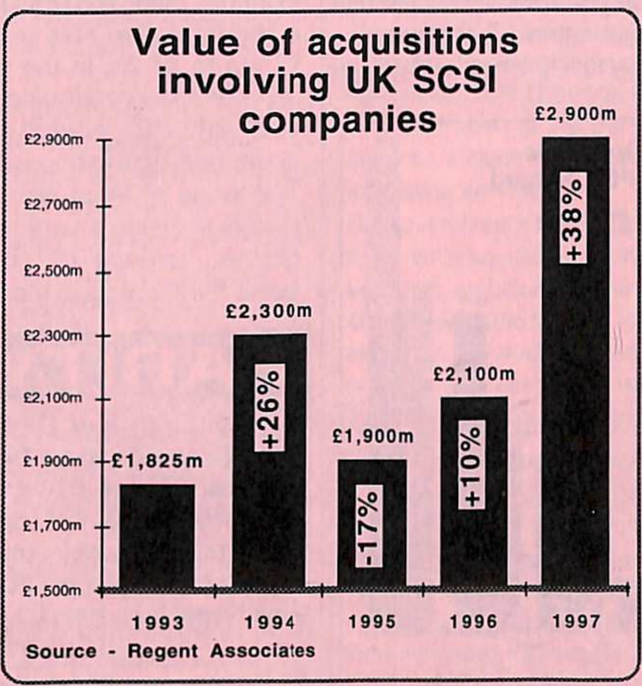
# System House

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

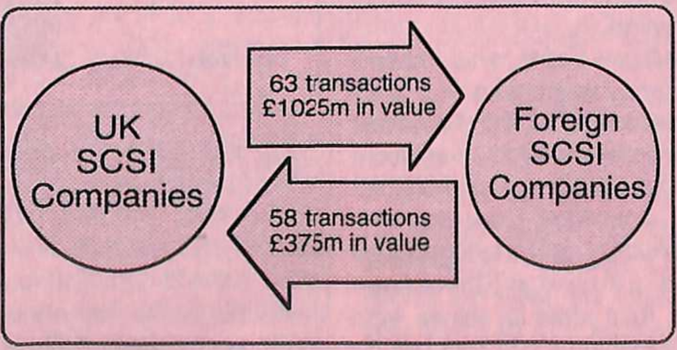
Volume 9 Number 5 Available by subscription only ISSN 0967-2583 March 1998


# Bumper year for UK SCSI acquisitions

Statistics from **Regent Associates** - the IT M&A specialists - show that 1997 was indeed a bumper year for acquisitions involving UK SCSI companies. Both the number (up 30% at 237) and the value (up 38% at £2.9 billion) were at record levels. It was the skills based activities, like consultancies and IT staff agencies where the number of transactions doubled, which were in the greatest demand. Indeed the leading companies in the IT staff agency sector - like, **Delphi** (5), **Parity** (4) and **CRT** (4) - made multiple acquisitions. However the relative valuation of IT staff agencies was little changed at about 60% of revenues. Indeed average valuations for all IT services acquisitions (excl. products) were also little changed at an average of about 1.25-times revenues; bearing out an increasingly popular view that relative valuations have indeed reached their peak. Indeed, in the IT services sector, it was only IT training companies which have significantly increased their relative value as Y2K fuels demand and companies attempt the kind of *"consolidation"* in this area which has been followed in the IT staff agency sector - *and coincidentally by the same companies!*




Conversely, although the number of deals involving software products companies was largely unchanged, the price paid increased significantly - from around twice revenues in 1996 to four-times revenues in 1997. *"In the software business, products are either viewed as world beaters or as also-rans. Therefore, product companies sell for a high price or not at all - there is no middleground. Whereas service companies will always sell, the better ones for higher prices and the less good ones for lower prices"* said Regent's MD Peter Rowell.




For us the most encouraging finding, after detailed analysis of the Regent statistics, is the final proof of our contention that UK-owned SCSI companies are at last fighting back against the foreign invaders. In the SCSI sector, 1997 was the first year on record when the number of UK SCSI acquisitions abroad exceeded the number of foreign companies buying in the UK. Indeed, by value it was nearly three times higher. Of course, the major contributor towards this was the **Misys** acquisition of US **Medic** for £584m...*but the valuation figure would be greater even if this was excluded.*

Although 1998 has started with several high profile foreign transactions (e.g. **Sungard** buying **Rolfe & Nolan** for c£79m and **Baan** buying **Coda** for £53m - both see p8), these have been more than compensated for by **Sage**'s acquisition of US **State of the Art** (£159m) and **Experian/GUS** acquiring French **SG2** for £70m.

### *Another period of Consolidation?*

1998 has already seen two record breaking international bids - **Compaq/Digital** and **CA/CSC**. Both involved predominately product companies realising that they must have a significant presence in IT services to ensure future success. In this issue of *System House* you will read of both Sema and Syntegra aiming for US acquisitions of $500m to $1 billion. So forecasting that 1998 will again break all records for the number and value of SCSI deals is close to a certainty.

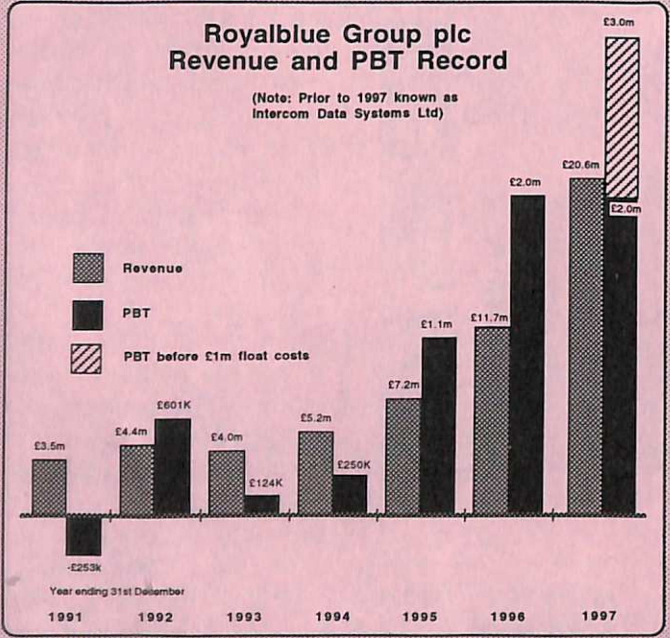
But we suspect that we *"ain't seen nothing yet"*. In the past we saw the large IT services players buying the medium-sized. We are entering a new phase in IT services where the large will themselves become vulnerable. Few of the very large SCSI players are themselves financially fit enough to play the game themselves. **EDS** is unlikely to buy **Cap Gemini** or vice versa. ***The structure at the very top of our industry could look very different by 2000.***

## royalblue *"denies profits warning"...What?*

**royalblue** was a new issue in June 97 at 170p. They really are a company in the right place at the right time with their *fidessa* equity trading systems and their helpdesk and support centre software.

Maiden results for the year to 31st Dec. 97 were excellent with revenue up 77% at £20.65m, PBT (before the £1m float costs) up 50% at £3.03m and EPS up 31%.

**Comment.** Readers may remember that CEO John Hamer was one of those who "took issue" with our *"products for free in exchange for services revenues"* statement. But royalblue is exactly the type of company we really like. Around 55% of revenue comes from services and maintenance - a minority therefore from licences. As royalblue is the only company that can provide such associated services, as Hamer agrees, they could use whatever charging method they thought most appropriate in the future.




Mind you Hamer has learnt another lesson. He produced figures above expectations and reported *"an encouraging order book"*. He also rather sensibly added that growth in 1998 was unlikely to top the 77% increase in 1997. The Times turned this into *"royalblue denies profits warning"* and the shares fell 6% in the month to 318p! Still a 87% premium to the float price though.

## *Canny Tilbrook profits from Total..and Trace?*

In Jul. 97, the Mail on Sunday suggested that Mike Tilbrook's acquisition of (at one time) a 5.7% stake in **Total Systems** was in preparation for a bid. We poured scorn on such a notion. After all, Tilbrook's many previous share buying forays (Quotient, P-E, Sherwood, Trace etc.) have all ended in him selling at substantial profits. Indeed, forget about the other share tipsters - just do what Tilbrook does! Tilbrook started buying into Total when its shares were languishing under 30p. This month he has sold half his holding when the price was over 110p. His profit to date probably exceeds £400K.

We should also add that Total really does seem to be on a up. At long last Total is now trading above their 1988 IPO price of 85p. They ended Feb. 98 up 39% at 126p.

**Footnote** - At the end of the month it was announced that MMT had increased its stake in **Trace** to 12%. See above right.

## *Another revival at Trace Computers*

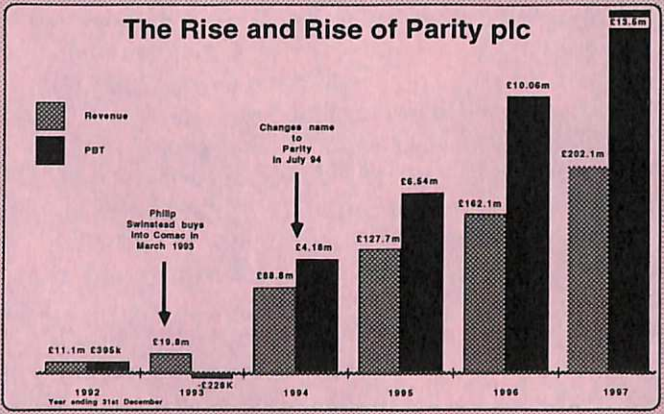
**Trace Computers** has hardly been our favourite company. Always *confident* of the future, always swinging from revival to slump to recovery. A new issue in Jun. 89 at 125p when they had just reported PBT of £1.7m, they hit their low point in 1996 with losses of £5.1m and a share price of just 12p. It was soon after that that canny Mike Tilbrook from MMT Computing started buying his stake which has now reached c12%.

Trace is now in another revival stage. Indeed the shares have been one of the best performers - up another 29% this month. That's a major 183% rise from 35p a year back. The main reason is that, at long last ,Trace realised that it is involved in too many activities and has, for example, disposed of its Proteus and Wordflow operations in the last year. This resulted in a dip in revenues from £9.7m to £7.2m in the six months to 30th Nov. 97. But revenue from continuing operations increased marginally to £7.2m. PBT soared from £145K to £409K and EPS more than doubled to 2.16p.

This does at least represent three consecutive interim results showing an improvement. Chairman JW Perry, of course, *"remains confident for the future"*. So, at least some things remain the same!

## PARITY *...the continuing rise*

IT staff agency **Parity** has announced its results for the year ending 31st Dec. 97. Revenue on continuing operations increased 19%, with total revenue increasing a higher 25% to £202m. PBT went up 34% to £13.5m and EPS was up 32%. Not bad, but the revenue increase was a trifle disappointing bearing in mind the rapid growth in their marketplace. UK continuing revenues of £149.3m was "only" up a below average 18.5%.




CEO Paul Davies commented *"Parity is now an established player in the UK... the next phase is to extend our services internationally. We already have significant operations in Europe and the USA and this gives Parity a solid base to establish itself over the next few years"*.

Certainly Parity has been active on the acquisition front in the year, buying **TelTech** and **PSI** (both US), **Dedicate** in Holland and **MCL** (recruitment) in the UK at a total cost of £34.2m plus up to a max. of £5.7m. Their consultancy and training side, **Parity Solutions**, *"had good growth and margin improvement"*. But margins were flat at 7% in **CSS Trident** (staff agency) where *"short term margin pressures were apparent even though there is a general shortage of IT skills"*.

Parity's shares ended the month on 813p - a rise of 3%

## SKILLSGROUP

Although we bleat on about the importance of services, we also recognise the difficulty of making the change from high volume product sales to services. Many have either not tried (and failed) or tried and failed none-the-less!

We have told the **P&P** story many times before from their great success as a PC/Mac hardware/software distributor/dealer in the 1980s through the commoditisation of these activities, the profits slump in the early 1990s followed by a long and expensive transformation into a SCSI company - from last year to be known as **Skillsgroup**.

