

System House

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

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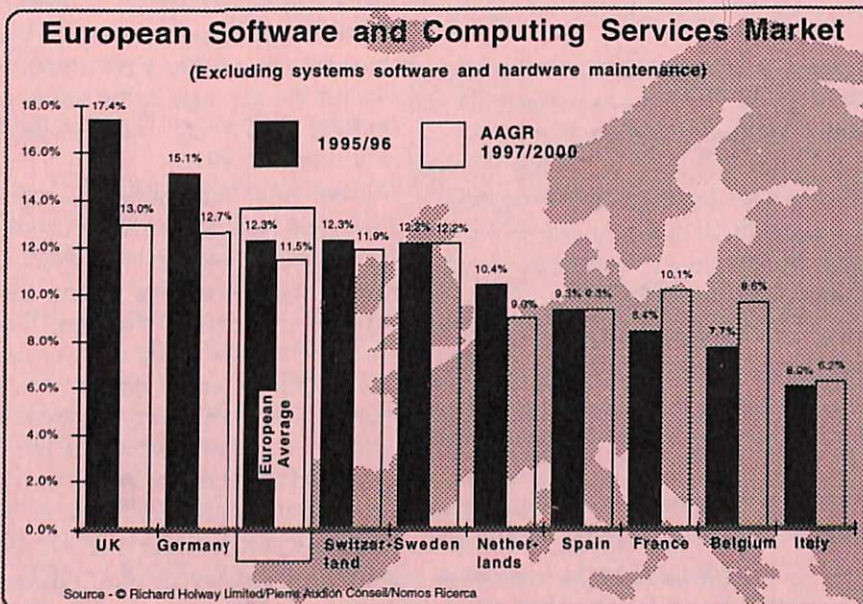
Services the place to be in Europe too!

The latest edition of our **Software and Computing Services Industry (SCSI) in Europe (1996 - 2000) Report** is back from the printers. Many of you will have already received your copies. Apart from there being little pan-European research anyway, what makes our report unique is that each partner - Pierre Audoin Conseil (France), Nomos Ricerca (Italy), PAC GmbH (Germany) and, of course, Richard Holway in the UK - is THE expert in their home country.

With difficulty, we would attempt to summarise a year's work, three volumes and over 1200 pages of detailed analysis as follows:

- after a difficult start to the decade throughout Europe, there are now signs of revival in most countries. However, there is a significant gap between strong growth in the UK (which has, and will continue to have, the highest growth in Europe), Scandinavia and Germany and continued weak growth in France and Italy.

- the European SCSI market will be worth over 140 billion Euro (>£115b) by 2000.



Europe of the **software products** market is only "moderate" ...and high risk. Products will represent only 23% of the 140 billion Euro SCSI market in 2000.

Conversely services is the place to be in Europe as well as the UK!

- new technologies, Y2K, the Euro, the requirement for data warehousing/data mining to meet new customer competition etc. all contribute to above average (13.1% p.a.) growth in **systems integration** (i.e. large project developments worth over £1m).

- **outsourcing** and network services is the fastest growth

sector throughout Europe and in every country. Growing at over 15% p.a., the market will be worth 33b Euro by 2000 and will, by then, be the largest single sector of the whole SCSI market.

- twenty of the Top 50 suppliers to the European SCSI market are US-owned - compared with

just 12 in the first edition of this report back in 1992. IBM is the lead SCSI supplier in Europe and the top supplier to the three largest countries - Germany, France and the UK.

The largest indigenous SCSI supplier is Cap Gemini which, this month, announced their best results in a long while with an underlying growth rate of 18% - above the European market average. Other European-owned SCSI companies in the top echelons, which have also produced good revenue growth, include SNI, Origin, Sema and SAP. Yet again there are no UK-owned companies in the Top 20 SCSI providers in Europe. Only GEC-Marconi and Logica make it into the lower reaches of the Top 30.

The pace of restructuring - M&A - in Europe reached record levels in the second half of 1996. At last, UK companies have been particularly active. The combined BT Syntegra/MCI Systemhouse and Logica (now + Axime Ingenierie) are currently the best bets for a UK-owned Top 20-ranked supplier in 1997.

Software and Computing Services Industry in Europe					
(excluding Systems Software and All Hardware Maintenance)					
Million Euro	1995	1996	Growth 1995/96	1997	2000
System Software	8184	8368	+2.2%	8555	9253
Hardware Maintenance	10835	10564	-2.5%	10338	9674
Professional Services	21387	23284	+8.9%	25517	33487
Systems Integration	6751	7628	+13.0%	8645	12497
Software Products	19535	21632	+10.7%	24140	32882
Turnkey Solutions	7552	8001	+5.9%	8506	10138
Processing/Facilities Management	15097	18440	+22.2%	21663	33565
TOTAL	89331	97917	+9.6%	107424	141496
TOTAL	70312	76983	+12.3%	88561	122569
(excluding Systems Software and All Hardware Maintenance)					
					+11.5%

Note: Constant 1995 conversion rate used £1 = 1.22 Euro \$1 = 0.77 Euro

- other researchers have put very high figures on the cost of the switch to the **Euro** and **Y2K**. We reckon the positive effect on the market will be worth "only" around 1-2% p.a. - but still worth an extra £10b over the next 3 years.

- the other over-hyped area is the **intra/Internet**. We reckon such Net-services will represent less than 5% of the European SCSI market to 2000. The real explosion will come in the first years of the next millennium.

- the success of such European companies as SAP and BAAN should not disguise the fact that growth throughout

literally minutes before we sent the last edition to the printers. In our haste, we mis-keyed the figures - so a big sorry to Hilary Cropper who 'phoned to point this out the moment the edition arrived on her desk.

The correct figures show revenues up 24% at £46.3m, PBT up 34% at £2.81m and EPS up 22%. Margins therefore increased from 5.6% to 6.1%. Although still below both the average for the industry and many of its closest competitors, it does show that the potential for earnings improvement is very much available.

A number of new contracts were signed in the last few months - the largest being a new £15m/5 year deal with Barclays, a £9m/4 year deal with Legal and General, a £9m/5 year contract with Nat West and a £13.5m/4 year "insourcing" contract with Sainsbury's. These new contracts contributed towards "an order book at 31st Oct. 96 of £77.7m, up 8%...some 50% of this being deliverable in the 12 months from 1st Nov. 96". "Our Top 20 customers again account for 70% of Group revenues".

Application Management now accounts for 70% of FI's revenues. Interestingly the finance sector, at 37% of revenues, is the largest sector - which rather goes against some observers who believe that banks etc. do not outsource IT.

"The second half of this year has started well". FI's brokers UBS are forecasting PBT of £6.2m in the year to 30th April 1997 and £7.4m in 1998. But let's put that back into context. At present FI Group is trading on an hist. P/E of around 50 (over 70 if you include the float costs!). Prospective PE for FY97 will be 46 and in 1998 it only drops to 39!

FI Group is real quality but can any IT services company really justify being valued this highly?

Easynet announces increased losses

Easynet announced rev. of £2.2m and a loss of £971K (loss £107K in the prev. 17 mos) in the year to 31st Dec. 96. Internet access customers were up 419% with "strong customer loyalty with churn less than 2% per month".

Readers will know of our low opinion of the chances of survival of small independent internet access companies.

ecsoft

Norway (28%), Denmark (31%) and Sweden (3%). Revenues consist "primarily of professional fees" earned by over 360 staff and 80 IT contractors, where utilisation rates consistently exceed 85% we are assured. Professional staff increased by 58% in 1996. Results for the year to 31st Dec. 96 showed revenues up 42% at \$50.6m. \$2.2m of this came from Digitus (Apr. 96 for £2.55m). PBT was up from \$970K to \$3.7m and EPS of 41c compared with 1c in 1995. So with this kind of performance we were extremely surprised that ECsoft's NASDAQ share price declined by \$1 to \$9 - a 10% discount to the IPO price - and then failed to recover and ended February at this price. At \$9, ECsoft has a market capitalisation of just \$63m which equates to a PSR of just 1.25 and a P/E of 22. Any comparison with IT services stocks on the London Stock Exchange would indicate that on both ratios this is a discount of at least 50%. Indeed Terje Laugerud told us that he was very disappointed with the share price performance and joked with us (well, we think he was joking!) that he'd take it private again if it continued.

Anyway, ECsoft seems well positioned to meet the opportunities of the Y2K, the Euro and ever increasing IT services growth in the European markets it serves. We happen to believe that the US analysts and investors do not understand either Europe or IT services. We think it continues to underrate both. ECsoft would have received an excellent reception on the London Stock Exchange which, in our opinion, would have given much greater value to ECsoft's shareholders.

On 10th Dec. 96, Triad's Chairman Robert Drummond said, when announcing excellent interim results, "Demand for Triad's services continues to be strong and I therefore look forward with confidence to the second half of the current year and beyond".

TRIAD

House brokers Beeson Gregory forecast PBT of £3.35m for the year to 31st Mar. 97. As even we added at the time "to that you can add the demands of the Millennium and Euro...The future for Triad does indeed look bright".

Then, in Jan. 97 it was announced that Triad would not be renewing Robert Drummond's contract as non-exec. Chairman. It is an interesting observation that Triad's share price rose by over 20% on the announcement.

Then, two weeks later on 10th Feb. 97, our worst fear occurred. Another System House Boring Award holder issued a profits warning! Basically several of the large new prospects outlined at the briefing in Dec. 96 were delayed and Dec. & Jan. were very bad months. Of course when you are a people-based company you can hardly lay them off for a month whilst you wait for new work to start. Because of this, results to 31st March 97 are "unlikely to meet market expectations". Indeed Beeson Gregory has downgraded its PBT forecasts to £2.7m.

However, these contracts have now been awarded and work has commenced "current and projected trading performance is very strong". As a result Beeson Gregory has left their FY98 PBT forecast intact at £4.1m. This limited the damage to the share price which dived by 45p to 228p on the day, but then failed to recover and ended February on 227p.

At the same time Alistair Fulton announced that he was giving up his role as CEO in favour of FD Ms Mira Makar. Fulton takes over as non-exec. Chairman. As some will know, there are very strong personal reasons for this change. Tim Eglen - the Ops Director - also resigned, but we suspect this really was for performance reasons.

But let's look on the bright side. Triad will still be Boring. Even at the reduced profit level, their unbroken earnings growth record will be maintained. Indeed, the "high quality lines of business are increasing and opportunities for the company are excellent". We certainly hope so...we really cannot stand too much of this kind of excitement!

UK NASDAQer would be more highly valued on the London market

As we reported in the Jan. 97 edition, on 13th Dec. 96, ECsoft Group plc was "believed to be the first wholly-European IT services company to complete an IPO on NASDAQ".

