System House

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

Volume 8 Number 3 Available by subscription only ISSN 0967-2583 January 1997

NASDAQ attracts more UK-IPOs in Q4 than London

Two years ago only one UK SCSI company - Micro Focus - was traded on NASDAQ. Two more were added in 1995 - Insignia Solutions and MAID. (Purists might also include LBMS, but they are now totally US HQed so they really don't count).

But a further seven UK SCSI companies have braved a US IPO in 1996 - five in the last quarter alone. As can be seen from the table, in 1996 as many UK SCSI companies chose the US route than a main market float in the UK.

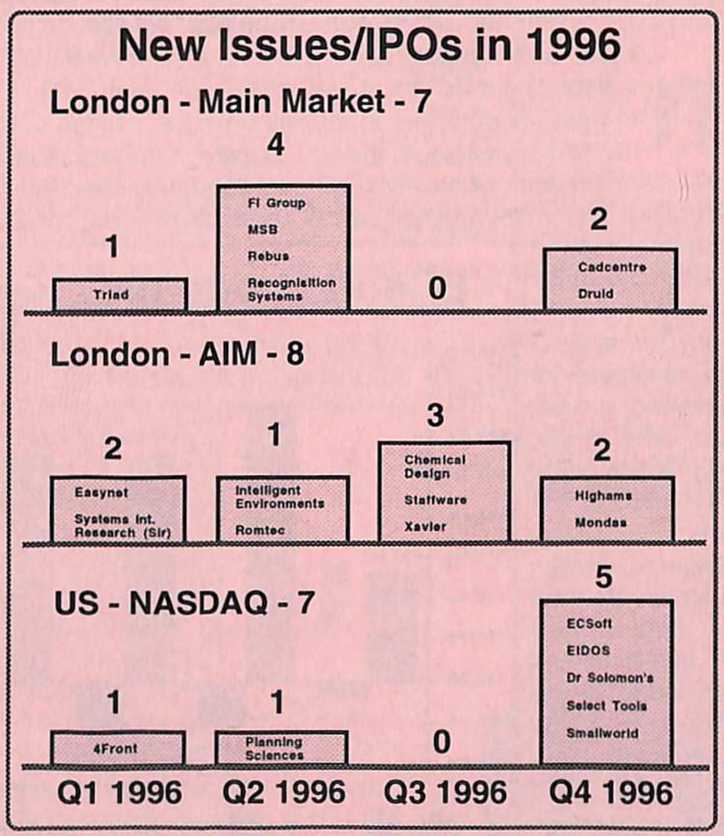
Although products companies dominated on NASDAQ, two of the IPOs in 1996 were predominately IT services companies - 4Front and ECsoft.

So why? We asked the CEOs/CFOs of most of the new entrants why they chose NASDAQ rather than a UK float.

The **advantages** quoted most often were:

• valuations ***"at least 30-50%"*** higher than those in London. At present NASDAQ's software and computing services sector is trading on an average P/E of 33 based on actual and anticipated 1996 results. In London the average historic P/E at present (see p9) is 25 (by the way up just 10% on a year back, but up over 60% from the end of 1994) and the average prospective P/E is 21. So there is evidence that for PROFITABLE companies, NASDAQ does value SCSI companies *"at least 30-50%"* higher than those in London. But for many companies, P/Es are irrelevant. Indeed PSR (Price to Sales Ratios) are becoming a common measure. We have been calculating these for years on our table on p9. At present the average is 3.8. PSR's for product companies are higher (around 5.0) than for service companies (around 2.5). On this basis, NASDAQ does indeed value products companies much higher, but the IPOs of the two new UK NASDAQ services companies averaged a PSR of just 2. After the reception given to FI Group, Triad, Druid etc. this year, we believe that the London market still values IT service companies more highly than NASDAQ.

• ***"there are analysts in the US who really understand the sector..they don't exist in the UK".*** Of course, the respondents did add *"apart from you Richard!".*



In some respects, we can but agree. But if US analysts really do understand the sector better one would expect:

• fewer failures post IPO - *there are more.*

• less "knee jerk" reaction to company news - *there is more.*

• less volatility in share prices - *there is more.*

From our stand point, the US still lags behind (although it is catching up) in its understanding of IT services rather than products companies.

• ***"we had a far higher conversion hit rate in our US investor meetings than we would have had in the UK".***

US high tech. investors do seem to invest in a much higher number of stocks on the basis that you stand a better chance of getting at least one star amongst the dogs.

It is an interesting point that we cannot locate one UK high tech. Investment Trust which has beaten our SCSI Index or indeed has beaten the near 100% return you would have achieved by investing in EVERY new SCSI issue in the last three years. On this basis, US investment criteria is right.....*any kind of selection seems to depress success!*

The **disadvantages...**

We thought that one of the reasons for floating on NASDAQ was that it was both easier and less expensive than a UK float. ***No one endorsed this view.*** Indeed, the high costs ($1m+), the major problems of satisfying US accounting and other regulations, quarterly reporting and the sheer time taken visiting investors in the US were quoted as negatives against NASDAQ.

Continued on page two

Continued from page one

Comment

Emotionally we would like to see *UK companies* quoted on the *UK exchanges.* Statistically, we cannot really say that the reasons given by the UK companies going for IPOs in 1996 are proven. Even on pricing, the UK market seems to put as high or higher values on IT services companies than the US.

This month the London Stock Exchange and the Worshipful Company of Information Technologists issued a report from MORI on Investment in IT Companies. Although the study seemed to turn up little that was new it did *"drum home a theme"* that both investors and IT companies needed to understand each other better.

Whereas in the past the City could (and did) ignore the plea, now those same IT companies are rejecting London and turning to the US. Enormous fees - and kudos - are being lost by the City of London.

We suggest they take note....and take action.

Select Software Tools

Select Software Tools is *"a leading vendor of component-based modelling tools for multi-tier client/server development"* founded by Stuart Frost in 1988 and has just obtained a NASDAQ listing which, at $14 a share, initially valued Select at $140m. By the end of Dec. 96 the share price had risen 24% giving a value in excess of $170m. Nothing so different about that...other than Select have their *"world headquarters in Cheltenham, England"* and has provided rich rewards for **3i**; who still have a 20% stake.

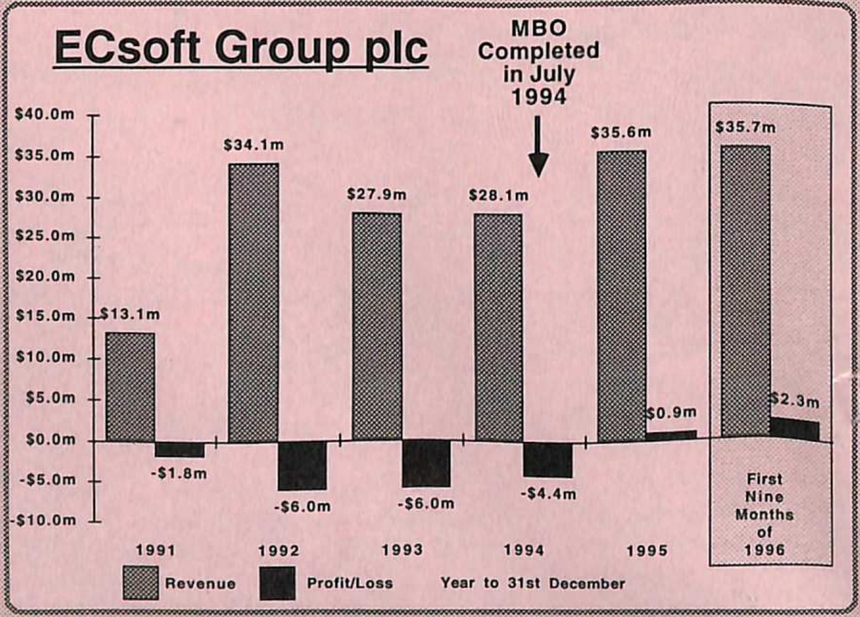
The valuation was excellent, given that Select had revenues of £4.1m and reported losses of £1.9m in the year to 31st Dec. 95. Of course, as required by NASDAQ, Select has issued its Q3 figures which show breakeven on revenues up 140% at $9.5m for the 9 months to 30th Sept. 96. Results have *"exceeded expectations...As well as product, we are also seeing more demand for consulting, training and support"* which in Q3 represented more than 25% of total revenues.

ecsoft

On 13th Dec. 96, **ECsoft Group plc** *"believed to be the first wholly-European IT services company to complete an IPO on NASDAQ".* The issue of 3m shares at $10 valued ECsoft at around $70m. Under CEO *"Exec. VP and UK MD"* Geoff Tubb (ex of Hoskyns), ECsoft provides a range of IT consultancy, development and SI services in the UK, Norway, Denmark and Sweden. Revenues consist *"primarily of professional fees"* earned by over 360 staff and 80 IT contractors.

Their long history hardly got a mention in the prospectus. Let us supply a quick recap. **Synapse** was founded 17 years ago as a IBM mainframe support organisation. It was floated in the late 1980s but plunged into losses in 1990 at which point Jeff Trendell was appointed as CEO after ex-Chairman Bill William's 24% share was bought at 122p. *It was not the greatest success story.* After a 72p rights issue, Synapse was sold to **ECsoft Group** of the Nederlands in July 91 for £5.8m or the equivalent of 105p per share.

In July 94, ECsoft was the subject of an $6m MBO. They then went on to acquire **Beacon Management Services** (which had revenues of £1.5m in 1994) in May 95 and Alan Wood's **Digitus** (which had revenues of £4.5m in 1995) for £2.55m Apr. 96.



With this amount of "history" past performance is of limited relevance. But a market cap. of about twice historic revenues could (in our opinion) quite easily have been achieved on the London market. The first nine months of 1996 have produced an *"industry average"* PBT margin of around 6%. They can, and must, do much better.

We now see ECsoft using their new found muscle to acquire within their existing European markets.

Eidos

As featured last month, UK **Eidos** (computer games software) floated 3m new shares at $12.125 each on NASDAQ. This equates to 732p (compared to the London price of 787p immediately prior to the launch). Eidos, a new issue at 100p in Dec. 90, now has a market cap. of nearly £100m. It's never made a profit...of course.

Eidos has also disposed of its **Silicon Dreams** game development business in an MBO lead by Eidos director Geoff Brown for £500K cash. Eidos will retain a 25% interest.

How have the UK NASDAQers done in 1996?

Pretty badly considering the 18% rise in our UK SCSI Index (see p9). NASDAQ was up 23% and Computer stocks up 44% in 1996. But, on average, the UK NASDAQers' share prices have *fallen* by 1% with **Micro Focus**' 87% increase unable to compensate for the many losses headed by **Insignia**'s 60% fall. In future, our UK NASDAQ Index will be a regular feature.

