

System House

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

Volume 9

Number 12

Available by subscription only

ISSN 0967-2583

October 1998

A return to sanity?

As many subscribers have unfortunately discovered, SCSi share prices can go down as well as up. The FTSE IT Index has dived from a 81% gain in July (purely coincidentally when Holway delivered his CSSA Seminar entitled "an increasing feeling of unease?") to "just" 45% at the end of September.

But, as you will read in this packed edition, latest (mainly interim) results to 30th Jun. 98 have been excellent. On average, revenues have grown by 30%, profits by 35% and earnings by 34%. There has been an absence of any bad news from the majors and, indeed, almost everyone has come in at, or a head of, expectation. The outlook is equally good. If you take all the consensus

analysts' forecasts (from The Estimate Directory) earnings are expected to grow by 37% for the full year 1998 and 34% in 1999.

When events in Russia and Clinton's antics in the Oval office can affect the share price of Logica, applying any logic to explain the situation may appear unwise. We have been collecting statistics on our industry for over ten years now. As you can see from the chart, the directional movement of average historic P/Es has been an accurate indicator of

forecast profits growth.

Well, until 1998 it did. When we compiled the 1998 Holway report in April 98, there were already early warning signs that valuations were exceeding forecast growth rates. But there then followed three months when the indicators went

wildly out of sync. Average P/Es of nearly 60 when anticipated earnings growth was c35% busted a ten year norm.

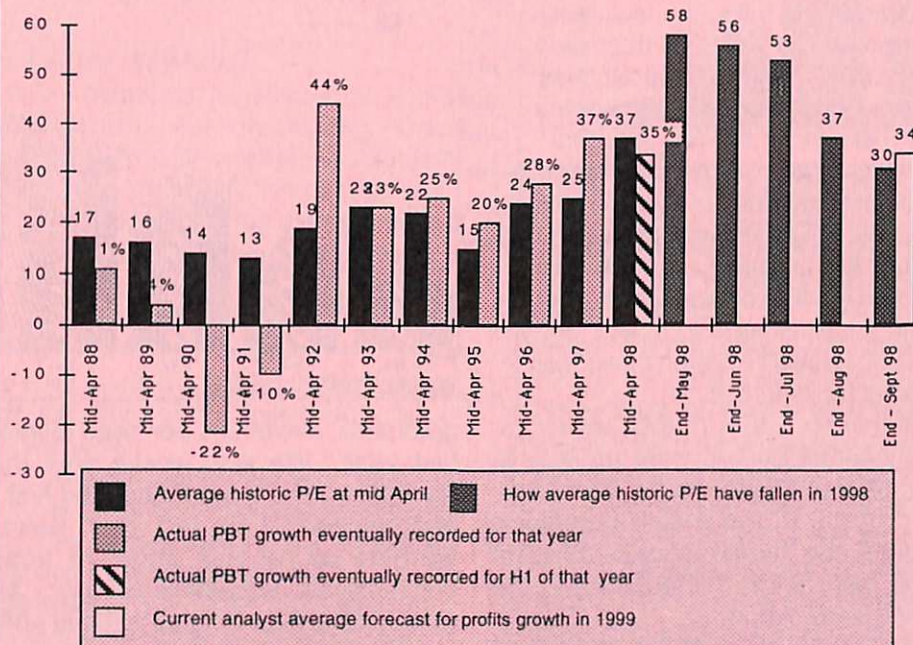
As can be seen, valuations are now back to - indeed below - the trendline.

But be warned, soon the forecasts for 2000 and beyond will kick in. Does anyone really expect 34% earnings growth to be the average in 2001?

At the risk of saying "we told you so", readers

For ten years P/Es have roughly equalled forecast profits growth...

.....Until May 98

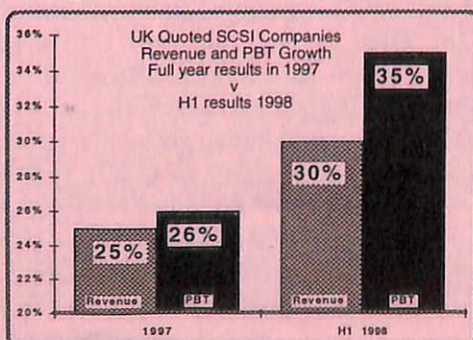


profit growth and performance. But even more, over the whole of the last ten years, the smoothed trend line for average historic P/Es has roughly equalled

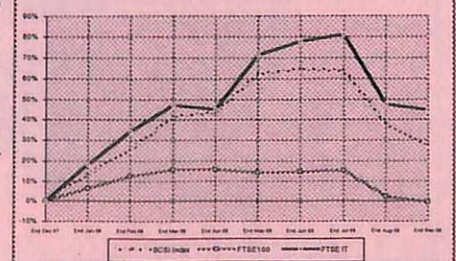
must have noticed that the "low quality" IT staff agency stocks have been disproportionately badly hit. MSB has plunged from a 12 month high of £10.58p to just 365p at the end of Sep. 98, and practically all the others like Delphi, Highams, Harvey Nash, Lorien etc. are also down significantly.

On the other hand, "Boring" SCSi stocks like Admiral, Capita (and even Logica) have actually gained recently.

The SCSi companies with the longest customer contracts/relationships - and if you subscribe to *System House* you will know precisely who they are - will weather the approaching storms "better than all the rest". Quality always survives.



FTSE IT Index falls from 81% gain at end of July 98 to just 45% gain at end of Sept. 98





The chart below of the five year performance at **Logica plc**, since Martin Read joined in 1993, is quite illuminating. Superb

growth in profits and earnings, but with the share price lagging behind in the early years. Then the re-rating of IT stocks in the last year causing a major spurt. Indeed, it could have been even better - at £21.98p, the Logica share price at the end of Sep. 98 was 5% below its 1998 high of £23.12p.

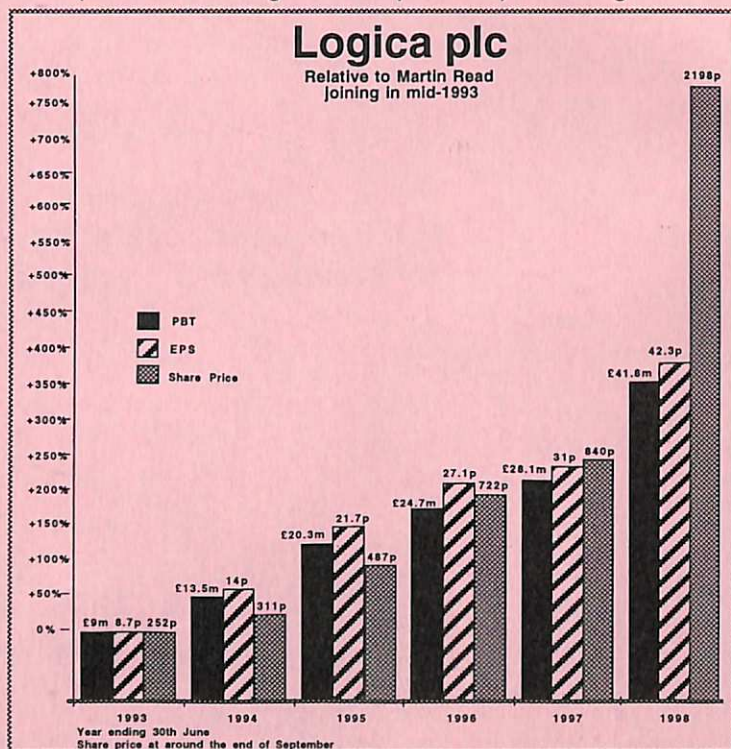
Logica's results for the year to 30th Jun. 98 were ahead of expectations. PBT was up 49% at £41.8m on revenues up 40% at £473m with EPS up 40% to 42.3p. Before Read joined we made a cruel jibe that Logica was like a car which always seemed to have one cylinder misfiring. We could be equally cruel this time and point out that Asia Pacific/Middle East showed a 23% reduction on profits on revenues up 4%. But, at £25m, this area only represents c5% of total revenues. Elsewhere, the results were excellent. UK revenues grew by an above average 27% to £230.7m with profits up 26% at £22.1m. Margins, at 9.6%, are tantalising close to the 10% magic margin target we discussed with Read back in 1993. Energy and Utilities "continued to grow rapidly, with Logica now providing systems to most (UK) electricity and gas suppliers". Good growth was also reported in the telecomms and Govt. sectors. Only defence declined (a situation they shared with Sema - see p10). We were particularly pleased that BPO and AM business - a market we would like to claim some credit in persuading them to enter some years ago - "continued to grow well" with a £10m PFI contract with Scottish Children's Reporter Administration closed at the year end.

But the UK now represents <50% of total revenues. Revenues from Continental Europe were up 30% at £127m with profits up 26% at £8.7m - i.e. a 6.9% margin. Without Logica France (i.e. the Axime Ingénierie acquisition of Dec. 96 at the "bargain price" of £19.7m) margins would have been 8.9%. Performance in the Netherlands was particularly strong.

It was, perhaps, North America for which Read took most pride; for so long the Achilles Heel that always seemed to

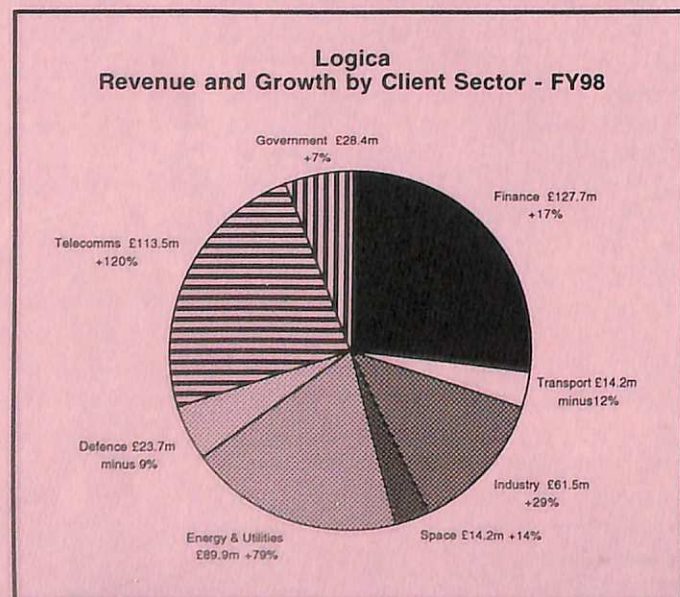
be the *cylinder* slowing Logica's progress. This time profits grew by 59% to £3.8m on revenues up 39% at £49.2m; i.e. a 7.8% margin.

It was only just over a year ago, in June 97, that Logica issued the mildest of all profits warnings which resulted in its share price crashing over 35% from 1067p to 693p. One of the reasons given was the difficulties in recruiting the IT staff required to undertake signed contracts. Read said then that he intended to recruit 350 graduates. As it turned out, staff numbers have grown by 25% to 6,400 in the last year. Around 70% of the staff growth was organic (i.e. not resulting from acquisitions) including 700 new



graduates. Revenues per head increased by 12% in the last year. We said at the time that the crash was "overdone" and indeed it created one of the best buying opportunities of the last year. Read had to issue the warning as he was about to acquire Irish mobile communications systems supplier - **Aldiscon** - for £51m funded by a 1-for-7 rights issue at 605p. Aldiscon seems to have been a particularly successful acquisition reporting underlying growth of 50% in the 11 month period in Logica's ownership. Aldiscon earned 52% of its £41.1m revenues in Asia/Pacific with "particular growth in Japan". "Logica Aldiscon's success has been primarily built on providing products and solutions around its short message service centre to mobile operators" where they claim a c60% global market share with 110 mobile operators and 250 installations in 55 countries.

Aldiscon was not the only acquisition in the period. In Jun. 98 Logica added to their French operations with **Delog Conseil** for £3.7m. Then in July they went into M&A overdrive acquiring Belgian **Administra-CIM/Hardi** for £9.1m and the **Quaestor** branch and electronic banking solutions products software from Indian Synectics Group for £8m initially (possibly up to £32m to 2000). A very bullish Read declared to us that "all our acquisitions have been successful". As Logica's net cash increased by £46m to £54m, there is a veritable war chest available for further acquisitions. With Logica's current reputation, clearly



Logica - continued on p3

further funds would be forthcoming.

With order intake up 40% at £526m, the future prospects look equally excellent. Analysts are busy upping FY99 forecast to PBT of c£55m.

Comment - We were reported in the media as saying "the end result after five years of Martin Read at the helm is, in our opinion, one of the best, well rounded and securely based SCS companies around. It now has the ability and reputation to take even bolder steps". For once not only were we reported reasonably accurately but the consensus view of the rest of the media seemed to agree. Even the "IT bear of all bears" - Tempus in The Times - said "given Logica's track record and its focus on utilities, telecoms and finance, its prospects look good". A prospective P/E (at that time) of c34 "makes them look almost cheap". Indeed Logica shares are up 20% since. As we have seen (p1), share prices are in the "lap of the gods" but our expectations for future performance are rather more secure. Under the Read leadership (and we have as much time for the rest of his team as for Read himself) Logica has been - and will continue to be - in a safe pair of hands; tempering acquisition growth ambitions with safety.