The disposals of the volume businesses continued apace in the last year with the sale of their Nordic activities to Arle AB for £10.2m in Dec. 97 and last month's sale of P&P UK to GE Capital Investments for £11.5m. That just leaves P&P in Belgium and the UK rentals operations. Skillsgroup hopes these sales will be completed by *"end calendar 1998"*.

On the other hand, their SCSI activities have grown by a combination of organic growth and acquisitions - in particular **QA Training** acquired for £18m in May 94 and the **Myriad** IT staff agency acquired in Apr. 96 for £12.5m. The £377m revenues for the year to 30th Nov. 97 include £206m of revenues and over £28m of provisions for goodwill on activities either discontinued or to be discontinued. This has resulted in a loss before tax of £16.3m (PBT £14.3m last time).

The all-important continuing SCSI businesses had revenue of £171.2m and operating profits up 18% at £11m. On a proforma basis EPS would have increased by 19%. **QA** showed revenue up 53% at £80m and profits of £6.1m. Its three activities are:

- **QA Training** *"the UK's largest technical training company"*
- the **Myriad** IT staff agency which currently has >950 contractors placed with clients
- **QA Consultants**, which has 50 full time consultants.

**Acuma** increased revenue by 40% to £91.2m and generated profits of £4.9m. Acuma provides enterprise computing systems and services and *"is one of the top four resellers of H-P, IBM, Sun and Digital systems"*. Although clearly hardware generates substantial revenues, over 200 support people are employed. A Swedish subsidiary, Synergica, has *"developed some of the largest Intranet sites in Europe"*.

**Comment** - Skillsgroup is currently involved in some of the most buoyant markets around and is experiencing *"strong demand for its skills based services"*. It has suffered the pain and paid the price for the transformation. Now it must provide the rewards. The profits warning in mid 1997 unsettled the share price which fell to a low of 125p. But it has recovered well since, ending Feb. 98 up 23% at 280p.

## Mondas still at ground breaking stage

**Mondas** was a new AIM float in Dec. 96 at 75p. They have a product - Radica - *"which enables rapid development of business applications with the minimum of technical work"*.

Results for the six months to 31st Oct. 97 show minimal revenue of £143K and a loss of £251K in what is described as *"the initial ground-breaking stage"*. But Mondas is now making sales . Two new contracts were signed in Dec. 97 for c£170K. Clearly everything is still to be played for. Mondas ended Feb. 98 unchanged on 78p.

## Another major UK-owned SCSI group in the making

Last month we reported on **Select Appointments** almost overnight becoming a Top Ten UK-owned SCSI player by acquisitions - mainly in the IT staff agency arena.

This month, GUS' **Experian** subsidiary has acquired French IT services company - **SG2** - for c£70m. SG2, which provides credit card and cheque processing services, was one of France's oldest SCSI companies (est. 1970) and employs over 1400 staff at 40 sites. Its major shareholder and customer was Societe Generale. But SG2 has been struggling of late. Subscribers to our latest European report would know that revenues have been steadily reducing each year to c£85m for the year to 31st Dec. 97. Although the Experian press release quotes operating profits of c£5m, that would indeed have been a major improvement on the breakeven position reported in previous years.

Experian now claims annual revenue of c£600m. They were only formed just over a year back in Nov. 96 from the merger of CCN Group and TRW. Up to this acquisition, they had been at the periphery of the SCSI sector with services including account processing, call centres and marketing services.

But several readers have pointed out the synergy between Experian's acquisitions, GUS growth mail order activities and their ambitions in the e-commerce arena. *Is a new UK-owned world beating information processing company indeed in the making?* The rankings in our annual report are changing almost too rapidly even for us!

## Macro 4 - Just too Boring

The **Macro 4** press release still starts with *"one of the world's leading and longest established software companies"*. Perhaps we should complain to the ASA?

What is certain is that Macro 4 gets the ***System House*** *"Missed opportunity of all time"* award. Results for the six months to 31st Dec. 97 show static revenues of £12.15m, virtually static PBT at £5.25m and the only reason why EPS rose 7% was last year's questionable share buy back. Surely directors have to act in the interests of their shareholders. So why on earth buy shares in Macro 4 which are now trading at half the level they were in 1993? Macro 4 still has £13m cash - again a fraction of the cash pile a few years back. But they just don't know what to do with it. So they have spent year after year watching cancellations for their mainframe software products exceed new business. Too late they moved to UNIX and AS/400. But together these two areas only account for 16% of the total.

**Note** - Macro 4 is now so inconsequential that the FT has failed even to give these results a mention! We also note that Macro 4's *"new"* program development product is called DUMPMASTER. Perhaps that's exactly what any remaining poor Macro 4 shareholders should do.

## Products as Services?

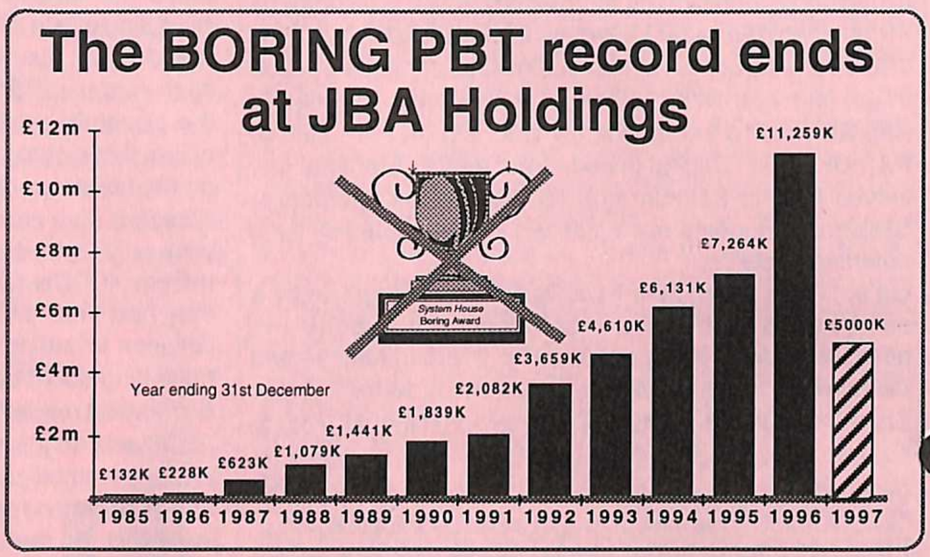
Oh, how you all mocked. *"Give away your product for free in exchange for services revenues"*. Well, this month **IBM Global Services** has joined forces with **JD Edwards** to offer SMEs its ERP software (previously only affordable by large enterprises) on its bureau via the network paying only *"a monthly per-user charge"*. Expect many more such announcements.

**Note**: As a result, on *Hotnews*, we inadvertently started a rumour that the CSSA was thinking of reverting to CoSBA. *We apologise for the inconvenience that this attempt at a joke caused! Suppose you have to be of a "certain age" to understand it.*

# A rash of profits warnings...*and worse*

**JBA Holdings** (business application software) was a new issue in Jun. 94 at 124p. They have performed extremely well since rising to a high of 1258p. On top of that JBA were one of the very rare band of *System House* **Boring Award** winners for ten consecutive years of PBT growth averaging 48% p.a! They now join such companies as Coda and Triad having to be stripped of their award. *Oh the shame of it all!*

The market had been expecting PBT of £16.6m for the year to 31st Dec. 97. But on 12th Feb. 98, JBA stunned us by announcing that PBT would be just £5m - the share price plummeted by 50%. The main reason for the shortfall was that normal excuse from products companies - three very major orders were lost to rival SAP at the very last minute. JBA had also increased R&D spend. As we had (successfully) goaded JBA into reversing their previous policy of capitalising such spend, they had to take the extra £6.7m expenditure on the chin.




Also, although revenues increased by 36% to £220m it really was *"the wrong type of revenue"* with low margin hardware sales up two-thirds at £65m. Indeed Chairman Alan Vickery took it on the chin too. *"I have to say mea culpa. With 20/20 hindsight, it was a complete misjudgement on my part. I've been made to look a complete fool. If a significant number of institutional investors ask me to resign, it would be the only proper thing to do"* Vickery told The Financial Times (12th Feb. 98).

**Comment** - JBA has appointed Ken Briddon, who headed up the Information Systems Division at Misys, as COO. Given the lack of success of this division, it hardly increases confidence. Having said that, JBA and Vickery had a superb record. Bluntly we thought that the share price fall had been overdone - indeed it has bounced back from the months low of 637p to 690p by the end of Feb. 98. Every other "fallen" Boring Award winner has created a second buying opportunity. Nothing would please us more than the JBA "blip" to be just that.

## *Microvitec in forced disposal*

Sorry about the pun, but **Microvitec** is clearly in a "terminal" position. Around four years ago we applauded CEO James Bailey's decision to *"reposition and refocus in the areas of software and networking"*. Unfortunately he seemed to do exactly the opposite - selling the CSM and MSI services activities and boosting the Displays operation. Then Escom crashed in 1996 taking with it the Microvitec deal to supply monitors for their Amiga PC range.

Now Bailey has been forced to sell the Displays division to US **Conrac Technology** for just £1.4m - a book loss of £4.9m. He has also accepted a cash injection of £600K in exchange for 5% of the Microvitec stock from Conrac's main shareholder - Åli Hussain. He will buy a further 15.7m shares for £1.13m, subject to share holder approval, which will increase the stake to 16%. Bailey said he had *"no alternative"* if the company was to survive. Bailey also says he is likely to sell its **Pirex** division (touch screens) and its 8% holding in **Pegasus**.

So Microvitec is now just a tiny software and networking company with continuing revenue of c£15m and questionable profitability.

## *Alphameric issues warning*

**Alphameric** is on the fringes of our SCSI sector. Their share price fell this month from 45p to 37p after announcing that performance would be *"substantially below market expectations"* due to market conditions and the deferral of two large multimedia system orders.

## *On-Demand Information calls in receivers*

**On-Demand Information** was a new issue at 78p in 1993. They provide on line business information and their stock soared (at one point to a market value >£100m) on news of deals with the likes of BT, BBC, IBM, H-P. We described it in every review as our *"ultimate froth stock"*.

Well this month, the froth has been blown away...replaced by the receivers. The shares had been suspended last month (at 7p) as a buyer was sought.

## *More depressing results from Radius*

There is no likelihood of **Radius** ever getting a *Boring Award.* In their latest results for the year to 31st Dec. 97, revenue was static at £27.7m (actually down 9% on continuing ops), PBT dropped 30% at £1.1m and EPS was down 27%. Net assets were down to just £3m after writing off £2m goodwill on acquisitions. Pretty depressing all round. Retail and Professional Accountancy were both *"disappointing"*. More positively, we are told, Printing and Packaging *"made excellent progress"*, Local Govt. *"showed strong growth"*, and Maintenance *"improved margins"*.

But the real news ('cos the bad results were only to be expected) was that founder Edward Sharp's appeal to a specially convened EGM to oust the board and re-appoint some of the founder directors, failed. Sharp has now departed too. But that cannot be the end of it. At least the current Chairman Mike Roberts admits that *"performance has to be consistently improved and translated into shareholder value and is working towards achieving this"*. If we were Radius shareholders we would be demanding the appointment of a M&A operation to go sell Radius asap before it really is too late.

# Quoted Companies - Results Service

Note: Shaded = Results announced this month.

