Results Revenue PBT EPS	Interim -Jun 91 £ 200,869,000 £ 6,566,000 4.7p	Final - Dec 91 £ 412,501,000 £ 14,015,000 11.02p	Interim - Jun 92 £ 195,393,000 £ 7,729,000 5.3p	Interim Comparison -2.7% +17.7% +12.8%
Sherwood Computer Services plc	Results Revenue PBT EPS	Interim - Jun 91 £ 12,139,000 £ 575,000 6.6p	Final - Dec 91 £ 22,321,000 £ 2,446,000 19.6p	Interim - Jun 92 £ 10,710,000 £ 1,748,000 16.7p	Interim Comparison -11.8% +204.0% +153.0%
Star Computer Group plc	Results Revenue PBT EPS	Final - Jun 91 £ 13,718,000 (£ 886,000) (12.6p)	Final - Jun 92 £ 7,333,000 £ 119,000 1.9p	Final Comparison - 46.6% Loss to Profit Loss to Profit	
Total Systems plc	Results Revenue PBT EPS	Final - Mar 91 £ 2,041,384 £ 102,768 0.74p	Final - Mar 92 £ 2,796,777 £ 756,880 5.11p	Final Comparison +37.0% +636.5% +590.5%	
Trace Computers plc	Results Revenue PBT EPS	Final - May 91 £ 19,698,904 (£ 471,377) (1.98p)	Final - May 92 £ 19,312,000 £ 502,000 2.94p	Final Comparison -2.1% Loss to Profit Loss to Profit	
Vega Group plc	Results Revenue PBT EPS	Final - Apl 91 £ 4,984,000 £ 1,243,000 6.19p	Final - Apl 92 £ 6,269,000 £ 1,433,000 7.23p	Final Comparison +25.8% +15.3% +16.8%	
Vistec Group plc	Results Revenue PBT EPS	Final - Apr 91 £ 31,005,000 £ 1,763,000 0.95p	Final - Apr 92 £ 32,287,000 £ 2,714,000 1.52p	Final Comparison +4.1% +53.9% +60.0%	



## Acquisitions, disposals and liquidations

### Cray sells bits of Dowty IT

In July 92, **Cray Electronics** acquired **Dowty IT** for a total consideration of £50m to form a new group with annualised revenues of around £270m - £180m from communications, £40m from systems and £50m from telephone systems. This month Cray has disposed of some of the non-core parts to their management. **Dowty Information Systems**, which made PBT of £0.5m in the year to 31st Mar. 92, and **RFL Electronics Inc**, which made PBT of \$1.7m, for a total consideration of £10.5m. The main activities of the companies are total systems solutions and consultancy, industrial communications and instrumentation systems and they had combined revenues of around £20m.

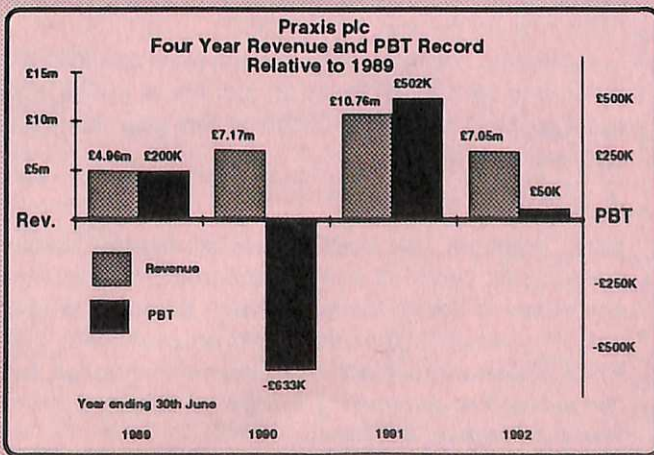
This will reduce Cray's borrowings by around £8.5m - indeed the transaction has allowed Cray to eliminate borrowings used in the financing of the Dowty IT acquisition. No dilution of future earnings were anticipated. MD Jon Richards said that he was still holding some Dowty businesses which he regarded as non-core. These too would eventually be sold but he was in no hurry and was not actively seeking a buyer.

### Touche Ross buys Praxis for £6.5m

Bath based **Praxis plc**, where CSA President elect David Bean is the MD, has been acquired by accountants/management consultants **Touche Ross** for £6.5m cash met from internal resources of the partnership. TR had UK fees of £350m in the year to 15th Apr. 92.

Praxis is one of the leaders in software engineering where many hardware manufacturers are clients. But, as the chart below shows, its financial record had been bumpy, to the say the least. Latest figures released to us by Praxis show that, although operating profits increased from £447K to £1m in 1992, PBT slumped from £502K to just £50K; due almost entirely to c£900K losses on long term fixed price projects. Cash of £176K at the previous year end had been exhausted - it would have been even worse without an extraordinary (cash) profit of £384K on the (very rare these days) sale of a property lease.