Could do even better at MDIS

Although MDIS' interim results for the six months to 30th Jun. 98 showed an improving situation, bearing in mind the buoyant state of the market, they perhaps could really have done better. Even the "prospects" comments had a bearish ring. But, to be fair to MDIS, they certainly cannot afford to be over confident at this crucial confidence-building stage.

Revenue increased a rather lacklustre 12.5% to £63m. Before exceptional costs of £1m (infrastructure and new business systems), they made a small operating profit of £585K (loss £3.4m last time) and a loss before tax of £387K (loss £3.9m last time).

UK **Public Sector** business "performed well" although revenues increased just 4% to £20m but operating profits fell 19% to £2.5m. The **Corporate Sector** performed "below expectations" and revenues fell 9% to £17.7m with operating profits way down at just £700K (against £1.8m).

Human Resources did rather better as, although revenue dropped from £5.8m to £4.3m, operating losses also fell significantly from £3m to £900K. The **Glovia** ERP business appears to have been the overall star. They managed to up revenue by over 70% to £16.3m with operating losses down from £3.4m to only £500K. This strong growth was due to a JV with Fujitsu. The remaining business, **PRO IV** (now fully owned), made a small profit of £38K (loss £500K) on revenues more than doubled at £4.7m.

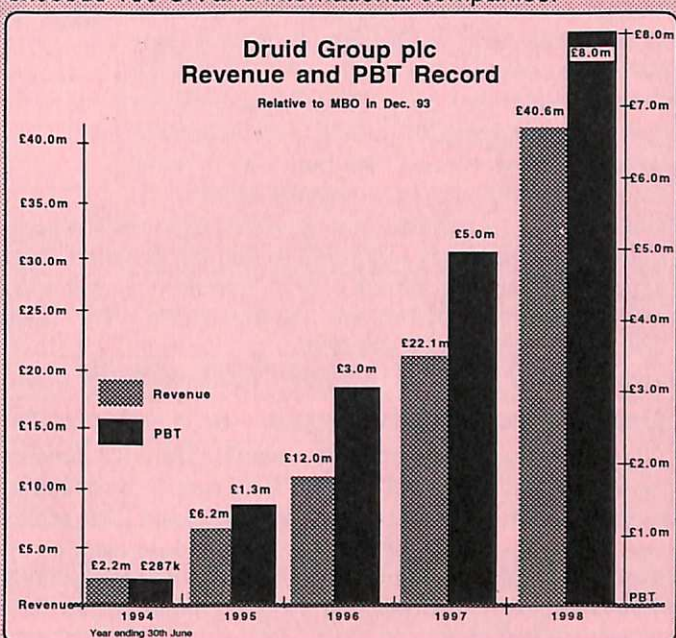
Chairman Ian Davidson is rightly cautious about prospects. "The effects of the present economic environment cannot be forecast with any certainty, however the strong demand... creates an excellent opportunity... The board is confident of a year of further progress".

The shares ended the month down 21% on 53p. Don't forget that last year MDIS raised £24.3m in a refinancing package after the shares fell to just c20p (floated in 1994 at 260p).

Comment. The jury is still out on MDIS. These results, although better, are still rather disappointing in the present market conditions. If they cannot do well now, we have concerns for the future.

Superb figures from Druid

Druid Group (SAP consultancy, implementation etc.) has announced a superb set of results for the year ending 30th Jun. 98. Revenue rose 84% to £40.6m, PBT increased 61% at £8m with EPS rising 71%. That's another 20% profit margin and the growth is all organic. The year end staff count was up 92% up at 556 and the client base now exceeds 100 UK and international companies.



Druid was the subject of an MBO in 1993 and floated on the main market in Nov. 96 at 275p. The shares have been one of the best performers around and ended September on £11.75p - that's over a 4-fold increase to the float price in under two years.

Chairman David Tebb commented "Druid's traditional markets for both management consultancy and implementation continue to grow strongly... We believe that Druid will remain well positioned to win an increasing share of these markets". With the widening range of services being offered and an order book "growing strongly in line with revenue growth" we can only agree. SAP implementation still remains their core business, reflecting its leading position in the ERP marketplace, but their other activities (including Oracle applications, Baan consultancy and partnerships with the likes of Microsoft, ICL and Symbol etc.) are now creating a much more healthy balance across the company.

Comment. Now that Druid is changing itself into a much more sophisticated solutions provider, their future looks even rosier. With analysts forecasts (even before these superb results were announced) of 1999 revenues of over £51m and a PBT of nearly £10m, Druid is certainly a company to watch.

Poor results hit Staffware

Shares in **Staffware** (workflow automation software) were hit badly when they announced their interim results for the six months to 30th Jun. 98. Although revenue increased 25% to £9.6m, PBT dropped 58% at just £231K with EPS down 61%. Analyst Richard Dunn from house brokers Henderson Crosthwaite said "he had been looking for sales of £11m... the down turn reflected weaker sales of software licences in the UK and Nordic regions and some order slippage".

The shares ended the month down 20% at 273p - but still a premium of 21% to the IPO price of 225p in Jun. 96.

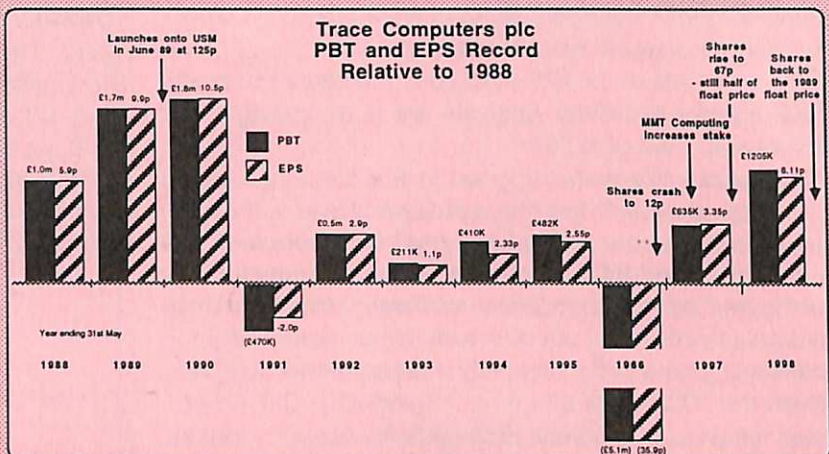
The "revival" continues at Trace

Trace has never been our favourite company. We have almost lost count of the number of revivals they have experienced. They are essentially a software and services company with, in our opinion, still rather too many operating businesses.

In the year ended 31st May, 98, Trace has continued the latest revival. Although total revenue fell 15% to £14.6m, revenues from continuing business actually rose 10%. PBT nearly doubled to £1.2m with EPS up 82%. To give Trace their due, they have tried recently to rationalise and refocus their business on their core service markets and they are achieving a measure of success. We just hope that this time the revival will last.

Chairman John Perry managed to use the dreaded "confidence" word only once in his two page comments. "We have started the new year ahead of plan... we are pleased with overall results. Our major challenge is to increase both the level and rate of growth of turnover. Improvements in the balance sheet, profitability and cash flow... should ensure that Trace's on-going progress is sustained".

Trace's share price has recovered well from its low of 21p some 18 months back to end Sep. 98 on 114p.



Delphi disappoints - again - and refocuses

After their disappointing full year results, Delphi's interims for the six months ended 30th Jun. 98 are no better. Despite a revenue rise of 22% to £162.2m, PBT was hit by exceptional costs of £3.1m (relating to the US operations) and fell 70% to £2.1m. But even operating profit was down 23% at £5.8m and EPS was down 71%.

Delphi is now refocusing its strategy and is to dispose of its solutions business. They intend to sell their US subsidiary Alpine and evidently have three possible suitors with negotiations "well advanced". Alpine cost them \$25m in 1996 and now has revenues of \$30m (but lost £3.6m in H198!). Tony Reeves, Chairman and CEO, is quoted as saying "We cannot allow Alpine to bleed any more cash from us". Delphi, rather naturally, has refused to be drawn at this stage as to whether they will actually make a profit or loss on the sale. Delphi are also disposing of their 30.8% stake in French Decan which cost them a total of £10.7m but is now valued by them at £23m.

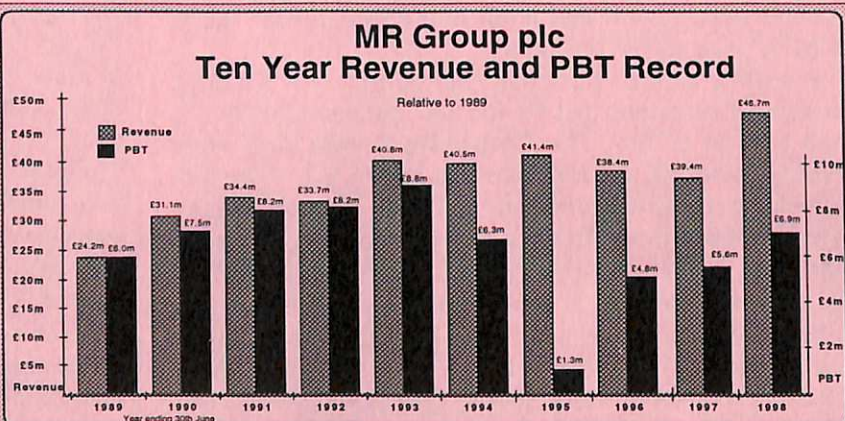
Comment. To put it mildly, Delphi has not had a good time recently. They had to pull their NASDAQ quote which cost them money and gave them some unwelcome bad publicity. Results have been poor. Only a few months ago at their May AGM, Tony Reeves said "The US remains key to our strategy...", so the strategy reversal puts management credibility in question. It is now to concentrate on IT agency staff and training...the very areas likely to be worst affected in any growth slowdown. No wonder that the share price has been pummelled; now down 58% over the last year.

Still difficult times at M-R Group

M-R Group (like Microgen) has found the transition hard from a COM bureau to an "outsource and document service solutions provider" both in the UK and US. Last Nov. they acquired Trevor Clarke's PCL operation for £4.7m and AMT in the US for \$1m.

In the year ended 30th Jun. 98, total revenue did rise 19% to £46.8m but revenues on continuing operations were flat at £38.8m. PBT went up 23% to £6.9m but this did include an exceptional profit of £586K from the sale of a business. EPS increased 26%.

Chairman Colin Haylock, whilst saying that good progress had been made, also said that they had "suffered long gestation periods" securing some larger contracts and the costs of integrating PCL would hit profits in the current year. On a more positive note, they had a record order book of over £50m and this "combined with further reductions in costs provides a solid base for further progress in the current year". Certainly they have managed to obtain some good new contracts (such as the HM Land Registry £8.9m 2/3 year contract). House brokers Panmure Gordon have now downgraded the 1999 profit forecast from £8.2m to £7m but left 2000 at £9.4m. The shares closed the month down 25% at 105p.



Good results from Science Systems

Science Systems (fee based development and AM services) was a new AIM issue a year ago at 129p. Interim results to 30th Jun. 98 show rev. up 38% at £12.1m, PBT only increased 8% to £1.2m (but that's still a 10% margin) with EPS up 9%. PBT was adversely affected by the strength of sterling as using constant exchange rates the rise would have been nearly 15%.

Chairman Cliff Preddy reported "order intake remains very healthy and now stands in excess of £25m... we are well positioned for continued organic growth throughout H2. We anticipate operating margins for the full year close to 1997".

Serco - "the high-tech. FM company"

Serco is an international task management contractor but, for all BPO watchers, note c30% of revenues are IT related.