### Admiral plc

| | Final - Dec 96 | | Final - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 90,819,000 | | £ 117,191,000 | +29.0% |
| PBT | £ 11,243,000 | | £ 17,552,000 | +56.1% |
| EPS | 11.60p | | 17.80p | +53.4% |

### AFA Systems plc

| | Final - Dec 95 (5 mos) | | Final - Dec 96 | Comparision |
|---|---|---|---|---|
| REV | £ 0 | | £ 364,000 | n/a |
| PBT | -£ 121,000 | | -£ 913,000 | Loss both |
| EPS | -1.62p | | -10.50p | Loss both |

### AIT Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 5,083,000 | £ 10,675,000 | £ 6,184,000 | +22.1% |
| PBT | £ 697,000 | £ 1,546,000 | £ 958,000 | +37.4% |
| EPS | 2.42p | 5.68p | 3.33p | +37.6% |

### Anite Group plc

| | Interim - Oct 96 | Final - Apr 97 | Interim - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 103,533,000 | £ 193,399,000 | £ 78,948,000 | -23.7% |
| PBT | -£ 63,454,000 | -£ 50,377,000 | -£ 526,000 | Loss both |
| EPS | -27.40p | -21.20p | 0.00p | n/a |

### Azlan Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 126,464,000 | £ 292,900,000 | £ 140,990,000 | +11.5% |
| PBT | £ 6,034,000 | -£ 14,100,000 | -£ 7,897,000 | Profit to loss |
| EPS | 15.00p | -44.30p | -23.10p | Profit to loss |

### Cadcentre Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 7,795,000 | £ 17,339,000 | £ 8,249,000 | +5.8% |
| PBT | £ 204,000 | £ 1,777,000 | £ 841,000 | +312.3% |
| EPS | -0.05p | 7.13p | 3.32p | Loss to profit |

### Capita Group plc

| | Final - Dec 96 | | Final - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 111,869,000 | | £ 172,904,000 | +54.6% |
| PBT | £ 12,292,000 | | £ 18,312,000 | +49.0% |
| EPS | 4.75p | | 6.51p | +37.1% |

### Cedardata plc

| | Final - Mar 96 | | Final - Mar 97 | Comparision |
|---|---|---|---|---|
| REV | £ 12,071,000 | | £ 10,363,000 | -14.1% |
| PBT | £ 4,384,000 | | £ 1,589,000 | -63.8% |
| EPS | 9.50p | | 3.60p | -62.1% |

### CFS Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 1,751,000 | £ 4,569,000 | £ 3,702,000 | +111.4% |
| PBT | £ 26,000 | £ 552,000 | £ 252,000 | +869.2% |
| EPS | 1.60p | 6.40p | 2.50p | +56.3% |

### Chemical Design Holdings plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 634,000 | £ 1,866,000 | £ 1,079,000 | +70.2% |
| PBT | -£ 161,000 | -£ 165,000 | -£ 79,000 | Loss both |
| EPS | -2.58p | -2.93p | -1.21p | Loss both |

### Clinical Computing plc

| | Final - Dec 95 | | Final - Dec 96 | Comparision |
|---|---|---|---|---|
| REV | £ 2,187,131 | | £ 1,979,690 | -9.5% |
| PBT | -£ 714,879 | | -£ 2,079,530 | Loss both |
| EPS | -4.40p | | -12.30p | Loss both |

### CMG plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 116,616,000 | £ 245,159,000 | £ 140,704,000 | +20.7% |
| PBT | £ 11,340,000 | £ 27,522,000 | £ 15,117,000 | +33.3% |
| EPS | 11.40p | 27.40p | 14.90p | +30.7% |

### Coda Group plc

| | Final - Oct 96 | | Final - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 33,889,000 | | £ 41,204,000 | +21.6% |
| PBT | -£ 4,899,000 | | -£ 1,784,000 | Loss both |
| EPS | -18.80p | | -7.40p | Loss both |

### Comino plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 3,258,000 | £ 7,792,000 | £ 5,087,000 | +56.1% |
| PBT | £ 594,000 | £ 1,420,000 | £ 830,000 | +39.7% |
| EPS | 4.25p | 9.95p | 4.89p | +15.1% |

### Compel Group plc

| | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 39,542,000 | £ 111,792,000 | £ 86,633,000 | +119.1% |
| PBT | £ 1,696,000 | £ 5,057,000 | £ 3,666,000 | +116.2% |
| EPS | 6.70p | 16.20p | 8.80p | +31.3% |

### CRT Group plc

| | Interim - Oct 96 | Final - Apr 97 | Interim - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 55,497,000 | £ 134,334,000 | £ 119,328,000 | +115.0% |
| PBT | £ 3,367,000 | £ 12,056,000 | £ 6,574,000 | +95.2% |
| EPS | 2.40p | 6.86p | 3.07p | +27.9% |

### DCS Group plc

| | Interim - Jun 96 | Final(6 mos)-Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 16,147,000 | £ 19,095,000 | £ 23,742,000 | +47.0% |
| PBT | £ 1,162,000 | £ 1,870,000 | £ 2,036,000 | +75.2% |
| EPS | 4.07p | 6.21p | 6.48p | +59.2% |

### DRS Data & Research Services plc

| | Interim - Jul 96 | Final - Dec 96 | Interim - Jul 97 | Comparision |
|---|---|---|---|---|
| REV | £ 2,918,000 | £ 4,822,000 | £ 4,268,000 | +46.3% |
| PBT | -£ 363,000 | -£ 1,734,000 | £ 43,000 | Loss to profit |
| EPS | -0.72p | -3.43p | 0.10p | Loss to profit |

### Delcam plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 6,331,811 | £ 13,579,346 | £ 7,065,514 | +11.6% |
| PBT | £ 297,227 | £ 1,036,812 | £ 372,410 | +25.3% |
| EPS | 3.40p | 11.10p | 4.40p | +29.4% |

### Delphi Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 100,174,000 | £ 210,635,000 | £ 133,413,000 | +33.2% |
| PBT | £ 5,700,000 | £ 12,302,000 | £ 7,000,000 | +22.8% |
| EPS | 15.10p | 33.05p | 16.60p | +9.9% |

### Diagonal plc

| | Final - Nov 96 | | Final - Nov 97 | Comparision |
|---|---|---|---|---|
| REV | £ 28,326,000 | | £ 44,800,000 | +58.2% |
| PBT | £ 2,007,000 | | £ 3,750,000 | +86.8% |
| EPS | 7.70p | | 13.60p | +76.6% |

### Dialog Corporation plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 9,584,000 | £ 21,443,000 | £ 14,037,000 | +46.5% |
| PBT | -£ 3,284,000 | -£ 7,034,000 | £ 2,013,000 | Loss to profit |
| EPS | -3.68p | -7.82p | 0.88p | Loss to profit |

### Division Group plc

| | Final - Oct 96 | | Final - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 4,900,000 | | £ 6,678,000 | +36.3% |
| PBT | -£ 1,678,000 | | -£ 1,783,000 | Loss both |
| EPS | -3.80p | | -4.10p | Loss both |

### Druid Group plc

| | Final - Jun 96 | | Final - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 12,013,000 | | £ 22,066,000 | +83.7% |
| PBT | £ 3,011,000 | | £ 5,004,000 | +66.2% |
| EPS | 7.41p | | 13.94p | +88.1% |

### Eidos plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 20,492,000 | £ 75,531,000 | £ 21,817,000 | +6.5% |
| PBT | -£ 12,497,000 | £ 7,626,000 | -£ 18,331,000 | Loss both |
| EPS | -100.70p | 44.40p | -70.80p | Loss both |

### Electronic Data Processing plc

| | Final - Sep 96 | | Final - Sep 96 | Comparision |
|---|---|---|---|---|
| REV | £ 14,267,000 | | £ 12,565,000 | -11.9% |
| PBT | £ 2,519,000 | | £ 1,741,000 | -30.9% |
| EPS | 6.64p | | 4.50p | -32.2% |

### F.I. Group plc

| | Interim - Oct 96 | Final - Apr 97 | Interim - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 46,254,000 | £ 98,800,000 | £ 71,231,000 | +54.0% |
| PBT | £ 2,805,000 | £ 6,575,000 | £ 4,310,000 | +53.7% |
| EPS | 6.00p | 14.20p | 9.40p | +56.7% |

### Flomerics Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 2,146,559 | £ 5,332,409 | £ 2,335,584 | +8.8% |
| PBT | -£ 154,643 | £ 477,885 | -£ 416,188 | Loss both |
| EPS | n/a | 12.30p | n/a | n/a |

### Gresham Computing plc

| | Final - Oct 96 | | Final - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 9,271,000 | | £ 8,689,000 | -6.3% |
| PBT | £ 1,682,000 | | £ 667,000 | -60.3% |
| EPS | 3.15p | | 1.17p | -62.9% |

### Harvey Nash Group plc

| | Interim - Jul 96 | Final - Dec 96 | Interim - Jul 97 | Comparision |
|---|---|---|---|---|
| REV | £ 16,403,000 | £ 36,321,000 | £ 23,767,000 | +44.9% |
| PBT | £ 1,788,000 | £ 797,000 | £ 2,111,000 | +18.1% |
| EPS | 4.43p | 1.80p | 5.26p | +18.7% |

### Highams Systems Services Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 7,359,000 | £ 16,394,589 | £ 11,318,000 | +53.8% |
| PBT | £ 388,000 | £ 878,707 | £ 647,000 | +66.8% |
| EPS | 3.30p | 7.20p | 4.90p | +48.5% |

### ilion group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 65,164,000 | £ 146,875,000 | £ 88,389,000 | +35.6% |
| PBT | £ 2,707,000 | £ 6,009,000 | £ 4,030,000 | +48.9% |
| EPS | 7.80p | 17.20p | 11.00p | +41.0% |

### Intelligent Environments Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 2,028,000 | £ 3,475,554 | £ 2,074,000 | +2.3% |
| PBT | £ 35,000 | -£ 1,379,256 | -£ 2,046,000 | Profit to loss |
| EPS | 0.20p | -7.10p | -9.20p | Profit to loss |

### IS Solutions plc

| | Final - Dec 95 | | Final - Dec 96 | Comparision |
|---|---|---|---|---|
| REV | £ 7,627,038 | | £ 7,671,000 | +0.6% |
| PBT | £ 38,084 | | £ 219,000 | +475.0% |
| EPS | n/a | | n/a | n/a |

### JBA Holdings plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 66,039,000 | £ 161,810,000 | £ 88,102,000 | +33.4% |
| PBT | -£ 2,421,000 | £ 11,259,000 | -£ 1,297,000 | Loss both |
| EPS | -4.03p | 18.26p | -2.56p | Loss both |

### Kalamazoo Computer Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 35,218,000 | £ 77,776,000 | £ 33,801,000 | -4.0% |
| PBT | £ 2,340,000 | £ 3,882,000 | -£ 514,000 | Profit to loss |
| EPS | 3.72p | 6.85p | -1.04p | Profit to loss |

### Kewill Systems plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 19,830,000 | £ 41,348,000 | £ 19,334,000 | -2.5% |
| PBT | £ 3,243,000 | £ 7,425,000 | £ 3,580,000 | +10.4% |
| EPS | 17.50p | 40.50p | 18.80p | +7.4% |

### Logica plc

| | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 147,861,000 | £ 338,465,000 | £ 216,256,000 | +46.3% |
| PBT | £ 10,632,000 | £ 28,148,000 | £ 15,517,000 | +45.9% |
| EPS | 11.40p | 30.30p | 16.00p | +40.4% |

### London Bridge Software Holdings plc

| | Final - Dec 96 | | Final - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 6,306,376 | | £ 11,320,000 | +79.5% |
| PBT | £ 2,499,071 | | £ 3,701,000 | +48.1% |
| EPS | 7.82p | | 10.03p | +28.3% |

### Lorien plc

| | Final - Nov 96 | | Final - Nov 97 | Comparision |
|---|---|---|---|---|
| REV | £ 45,706,000 | | £ 116,930,000 | +155.8% |
| PBT | £ 1,481,000 | | £ 1,585,000 | +7.0% |
| EPS | 11.80p | | 4.50p | -61.9% |

### Lynx Holdings plc

| | Final - Sep 96 | | Final - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 87,644,000 | | £ 120,752,000 | +37.8% |
| PBT | £ 6,953,000 | | £ 9,805,000 | +41.0% |
| EPS | 5.36p | | 6.83p | +27.4% |

### MMT Computing plc

| | Final - Aug 96 | | Final - Aug 97 | Comparision |
|---|---|---|---|---|
| REV | £ 16,861,201 | | £ 24,639,075 | +46.1% |
| PBT | £ 4,531,686 | | £ 5,554,611 | +22.6% |
| EPS | 24.60p | | 29.80p | +21.1% |

### M-R Group plc

| | Final - Jun 96 | | Final - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 38,361,000 | | £ 39,430,000 | +2.8% |
| PBT | £ 4,810,000 | | £ 5,604,000 | +16.5% |
| EPS | 5.70p | | 7.30p | +28.1% |

### MDIS Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 60,540,000 | £ 116,995,000 | £ 54,377,000 | -10.2% |
| PBT | -£ 9,213,000 | -£ 49,545,000 | £ 3,910,000 | Loss to profit |
| EPS | -9.39p | -48.94p | 3.82p | Loss to profit |

### Macro 4 plc

| | Interim - Dec 96 | Final - Jun 97 | Interim - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 11,747,000 | £ 23,448,000 | £ 12,150,000 | +3.4% |
| PBT | £ 5,135,000 | £ 10,300,000 | £ 5,250,000 | +2.2% |
| EPS | 16.50p | 33.80p | 17.60p | +6.7% |

### Micro Focus plc

| | Interim - Jul 96 | Final - Jan 97 | Interim - Jul 97 | Comparision |
|---|---|---|---|---|
| REV | £ 34,140,000 | £ 73,089,000 | £ 41,349,000 | +21.1% |
| PBT | -£ 9,463,000 | -£ 5,809,000 | £ 5,171,000 | Loss to profit |
| EPS | -62.20p | -48.00p | 22.70p | Loss to profit |

## Quoted Companies - Results Service

Note: Shaded = Results announced this month.