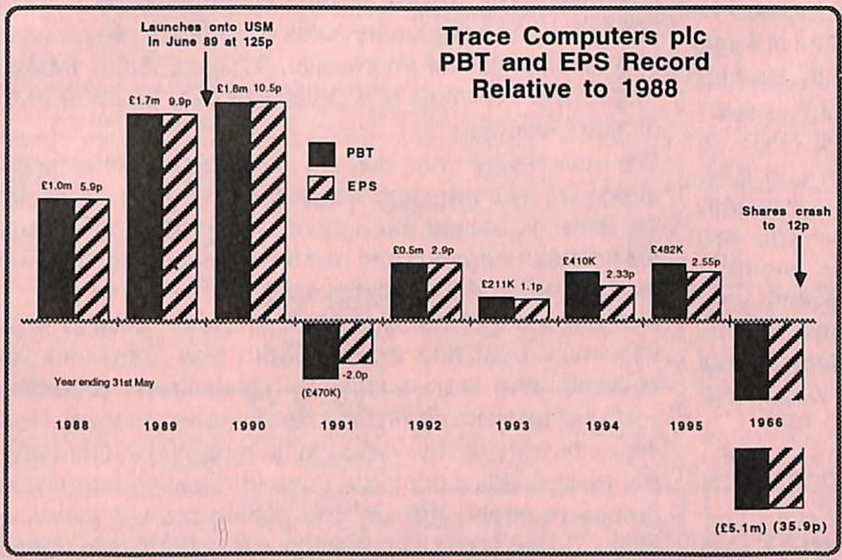
	IPO date	NASDAQ Symbol	Launch price	Price end Dec 95 or launch	Price end Dec 96	Change
4Front Group	3-Jan-96	FFST	$5.75	$5.75	$4.13	-28.3%
Planning Sciences	30-Apr-96	PLNSY	$16.00	$16.00	$12.38	-22.7%
ECSoft	1-Dec-96	ECSGY	$10.00	$10.00	$9.00	-10.0%
EIDOS	13-Dec-96	EIDSY	$12.13	$12.13	$12.38	2.1%
Insignia	14-Nov-95	INSGY	$12.00	$11.75	$4.69	-60.1%
MAID	22-Nov-95	MAIDY	$15.10	$14.50	$13.13	-9.5%
Micro Focus	26-May-92	MIFGY	n/a	$8.38	$15.63	86.6%
Dr Solomon's	26-Nov-96	SOLLY	$17.00	$17.00	$16.88	-0.7%
Select Tools	1-Oct-96	SLCTY	$14.00	$14.00	$17.38	24.1%
Smallworld	13-Nov-96	SWLDY	$11.00	$11.00	$11.88	8.0%

Is Trace Computers about to pull off its THIRD recovery?

We covered the profits warning back in the Sept. edition and the headline results - £5.13m loss (PBT £483K last time) on revenues up minimally at £20.5m in the year to 31st May 96. The loss before property revaluations, goodwill and disposals was £896K - **Trace** had estimated a loss of £855K some two months back.

Any view of the PBT and earnings chart below gives cause for sea sickness. Trace was a new issue back in June 89 at 125p when their earnings were at an all time high. Since then they have been through TWO recoveries. The shares had fallen to just 12p after the profit warning.

Trace now admits that it *"is too thinly spread across too many markets for its size"*. Current operations include:



- **Financials** (securities and financial software) *"has had the most difficult year in its history"* mainly as a result of its CREST interface development costs *"exceeding initial estimates"*.
- **Isys** (insurance broking) had *"an excellent year"*.
- *"The decision to group four disparate businesses into the **MIS** operation has proved to be wrong"*.
- **Trace Solutions** *"did not recover well from a poor start"*.
- **Wordflow** had *"a disappointing start to the year"* but has recovered to turn in an operating profit since.
- **Prospect** (IT agency and recruitment) *"has produced good results"*.

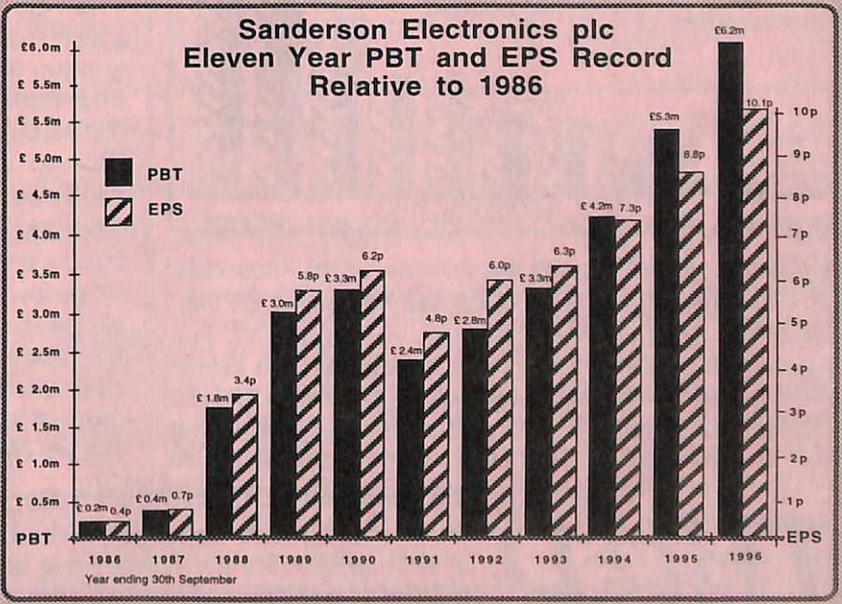
Chairman J Perry says *"a programme of disposals of non-core businesses is being actively pursued"* allowing Trace to concentrate on insurance, financial and property markets. Already we have seen the sale of the distribution arm - **Proteus** - sold in an MBO for £525K resulting in an book loss of £790K. We expect (indeed, demand) more. On the basis of hope over fact, the share price has since risen from the low of 12p to end 1996 on 35p.

Sanderson Electronics still *"Football crazy"*

Sanderson Electronics has announced revenues up just 6% at £61.4m, PBT up 17% and EPS up 15% *"to a record 10.1p"* in the year to 30th Sept. 96. Sanderson has made *"four significant acquisitions"* in the period. These included 80% of **Fletcher Computer Services** in Jan. 96 for £156K, **Alpha Microsystems** in Aug. 96 for £1.4m, Australian **Wacher Pty Ltd** in Sept. 96 for £3.6m and Australian **Clegg Driscoll Consultants Pty** for £215K.

In addition Sanderson acquired the remaining minority stakes they did not already own in Sanderson Cotswold and Sanderson CBT.

Although recurring revenues (from annual licence fees, maintenance etc.) rose from £19m to £22m and revenues from Sanderson Pacific rose from £12.7m to £16.6m, ***this means that new licence revenues from the booming UK market actually declined.*** But you would not think it from the Chairman's statement. Sanderson shares have hardly sparkled (which proves yet again that you should take your tips from Techinvest - not us!) They have recorded a minimal 5% rise in 1996.



Mind you Sanderson has continued to invest *"over £2m per year"* in sponsoring Southampton and Sheffield Wednesday football clubs. No, don't get us wrong, we do not want to be kill joys. It's just that if you added that back in profit, Sanderson would be worth about 30% or £20m more. *We wonder which shareholders would prefer?*

EDS International Ltd has sent us the official version (*"for what it's worth"*) of their accounts to 31st Dec. 95 as sent to Companies House (a day before the 10 month deadline!). The official accounts show revenues up 50% at £501.3m. We had earlier estimated £525m - so we were not too far out. PBT was down 13% at £25.8m - a margin of 5%. But readers will remember our oft-repeated *"take care"* warnings concerning the accounts of overseas companies.

Staff number increased from 5,166 to 7,220 and Chairman John Bateman, who was also the HPD, had emoluments up 34% at £717K - one of the highest in the UK industry.

We reckon EDS UK revenues will increase by at least 20% in 1996 to between £600-£650m. However, as reported in last month's *System House*, **IBM Global Services**, including Data Sciences, is likely to come in at nearer £700m and take the #1 slot.

Two, too *Boring Companies* maintain record

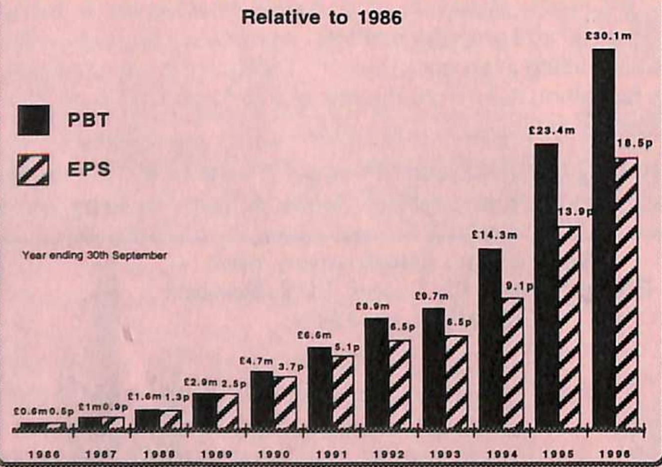
System House
Boring Award

Two of the companies to receive a rare *System House* Boring Award reported boring, consistently good results this month.

The first was Sage Group

There was a sort of weariness in David Goldman (Chairman of **Sage Group)** when we 'phoned him on 11th Dec. 96. He had just announced revenues up 33% at £136.2m, - even excluding acquisitions revenues were up 18% - PBT up 34% at £30.1m and EPS up 33% in the year to 30th Sept. 96. Perhaps the weariness was because this was the eleventh year in succession that Goldman had reported such results. Indeed, having awarded Sage a rare ***System House* Boring Award**, we can well understand how wearisome the continuous high expectations must get!

Sage Group plc
Eleven Year PBT and EPS Record



Goldman did not exactly the use the words *"how can I possibly keep this up?"* but that was the feeling we were left with.

As you can see from the table, revenues from France (where Sage has built its operations by acquiring CIEL, Saari and, in Nov. 95, Sybel Informatique) now exceed the UK. But the UK still makes two-thirds of the profits. But in the US, where the acquisition of DacEasy has not exactly fulfilled its early promise, revenue growth was minimal.

We have stressed on many occasions that Sage's strength lies in its ability to earn strong recurring revenues from its customer base. These revenues increased by 38% to £66m and exceed primary sales of software, which grew by a smaller, but still impressive, 30% to £58.6m. Indeed SageCover revenues now equate to over £35m or 25% of total revenues.

The main "event" (non event?) of the year was the tussle to acquire rival Pegasus. Sage decided not to up its bid. We were consistent throughout...we believed that Sage did not need Pegasus and had the product range to meet market needs. We still believe that.