In their interims to 30th Jun. 98, revenue rose 17% to £286m, with PBT up 20% to £12.7m. They are one of the UK's largest FM/BPO companies offering services both to the public and private sectors.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

| Admiral plc | | | | | Eidos plc | | | | |
|----------------------------------|------------------|-----------------|------------------|----------------|-------------------------------------|------------------|----------------|------------------|------------|
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | |
| PBT | £ 54,118,000 | £ 117,191,000 | £ 65,805,000 | +21.6% | PBT | £ 75,531,000 | £ 137,234,000 | +81.7% | |
| EPS | £ 7,200,000 | £ 17,552,000 | £ 10,329,000 | +43.5% | PBT | £ 6,831,000 | £ 16,507,000 | Loss to profit | |
| | 7.40p | 17.80p | 10.50p | +41.9% | EPS | -60.40p | 59.80p | Loss to profit | |
| AFA Systems plc | | | | | Electronic Data Processing plc | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | | REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison |
| PBT | £ 384,000 | £ 228,000 | -37.9% | | PBT | £ 6,490,000 | £ 12,565,000 | £ 5,812,000 | -10.4% |
| EPS | -£ 913,000 | -£ 1,801,000 | Loss both | | PBT | £ 803,000 | £ 1,741,000 | £ 1,235,000 | +53.8% |
| | -10.50p | -16.80p | Loss both | | EPS | 2.01p | 4.50p | 3.23p | +60.7% |
| AIT Group plc | | | | | F.I. Group plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | | REV | Final - Apr 97 | Final - Apr 98 | Comparison | |
| PBT | £ 11,218,000 | £ 13,556,000 | +20.9% | | PBT | £ 98,800,000 | £ 161,595,000 | +63.6% | |
| EPS | £ 1,546,000 | £ 2,164,000 | +40.0% | | PBT | £ 6,575,000 | £ 10,670,000 | +62.3% | |
| | 5.36p | 7.17p | +33.8% | | EPS | 2.84p | 4.46p | +57.0% | |
| Anite Group plc | | | | | Flomerics Group plc | | | | |
| REV | Final - Apr 97 | Final - Apr 98 | Comparison | | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 193,399,000 | £ 149,540,000 | -22.7% | | PBT | £ 2,335,584 | £ 5,786,456 | £ 2,938,163 | +25.8% |
| EPS | -£ 50,377,000 | £ 29,347,000 | Loss to profit | | PBT | -£ 416,188 | £ 48,085 | -£ 268,699 | Loss both |
| | -21.20p | 8.90p | Loss to profit | | EPS | n/a | 0.30p | n/a | n/a |
| Azlan Group plc | | | | | Gresham Computing plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | | REV | Interim - Apr 97 | Final - Oct 97 | Interim - Apr 98 | Comparison |
| PBT | £ 292,900,000 | £ 292,000,000 | -3% | | PBT | £ 4,500,000 | £ 8,889,000 | £ 8,520,000 | +89.3% |
| EPS | -£ 14,100,000 | -£ 7,860,000 | Loss both | | PBT | £ 487,000 | £ 667,000 | £ 1,017,000 | +108.8% |
| | -27.20p | -12.20p | Loss both | | EPS | 0.88p | 1.17p | 1.98p | +125.0% |
| Bond International Software plc | | | | | Guardian IT plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 2,865,000 | £ 6,398,027 | £ 4,320,000 | +50.8% | PBT | £ 10,888,000 | £ 23,028,000 | £ 13,706,000 | +25.9% |
| EPS | £ 179,000 | £ 718,250 | £ 284,000 | +58.7% | PBT | £ 1,914,000 | £ 4,033,000 | £ 2,959,000 | +54.6% |
| | 0.88p | 3.54p | 1.37p | +55.7% | EPS | 2.70p | 5.70p | 4.00p | +48.1% |
| Cadcentre Group plc | | | | | Harvey Nash Group plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | | REV | Final - Jan 97 | Final - Jan 98 | Comparison | |
| PBT | £ 17,339,000 | £ 17,727,000 | +2.2% | | PBT | £ 36,321,000 | £ 55,796,000 | +53.6% | |
| EPS | £ 1,777,000 | £ 2,754,000 | +55.0% | | PBT | £ 797,000 | £ 5,527,000 | +593.5% | |
| | 7.13p | 10.30p | +44.5% | | EPS | 1.80p | 13.36p | +642.2% | |
| Capita Group plc | | | | | Highams Systems Services Group plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | |
| PBT | £ 79,067,000 | £ 172,904,000 | £ 117,907,000 | +49.1% | PBT | £ 16,394,589 | £ 25,143,421 | +53.4% | |
| EPS | £ 7,062,000 | £ 18,312,000 | £ 10,590,000 | +50.0% | PBT | £ 878,707 | £ 1,383,327 | +57.4% | |
| | 2.49p | 6.51p | 3.49p | +40.2% | EPS | 3.60p | 5.08p | +41.1% | |
| Cedardata plc | | | | | ICM Computer Group plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | | REV | Final - Jun 97 | Final - Jun 98 | Comparison | |
| PBT | £ 10,363,000 | £ 12,506,000 | +20.7% | | PBT | £ 33,989,000 | £ 35,881,000 | +5.6% | |
| EPS | £ 1,589,000 | £ 2,564,000 | +61.4% | | PBT | £ 1,437,000 | £ 2,702,000 | +88.0% | |
| | 3.60p | 5.30p | +47.2% | | EPS | 4.20p | 8.70p | +107.1% | |
| CFS Group plc | | | | | Ilion Group plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 3,702,000 | £ 6,828,000 | £ 3,155,000 | -14.8% | PBT | £ 88,389,000 | £ 203,134,000 | £ 125,801,000 | +42.1% |
| EPS | £ 276,000 | £ 813,000 | £ 161,000 | -41.7% | PBT | £ 4,030,000 | £ 6,100,000 | £ 1,158,000 | -71.3% |
| | 2.07p | 8.29p | 1.23p | -40.6% | EPS | 11.00p | 15.10p | 3.50p | -68.2% |
| Clinical Computing plc | | | | | Intelligent Environments Group plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 1,376,000 | £ 3,025,110 | £ 1,864,000 | +20.9% | PBT | £ 2,074,000 | £ 4,443,146 | £ 2,827,000 | +26.7% |
| EPS | £ 78,000 | £ 275,564 | £ 205,000 | +162.8% | PBT | -£ 2,046,000 | -£ 3,009,417 | -£ 874,000 | Loss both |
| | 0.30p | 1.10p | 0.80p | +166.7% | EPS | -9.20p | -13.30p | -3.20p | Loss both |
| CMG plc | | | | | IS Solutions plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 140,704,000 | £ 302,992,000 | £ 194,161,000 | +38.0% | PBT | £ 4,088,000 | £ 8,750,000 | £ 4,198,000 | +2.7% |
| EPS | £ 15,117,000 | £ 38,645,000 | £ 24,051,000 | +69.1% | PBT | £ 247,000 | £ 539,845 | £ 404,000 | +63.6% |
| | 7.40p | 38.60p | 12.20p | +64.9% | EPS | 4.40p | 8.63p | 5.68p | +29.1% |
| Comino plc | | | | | ITNET plc | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 7,792,000 | £ 13,151,000 | +68.8% | | PBT | £ 37,596,000 | £ 81,713,000 | £ 50,172,000 | +33.5% |
| EPS | £ 1,420,000 | £ 1,950,000 | +37.3% | | PBT | £ 2,035,000 | £ 6,834,000 | £ 2,208,000 | +8.6% |
| | 9.95p | 11.46p | +15.2% | | EPS | 1.40p | 4.40p | 1.70p | +21.4% |
| Compel Group plc | | | | | JBA Holdings plc | | | | |
| REV | Final - Jun 97 | Final - Jun 98 | Comparison | | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 111,792,000 | £ 210,003,000 | +87.9% | | PBT | £ 88,102,000 | £ 221,737,000 | £ 126,133,000 | +43.2% |
| EPS | £ 5,057,000 | £ 9,021,000 | +78.4% | | PBT | -£ 1,297,000 | £ 5,233,000 | -£ 4,456,000 | Loss both |
| | 16.20p | 21.40p | +32.1% | | EPS | -2.56p | 10.12p | -8.35p | Loss both |
| Computacenter Services Group plc | | | | | JSB Software Technologies plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - May 97 | Final - May 97 | Comparison | |
| PBT | £ 558,917,000 | £ 1,133,523,000 | £ 775,746,000 | +38.6% | PBT | £ 3,708,000 | £ 3,400,000 | -8.3% | |
| EPS | £ 22,095,000 | £ 47,099,000 | £ 31,332,000 | +41.8% | PBT | £ 56,000 | -£ 53,000 | Profit to loss | |
| | 8.00p | 17.40p | 11.40p | +42.5% | EPS | n/a | n/a | n/a | |
| DCS Group plc | | | | | Kalamazoo Computer Group plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | |
| PBT | £ 23,742,000 | £ 59,777,000 | £ 46,480,000 | +95.8% | PBT | £ 77,776,000 | £ 65,711,000 | -15.5% | |
| EPS | £ 2,036,000 | £ 4,920,000 | £ 3,053,000 | +50.0% | PBT | £ 3,882,000 | -£ 2,329,000 | Profit to loss | |
| | 6.48p | 15.68p | 9.34p | +44.1% | EPS | 6.85p | -3.00p | Profit to loss | |
| DRS Data & Research Services plc | | | | | Kewill Systems plc | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | | REV | Final - Mar 97 | Final - Mar 98 | Comparison | |
| PBT | £ 4,822,000 | £ 6,765,000 | +40.3% | | PBT | £ 41,348,000 | £ 45,088,000 | +9.0% | |
| EPS | -£ 1,734,000 | -£ 826,000 | Loss both | | PBT | £ 6,314,000 | £ 6,813,000 | +7.9% | |
| | -3.43p | -1.99p | Loss both | | EPS | 31.60p | 30.60p | -3.2% | |
| Delcam plc | | | | | Logica plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Jun 97 | Final - Jun 98 | Comparison | |
| PBT | £ 7,065,514 | £ 14,556,443 | £ 6,479,637 | -8.3% | PBT | £ 338,465,000 | £ 472,957,000 | +39.7% | |
| EPS | £ 372,410 | £ 504,036 | -£ 675,577 | Profit to loss | PBT | £ 28,148,000 | £ 41,825,000 | +48.6% | |
| | 4.40p | 7.40p | -9.60p | Profit to loss | EPS | 30.30p | 42.30p | +39.6% | |
| Delphi Group plc | | | | | London Bridge Software Holdings plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 133,413,000 | £ 276,814,000 | £ 182,158,000 | +21.6% | PBT | £ 4,095,000 | £ 11,320,000 | £ 8,054,000 | +96.7% |
| EPS | £ 7,018,000 | £ 12,853,000 | £ 2,121,000 | -69.8% | PBT | £ 953,000 | £ 3,701,000 | £ 2,705,000 | +183.8% |
| | 16.65p | 28.79p | 4.91p | -70.5% | EPS | 2.51p | 10.03p | 6.31p | +151.4% |
| Diagonal plc | | | | | Lorien plc | | | | |
| REV | Interim - May 97 | Final - Nov 97 | Interim - May 98 | Comparison | REV | Interim - May 97 | Final - Nov 97 | Interim - May 98 | Comparison |
| PBT | £ 17,847,000 | £ 44,788,000 | £ 31,880,000 | +78.5% | PBT | £ 52,864,000 | £ 116,930,000 | £ 67,985,000 | +28.6% |
| EPS | £ 1,072,000 | £ 3,302,000 | £ 3,053,000 | +184.8% | PBT | £ 889,000 | £ 1,585,000 | £ 2,488,000 | +179.9% |
| | 5.38p | 13.57p | 10.57p | +96.5% | EPS | 1.10p | 4.50p | 7.40p | +572.7% |
| Dialog Corporation plc | | | | | Lynx Holdings plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Mar 97 | Final - Sep 97 | Final - Mar 98 | Comparison |
| PBT | £ 14,037,000 | £ 46,082,000 | £ 88,752,000 | +532.3% | PBT | £ 53,915,000 | £ 120,752,000 | £ 80,393,000 | +49.1% |
| EPS | £ 2,013,000 | -£ 20,432,000 | £ 6,989,000 | +247.2% | PBT | £ 3,710,000 | £ 9,805,000 | £ 5,526,000 | +48.9% |
| | 0.90p | -20.52p | 4.10p | +355.6% | EPS | 2.58p | 6.83p | 3.65p | +41.5% |
| Division Group plc | | | | | MMT Computing plc | | | | |
| REV | Interim - Apr 97 | Final - Oct 97 | Interim - Apr 98 | Comparison | REV | Interim - Feb 97 | Final - Aug 97 | Interim - Feb 98 | Comparison |
| PBT | £ 2,387,000 | £ 6,678,000 | £ 2,193,000 | -8.1% | PBT | £ 10,709,000 | £ 24,839,075 | £ 16,991,000 | +58.7% |
| EPS | -£ 956,000 | -£ 1,783,000 | -£ 2,276,000 | Loss both | PBT | £ 2,424,000 | £ 5,554,611 | £ 4,250,000 | +75.3% |
| | -2.20p | -4.10p | -5.10p | Loss both | EPS | 13.30p | 29.80p | 23.20p | +74.4% |
| Druid Group plc | | | | | M-R Group plc | | | | |
| REV | Final - Jun 97 | Final - Jun 98 | Comparison | | REV | Final - Jun 97 | Final - Jun 98 | Comparison | |
| PBT | £ 22,066,000 | £ 40,804,000 | +84.0% | | PBT | £ 39,430,000 | £ 48,822,000 | +23.7% | |
| EPS | £ 5,004,000 | £ 8,044,000 | +60.8% | | PBT | £ 5,604,000 | £ 6,902,000 | +23.2% | |
| | 13.94p | 23.87p | +71.2% | | EPS | 7.30p | 9.20p | +26.0% | |
| ECsoft Group plc | | | | | MDIS Group plc | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 23,442,000 | £ 44,235,000 | £ 31,138,000 | +32.8% | PBT | £ 56,029,000 | £ 116,925,000 | £ 83,005,000 | +12.5% |
| EPS | £ 2,119,000 | £ 4,111,000 | £ 3,166,000 | +49.4% | PBT | -£ 3,910,000 | £ 221,000 | -£ 387,000 | Loss both |
| | 14.38p | 35.60p | 20.00p | +39.1% | EPS | -3.92p | 0.22p | -0.16p | Loss both |