### Microgen Holdings plc

| | Final - Oct 96 | | Final - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 73,391,000 | | £ 66,398,000 | -9.5% |
| PBT | £ 8,783,000 | | £ 5,324,000 | -39.4% |
| EPS | 15.10p | | 8.80p | -41.7% |

### Microvitec plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 33,840,000 | £ 65,176,000 | £ 20,892,000 | -38.3% |
| PBT | £ 1,610,000 | £ 461,000 | -£ 424,000 | Profit to loss |
| EPS | 1.40p | 0.21p | 0.10p | -92.9% |

### Misys plc

| | Interim - Nov 96 | Final - May 97 | Interim - Nov 97 | Comparision |
|---|---|---|---|---|
| REV | £ 142,809,000 | £ 325,470,000 | £ 177,644,000 | +24.4% |
| PBT | £ 23,665,000 | £ 62,533,000 | £ 32,122,000 | +35.7% |
| EPS | 19.90p | 52.80p | 27.00p | +35.7% |

### Mondas plc

| | Interim - Oct 96 | Final - Apr 97 | Interim - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 11,183 | £ 56,609 | £ 143,075 | +1179.4% |
| PBT | -£ 104,718 | -£ 421,192 | -£ 250,795 | Loss both |
| EPS | -5.40p | -10.50p | -4.10p | Loss both |

### Moorepay Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 2,717,246 | £ 5,118,415 | £ 2,731,603 | +0.5% |
| PBT | £ 851,417 | £ 1,327,894 | £ 886,148 | +4.1% |
| EPS | 5.37p | 11.56p | 5.69p | +6.0% |

### MSB International plc

| | Interim - Jul 96 | Final - Jan 97 | Interim - Jul 97 | Comparision |
|---|---|---|---|---|
| REV | £ 29,961,000 | £ 69,755,000 | £ 54,893,000 | +83.2% |
| PBT | £ 2,166,000 | £ 5,431,000 | £ 3,714,000 | +71.5% |
| EPS | 7.00p | 17.60p | 12.10p | +72.9% |

### NSB Retail Systems plc

| | Final - Dec 95 | | Final - Dec 96 | Comparision |
|---|---|---|---|---|
| REV | £ 1,490,000 | | £ 2,161,000 | +45.0% |
| PBT | £ 422,000 | | £ 296,000 | -29.9% |
| EPS | n/a | | n/a | n/a |

### On Demand Information plc

| | Interim - Jan 96 | Final - Jul 96 | Interim - Jan 97 | Comparision |
|---|---|---|---|---|
| REV | £ 5,577,000 | £ 11,429,000 | £ 5,601,000 | -1.3% |
| PBT | -£ 1[illegible] | [illegible] | [illegible]1,000 | Loss both |
| EPS | -2.50p | -5.60p | -4.20p | Loss both |

in receivership

### Oxford Molecular plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 4,350,000 | £ 9,789,000 | £ 6,168,000 | +41.8% |
| PBT | -£ 950,000 | -£ 1,849,000 | -£ 677,000 | Loss both |
| EPS | -1.70p | -3.30p | -1.10p | Loss both |

### Parity plc

| | Final - Dec 96 | | Final - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 162,091,000 | | £ 202,078,000 | +24.7% |
| PBT | £ 10,060,000 | | £ 13,506,000 | +34.3% |
| EPS | 15.81p | | 20.91p | +32.3% |

### Pegasus Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 3,729,000 | £ 7,914,000 | £ 5,567,000 | +49.3% |
| PBT | £ 511,000 | £ 1,160,000 | £ 810,000 | +58.5% |
| EPS | 6.50p | 15.40p | 12.80p | +96.9% |

### PhoneLink plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 2,155,000 | £ 4,316,000 | £ 1,850,000 | -14.2% |
| PBT | -£ 3,152,000 | -£ 6,173,000 | -£ 1,742,000 | Loss both |
| EPS | -6.70p | -12.90p | -3.60p | Loss both |

### Proteus International plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 413,000 | £ 573,000 | £ 21,000 | -94.9% |
| PBT | -£ 1,820,000 | -£ 3,824,000 | -£ 1,931,000 | Loss both |
| EPS | -3.67p | -7.31p | -3.49p | Loss both |

### Quality Software Products Holdings plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 11,797,000 | £ 25,360,189 | £ 13,431,000 | +13.9% |
| PBT | -£ 1,117,000 | £ 28,480 | £ 180,000 | Loss to profit |
| EPS | -8.60p | 0.20p | 1.40p | Loss to profit |

### RM plc

| | Final - Sep 96 | | Final - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 99,032,000 | | £ 110,170,000 | +11.2% |
| PBT | £ 6,806,000 | | £ 8,018,000 | +17.8% |
| EPS | 25.10p | | 30.80p | +22.7% |

### Radius plc

| | Final - Dec 96 | | Final - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 27,267,000 | | £ 27,728,000 | +1.7% |
| PBT | £ 1,591,000 | | £ 1,122,000 | -29.5% |
| EPS | 4.05p | | 2.94p | -27.4% |

### Rage Software plc

| | Final - Jun 96 | | Final - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 9,504,000 | | £ 6,758,000 | -28.9% |
| PBT | -£ 3,224,000 | | -£ 15,430,000 | Loss both |
| EPS | -1.34p | | -6.30p | Loss both |

### Real Time Control plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 6,314,000 | £ 12,565,000 | £ 7,181,000 | +13.7% |
| PBT | £ 1,156,000 | £ 2,547,000 | £ 1,477,000 | +27.8% |
| EPS | 11.00p | 25.50p | 14.50p | +31.8% |

### Rebus Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 30,255,000 | £ 66,436,000 | £ 40,676,000 | +34.4% |
| PBT | £ 2,313,000 | £ 5,808,000 | £ 2,941,000 | +27.2% |
| EPS | 1.72p | 4.61p | 1.96p | +14.0% |

### Recognition Systems Group plc

| | Final - Sep 96 | | Final - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 324,000 | | £ 773,000 | +138.6% |
| PBT | -£ 1,266,000 | | -£ 2,255,000 | Loss both |
| EPS | -5.50p | | -8.30p | Loss both |

### Riva Group plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 32,348,000 | £ 64,438,000 | £ 32,661,000 | +1.0% |
| PBT | -£ 905,000 | £ 518,000 | £ 190,000 | Loss to profit |
| EPS | -3.00p | 0.90p | 0.30p | Loss to profit |

### Rolfe & Nolan plc

| | Interim - Aug 96 | Final - Feb 97 | Interim - Aug 97 | Comparision |
|---|---|---|---|---|
| REV | £ 8,630,000 | £ 20,299,000 | £ 9,692,000 | +12.3% |
| PBT | £ 1,107,000 | £ 2,758,000 | -£ 569,000 | Profit to loss |
| EPS | 5.57p | 14.50p | -2.93p | Profit to loss |

### Romtec plc

| | Interim - Jul 96 | Final - Jan 97 | Interim - Jul 97 | Comparision |
|---|---|---|---|---|
| REV | £ 1,990,000 | £ 4,734,677 | £ 2,491,000 | +25.2% |
| PBT | £ 128,000 | £ 326,125 | £ 130,000 | +1.6% |
| EPS | 1.70p | 4.30p | 1.90p | +11.8% |

### Royalblue Group plc

| | Final - Dec 96 | | Final - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 11,679,000 | | £ 20,647,000 | +76.8% |
| PBT | £ 2,016,000 | | £ 2,041,000 | +1.2% |
| EPS | 4.66p | | 3.33p | -28.5% |

### Sage Group plc

| | Final - Sep 96 | | Final - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 136,238,000 | | £ 152,089,000 | +11.6% |
| PBT | £ 30,053,000 | | £ 37,635,000 | +25.2% |
| EPS | 18.50p | | 23.43p | +26.6% |

### Sanderson Group plc

| | Final - Sep 96 | | Final - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 61,385,000 | | £ 67,143,000 | +9.4% |
| PBT | £ 6,201,000 | | £ 2,778,000 | -55.2% |
| EPS | 10.10p | | 4.70p | -53.5% |

### SBS Group plc

| | PF Final - Aug 96 | | PF Final - Aug 97 | Comparision |
|---|---|---|---|---|
| REV | £ 15,187,000 | | £ 18,981,000 | +25.0% |
| PBT | £ 70,000 | | £ 728,000 | +940.0% |
| EPS | 4.15p | | 8.60p | +107.2% |

### Science Systems (Holdings) plc

| | Final - Dec 95 | | Final - Dec 96 | Comparision |
|---|---|---|---|---|
| REV | £ 12,355,133 | | £ 14,300,000 | +15.7% |
| PBT | £ 1,443,739 | | £ 1,200,000 | -16.9% |
| EPS | n/a | | n/a | n/a |

### Sema Group plc

| | Final - Dec 96 | | Final - Dec 97 | Comparision |
|---|---|---|---|---|
| REV | £ 926,965,000 | | £ 1,130,086,000 | +21.9% |
| PBT | £ 50,019,000 | | £ 64,073,000 | +28.1% |
| EPS | 30.94p | | 39.14p | +26.5% |

### Sherwood International plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 11,801,000 | £ 24,628,000 | £ 13,069,000 | +10.7% |
| PBT | £ 705,000 | £ 2,065,000 | £ 1,025,000 | +45.4% |
| EPS | 5.60p | 19.20p | 7.90p | +41.1% |

### Skillsgroup plc

| | Final - Nov 96 | | Final - Nov 97 | Comparision |
|---|---|---|---|---|
| REV | £ 344,337,000 | | £ 376,969,000 | +9.5% |
| PBT | £ 14,277,000 | | -£ 16,308,000 | Profit to loss |
| EPS | 12.70p | | -22.90p | Profit to loss |

### Spargo Consulting plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 4,040,000 | £ 7,853,000 | £ 4,228,000 | +4.7% |
| PBT | £ 602,000 | £ 1,204,000 | £ 625,000 | +3.8% |
| EPS | 3.10p | 6.17p | 3.25p | +4.8% |

### Staffware plc

| | Interim - Jun 96 | Final - Dec 96 | Interim - Jun 97 | Comparision |
|---|---|---|---|---|
| REV | £ 4,044,061 | £ 10,009,325 | £ 7,701,192 | +90.4% |
| PBT | £ 159,812 | £ 873,879 | £ 549,023 | +243.5% |
| EPS | 0.40p | 5.60p | 3.30p | +725.0% |