The Sage formula is simple and effective. Stick to what you know best and extend depth (the acquisition of Multisoft gave them access to higher level accounting systems) and width (with the extensions into France). Now everyone expects the recipe to be repeated in Germany. But there is still work to be done in boosting margins in France to nearer the UK and getting the US motoring again. On top of that if any company is going to gain (rather than suffer) as a result of the twin events of the Y2000 and the Euro, it's Sage.

	Revenue	Operating Profit	Margin
1994			
UK	£29.3m	£11.1m	38%
France	£5.8m	£0.6m	10%
USA	£15.8m	£2.3m	15%
Total	**£50.9m**	**£14.0m**	**28%**
1995			
UK	£45.5m	£16.6m	36%
France	£36.8m	£4.3m	12%
USA	£19.9m	£3.1m	16%
Total	**£102.2m**	**£24.0m**	**23%**
1996			
UK	£54.2m	£20.6m	38%
France	£61.3m	£9.0m	15%
USA	£20.7m	£3.7m	18%
Total	**£136.2m**	**£33.3m**	**24%**

The Sage price rose another 4% this month on the news. That's a 61% rise in 1996 and, of course, Sage is our all-time best performer - up a massive 19-fold since our SCSI Index started in 1989. Even so, Investors Chronicle (13th Dec. 96) ended its review with *"despite the lofty forward multiple of 21, the shares are still cheap".*

But we couldn't possibly comment on that!

The second "Boring" company to report this month was Triad

Triad Group was one of the (relatively) few main market new issues this year. Floated at 135p in Mar. 96, the shares have done well since reaching a high of 245p before slipping to end the year on 194p - still a 44% premium.

Triad is also one of the very rare recipients of a ***System House* Boring Award.** So it was with both pleasure - and relief - that their results for the six months to 30th Sept. 96 were just as boringly good as we hoped. The headline figures show revenues up 124% at £8.35m, PBT up 57% at £1.22m and EPS up 28%. It wasn't actually *quite* as good as that as Triad had acquired Generic Software Consultants in Oct. 95. But even on a like-for-like basis, revenues would have increased by an excellent 38% and profits by 29%. Interestingly margins have been retained at an equally excellent 15%.

We have described the Triad recipe for success on many occasions leading up to their Boring Award. It's basically long term relationships with blue chip customers enabling high utilisation rates to be achieved at reasonable fees. But a surprisingly large number of new customers were added in the period and, if the superb prospect list presented at the analyst briefing is turned into firm contracts, more will soon be added. The only surprise we had was the increasing amount of Triad's work that now comes from other major SCSI companies. To that you can add the demands of the Millennium and Euro...*The future does indeed look bright.*

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 30,204,000	£ 65,460,000	£ 43,009,000	+42.4%
PBT	£ 5,589,000	£ 9,832,000	£ 5,180,000	-7.3%
EPS	6.40p	10.72p	5.50p	-14.1%

AFA Systems plc

	Final - Dec 95 (5 mos)	Final - Apr 96	Interim - Jun 96	Comparision
REV	£ 0	£ 217,000	£ 237,000	n/a
PBT	-£ 121,000	-£ 133,000	-£ 229,000	Both loss
EPS	-1.62p	n/a	-3.06p	Loss both

Anite Group plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 264,838,000		£ 262,838,000	-0.8%
PBT	£ 835,000		-£ 19,378,000	Profit to loss
EPS	-0.30p		-8.40p	Loss both

Azlan Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 72,716,000	£ 196,459,000	£ 126,464,000	+73.9%
PBT	£ 4,445,000	£ 10,507,000	£ 6,034,000	+35.7%
EPS	13.60p	30.30p	15.00p	+10.3%

Cadcentre Group plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	£ 11,941,000		£ 14,196,000	+18.9%
PBT	£ 556,000		£ 1,669,000	+200.2%
EPS	n/a		n/a	n/a

Capita Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 43,418,000	£ 86,994,000	£ 50,067,000	+15.3%
PBT	£ 4,011,000	£ 9,420,000	£ 4,588,000	+14.4%
EPS	5.00p	11.80p	5.50p	+10.0%

Cedardata plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 5,333,000	£ 12,071,000	£ 5,661,000	+6.2%
PBT	£ 1,995,000	£ 4,384,000	£ 1,935,000	-3.0%
EPS	4.20p	9.50p	4.10p	-2.4%

CFS Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 1,276,000	£ 2,986,520	£ 1,751,000	+37.2%
PBT	-£ 66,000	£ 384,675	£ 26,000	Loss to profit
EPS	-1.50p	4.77p	1.60p	Loss to profit

Chemical Design Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 512,645	£ 1,811,407	£ 863,015	+68.3%
PBT	-£ 151,810	£ 239,488	£ 52,478	Loss to profit
EPS	n/a	3.50p	0.69p	n/a

Clinical Computing plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 924,000	£ 2,355,178	£ 1,236,000	+33.8%
PBT	-£ 357,000	-£ 546,832	-£ 573,000	Loss both
EPS	-2.20p	-3.40p	-3.40p	Loss both

CMG plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 94,559,000	£ 196,484,000	£ 116,616,000	+23.3%
PBT	£ 8,640,000	£ 18,460,000	£ 11,340,000	+31.3%
EPS	8.90p	18.20p	11.40p	+28.1%

Coda Group plc

	Interim - Apr 95	Final - Oct 95	Interim- Apr 96	Comparision
REV	£ 15,229,000	£ 32,791,000	£ 15,264,000	+0.2%
PBT	£ 993,000	£ 1,030,000	-£ 3,688,000	Profit to loss
EPS	2.70p	2.50p	-13.90p	Profit to loss

Compel Group plc

	Final - Jun 95		Final - Jun 96	Comparision
REV	£ 70,019,000		£ 85,620,000	+22.3%
PBT	£ 2,684,000		£ 3,235,000	+20.5%
EPS	11.10p		13.00p	+17.1%

CRT Group plc

	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 48,079,000	£ 103,282,000	£ 55,497,000	+15.4%
PBT	£ 1,748,000	£ 6,515,000	£ 3,367,000	+92.6%
EPS	1.71p	5.70p	2.40p	+40.4%

DCS Group plc

	Final - Jun 95		Final - Jun 96	Comparision
REV	£ 8,694,833		£ 30,482,000	+250.6%
PBT	£ 609,530		£ 2,366,000	+288.2%
EPS	5.02p		8.31p	+65.5%

DRS Data & Research Services plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 4,269,000	£ 6,468,000	£ 2,918,000	-31.6%
PBT	£ 512,000	£ 594,000	-£ 363,000	Profit to loss
EPS	0.95p	1.33p	-0.72p	Profit to loss

Delphi Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 83,168,000	£ 175,006,000	£ 100,174,000	+20.4%
PBT	£ 4,101,000	£ 9,015,000	£ 5,709,000	+39.2%
EPS	11.70p	25.42p	15.10p	+29.1%

Division Group plc

	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparision
REV	£ 2,469,000	£ 4,830,000	£ 3,034,000	+22.9%
PBT	-£ 1,575,000	-£ 3,893,000	-£ 2,283,000	Loss both
EPS	-3.80p	-9.20p	-5.20p	Loss both

Druid Group plc

	Final - Jun 95		Final - Jun 96	Comparision
REV	£ 6,159,000		£ 12,013,000	+95.0%
PBT	£ 1,303,000		£ 3,011,000	+131.1%
EPS	n/a		n/a	Loss both

Eidos plc

	Final - Dec 94		Final - Mar 96	Comparision
REV	£ 254,225		£ 3,706,000	n/a
PBT	-£ 107,623		-£ 1,949,000	Loss both
EPS	-4.16p		-44.60p	Loss both

Electronic Data Processing plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 12,605,000		£ 14,267,000	+13.2%
PBT	£ 3,083,000		£ 2,519,000	-18.3%
EPS	7.53p		6.64p	-11.8%

F.I. Group plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 61,703,000		£ 78,824,000	+27.7%
PBT	£ 3,260,000		£ 3,763,000	+15.4%
EPS	7.60p		7.70p	+1.3%

Flomerics Group plc

	Interim -Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 1,541,240	£ 4,147,187	£ 2,146,559	+39.3%
PBT	-£ 110,288	£ 415,565	-£ 154,643	loss both
EPS	n/a	11.00p	n/a	n/a

Gresham Computing plc

	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparision
REV	£ 3,803,000	£ 7,895,000	£ 4,579,000	+20.4%
PBT	£ 521,000	£ 1,281,000	£ 708,000	+35.9%
EPS	0.98p	2.36p	1.32p	+34.7%

INSTEM plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 11,205,000	£ 21,324,000	£ 10,740,000	-4.1%
PBT	£ 577,000	£ 1,244,000	£ 402,000	-30.3%
EPS	8.40p	18.10p	5.80p	-31.0%

Intelligent Environments Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 2,026,000	£ 4,051,000	£ 2,028,000	+0.1%
PBT	-£ 3,000	£ 202,000	£ 35,000	Loss to profit
EPS	-0.10p	1.00p	0.20p	Loss to profit

JBA Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 49,464,000	£ 124,693,000	£ 69,822,000	+41.2%
PBT	£ 754,000	£ 8,714,000	£ 1,362,000	+80.6%
EPS	1.43p	16.31p	2.33p	+62.9%

Kalamazoo Computer Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 32,358,000	£ 66,665,000	£ 35,218,000	+8.8%
PBT	£ 2,012,000	£ 5,882,000	£ 2,340,000	+16.3%
EPS	3.66p	10.20p	3.72p	+1.6%

Kewill Systems plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 16,567,000	£ 35,242,000	£ 19,830,000	+19.7%
PBT	£ 2,613,000	£ 6,061,000	£ 3,243,000	+24.1%
EPS	14.60p	33.70p	17.50p	+19.9%

Learmonth & Burchett Management Systems plc

	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 12,400,000	£ 25,855,000	£ 6,285,000	-49.3%
PBT	£ 496,000	-£ 539,000	-£ 14,127,000	Profit to loss
EPS	1.80p	-2.30p	-55.30p	Profit to loss

Logica plc

	Final - Jun 95		Final - Jun 96	Comparision
REV	£ 250,135,000		£ 284,810,000	+13.9%
PBT	£ 20,310,000		£ 24,710,000	+21.7%
EPS	21.70p		27.10p	+24.9%

Lorien plc

	Interim - May 95	Final - Nov 95	Interim - May 96	Comparision
REV	£ 11,527,000	£ 29,109,000	£ 17,997,000	+56.1%
PBT	£ 414,000	£ 971,000	£ 600,000	+44.9%
EPS	6.17p	12.10p	7.05p	+14.3%

Lynx Holdings plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 32,018,000		£ 87,644,000	+173.7%
PBT	£ 2,564,000		£ 6,953,000	+171.2%
EPS	4.70p		5.36p	+14.0%