ECsoft provides a range of IT consultancy, development and SI services in the UK (38%), Norway (28%), Denmark (31%) and Sweden (3%). Revenues consist "primarily of professional fees" earned by over 360 staff and 80 IT contractors, where utilisation rates consistently exceed 85% we are assured. Professional staff increased by 58% in 1996. Results for the year to 31st Dec. 96 showed revenues up 42% at \$50.6m. \$2.2m of this came from Digitus (Apr. 96 for £2.55m). PBT was up from \$970K to \$3.7m and EPS of 41c compared with 1c in 1995. So with this kind of performance we were extremely surprised that ECsoft's NASDAQ share price declined by \$1 to \$9 - a 10% discount to the IPO price - and then failed to recover and ended February at this price. At \$9, ECsoft has a market capitalisation of just \$63m which equates to a PSR of just 1.25 and a P/E of 22. Any comparison with IT services stocks on the London Stock Exchange would indicate that on both ratios this is a discount of at least 50%. Indeed Terje Laugerud told us that he was very disappointed with the share price performance and joked with us (well, we think he was joking!) that he'd take it private again if it continued.

The other UK NASDAQers also had a bad month.

Planning Sciences announced rev. up 58% at \$26m and PBT doubled to \$3.7m. Share price fell from IPO price of \$16 to just \$12.5.

Insignia (IPO at \$12) announced restated results with rev down \$11m at \$44m and losses of \$10.8m. Share price has slumped 80% to \$2.53.

The chart below neatly shows the first two ages of P&P.

- first as a distributor and direct reseller of PC and Apple Mac hardware and software. They performed well until everything connected with the PC became commodity items and margins disappeared.

- then P&P started the hard job of turning themselves into an IT services company. It was a long hard road.

But perhaps we are now seeing the start of another new stage in P&P's development. In Feb. 97, P&P decided to go the whole hog and change their name to **Skillsgroup plc** "to reflect the significant changes made to the Group in recent years".

Results for the year to 30th November 1996 were very much as expected. Revenues was static at £344.3m, PBT was up 13% at £14.3m and EPS was up 15%.

The new Skillsgroup will operate through three "branded business groups":

- **QA** covers consultancy, IT Training (clearly including QA Training acquired in May 94 for £18m and other IT training acquisitions) and IT contracting/recruitment (here including Myriad acquired in April 96 for up to £12.5m). We understand that this business group had revenues of £64m and makes around 37% or £5.7m of the group's operating profit. This equates to a quite tasty 9% operating margin.

- **Acuma** "delivers solutions based on midrange computer platforms" and also includes Power Systems Ltd. which markets such systems to other VARs. We understand that this business group has revenues of £65m and makes around 27% or £4.2m of the operating profit. Again, considering the hardware element, the 6.5% margin is also quite acceptable.

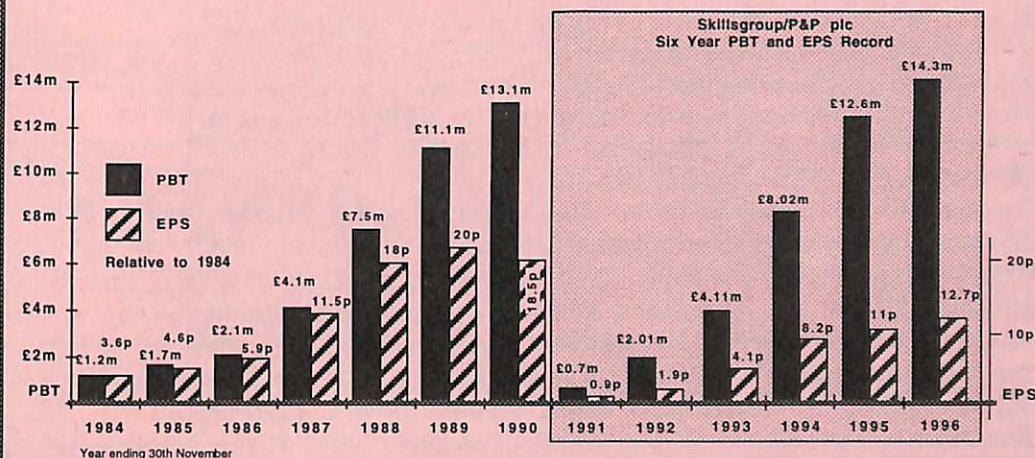
- **P&P Desktop** delivers PC hardware, software and support services mainly to the corporate marketplace. It is by far the biggest revenue earner - £215m - but makes

only 36% or £5.6m of the operating profit. That's just a 2.6% operating margin - and about half what major competitors like Computacenter and Specialist Computer Holdings make.

Comment

Interesting, isn't it, that although £14.3m PBT was a group

Skillsgroup/P&P plc
PBT and EPS Record



all time record, the 12.7p EPS was far lower than the 20p achieved in 1989.

But the real point is that P & P

Skillsgroup plc - Performance by Business Group FY96				
	QA	Acuma	P&P	Total
Revenues	£63.7m	£65.1m	£215.5m	£344.3m
Gross Profit	£36.3m	£15.2m	£36.6m	£88.1m
Operating Profit	£5.8m	£4.2m	£5.5m	£15.5m
Gross Margin	57.1%	23.4%	16.9%	25.6%
Operating Margin	9.1%	6.4%	2.6%	4.5%

have made the painful changes required without killing itself in the process. Indeed, P&P is now a very tasty looking SCSI company. Even though the P&P's share price has increased by 44% from the 153p it stood at when the last year's results were announced, the £178m current capitalisation still looks low even if just the SCSI activities are taken into account. No doubt there are predators who have noticed that too.

If Skillsgroup could now get a re-rating it might be able to make some decent sized SCSI acquisitions.

Also note that founder Pete Fisher took the opportunity to sell 2.1m of his shares at 220p. He still has 5.7m left. The share price was relatively unchanged to end Feb. on 221p.

Services at Compel increase margins

There is (was?) more than a passing similarity between P&P and **Compel** - a rare new market PC reseller float in Sept. 94 at 125p.

Although the results for the six months to 31st December 96 showed a minor reduction in revenues to £39.54m, PBT increased by 18% to £1.7m and EPS was up 17%. Margins, of course, therefore increased and this was due to an increased proportion of revenues coming from services. However, Chairman Neville Davis refused to disclose the services % as this would be "unhelpful". Compel has "won two substantial desktop outsourcing contracts with major corporates".

The big event for Compel, of course, was its acquisition of **Hamilton Rentals** for £14.5m in Jan. 97. We thought it was a big, but well judged purchase - £13.7m now, the rest in June 97. To fund this Compel announced a 11-for-18 rights issue to raise £15.2m at 160p.

The share price has since risen to end Feb. on 235p - a hefty premium to the rights issue price. Davis now anticipates "a good performance for the second half and beyond".

M-R Group - the 2nd largest COM bureau in the UK - continues to find its metamorphosis difficult. Research shows the COM market reducing at around 8% p.a.

Revenues were slightly reduced to £18.5m in the six months to 31st Dec. 96. But at least PBT continued its slow recovery - up 8% to £2.35m. EPS increased by 12%. Poor performance in the US was the main culprit.

Outsourcing is seen as the "major growth area" with contracts with General Accident and Parcel Force signed recently.



The **System House Boring Awards** have assumed a life of their own. The first recipient was, of course, **Admiral** when a slip of the pen described their record as "*Boring*". Admiral's record is still the most boring of the lot. The criteria is "*No reversals in ten years and EPS growth exceeding 20% p.a.*" Admiral has actually managed an average 29% p.a. EPS growth over 12 years. Not only that, but PBT and EPS growth has stayed very much in step - as you might expect from a company which has undertaken few acquisitions.

But **Capita**, another **System House Boring Award** winner, has seen EPS rise by an even higher 47% p.a. in the same period with only a marginal dilutionary effect from its considerable acquisition activity on EPS. PBT has grown by 54%. **Either way, two records which almost every reader would die for!**

admiral

Admiral's results for the year to 31st Dec. 96 were excellent - as we now expect. Revenues were up 39% at £91m and OP up over 50% at £11.1m - that's an attractive 12.2% margin. As readers know, we had feared a reversal last year - not from trading but because of the one-off benefits of the **Powersoft**-related businesses in the two previous years. These benefits, of course, did not re-occur in 1996 but still Admiral managed to boost PBT by 14% to £11.2m and EPS by 8%. Excluding the exceptionals, EPS increased by 41%.

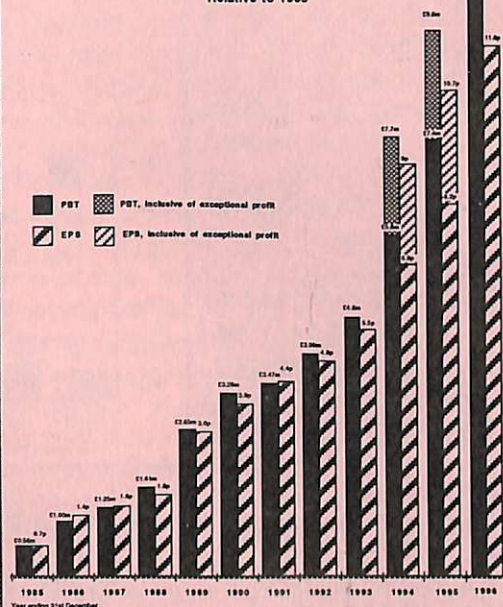
The **Ares** (France) acquisition contributed £8.4m rev. and £1.1m profit "*ahead of expectations*". Indeed more acquisitions - assuming the price is right - are planned in Germany, Scandinavia and Holland.

Admiral's two largest operations **Admiral Computing** (systems development) and **Admiral Management Systems** (projects) both "*turned in outstanding performances*" and the two training divisions "*started 1997 with record order books*". But Admiral's "*product companies performed poorly...and failed to live up to expectations*". Action has been taken!

Chairman Clay Brendish is one who avoids the "*confidence*" word like the plague - but is one of the few justified to use it! He says "*the future holds good times for Admiral*". Brokers James Capel agrees and have increased 1997 PBT forecasts from £13.1m to £13.8m.

Admiral plc PBT and EPS Record

Relative to 1985



CAPITA

Of course we would never give away confidences, but there are many readers (at a very senior level) who have (1) argued with us that the **Capita** recipe would fail...in 1990, 91, 92, 93 etc. and (2) that business processing outsourcing was not the place to be. *We know who you are... your cards are marked!*

Yet again, Capita's results for the year to 31st Dec. 96 are exemplary. Revenues up 29% at £112m, PBT up 31% at £12.3m and EPS up 21%. Richly deserving, we are relieved to say, of their long held **Boring Award**.