### Superscape VR plc

| | Final - Jul 96 | | Final - Jul 97 | Comparision |
|---|---|---|---|---|
| REV | £ 3,888,000 | | £ 3,106,000 | -20.1% |
| PBT | -£ 2,873,000 | | -£ 5,961,000 | Loss both |
| EPS | -37.90p | | -69.60p | Loss both |

### Systems Integrated Research plc

| | Interim - Nov 96 | Final - May 97 | Interim - Nov 97 | Comparision |
|---|---|---|---|---|
| REV | £ 507,000 | £ 1,450,000 | £ 516,000 | +1.8% |
| PBT | -£ 1,194,000 | -£ 1,938,000 | -£ 296,000 | Loss both |
| EPS | -9.10p | -13.30p | -2.40p | Loss both |

### Tetra plc

| | Final - May 96 | | Final - May 97 | Comparision |
|---|---|---|---|---|
| REV | £ 19,088,000 | | £ 22,358,000 | +17.1% |
| PBT | -£ 1,168,000 | | £ 2,096,000 | Loss to profit |
| EPS | -4.04p | | 6.10p | Loss to profit |

### Total Systems plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 1,477,822 | £ 3,279,609 | £ 2,017,128 | +36.5% |
| PBT | £ 185,587 | £ 412,545 | £ 476,206 | +156.6% |
| EPS | 1.33p | 2.76p | 3.19p | +139.8% |

### Trace Computers plc

| | Interim - Nov 96 | Final - May 97 | Interim - Nov 97 | Comparision |
|---|---|---|---|---|
| REV | £ 9,737,000 | £ 17,270,621 | £ 7,170,000 | -26.4% |
| PBT | £ 145,000 | £ 634,601 | £ 409,000 | +182.1% |
| EPS | 1.03p | 3.35p | 2.16p | +109.7% |

### Triad Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim -Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 8,350,000 | £ 18,827,000 | £ 14,139,000 | +69.3% |
| PBT | £ 1,219,000 | £ 2,656,000 | £ 2,851,000 | +133.9% |
| EPS | 3.22p | 7.25p | 7.53p | +133.9% |

### Vega Group plc

| | Interim - Oct 96 | Final - Apr 97 | Interim - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 8,826,000 | £ 17,977,000 | £ 10,399,000 | +17.8% |
| PBT | £ 1,405,000 | £ 3,261,000 | £ 805,000 | -42.7% |
| EPS | 6.35p | 13.79p | 3.49p | -45.0% |

### Workplace Technologies plc

| | Final - Dec 95 | Interim - Jun 97 | Final - Dec 96 | Comparision |
|---|---|---|---|---|
| REV | £ 38,848,000 | £ 30,752,000 | £ 52,086,000 | +34.1% |
| PBT | -£ 488,000 | £ 986,000 | £ 1,972,000 | loss to profit |
| EPS | -3.43p | 1.17p | -0.36p | loss both |

### Xavier Computer Group plc

| | Interim - Sep 96 | Final - Mar 97 | Interim - Sep 97 | Comparision |
|---|---|---|---|---|
| REV | £ 3,740,000 | £ 8,961,457 | £ 7,805,000 | +108.7% |
| PBT | £ 260,000 | £ 582,000 | £ 501,000 | +92.7% |
| EPS | 0.33p | 0.62p | 0.38p | +15.2% |

### Zergo Holdings plc

| | Interim - Oct 96 | Final - Apr 97 | Interim - Oct 97 | Comparision |
|---|---|---|---|---|
| REV | £ 4,670,000 | £ 10,398,871 | £ 5,371,000 | +15.0% |
| PBT | £ 185,000 | £ 725,736 | £ 78,000 | -57.8% |
| EPS | 0.50p | 3.40p | -0.30p | Profit to loss |

Our views on **Computer Associates** hostile $9 billion bid for **Computer Sciences** are well known. As the story is moving so fast, we will desist from further comment until next monh. See Hotnews for any updates.

# UK M&A

**3i** has invested £1m in **Lincoln Software** which develops the Ipsys application development tools. Lincoln was established some 15 years ago but, as far as we can see from the latest accounts at Companies House, had revenues of just £1.5m to Oct. 96.

IT staff agency, **Harvey Nash**, was a new main market float at 175p in Apr. 97 and has (predictably, given the market conditions) performed well since ending Feb. 98 on 386p. This month they have consummated their first acquisitions - buying **Interim Management in IT Ltd**, **Churchill Fry Ltd** and **Telecommunications Executive Management Ltd** (together IMIT) for an initial £1.7m + max. £3.3m performance related. IMIT had revenue of £3.2m to 31st Mar. 97 and has warranted profits of £330K in the current year.

**CFS** has upped its stake in **PSMC** by a further 25%, to 75.1%, for £226K cash. They acquired the original 50% stake in Mar. 97 for £450K.

**CMG** has acquired **Alias SA** - a Paris-based IT services company which provides SAP consultancy for £2.1m in cash. Alias had revenue of FFr25m and PBT of FFr1m in 1997.

We wrote last month of the meteoric (SCSI) rise of UK NASDAQer **Select Appointments**...*from a standing start to an annualised £250m p.a.* This month they have added still more with the acquisition of **PTS Software BV** for an initial £13m + max. £1.8m profit related. PTS had revenue of £7.9m and profits of £1.6m in 1997.

**Viglen Technology** has become the latest PC hardware manufacturer to decide that *"IT services is the place to be"*. This month they have acquired **Xenon Computer Systems** from **Datrontech plc** for £155K. On the surface this seems like a bargain given that Xenon had revenue of £7m in 1997. *Just shows what hard times the TPMs face these days!* Datrontech, which acquired Xenon in Jan. 97, will now concentrate on its training activities.

**AEA Technology** has acquired *"fatigue and lifetime prediction software company"* **nCode** for £6.9m over 3 years. nCode had revenue of £3.2m and operating profits of £600K in the year to 31st Dec. 97.

We have long suggested that **Serco** will up its activities in the IT arena. This month they have acquired **Tecnodata Italia SRL** and **Tecnodata Computer Services (UK)** for £8m + £1.25m earnings related. Tecnodata provides computer and comms support to such clients as ESA and United Nations and had revenue of £7m and PBT of £300K in the year to 31st Dec. 97.

**Sage** has acquired **PASCS Holding**s for £750K plus a further £1.25m over two years.

South African distributor **DataTec** has acquired **The Web Factory** and IT training operation, **Training Solutions**. Apparently DataTec bought Inform Training and Training Services in 1997 and now expects UK revenues to top £100m.

Although not in IT , **CRT Group** has acquired the **Catalyst Group** which supplies teachers and associated contract staff for £10.1m. Catalyst had revenue of £10.1m and operating profits of £500K in year to 31st Mar. 97.

**Intelligent Environments** is raising £2.15m net by way of a placing at 33p *"to provide additional working capital"*. Their results for 1997 are expected to show revenue of c£4.5m and operating losses of c£3.1m.

## *Now here are two headlines you haven't seen for a long time..............*

### *Anite acquires.....*

The last time **Anite** (nee Cray Communications) announced an acquisition was back in Sep. 93 when they paid £16m for P-E International. Since then its been about the longest, most depressing string of disposals, profit warnings and record losses you could imagine in your worst nightmare. In Dec. 97 Anite disposed of the last remaining non-systems bit when they sold Anite Networks to C&W for £47m.

News that they were at long last solely a SCSI operation was soured by disappointing results from Anite Systems. We were also concerned at the one-on-one-on-one reporting structure when new CEO John Hawkins was appointed.

But this month, Anite has, at long last, undertaken an acquisition; buying **GMO Holdings GmbH** for £5.4m cash. GMO had revenue of £16.5m and PBT of £500K in 1996 - the last accounts available. GMO, is a German-based SAP services and consultancy with 230 staff. Interestingly, the deal also includes a (max.) £10.6m incentive scheme for GMO managers payable in 2001.

### *Misys sells.....*

It's been common knowledge for some time that **Misys** had put the 10+ businesses in its **Information Systems Division** up for sale. The problem was that it couldn't find any buyers even at the prices it had originally paid for these operations back in the late 1980s/ early 1990s.

This month Misys has sold **Misys Computer Services** (MCS) and **Misys Integrated Solutions** (MIS) for £10m in cash to an MBI team made up of Paul Bearsmore, Charles Gibson and Peter Walker who together hold c40% of the equity. The operation generated PBT of c£200K on revenue of £27.1m in the year to 31st May 97.

There was a time when the future for Misys was clearly seen as a "general" IT services operation. It looks as if the companies acquired which comprise the majority of the disposal are (remaining bits of) Zygal (£16.2m), Independent (£0.5m), Enterprise (£1.3m), TIS (£26.8m), Star (£2.7m), Principality (£0.2m), CMS (£0.2m), Sign Express (£0.4m), Specialist (£2.9m) and Supreme (£0.9m). If we have got the odd one wrong we apologise. In any event, as you can see Misys got rather less than it had paid...resulting in a write off of c£38m. The new operation is to be known as **Cyberdesk** and will concentrate on desktop support services.

We expect announcements on the sale of other Information Systems Diision companies soon.

### *Syntegra to buy in US?*

According to an article in The Independent this month, BT's **Syntegra** *"is holding discussions with US groups in a move that would double sales to >£1 billion"*. Syntegra has *"over £500m to spend this year"*, *"aim to catapult Syntegra into the Top Five in the world, an ambition shared by Sir Peter Bonfield"* and *"aims to grow to four or five times its current size"*.

Most people who make these kind of claims ultimately regret them. It does look as though Syntegra will have grown by a pretty industry average 20% to around £400m in the year to 31st Mar. 98. Mind you we do believe that either Syntegra needs to get critical mass quickly or it could itself become the prey for some other SCSI operator.

## *Goodbye... Rolfe & Nolan?*

**Rolfe & Nolan** is one of the oldest names around in our industry. Their progress from a bureau to a software specialist had been steady and pretty unexciting, until they undertook their first major acquisition of BSI in the US in 1992. It was not until 1997 that the US made its first (meagre) profits. Since it acquired the IPRs in 1993, R&N has been developing a major treasury derivatives system - Lighthouse. Full marks to R&N for expensing the development costs; but it clearly took its toll on the bottom line. Every time we interviewed CEO Peter Day he was *"close to"* signing those elusive major contracts for Lighthouse.

In the year to 28th Feb. 97, R&N reported rev. up 19% at £20.3m and PBT up 10% to a "record" £2.8m. But now *"although R&N has signed an agreement with a leading US investment bank* (understood to be Merrill Lynch)*, the timing and amounts of the licence payments have yet to be agreed and will have an important influence on R&N results to 28th Feb. 98...trading for the current financial year would more likely result in a loss than a profit. This would be materially worse than current expectations".*

Clearly this was the reason for the "recommended" bid from Sungard for R&N this month. At 525p - the valuation was £71.2m. But as Sunguard share price rose, when it went unconditional, the offer had increased to the equivalent of 581p and a new valuation of £78.8m. This is a hefty premium to the 360p at which R&N had closed the night before the bid announcement.

CEO Peter Day said that Sungard was paying *"an extraordinary good"* price. A P/E of 40, however, is about average in these heady days. What makes the deal more complex - and concerning - for shareholders is that the deal must be done under the US pooling rules. There is no cash alternative. Sungard is not quoted in the UK so many smaller shareholders might have no choice but to sell their shares prior to the deal - and suffer any CGT which might apply.

## *Goodbye..Coda*

Like Rolfe & Nolan, **Coda** seems to have been part of the UK scene since the year dot. Their HP and DEC financials were widely used and well respected in the 1980s. We were so impressed with founder Rodney Potts and his team that we gave them a rare *System House* **Boring Award** in 1993. We were delighted when they floated at 235p in Feb. 94 and hit a high of 255p soon afterwards.

But then the nightmare started. Even though the IPO was within a couple of months of the period end, a surprise loss was announced and the share price plunged to 75p. Many reputations suffered...*perhaps ours too!*

The reasons were simple. Coda relies on reasonably high ticket licence sales which, like many products suppliers, tend to come in right at the very end of the period. If they do...great. If they don't...disaster. JBA (see p4) this month followed the well trodden route.