M.A.I.D plc

	Interim - Jun 95	Final - Dec-95	Interim - Jun 96	Comparision
REV	£ 5,762,000	£ 13,642,000	£ 9,584,000	+66.3%
PBT	£ 408,000	-£ 4,045,000	-£ 3,284,000	Profit to loss
EPS	0.33p	-4.42p	-3.68p	Profit to loss

MMT Computing plc

	Final - Aug 95		Final - Aug 96	Comparision
REV	£ 13,957,949		£ 16,861,201	+20.8%
PBT	£ 3,075,053		£ 4,531,686	+47.4%
EPS	16.30p		24.60p	+50.9%

M-R Group plc

	Final - Jun 95		Final - Jun 96	Comparision
REV	£ 41,429,000		£ 38,361,000	-7.4%
PBT	£ 1,309,000		£ 4,810,000	+267.5%
EPS	1.60p		5.70p	+256.3%

McDonnell Information Systems Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 79,145,000	£ 146,805,000	£ 60,540,000	-23.5%
PBT	-£ 1,673,000	-£ 39,420,000	-£ 9,213,000	Loss both
EPS	-2.30p	-37.02p	-9.39p	Loss both

Macro 4 plc

	Final - Jun 95		Final - Jun 96	Comparision
REV	£ 25,035,000		£ 25,317,000	+1.1%
PBT	£ 11,602,000		£ 12,147,000	+4.7%
EPS	35.20p		37.50p	+6.5%

Micro Focus plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparision
REV	£ 36,802,000	£ 77,258,000	£ 34,140,000	-7.2%
PBT	-£ 4,470,000	-£ 6,542,000	-£ 9,463,000	Loss both
EPS	-30.00p	-43.60p	-62.20p	Loss both

Microgen Holdings plc

	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparision
REV	£ 34,868,000	£ 69,029,000	£ 38,291,000	+9.8%
PBT	£ 4,470,000	£ 8,383,000	£ 4,875,000	+9.1%
EPS	7.30p	14.80p	8.00p	+9.6%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Microvitec plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 26,550,000	£ 55,050,000	£ 33,840,000	+27.5%
PBT	£ 1,607,000	£ 3,411,000	£ 1,610,000	+0.2%
EPS	1.47p	3.10p	1.40p	-4.8%

Misys plc

	Final - May 95		Final - May 96	Comparision
REV	£ 153,395,000		£ 279,867,000	+82.4%
PBT	£ 26,345,000		£ 50,437,000	+91.4%
EPS	35.10p		44.00p	+25.4%

Mondas plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 133,300		£ 134,176	+0.7%
PBT	-£ 232,066		-£ 167,966	Loss both
EPS	n/a		n/a	n/a

Moorepay Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 2,342,152	£ 4,632,538	£ 2,717,246	+16.0%
PBT	£ 666,324	£ 1,142,110	£ 851,417	+27.8%
EPS	5.88p	10.22p	7.52p	+27.9%

MSB International plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparision
REV	£ 15,692,000	£ 38,555,000	£ 29,961,000	+90.9%
PBT	£ 1,370,000	£ 3,420,000	£ 2,166,000	+58.1%
EPS	4.80p	4.90p	7.00p	+45.8%

OmniMedia plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 199,962	£ 275,275	£ 250,684	+25.4%
PBT	-£ 279,137	-£ 1,023,344	-£ 670,769	Loss both
EPS	-1.76p	-6.06p	-3.16p	Loss both

On Demand Information plc

	Final - Jul 95		Final - Jul 96	Comparision
REV	£ 8,786,000		£ 11,429,000	+30.1%
PBT	-£ 3,646,000		-£ 2,900,000	Loss both
EPS	-7.20p		-5.60p	Loss both

Oxford Molecular plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 2,832,000	£ 6,179,000	£ 4,350,000	+53.6%
PBT	-£ 2,112,000	-£ 3,693,000	-£ 950,000	Loss both
EPS	-4.20p	-7.20p	-1.80p	Loss both

P & P plc

	Interim - May 95	Final - Nov 95	Interim - May 96	Comparision
REV	£ 171,100,000	£ 341,990,000	£ 179,200,000	+4.7%
PBT	£ 6,200,000	£ 12,574,000	£ 6,500,000	+4.8%
EPS	5.30p	11.00p	5.80p	+9.4%

Parity plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 61,512,000	£ 127,711,000	£ 76,363,000	+24.1%
PBT	£ 3,069,000	£ 6,540,000	£ 4,303,000	+40.2%
EPS	4.82p	10.34p	6.75p	+40.0%

Pegasus Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 3,038,000	£ 6,426,000	£ 3,729,000	+22.7%
PBT	£ 172,000	£ 893,000	£ 511,000	+197.1%
EPS	1.80p	10.30p	6.50p	+261.1%

Persona plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 24,780,000	£ 53,375,000	£ 65,164,000	+163.0%
PBT	£ 1,350,000	£ 2,832,000	£ 2,707,000	+100.5%
EPS	6.88p	14.41p	7.78p	+13.1%

PhoneLink plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 2,103,000	£ 4,356,000	£ 2,155,000	+2.5%
PBT	-£ 2,712,000	-£ 6,711,000	-£ 3,152,000	Loss both
EPS	-7.30p	-17.30p	-6.70p	Loss both

Proteus International plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	Nil		£ 1,063,000	n/a
PBT	-£ 7,925,000		-£ 5,395,000	Loss both
EPS	-25.47p		-16.49p	Loss both

Quality Software Products Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 10,115,000	£ 21,385,842	£ 11,797,000	+16.6%
PBT	£ 805,000	£ 502,697	-£ 1,117,000	Profit to loss
EPS	9.20p	5.20p	-8.60p	Profit to loss

RM plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 80,691,000		£ 99,032,000	+22.7%
PBT	£ 5,023,000		£ 6,806,000	+35.5%
EPS	18.80p		25.10p	+33.5%

Radius plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 13,424,000	£ 26,052,000	£ 13,934,000	+3.8%
PBT	£ 835,000	£ 1,809,000	£ 1,006,000	+20.5%
EPS	1.96p	4.37p	2.40p	+22.4%

Rage Software plc

	Final - Jun 95		Final -Jun 96	Comparision
REV	£ 9,154,000		£ 9,504,000	+3.8%
PBT	£ 969,000		-£ 3,224,000	Profit to loss
EPS	0.51p		-1.34p	Profit to loss

Real Time Control plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 5,325,000	£ 11,903,000	£ 6,314,000	+18.6%
PBT	£ 742,000	£ 2,207,000	£ 1,156,000	+55.8%
EPS	7.10p	20.80p	11.00p	+54.9%

Rebus Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 28,293,000	£ 60,040,000	£ 30,255,000	+5.4%
PBT	-£ 356,000	£ 1,969,000	£ 2,313,000	Loss to profit
EPS	-0.32p	0.33p	1.72p	Loss to profit

Recognition Systems Group plc

	Final - Sep 94	Interim - Mar 96	Final - Sep 95	Comparision
REV	£ 625,000	£ 245,000	£ 669,000	+7.0%
PBT	-£ 6,000	-£ 292,000	-£ 397,000	Loss both
EPS	0.00p	-1.40p	-2.10p	Loss both

Riva Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 34,718,000	£ 73,022,000	£ 32,348,000	-6.8%
PBT	£ 58,000	£ 182,000	-£ 905,000	Profit to loss
EPS	-0.20p	0.10p	-3.00p	Loss both

Rolfe & Nolan plc

	Interim - Aug 95	Final - Feb 96	Interim - Aug 96	Comparision
REV	£ 7,661,000	£ 17,128,000	£ 8,630,000	+12.6%
PBT	£ 1,074,000	£ 2,517,000	£ 1,107,000	+3.1%
EPS	5.35p	12.33p	5.57p	+4.1%

Romtec plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparision
REV	£ 1,614,000	£ 3,731,187	£ 1,990,000	+23.3%
PBT	£ 105,000	£ 257,430	£ 128,000	+21.9%
EPS	1.50p	3.60p	1.70p	+13.3%

Sage Group plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 102,234,000		£ 136,236,000	+33.3%
PBT	£ 22,362,000		£ 30,053,000	+34.4%
EPS	13.88p		18.50p	+33.3%

Sanderson Electronics plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 57,801,000		£ 61,385,000	+6.2%
PBT	£ 5,305,000		£ 6,201,000	+16.9%
EPS	8.80p		10.10p	+14.8%

Sema Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 321,892,000	£ 677,726,000	£ 426,919,000	+32.6%
PBT	£ 16,034,000	£ 36,927,000	£ 19,754,000	+23.2%
EPS	10.47p	24.79p	13.23p	+26.4%

Sherwood International plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 13,195,000	£ 26,246,000	£ 11,801,000	-10.6%
PBT	£ 615,000	£ 6,850,000	£ 705,000	+14.6%
EPS	5.90p	66.20p	5.60p	-5.1%

Spargo Consulting plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 3,329,000	£ 7,379,000	£ 4,040,000	+21.4%
PBT	£ 192,000	£ 902,000	£ 602,000	+213.5%
EPS	0.90p	4.43p	3.10p	+244.4%

Staffware plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 1,819,534	£ 4,267,360	£ 4,044,061	+122.3%
PBT	£ 146,380	£ 535,213	£ 159,812	+9.2%
EPS	0.70p	3.90p	0.40p	-42.9%

Superscape VR plc

	Final - Jul 95		Final - Jul 96	Comparision
REV	£ 1,590,000		£ 3,888,000	+144.5%
PBT	-£ 1,746,000		-£ 2,873,000	Loss both
EPS	-30.70p		-37.90p	Loss both

Systems Integrated Research plc

	Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparision
REV	n/a	£ 1,246,000	£ 507,000	n/a
PBT	n/a	-£ 642,000	-£ 1,194,000	n/a
EPS	n/a	-5.80p	-9.10p	n/a

Total Systems plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 1,273,331	£ 2,892,802	£ 1,477,822	+16.1%
PBT	-£ 54,488	£ 222,329	£ 185,587	Loss to profit
EPS	-0.44p	1.60p	1.33p	Loss to profit

Trace Computers plc

	Final - May 95		Final - May 96	Comparision
REV	£ 19,676,832		£ 20,534,553	+4.4%
PBT	£ 482,746		-£ 5,135,296	Profit to loss
EPS	2.53p		-35.88p	Profit to loss

Triad Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 3,720,000	£ 11,680,000	£ 8,350,000	+124.5%
PBT	£ 778,000	£ 2,131,000	£ 1,219,000	+56.7%
EPS	2.51p	7.09p	3.22p	+28.3%

Vega Group plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 12,516,000		£ 16,032,000	+28.1%
PBT	£ 2,910,000		£ 3,452,000	+18.6%
EPS	13.49p		16.16p	+19.8%

Virtuality Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 6,269,000	£ 12,779,000	£ 3,541,000	-43.5%
PBT	-£ 583,000	-£ 565,000	-£ 3,783,000	Loss both
EPS	-2.20p	-2.10p	-13.40p	Loss both

Wakebourne plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 18,848,000	£ 36,714,000	£ 16,145,000	-14.3%
PBT	-£ 356,000	-£ 3,384,000	£ 212,000	Loss to profit
EPS	-1.10p	-12.20p	0.60p	Loss to profit

Xavier Computer Group plc

	Period - Mar 96	Final - Dec 95	Interim - Sep 96	Comparision
REV	£ 457,000	£ 1,201,884	£ 3,740,000	n/a
PBT	-£ 86,000	£ 70,472	£ 260,000	n/a
EPS	-0.26p	n/a	0.33p	n/a

Zergo Holdings plc

	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 4,005,000	£ 8,483,877	£ 4,671,000	+16.6%
PBT	-£ 479,000	-£ 214,693	£ 237,000	Loss to profit
EPS	-5.47p	n/a	1.81p	Loss to profit

UK M&A

Stordata Solutions has acquired **ICL**'s network division, which had revenues of £7.5m and PBT of £295K in 1995, for a total consideration of £1.74m.