"*Core business from outsourcing performed superbly, with a number of significant new contracts worth £200m successfully implemented*". As well as the acquisitions listed below, Capita has announced extensions to outsourcing

contracts - at Mendip, Wiltshire and Kent - worth £32m. Indeed the revenues from the outsourcing division increased by 37% to £78.5m and profits up 43% at £8.53m. So, eat your heart out all you detractors, that's an 11% margin! This division has been so successful that Capita intends to merge its Advisory (rev. up 16% at £10.8m but profits flat at £1m) and Outsourcing Divisions "*to form a new Business Services Division*".

The other division is Property Services which grew rev. by 11% to £22.6m and profits by 12% to £2.74m.

As well as the placing (see below) Capita has announced a 2-for-1 bonus issue to "*enhance the marketability of Capita's shares*".

Acquisitions this month

Capita has made the following acquisitions this month:

- the revenue collection division of **Imasys** for £2.75m cash + £1m profit related. Imasys has rev. of £3m and made a "*contribution*" of £819K in the year to 6th Apr. 96.

- the scanning and data management operation **Avern Data Management Services**.

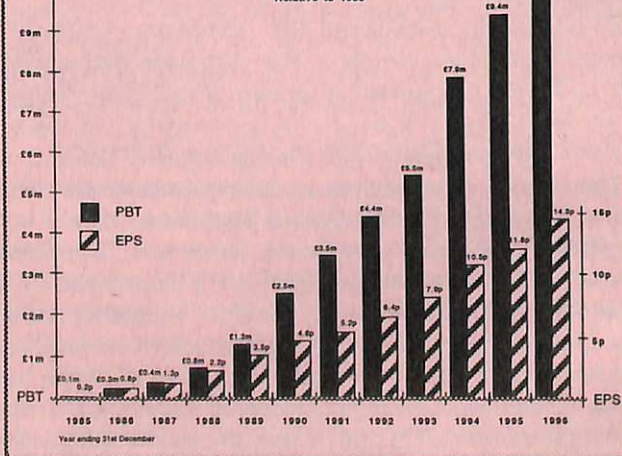
- **Hartfield Solway** from **WPF Holdings** for £4.35m. HS had rev. of £6.6m and PBT of £550K in the year to 31st Mar. 96. This makes Capita the largest pension administrator in the UK with c1.8m pensions under management.

- the remaining 50% of **Drivesafe** from **JHP** for £7.5m + an additional £5m to 2006 based on performance.

To fund these purchases it has raised £11.8m in an institutional placing at 620p. Capita shares ended Feb. 97 up another 15% at 649p. *That's a mere 19-times increase since their float!*

Capita Group plc PBT and EPS Record

Relative to 1985



Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc					Electronic Data Processing plc				
REV	Final - Dec 95	Final - Dec 96	Comparison		REV	Final - Sep 95	Final - Sep 96	Comparison	
PBT	£ 65,460,000	£ 90,819,000	+38.7%		PBT	£ 12,605,000	£ 14,267,000	+13.2%	
EPS	£ 9,832,000	£ 11,243,000	+14.4%		EPS	£ 3,083,000	£ 2,519,000	-18.3%	
	10.72p	11.60p	+8.2%			7.53p	6.64p	-11.8%	
AFA Systems plc					F.I. Group plc				
REV	Final - Dec 95 (5 mos)	Final - Apr 96	Interim - Jun 96	Comparison	REV	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison
PBT	£ 0	£ 217,000	£ 237,000	n/a	PBT	£ 37,420,000	£ 78,824,000	£ 46,254,000	+23.6%
EPS	-£ 121,000	-£ 133,000	-£ 229,000	Both loss	EPS	£ 2,089,000	£ 3,763,000	£ 2,805,000	+34.3%
	-1.62p	n/a	-3.06p	Loss both		4.90p	7.70p	6.00p	+22.4%
Anite Group plc					Flomerics Group plc				
REV	In term - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
PBT	£ 128,957,000	£ 262,838,000	£ 103,533,000	-19.7%	PBT	£ 1,541,240	£ 4,147,187	£ 2,146,559	+39.3%
EPS	-£ 14,594,000	-£ 19,378,000	-£ 63,454,000	Loss both	EPS	-£ 110,288	£ 415,565	-£ 154,643	loss both
	-6.30p	-8.40p	-27.40p	Loss both		n/a	11.00p	n/a	n/a
Azlan Group plc					Gresham Computing plc				
REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison	REV	Final - Oct 95	Final - Oct 96	Comparison	
PBT	£ 72,716,000	£ 196,459,000	£ 126,464,000	+73.9%	PBT	£ 7,895,000	£ 9,271,000	+17.4%	
EPS	£ 4,445,000	£ 10,507,000	£ 6,034,000	+35.7%	EPS	£ 1,281,000	£ 1,682,000	+31.3%	
	13.60p	30.30p	15.00p	+10.3%		2.36p	3.15p	+33.5%	
Cadcentre Group plc					Highams Systems Services Group plc				
REV	Final - Mar 95	Final - Mar 96	Comparison		REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
PBT	£ 11,941,000	£ 14,196,000	+18.9%		PBT	n/a	£ 13,227,496	£ 7,359,000	n/a
EPS	£ 556,000	£ 1,669,000	+200.2%		EPS	n/a	£ 899,067	£ 388,000	n/a
	n/a	n/a	n/a			n/a	7.20p	3.30p	n/a
Capita Group plc					INSTEM plc				
REV	Final - Dec 95	Final - Dec 96	Comparison		REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
PBT	£ 88,994,000	£ 111,869,000	+28.6%		PBT	£ 11,205,000	£ 21,324,000	£ 10,740,000	-4.1%
EPS	£ 9,420,000	£ 12,292,000	+30.5%		EPS	£ 577,000	£ 1,244,000	£ 402,000	-30.3%
	11.80p	14.30p	+21.2%			8.40p	18.10p	5.80p	-31.0%
Cedardata plc					Intelligent Environments Group plc				
REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
PBT	£ 5,333,000	£ 12,071,000	£ 5,661,000	+6.2%	PBT	£ 2,026,000	£ 4,051,000	£ 2,028,000	+0.1%
EPS	£ 1,995,000	£ 4,384,000	£ 1,935,000	-3.0%	EPS	-£ 3,000	£ 202,000	£ 35,000	Loss to profit
	4.20p	9.50p	4.10p	-2.4%		-0.10p	1.00p	0.20p	Loss to profit
CFS Group plc					JBA Holdings plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
PBT	£ 1,276,000	£ 2,986,520	£ 1,751,000	+37.2%	PBT	£ 49,464,000	£ 124,693,000	£ 69,822,000	+41.2%
EPS	-£ 66,000	£ 384,675	£ 26,000	Loss to profit	EPS	£ 754,000	£ 8,714,000	£ 1,362,000	+80.6%
	-1.50p	4.77p	1.60p	Loss to profit		1.43p	16.31p	2.33p	+62.9%
Chemical Design Holdings plc					Kalamazoo Computer Group plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
PBT	£ 512,645	£ 1,811,407	£ 883,015	+68.3%	PBT	£ 32,358,000	£ 66,665,000	£ 35,218,000	+8.8%
EPS	-£ 151,810	£ 239,488	£ 52,478	Loss to profit	EPS	£ 2,012,000	£ 5,882,000	£ 2,340,000	+16.3%
	n/a	3.50p	0.69p	n/a		3.66p	10.20p	3.72p	+1.6%
Clinical Computing plc					Kewill Systems plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
PBT	£ 924,000	£ 2,355,178	£ 1,236,000	+33.8%	PBT	£ 16,567,000	£ 35,242,000	£ 19,830,000	+19.7%
EPS	-£ 357,000	-£ 546,832	-£ 573,000	Loss both	EPS	£ 2,613,000	£ 6,061,000	£ 3,243,000	+24.1%
	-2.20p	-3.40p	-3.40p	Loss both		14.60p	33.70p	17.50p	+19.9%
CMG plc					Logica plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison
PBT	£ 94,559,000	£ 196,484,000	£ 116,616,000	+23.3%	PBT	£ 128,919,000	£ 284,810,000	£ 147,881,000	+14.7%
EPS	£ 8,640,000	£ 18,460,000	£ 11,340,000	+31.3%	EPS	£ 9,035,000	£ 24,710,000	£ 10,632,000	+17.7%
	8.90p	18.20p	11.40p	+28.1%		9.80p	27.10p	11.70p	+19.4%
Coda Group plc					Lorien plc				
REV	Final - Oct 95	Final - Oct 96	Comparison		REV	Final - Nov 95	Final - Nov 96	Comparison	
PBT	£ 32,791,000	£ 33,889,000	+3.3%		PBT	£ 29,109,000	£ 45,706,000	+57.0%	
EPS	£ 1,030,000	-£ 4,899,000	Profit to loss		EPS	£ 971,000	£ 1,481,000	+52.5%	
	2.50p	-18.80p	Profit to loss			12.10p	11.80p	-2.5%	
Compel Group plc					Lynx Holdings plc				
REV	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison	REV	Final - Sep 95	Final - Sep 96	Comparison	
PBT	£ 40,421,000	£ 85,620,000	£ 39,542,000	-2.2%	PBT	£ 32,018,000	£ 87,644,000	+173.7%	
EPS	£ 1,441,000	£ 3,235,000	£ 1,696,000	+17.7%	EPS	£ 2,564,000	£ 6,953,000	+171.2%	
	6.06p	13.60p	7.09p	+17.0%		4.70p	5.36p	+14.0%	
CRT Group plc					M.A.I.D. plc				
REV	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison	REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
PBT	£ 48,079,000	£ 103,282,000	£ 55,497,000	+15.4%	PBT	£ 5,762,000	£ 13,642,000	£ 9,584,000	+66.3%
EPS	£ 1,748,000	£ 6,515,000	£ 3,367,000	+92.6%	EPS	£ 408,000	-£ 4,045,000	-£ 3,284,000	Profit to loss
	1.71p	5.70p	2.40p	+40.4%		0.33p	-4.42p	-3.68p	Profit to loss
DCS Group plc					MMT Computing plc				
REV	Final - Jun 95	Final - Jun 96	Comparison		REV	Final - Aug 95	Final - Aug 96	Comparison	
PBT	£ 8,694,833	£ 30,482,000	+250.6%		PBT	£ 13,957,949	£ 16,881,201	+20.8%	
EPS	£ 609,530	£ 2,366,000	+288.2%		EPS	£ 3,075,053	£ 4,531,686	+47.4%	
	5.02p	8.31p	+65.5%			16.30p	24.60p	+50.9%	
DRS Data & Research Services plc					M-R Group plc				
REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison	REV	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison
PBT	£ 4,269,000	£ 6,468,000	£ 2,918,000	-31.6%	PBT	£ 18,560,000	£ 38,361,000	£ 18,509,000	-0.3%
EPS	£ 512,000	£ 594,000	-£ 363,000	Profit to loss	EPS	£ 2,174,000	£ 4,810,000	£ 2,354,000	+8.3%
	0.95p	1.33p	-0.72p	Profit to loss		2.60p	5.70p	2.90p	+11.5%
Delphi Group plc					McDonnell Information Systems Group plc				
REV	Final - Dec 95	Final - Dec 96	Comparison		REV	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
PBT	£ 175,008,000	£ 210,835,000	+20.4%		PBT	£ 79,145,000	£ 146,805,000	£ 60,540,000	-23.5%
EPS	£ 9,015,000	£ 12,302,000	+36.5%		EPS	-£ 1,673,000	-£ 39,420,000	-£ 9,213,000	Loss both
	25.42p	33.05p	+30.0%			-2.30p	-37.02p	-9.39p	Loss both
Division Group plc					Macro 4 plc				
REV	Final - Oct 95	Final - Oct 96	Comparison		REV	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison
PBT	£ 4,830,000	£ 4,900,000	+1.4%		PBT	£ 12,635,000	£ 25,317,000	£ 11,747,000	-7.0%
EPS	-£ 3,893,000	-£ 1,678,000	Loss both		EPS	£ 5,956,000	£ 12,147,000	£ 5,135,000	-13.8%
	-9.20p	-3.80p	Loss both			17.90p	37.50p	16.50p	-7.8%
Druid Group plc					Micro Focus plc				
REV	Final - Jun 95	Final - Jun 96	Comparison		REV	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison
PBT	£ 6,159,000	£ 12,013,000	+95.0%		PBT	£ 38,802,000	£ 77,258,000	£ 34,140,000	-7.2%
EPS	£ 1,303,000	£ 3,011,000	+131.1%		EPS	-£ 4,470,000	-£ 6,542,000	-£ 9,463,000	Loss both
	n/a	n/a	Loss both			-30.00p	-43.60p	-62.20p	Loss both
Eidos plc					Microgen Holdings plc				
REV	Final - Dec 94	Final - Mar 96	Comparison		REV	Final - Oct 95	Final - Oct 96	Comparison	
PBT	£ 254,225	£ 3,706,000	n/a		PBT	£ 69,029,000	£ 73,391,000	+6.3%	
EPS	-£ 107,623	-£ 1,949,000	Loss both		EPS	£ 8,383,000	£ 8,783,000	+4.8%	
	-4.16p	-44.60p	Loss both			14.80p	15.10p	+2.0%	