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

| Macro 4 plc | | | | Royalblue Group plc | | | | | |
|--|------------------|---------------------|------------------|---------------------------------|------------------|-------------------|------------------|------------------|------------|
| REV | Final - Jun 97 | Final - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| PBT | £ 23,448,000 | £ 24,234,000 | +3.4% | PBT | £ 8,892,000 | £ 20,847,000 | £ 13,312,000 | +49.7% | |
| EPS | £ 10,300,000 | £ 10,060,000 | -2.3% | EPS | £ 221,000 | £ 2,041,000 | £ 1,815,000 | +721.3% | |
| | 33.80p | 33.70p | -0.3% | | 2.70p | 6.10p | 3.50p | +29.6% | |
| Micro Focus plc | | | | Sage Group plc | | | | | |
| REV | Interim - Jul 97 | Final - Jan 98 | Interim - Jul 98 | Comparison | REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison |
| PBT | £ 41,349,000 | £ 97,015,000 | £ 58,642,000 | +41.8% | PBT | £ 73,554,000 | £ 152,089,000 | £ 88,798,000 | +20.7% |
| EPS | £ 5,171,000 | £ 15,217,000 | £ 10,057,000 | +94.5% | EPS | £ 19,286,000 | £ 37,635,000 | £ 23,967,000 | +24.3% |
| | 4.50p | 13.00p | 8.30p | +84.4% | | 12.03p | 23.43p | 14.68p | +22.0% |
| Microgen Holdings plc | | | | Sanderson Group plc | | | | | |
| REV | Interim - Apr 97 | Final - Oct 97 | Interim - Apr 98 | Comparison | REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison |
| PBT | £ 34,052,000 | £ 66,398,000 | £ 32,560,000 | -4.4% | PBT | £ 33,408,000 | £ 67,143,000 | £ 34,743,000 | +4.0% |
| EPS | £ 4,211,000 | £ 5,324,000 | £ 1,285,000 | -69.5% | EPS | £ 3,504,000 | £ 2,778,000 | £ 4,049,000 | +15.6% |
| | 6.90p | 8.80p | 0.40p | -94.2% | | 5.90p | 4.70p | 6.20p | +5.1% |
| Misys plc | | | | SBS Group plc | | | | | |
| REV | Final - May 97 | Final - May 98 | Comparison | REV | Interim - Feb 97 | PF Final - Aug 97 | Interim - Feb 98 | Comparison | |
| PBT | £ 325,470,000 | £ 447,700,000 | +37.8% | PBT | £ 8,585,000 | £ 18,981,000 | £ 11,308,000 | +32.0% | |
| EPS | £ 62,533,000 | £ 51,700,000 | -17.3% | EPS | £ 353,000 | £ 728,000 | £ 529,000 | +49.9% | |
| | 10.56p | 5.82p | -44.9% | | 3.40p | 8.60p | 4.90p | +44.1% | |
| Mondas plc | | | | Science Systems plc | | | | | |
| REV | Final - Apr 97 | Final - Apr 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| PBT | £ 56,609 | £ 297,169 | +425.0% | PBT | £ 8,793,000 | £ 18,601,000 | £ 12,107,000 | +37.7% | |
| EPS | -£ 421,192 | -£ 484,322 | Loss both | EPS | £ 1,155,000 | £ 1,855,000 | £ 1,245,000 | +7.6% | |
| | -10.50p | -7.90p | Loss both | | 4.30p | 6.80p | 4.70p | +9.3% | |
| Moorepay Group plc | | | | Sema Group plc | | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 2,731,603 | £ 5,283,379 | £ 3,181,393 | +16.5% | PBT | £ 559,539,000 | £ 1,130,086,000 | £ 610,564,000 | +9.1% |
| EPS | £ 886,148 | £ 1,385,201 | £ 1,141,281 | +28.8% | EPS | £ 26,214,000 | £ 64,073,000 | £ 31,144,000 | +18.6% |
| | 5.69p | 9.04p | 7.14p | +25.5% | | 4.01p | 9.79p | 4.83p | +20.4% |
| MSB International plc | | | | Sherwood International plc | | | | | |
| REV | Final - Jan 97 | Final - Jan 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| PBT | £ 69,755,000 | £ 128,793,000 | +84.6% | PBT | £ 13,069,000 | £ 30,036,000 | £ 18,090,000 | +38.4% | |
| EPS | £ 5,431,000 | £ 9,043,000 | +66.5% | EPS | £ 1,025,000 | £ 3,095,000 | £ 1,846,000 | +80.1% | |
| | 17.60p | 29.00p | +64.8% | | 7.90p | 22.80p | 13.20p | +67.1% | |
| NSB Retail Systems plc | | | | Skillsgroup plc | | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - May 97 | Final - Nov 97 | Interim - May 98 | Comparison |
| PBT | £ 1,547,000 | £ 3,284,484 | £ 3,413,000 | +120.6% | PBT | £ 181,600,000 | £ 378,989,000 | £ 115,000,000 | +36.7% |
| EPS | £ 454,000 | £ 837,516 | £ 749,000 | +65.0% | EPS | £ 6,500,000 | -£ 16,308,000 | £ 6,600,000 | +1.5% |
| | 4.00p | 6.90p | 4.60p | +15.0% | | 5.80p | -22.90p | 5.80p | +0.0% |
| Oxford Molecular plc | | | | Spring Group plc | | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Apr 97 | Final - Apr 98 | Comparison | |
| PBT | £ 8,188,000 | £ 15,641,000 | £ 7,383,000 | +19.7% | PBT | £ 134,334,000 | £ 279,231,000 | +107.8% | |
| EPS | -£ 677,000 | £ 256,000 | -£ 2,195,000 | Loss both | EPS | £ 12,056,000 | £ 18,109,000 | +50.2% | |
| | 0.20p | 0.20p | Loss both | | | 6.86p | 8.38p | +22.2% | |
| Parity plc | | | | Staffware plc | | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 90,825,000 | £ 202,078,000 | £ 134,987,000 | +49.0% | PBT | £ 7,701,000 | £ 17,585,000 | £ 9,641,000 | +25.2% |
| EPS | £ 5,678,000 | £ 13,506,000 | £ 8,754,000 | +54.2% | EPS | £ 549,000 | £ 1,772,000 | £ 231,000 | +57.9% |
| | 8.90p | 20.91p | 11.90p | +33.7% | | 3.30p | 10.80p | 1.30p | +60.6% |
| Pegasus Group plc | | | | Superscape VR plc | | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jan 97 | Final - Jul 97 | Interim - Jan 98 | Comparison |
| PBT | £ 5,587,000 | £ 12,447,000 | £ 7,410,000 | +33.1% | PBT | £ 1,901,000 | £ 3,106,000 | £ 2,568,000 | +35.1% |
| EPS | £ 810,000 | £ 1,698,000 | £ 632,000 | -22.0% | EPS | -£ 3,128,000 | -£ 5,961,000 | -£ 956,000 | Loss both |
| | 12.80p | 29.30p | 6.80p | -46.9% | | -37.40p | -69.60p | -10.90p | Loss both |
| PhoneLink plc | | | | Systems Integrated Research plc | | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Final - May 97 | Final - May 98 | Comparison | | |
| PBT | £ 4,316,000 | £ 3,206,000 | -25.7% | PBT | £ 1,450,000 | £ 1,035,000 | not comparable | | |
| EPS | -£ 6,173,000 | -£ 3,746,000 | Loss both | EPS | -£ 1,938,000 | -£ 493,000 | Loss both | | |
| | -12.90p | -7.80p | Loss both | | -14.70p | -4.00p | Loss both | | |
| Policy Master plc | | | | Systems International Group plc | | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Interim - Jun 97 | Interim - Jun 98 | Comparison | |
| PBT | £ 3,956,000 | £ 8,745,000 | £ 5,054,000 | +27.8% | PBT | £ 6,350,000 | £ 12,400,000 | +95.3% | |
| EPS | £ 204,000 | £ 459,000 | £ 164,000 | -19.6% | EPS | £ 728,000 | £ 1,570,000 | +115.7% | |
| | 1.65p | 3.70p | 1.32p | -20.0% | | n/a | n/a | n/a | |
| Proteus International plc | | | | Tetra plc | | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Final - May 97 | Final - May 98 | Comparison | | |
| PBT | £ 573,000 | £ 178,000 | -68.9% | PBT | £ 22,358,000 | £ 30,288,000 | +35.5% | | |
| EPS | -£ 3,824,000 | -£ 4,127,000 | Loss both | EPS | £ 2,096,000 | -£ 558,000 | Profit to loss | | |
| | -7.31p | -7.44p | Loss both | | 7.10p | -7.28p | Profit to loss | | |
| Quality Software Products Holdings plc | | | | Torex plc | | | | | |
| REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | REV | Final - Dec 96 | Final - Dec 97 | Comparison | |
| PBT | £ 13,431,000 | £ 28,016,991 | £ 18,135,000 | +35.0% | PBT | £ 10,870,000 | £ 21,029,000 | +93.5% | |
| EPS | £ 180,000 | £ 2,655,299 | £ 1,285,000 | +613.9% | EPS | £ 1,467,000 | £ 7,277,000 | +396.0% | |
| | 1.40p | 20.20p | 9.40p | +571.4% | | 4.30p | 16.20p | +276.7% | |
| Quantica plc | | | | Total Systems plc | | | | | |
| REV | Final - Nov 97 | PF Interim - May 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| PBT | £ 5,835,000 | £ 6,870,000 | n/a | PBT | £ 3,279,609 | £ 4,134,866 | +26.1% | | |
| EPS | £ 1,011,000 | £ 1,871,000 | n/a | EPS | £ 412,545 | £ 1,019,675 | +147.2% | | |
| | 1.29p | 3.41p | n/a | | 2.76p | 6.80p | +146.4% | | |
| RM plc | | | | Touchstone Group plc | | | | | |
| REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | |
| PBT | £ 48,965,000 | £ 110,170,000 | £ 50,473,000 | +3.1% | PBT | £ 5,160,000 | £ 6,154,000 | +19.3% | |
| EPS | £ 1,683,000 | £ 8,018,000 | £ 636,000 | -62.2% | EPS | £ 601,000 | £ 841,000 | +39.9% | |
| | 6.30p | 30.80p | 2.40p | -61.9% | | n/a | n/a | n/a | |
| Radius plc | | | | Trace Computers plc | | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | REV | Final - May 97 | Final - May 98 | Comparison | | |
| PBT | £ 27,267,000 | £ 27,728,000 | +1.7% | PBT | £ 17,271,000 | £ 14,859,000 | -15.1% | | |
| EPS | £ 1,591,000 | £ 1,122,000 | -29.5% | EPS | £ 635,000 | £ 1,205,000 | +89.8% | | |
| | 4.05p | 2.94p | -27.4% | | 3.35p | 6.11p | +82.4% | | |
| Rage Software plc | | | | Triad Group plc | | | | | |
| REV | Final - Jun 97 | Final - Jun 98 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| PBT | £ 6,758,000 | £ 3,623,000 | -46.4% | PBT | £ 18,827,000 | £ 32,161,000 | +70.8% | | |
| EPS | -£ 15,430,000 | £ 860,000 | Loss to profit | EPS | £ 2,656,000 | £ 6,609,000 | +148.8% | | |
| | -6.30p | 0.35p | Loss to profit | | 7.25p | 17.78p | +145.2% | | |
| Real Time Control plc | | | | Ultima Networks plc | | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| PBT | £ 12,588,000 | £ 15,880,000 | +26.4% | PBT | £ 20,892,000 | £ 38,598,000 | £ 8,288,000 | +80.3% | |
| EPS | £ 2,547,000 | £ 3,163,000 | +24.2% | EPS | -£ 424,000 | -£ 13,240,000 | -£ 883,000 | Loss both | |
| | 25.50p | 30.80p | +20.8% | | 0.10p | -16.20p | -0.99p | Loss both | |
| Rebus Group plc | | | | Vega Group plc | | | | | |
| REV | Final - Mar 97 | Final - Mar 98 | Comparison | REV | Final - Apr 97 | Final - Apr 98 | Comparison | | |
| PBT | £ 66,438,000 | £ 87,730,000 | +32.1% | PBT | £ 17,977,000 | £ 22,457,000 | +24.9% | | |
| EPS | £ 5,808,000 | £ 8,390,000 | +44.5% | EPS | £ 3,261,000 | £ 3,081,000 | -5.5% | | |
| | 4.61p | 5.74p | +24.5% | | 13.79p | 13.75p | -0.3% | | |
| Recognition Systems Group plc | | | | Workplace Technologies plc | | | | | |
| REV | Interim - Mar 97 | Final - Sep 97 | Interim - Mar 98 | Comparison | REV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 326,000 | £ 773,000 | £ 327,000 | +0.3% | PBT | £ 30,752,000 | £ 65,938,000 | £ 39,977,000 | +30.0% |
| EPS | -£ 1,128,000 | -£ 2,255,000 | -£ 1,333,000 | Loss both | EPS | £ 986,000 | £ 1,830,000 | £ 1,317,000 | +33.6% |
| | -4.10p | -8.10p | -3.80p | Loss both | | 1.21p | 2.17p | 2.41p | +99.2% |
| Riva Group plc | | | | Xavier Computer Group plc | | | | | |
| REV | Final - Dec 96 | Final - Dec 97 | Comparison | REV | Final - Mar 97 | Final - Mar 98 | Comparison | | |
| PBT | £ 64,438,000 | £ 70,208,000 | +9.0% | PBT | £ 8,961,457 | £ 16,252,000 | +81.4% | | |
| EPS | £ 518,000 | £ 1,339,000 | +158.5% | EPS | £ 582,000 | £ 743,000 | +27.7% | | |
| | 0.90p | 2.00p | +122.2% | | 0.85p | 1.06p | +24.7% | | |
| Rolfe & Nolan plc | | | | Zergo Holdings plc | | | | | |
| REV | Final - Feb 97 | Final - Feb 98 | Comparison | REV | Final - Apr 97 | Final - Apr 98 | Comparison | | |
| PBT | £ 20,299,000 | £ 21,714,000 | +7.0% | PBT | £ 10,398,871 | £ 13,176,770 | +26.7% | | |
| EPS | £ 2,758,000 | -£ 894,000 | Profit to loss | EPS | £ 620,698 | £ 296,664 | -52.2% | | |
| | 14.50p | -10.20p | Profit to loss | | 2.30p | -1.00p | Profit to loss | | |
| Romtec plc | | | | | | | | | |
| REV | Final - Jan 97 | Final - Jan 98 | Comparison | | | | | | |
| PBT | £ 4,734,677 | £ 4,217,440 | -10.9% | | | | | | |
| EPS | £ 326,125 | £ 310,718 | -4.7% | | | | | | |
| | 4.30p | 4.10p | -4.7% | | | | | | |