Bean assured us that the retention and motivation of the Praxis management team had been one of Touche Ross' top priorities. TR has already had considerable success in its acquisitions outside of the IT arena. We are lead to believe that the Praxis purchase may be the first in the CSI arena - but is unlikely to be the last.



### A very bad month for company failures

**Business Automation** and its sister company, **Matrix Maintenance**, have appointed the receivers. Preston based dealer, **Redthorn (ACS)** has ceased trading. **International Software Management**, which distributes IBM mainframe system software products such as AM:PM, has appointed the receivers. Receivers have also been appointed at Hampshire-based **MVS Systems International** which develops IBM mainframe software.

### Job losses in France

**IBM France** is looking for voluntary staff reductions of 1500 in what it described as a "human resources adaptation plan". After the 150 jobs losses in Hoskyns, **CGS France** this month cut 10% or 600 from the workforce. "This decision is painful but urgent" said the CGS SA personnel director. But the wider group continues to expand. This month the management consulting arm, **Gemini Consulting**, has acquired a controlling interest in one of Germany's largest consultancies - **Gruber Titze & Partners**. The group has 295 consultants and revenues of \$95m.

### Abtex takes another bite of the Apple

Scottish PC dealer **Abtex**, where ex-BOC Datasolve Brian Mills is chairman, really is going places. In Aug. this year he bought a small Scottish Apple dealer - **Calibre**. This month he has acquired **Bain Business Solutions** which operates AppleCentres in Glasgow and Aberdeen. In the year to 31st Dec. 91, Abtex made PBT of £811K on revenues of £13.8m. Mills now forecasts £25m for this year and makes claim to the title of Scotland's largest dealer.

### Where there's a will...

Readers will remember that **IBM** cancelled **Technology plc's** distributorship agreement when they were acquired by **ICL** in July for £30m up front and a performance related portion linked to revenue growth. Derek Lewis claimed that he hadn't lost an IBM customer since. This month he signed with Bull (which is part owned by IBM) for their "own label" RS/6000 machines. "There is no need at all now to source from IBM. We have better commercial terms with Bull on a product that is enhanced". He also announced that he had beaten IBM in a major bid to supply Westland Helicopters with UNIX boxes running AIX..by supplying Bull RS/6000s instead.

You may remember that DEC also cut off supplies. This month Technology signed with DEC reseller Hawke to supply ....VAXes and DECsystems  
We suspect Lewis might well be chuckling...ho, ho, ho.

### At last...EDP manages to spend some money

**Electronic Data Processing (EDP)** ended its year with £8m cash in the bank. It tried to buy **Applied Computer Systems** in April but pulled the deal due to "misrepresentation of the group's assets". This month EDP has paid a total consideration of \$1.2m for two US UNIX database companies - **Via Systems Inc** and **Open Inc**. Via lost \$11K last year on revenues of \$1.48m. Open lost \$52K on minimal sales of \$154K.

EDP has based its success on PICK-based systems. These two acquisitions will augment its moves into the UNIX world.



## **If you can't sell your hardware you can always form a consultancy**

In a month when KPMG Management Consulting made 28 of its professional staff redundant - the cuts coming mainly in systems development and financial management - IBM and DEC have launched their own management consultancy practices. IBM Consulting employs 1500 worldwide - 200 in the UK. Existing IBM staff have been renamed as consultants. The new GM - Bob Howe from Booz Allen - thinks that objectivity is not a problem. *"None of us has any hardware quotas or hardware involvement".* We are sure that has put everyone's mind at rest.

DEC's new Management Counsel has been setup with staff largely recruited from outside DEC - some 40 in the UK. The UK is being viewed as a pilot - where this month an expensive newspaper campaign launched the new consultancy service. The problem is that we have yet to find anyone that can explain what the ads mean *"taking an holistic approach to solving problems in the office"*. DEC, like IBM, sees services as key for future survival and, hopefully, success. Indeed services are expected to represent over 50% of DEC's revenues in the current year.

You can understand why the hardware manufacturers want to move into services but few give them much chance of success. ICL is the only one to succeed so far. Indeed, we understood that Nick Temple thinks of ICL as his role model for IBM (UK). But ICL has made it by acquiring the "people based" service ethos needed - rather than believing you can grow it organically within a company steeped on the methodology of hardware product sales.

When we asked Vernon Ellis, head of Andersen Consulting in Europe, for his views on IBM and DEC's moves into IT consultancy, his answers were such that he requested us not to print them. He did say on the record *"I can assure you that I don't lie in bed worrying about IBM and DEC as competitors"*.