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Microvitec plc					Recognition Systems Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Sep 95	Final - Sep 96	Comparison	
REV	£ 26,550,000	£ 55,050,000	£ 33,840,000	+27.5%	REV	£ 669,000	£ 324,000	-51.6%	
PBT	£ 1,607,000	£ 3,411,000	£ 1,610,000	+0.2%	PBT	£ 397,000	£ 1,266,000	Loss both	
EPS	1.47p	3.10p	1.40p	-4.8%	EPS	-2.10p	-5.50p	Loss both	
Misys plc					Riva Group plc				
	Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 129,528,000	£ 279,867,000	£ 142,809,000	+10.3%	REV	£ 34,718,000	£ 73,022,000	£ 32,348,000	-6.8%
PBT	£ 19,216,000	£ 50,437,000	£ 23,665,000	+23.2%	PBT	£ 58,000	£ 182,000	£ 905,000	Profit to loss
EPS	16.90p	44.00p	20.30p	+20.1%	EPS	-0.20p	0.10p	-3.00p	Loss both
Mondas plc					Rolfe & Nolan plc				
	Final - Apr 95		Final - Apr 96	Comparison		Interim - Aug 95	Final - Dec 95	Interim - Aug 96	Comparison
REV	£ 133,300		£ 134,176	+0.7%	REV	£ 7,661,000	£ 17,128,000	£ 8,630,000	+12.6%
PBT	£ 232,066		£ 167,966	Loss both	PBT	£ 1,074,000	£ 2,517,000	£ 1,107,000	+3.1%
EPS	n/a		n/a	n/a	EPS	5.35p	12.33p	5.57p	+4.1%
Moorepay Group plc					Romtec plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison
REV	£ 2,342,152	£ 4,632,538	£ 2,717,246	+16.0%	REV	£ 1,614,000	£ 3,731,187	£ 1,990,000	+23.3%
PBT	£ 666,324	£ 1,142,110	£ 851,417	+27.8%	PBT	£ 105,000	£ 257,430	£ 128,000	+21.9%
EPS	5.88p	10.22p	7.52p	+27.9%	EPS	1.50p	3.60p	1.70p	+13.3%
MSB International plc					Sage Group plc				
	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison		Final - Sep 95	Final - Sep 96	Comparison	
REV	£ 15,692,000	£ 38,555,000	£ 29,961,000	+50.9%	REV	£ 102,234,000	£ 136,238,000	+33.3%	
PBT	£ 1,370,000	£ 3,420,000	£ 2,166,000	+58.1%	PBT	£ 22,362,000	£ 30,053,000	+34.4%	
EPS	4.80p	4.90p	7.00p	+45.8%	EPS	13.88p	18.50p	+33.3%	
OmniMedia plc					Sanderson Electronics plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Sep 95	Final - Sep 96	Comparison	
REV	£ 199,962	£ 275,275	£ 250,684	+25.4%	REV	£ 57,801,000	£ 61,385,000	+6.2%	
PBT	£ 279,137	£ 1,023,344	£ 670,769	Loss both	PBT	£ 5,305,000	£ 6,201,000	+16.9%	
EPS	-1.76p	-6.06p	-3.16p	Loss both	EPS	8.80p	10.10p	+14.8%	
On Demand Information plc					Sema Group plc				
	Final - Jul 95		Final - Jul 96	Comparison		Final - Dec 95	Final - Dec 96	Comparison	
REV	£ 8,786,000		£ 11,429,000	+30.1%	REV	£ 677,726,000	£ 928,985,000	+38.8%	
PBT	£ 3,646,000		£ 2,900,000	Loss both	PBT	£ 36,927,000	£ 50,019,000	+35.5%	
EPS	-7.20p		-5.60p	Loss both	EPS	24.25p	30.94p	+27.6%	
Oxford Molecular plc					Sherwood International plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 2,832,000	£ 6,179,000	£ 4,350,000	+53.6%	REV	£ 13,195,000	£ 26,246,000	£ 11,801,000	-10.6%
PBT	£ 2,112,000	£ 3,693,000	£ 950,000	Loss both	PBT	£ 615,000	£ 6,850,000	£ 705,000	+14.6%
EPS	-4.20p	-7.20p	-1.80p	Loss both	EPS	5.90p	66.20p	5.60p	-5.1%
P & P plc					Spargo Consulting plc				
	Final - Nov 95		Final - Nov 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 341,980,000		£ 344,337,000	+0.7%	REV	£ 3,329,000	£ 7,378,000	£ 4,040,000	+21.4%
PBT	£ 12,574,000		£ 14,277,000	+13.5%	PBT	£ 192,000	£ 902,000	£ 602,000	+213.5%
EPS	11.00p		12.70p	+15.5%	EPS	0.90p	4.43p	3.10p	+244.4%
Parity plc					Staffware plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 61,512,000	£ 127,711,000	£ 76,363,000	+24.1%	REV	£ 1,819,534	£ 4,267,360	£ 4,044,061	+122.3%
PBT	£ 3,069,000	£ 6,540,000	£ 4,303,000	+40.2%	PBT	£ 146,380	£ 535,213	£ 159,812	+9.2%
EPS	4.82p	10.34p	6.75p	+40.0%	EPS	0.70p	3.90p	0.40p	-42.9%
Pegasus Group plc					Superscape VR plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Jul 95	Final - Jul 96	Comparison	
REV	£ 3,038,000	£ 6,426,000	£ 3,729,000	+22.7%	REV	£ 1,590,000	£ 3,888,000	+144.5%	
PBT	£ 172,000	£ 893,000	£ 511,000	+197.1%	PBT	£ 1,746,000	£ 2,873,000	Loss both	
EPS	-1.80p	10.30p	6.50p	+261.1%	EPS	-30.70p	-37.90p	Loss both	
Persona plc					Systems Integrated Research plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparison
REV	£ 24,780,000	£ 53,375,000	£ 65,164,000	+163.0%	REV	n/a	£ 1,246,000	£ 507,000	n/a
PBT	£ 1,350,000	£ 2,832,000	£ 2,707,000	+100.5%	PBT	n/a	£ 642,000	£ 1,194,000	n/a
EPS	6.88p	14.41p	7.78p	+13.1%	EPS	n/a	-5.80p	-9.10p	n/a
PhoneLink plc					Total Systems plc				
	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison		Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
REV	£ 2,103,000	£ 4,356,000	£ 2,155,000	+2.5%	REV	£ 1,273,331	£ 2,892,802	£ 1,477,822	+16.1%
PBT	£ 2,712,000	£ 6,711,000	£ 3,152,000	Loss both	PBT	£ 54,488	£ 222,329	£ 185,587	Loss to profit
EPS	-7.30p	-17.30p	-6.70p	Loss both	EPS	-0.44p	1.60p	1.33p	Loss to profit
Proteus International plc					Trace Computers plc				
	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison		Final - May 95	Final - May 96	Comparison	
REV	£ 30,000	£ 1,063,000	£ 413,000	+1276.7%	REV	£ 19,676,832	£ 20,534,553	+4.4%	
PBT	£ 3,618,000	£ 5,395,000	£ 1,820,000	Loss both	PBT	£ 482,746	£ 5,135,296	Profit to loss	
EPS	-9.75p	-14.53p	-3.67p	Loss both	EPS	2.53p	-35.88p	Profit to loss	
Quality Software Products Holdings plc					Triad Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
REV	£ 10,115,000	£ 21,385,842	£ 11,797,000	+16.6%	REV	£ 3,720,000	£ 11,680,000	£ 8,350,000	+124.5%
PBT	£ 805,000	£ 502,697	£ 1,117,000	Profit to loss	PBT	£ 778,000	£ 2,131,000	£ 1,219,000	+56.7%
EPS	9.20p	5.20p	-8.60p	Profit to loss	EPS	2.51p	7.09p	3.22p	+28.3%
RM plc					Vega Group plc				
	Final - Sep 95		Final - Sep 96	Comparison		Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison
REV	£ 80,691,000		£ 99,032,000	+22.7%	REV	£ 7,260,000	£ 16,032,000	£ 8,826,000	+21.6%
PBT	£ 5,023,000		£ 6,806,000	+35.5%	PBT	£ 1,271,000	£ 3,452,000	£ 1,405,000	+10.5%
EPS	18.80p		25.10p	+33.5%	EPS	5.90p	16.16p	6.35p	+7.6%
Radius plc					Virtuality Group plc (in administration)				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 13,424,000	£ 26,052,000	£ 13,934,000	+3.8%	REV	£ 6,269,000	£ 12,779,000	£ 3,541,000	-43.5%
PBT	£ 835,000	£ 1,809,000	£ 1,006,000	+20.5%	PBT	£ 583,000	£ 565,000	£ 3,783,000	Loss both
EPS	1.96p	4.37p	2.40p	+22.4%	EPS	-2.20p	-2.10p	-13.40p	Loss both
Rage Software plc					Wakebourne plc				
	Final - Jun 95		Final - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 9,154,000		£ 9,504,000	+3.8%	REV	£ 18,848,000	£ 36,714,000	£ 16,145,000	-14.3%
PBT	£ 969,000		£ 3,224,000	Profit to loss	PBT	£ 356,000	£ 3,384,000	£ 212,000	Loss to profit
EPS	0.51p		-1.34p	Profit to loss	EPS	-1.10p	-12.20p	0.60p	Loss to profit
Real Time Control plc					Xavier Computer Group plc				
	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison		Period - Mar 96	Final - Dec 95	Interim - Sep 96	Comparison
REV	£ 5,325,000	£ 11,903,000	£ 6,314,000	+18.6%	REV	£ 457,000	£ 1,201,884	£ 3,740,000	n/a
PBT	£ 742,000	£ 2,207,000	£ 1,156,000	+55.8%	PBT	£ 86,000	£ 70,472	£ 260,000	n/a
EPS	7.10p	20.80p	11.00p	+54.9%	EPS	-0.26p	n/a	0.33p	n/a
Rebus Group plc					Zergo Holdings plc				
	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison		Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison
REV	£ 28,293,000	£ 60,040,000	£ 30,255,000	+5.4%	REV	£ 4,005,000	£ 8,483,877	£ 4,671,000	+16.8%
PBT	£ 356,000	£ 1,969,000	£ 2,313,000	Loss to profit	PBT	£ 479,000	£ 214,693	£ 237,000	Loss to profit
EPS	-0.32p	0.33p	1.72p	Loss to profit	EPS	-5.47p	n/a	1.81p	Loss to profit