As we go to press Fujitsu has announced that it has bought Northern Telecom's 9.9% stake in ICL for c£44m. ICL confirms its intention to float in 2000. More next month.

As we go to press Fujitsu has announced that it has bought Northern Telecom's 9.9% stake in ICL for c£44m. ICL confirms its intention to float in 2000. More next month.

UK M&A

VossNet has acquired **Webbed Feet Productions** for £800K. Webbed Feet is a new media consultancy that specialises in the Internet and is in its first trading year.

Sherwood International has acquired 12.65% of **US Allenbrook Inc.** from **US AMS Services Inc.** for "up to £7.1m" in shares. Allenbrook is a provider of property and casualty systems in the US. A new JV with Allenbrook is to be set up to enable Sherwood's reinsurance product, **SENATOR**, to be marketed globally. Sherwood will own 49% of the JV. They have also obtained a major \$5m licensing contract for their **AMARTA** product.

Schroder Ventures has invested £2.5m in 20-"man" Internet consultancy **NVision**. **Kennet Capital** (a JV involving **Broadview**) has made its first investment - an "initial" £1.5m in **Monis Software** ("analytic systems for derivatives").

Eidos announced that it was to acquire **US Crystal Dynamics** (also in the games market) for £47.5m cash but later in the month admitted that negotiations on the deal were likely to take longer than expected. Watch this space for more news. At least the good news was that in Q199, on revenue up 175% to £25.8m, losses reduced from £8.6m to £2.3m.

ICL has acquired 51% of Czech software services company **PC-DIR** for an undisclosed sum. PC-DIR employ 100 staff and had 1997 sales of £5m only but "is one of the top two SAP partners in the Czech republic".

Fourth party maintenance company **Fourthrite Computer Services** has gone into liquidation and 25 staff have lost their jobs. This is particularly sad for us as they were based locally in Aldershot and we have used their excellent services.

US Mantech Internat. has acquired **Seel** (a Scottish imaging & data capture firm) for an undisclosed sum.

Last month we said that **CMG** paid FF10.5m for French **Techside**. Sorry we meant 10.5m Dutch Guilders. This means that the purchase price was c£3m (not £1m). Our thanks to **Catalyst** (who acted for CMG) in pointing this out!

IBM has put its **Global Network** operation on the market for sale at a possible asking price of c\$4 billion. Several telephone groups are said to be very interested including BT. Global Network has \$2b annual sales and if BT were successful, it would give them the chance to finally enter the US market in a reasonably big way.

Vega is buying the **Aviation Division** (£2.3m rev.) of **US TRO Learning Inc.** for c£1.7m. The purchase price is to be funded with an institutional placing to raise £2.5m net. **Anite Group** has acquired **Talisman Technology** (solutions for cruise operators) and its subsidiary **1st Class Cruise Systems** for up to £2.24m. 1997 revenue of Talisman was £1.1m with a PBT of £96K.

Acquisitive **Spring Group** (in the last two years they have spent c£100m on 12 purchases) has signed a five year unsecured loan facility of £50m from NatWest to be used on further, "carefully selected", acquisitions.

But not so good news at **Recognition Systems** where **eMarket Partners** has failed to obtain the funding necessary to complete a \$739K contract with Recognition.

Specialist Apple mail order supplier, **Mac Supplies** has gone into receivership leaving debts of just under £4m.

South African owned **Datatec** has acquired distributor **RBR** for around £25m.

Harvey Nash have bought Dutch **Inston** for £3.3m. **Tetra** has sold its business forms division to **Software Stationery Holdings** for £150K. **Micro Focus** has acquired **Advanced Software Engineering** - an ERP software distributor in Australia. Tetra reseller **BDE International** has acquired Leeds-based **IBS International**. The £1m revenue added will boost BDE to c£6m this year.

Gresham Computing has acquired Canadian **Online**

UK M&A continued.....

Financial Services for a max. of £701K in shares. Online (systems for the banking and financial services sector) had rev. of £330K and PBT of £71K in year to 28th Feb. 98. **Oxford Molecular** has acquired the rest of the shares it did not already own in **Cambridge Combinatorial** for up to £12.35m. **ADP's** UK operations has acquired the **Chessington Partnership** from **Bull** (50%), **Close** (20%) and Chessington employees (30%). Consideration, we guess, was around £20m. Chessington provides payroll services to 270,000 public sector employees/pensioners and was bought from HM Govt. in July 96. Bull will remain a partner and Integrus will continue to run the datacentre. **Note:** Up-and-coming M&A specialists **Barcroft** acted for ADP. By the way, we got it the wrong way round last month - Barcroft acted for **COMAX** in the **World Systems** acquisition.

Welcome Synstar Computer Services

Granada Computer Services International (£89m MBO last year from Granada plc) has changed its name to **Synstar Computer Services International**. When we met CEO Richard Ferre this month he also told us that highly respected John Leighfield has been appointed non-exec. Chairman. Leighfield has strong links with CVC Capital Partners who backed the original MBO.

We now expect full year's revenues to 30th Sep. 98 to be c£161m and a PBIT of c£9m. Over 40% of revenues are now earned within Europe. FY99 revenues should be over £200m.

Comment. Synstar is a very interesting company with no truly similar competitor operations. Unlike Computacenter, they do not sell product. Unlike IBM/ICL they are truly multi-vendor and independent. Unlike most of the other smaller independents, they are profitable. *We expect a float sooner rather than later.*

Another "real" profit at Quality Software

Our concerns about the capitalisation of software development at **QSP** are lessening. Although they capitalised a further £1.7m, owing to amortisation *the net effect on the results is now negative!* Mind you the total still stands at £18.5m out of assets of £25.7m.

QSP "is a leading provider of enterprise-wide financial information systems". In their interims for the six months to 30th Jun. 98, revenue rose 35% to £18.1m, PBT went up more than 7-fold to £1.3m with EPS increasing over 6-fold. This means another "real" profit for QSP. Licence revenue is increasing and now stands at about 45% of the total (up from 34%), service revenues now 41% (down from 46%) with maintenance revenue also down in proportion at 14% (was 20%). The new **Net Consulting** venture is interesting. It will extend functionality into Intra/Internet activities and also enable QSP's products to be paid for on a transaction basis. Due to these excellent figures, the share price rose 3% in the month to end on 408p - a far cry from the 1995 high of over £7 and strangely close to the launch price of 380p in 1993.

Comment. We have a high regard for Chairman Alan Benjamin. Since he took over in early 1996, our reviews have become more and more positive as the renaissance got under way. We remain opposed to the capitalisation of development - at least until every company does it so that like can be compared to like. We are impressed with the new licence order intake too. The problem with QSP is "size".

Software and Computing Services Industry in Europe

The SIXTH edition of our massive co-production with Pierre Audoin Conseil and (this year) Reseau in Italy is nearing completion. Brochure and Order Form enclosed.

Order now to receive your copy first!

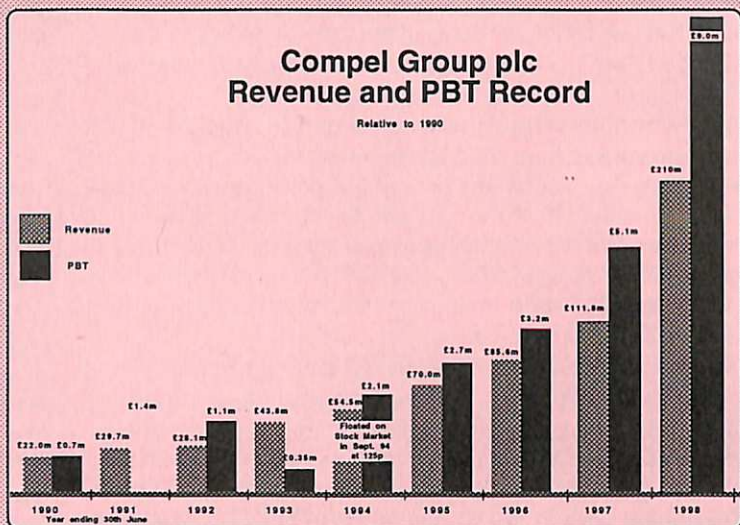
Strong results from Compel

We hesitate to call **Compel** a major PC reseller as they don't appear to like this title - their own description is "a provider of managed integrated desktop services to major end users". Well whatever, their results for the year ending 30th Jun. 98 are still pretty good. Revenue rose 88% to £210m (or a very acceptable organic 68%), PBT was up 78% at £9m with EPS increasing 32%. Since their flotation in Sep. 94, they have made three major acquisitions - Hamilton Rentals (Jan. 97 for £14.5m), Computer Microrentals (Aug. 97, £1.6m) and Abtex Systems (Oct. 97, £4.5m).

Compel has three main businesses - Compel (managed integrated services etc.), Hamilton Systems (similar to Compel but in the midrange arena) and Hamilton Rentals ("the UK's leading short term rental business"). All businesses appear to have done well. Compel Group is also the sole UK member of GlobalServe - a leading worldwide alliance of similar organisations.

Chairman and CEO Neville Davis is naturally pleased with the results and also said "The market which the Group addresses remains healthy and we believe it will continue to grow for the foreseeable future.... Prospects for the Group are very good". The shares have fallen 17% in the month to end on 311p (they were floated in 1994 at just 125p). Analysts are now forecasting 1999 PBT of £10.7m - a forward P/E of 14.5.

Comment. We believe that Compel (and its larger rival Computacenter) are now in a strong position to reap the advantages as PC prices fall and more units are installed - particularly as corporates upgrade PC systems to overcome the Y2000 problem. We just wish that Compel (and Computacenter) would come clean and provide separate IT services revenues. Surely growing services revenues is something to be proud of - not hidden?



CMG continues the excellent work

We always expect the best from **CMG** and so far have not been disappointed. For the six months to 30th Jun. 98, revenue rose 38% to £194.2m (but a higher 47% using constant exchange rates (CER)), PBT went up 59% at £24.1m (71% with CER), and EPS increased 65% (77% with CER). Operating margins are now a healthy 12% with the bulk of the growth organic. Staff numbers are up 36% from a year ago to 5,725.

The main part of their revenue comes from Benelux (rev. £127m/£21.2m profit), then the UK (rev. £49.5m/£4m profit) followed by Germany (rev. £15m/£914K profit) and the rest from France (rev. £2.3m but a loss of £768K).

Analysts are now forecasting £56m profit for the full year - i.e. a heady forward P/E multiple of 66.