Persona has acquired Swiss networking distributor **Datawave SA** for £250K.

CMG has acquired **Orga Team GmbH** - *"the German market leader in the provision of software for Bundesbank regulatory reporting through its SAMBA software"*. No consideration was disclosed for this DM8m rev. company.

Hot on the heels of last month's acquisition of Cortex, **MMT Computing** is acquiring **Webbins Ltd** (IT services to the electricity industry) and its 66% stake in **The Utilities Exchange** in a highly complex profit related deal - £500K cash now but the deal has a max. consideration of £6.5m depending on profits to March 2000. Webbins had revenues of £1.2m and PBT of £216K in the year to 30th Sept. 95.

Xavier has confirmed its purchase of **CSL International** (see Aug. 96 edition) but the price is now £3.24m rather than the £3.5m we reported. Xavier is to raise £1.18m in an open offer. Because the acquisition is so big, Xavier was suspended at 11p pending shareholder agreement.

Misys buys again

Hot on the heels of the £37.2m (max) purchase of US **Frustum** in Nov., **Misys** is buying **Summit Systems Inc.** - a private US company which sells integrated financial derivatives software - in a complex deal to max. consideration of £36.6m + a further £11.2m in long term incentive payments for employees. We say "complex" as Misys also bought the remaining 40% of **Quotient SA** (which sells Summit) and a company called **Finance Information et Technologie SA** (which owned 31.6% of Summit). Summit had revenues of £7.4m and PBT of £2.4m in the year to 31st Dec. 95. Quotient had revenues of £6m and PBT of £1.8m in the year to 31st Mar. 96 and PBT of £300K. The price looks "full" but the logic seems excellent. The market liked the deal. Misys shares were up 13% this month - almost a doubling of the share price in 1996.

AwareNet MBO

Unipalm was acquired in Oct. 95 by **UUNet** for £95m. UUNet was itself acquired in May 96 by **MFS Communications** which probably doubled the consideration for those who originally took shares. UUNet really wanted the **Pipex** Internet access provider but got the original TCP/IP networking software distribution business as well. In addition this bit seems to have been quite profitable. Now this has been sold in a £2.7m privately funded MBO led by MD Mark Norman. **AwareNet**, the new Newmarket based company, hits the road with revenues of up to £10m.

Firecrest in US quote

Oh what a short troubled history Internet company ***Firecrest*** *has had.* Apart from all kinds of allegations of malpractice, they were the first company to be "delisted" from AIM in Oct. 96 when the shares had stood at 44.5p.

Anyway, they have now obtained a US listing via a reverse take over of **Super Phone**; valuing Firecrest at £16.1m or c68p - a premium of 50%+ to the previous share price.

ADVANCE NOTICE CSSA Holway Evening booked for Wed. 16th July 97. Last year was a sell out so call Ollie Ross on 0171 405 2171 asap as places are limited.

If you can't wait that long (!), Holway only other speech in 1997 is at the **Regent Associates** Conference (Tel: 01784 450000)on Thurs. 23rd Jan. 97.

Logica

We were delighted to congratulate Martin Read at **Logica** this month on the news of their acquisition of **Axime Ingenierie SA**. This adds over 1,000 staff and a further c£41m revenue, mainly in France but also in Luxembourg and Belgium, to Logica's £285m tally. Although the operation lost about £60K in the year to 30th June 96, the £18.4m (cash) to be paid looks very reasonable, particularly as the division had grown by 16% in the last year.

You may remember that on 30th Oct. 96, **Sligos** and **Axime** announced they were to merge forming a FFr6 billion/8,500 employee operation which was to be the largest SCSI operation in France and the leading provider of services to the banking sector in Europe. Axime itself was 88% owned by Paribas before they reduced the stake to 26% in two public offerings in 1995 and 1996.

The merger is still going ahead but Axime Ingenierie was considered as non core. Indeed there are other bits which might also be disposed of and we would not be surprised if Logica bought some of these in the months to come.

Axime Ingenierie derives about 40% of its revenues from the banking sector, 35% from manufacturing and the rest from services. What we would call contract programming makes up the majority of revenues with activities including:

- application maintenance
- millennium and Euro conversions
- software product integration, in particular SAP
- multimedia
- middleware (networks, RDBMS, etc.)

It really does look to us to be an excellent purchase. It's right in Logica's main area of expertise, so they know how to manage it. It extends Logica's reach into France where they were not that strong and it helps to give Logica the all important "bulk" it lacks.

Read now wants to make similar type acquisitions to extend operations in Germany, Italy and Scandinavia. The market (and we!) loved it marking Logica shares up 8% at 918p. That's a "mere" 100% gain in 1996!

Lorien spends £14.5m

Lorien is to buy two separate IT staff/recruitment agencies for a total of up to £14.5m and will raise £18.25m in a placing and open offer at 320p to pay for them.

- **Frost Berkeley Associates** concentrates on the financial services sector in the City. It had revenues of £16.5m and PBT of £751K in the year to 30th April 96. The consideration is £10.5m - £8m now - rest profit related.
- **Arena Resources** had revenues of £8.56m and PBT of £446K in the year to 31st Mar. 96. Consideration is £4m - £2m now - rest profit related.

There is great interest amongst readers at present on the prices paid for such IT agencies. Indeed the "consolidation" of this sector started (perhaps?) by Philip Swinstead at Comac/**Parity**, is showing no sign of abating. The price Lorien paid - i.e. between 50% and 60% of revenues - is currently the norm for the other transactions we have monitored of late.

As part of the announcement Lorien's directors *"forecasted £1.9m (£1.7m) profit before exceptional items on revenues of around £40m (£24.5m) in the year to 29th Nov. 96"*.

Lorien was the very first SCSI entry on AIM when it opened in July 95. Placed at 100p, the shares ended Dec. 96 on 335p - very good considering the 320p rights issue price. Now Lorien is to move to a full listing in Feb. 97.

Torex expands into computer services

We will have to consider a new entry to our SCSI Index after **Torex plc**, previously a tool and hire services group, announced three SCSI purchases in a month.

Earlier this year Torex acquired **Smart Terminals Ltd**, which provides IT solutions to the retail sector. They have recently been awarded *"a contract to support loyalty systems installed in over 400 stores"*. To this has been added:

- **The BIT Group** (Windows and Oracle based retail solutions) for £3.5m (£2.75m initially, the rest in 1997).
- **Ambridge Business Systems Ltd** (clinical and administrative systems to GPs) for up to £1.75m (£250K initially, then £250K p.a. for 4 years).
- **Warwick BePoS Group** (software and hardware distribution) for £500K (£300K initially, rest in two instalments of £100K each in 1997 and 1998).

To help finance this Torex is raising £1.93m by way of a 2-for-9 placing and open offer at 43p.

Compel buys Hamilton Rentals

Hamilton Rentals predates even us in this industry. Established in 1962 as an office equipment retail company, we got involved in the 1970s when they were one of the major distributors of DEC and HP minicomputers.

In 1987 they were acquired by **Atlantic Computers** which went bust. Mr. Southwell-Gray acquired Hamilton Rentals from the receiver in 1990 and subsequently sold it in an MBO in 1994. In 1995 Hamilton Rentals - still essentially the same HP and DEC reseller and short term rental operation that it always was - had revenues of £31.2m, operating profit of £2.1m and PBT of £1.56m.

Now it has been acquired by **Compel** for £14.5m - £13.7m now, the rest in June 97. To fund this Compel has announced a 11-for-18 rights issue to raise £15.2m at 160p. Given that Compel had a market cap. of just £28.6m prior to the announcement and that this will add over 30% to their revenues, it is quite a mighty bite to take in one meal. But, although we would usually be warning of the dreaded *"acquisition indigestion"* we also understand that *"size really does matter"* when it comes to hardware resellers these days. In addition, Compel has *"stuck to the knitting"*.

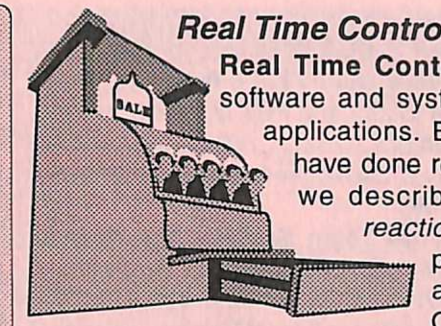
The market seemed to like the deal too. Compel shares ended Dec. 96 at 177p - a premium of 11% to the 160p rights issue price.

DuPont - another mega outsourcing deal

We don't cover contract wins but... The outsourcing deal announced this month with **DuPont** was, at $4b over 10 years, the largest on record. **Andersen Consulting** was awarded the US development bit with 500 staff transferring but **Computer Sciences** (CSC) gets the operational bit. This involves three mainframe centres (one in Germany) six midrange centres (two in Europe) and 60,000 *"desktops"*. 2600 DuPont employees will transfer to CSC. Of these, 500-600 are in Europe of which around 290 are in Germany and 100 in the UK. About 70 of the DuPont SAP staff in Europe will transfer to CSC.

CSC tells us that they have won $8b new business in the first thee quarters of FY 97 - that's twice the position last year. We have been told that another megadeal is due for announcement soon. Our problem, with our market forecaster's hat on, is trying to keep our forecasts up-to-date. The DuPont deal adds nearly 1% growth to the world outsourcing market all in its own right. In the UK we have seen mega deals like Sears, SBC, British Steel etal in 1996 - all of which will add significantly to the revenues of the services sector in the years to come.

Real Time Control doing very well



Real Time Control (RTC) develops software and systems for retail EPoS applications. Bluntly we think they have done really well but, in what we described as *"a knee jerk reaction"*, their share price plunged by over 40% to a low of 164p when CEO Brian Emerson resigned in July 96.