But the Coda story actually got worse. The £8m loss in 1994 was followed by a return to a £1m PBT in 1995 with the share price recovering to the 230p new issue price. We used the headlined *"Coda Boring again".*

Then we had to eat our words yet again when another profits warning sent the share price in tail spin down to <100p again. Two years of losses followed. In the year to 31st Oct. 97 a loss of £1.8m was reported on revenue of £41.2m. Of course, recovery was confidently predicted and the share price moved up again.

Anyway, the experience cannot now be repeated as **Baan Co.** has this month made an agreed bid for Coda at 190p - a 25p premium to the current price, it was still less than the 235p new issue price! This valued Coda at £52.9m. Certainly Baan will give Coda the critical mass it needs and it looks a good fit with Baan's ERP range.

It also gives shareholders - like General Atlantic with their 18.9% stake - a way of recovering something from what has hardly been a profitable or easy investment.

**Comment**

There is now a clear strategy amongst the more successful SCSI players. ***"Buy product, develop services".*** Where are the best products developed but seldom exploited? The UK of course! We were interested - if not a little concerned - at the reporting of the Sungard/R&N deal which suggested that ***"the UK is in a remarkable position because of the quality of its software houses". "US companies were on the look out for smaller UK and European companies".*** But, as our page one feature shows, the UK has been fighting back (in terms of overseas acquisitions) of late with several other companies this month declaring their desire to make "mega" acquisitions in the US. But clearly more is required if the best UK software companies are to remain British.

## *Compel organically doubles revenues - Computacenter prepares to float*

**Compel** is either a major PC dealer to large corporates or a systems integrator depending on the title fashionable at the moment. *Either way, the latest results for the interim six months to 31st Dec. 97 are truly excellent.* Revenues were up a massive 119% at £86.6m, PBT more than doubled to £3.67m (a really quite acceptable 4.2% profit margin) and EPS was up 32%. Chairman Neville Davis declined to tell us (for the third year in a row) how much of his revenues came from services. We can only suspect it is small but growing fast. Davis also says that he does not fear the "big players" like EDS in the desktop arena. We are not so sure. *Surely the trend is towards a services led sale with the best products being supplied from a number of sources?* Davis believes users prefer the Compel brand of *"one-stop-shopping".*

Compel has undertaken two acquisitions in the period - **Computer Microrentals** in Aug. 97 for £1.57m and **Abtex** (a leading PC dealer in Scotland) in Oct. 97 for a max. of £4.5m. But, regardless, the organic growth was exceptional with revenues doubled. But Chairman Neville Davis does not expect this high growth to be maintained.

**Comment -** Compel was a new issue at 125p in Sep. 94 and has performed well since ending Feb. 98 on 435p. SG Securities (Compel's brokers) reckon that PBT in the full year will be £8.3m - i.e. a forward P/E of c20. This should give a pointer to *"the leader of the PC dealer pack"* - **Computacenter**. Whatever you might read elsewhere, they are close to a market float with Goldman Sachs already appointed and other City institutions currently going thru' the beauty parade. Peter Ogden says that Computacenter's revenues were up over 25% and exceeded £1 billion for the first time in 1997. Profits of £50m are claimed - again up 25% from last year's £40m. If they achieve the same historic P/E as Compel, that would make them worth c£800m

## *Indices soar to record heights*

Another amazing month with the weighted FTSE IT Index up 14% and our unweighted SCSI index up 10.3% - rises of 35% and 25% this year respectively!

**Intelligent Environments** surged 63% on news of placing and anticipated results (p7). **Riva** rose 56% and **Gresham** was up 43%. But 25% of the quoted SCSI companies fell in the month. Of course, **On-Demand** led the falls (they appointed the receivers) with **Microvitec** down 43% on forced sale. **JBA** lost their Boring award and plunged 42% on profits warning - all page 4.

| 28-Feb-98 | | | | | |
|---|---|---|---|---|---|
| | **SCSI Index** | | | | 3800.73 |
| | **FTSE IT Index** | | | | 1345.03 |
| | FTSE 100 | | | | 5767.30 |
| | FTSE AIM | | | | 1006.50 |
| SCSI Index = 1000 on 15th April 1989 | FTSE SmallCap | | | | 2469.19 |
| **Changes in Indices** | **SCSI Index** | **FTSE 100** | **FTSE IT Index** | **FTSE AIM Index** | **FTSE Small Cap** |
| Month (31/1/98 - 28/2/98) | +10.28% | +5.66% | 13.99% | +3.38% | +4.07% |
| From 15th Apr 89 | +280.07% | +180.84% | | | |
| From 1st Jan 90 | +313.08% | +144.17% | | | |
| From 1st Jan 91 | +436.92% | +166.96% | | | |
| From 1st Jan 92 | +263.75% | +131.33% | | | |
| From 1st Jan 93 | +138.50% | +102.61% | | | +77.98% |
| From 1st Jan 94 | +127.65% | +68.71% | | | +32.14% |
| From 1st Jan 95 | +153.52% | +88.14% | | | +41.39% |
| From 1st Jan 96 | +68.29% | +56.33% | | 5.57% | +27.18% |
| From 1st Jan 97 | +41.95% | +40.03% | | 3.11% | +13.10% |
| From 1st Jan 98 | +25.23% | +12.30% | 34.50% | 1.46% | +6.74% |

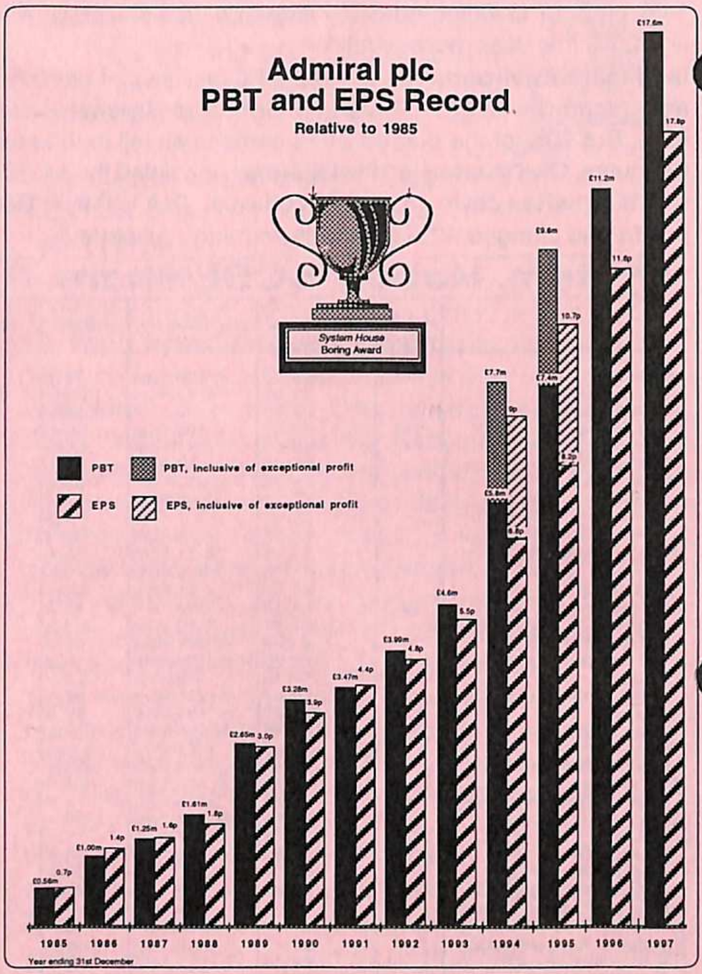
# System House SCSI Share Prices and Capitalisation