### **The others...**

As we reported last month, Sign Express, which traded as Apple Centre Basingstoke, had called in the administrators. This month Michael Business Systems has acquired some of the staff and Apple have given them a dealership. Saatchi & Saatchi has sold the recruitment consultancy MSL Group, *"currently trading at a loss in difficult market conditions"*, to its MD for £10,000. UK Domino Printing Sciences plc is buying its US factory for \$5.1m. Hampshire based display terminal specialist, Lynwood Scientific, has agreed to be acquired for \$7m by North Atlantic Industries Inc. Kalamazoo has added £2.5m hardware maintenance revenues by acquiring European System Support. Danny Chapchal, who heads UK SQL Systems International, has, with the help of Euroventures Benelux and South Yorkshire Pension Authority, acquired Atex from Kodak. Atex supplies electronic pre-print systems for some 900 newspaper users. LOLA, which undertakes FM for the London boroughs of Hackney, Haringey, Hillingdon and Tower Hamlets, is up for sale. Capita and ICL (via CFM) have been short-listed. The Hungarian International Bank has bought two of SUS Holdings' subsidiaries from the receiver.

Alphameric, where Alan Benjamin is Chairman, has cut interim losses to just £252K from £1.53m last year. Shares are now trading at 19p - up from a 1992 low of 7p.

## **ACT shows first signs of indigestion**

ACT Group announced revenues up 37% at £72.1m, PBT up 25% at £9.54m (when PBT had been boosted by a £1m profit from the sale of SD-Scicon shares) but EPS up just 4% in the six months to 30th Sept. 92. The results came at the lower end of analyst's expectations as ACT's shares fell from 156p to a low of 130p in the month.

The best performer was Kindle, producing PBT of £6.5m. Kindle was acquired in Nov. 91 for an initial £34.2m. The excellent performance will trigger a further payment of £5.5m. Roger Foster told the FT that *"the earnout payment means Kindle was acquired for a P/E of about 6.2 and is the most outstanding acquisition we have done"*. ACT now makes over 75% of its profits from the financial services and healthcare markets - up from under 30% three years ago.

ACT Medisys, the healthcare division, acquired Medical Computer Services for £5m in May 92, but lost £150K in the period. In addition, Logsys lost £800K. Logsys is being transformed from a low margin supplier of hardware to Government into a fully fledged systems integrator. Both divisions are now understood to be in profit. ACT Cablestream managed to breakeven. But ACT Computer Support *"the UK's second largest TPM"* produced both strong profit and good cash generation *"in a difficult market"*.

Before the interim announcement, full year forecasts (to Mar 93) had suggested PBT of around £23m with a 16% EPS increase. We feel sure that would have made ACT the most profitable UK quoted CSI company. Analyst's are busy revising the forecast downwards.

### **ACT and NMW**

Last month ACT bid £3.8m or 18p a share for NMW. We expected to be out of the constraints of Rule 20.1 of the Takeover Code by 18th Nov. However, although we understand over 85% acceptances had been achieved by that date, the OFT decided to investigate as the combined group would have over 25% of the stock processing market. The OFT gave their go ahead as we went to press on 27th Nov. 92 so the offer can now go through.

### **Static profits at Datapro**

Readers will remember from previous features that Datapro, run by Martin Baldwin, has built its business by acquiring third party hardware maintenance bases from the receiver. In 1991 alone, there were six purchases including Practica, Pennine, Interfix, Apple base of CSS, SMM and BATS. 3i has a 20% stake, acquired for £500K, and Baldwin and his partner Graham Nicholson have 33% each.

In the year to 30th June 92, although revenues increased by 30% to £6.8m, PBT was up just 4% at £625K. Cash reduced from £244K to £73K at the year end. £82K dividends were paid.

### **A glimmer of hope?**

MSL, amongst the most respected human resource consultants, reported an 11% increase in computer jobs advertised in Q3 92 (compared with the same period in 91). This was about the only bright spot as the MSL Index, which covers recruitment in all industry categories, fell to *"an all-time low...suggesting no improvement in confidence levels throughout UK boardrooms"*.



## CSI Index continues steady gain

The CSI Index continued its steady gain - up 2.8% this month - making a remarkable 43% gain this year, compared with a 10% increase for the FTSE 100. **Radius** was the best performer - up 26% on expectations of results for the full year ended Nov 92. However, that gain only puts them back to where they started in 1992. **Total** has put on another 25% this month - that's 62% this year - much to the delight of Mike Tilbrook and **MMT** which has a 6.5% stake (see p4). **Misys** put on 15% making a gain of 55% this year. Many shareholders had set 300p as their "sell trigger price", but this month the shares managed to burst through to end at 314p. **Real Time Control** put on 14% in anticipation of results due in Dec. **Sema** was up 12%, increasing their capitalisation by £33m to £309m as France Telecom confirmed its stake.

At the other end of the scale **Pegasus** lost 31% as a profits warning was issued and the CEO stepped down (see p 2/3). **P&P** continued its one way slump - down 50% this year. Founder Pete Fisher is now back lending a hand. **EIT** lost 13%, much to the chagrin of those fool enough to take up the recent rights issue at 17p. **Kalamazoo** fell 13% as an interim loss was announced (see p3). **ACT** had fallen from 156p to 130p on disappointing interim results showing a mere 4% EPS growth (see p 8). However, Henderson Crosthwaite were reported as buyers at the end of Nov. and a rise to 140p followed.