Latest results for the six months to 30th Sept. 96 prove our confidence. Revenues increased by 19% to £6.31m, PBT is up an impressive 56% at £1.16m and EPS up 55%.

"All areas of the retail systems business are performing well and experiencing a high level of sales activity...our emphasis on software and services revenues has been maintained and our margins continue to be improved". Well, what did we tell you!

RTC now aims to *"double retail systems revenues by fiscal 2000"*.

Granada Computer Services

The full year results (to 30th Sept. 96) from **Granada Group** contained little mention of **Granada Computer Services,** other than it was profitable. Last year GCS had revenues of c£138m. Gordon Towell seems to be doing an excellent job though and, as we have reported before, a number of acquisitions and JVs have been announced in 1996.

Computergram (20th Nov. 96) reported a Granada spokesperson saying that the lack of mention *"did not infer that it was actively looking to sell GCS and there was no purchaser on the horizon. However, it said it would always consider a serious offer"*.

As we have explained many times before, it is not quite as simple as that. In the late 1980s, Granada went on a buying spree spending over £200m on such operations as DPCE, Mainstay, CFM etc. The goodwill resulting from these acquisitions is still largely on the balance sheet. Any disposal at anything like the book value seems near impossible. Better therefore to tuck it in a drawer, ensure it doesn't make losses or cause too much trouble...and wait for Towell to boost the value to something closer to the book value.

Anyway, this month GCS has announced a small disposal - **Computeraid** has acquired GCS' **Distributed Service Division**. 70 staff and 47 customers contracts worth c£4m will transfer. DSD, formally part Granada's TV rental operation, focuses on small business contracts. Granada has been moving away from such deals to concentrate on larger corporate deals. But how this fits with Computeraid, which we thought had similar objectives, is currently beyond us.

For what it is worth, we think GCS has done well to adapt in a marketplace which has seen the death of many of its *"competitors"*. We would rather like to see an MBO at GCS...maybe leading to a publicly-quoted GCS. But we think that might be a little too optimistic.

Butler moves to #1 at Origin

Tom Butler (head of EDS UK during the period reported on p3) has been elevated to CEO at **Origin B.V** when his ex-EDS colleague Geoff Carrel suddenly resigned after just five months in the job.

The year finished with a 2% fall in the SCSI Index making a quite modest 17.5% rise for the year. Modest that is compared with the 50% increase we reported for 1995 just a year ago.

The real winner of the last month was new comer **Highams**. A new issue at 72p, the price quickly climbed by 62% to end Dec. on 116p. The other recent newcomers also did well - both **Druid** and **Cadcentre** ended up 20% on their launch prices. **Trace** managed a 56% recovery (p3).

At the other end of the scale, 1996 newcomer **SiR** slumped 63% on their disastrous interim results (p10) and **Microvitec** fell another 35% on its second profits warning in four months.

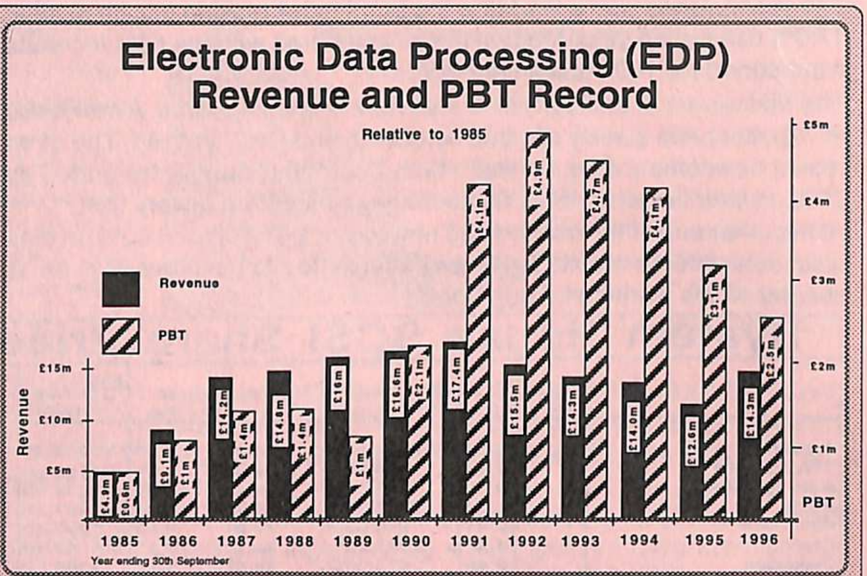
27th Dec 96	SCSI Index		2653.77
	FTSE 100		4091.00
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap		2169.21
Changes in Indices	**CSI Index**	**FTSE 100**	**FTSE Small Cap**
Month (28/11/96 - 27/12/96)	-1.76%	+1.01%	+0.49%
From 15th Apr 89	+165.38%	+99.21%	
From 1st Jan 90	+188.42%	+73.20%	
From 1st Jan 91	+274.90%	+89.36%	
From 1st Jan 92	+153.98%	+64.09%	
From 1st Jan 93	+66.53%	+43.72%	+56.36%
From 1st Jan 94	+58.95%	+19.68%	+16.08%
From 1st Jan 95	+77.01%	+33.45%	+24.21%
From 1st Jan 96	+17.50%	+10.89%	+11.73%

System House SCSI Share Prices and Capitalisation

	Share Price 27/12/96 (£p)	Capitalisation 27/12/96(£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 27/12/96	Share price % move since 28/11/96	Share price % move in 1996	Capitalisation move (£m) since 28/11/96	Capitalisation move (£m) in 1996
Admiral	£3.57	£224.90m	36.4	3.43	12903.23	-2.86%	117.68%	-£6.60m	£123.50m
AFA Systems	£1.40	£13.90m	n/a	n/a	1162.50	-4.12%	16.25%	-£0.60m	£1.92m
Anite ~~(was Grey)~~	£0.35	£83.00m	Loss	0.32	204.68	-2.78%	-15.66%	-£2.40m	-£16.60m
Azlan	£5.68	£200.90m	18.1	1.02	2467.39	-3.98%	12.38%	£39.60m	£65.10m
Cadcentre	£2.41	£40.00m	30.3	2.82	1202.50	20.25%	20.25%	£6.60m	£6.60m
Capita	£4.82	£281.20m	39.8	3.23	14459.46	3.44%	68.95%	£9.30m	£120.70m
Cedardata	£2.49	£78.80m	26.6	6.53	2366.67	12.95%	49.70%	£9.10m	£28.00m
CFS	£0.84	£6.18m	11.5	2.07	927.78	-8.24%	-1.76%	-£0.55m	£2.01m
Chemical Design	£1.35	£8.79m	21.5	4.86	1227.27	-11.76%	22.73%	-£1.17m	£1.26m
Clinical Computing	£0.30	£5.01m	Loss	2.27	237.90	-1.67%	-4.84%	-£0.09m	-£0.01m
CMG	£8.41	£539.10m	37.8	2.74	2900.00	-1.06%	155.62%	-£5.70m	£329.10m
Coda	£1.08	£29.90m	43.0	0.91	457.45	-7.33%	-49.77%	-£1.00m	-£26.20m
Compel	£1.77	£26.90m	13.0	6.73	1412.00	2.92%	-6.61%	£0.70m	-£1.90m
CRT Group	£2.50	£341.20m	31.4	3.30	2777.78	-9.58%	117.39%	-£36.20m	£263.60m
DCS Group	£2.63	£50.40m	33.1	1.65	4375.00	10.99%	250.00%	£5.00m	£36.20m
Delphi Group	£7.13	£205.20m	24.8	1.17	2932.10	9.20%	92.57%	£17.30m	£111.20m
Division Group	£0.56	£24.40m	Loss	5.05	1387.50	-6.72%	-51.74%	-£1.70m	-£26.10m
DRS Data & Research	£0.25	£8.38m	18.4	1.30	222.73	-2.00%	-2.00%	-£0.17m	-£0.17m
Druid	£3.32	£75.98m	n/a	6.33	1207.27	12.73%	20.73%	£8.58m	£13.08m
Eidos	£7.45	£99.10m	Loss	26.71	7450.00	-8.87%	7.50%	-£9.60m	£44.40m
Electronic Data Processing	£0.69	£18.10m	10.4	1.27	2112.68	6.98%	-40.52%	£1.20m	-£12.30m
FI Group	£5.42	£160.80m	47.2	2.04	2304.26	14.60%	130.43%	£20.50m	£91.00m
Flomerics	£2.15	£5.51m	19.5	1.33	1653.85	-8.51%	14.36%	-£0.51m	£0.70m
Gresham Computing	£0.56	£18.30m	23.8	2.32	602.15	-12.50%	33.33%	-£2.60m	£4.60m
INSTEM	£1.45	£6.67m	9.3	0.31	1450.00	-10.49%	-16.18%	-£0.78m	-£1.12m
Intelligent Environments	£0.65	£14.50m	46.9	3.63	691.49	-7.14%	-30.85%	-£1.20m	-£6.53m
JBA Holdings	£5.22	£177.80m	31.2	1.43	3259.38	9.79%	33.38%	£15.80m	£44.50m
Kalamazoo	£1.08	£31.00m	11.1	0.46	3071.43	-4.44%	-6.52%	-£1.40m	£8.60m
Kewill	£5.24	£66.50m	14.3	1.89	2069.17	5.02%	49.15%	£3.20m	£23.00m
Learmonth & Burchett	£0.90	£23.00m	Loss	0.89	750.00	-5.26%	-68.42%	-£1.30m	-£49.10m
Logica	£9.18	£582.60m	34.3	2.05	2513.70	7.75%	99.89%	£41.90m	£295.30m
Lorien	£3.35	£38.20m	28.0	1.31	3350.00	-2.62%	61.84%	-£1.00m	£26.40m
Lynx Holdings	£0.84	£82.20m	15.7	0.94	2100.00	3.07%	20.00%	£2.40m	£15.60m
M-R Group	£0.85	£47.40m	15.7	1.24	337.30	3.03%	21.43%	£1.40m	£8.30m
Macro 4	£4.90	£96.50m	13.0	3.81	1975.81	-1.51%	15.84%	-£6.50m	£9.40m
MAID	£1.98	£181.10m	Loss	13.28	1795.45	-19.55%	-14.50%	-£44.00m	-£30.70m
~~McDonnells~~ (MDIS)	£0.33	£34.00m	Loss	0.23	125.00	-16.67%	-20.73%	-£6.80m	-£6.50m
Micro Focus	£9.55	£144.20m	Loss	1.87	4613.53	5.52%	69.03%	£7.50m	£58.90m
Microgen	£1.50	£59.20m	10.2	0.86	641.03	1.01%	-16.20%	£0.50m	-£11.50m
Microvitec	£0.19	£14.70m	6.2	0.27	457.32	-35.34%	-61.73%	-£8.10m	-£22.40m
Misys	£11.18	£951.90m	25.4	3.40	2779.85	12.65%	96.05%	£107.70m	£474.20m
MMT Computing	£5.69	£67.10m	24.6	3.98	3383.93	6.26%	131.10%	£4.00m	£38.30m
Mondas	£0.83	£4.97m	Loss	38.23	1100.00	-8.84%	10.00%	-£0.49m	£0.45m
Moorepay	£2.80	£21.30m	24.0	4.60	3373.49	1.08%	77.22%	£0.30m	£9.30m
MSB International	£3.20	£65.00m	21.5	1.69	1684.21	9.03%	68.42%	£5.40m	£26.40m
OmniMedia	£0.12	£2.83m	Loss	10.29	153.33	-23.33%	-82.31%	-£0.86m	-£8.77m
On Demand	£0.49	£26.70m	Loss	2.34	621.79	4.30%	-62.69%	£1.10m	-£39.60m
Oxford Molecular	£3.54	£215.60m	Loss	34.89	4425.00	-1.39%	33.08%	-£2.70m	£77.90m
P&P	£1.56	£125.50m	13.9	0.37	697.31	10.68%	2.30%	£12.10m	£4.50m
Parity	£4.15	£176.40m	33.9	1.38	23055.47	13.85%	137.14%	£21.50m	£102.50m
Pegasus	£3.79	£23.90m	25.4	3.72	1032.70	-3.56%	80.48%	-£0.90m	£10.70m
Persona	£3.00	£74.30m	19.6	1.39	1871.88	-0.66%	5.46%	-£0.50m	£39.90m
Phonelink	£0.63	£29.90m	Loss	6.86	403.23	-21.88%	-67.11%	-£8.30m	-£46.00m
Proteus	£0.37	£20.10m	Loss	18.96	434.52	-21.51%	-69.58%	-£5.50m	-£19.10m
Quality Software	£2.10	£27.30m	40.4	1.28	552.63	-11.58%	-67.99%	-£3.60m	-£54.00m
Radius	£0.63	£17.60m	13.1	0.68	456.52	-3.82%	18.87%	-£0.70m	£2.90m
Rage	£0.12	£28.50m	Loss	3.00	451.92	6.82%	-47.78%	£1.80m	£28.37m
Real Time Control	£2.34	£16.40m	9.4	1.38	4775.51	18.18%	32.20%	£2.50m	£4.00m
Rebus	£0.72	£52.10m	17.7	0.87	812.50	-2.72%	-18.75%	-£1.40m	-£13.90m
Recognition Systems	£0.59	£15.80m	Loss	23.58	835.71	-4.88%	-16.43%	-£0.80m	-£3.10m
Riva	£0.24	£7.10m	235.0	0.10	167.02	-4.08%	-18.97%	-£0.30m	-£1.66m
RM	£6.20	£110.40m	24.0	1.12	3542.86	1.22%	45.54%	£1.40m	£38.70m
Rolfe & Nolan	£3.58	£45.00m	28.4	2.63	4255.95	5.93%	32.90%	£2.80m	£11.40m
Romtec	£0.81	£4.19m	18.9	1.27	1288.00	-11.05%	28.80%	-£0.52m	£0.91m
Sage Group	£5.24	£561.70m	28.2	4.12	20134.62	3.66%	61.08%	£19.80m	£214.30m
Sanderson Electronics	£1.50	£67.40m	14.9	1.10	2544.68	-2.61%	5.28%	-£0.90m	£8.80m
Sema Group	£10.85	£1,207.00m	42.6	1.78	3411.95	14.21%	102.43%	£151.00m	£705.30m
Sherwood	£1.95	£16.80m	11.8	0.64	1625.00	2.63%	5.41%	£0.50m	£0.90m
Spargo Consulting	£1.46	£18.20m	21.9	2.47	1531.58	-2.02%	1.04%	-£0.40m	£0.20m
Staffware	£2.62	£30.30m	76.3	7.10	1162.22	-4.39%	16.22%	-£1.40m	£4.25m
Superscape	£4.10	£34.40m	Loss	8.84	2070.71	-8.89%	-4.21%	-£3.40m	-£1.60m
Systems Integrated	£0.18	£2.35m	Loss	1.90	152.17	-63.16%	-84.78%	-£4.02m	-£13.05m
Total	£0.29	£2.90m	n/a	1.00	547.17	-4.92%	38.10%	-£0.15m	£0.80m
Trace	£0.35	£4.93m	13.7	0.24	280.00	55.56%	-12.50%	£1.76m	-£0.67m
Triad	£1.94	£48.70m	23.3	4.16	1433.33	5.45%	43.33%	£2.50m	£14.70m
Vega Group	£2.68	£41.10m	17.9	2.56	2192.62	-10.08%	-25.28%	-£1.40m	-£10.10m
Virtuality	£0.98	£29.00m	Loss	2.27	573.53	-8.45%	-60.84%	-£2.60m	-£40.00m
Wakebourne	£0.15	£3.42m	Loss	0.10	83.33	-6.25%	-14.29%	-£0.23m	-£0.57m
Xavier	£0.11	£5.75m	Loss	4.79	1100.00	-12.00%	10.00%	-£0.79m	£0.53m
Zergo	£2.90	£26.70m	72.8	3.15	2974.36	-4.92%	70.59%	-£1.40m	£11.00m