UK M&A

Delphi has acquired UK IT training and consultancy operation **Anthony Cook (Northern) Ltd** for £2.4m (£2m cash, £400K shares plus £100K performance related). AC made profits of £250K on revenues of £2.1m in 1996. Delphi will merge it with their **Interskill Training** operation where combined IT training revenues are "expected to exceed £5m in 1997". (See Delphi results - p12)

In 1983, several senior managers left **Wootton Jeffreys & Partners** to form their own company. They said at the time that they didn't want John Wootton or Martyn Jeffreys and certainly not any of the other partners! *So all they were left with was the "&"*.

We tell this story because the company they formed, **Amperand Systems** (which had rev. of £3.2m and PBT of just £13.6K in the year to 30th June 96), has just been acquired by **Agresso**. No consideration was disclosed.

The consideration **Sema** paid for **BR Business Systems** (see last month) was actually £27m.

Cyrano (nee **IMM/Performance Software**) has acquired **System FX** "Europe's largest distributor of SQA products" for an undisclosed sum. **Harmsworth Publishing** (part of the Daily Mail) has bought 30% of **Dolphin Software Inc.** for \$3m. Dolphin provides systems on hazardous chemicals. **Oxford Molecular** has acquired a 20% stake in **Cambridge Combinatorial** for £500K with rights to subscribe for a majority stake. US **Unicomp** has acquired Belfast-based **CEM Computers Ltd.** (hardware distribution and systems integration) for c£2.4m - CEM had rev. of c£15m in 1996.

Cap Gemini UK (nee **Hoskyns**) has sold its AS/400 product divisions to **Olympic Resources** for an undisclosed sum. 55 staff will transfer.

Cognos has acquired UK data mining software company **Right Information Systems (RIS)** for £4.85m. Not bad considering RIS had rev. of just \$1m last year.

Coba Consulting (UK strategy consultancy) has been acquired by **Renaissance Solutions** for \$11m + \$7.3m in shares. Coba had rev. of \$11m in 1996. **CHG Consulting** has acquired **Business Integrated Solutions**.

Anglo Corporation has put its **Silica PC** stores and **TechnoPlus** peripherals business into administration with debts >£5m. **Gatton Consulting** has acquired **DEC's** £6m exec. recruitment operation. No consideration known.

You may recall that US **Shiva** paid \$70m for **Spider Systems** in 1995. This month Spider's management has bought the name and the "non core" software licensing bit back again "for an undisclosed sum".

MAID has sold its Internet to hotels services (we were rather pleased with our "MAID in every hotel bedroom" headline when this was launched last year!) to **4th Network** for \$7.5m in stock (c10%) and 10% of the rev. for 30 years - min. £11m in first 3 years.

Meteor Technology plc has sold the rights to its PCAMS payphone management software to US **Camelot Corp.** for £2.5m. **Eden Group** of Macclesfield has been bought for an unbelievable \$30m by US NASDAQ-quoted **Geosystems**. Eden has developed a PDA OS and had rev. of just \$1m last year! **Broadview** handled the sale.

STOP PRESS...minutes before our press deadline, **Sage** has announced the acquisition of **KHK Software** "the largest supplier of PC accounting software in Germany" for £40.1m cash. DHK had rev. of £27.6m and PBT of £2.2m in 1995. *Looks absolutely right...as we expect from "Boring" Sage!* **Regent Associates** acted again for Sage.

Merchants sold to South Africans

We reported back in Feb. 95 on the sale by Robert D'Aubigny of 70% of the IT marketing consultancy **Merchants** and telesales operation **Programmes** in a 3i. backed MBO. 70 managers invested £800K and 3i. paid £4.5m for their 30% stake.

This month 75% of the **Merchants Group** has been acquired by leading South African systems house **Dimension Data Holdings (DDH)** in a deal worth £25m. So 3i. walks away with £7.5m. Merchants made PBT of £1.8m on rev. of £19m in 1996. However, "with added working capital" the deal is worth £32m. DDH is quoted on the South African Stock Exchange with a market cap. of 6 billion Rand - not bad considering they made PBT of 141m Rand on rev. of 1 billion Rand in 1996.

London Bridge Software.... to float

Some readers may remember Gordon Crawford as the CEO of **Charterhouse** bought by **NMW** in 1991. NMW was sold to **ACT** in Nov. 92, then Crawford bought Charterhouse back for next to zilch but assumed responsibility for a major property lease. The holding company was put into liquidation. "All outstanding debts to outside parties had been settled and the only liabilities remaining were future lease obligations". The operating subs. continued trading. This operation - **London Bridge Software (LBS)** - which specialises in credit management software is now to be floated on the main market in mid March. Having learnt the lesson, LBS operates "highly conservative accounting policies, the business is strongly cash generative with no debt and no capitalised intangible assets".

In 1996 revenues more than doubled to £6.3m and PBT increased sharply from £600K to £2.5m - 40% margins are both rare and usually unsustainable. In part this was as a result of the acquisition in 1996 of a couple of activities of **First Data Resources** in the US for \$2.5m.

Market capitalisation is likely to be around £45m which is nearly 7-times revenues!

Diagonal...float on schedule for mid-March

Henderson Crosthwaite are having a busy month. As well as London Bridge, they are also taking **Diagonal** to a full listing in mid-March. For full details see our review last month. Pricing detail not yet announced by we expect market cap. of a reasonable c£40m.

Open Systems - float abandoned

We have reported before on the forthcoming AIM float of US accounting software provider **Open Systems plc**. Apparently, the issue attracted little investor interest and the AIM float has been pulled. *Too many good UK companies around to bother with the US-owned companies!*

Real Reality - Virtuality in administration

Virtuality was one of a clutch of UK virtual reality software providers which went public in 1993/94 - launched at 170p. But increased losses have been reported every year since. On 6th Feb. 97 their shares were suspended at 68p. There was a certain irony in Chairman Denis Ohryn's words which accompanied their results last Oct... "this company will be very different in a year's time...prospects are better than at any time since flotation".

Indeed, on 11th Feb. 97 Arthur Andersen were appointed as administrators. Perhaps this will be one administration that might work. Virtuality recently signed a \$15m US contract with Philips as well as other promising new deals. Virtuality was...is...exactly the kind of innovative company the UK needs. *We hope it survives.*

Macro 4 - "Too much cash..too little vision"

Macro 4's (system software for IBM mainframes) shares crashed by 53p to a low of 423p - and then continued to fall to end Feb. 97 on 408p. The cause was a profits warning that "Macro 4 will certainly not achieve last year's profit figure if there is no appreciable change in foreign exchange rates". 80% of Macro 4's revenues are in overseas currencies.

But that was not all the bad news. Results for the six months to 31st Dec. 96 showed revenues down 7% at £11.75m, PBT down 14% at £5.1m, EPS down 8% and cash balances down £6.5m (mainly due to the, in our opinion, misguided share repurchase plan) at a still healthy £10.5m. New mainframe software rental business is currently being exceeded by cancellations. Although AS/400 and UNIX revenues continue to increase, they still represent only 10% of revenues and there "is the further possibility of some downside on our open systems products".

Comment Macro 4 is the only company which could have justified a **Boring Award**, but we refused to give them one. Now, this year, it looks as if there will be the first earnings reversal anyway. **What a continuing tale of missed opportunities!** So much cash and so little vision that all Chairman Terry Kelly can think to do with it is buy his own shares - which continue to fall and fall against a sector which goes up and up. Macro 4 shares hit 663p in Feb. 93 and have since fallen by 38%. Conversely our SCSI Index is up around 85% in the same time frame.

...and finally

Brokers SBC Warburgs had issued a forecast of £13.4m PBT for the full year immediately prior to this announcement. Forecasts have since been downgraded to c£10m.

Tony Staples - Macro 4's MD - had some strong words for Warburgs in various interviews blaming them for sending the "wrong signals to the market". Mind you he also added that "we have no plans to go bust in the next six months". Well the £10m cash ought to last a few more months than that!



Logica has announced revenues up 15% to £147.9m, PBT up 18% to £10.6m and EPS up 19% in the six months to 31st Dec. 96. The key

event was the acquisition of **Axime Ingénierie SA** for £18.4m which we considered was a good deal as it will add over £40m revenues and provide Logica with "a substantial platform in the French market". Without Axime, rev. from Continental Europe increased by 41% to £38.4m. But the real disappointment was the UK which grew rev. and profits by c4% to £78.1m and £6m respectively due to declines in "government, space and transport". Also it looks as though "supporting growth elsewhere in the world" took their eye off the UK ball. However, telecomms was a real star with strong performances from utilities and finance too. The US continued its recovery but is still making just a 3.2% margin.