## Kewill reports loss

As we went to press on 27th Nov. **Kewill** reported a loss of £172K (PBT £1.7m last time) on revenue down 28% at £15.4m for the six months to 30th Sept. 92. The UK "has continued to perform well" but it is the German acquisitions which has put Kewill's past exemplary performance into reverse. **Han Dataport** "has been brought to breakeven" but losses at **Weigang** (£1.3m) were "heavier than expected". Full review next month.

## Computing Services Index

26th November 1992

April 15th 1989 = 1000

2741.80

Changes in Indices	CSI Index	FTSE 100
Month 29th October 92 to 26th November 92	+2.78%	+3.77%
43 months 15 April 89 to 26th November 92	+49.56%	+33.51%
1st January 91 to 26th November 92	+111.28%	+26.91%
1st January 92 to 26th November 92	+43.14%	+9.98%

## System House CSI Share Prices and Capitalisation

	Share Price 26/11/1992 (£p)	Capitalisation 26/11/1992 (£m)	Historic P/E	CSI Index 26/11/92	Share price % move since 29/10/92	Share price % move this year	Capitalisation move (£m) since 29/10/92	Capitalisation move (£m) this year
ACT	£ 1.40	£ 185.60m	12.93	2240.89	-7.89%	-7.89%	-£ 16.00m	-£ 0.30m
Admiral	£ 3.57	£ 38.30m	16.30	2586.95	0.56%	19.40%	£ 0.20m	£ 6.00m
Capita	£ 3.84	£ 57.80m	24.44	3840.00	5.79%	46.56%	£ 3.10m	£ 18.50m
Computer People	£ 0.75	£ 10.40m	13.69	308.64	10.29%	-34.78%	£ 0.96m	-£ 5.60m
Cray Electronics	£ 0.91	£ 184.10m	28.44	532.16	7.06%	40.00%	£ 12.10m	£ 116.20m
EIT Group	£ 0.13	£ 6.50m	Loss	520.00	-13.33%	8.33%	-£ 1.00m	£ 1.12m
Electronic Data Processing	£ 4.65	£ 40.50m	14.16	4744.87	2.20%	60.90%	£ 0.80m	£ 15.50m
Enterprise	£ 0.17	£ 12.20m	Loss	132.00	13.79%	3.13%	£ 1.50m	-£ 0.20m
Gresham Telecomputing	£ 0.30	£ 9.55m	30.00	322.58	0.00%	233.33%	£ 0.00m	£ 6.68m
Hoskyns	£ 4.48	£ 418.90m	42.67	2185.36	0.67%	13.42%	£ 3.40m	£ 59.40m
INSTEM	£ 0.99	£ 4.45m	6.51	990.00	-1.98%	32.00%	-£ 0.09m	£ 1.08m
Kalamazoo	£ 0.27	£ 4.88m	Loss	265.00	-13.11%	-44.21%	-£ 0.74m	-£ 3.50m
Kewill	£ 0.73	£ 8.71m	3.67	288.54	-8.75%	-76.83%	-£ 0.84m	-£ 21.39m
Learmonth & Burchett	£ 1.08	£ 14.40m	154.29	900.00	-0.92%	86.21%	-£ 0.10m	£ 6.67m
Logica	£ 1.57	£ 96.20m	22.43	430.14	-7.10%	-18.65%	-£ 7.40m	-£ 22.10m
Macro 4	£ 4.92	£ 110.50m	18.57	1983.87	0.41%	29.82%	£ 0.70m	£ 27.00m
Micro Focus	£ 24.70	£ 338.40m	29.72	11932.36	8.67%	59.56%	£ 27.00m	£ 136.00m
Microgen	£ 1.69	£ 65.90m	13.85	722.22	9.03%	4.97%	£ 5.90m	£ 3.60m
Microvitec	£ 0.28	£ 18.00m	Loss	670.73	3.77%	89.66%	£ 0.70m	£ 9.02m
Misys	£ 3.14	£ 120.90m	17.64	781.09	14.60%	54.68%	£ 15.10m	£ 51.70m
MMT	£ 1.08	£ 11.50m	13.67	642.86	-1.82%	30.12%	-£ 0.20m	£ 2.69m
NMW	£ 0.19	£ 3.90m	Loss	308.34	0.00%	-51.32%	£ 0.00m	-£ 3.75m
P&P	£ 0.20	£ 11.10m	22.22	89.69	-28.57%	-50.00%	-£ 4.40m	-£ 10.50m
P-E International	£ 0.50	£ 10.90m	10.20	205.76	-9.09%	-60.00%	-£ 1.10m	-£ 16.40m
Pegasus	£ 0.90	£ 5.72m	11.84	245.23	-30.77%	-40.00%	-£ 2.54m	-£ 3.45m
Proteus	£ 4.11	£ 110.40m	Loss	4892.84	-2.84%	141.76%	-£ 3.20m	£ 72.30m
Radius	£ 0.39	£ 10.60m	4.88	282.61	25.81%	0.00%	£ 2.16m	£ 0.00m
Real Time Control	£ 0.80	£ 5.60m	7.21	1632.65	14.29%	-22.33%	£ 0.70m	-£ 1.61m
Rolfe & Nolan	£ 2.22	£ 12.50m	13.96	2622.46	0.00%	15.63%	£ 0.00m	£ 1.60m
Sage Group	£ 4.28	£ 85.70m	16.78	3292.30	-2.06%	28.53%	-£ 1.80m	£ 19.80m
Sanderson	£ 2.27	£ 20.00m	11.82	965.96	9.66%	84.55%	£ 1.80m	£ 9.20m
Sema Group	£ 3.40	£ 309.40m	30.85	1069.18	11.84%	56.68%	£ 33.00m	£ 111.20m
Sherwood	£ 2.43	£ 14.90m	12.40	2024.99	-2.02%	81.34%	-£ 0.30m	£ 7.97m
Star	£ 0.40	£ 2.72m	21.05	333.33	8.11%	73.91%	£ 0.20m	£ 1.15m
Total	£ 0.55	£ 5.50m	10.76	1037.75	25.00%	61.76%	£ 1.10m	£ 2.10m
Trace	£ 0.33	£ 4.52m	11.22	264.00	6.45%	-8.33%	£ 0.28m	-£ 0.35m
Vega Group	£ 1.17	£ 16.50m	16.18	959.02	0.86%	-4.10%	£ 0.10m	-£ 0.71m
Vistec	£ 0.25	£ 28.40m	16.45	1092.59	13.64%	85.19%	£ 3.40m	£ 13.10m

Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.



# EDS SCICON

I never thought I would ever see the day - a 'phone call from Alan Stevens, Marketing & Strategy Director at EDS-Scicon, inviting me to come to talk with him and the Finance Director, John Watson, about EDS-Scicon's UK results. My files, and come to that the pages of *System House*, have been full of my requests to EDS to "play the game" and be a little more open about their UK operations.

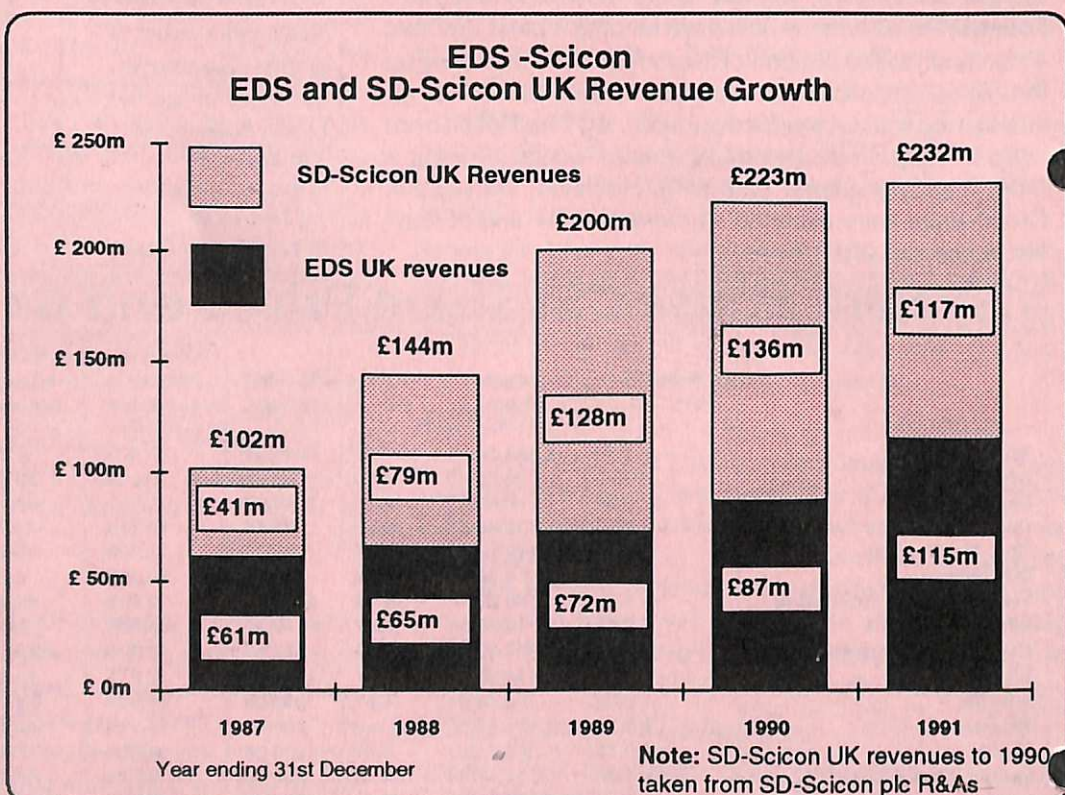
On 16th August 1991, EDS formally completed its acquisition of SD-Scicon (SD) for £162m. Since then, SD's GFI operation in France has been sold to EDS (France) for £50m. It is interesting that SD's Chairman John Jackson