| | FTSE IT Index? | Share Price 28/2/98 (£p) | Capitalisation 28/2/98(£m) | Historic P/E | PSR Ratio Cap./Rev. | SCSI Index 28/2/98 | Share price % move since 31/1/98 | Share price % move in 1998 | Capitalisation move (£m) since 31/1/98 | Capitalisation move (£m) in 1998 |
|---|---|---|---|---|---|---|---|---|---|---|
| Admiral | Yes | £8.53 | £ 540.50m | 47.9 | 4.61 | 30812.35 | 12.54% | 18.65% | £60.20m | £86.35m |
| AFA Systems | | £1.03 | £ 12.30m | Loss | 34.17 | 854.17 | -4.65% | -4.65% | -£0.60m | -£0.60m |
| AIT Group | | £2.38 | £ 48.20m | 38.1 | 4.52 | 1583.33 | 15.29% | 39.30% | £6.40m | £13.62m |
| Anite Group | Yes | £0.68 | £ 160.90m | Loss | 0.83 | 394.74 | 18.42% | 43.62% | £25.10m | £49.25m |
| Azlan Group | Yes | £0.49 | £ 51.70m | Loss | 0.18 | 210.87 | 1.04% | -12.71% | £0.50m | -£7.44m |
| Cadcentre Group | | £3.95 | £ 65.60m | 39.4 | 3.78 | 1975.00 | 25.40% | 21.54% | £13.30m | £11.67m |
| Capita Group | | £4.26 | £ 819.50m | 65.4 | 4.74 | 38333.33 | 11.24% | 15.31% | £82.80m | £112.82m |
| Cedardata | | £1.71 | £ 54.00m | 47.4 | 5.21 | 1623.81 | 12.91% | 62.38% | £6.10m | £20.71m |
| CFS Group | | £1.01 | £ 7.44m | 14.3 | 1.63 | 1116.67 | 11.05% | -3.83% | £0.74m | -£0.29m |
| Chemical Design Holdings | | £0.82 | £ 5.38m | Loss | 2.11 | 740.91 | -14.21% | -18.50% | -£0.89m | -£1.22m |
| Clinical Computing | | £0.45 | £ 11.20m | Loss | 5.66 | 358.87 | 8.54% | 4.71% | £0.90m | £0.53m |
| CMG | Yes | £21.78 | £ 1,395.00m | 70.7 | 5.69 | 7508.62 | 18.99% | 42.79% | £222.00m | £417.51m |
| Coda Group | | £1.86 | £ 51.60m | Loss | 1.25 | 789.36 | 23.26% | 23.67% | £9.80m | £9.79m |
| Compel Group | Yes | £4.35 | £ 123.10m | 24.0 | 1.10 | 3480.00 | 23.40% | 42.62% | £23.30m | £35.87m |
| Comino | | £1.57 | £ 20.30m | 13.2 | 2.61 | 1203.85 | 18.11% | 27.76% | £3.20m | £5.50m |
| CRT Group | | £4.06 | £ 581.80m | 56.5 | 4.33 | 4511.11 | 19.24% | 14.37% | £94.20m | £73.42m |
| DCS Group | | £4.99 | £ 109.80m | 39.3 | 3.60 | 8316.67 | 38.04% | 54.73% | £30.30m | £38.84m |
| Delcam | | £1.60 | £ 9.44m | 13.2 | 0.70 | 615.38 | -3.03% | -3.03% | -£0.30m | -£0.26m |
| Delphi Group | Yes | £8.05 | £ 233.40m | 22.2 | 1.11 | 3312.76 | 2.55% | 20.15% | £5.70m | £39.10m |
| Diagonal | Yes | £9.23 | £ 185.40m | 67.8 | 4.14 | 3354.55 | 10.15% | 31.32% | £17.10m | £55.40m |
| Dialog Corporation | | £1.74 | £ 260.60m | Loss | 12.15 | 1577.27 | -2.25% | 15.67% | -£6.00m | £35.77m |
| Division Group | | £0.53 | £ 23.40m | Loss | 3.50 | 1312.50 | 40.00% | 36.36% | £6.70m | £6.50m |
| DRS Data & Research | | £0.18 | £ 5.99m | Loss | 1.24 | 159.09 | -12.50% | -20.45% | -£0.85m | -£1.54m |
| Druid Group | Yes | £7.75 | £ 177.50m | 55.8 | 8.04 | 2818.18 | 1.64% | 16.98% | £2.90m | £25.78m |
| Electronic Data Processing | | £0.55 | £ 14.40m | 11.9 | 1.15 | 1684.02 | 4.76% | 0.92% | £0.60m | £0.16m |
| Eidos | Yes | £11.10 | £ 187.60m | 50.4 | 2.48 | 11100.00 | 30.59% | 65.67% | £44.00m | £74.36m |
| FI Group | Yes | £13.43 | £ 432.30m | 74.5 | 4.38 | 5712.77 | 22.32% | 43.97% | £78.90m | £132.00m |
| Flomerics Group | | £1.20 | £ 3.12m | 58.8 | 0.59 | 923.08 | 0.00% | 0.00% | £0.00m | £0.00m |
| Gresham Computing | | £0.54 | £ 17.50m | 45.7 | 2.01 | 575.27 | 42.67% | 132.61% | £5.20m | £9.98m |
| Harvey Nash Group | | £3.86 | £ 108.10m | 214.4 | 2.98 | 2205.71 | -0.39% | 14.54% | £0.00m | £14.15m |
| Highams Systems Services | | £2.06 | £ 18.20m | 23.3 | 1.11 | 2861.11 | 1.98% | 32.90% | £0.20m | £4.38m |
| ilion Group | | £2.13 | £ 53.30m | 10.4 | 0.36 | 1328.13 | 39.34% | 66.67% | £15.00m | £21.28m |
| Intelligent Environments | | £0.40 | £ 9.40m | Loss | 2.70 | 425.53 | 63.27% | 63.27% | £3.64m | £3.64m |
| I S Solutions | | £2.05 | £ 9.84m | 69.4 | 1.28 | 1529.85 | 11.11% | 40.89% | £0.98m | £2.86m |
| JBA Holdings | Yes | £6.90 | £ 252.50m | 34.2 | 1.56 | 4312.50 | -41.65% | -32.91% | -£180.30m | -£123.95m |
| Kalamazoo Computer | | £0.51 | £ 21.70m | 10.5 | 0.28 | 1442.86 | 2.02% | -27.34% | £0.50m | -£8.10m |
| Kewill Systems | Yes | £6.97 | £ 89.80m | 16.7 | 2.17 | 2752.96 | 7.32% | 22.19% | £6.10m | £16.25m |
| Logica | Yes | £14.98 | £ 1,099.00m | 42.9 | 3.25 | 4102.74 | 13.45% | 29.37% | £131.40m | £252.90m |
| London Bridge Software | Yes | £6.63 | £ 192.10m | 66.1 | 16.97 | 3312.50 | 25.59% | 30.29% | £39.10m | £44.61m |
| Lorien | | £6.84 | £ 132.00m | 152.0 | 1.13 | 6840.00 | 10.32% | 35.45% | £12.30m | £45.62m |
| Lynx Holdings | Yes | £1.73 | £ 178.00m | 25.3 | 1.47 | 4312.50 | 24.10% | 43.15% | £34.60m | £53.73m |
| M-R Group | | £1.42 | £ 79.00m | 19.3 | 2.00 | 561.51 | 28.64% | 25.78% | £17.60m | £16.24m |
| Macro 4 | Yes | £3.80 | £ 74.90m | 11.0 | 3.19 | 1532.26 | 15.15% | 11.76% | £9.90m | £7.90m |
| MDIS Group | Yes | £0.48 | £ 100.70m | Loss | 0.86 | 184.62 | 12.94% | 2.13% | £11.50m | £2.19m |
| Micro Focus | Yes | £30.18 | £ 476.80m | 60.3 | 6.52 | 14577.29 | 10.23% | 26.12% | £44.30m | £105.92m |
| Microgen Holdings | | £0.72 | £ 28.30m | 8.1 | 0.43 | 305.56 | -8.92% | 2.14% | -£2.80m | £0.58m |
| Microvitec | | £0.09 | £ 7.43m | 42.9 | 0.11 | 219.51 | -42.86% | -48.57% | -£4.97m | -£6.33m |
| Misys | Yes | £26.75 | £ 2,993.00m | 44.7 | 9.20 | 6654.23 | 14.93% | 46.17% | £394.00m | £949.80m |
| MMT Computing | Yes | £9.03 | £ 107.40m | 30.4 | 4.36 | 5372.02 | 1.12% | 7.50% | £1.20m | £7.54m |
| Mondas | | £0.78 | £ 4.73m | Loss | 82.98 | 1033.33 | 0.00% | 11.51% | £0.00m | £0.49m |
| Moorepay Group | | £3.25 | £ 35.10m | 28.1 | 6.86 | 5484.70 | 4.84% | 15.04% | £1.60m | £4.55m |
| MSB International | Yes | £8.15 | £ 166.30m | 35.9 | 2.38 | 4289.47 | 17.27% | 30.40% | £24.50m | £38.86m |
| NSB Retail Systems | | £1.85 | £ 17.90m | 71.8 | 8.29 | 1608.70 | -1.86% | -3.39% | -£0.40m | -£0.67m |
| On Demand (In receivership) | | £0.00 | £ 0.00m | Loss | 0.31 | 83.33 | -100.00% | -100.00% | -£3.59m | -£4.14m |
| Oxford Molecular | | £2.16 | £ 156.20m | Loss | 15.96 | 2700.00 | -10.93% | -10.00% | -£19.10m | -£17.27m |
| Parity | Yes | £8.13 | £ 400.60m | 38.9 | 1.98 | 45138.72 | 2.85% | 27.75% | £11.10m | £87.10m |
| Pegasus Group | | £2.84 | £ 19.80m | 11.9 | 2.50 | 772.48 | 18.13% | 9.04% | £3.00m | £1.63m |
| PhoneLink | | £0.49 | £ 23.40m | Loss | 5.43 | 312.90 | 14.12% | -11.01% | £2.90m | -£2.86m |
| Proteus International | | £0.84 | £ 46.30m | Loss | 80.80 | 994.05 | 0.00% | 89.77% | £0.00m | £21.84m |
| Quality Software Products | | £3.90 | £ 53.00m | 38.1 | 2.09 | 1026.32 | 17.29% | 77.27% | £7.80m | £23.04m |
| Radius | | £0.33 | £ 9.24m | 11.2 | 0.33 | 239.13 | -1.49% | -5.71% | -£0.14m | -£0.56m |
| Rage Software | | £0.06 | £ 14.60m | Loss | 2.16 | 230.77 | -11.11% | 41.18% | -£1.90m | £4.20m |
| Real Time Control | | £4.35 | £ 30.40m | 15.0 | 2.42 | 8877.55 | 28.89% | 35.51% | £6.80m | £7.97m |
| Rebus Group | Yes | £1.11 | £ 102.70m | 24.3 | 1.55 | 1261.36 | 27.59% | 40.51% | £22.20m | £29.60m |
| Recognition Systems | | £0.20 | £ 7.45m | Loss | 9.68 | 289.29 | -11.96% | -5.81% | -£1.01m | -£0.46m |
| Riva Group | | £0.61 | £ 18.80m | 14.6 | 0.29 | 433.54 | 56.41% | 45.24% | £6.70m | £5.83m |
| RM | Yes | £9.75 | £ 177.40m | 31.1 | 1.61 | 5571.43 | 0.00% | 22.26% | £0.00m | £35.45m |
| Rolfe & Nolan | | £4.78 | £ 63.50m | 80.0 | 3.13 | 5684.52 | 39.42% | 39.42% | £17.90m | £17.95m |
| Romtec | | £1.03 | £ 5.33m | 22.0 | 1.13 | 1640.00 | -1.91% | -1.91% | -£0.10m | -£0.10m |
| Royalblue Group | Yes | £3.18 | £ 87.30m | 95.3 | 4.23 | 1867.65 | -5.93% | -7.30% | £0.04m | £0.04m |
| Sage Group | Yes | £13.60 | £ 1,470.00m | 57.9 | 9.67 | 52307.69 | 37.72% | 63.86% | £403.00m | £572.75m |
| Sanderson Group | | £0.90 | £ 41.30m | 8.4 | 0.62 | 1523.40 | 8.48% | 20.95% | £3.40m | £7.31m |
| SBS Group | | £2.50 | £ 17.80m | 32.9 | 0.94 | 2500.00 | 12.36% | 42.86% | £2.00m | £5.43m |
| Science Systems | | £2.10 | £ 35.60m | 30.9 | 2.49 | 1624.03 | 6.08% | 26.59% | £2.00m | £7.50m |
| Sema Group | Yes | £19.60 | £ 2,254.00m | 50.0 | 1.99 | 6163.52 | 12.32% | 32.21% | £248.00m | £549.27m |
| Sherwood International | | £6.08 | £ 52.20m | 28.3 | 2.12 | 5062.50 | 8.00% | 14.62% | £3.80m | £6.61m |
| Skillsgroup | Yes | £2.80 | £ 227.60m | Loss | 0.60 | 1255.61 | 22.81% | 53.42% | £42.20m | £79.28m |
| Spargo Consulting | | £2.13 | £ 26.60m | 33.6 | 3.39 | 2236.84 | 34.92% | 41.20% | £6.90m | £7.77m |
| Staffware | | £3.75 | £ 45.40m | 49.1 | 4.54 | 1666.67 | -5.30% | 6.08% | -£2.50m | £2.62m |
| Superscape VR | | £1.56 | £ 14.40m | Loss | 4.63 | 787.88 | 25.81% | 45.12% | £3.50m | £4.93m |
| Systems Integrated | | £0.08 | £ 1.07m | Loss | 0.86 | 69.57 | 0.00% | -11.11% | £0.00m | -£0.14m |
| Tetra | | £2.56 | £ 64.40m | 42.8 | 2.88 | 1596.88 | 8.72% | 45.17% | £5.20m | £20.20m |
| Total Systems | | £1.26 | £ 12.90m | 27.1 | 3.93 | 2367.92 | 39.44% | 68.46% | £3.63m | £5.38m |
| Trace Computers | | £0.99 | £ 14.30m | 26.0 | 0.83 | 792.00 | 29.41% | 51.15% | £3.30m | £4.87m |
| Triad Group | | £4.72 | £ 118.80m | 40.8 | 6.31 | 3492.59 | 4.50% | 58.49% | £5.00m | £43.79m |
| Vega Group | | £3.18 | £ 48.90m | 29.0 | 2.72 | 2602.46 | 17.59% | 39.56% | £7.30m | £13.82m |
| Workplace Technologies | | £2.84 | £ 82.20m | 36.1 | 1.58 | 1620.00 | 10.10% | 45.76% | £7.50m | £26.01m |
| Xavier Computer Group | | £0.06 | £ 3.60m | 5.3 | 0.40 | 600.00 | -14.29% | -22.83% | -£0.60m | -£1.07m |
| Zergo Holdings | | £2.43 | £ 22.30m | 71.3 | 2.14 | 2487.18 | 11.49% | 11.49% | £2.30m | £2.27m |

**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.

## It's so good to be Boring at Admiral and Capita.... again

Yet again, **Admiral** has produced another superb set of results to retain its *System House* **Boring Award**. This came as no surprise - *just relief*. In the year ending 31st Dec. 97, revenue increased 29% to £117.2m, PBT went up 56% to £17.6m with EPS up 54%. Don't forget that this record has been achieved by organic growth alone. This, of course, means another improvement in margins to a really impressive 15%. Eat your heart out all those who think that IT services companies can't even achieve 10%. Their core business *"performed exceptionally well"*. In France, Ares made *"outstanding progress"* in its first full trading year with Admiral. Australia achieved *"excellent results"* and business in Singapore and Malaysia built *"strong bases which give encouragement for the future"*. 26% of their business now comes from outside the UK. The only possible blip could have come from the products side and steps were taken to address this problem ending with the sale of Admiral's **MIND** product to **Prime Response** in Jan. 98. They will now concentrate on their core business of IT services and training.