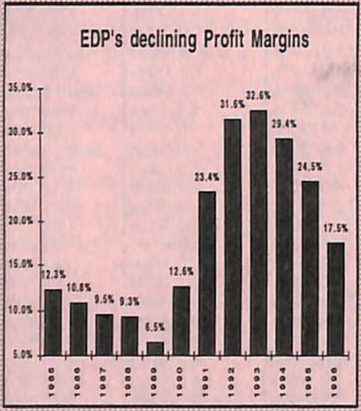
Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.

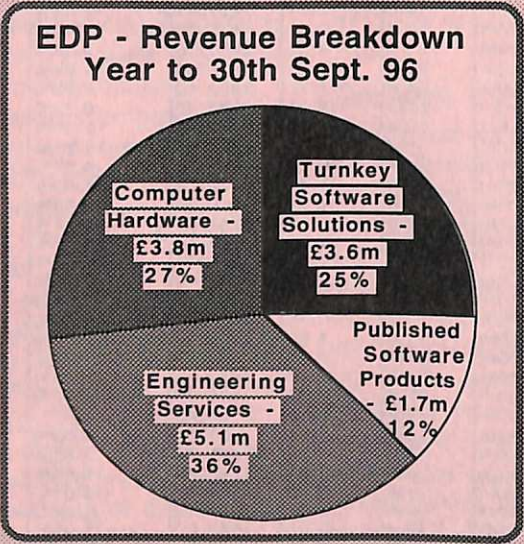
Electronic Data Processing

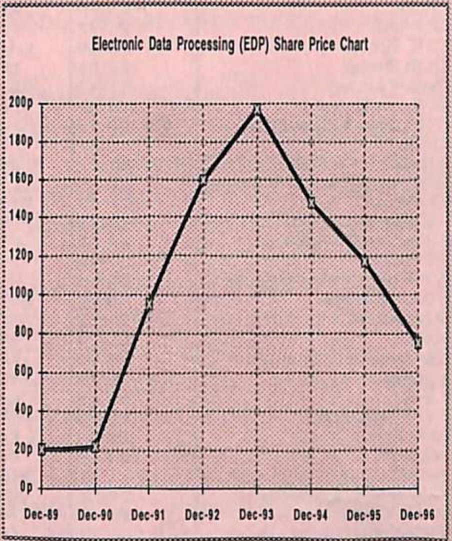


Electronic Data Processing (EDP) has reported revenues up 13% at £14.3m but PBT down 18% at £2.5m and EPS some 12% lower in the year to 30th Sept. 96. Cash also decreased from £9.4m to a still very healthy £7m at the year end. As can be seen from the diagram, PBT has declined in every year since 1992. Given that Chairman Richard Jowitt has complained of *"tough market conditions"* in each of the last few years, many readers might well consider that the really tough conditions were back in the early 1990s - when EDP was at its height. *"However, with pretax profit margins at 17.7%, we continue to be amongst the best in the industry"*. **True, but now about a half of the profit margins achieved in 1993.**

EDP was THE wonder stock of the early 1990s with its meteoric 600% rise from 1990 to end 1993 on 230p. Since then it has slipped all the way down to a 1996 low of 61p, although it has recovered to end 1996 on 69p. Interesting given that







net assets per share are now 51p - one of the highest ratios in the sector.

EDP is *"the brand leader in the supply of software solutions to the merchanting/distribution industry in the UK"* via their products Merchant and Charisma.

The problem with EDP is that they made such a high proportion of revenue - and profit - from hardware and hardware support revenues linked with their product. Although hardware revenues have continued to grow (in the last year by 37%) margins have reduced. Hardware support revenues actually fell by 18%. But still these two activities represent over 60% of revenues. Conversely revenues from systems and software products grew by 50%. To support this EDP spent another £1.8m in R&D (fully expensed we are pleased to report). So EDP is like a mini IBM...but a few years behind in its transition. The problem is we wonder whether the changes in the market have really got through. EDP has been extremely cash rich...but the cash has slipped from £12.6m in 1994 to £7m now. EDP has tried to spend this on acquisitions over a number of years but has publicly complained at sellers unrealistic valuations. As EDP's own value drops, Heller continues to bemoan *"vendors requirements for price"*.

We are sorry to say it, but EDP is another *"wasted opportunities"* company. Whether there is enough time left for EDP to make the switch from a hardware to a totally software/services provider remains to be seen.

Rolfe & Nolan back in profit in US...but losses in Asia Pacific

Rolfe & Nolan (futures and options systems) has reported revenues up 13% at £8.63m, PBT up 3% at £1.1m and EPS up 4% in the six months to 31st Aug. 96. R&N's 1992 US acquisition of BSI was an object lesson in why high performance related deals can cause as much havoc (Sid Cordier - p11 - please note). Anyway, at long last, the US has reported its first operating profit (of a meagre £46K) on revenues up 20% at £2.3m. The UK and Europe were the star performers, again, with rev. up 18% at £6.2m and op. profit up 34% at £1.34m. But Asia Pacific reported losses of £336K (profit £132K) on greatly reduced revenues even though £400K was spent on *"the establishment of the regional infrastructure"*.

But for the last "n" reviews we have said that R&N's future is very much aligned to the success of Lighthouse. Although now live at Credit Suisse, there is still no news of new customer signings. *"The timing of sales is difficult to forecast given the scope, size and complexity of these business opportunities"*.