said in the defence document of 10th June that "GFI would realise £100m". SD's US operation, System Control Inc, was sold to a third party for £32.4m. EDS Ltd has now acquired SD-Scicon UK Ltd and has been renamed **EDS-Scicon**. There is also a separate entity EDS-Scicon Defence. SD's troubles were brought to a head with their £25m exceptional charge in 1990 for fixed price projects which had overrun. EDS has now revised these upwards to £41m and a further £12.4m was set aside in 1991. EDS-Scicon assured me that these problems "were now firmly behind us" and that no further charges were anticipated. The PBT figures presented below for both EDS and SD-Scicon are of little, other than historic, value. What is far more important is the powerful CSI machine which has been created.

EDS-Scicon had, exactly as we "guessed", UK CSI revenues of £232m in 1991. This put them firmly in the #1 slot as the largest "non-hardware manufacturer" supplier of software and services to the UK market. They were second overall to ICL. Operating profit in both operations improved dramatically in the year; producing an operating

margin of 8.7% - pretty healthy for recession hit 1991. EDS-Scicon employs 4,200 employees in some 30 locations in the UK. A surprisingly small number of staff have lost their jobs since the takeover. Of the six current business areas, half are lead by ex SD managers. Indeed, we were surprised to learn that John Jackson has retained his non-executive directorship. A casualty of the reorganisation was one of the UK CSI's highest paid executives - EDS UK's MD Clyde Zeigler. He got a 9.5% increase in total remuneration to £384.5K in 1991 before returning to EDS in the US. He was replaced by John Bateman but, at the end of Nov., **Tom Butler** was appointed MD after Bateman's elevation to Group Exec. i/c Europe. Butler has perhaps the best pedigree you can imagine for the job - Hoskyns, Andersen Consulting and Perot Systems.

It was found that the overlap between the operations was very small. In fact they shared only one major client - the CAA. It was typical of the differing types of work undertaken that SD was working on the highly technical aspects of the



CAA's air traffic control systems whereas EDS was responsible for business/administration systems.

Combined revenues in 1991, by industry, broke down as follows:

• Manufacturing	24%
• Defence	22%
• Financial services	22%
• Energy & utilities	13%
• Public sector	10%
• Communication & transport	9%

EDS-Scicon can now boast £100m revenue from what

	1990		1991		Growth 1990/91	
	SD-Scicon UK	EDS Ltd	SD-Scicon UK	EDS Ltd	SD-Scicon UK	EDS Ltd
Revenue	£99.3m	£86.7m	£117.4m	£114.6m	18%	32%
Operating Profit	£3.6m	£4.3m	£5.5m	£6.0m	52%	41%
Exceptional items	£-41.2m	£-5.3m	£-12.4m	£0.0m	-70%	-100%
PBT	£-40.7m	£-1.0m	£-9.1m	£6.0m	Reduced loss	Loss to profit



others would call FM. EDS-Scicon is not too keen on this word, believing it describes the kind of operational FM that companies like Hoskyns provides. Indeed, Stevens had some outspoken views on FM where he thought that bids had now been reduced to the lowest common denominator. Contracts were awarded on price rather than on the value to the client's business.