"We expect to achieve continuing good underlying growth in the second half" said CEO Martin Read.

Comment... You could almost track Read's progress around the City by the share price. Down 32p to a low or around 883p, on the (in our opinion) rather inanely worded press release and then his reassurances that "action in the UK has been taken". Logica's shares have since recovered most of this loss to end Feb. on 950p.

SEMA GROUP

Feeling like a billionaire

Although Cap Gemini's results (p11) are really very good, Sema's are...well exemplary. Both companies have been rewarded with share prices more than doubled since this time last year.

Sema has announced revenues up 37% at £927m, PBT up 36% at £50m and EPS up 27% in the year to 31st Dec. 96. The revenue by country table below is a little misleading as it doesn't exactly take into account the significant acquisition activity. In particular Olivetti's outsourcing activities - **Syntax**

Sema Group - Revenue by Country				
	1996	1995	Growth 1995/96	1994
UK	£361.5m	£275.3m	31%	£224.0m
France	£246.2m	£165.8m	48%	£162.3m
Scandinavia	£150.0m	£135.6m	11%	£115.8m
Spain	£44.6m	£33.1m	35%	£31.1m
Germany	£38.5m	£38.5m	0%	£35.7m
Italy	£30.4m	n/a		
Benelux	£27.6m	£21.9m	26%	£21.9m
South East Asia	£26.9m	£7.5m	259%	£5.3m
North America	£1.3m	n/a		
Total	£927.0m	£677.7m	37%	£596.1m

- for £55m, the purchase of France Telecomms **TELIS** systems integration operations (£3m for the remaining 50% of a £100m+ rev. operation in France....who are we kidding? Yet more ammunition to the fudge/Euro argument!). Although not affecting these results, the £27m purchase of **BR Business Systems** for £87m rev. also looks like a UK privatisation giveaway.

These acquisitions not only contributed to the exceptional growth in France and (from nothing) in Italy, but also to the high outsourcing growth too.

Sema Group - Revenue by Activity				
	1996	1995	Growth 1995/96	1994
Systems	£463.1m	£402.7m	15%	£382.3m
Integration	£387.8m	£222.0m	75%	£171.6m
Outsourcing	£76.1m	£53.0m	44%	£42.2m
Total	£927.0m	£677.7m	37%	£596.1m

Interestingly, the UK (largely unaffected by the acquisitions) still managed a 31% rev. growth and was the only country to increase margins (to 6.3%). The UK now makes almost 50% of Sema's £50m profits. We had always held out Sema as an example of the margins which could be achieved from outsourcing. However, margins have slipped from 7.4% to 5.1% in 1996. Rather worrying although partly (but not totally) due to the loss making activities acquired in France in Italy.

Comment The press, although praising Sema's performance, focused on its high 34+ prospective P/E. That may be high for the support services sector, but is about the norm for IT Services. Bluntly, Sema seems to be doing everything right...particularly buying at a low in Continental European valuations.

Just for once ignore what you read in the press...Sema is steaming and we cannot see why this kind of performance should end in the near term.

Feeling like a £1billion? Well, Sema was the first UK (?) SCSI company to achieve a market cap. of £1b (Misys has made it this month too!). But Sema is now on course to be well in excess of a £1b revenue in 1997. Indeed the latest acquisitions will add over £170m in their own right.

Our SCSI Index continues its fine run - up another 3.3% making 10.6% in the first two months of 1997. But a month of extremes. **Virtuality** (p7) in administration - so a 100% plunge to zero; compensated by **Proteus'** 150% rise (recovery?) on news of Irish approval for their BSE testing system. Elsewhere **Compel** (up 42%) on results (p3) and **Phonelink** (up 39%) on JV with Scottish Widows.

But **Cedardata** fell 50% on warning that "profits to 31st March 97 are likely to be considerable below market expectations". New contract delays in the public sector were blamed. Brokers Greig Middleton had been forecasting PBT of £5.4m (£4.4m last time). They have now quickly revised this to £1m adding that "the company appears to have been pessimistic to the point of lunacy...If anyone sells at this level, they are doing the company a great disservice". Greig Middleton had shifted over 4m shares at 180p to institutions in Jun. 96.

27-Feb-97	SCSI Index				2960.53
	FTSE 100				4339.20
	BDO AIM				1502.50
	FTSE SmallCap				2356.22
Changes in indices	SCSI Index	FTSE 100	BDO AIM index	FTSE Small Cap	
Month (29/1/97 - 27/2/97)	+3.33%	+3.13%	+2.76%	+2.79%	
From 15th Apr 89	+196.05%	+111.30%			
From 1st Jan 90	+221.76%	+83.71%			
From 1st Jan 91	+318.23%	+100.85%			
From 1st Jan 92	+183.34%	+74.05%			
From 1st Jan 93	+85.78%	+52.44%			+69.84%
From 1st Jan 94	+77.32%	+26.94%			+26.09%
From 1st Jan 95	+97.48%	+41.55%			+34.92%
From 1st Jan 96	+31.08%	+17.62%	17.19%		+21.36%
From 1st Jan 97	+10.57%	+5.36%	10.83%		+7.93%