Chairman Cor Stutterheim said "The Group's performance since the end of June continues to be satisfactory and our main markets remain buoyant. Notwithstanding the tight recruitment market, we anticipate that H2 (traditionally the better half) will enable us to produce a further strong set of results for the full year". As CMG regularly does what it says, we are sure that this will prove to be the case.

More losses at Ultima Networks

Ultima (nee Microvitec) has had a horrendous few years (they lost £13.2m in FY97) which eventually led to a rescue led by Ali Hussein. Their business now comprises two distinct networking operations (UK services and US SilCom with products) and a smaller software division. In their interims for the six months to 30th Jun. 98, revenue fell from £20.9m to £8.3m (due to various disposals) and losses nearly doubled at £833K. Last year they made a provision of c£6m against further disposals and used £4.2m of this in H198. Ultima have also announced a 2-for-5 rights issue at 7p to raise a net £2.6m (they also raised £1.7m in Apr. 98 by the issue of shares at 5p each).

4Front does well

UK-NASDAQer **4Front Technology** reported a 45% revenue rise in the six months to 31st Jul. 98 to \$54.1m with net income increasing 78% to \$2.3m.

More excellent results from DCS

DCS Group (services and products to the ERP, outsourcing and automotive markets) has announced an excellent set of results in their interims for the six months to 30th Jun. 98. Revenue almost doubled to £46.5m, PBT up 50% to £3m with EPS increasing 44%. c50% of the growth was due to acquisitions with 30% organic and 20% from their move from an IBM agency to a IBM VAR. Operating margins within the divisions have "remained firm" but extra expense incurred to achieve ISO9000 compliance and new internal restructuring has reduced overall profit margins.

All three divisions have experienced strong growth; Product Led Services (CSI and Procon) now represents 48% of total revenue, Outsourcing (Digica) is 18% with Packaged Software (Global Automotive) the remaining 34%.

The share price has done well but did fall 11% this month to 468p - although that's still a rise 45% this year alone.

Cautious outlook at IS Solutions

IS Solutions (systems integration and internet technology) was a new AIM float twelve months ago at 134p. The shares have done very well since and ended this month on 243p. Their interim results to 30th Jun. 98, show flat revenue at £4.2m, but PBT increased 64% to £404K with EPS up 29%. Chairman Barry Clark said "... the Group continues to make good progress and the Board's outlook for the remainder of the year is one of cautious optimism".

Losses down at Intelligent Environments

Intelligent Environments (internet solutions and products) has managed to increase revenue 27% to £2.6m in its interim results for the six months to 30th Jun. 98. They also reduced losses sharply from £2m to £874K. Chairman Clive Richards said "Our UK business has performed ahead of expectations... increased UK demand for Internet and client/server related services will lead to substantial revenue growth in H2". Overall the Board is confident of "further progress towards profitability... by the end of the year". Does that mean that IE will become one of the few Internet companies actually to make a profit? IE was a new AIM issue in Jun. 96 at 94p. Earlier this year they raised £2.1m in a placing at 33p. The shares ended the month on 54p - down 11%.

Small SCSI stocks take hit

The weighted FTSE IT Index fell by just 2% in Sept but our SCSI Index fell 8% - showing that the smaller SCSI stocks were hit hardest. Indeed, some of the best performances came from larger companies with **Logica** up 20%, **Admiral** up 15% and **Sema** up 8% on its entry to the FTSE100. But the prize this month goes to **Sherwood** with a 33% gain after those superb interims reported at the end of Aug. **JBA** was hit hard again with a 35% fall despite the positive statements made when the interims were announced at end Aug. **MSB** fell another 30% this month with fellow IT staff agency **Delphi** also down 25%.

| 29-Sep-98 | SCSI Index | 3867.05 |
|---------------------------|---------------|----------------|
| | FTSE IT Index | 1446.90 |
| | FTSE 100 | 5108.70 |
| | FTSE AIM | 837.70 |
| | FTSE SmallCap | 1995.90 |
| Changes in Indices | | |
| Month (31/8/98 - 29/9/98) | SCSI Index | FTSE 100 |
| From 15th Apr 89 | -7.95% | -2.68% |
| From 1st Jan 90 | +286.71% | +148.77% |
| From 1st Jan 91 | +320.29% | +116.29% |
| From 1st Jan 92 | +446.29% | +136.47% |
| From 1st Jan 93 | +270.10% | +104.91% |
| From 1st Jan 94 | +142.66% | +79.47% |
| From 1st Jan 95 | +131.62% | +49.45% |
| From 1st Jan 96 | +157.94% | +66.65% |
| From 1st Jan 97 | +71.22% | +38.47% |
| From 1st Jan 98 | +44.43% | +24.04% |
| | +27.41% | -0.52% |
| | | FTSE AIM Index |
| | | FTSE Small Cap |
| | | -1.97% |
| | | -6.78% |
| | | -6.12% |

System House SCSI Share Prices and Capitalisation

| | FTSE IT Index? | Share Price 29/9/98 (£p) | Capitalisation 29/9/98 (£m) | Historic P/E | PSR Ratio Cap./Rev. | SCSI Index 29/9/98 | Share price % move since 31/8/98 | Share price % move in 1998 | Capitalisation move (£m) since 31/8/98 | Capitalisation move (£m) in 1998 |
|----------------------------|----------------|--------------------------|-----------------------------|--------------|---------------------|--------------------|----------------------------------|----------------------------|--|----------------------------------|
| Admiral | Yes | £12.38 | £784.63m | 57.2 | 6.70 | 44727.60 | 14.58% | 72.23% | £99.93m | £330.48m |
| AFA Systems | | £1.21 | £15.17m | Loss | 67.14 | 1004.17 | -6.23% | 12.09% | -£1.03m | £2.27m |
| AIT Group | | £2.40 | £48.69m | 33.5 | 3.59 | 1600.00 | -8.57% | 40.76% | -£4.61m | £14.11m |
| Anite Group | Yes | £0.47 | £113.14m | 43.8 | 0.76 | 274.85 | -1.05% | 0.00% | -£1.16m | £1.48m |
| Azlan Group | Yes | £0.44 | £46.57m | Loss | 0.16 | 189.13 | -8.42% | -21.71% | -£4.33m | -£12.56m |
| Bond International | | £0.93 | £12.60m | 22.5 | 1.97 | 1423.08 | -5.13% | 42.31% | -£0.70m | £3.75m |
| Cadcentre Group | | £2.19 | £36.40m | 21.3 | 2.05 | 1095.00 | -9.88% | -32.62% | -£3.90m | -£17.53m |
| Capita Group | | £6.01 | £1,165.36m | 92.2 | 6.74 | 54099.10 | 1.18% | 62.74% | £13.36m | £458.68m |
| Cedadata | | £1.20 | £40.17m | 22.5 | 3.21 | 1142.86 | -12.73% | 14.29% | -£5.93m | £6.87m |
| CFS Group | | £1.20 | £19.10m | 28.1 | 2.80 | 1333.33 | 2.13% | 14.83% | £0.40m | £11.37m |
| Clinical Computing | | £0.39 | £9.63m | 22.4 | 3.18 | 310.48 | -29.36% | -9.41% | -£4.08m | -£1.05m |
| CMG | Yes | £17.25 | £2,208.79m | 71.0 | 7.29 | 11896.55 | -4.56% | 126.23% | -£106.21m | £1,231.31m |
| Compel Group | Yes | £3.11 | £88.34m | 14.3 | 0.42 | 2488.00 | -16.51% | 1.97% | -£17.46m | £1.11m |
| Computercenter | | £4.81 | £882.12m | 20.6 | 0.78 | 717.91 | -18.82% | -28.21% | -£165.88m | -£417.88m |
| Comino | | £1.83 | £24.27m | 14.8 | 1.85 | 1403.85 | -6.41% | 48.98% | -£1.23m | £9.47m |
| DCS Group | | £4.68 | £108.00m | 26.3 | 1.81 | 7791.67 | -11.37% | 44.96% | -£13.90m | £37.04m |
| Delcam | | £0.62 | £3.63m | 8.3 | 0.25 | 236.54 | 0.00% | -62.73% | £0.00m | -£6.07m |
| Delphi Group | Yes | £2.98 | £87.43m | 17.5 | 0.32 | 1224.28 | -25.16% | -55.60% | -£28.27m | -£106.87m |
| Diagonal | Yes | £9.05 | £181.86m | 49.5 | 4.06 | 3290.91 | -5.97% | 28.83% | -£11.64m | £51.85m |
| Dialog Corporation | | £1.84 | £277.33m | Loss | 6.02 | 1672.73 | -3.16% | 22.67% | -£8.57m | £52.50m |
| Division Group | | £0.34 | £23.70m | Loss | 3.55 | 850.00 | -4.23% | -11.69% | £7.90m | £6.80m |
| DRS Data & Research | | £0.11 | £3.89m | Loss | 0.58 | 102.27 | -11.76% | -48.86% | -£0.52m | -£3.64m |
| Druid Group | Yes | £11.75 | £269.10m | 84.3 | 6.63 | 4272.73 | -9.44% | 77.36% | -£28.00m | £117.38m |
| ECSoft | | £12.90 | £140.65m | 28.6 | 3.18 | 713.89 | -17.97% | -28.61% | -£30.75m | -£50.05m |
| Electronic Data Processing | | £0.75 | £19.65m | 13.0 | 1.56 | 2281.08 | 1.36% | 36.70% | £0.26m | £5.32m |
| Eidos | Yes | £6.48 | £110.76m | 6.1 | 0.81 | 6475.00 | 6.15% | -3.36% | £6.46m | -£2.47m |
| FI Group | Yes | £2.87 | £573.81m | 73.4 | 3.55 | 6095.74 | -14.73% | 53.54% | £12.71m | £273.51m |
| Flomerics Group | | £1.35 | £3.51m | 22.3 | 0.61 | 1038.46 | -3.57% | 12.50% | £0.13m | £0.39m |
| Gresham Computing | | £0.86 | £29.87m | 30.7 | 3.44 | 919.35 | 4.27% | 271.74% | £1.27m | £22.35m |
| Guardian IT | | £3.23 | £165.14m | 45.9 | 7.17 | 1264.71 | -26.87% | 26.47% | -£60.66m | £34.64m |
| Harvey Nash Group | | £3.04 | £85.58m | 22.8 | 1.53 | 1734.29 | -5.89% | -9.94% | -£5.32m | -£8.37m |
| Higams Systems Services | | £0.90 | £7.71m | 16.9 | 0.31 | 2500.00 | -5.26% | 15.38% | -£9.09m | -£6.11m |
| ICM Computer | | £2.22 | £42.30m | 25.5 | 1.18 | 1233.33 | 6.99% | 23.33% | £2.80m | £8.00m |
| Ilion Group | | £0.61 | £15.27m | 7.7 | 0.08 | 381.25 | 6.09% | -52.16% | £0.87m | -£16.74m |
| Intelligent Environments | | £0.54 | £16.70m | Loss | 3.76 | 574.47 | -10.74% | 120.41% | -£2.00m | £10.94m |
| I S Solutions | | £2.43 | £11.66m | 27.8 | 1.33 | 1809.70 | -17.80% | 66.67% | -£2.54m | £4.67m |
| ITNET | | £4.28 | £300.52m | 74.2 | 3.68 | 1221.43 | 6.88% | 22.14% | £19.32m | £54.42m |
| JBA Holdings | Yes | £2.80 | £102.80m | 63.3 | 0.46 | 1750.00 | -34.88% | -72.78% | -£55.00m | -£273.65m |
| JSB Software | | £1.78 | £16.80m | n/a | 4.94 | 887.50 | -8.97% | -11.25% | -£1.70m | -£2.10m |
| Kalamazoo Computer | | £0.45 | £19.10m | Loss | 0.29 | 1271.43 | -10.10% | -35.97% | -£2.10m | -£10.70m |
| Kewill Systems | Yes | £10.03 | £131.30m | 28.1 | 2.91 | 3962.45 | -2.91% | 75.88% | -£4.00m | £57.75m |
| Logica | Yes | £21.98 | £1,621.15m | 51.9 | 3.43 | 6020.55 | 19.92% | 89.85% | £269.15m | £775.05m |
| London Bridge Software | Yes | £10.28 | £304.10m | 77.0 | 26.86 | 5137.50 | -15.26% | 102.06% | -£47.50m | £156.61m |
| Lorien | | £2.60 | £50.91m | 12.6 | 0.44 | 2600.00 | -14.33% | -48.51% | -£8.59m | -£35.46m |
| Lynx Holdings | Yes | £1.77 | £186.40m | 22.5 | 1.54 | 4425.00 | 0.57% | 46.89% | £1.40m | £62.13m |
| M-R Group | | £1.05 | £58.35m | 23.2 | 1.25 | 414.68 | -25.09% | -7.11% | -£19.45m | -£4.41m |
| Macro 4 | Yes | £4.05 | £79.80m | 11.6 | 3.29 | 1633.06 | -11.96% | 19.12% | -£10.80m | £12.80m |
| MDIS Group | Yes | £0.53 | £112.16m | 27.5 | 0.96 | 202.88 | -20.68% | 12.23% | -£29.24m | £13.66m |
| Micro Focus | Yes | £3.06 | £246.35m | 17.3 | 2.54 | 1477.91 | -16.16% | -23.31% | -£47.45m | -£124.53m |
| Microgen Holdings | | £0.92 | £39.80m | 10.4 | 0.60 | 391.03 | -10.73% | 30.71% | -£4.80m | £12.08m |
| Misy | Yes | £5.12 | £2,867.20m | 38.6 | 6.40 | 6369.88 | -3.40% | 39.89% | -£100.80m | £824.00m |
| MMT Computing | Yes | £8.13 | £96.72m | 21.4 | 3.93 | 4836.31 | -10.96% | -3.22% | -£11.88m | -£3.14m |
| Mondas | | £0.41 | £2.47m | Loss | 8.31 | 540.00 | -33.06% | -41.73% | -£1.22m | -£1.77m |
| Moorepay Group | | £2.13 | £24.90m | 20.5 | 4.71 | 3586.15 | -7.61% | -24.78% | -£2.00m | -£5.65m |
| MSB International | Yes | £3.65 | £74.47m | 12.6 | 0.58 | 1921.05 | -30.14% | -41.60% | -£32.13m | -£52.97m |
| NSB Retail Systems | | £2.09 | £22.95m | 24.4 | 6.99 | 1817.39 | -15.04% | 9.14% | -£4.15m | £4.38m |
| Oxford Molecular | | £0.74 | £55.50m | Loss | 3.55 | 918.75 | -28.99% | -69.38% | -£22.60m | -£117.96m |
| Parity | Yes | £6.21 | £306.20m | 25.9 | 1.52 | 34499.87 | -13.75% | -2.36% | -£48.80m | -£7.30m |
| Pegasus Group | | £3.02 | £21.19m | 13.2 | 1.70 | 822.89 | 0.33% | 16.15% | £0.09m | £3.02m |
| PhoneLink | | £0.32 | £21.61m | Loss | 6.74 | 203.23 | -10.00% | -42.20% | -£2.39m | -£4.65m |
| Polymaster | | £2.00 | £28.30m | 46.4 | 3.24 | 1333.33 | 0.50% | 33.33% | £0.20m | £7.10m |
| Proteus International | | £0.35 | £25.93m | Loss | 145.67 | 416.67 | 2.94% | -20.45% | £0.73m | £1.47m |
| Quality Software Products | | £4.08 | £55.44m | 14.5 | 1.98 | 1072.37 | 2.52% | 85.23% | £1.34m | £25.48m |
| Quanta | | £0.83 | £32.18m | 13.9 | 5.71 | 665.32 | -22.54% | -33.47% | -£9.32m | -£15.82m |
| Radius | | £0.61 | £16.90m | 20.6 | 0.61 | 438.41 | -3.20% | 72.86% | -£0.60m | £7.10m |
| Rage Software | | £0.11 | £27.38m | 72.0 | 7.56 | 432.69 | -4.26% | 164.71% | -£1.22m | £16.98m |
| Real Time Control | | £3.65 | £25.57m | 11.9 | 1.61 | 7448.98 | -8.75% | 13.71% | -£2.43m | £3.15m |
| Rebus Group | Yes | £0.97 | £89.27m | 17.3 | 1.02 | 1096.59 | -9.86% | 22.15% | -£8.73m | £16.18m |
| Recognition Systems | | £0.22 | £8.21m | Loss | 10.66 | 317.86 | 2.30% | 3.49% | £0.21m | £0.29m |
| Riva Group | | £0.65 | £20.82m | 29.5 | 0.30 | 461.96 | -7.80% | 54.76% | -£1.78m | £7.85m |
| RM Group | Yes | £3.61 | £327.77m | 66.1 | 2.98 | 10314.29 | 4.64% | 125.63% | £14.47m | £185.81m |
| Rolle & Nolan | | £2.60 | £34.54m | Loss | 1.59 | 3095.24 | 0.97% | -24.09% | £0.34m | -£11.01m |
| Romtec | | £0.92 | £4.75m | 22.3 | 1.13 | 1464.00 | -9.85% | -12.44% | -£0.52m | -£0.67m |
| Royalblue Group | Yes | £2.83 | £78.51m | 33.4 | 3.80 | 1661.76 | -6.61% | -17.52% | -£5.59m | -£34.64m |
| Sage Group | Yes | £12.78 | £1,481.79m | 50.4 | 9.74 | 49134.62 | -1.35% | 53.92% | -£20.21m | £584.54m |
| Sanderson Group | | £1.10 | £57.06m | 10.0 | 0.85 | 1872.34 | -14.73% | 48.65% | -£9.94m | £23.07m |
| SBS Group | | £2.20 | £19.40m | 22.2 | 1.02 | 2200.00 | -1.12% | 25.71% | £0.20m | £7.03m |
| Science Systems | | £1.78 | £30.19m | 24.4 | 1.62 | 1375.97 | -4.83% | 7.25% | -£1.51m | £2.09m |
| Sema Group | Yes | £5.88 | £2,709.91m | 55.4 | 2.40 | 7396.23 | 7.89% | 58.49% | £201.91m | £1,005.18m |
| Sherwood International | | £9.88 | £85.94m | 34.0 | 2.86 | 8229.17 | 32.55% | 86.32% | £21.14m | £40.34m |
| Skillsgroup | Yes | £2.37 | £193.74m | 21.6 | 0.51 | 1060.54 | -11.92% | -32.82% | -£85.35m | -£163.54m |
| Spring | | £2.39 | £344.85m | 28.5 | 1.23 | 2650.00 | -19.83% | -32.82% | -£89.92m | -£8.20m |
| Staffware | | £2.73 | £34.58m | 31.7 | 1.97 | 1211.11 | -20.44% | -22.91% | -£4.02m | £2.31m |
| Superscape VR | | £0.96 | £11.78m | Loss | 3.79 | 482.32 | -25.68% | -11.16% | -£0.06m | -£0.61m |
| Systems Integrated | | £0.05 | £0.60m | Loss | 0.48 | 39.13 | 12.50% | 25.00% | -£0.68m | £11.22m |
| Tetra | | £2.20 | £55.42m | Loss | 1.83 | 1375.00 | -10.75% | 25.00% | -£2.70m | £2.60m |
| Torex Group | | £0.93 | £29.90m | 15.5 | 1.42 | 1805.83 | -8.37% | 6.90% | -£0.73m | -£0.71m |
| Total Systems | | £0.66 | £6.81m | 9.6 | 1.65 | 1235.85 | -9.66% | -12.08% | -£0.73m | -£0.71m |
| Touchstone | | £1.13 | £15.15m | n/a | 2.46 | 1076.19 | 0.00% | 7.62% | £0.00m | £5.35m |
| Trace Computers | | £1.14 | £16.54m | 18.6 | 1.13 | 908.00 | 3.18% | 73.28% | £0.44m | £7.11m |
| Triad Group | | £5.16 | £129.90m | 29.2 | 4.04 | 3818.52 | -9.32% | 73.28% | -£13.40m | £54.89m |
| Ultima | | £0.06 | £6.15m | 29.8 | 0.09 | 152.44 | -16.67% | -64.29% | -£1.22m | -£1.22m |
| Vega Group | | £3.30 | £53.10m | 23.8 | 2.36 | 2704.92 | -18.01% | 45.05% | -£8.90m | £18.02m |
| Workplace Technologies | | £1.78 | £51.62m | 25.1 | 0.78 | 1017.14 | -15.24% | -8.48% | -£9.28m | -£4.57m |
| Xavier Computer Group | | £0.11 | £10.80m | 10.4 | 0.66 | 1100.00 | -2.22% | 41.48% | -£0.30m | £6.14m |
| Zergo Holdings | | £2.80 | £50.82m | Loss | 3.88 | 2871.79 | -16.42% | 28.74% | -£9.98m | £30.79m |