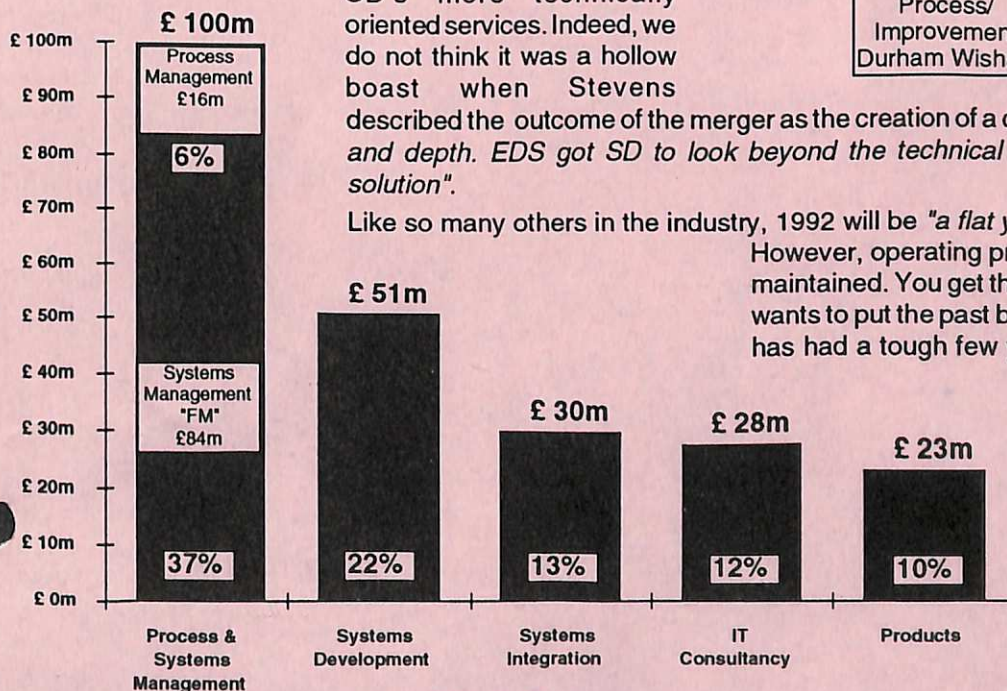
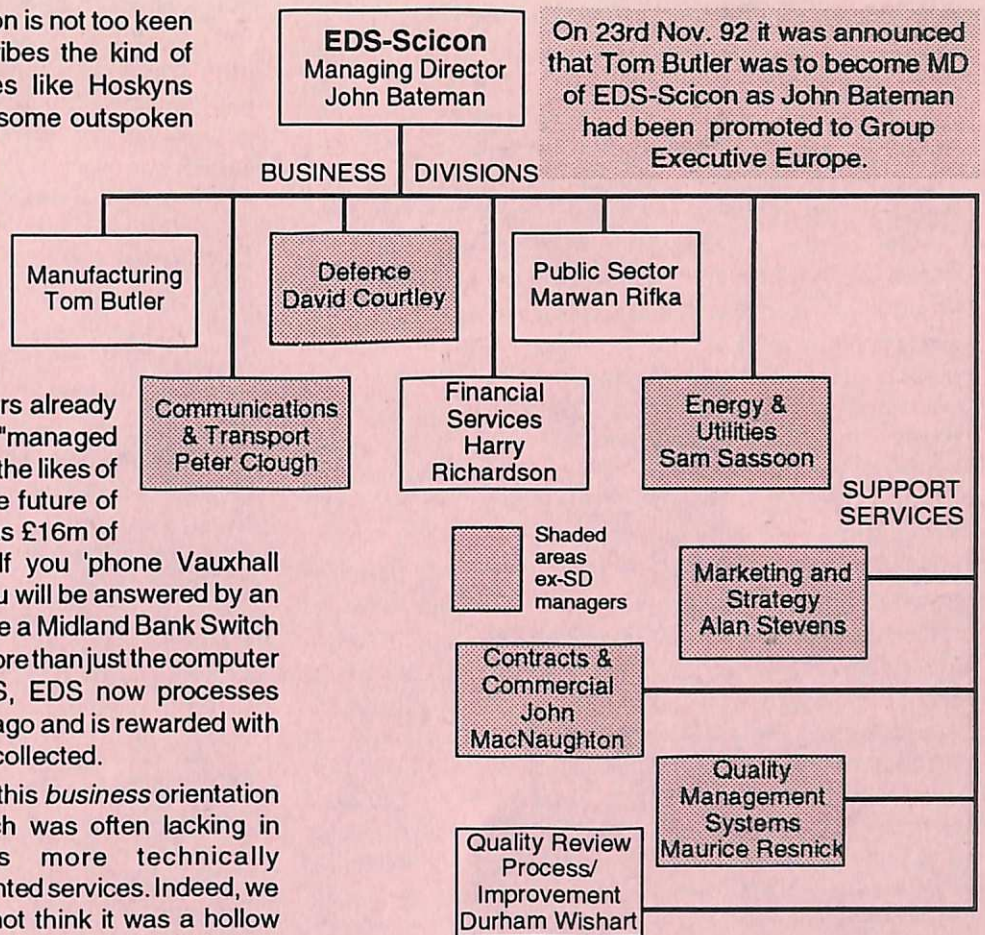
"This will do nothing to increase the benefits of IT to the user's business". System House readers already know what a fan we are of the "managed service" concept as exploited by the likes of Capita. This is clearly where the future of FM will lie. EDS-Scicon now has £16m of processing services revenue. If you 'phone Vauxhall Customer Assistance Centre you will be answered by an EDS-Scicon employee. If you use a Midland Bank Switch card EDS-Scicon will do rather more than just the computer processing. Indeed, in the US, EDS now processes parking fines for the City of Chicago and is rewarded with a commission on the revenues collected.

It is this *business* orientation which was often lacking in SD's more technically oriented services. Indeed, we do not think it was a hollow boast when Stevens described the outcome of the merger as the creation of a company "with strength, breadth and depth. EDS got SD to look beyond the technical solution towards the business solution".

Like so many others in the industry, 1992 will be "a flat year" for EDS-Scicon in the UK. However, operating profit margins are expected to be maintained. You get the feeling that EDS-Scicon really wants to put the past behind it. Let's face it, SD-Scicon has had a tough few years and EDS public relations

had left a lot to be desired. But we sensed there is now a new policy of openness. The obvious problems of the reorganisation seem to have abated. Indeed, EDS-Scicon is extremely well placed to take advantage of the opportunities that future increased outsourcing in the public sector, in particular the defence sector where SD was strong, will bring.