System House SCSI Share Prices and Capitalisation

	Share Price 27/2/97 (£p)	Capitalisation 27/2/97 (£m)	Historic P/E	PSR Ratio Cap./Rev.	CSI Index 27/2/97	Share price % move since 29/1/97	Share price % move in 1997	Capitalisation move (£m) since 29/1/97	Capitalisation move (£m) in 1997
Admiral	£3.73	£234.70	32.2	2.58	13463.46	-9.70%	2.05%	-£25.20m	£4.80m
AFA Systems	£1.20	£11.90	n/a	n/a	995.83	1.70%	-14.34%	£0.20m	-£2.00m
Anite (was Cray)	£0.47	£110.30	Loss	0.42	271.93	-9.71%	27.40%	-£11.80m	£23.80m
Azlan	£6.24	£221.50	19.9	1.13	2713.04	5.05%	9.96%	£10.60m	£20.60m
Cadcentre	£2.68	£44.40	33.7	3.13	1337.50	0.00%	4.70%	£0.00m	£1.90m
Capita	£6.49	£396.20	45.4	3.54	19474.47	15.08%	33.30%	£67.10m	£112.10m
Cedardata	£1.22	£38.50	13.0	3.19	1157.14	-50.51%	-51.40%	-£39.30m	-£40.70m
CFS	£0.74	£5.44	10.1	1.82	816.67	-8.13%	-11.98%	-£0.48m	-£0.74m
Chemical Design	£2.15	£14.00	34.3	7.73	1954.55	26.47%	48.28%	£2.90m	£4.56m
Clinical Computing	£0.33	£8.16	Loss	3.69	262.10	-2.99%	8.33%	-£0.25m	£0.63m
CMG	£11.25	£721.10	50.6	3.67	3879.31	9.76%	33.93%	£64.10m	£182.70m
Coda	£1.37	£37.90	Loss	1.12	580.85	7.91%	26.98%	£2.70m	£8.00m
Compel	£2.35	£59.30	16.1	14.83	1876.00	41.69%	32.86%	£17.40m	£32.40m
CRT Group	£2.34	£320.40	29.4	3.10	2594.44	3.32%	-6.60%	£11.90m	-£20.80m
DCS Group	£2.88	£55.20	36.3	1.81	4791.67	13.86%	6.48%	£6.70m	£3.40m
Delphi Group	£8.34	£240.00	25.2	1.14	3430.04	-7.90%	13.79%	-£20.60m	£29.00m
Division Group	£0.51	£22.20	Loss	4.53	1262.50	-7.34%	-8.18%	-£1.80m	-£1.90m
DRS Data & Research	£0.29	£9.92	21.8	1.53	263.64	5.45%	18.37%	£0.51m	£1.54m
Druid	£4.88	£111.60	53.0	9.29	1772.73	13.11%	43.38%	£12.90m	£33.80m
Eidos	£9.70	£161.00	Loss	43.40	9700.00	3.74%	34.26%	£1.10m	£64.90m
Electronic Data Processing	£0.94	£24.50	13.6	1.72	2862.83	16.88%	35.51%	£3.50m	£6.40m
FI Group	£5.91	£175.50	47.8	2.23	2514.89	-1.09%	3.96%	-£2.00m	£6.70m
Flomerics	£2.20	£5.63	20.0	1.36	1692.31	-4.35%	2.33%	-£0.26m	£0.12m
Gresham Computing	£0.57	£18.50	17.8	2.00	607.53	-6.61%	7.62%	-£1.30m	£1.30m
Highams Systems	£1.35	£11.90	19.7	0.90	1875.00	12.50%	-1.10%	£1.30m	-£0.20m
INSTEM	£1.58	£7.25	10.1	0.34	1575.00	8.25%	8.62%	£0.56m	£0.58m
Intelligent Environments	£0.78	£17.30	55.9	4.33	824.47	2.65%	19.23%	£0.40m	£2.80m
JBA Holdings	£7.25	£247.20	43.4	1.98	4531.25	5.45%	36.79%	£12.80m	£66.50m
Kalamazoo	£1.07	£31.00	11.0	0.46	3042.86	-3.18%	-0.93%	-£1.00m	£0.00m
Kewill	£6.20	£78.70	16.9	2.23	2450.59	-0.16%	18.43%	-£0.20m	£12.20m
Logica	£9.50	£605.10	33.1	2.12	2602.74	-2.61%	3.43%	-£16.30m	£21.90m
Lorien	£4.25	£72.70	36.0	1.59	4250.00	2.41%	26.49%	£1.70m	£34.40m
Lynx Holdings	£1.12	£109.60	20.9	1.25	2800.00	17.28%	29.48%	£16.10m	£24.90m
M-R Group	£0.91	£50.50	15.8	1.32	359.13	-2.69%	6.47%	-£1.40m	£3.10m
Macro 4	£4.08	£80.30	11.3	3.17	1643.15	-16.84%	-16.84%	-£16.20m	-£16.20m
MAID	£1.79	£163.70	Loss	12.00	1622.73	5.31%	-11.41%	£8.30m	-£21.10m
McDonnell IS (MDIS)	£0.54	£56.90	Loss	0.39	208.65	10.71%	64.39%	£5.50m	£22.30m
Micro Focus	£10.70	£162.60	Loss	2.10	5169.08	-2.51%	10.31%	-£4.20m	£16.10m
Microgen	£1.75	£69.10	11.2	0.94	747.86	10.76%	16.67%	£9.50m	£9.90m
Microvitec	£0.30	£23.20	9.8	0.42	719.51	18.00%	3.51%	£3.60m	£0.80m
Misys	£11.98	£1,031.00	25.3	3.68	2978.86	7.64%	7.25%	£84.30m	£80.90m
MMT Computing	£5.79	£68.90	25.1	4.09	3446.43	-1.03%	1.40%	-£0.70m	£1.50m
Mondas	£0.83	£4.97	Loss	38.23	1100.00	0.00%	-1.20%	£0.00m	-£0.06m
Moorepay	£3.50	£26.60	34.2	5.75	4216.87	1.45%	25.00%	£0.40m	£5.30m
MSB International	£4.67	£94.80	31.4	2.46	2457.89	0.76%	26.05%	£0.70m	£19.50m
OmniMedia	£0.09	£2.09	Loss	7.60	113.33	-15.00%	-10.53%	-£0.37m	-£0.25m
On Demand	£0.40	£22.00	Loss	1.92	512.82	3.90%	-11.11%	£0.80m	-£2.80m
Oxford Molecular	£4.55	£277.10	Loss	44.84	5687.50	17.27%	27.81%	£40.80m	£60.30m
P&P	£2.21	£178.30	17.4	0.52	991.03	23.81%	42.58%	£34.30m	£53.20m
Parity	£4.77	£202.70	39.0	1.59	26499.90	-6.93%	7.80%	-£15.10m	£14.60m
Pegasus	£3.77	£24.10	25.3	3.75	1027.25	-2.84%	0.80%	-£0.70m	£0.50m
Persona	£3.44	£85.20	22.4	1.60	2146.88	0.29%	11.17%	£0.30m	£8.60m
Phonelink	£0.71	£34.30	Loss	7.87	458.06	39.22%	16.39%	£9.70m	£5.10m
Proteus	£0.73	£39.90	Loss	37.64	863.10	150.00%	93.33%	£24.00m	£19.30m
Quality Software	£2.13	£27.60	41.0	1.29	559.21	-1.16%	4.17%	-£0.30m	£1.10m
Radius	£0.59	£16.50	12.3	0.63	427.54	-3.28%	-6.35%	-£0.60m	-£1.10m
Rage	£0.11	£26.70	Loss	2.81	423.08	-4.35%	-4.35%	-£1.20m	-£1.20m
Real Time Control	£2.45	£17.10	9.9	1.44	5000.00	-3.92%	5.38%	-£0.80m	£0.80m
Rebus	£0.68	£62.90	16.8	1.05	772.73	-0.73%	-6.21%	-£0.50m	£10.10m
Recognition Systems	£0.61	£16.30	Loss	50.94	864.29	-1.63%	3.42%	-£0.30m	£0.50m
Riva	£0.27	£8.15	270.0	0.11	191.89	14.89%	14.89%	£1.05m	£1.05m
RM	£7.23	£128.60	28.0	1.30	4128.57	5.47%	16.53%	£6.70m	£18.20m
Rolle & Nolan	£4.08	£51.30	32.5	3.00	4851.19	-2.40%	12.41%	-£1.30m	£5.60m
Romtec	£0.81	£4.19	18.9	1.27	1288.00	0.00%	0.00%	£0.00m	£0.00m
Sage Group	£5.87	£630.50	31.6	4.63	22557.69	4.92%	10.66%	£29.60m	£61.80m
Sanderson Electronics	£1.47	£67.00	14.6	1.09	2493.62	-6.39%	-2.33%	-£4.40m	-£0.70m
Sema Group	£12.63	£1,406.00	40.7	1.52	3970.13	14.00%	16.36%	£173.00m	£199.00m
Sherwood	£2.05	£17.60	12.4	0.67	1708.33	2.50%	5.13%	£0.40m	£0.80m
Spargo Consulting	£1.70	£21.20	25.5	2.87	1784.21	0.59%	16.49%	£0.10m	£3.00m
Staffware	£2.38	£27.50	69.3	6.44	1055.56	25.00%	-8.48%	£5.50m	-£2.50m
Superscape	£4.45	£39.20	Loss	10.08	2247.47	-4.30%	11.95%	£0.10m	£5.80m
Systems Integrated	£0.18	£2.35	Loss	1.90	152.17	0.00%	0.00%	£0.00m	£0.00m
Total	£0.31	£3.05	9.0	1.06	575.47	10.91%	5.17%	£0.30m	£0.15m
Torex	£0.67	£20.90	22.8	n/a	1291.26	-4.32%	29.13%	-£1.00m	£8.60m
Trace	£0.52	£7.26	20.2	0.35	412.00	13.19%	47.14%	£0.84m	£2.33m
Triad	£2.27	£57.10	27.3	4.88	1677.78	-11.70%	8.11%	-£7.50m	£4.40m
Vega Group	£3.35	£49.90	20.2	3.11	2745.90	8.94%	25.23%	£5.90m	£8.80m
Virtuality (in administration)	£0.00	£0.00	Loss	0.00	0.00	-100.00%	-100.00%	-£22.00m	-£27.50m
Wakebourne	£0.11	£2.51	Loss	0.07	61.11	-21.43%	-26.67%	-£0.68m	-£0.91m
Xavier	£0.11	£5.62	Loss	4.68	1075.00	-4.44%	-2.27%	-£0.26m	-£0.13m
Zergo	£2.90	£26.70	72.8	3.15	2974.36	0.00%	0.00%	£0.00m	£0.00m

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.

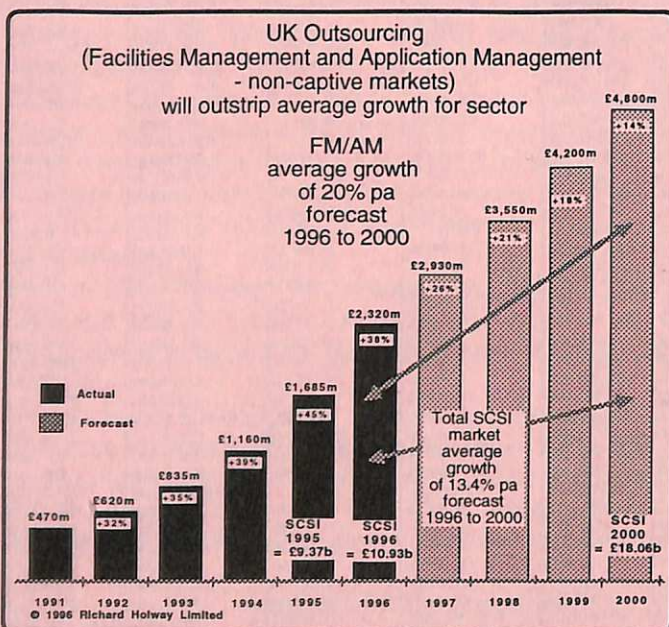
Outsourcing - the major reason for SCSi growth

We were delighted to be asked to write the foreword and provide our market sizing data to ITnet - a long term customer of ours. We were, however, less than happy with the way this was handled. Tony Collins headlined his review in Computer Weekly "Rise and Fall of outsourcing" and attributed all our research to ITnet!

Anyway, let's put the record straight.

A combination of new contracts awarded in 1995 and extensions to previously outsourced IT contracts actually led to a 38% growth in UK outsourcing revenues in 1996. Outsourcing - now valued at over £2.3 billion - represents over 20% of UK external spend on software and computing services. A position echoed in Europe (see p1).

Annual growth rates have been around 40% in each of the last four years. Although it would be unrealistic to expect such growth to continue at that rate, we are currently forecasting growth of 20% p.a. through to 2000 when the UK market will be valued at £4.8 billion.



The "slow down" - if that is the right word! - is foreshadowed in research from ITnet and Richard Holway Limited which shows new outsourcing contracts valued at £357m p.a. awarded in 1996 compared to £545m in 1995. Contracts awarded in one year do not tend to make an impact on the supplier revenues until the following year - hence the reasonable accuracy of the projections.

The statistics - and the size of the whole market - is affected by the awarding of a small number of "mega" contracts. We define a "mega" contract as one with a UK IT outsourcing value of in excess of £20m p.a. Whereas there were eight such "mega" contracts awarded in 1995 (indeed two of those contracts were truly huge with annual revenues exceeding £60m p.a.), only three such "mega" contracts were let in 1996. Interestingly, two of these were from the private sector.

However the number of contracts awarded continued to rise by 14% and, therefore, the average value of contracts awarded fell from £4.7m in 1995 to £2.9m in 1996.

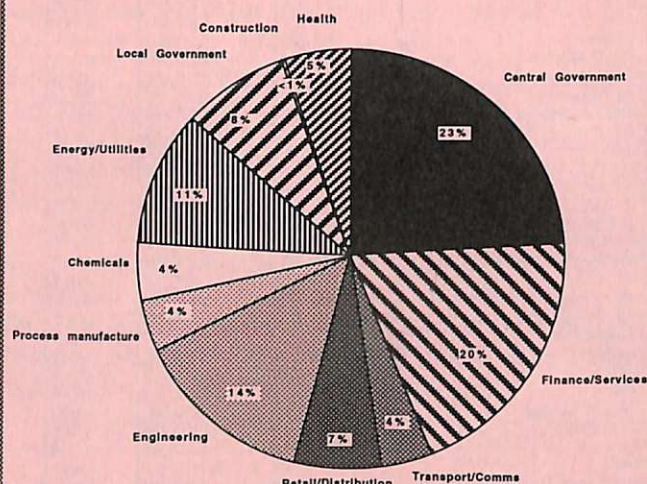
Of these 41 were renewals of contracts (up from 36 in 1995) although only four represented a change of outsourcing supplier. However, over 21 contracts were terminated - usually because it was always planned that

legacy systems outsourcing would finally be terminated. Indeed, many readers might remember the "Crossroads" concept introduced by Hoskyns in the 1980s to help users move towards midrange/distributed systems. The concept was considered to have been the main driving force behind Hoskyns gaining their leadership position in the FM marketplace in the 1980s.

Many contracts awarded at the start of the current outsourcing boom in the early 1990s are now coming up for renewal. There will be over 100 contracts up for renewal in 1997.

Although Central Government is still the largest single user of IT outsourcing, the private sector still represents the lions share. Indeed growth in the awarding of new IT outsourcing contracts from the **public sector** reduced by about 50% in 1996 compared with 1995. (Once you

UK IT Outsourcing Market in 1996



UK IT Outsourcing Market in 1996 = £2320m

Source - ITnet and Richard Holway Limited

have outsourced the Inland Revenue, it is difficult to do it again!)