SiR disaster

Systems Integrated Research (educational software) was an AIM new entrant at 115p in Mar. 96. Since flotation, results have gone from bad to worse. Latest results for the six months to 30th Nov. 96 show revenues plunging from £1.3m to just £507K and loss before tax up from £642K to £1.2m. Now a third of the workforce (+ 2 directors) face the chop in Jan. 97. SiR shares have dropped to 18p at the end of Dec. 96

CRT

Tapping Potential

The major event of 1996 for **CRT Group** occurred in Aug. 96 when **Education Technology** invested £109m in *"new money"* to effectively give them a 50.1% stake in this UK IT agency, recruitment and training operation. The new US investor including Oracle's Larry Ellison and Mike Milken, installed Tom Kalinske (ex CEO at Saga) as chairman and Neil McCarthy (ex Walt Disney etc.) as deputy with Karl Chapman remaining as CEO.

The £109m war chest - clearly much more could be raised if required - was to be used to build a UK (and later European) group bringing together and concentrating on the IT agency and training arenas. The first, albeit small, acquisition - Link-Up Services for £6m - was announced in Nov. 96.

The first results since the investment were, in our view a trifle disappointing. Revenues for the six months to 31st Oct. 96 showed revenues up 15% at £55.5m and operating profits up 25%. However, the £1m interest earned in the period on the ET investment boosted PBT by 93% to £3.37m and EPS by 40%.

About two-thirds of CRT's revenues come from IT agency and recruitment activities under the brand names **Software Personnel** and **Link Recruitment**. Although revenues increased by 18% (to £40m) the number of contractors on customer sites was up only 7% (to 2,350) rather indicating the fee rate pressures currently present in the market.

Training (**Link**, **Pitman** and **The Training Corporation**) grew revenues by 15% (to £15.1m) and profits by 18% (to £1.46m) although student numbers reduced. The publishing activity - **CRT Multimedia** - suffered reduced sales (from £1.16m to £400K) and losses nearly doubled to £310K due to *"the cancellation of a number of joint ventures projects that had been agreed with a third party"*.

But shareholders are punting more on the future potential than current performance. Clearly, major acquisitions are planned *"although it is difficult to predict the timing accurately "*.

ET made its investment back in Aug. 96 at 160p per shares. CRT closed Dec. 96 on 250p - that's a very tasty 117% gain on the year.

Why PhoneLink?

PhoneLink was described at the time of their float in June 93 at 155p as a *"technology wonder stock"*. Their Tel-Me product allows PC users to access a wide range of database services, from airline bookings to WH Smith's business supplies catalogue, via the 'phone lines. In 1996 the share price had slumped to a low of just 55p.

Latest interim results for the six months to 30th Sept. 96 show revenues static at £2.2m but losses up from £2.7m to £3.2m.

Now we know that all our readers will have sympathy for the Burkes - in fact we are thinking of setting up a charitable collection. At the height, Trevor and Heather Burke's shareholding in Phonelink was worth around £100m - it is now worth less than £15m. Our only wonderment is just that we cannot see how Phonelink even now is worth its £30m market cap. Anyway, Trevor Burke is being replaced as CEO from 6th Jan. 97 by Graham Ramsey.

The real problem we have with Phonelink is understanding why anyone would choose to access data in that way. The latest press release makes great play of their links with *"a range of new Infocheck financial products"* which we have access to via the internet for some time. In Jan. 97 they launch the Electronic Market *"offering via a PC an attractive alternative to conventional trading and shopping"*.

"We believe the proprietary route is the route to go" said Richard Law, Phonelink's FD *"There is an awful lot of money going into the Internet route, but we are not convinced"*. Source - FT 13th Dec. 96. ***Oh dear!***

Desktop Services

IDC has this month published their "Strategies for Desktop Management Services" (Price £1650 - Tel: 0181 987 7100) The problem with desktop services is, as Antony Miller - the IDC manager responsible for the report - admits *"the marketplace is rampant with vendors from all sorts of backgrounds"*. Sure, the multivendor maintenance (the new, up-market name for TPM) represents about a half of the market, but its the "new" services which offer the real attraction to most readers. Help services offer the fastest market growth, but *"procurement management, staging and configuration, and asset management all show a tendency to grow dramatically over the next five years"*.

Diagonal - another IT staff agency to float

Another IT staff agency - **Diagonal** - has announced that it will go for a full listing in Mar. 97 with an expected valuation of £30-£40m. Diagonal had revenues of £19.2m and operating profits of £1.4m in 1995 but this is expected to have increased significantly in 1996.

Sorry Sid

Our report on **Cedardata**, and its highly performance related acquisition of Teleconnect last month, upset Chairman Sid Cordier. Not because of our criticisms of the deal but because of what he saw as implied criticism of his performance whilst MD at **MR Group**. We reported Leon Fattal as saying *""Sid Cordier has had much experience of similar acquisitions at MR Group."..we can only refer readers to our reviews of performance at MR Group contained in previous editions"*.

Cordier resigned as MR's MD in mid-1993. Up until then MR had done well increasing EPS from 4.5p in FY87 to 10.6p in FY93. MR was very acquisitive and indeed did well in its moves away from dependence on the COM market. The share price was over 200p before Cordier left. Cordier, quite understandably, does not want to be associated with the performance since. PBT has slumped from £8.8m in Cordier's last year to £1.3m in FY95. The share price slumped to a low of 57p. Cordier's replacement, Mike Elliott, was then himself "replaced" (and received £200K compensation making a total emolument of £412K for his *"contribution"* in the year ending 30th June 1995). Since then, under the new leadership of Colin Haylock (ex-W S Atkins), there has been a recovery. In the latest year to 30th June 96, PBT of £4.8m was reported.

We can well understand Cordier's concern and we are pleased to make the above points.

Internet

According to **Internet Magazine** there are now between 300,000 and 500,000 Internet subscribers in the UK with most still using Compuserve as their gateway. But access via MSN seems to be the fastest growing.

UK Internet Subscribers	
Service Provider	**Estimated No. of UK subscribers**
Compuserve	200,000-400,000
AOL	85,000-90,000
Microsoft Network (MSN)	80,000-85,000
Demon	60,000-75,000
UUnet Pipex	40,000-60,000
Easynet	12,000-15,000
Global Internet	10,000-15,000
Direct Connection	9,000-14,000
U-Net	9,000
Netcom	7,000-10,000
Prestel Online	6,000-10,000
BT Internet	4,000-7,000
Source: Internet Marketing Hot List	

There are apparently over 210 other internet access providers with the vast majority having less than 1,000 subscribers.

Internet access growth is continuing at 10-15% per month making it *"the fastest growing communications medium ever"*.

The analysis seems to be one of the most authoritative in a market moving so fast that it is difficult to keep score. For our part, we believe that internet access providers were due for a major shake out with the number reducing considerably as new competitors like the BBC, Virgin arrive and others, like BT, start to get their act together.

As far as Compuserve is concerned, they really do have to get their act together. We have been waiting for holway@Compuserve.com (rather than 100665.3460@Compuserve.com) for nearly a year now. We understand you/we can use it from 1st Jan. 97. But, fed up with waiting, we had moved over to holway@msn.com. Compuserve have offered us a $25 ex-gratia payment. *You see they are also still unable to bill in local currency!*

Seldom has a company lost so much opportunity.

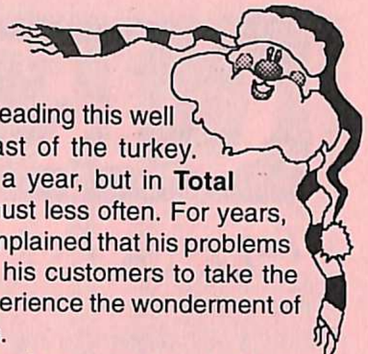
Register for HOTNEWS

Our Hotnews site is updated throughout the day and gets 100s of hits. Since we switched on the registration process this month, we are now even more aware of the readers. ***Who said CEOs couldn't master technology!***

It's a ***free*** service for *System House* subscribers so please make use of it if you have not already done so and/or tell your people about it.

This year our detailed 1996 share price review is exclusively on our web site. You can find us on **www.holway.co.uk.** But if you really can't master this, please give us a call and we will send you a hard copy.

Christmas comes at last to Terry Bourne



OK, so you will probably be reading this well after you have eaten the last of the turkey. Christmas comes but once a year, but in **Total Systems**' case it happens must less often. For years, Terry Bourne at **Total** has complained that his problems are due to the reluctance of his customers to take the bold moves necessary to experience the wonderment of Total's services and products.

We knew it was Christmas when we read *"with the economy at last showing steady signs of improvement, I am optimistic about the future"*.

In the six months to 30th Sept. 96, Total has increased revenues by 16% to £1.48m and reported PBT of £186K (against a loss of £54.5K last time). It is not quite as good a comparison as that as the £87K bad debt provision at the year end has been reduced to £38K.

What we really look forward to is a return to the £835K PBT made in the year when Total went to the USM in 1988 at 85p.

Total's share price dropped by 5% to 29p this month...this is a 66% discount to its 1988 issue price.

To be this size after eight years as a quoted company is...*well, diabolical.*

AIM newcomers prosper

Zergo (information security solutions for applications and networks) was a new AIM issue in Sept. 95 at 97p. They have been one of the best performing new issues but closed Dec. 96 down 5% at 290p. Latest results for the six months to 31st Oct. 96 showed revenues up 17% at £4.7m and PBT of £237(loss £479K last time).

The key unlocking Zergo's success has been their Internet-related security products like *CryptoLayer*. Indeed the order book is up 64% at £4m+.

Network Technologies was also a new AIM entry at 114p in Jul. 96 and has done wll since. This month they have acquired **JRL Systems Inc.** (printer controller software) for $4.8m. JRL had rev. of $6.8m and PBT of $392K in the year to 30th Sept 96. Network Technologies ended Dec. 96 on 176p.

ORDER FORM

From: | **Delivery address:**

1996 Holway Report

☐ **Master copy @ £1750 (cheque with order only)** ☐ **Additional copies @£450 each**

System House

☐ **One year's subscription @ £295 p.a.** ☐ ***"4 - copy subscription"* @ £590 p.a.** ☐ **Site licence @ £1000 p.a.**

1996 Software and Computing Services Industry in Europe Report (Available January 1997)

☐ **Master copy at £5,600** ☐ **Additional copies @ £850 each**

Cheque payable to Richard Holway Ltd.

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

☐ **Cheque enclosed** ☐ **Please invoice my company**

Signed: **Date:**

System House™ is published monthly by Richard Holway Limited, 18 Great Austins, FARNHAM, Surrey, GU9 8JQ. Telephone 01252 724584; Fax: 01252 725880; E-mail Internet:100665,3460@Compuserve.com which also publishes the annual "Holway Report" and the "Software and Computing Services Industry in Europe Report". Richard Holway has been a director of several computing services companies and might hold stock in companies featured.