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.

Dialog - good results but....

Dialog's results for the six months to 30th Jun. 98 were rather complicated. Headline figures show revenue up over 6-fold at £88.8m, PBT up over 3-fold at £7m with EPS up 4-fold. But the revenue now includes US **Knight Ridder (KRI)** (acquired for £260m in Oct. 97). In both half years there have been exceptional credits from disposals and, due to the acquisition, net interest received of £100K has been transformed into net interest paid in H198 of £8.6m. All-in-all therefore, comparisons are rather meaningless.

The good news is that *"the merger (KRI) is ahead of plan... and cost savings of £28m annualised are expected"*. Also Internet revenues exceeded \$50m, and are rising fast.

Now for the bad news. Dialog's core database business revenues have dipped following a change in the fee pricing structure from being usage based to a flat rate. This has *"ruffled a few feathers"* but now 10% of the biggest clients (representing 30% of revenues) are on the new flat rate scheme. CEO Dan Wagner has also admitted that the KRI acquisition caused Dialog *"to lose its way a little bit"* and they lost a few months business as a result. This decline has now been arrested...according to Wagner.

Comment. Dialog lost a lot of City credibility after their placing at 220p in Nov. 97 and the subsequent big share drop. The share price has been volatile ever since and ended the month on 184p - a drop of 3%. Analysts are now forecasting a profit of £16m in FY98 - a forward P/E of just 15. But with the lower cost base, an eventual acceptance of the new pricing structure, management's eye back on the ball, and an overall measure of consistency then Dialog could well prove to be *"the buy opportunity of the century" ...perhaps.*

Big swing at Rage Software

Rage produced one of 1997's top losses last year at £15.4m. Now they have transformed this to a PBT of £860K in the year ending 30th Jun. 98 on revenue down 46% at £3.6m. The 1998 profit did include exceptional gains of £560K (sale of Autonomy - £431K - and a gain on the early settlement of loan notes - £129K).

Rage is now a dedicated publisher and developer of computer games with a *"niche position at the top end of the PC market"*. The huge losses last year were caused, in the main, by the disposals of their distribution and arcade business and the MBO at Software Creations.

Comment. At this time last year we were not totally convinced that Rage would go into the black in 1998. Glad to say our pessimism has proved unfounded. The share price has been on a roller coaster but, in 1998, has recovered 165% to end the month on just 11p.

As expected from ilion

ilion is a leading European distributor of network, comms and UNIX products. But competition (they blame the problems at Azlan) has hit them hard. After Chairman Wayne Channon's cautious remarks earlier this year, ilion's interim results for the six months to 30th Jun. 98 were more or less as expected. Revenue increased 42% to £125.6m, but PBT dropped 71% to £1.1m with EPS down 75%. France, where ilion is #1, was the star with revenues increasing 59% (and even higher 71% in local currency terms) to £44.9m. The UK *"remains challenging and profitability reduced"* even though revenues were up 20% to £63.2m. ilion has now decided to dispose of their German, Austrian and Swiss operations (total losses in Germany and Switzerland were c£1m) and, with other small disposals, total revenues will be some £13m but overall profitability should be improved.

Channon now says that *"I expect the level of profitability in the UK to increase in H2.... both ilion UK and ilion France, the core businesses, have substantial growth prospects"*.

A second disappointing year at Macro 4

Old established Macro 4 (system software for IBM mainframes) suffered its first reversal for many years in FY97. They have now managed to repeat this in the year to 30th Jun. 98. On revenue up just 3% to £24.2m, PBT fell 2% to £10m (by the way that's still a margin of nearly 42%) with EPS also slightly down.

For some years we have called Macro 4 the wasted opportunity of the decade and at one time even considered them for a **System House Boring Award** - but they were really just *too boring* then! They have blamed the current year's setback on continued weakness in their midrange business. At least now they have a new MD as Ronnie Wilson joined them in June this year in an attempt to revive the company's flagging fortunes. Brokers are now forecasting 1999 PBT of £10m - a prospective P/E of just 13. Their shares fell a further 12% this month to end on 405p.

Sema "underwhelms" as it joins FTSE100

SEMA GROUP

Sema Group joined Misys as the 2nd SCSI company in the FTSE100 this month. But its interim results to 30th Jun. 98 were somewhat underwhelming. Group revenues up 9.1% at £610.6m, PBT up 18.8% at £31.1m and EPS up 20.5%. The defence business depressed growth. But even if this and the effects of currency movements are stripped out, revenues increased by a still modest 18%. Although France grew by 16% and Spain by 50%, UK growth was only 9.9% at £258.3m. Pretax margins increased from 4.7% to 5.1% - the 4th year of successive improvement - but this is still less than most of its main competitors. *"France, Spain and the UK were the main contributors to higher profitability"*. A 9% revenue growth is not much to shout about, but CEO Pierre Bonelli pointed out, *"this is the 10th or 12th half-year that we have shown 20%+ growth in EPS"*.