On 23rd Nov. 92 it was announced that Tom Butler was to become MD of EDS-Scicon as John Bateman had been promoted to Group Executive Europe.



**EDS-Scicon**  
**1991 Revenue by Service**

## But is EDS up for sale?

**EDS**

EDS Corp., as a whole, increased revenues by 19% to \$2.09 billion and net profits were up 15% to \$167m in the quarter ending Sept. 92. That's a rather healthy looking 8% profit margin. EDS made 17%, or well over \$1 billion, of its total revenues in Europe in the first 9 months - up from 14% last year.

But a recent press report has suggested that General Motors might have put both Hughes Corp. and EDS up for sale to raise cash. It is said that moves are already being made to separate EDS' GM and non-GM IT business. We even heard a completely unsubstantiated rumour that the UK's BT was a possible bidder. General Motors Class E Stock (basically EDS) currently has a market capitalisation of \$14.3 billion. We had been saying for a long time that if we were Akers at IBM we would try to buy EDS or CGS as the only effective way into the services market...but given IBM's free fall share price, they probably now couldn't afford it.



## Andersen Consulting grows again

Everywhere we go we hear Andersen Consulting people described as results-oriented, young, enthusiastic, even aggressive. For some reason, the description is levied in a critical tone. This month we met Vernon Ellis. He told us that at a recent conference a Coopers & Lybrand partner had expressed disbelief that Ellis ran Andersen Consulting Europe... "he's far too human" he remarked.

But suffering those kind of comments seem a small price to pay for the success that Andersen's has enjoyed in the last few years. Back in 1985 Andersen Consulting had UK revenues of just £15.8m. Andersen in Europe increased revenues by 17% to around \$1060m this year. That's a growth rate at least three times the average for the whole computing services industry. UK revenues are expected to exceed £200m in the year to 31st Dec. 92 (£172m last year). IT is by far the largest sector (70%+).

Incoming CSA President Colin Rowland of Logica choose **Value IT** as the theme for his year. This seems to be the IT theme of an ever increasing number of companies. Ellis believes that you can't build long term success based on cost cutting for your customers. He subscribes to the Japanese "win:win" partnership objective between supplier and customer. He says that the Horizon 2000 plan - which charts Andersen Consulting through the 90s - is not just based on increasing quality and customer satisfaction, it is based on Andersen helping to improve customer performance. That's why he, and we have to say an increasing number of others (see EDS-Scicon p10/11, Capita etc.) believes that operational FM is a non growth market. Managed services is going to be the place to be - sharing in the business success that the effective use of IT can bring to the client.

Readers should also remember that Andersen Consulting's growth is all organic. You will find few other large global CSI players who can make the same claim.

Ellis believes that *not* making acquisitions has been an "enormous benefit". Our researches do nothing to disprove that claim. He thinks that acquiring people-based businesses creates all kinds of problems. Anyway Andersen's seem to have no problem in attracting the right kind of new recruits. *In a staggering statement he said that over one third of all UK graduates applied to join Andersen Consulting last year. That's 14,500 applications. They took on just 220.*

Mind you we came in for some criticism too. Ellis is fed up with us (and everyone else) referring to Andersen Consulting as a US owned organisation. As Europe is *not* controlled by the US and *local* profits are earned by *local* partners, he thinks "transnational" ownership is the more accurate description. He is not the first to make the request.

One fact is certain, Andersen Consulting is the only CSI major to achieve transnational coverage and the right critical mass by organic growth alone.

We had high respect for Andersen Consulting's achievements before we interviewed Ellis. Our respect is even higher now.



### Please don't forget:

- our long awaited **Software and Computing Services Industry in Europe** report is published in December. Ordering details below.
- our special **System House** gift subscription - just £140 for twelve issues
- to have a very **Happy Christmas** and a highly **prosperous new year.**



## ORDER FORM

<b>From:</b>	<b>Delivery address:</b>

### Holway Report and System House

- ☐ Master copy of 1992 Holway Report @ Special Price of £1,250
- ☐ Additional copies @ £175 per copy for use solely within my company
- ☐ One year's subscription to **System House** at £280 pa
- ☐ Additional/gift subscription to **System House** @ £140 pa

### Cheque payable to Richard Holway Ltd.

Richard Holway Ltd., 18 Great Austins,  
FARNHAM, Surrey, GU9 8JQ.

### Software and Computing Services Industry in Europe

Number	Price before 30th Nov.	Price after 30th Nov.
<input type="checkbox"/> Complete (3 volumes)	£6,000	£7,000
<input type="checkbox"/> Markets (Vols 1 and 2)	£3,300	£3,900
<input type="checkbox"/> Companies (Vols 1 and 3)	£4,500	£5,300
<input type="checkbox"/> Additional copies (complete)	£700	£700
<input type="checkbox"/> Additional copies (single vol.)	£500	£500

☐ Cheque enclosed

☐ 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.