Far from a "fall", we see outsourcing - both in the UK and Europe - as being one of the best places to be in the next few years. We believe that even a change of UK government will not affect the outlook...it might even accelerate the move both in the private and public sectors. Of course, the full findings will be found in the forthcoming 1997 Holway Report or the ITnet summary can be obtained from Claire Forrest on 0121 459 1155.

Outsourcing or acquisitions?

In a deal which echoes that between Sears and Andersen Consulting/Arthur Andersen in 1996, EDS and Coopers & Lybrand have this month formed a JV - **Media Accounting Services Ltd** - in order to undertake the BBC's IT and financial accounting activities. We understand the contract is worth between £40-£50 p.a. and initially 90 IT staff will transfer. Finance staff will transfer in 1998 and eventually up to 800 staff could be involved.

A JV between EDS (87.5%) and Hogg Robinson has paid £22.7m for the **Paymaster General Agency**.

ICL's CFM has acquired **IT Southern** and its 121 staff - a sub. of Southern Water. CFM was already the outsourcing provider to Scottish Power who bought SW in 1996.

BULL UK and Ireland

Sometimes when we write "on the surface, these results seem very good" we usually go on to determine underneath they are really not so good after all. The opposite is the case with **BULL UK and Ireland**. At the headline level total revenues increased by 7% in the year to 31st Dec. 96. Not bad considering the problems in the hardware market and

the results of many of BULL's competitors. But when you also consider that in 1995 BULL UK lost its £50m+ contract to supply PCs to BT, and then

realise that - despite this - they grew by 7%, you will realise what a miracle CEO Richard Snook and his team have wrought.

BULL UK actually saw an 11% increase in hardware maintenance. This was due to the move to desktop services. BULL UK's SCSI revenues - up 42% to £150m in 1996 - were the real star performer. Outsourcing revenues (mainly **Integris**) were up another 150%. *Integris* has gone from zilch just three years ago to £52m in 1996 and a projected £70m+ in 1997.

Systems integration also performed excellently. Overall SI revenues grew by 43% but, of course, much of this related to hardware. The associated SI services grew by nearly 30% and really does seem to be "as a result of BULL's reputation for managing complex projects".

About half the growth was attributable to acquisitions:

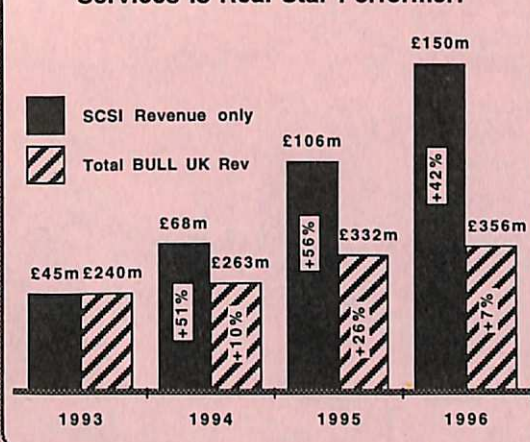
- **Cara Group Ltd.** "Ireland's leading independent computer services company". The last figures we had for Cara were revenues of c.£30m to March 96. We understand that Cara "exceeded expectations" and contributed revenues of around £37m in calendar 1996.

- **Chessington**, awarded to BULL UK in June 96, has contributed about 5 months of revenue to the BULL UK 1996 results. You may remember that *Integris* and an internal management team won the contract to privatise the Cabinet Office's IT operations, which undertakes the Government's payroll services, in a deal worth £75m over 5 years. It was suggested that the consideration had been around £15m.

On top of that BULL UK, and *Integris* in particular, won a fair number of new deals - before the outsourcing win (this month) of a major outsourcing contract with Gloucester Council (won against CFM) and their first major PFI contract win is just about to be announced.

So, Richard Snook's claim that "BULL UK and Ireland is one of the success stories of the industry" is well justified. As readers know, we were a BULL UK fan through the Philip Crawford days and under Snook. Although Snook believes the synergy of the hardware and services activities are a major asset, we just wish BULL would separate the SCSI bits from the rest and float it as a separate company. We would be the first in the queue to buy the shares!

BULL UK Software and Computing Services is Real Star Performer!



Cap Gemini share price doubles

Cap Gemini's results for 1996 were not only the best in a long while but were testimony to the abilities and tenacity of their British COO - Geoff Unwin.

In the year to 31st Dec. 96, revenues increased by 31% to FF14.8 billion. That is - on the surface - a little overstated as Gemini Consulting was included for seven months for the first time. Stripping that out, the increase was 18% - still far higher than the average market increase for Europe as reported on page 1.

Operating profits were up an even higher 53% at FF1.4 billion - a really quite creditable 7%. Net income was up over fivefold at FF280m. Outsourcing revenues increased by 37% to FF3.2 billion - again much better than the 22% increase reported throughout Europe as whole.

The acquisition of the **Bossard Group** adds over 2000 consultants and should see Cap Gemini revenues exceeding FF18 billion in 1997.

Cap Gemini's share price was FF140 when the results were announced in Feb. 96. It had more than doubled to FF332 by the end of Feb. 97.

In September 1996 it was announced that Hoskyns Group plc was finally and with great reluctance to change its name to Cap Gemini UK plc. Results for the year to 31st Dec. 96 were also excellent and to the credit of UK MD Tony Robinson and his team. But they also require some understanding of the background.

Firstly, Cap Gemini UK actually includes UK and Ireland...but also includes certain product activity in Germany. "Unfortunately, reorganisation and product investment in Germany in 1996 meant that we lost money there, although the position should stabilise in 1997".

Also, Cap Gemini UK has disposed of various activities. However:

- overall revenues increased by 27% to £342.4m.
- revenues earned in the UK and Ireland increased even more by 30% to £320.2m.
- overall operating profit was up by 31% at £26m. But Germany made a loss in 1996.
- profits in the UK and Ireland were up "a massive 43%. In fact, if one excludes disposals and compares like-for-like for the last two years, operating profit increased by an even better 66%".

- "Continuing UK business, operating margins were up by a full two percentage points to 9.3%...easily the best we have ever achieved".

- as can be seen from the table, this year the "star performer" was project services - where revenues increased by 21% to £71m.

- although outsourcing still represents, at £206.4m, around 60% of UK revenues, growth was a lower 26%. This was below the market average and shows how Cap Gemini is continuing to lose market share in the market area where it once "owned" over 60% of the UK market.

- it is also worth pointing out the superb performance in the consulting and IT training areas - both of which grew by in excess of 30% in 1996.

All in all, it was an excellent performance.

CAP GEMINI UK/ HOSKYN'S GROUP PLC	1996	Share of Total 1996 Revenues	Growth 95/96
Information Systems Management	£206.4m	60%	26%
Products	£26.7m	8%	-12%
Project Services	£71.0m	21%	43%
Consulting	£30.2m	9%	37%
Education & training	£8.1m	2%	31%
	£342m	100%	26%

Lorien

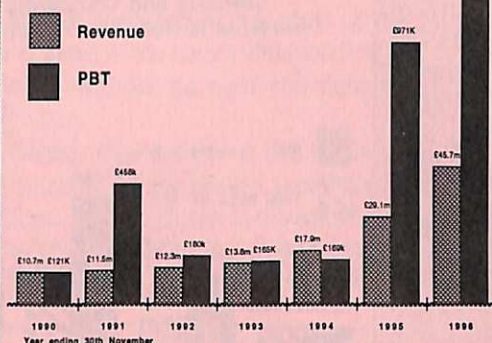
IT staff agency **Lorien** was one of the first AIM placings in Aug. 95 at 100p. They have also been about its best performer with the shares ending Feb. 97 on 425p. Chairman Mike Heeley described FY96 as "an exceptionally exciting one". We have no argument with that! The year covers their acquisition of **Telecast** for £2.1m, the purchase of **P-E International** from

Cray for £11m in Aug. 96 and an associated 1-for-1 rights issue at 250p, the appointment of Malcolm Coster (from Unisys) as CEO, the acquisitions of **Frost Berkeley Associates** (max. £10.5m) in Jan. 97 and **Arena Resources** (max. £4m) in Dec. 96 and an open offer at 320p and lastly, the forthcoming move from AIM to a full market listing. *Seems pretty exciting to us!*

Results for year to 30th Nov. 96 show revenues up 57% at £45.7m although much of this was from the acquisitions - continuing operations rose 26% to £36.8m. PBT up 52% at £1.48m (a pretty minimal 3% margin) but EPS was down 2.4%. Mind you this was not the "headline" figures that Lorien would like you to read. They believe that "PBT was up 95% at £1.9m and EPS up 27%". Those results were struck before exceptional costs relating to excess property at Telfast (£297K) and a further £117K "representing the additional costs of operating two management and admin. functions at P-E International and Lorien". Although we understand that these duplicated costs have been eliminated, we have never seen future potential cost savings used by a quoted company to manipulate past results in this manner. All to avoid reporting an EPS reversal in your maiden full year results. After all the excitement of the last year, we expect FY97 to be one of consolidation with fewer and smaller acquisitions. But we believe that Lorien is well placed for the future - "providing management consultancy, strategic IT consultancy and human resources...focused on providing selected skills to targeted industry sector".

Lorien Group plc Revenue and PBT Record

Relative to 1990

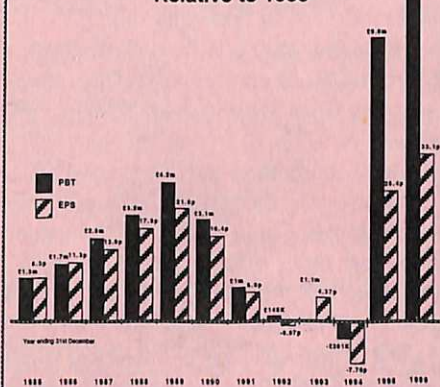


Delphi Group UK growth hardly exciting

Delphi Group has announced revenues up 20% at £210.6m, PBT up 36% at £12.3m and EPS up 30% for the year ending 31st Dec. 96. UK revenues increased by a "market average" 17% to £148m (70% of revenues) - but the supply of IT agency staff increased by "only" 12% to £129m. "Sales growth in the UK contract business has started to increase since the end of Sept. 96". UK IT training rev. doubled to £7.2m. The growth in the US was largely as a result of recent purchases of **Netserv**, **Alpine** and (after the year end) **SystemLink**. (Also see this month's purchases - p7)

Comment. There will be many who would be pleased to report these results. But, given the buoyancy of the UK IT skills supply market, they are decidedly lacklustre. Organic growth in the US - up 21% - was better than expected but operating margins here were squeezed. In Cort. Europe, rev. was up only 10%. In our page one article in Oct. 96 we asked "has IT agency growth its peak?" Current results seem to support that thesis.

Delphi Group plc PBT and EPS Record Relative to 1985



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