Sema also announced the sale of its 50% stake in BAe SEMA and Paradigm (51%) to British Aerospace for c£77m in cash. BAe SEMA had rev. of £140m and PBT of £7.0m in 1997 - Paradigm reported a loss of 70K on revenues of £7.7m. These JVs were setup in 1991 to focus on systems for the defence sector *"but margins and turnover growth required to grow the group's overall business in line with market expectations will not be achieved in the defence sector as currently structured in the UK"*. This was clearly a decision not taken lightly, but with a stagnant market in tactical weapon systems and slow and uncertain progress with European defence consolidation, Sema just could not afford to see margins erode further. A tough decision - but the right one. It maintains its defence ops in France and Germany.

Sema scored some significant business in H198, including one of the biggest BPO deals in the UK - a £305m/5 year contract to manage the Benefits Agency Medical Service for the UK DSS in Feb. 98. Sema took over responsibility in Sep. 98, so the revenue stream ought to start flowing through in time for Sema's 1998 results. In Apr. 98, Sema won a 5 year/multi-million pound contract with Eurostar to provide the IT underpinning Eurostar's ticketing system. Sema will share profits from ticket sales with Eurostar. And in Jun. 98, Abbey National selected Sema to help analyse the impact of EMU across all of its retail operations and develop appropriate strategic plans.

A highlight of the interim results was the book-to-bill ratio - at an all-time high of 1.15 (excluding BAe SEMA), with a 12 month order book of some £600m against total orders of £1.63b. Nonetheless, the reaction to Sema's results was pretty negative. The word *"lacklustre"* appeared quite often in the press reviews. But Sema's shares ended September on 588p - a 8% rise in the month.

A flush of maiden results from....

.....ITNET

ITNET results for the six months to 30th Jun. 98 - their first since the flotation in June this year at 350p, i.e. a valuation of £246m - showed revenue up a pleasing 34% to £50.2m, operating profit increased a lower, but still acceptable, 16% at £2.9m, but PBT only increased 8.6% to £2.2m (mainly due to float costs of £349K). EPS rose 21%.

The star performer was Business Process Outsourcing (*what have we been telling you over the last few months!*) which recorded a 126% revenue rise to £7.7m and now represents over 15% of total turnover. IT Infrastructure Outsourcing contributed £25.1m (up 9% and now just 50% of the total) with Applications Outsourcing contributing nearly £15m (an increase of 57%).

These results were more or less as expected and CEO Bridget Blow said "These interim results are encouraging... we are currently pursuing many other business opportunities in both the commercial and public sectors... we remain on schedule to achieve all our targets for the remainder of the current financial year". The £10m raised at the time of the float is to be used for acquisitions - possibly both in the UK and Europe. Despite these results, the shares have been affected by the current market uncertainty but still ended the month up 7% at 428p. Analysts are now forecasting full year profits of c£8m - a prospective P/E of 48.

.....Bond International

Bond is a systems development company specialising in the recruitment and tourism industry. They were a new float on the AIM market in Dec. 97 at 65p.

Maiden results for the six months to 30th Jun. 98 show rev. up 51% to £4.3m, PBT was up a higher 59% at £284K with EPS up 56%. Pretty good really and as H2 "has traditionally been more successful than H1", it also looks good for the current year. The profit figures would have been even better but for the costs of setting up a new office in the US.

The shares ended Sep. on 93p - a fall of 5% but still a premium of 43% to last year's flotation price.

.....Guardian IT

Disaster recovery specialist **Guardian IT** was a new main market float in Mar. 98 at 255p. Results for the six months to 30th Jun. 98, show rev. increased 26% at £13.7m, PBT was up 55% to £3m with EPS up a higher 48%. Excellent figures and with forward contracted revenue now standing at nearly £50m, the full year's results should be pretty good too.

Chairman Richard Rayworth is also upbeat. "The company has made excellent progress, in line with expectations. H2 has started well and in the full year we expect the company to perform in line with forecasts". The company is now on the look out for acquisitions costing up to £100m.

PBT forecasts are £6.45m for FY98 and £8m in FY99.. Even so, their shares fell 25% in the month.

.....Policy Master

Policy Master (insurance software house) was a new AIM IPO in Jul. 98 at 150p. Maiden interims for the six months to 30th Jun. 98, show rev. increased 28% to £5m (with 40% recurring) but both PBT and EPS fell 20% to just £164K and 1.32p respectively. However these figures include the exceptional costs of the float and other accounting changes. If all these are taken into account, *adjusted* PBT was up 34% and *adjusted* EPS increased 35%.

CEO Stephen Verrall said "In the past six months Policy Master achieved its best performance to date and we expect the full year's results to report a further improvement on past performance".

The shares ended Sep. unchanged on 200p - a 66% premium to the IPO price. Brokers Williams de Broe rate them a "Buy".

October 1998

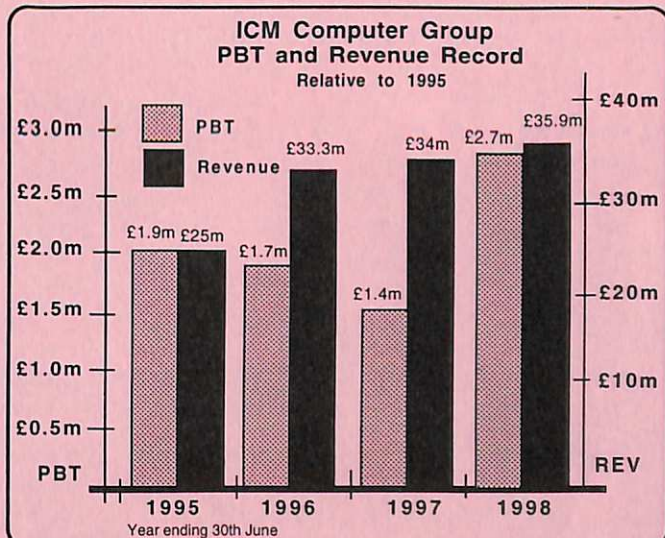
.....Systems International

OmniMedia (in voluntary liquidation) reversed into **Sales Engineering** in Jun. 98. and **Systems International** was born. They have announced their "maiden" interims for the six months to 30th Jun. 98. Revenue almost doubled at £12.4m with PBT increasing 116% at £1.57m.

.....ICM Computer

Old established **ICM** was a new main market issue in May. 98 at 180p. They offer a range of services and solutions to clients ranging from multinationals to small office and home users. Most of their business is "long term" - either 3 year contracts or rolling 1 year.

Their results for the year ended 30th Jun. 98 were excellent. Whilst total revenue only increased 6% to £35.8m, revenue on continuing operations went up a healthy 22%. PBT increased a massive 88% to £2.7m with EPS up more than double.



After an initial considerable premium, the shares have fallen but, at 222p, are still on a 23% premium to the IPO price.

Comment. ICM came to the market with a sensible rating and, because of their long term relationships, should be able to weather any slowdown in the market. They are a super little company but their very lack of size could prove a problem. *They should be wary of larger predators.*

Superb results from London Bridge

We feel rather sorry for **London Bridge Software** (debt risk management software) as on the day they announced superb results for their interims in the six months to 30th Jun. 98, the market in general, and their shares in particular, fell sharply. LBS actually fell over 21% from £12.15 to under £10 but recovered somewhat to end the month on £10.28p. But don't forget that they were a new issue only in Mar. 97 at 200p - so still a remarkable premium.

In these interims, revenue almost doubled to £8m, with PBT increasing a massive 122% to £2.7m with basic EPS up 151% (*adjusted* EPS, after allowing for exceptionals in both halves rose a lower 59%). Licence revenues now account for a minority 45% of the total, with recurring rev. accounting for 35% and consultancy/implementation the remaining 20%. *Just the way we like it!*

Chairman Gordon Crawford said "I anticipate that revenues will grow significantly during the current year". House brokers Henderson Crosthwaite expect £8.3m in FY98 and £12.3m in FY99. Seems about right as the US CheckFree acquisition will make a positive impact in H2.

Sorry EDS

We erroneously said last month that London Transport's tube ticketing system was to be administered by "ICL's Transys". Of course, (as we also said) Transys is an EDS-led consortium.

BPO Watch - Hays plc

Should you require any more evidence that business services companies are encroaching on the hallowed turf of our much loved "traditional" SCSi suppliers, you need look no further than Hays. Their UK SCSi revenues of some £130m are already likely to propel them straight into the Top 25 UK SCSi vendors for 1998.

Hays finished the year to 30th Jun. 98 with group revenues up 22% to £1.55 billion, including £191m generated by various acquisitions. PBT before exceptionals rose a very healthy 30% to £201m and EPS (also before exceptionals) rose 29% to 33.3p. c70% of Hays' revenue and over 80% of profits come from the UK.

In the first six months of 1998, Hays won a number of significant BPO and IT services-related contracts, including a new records management contract with NatWest Bank, a contract to provide a permanent recruitment service for IT and other staff for ICL, and "a substantial contract" to staff and operate a call centre for "a major utility" to handle customer calls from throughout the UK. Chairman Ronnie Frost was "particularly pleased with the way our businesses on the Continent are progressing". Not surprisingly, with £94m to hand, Hays will continue to seek acquisitions throughout Europe.

These results exceeded City expectations and Hays' share price immediately rose over 8% to 885p, ending Sep. 98 on 878p. Analysts are forecasting FY99 PBT in the range £231-£233m, a rather modest 15% growth on FY98.

Hays operates three core business divisions: - Distribution, Commercial and Personnel.

Comment - Besides its clearly signposted information management and IT personnel businesses, Hays is deeply into SCSi territory. Interestingly, Hays sees its Commercial division as the focus of its business process outsourcing (BPO) services, but this is probably a matter of definition. From our point of view, Hays' logistics services also have a significant BPO component. Indeed, we understand that most of its major contracts have a substantial IT services element including "traditional" IT outsourcing. What's more, Hays' Logistar supply chain management package seems to pitch the company into the same arena as the usual ERP suspects like SAP, Baan, Oracle et al, but with the added bonus that they can run the business process too! This actually makes Hays more of a direct competitor to Andersen Consulting, for whom logistics outsourcing plays as important a part as its accounting BPO services.

We think companies like Hays have a more compelling value proposition to organisations considering outsourcing operational business processes than, say, EDS, CSC, IBM et al given their business services skills and experience. Perhaps a fairer comparison would be to Capita... except that Capita tends to operate mainly in the UK public sector, whereas Hays is clearly a European private sector operator.

The other interesting comparison to make is on Hays' P/E ratio. At around 26, Hays looks somewhat undervalued compared not only to the over-inflated (but currently deflating!) prices of quality UK SCSi companies, but also to its "direct" business services competitors such as Serco (c43) and Rentokil Initial (c31). Needless to say, we will be watching Hays' progress with very great interest indeed - and so should you!

IBM UK celebrates

IBM Global Services in the UK has this month not only announced a £1.8b/10 year outsourcing deal with **Cable & Wireless** but also a £100m/10 year deal with **Bradford & Bingley BS**.

The C&W deal is reputed to be the biggest deal of its kind outside the US and the biggest in Europe as far as we can see. More than 1,000 staff will transfer to IBM and the contract will create an additional 400 jobs. It seems about time that IBM UK obtained a mega FM contract - after all they are the world's largest SCSi supplier. In Q298 services revenue rose another 23% to \$5.6 billion (now about a quarter of the total).

Clinical Computing issues profits warning

Clinical Computing is a classic new issue disaster. Launched at 124p in Feb. 94 they then suffered three year's quite appalling results. But to be fair to Clinical, results to 30th Jun. 98 are a little better. Revenue rose 21% to £1.7m, PBT increased 163% to £205K with EPS up 167%.

Chairman M Gordon said that Clinical is being affected by their new Clinical Vision product which has yet to be released. "As a result of demonstrations of our new product line, we are experiencing a decline in current product orders, with a consequent reduction in our expectations in the current year". The shares ended this month down another 9% at just 39p.

ORDER FORM

From:

Delivery address:

1998 Holway Report (now available)

☐ Master copy @ £2,150

☐ Additional copies @£650 each

System House

☐ One year's subscription @ £340 p.a. ☐ "4 - copy subscription" @ £680 p.a. ☐ Site licence @ £1000 p.a.+VAT ☐ Intranet version £1500 pa + VAT

6th edition Software and Computing Services Industry in Europe Report Available Nov/Dec 98

☐ Master copy at £6,200

☐ Additional copies @ £990 each

Cheque payable to Richard Holway Ltd.

Richard Holway Ltd, PO Box 183,
FARNHAM, Surrey, GU10 1YG.

☐ Cheque enclosed

☐ Please invoice my company

Signed:

Date:

System House® is published monthly by Richard Holway Limited, PO Box 183, Farnham, Surrey, GU10 1YG. Telephone 01252 781545; Fax: 01252 781546; E-mail Internet: Holway@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.

© 1998 Holway Research Associates. The information contained in this publication may not be reproduced without the written permission of the publishers. Whilst every care has been taken to ensure the accuracy of the information contained in this document, the publishers cannot be held responsible for any errors or any consequences thereof. Subscribers are advised to take independent advice before taking any action. System House® is a registered trademark of Richard Holway Limited.