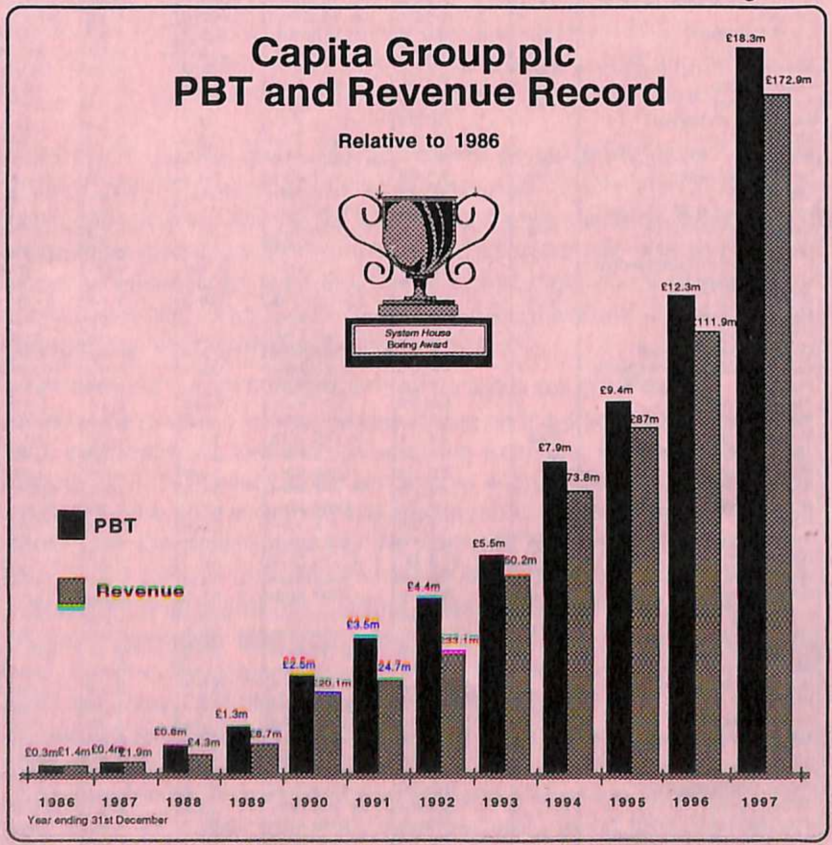



Chairman Clay Brendish commented *"I am delighted to bring you these excellent results"*. He went on to stress Admiral's organic growth record. *"Since we went public in 1987, we have built up an enviable financial record and a reputation for delivery. I have no intention of losing that hard earned reputation by growing at the expense of sustainability"*. Profits of £23m are forecast for 1998.

By the way, the 1987 float price was at today's equivalent price of 30p - Admiral shares ended the month on 853p, another rise of 13% in the month. A 28-times increase in the period is outstanding.

Our other **Boring Award** winner to announce its full year's results this month is **Capita**. First the facts. In the year ending 31st Dec. 97, revenue went up 55% to £172.9m, PBT increased 49% at £18.3m with EPS increasing 37%.

These results exceeded even the highest expectations. Although £24m of the revenue growth came from acquisitions, revenue from continuing operations also increased by an above average 33% at £148m. The **Business Service Division** was the real star with turnover up 64% at £139m and profits up 55%. They gained £227m in new contract wins and extensions in the fiscal year; £61m already so far in the current year. Capita is one of three parties on a pilot programme reviewing parts of the Benefit Agency for the Government. **Property Services** didn't do too badly either with a 26% revenue rise to £33.6m and profits up 29% at £3.6m.




Of course Chairman and Chief Executive Rod Aldridge is pleased with performance, with every justification in our opinion. *"We start 1998 in a strong position... We also have a pleasing volume of large new business opportunities which we will pursue selectively. Most importantly, we have extended substantially out portfolio of customers during 1997, and this gives us significant scope to enlarge our relationships with them. I am confident shareholders will be pleased with our results for 1998"*. On the subject of share price, today's equivalent share price when Capita floated in 1989 was 10p - the shares ended Feb. on 426p, up 11% in the month and 42-times higher than in 1989. *So, as you can see,* ***It really IS good to be BORING!***

The superb run of results of the IT majors was completed by **Logica** announcing revenues up 46% at £216m, PBT up 46% at £15.5m and EPS up 40% at 16.0p in the six months to 31st Dec. 97. EPS could have gone up 46% - but for the strength of sterling.

Readers might remember our pre-Martin Read quip (which upset the previous Logica regime) that *"Logica was like a car which could never get all its cylinders to fire at the same time...and each time it seemed to be a different one not working"*. Well, these results show what Logica can do when all its engine parts - *even the US* - increase profits.

Of course, some of the growth was due to the acquisitions of Axime and Aldiscon (the latter, by the way, grew by an impressive 61% in the period). But organic growth was also an *"above the average"* 26%. The order book is currently 50% higher, so the future also looks very bright.

**Comment** - It was only in Jun. 97 that Logica issued a very mild profits warning - it said that profits for the full year were going to be 6% lower than the market expected. The share price dived from 1067p to <700p. *What a bargain hunter's opportunity that proved to be with Logica ending Feb. 98 on 1498p.* One of the reasons for the warning was the difficulty of finding staff to meet demand. Logica seems to have quickly overcome that problem. Indeed 600 graduates alone (350 in the UK) have already been taken on. Read says the reason is that people want to work for a *"quality act"*. And, to be fair, that's exactly what Logica now is!

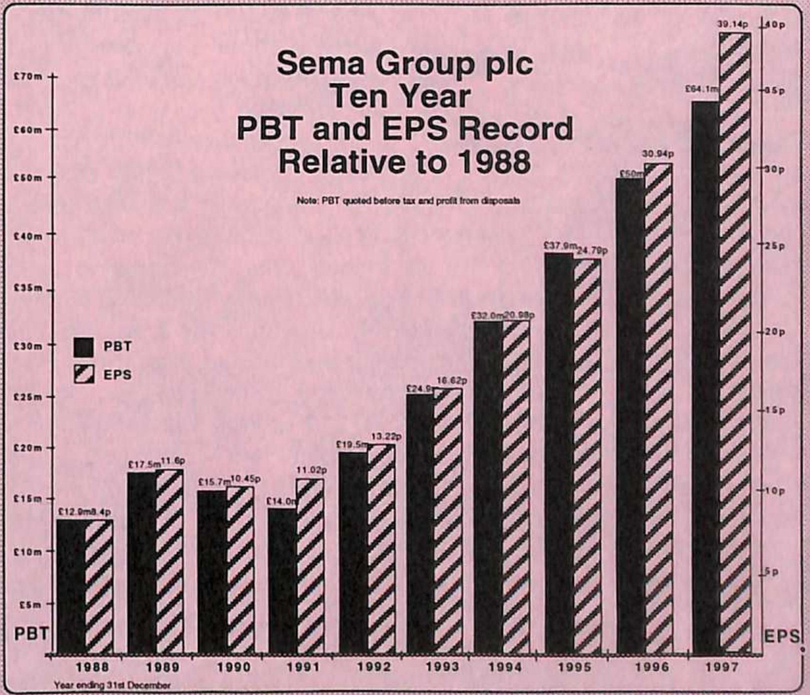
If Logica does have a problem it is *critical mass.* As the big get huge, Logica is at risk of being left behind as one of those endangered medium-sized companies. So, in our view, it needs to acquire. It certainly needs to up its presence in the US - currently just 14% of group revenues. In the last year it has proved that it can do acquisitions in Europe - so the omens look good.

Read recently said that his ambition was to take Logica into the FTSE 100. The current market cap. of £1099m needs to be nearly three times higher if that is to happen. But, at this rate, even that high ambition is achievable.

## *Thanks a billion Sema*

It was a pretty good month for *"Anglo-French"* **Sema**. First it was awarded one of the biggest Business Process Outsourcing deal (£305m/5 years to manage the Benefits Agency Medical Service). Then they became the first quoted SCSI company in our index to breech the £1 billion revenue barrier. And the reward for all this was a 12% share price rise to 1960p which now values Sema at £2.25 billion. In the year to 31st Dec. 97, revenue increased 22% to £1,130m, PBT went up 28% to £64m with EPS up 27%. But organic growth, using constant exchange rates, was a rather lower 14%. The 1997 margin of 5.6% margin is pretty good for Sema...but a lot lower than its peer group and bears little comparison to Admiral's 15%!

UK revenues increased 32% to £476m (due in part to the acquisition of **BR Business Systems**) although both France (up 45% at £298m, in part due to **Telis** acquisition) and Italy (up 103% at £52.4m partly due to acquisition of



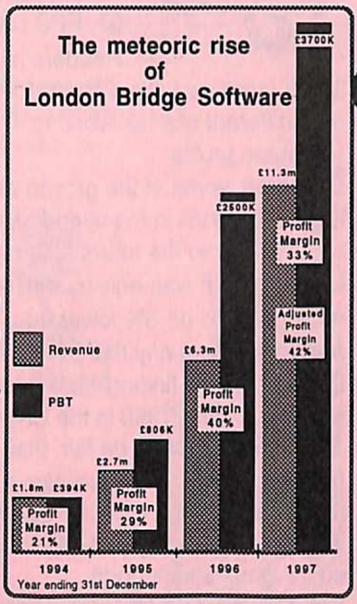

| Sema Group - Revenue by Country | | | | |
|---|---|---|---|---|
| | 1997 | 1996 | Growth 1996/97 | 1995 |
| **UK** | **£475.7m** | **£361.5m** | **32%** | **£275.3m** |
| France | £297.7m | £246.2m | 21% | £165.8m |
| Scandinavia | £135.4m | £150.0m | -10% | £135.6m |
| Italy | £52.4m | £30.4m | 72% | n/a |
| Spain | £50.0m | £44.6m | 12% | £33.1m |
| Germany | £36.4m | £38.5m | -5% | £38.5m |
| South East Asia | £37.3m | £26.9m | 39% | £7.5m |
| Benelux | £34.4m | £27.6m | 25% | £21.9m |
| North America | £10.8m | £1.3m | 731% | n/a |
| **Total** | **£1,130.1m** | **£927.0m** | **22%** | **£677.7m** |

| Sema Group - Revenue by Sector | | | | |
|---|---|---|---|---|
| | 1996 | 1995 | Growth 1995/96 | 1994 |
| Telecoms | £203.0m | £122.1m | 66% | £60.6m |
| Finance | £202.6m | £157.9m | 28% | £101.2m |
| Defence | £161.4m | £188.7m | -14% | £160.4m |
| Services/Transport | £174.8m | £111.9m | 56% | £98.0m |
| Industry | £149.7m | £106.1m | 41% | £61.1m |
| Public Sector | £143.9m | £138.9m | 4% | £106.6m |
| Energy & Utilities | £94.7m | £101.4m | -7% | £89.8m |
| **Total** | **£1,130.1m** | **£927.0m** | **22%** | **£677.7m** |

| Sema Group - Revenue by Activity | | | | |
|---|---|---|---|---|
| | 1997 | 1996 | Growth 1996/97 | 1995 |
| Systems Integration | £555.1m | £463.1m | 20% | £402.7m |
| Outsourcing | £470.6m | £387.8m | 21% | £222.0m |
| Products | £104.4m | £76.1m | 37% | £53.0m |
| **Total** | **£1,130.1m** | **£927.0m** | **22%** | **£677.7m** |

**Syntax** from Olivetti) grew faster. There was an exceptionally strong performance from Telecomms with a 66% rise to make it Sema's largest sector. Products also grew strongly with a 37% rise. CEO Pierre Bonelli said *"1997 was a record year for us.... With a solid order book Sema approaches the new challenges in 1998 with confidence"*. It looks as if Sema will be joining an ever increasing list of companies looking for a "mega" acquisition in the US; made possible after last year's share restructuring which saw a reduction in the Paribas holding. A sum of $1b was mentioned. Analysts are now forecasting PBT of £76.5m in 1998 - a forward P/E of 40+.

## *Excellent maiden results from 1997's new issue Stars*




**London Bridge Software** (debt risk management software) was a new issue in Mar. 97 at, what now seems, the "bargain" price of 200p. Their maiden results for the year ending 31st Dec. 97 are superb. Revenue increased 80% to £11.3m (or a still superb 44% if four months revenues from the US RMS acquisition is excluded), PBT went up 48% to £3.7m with basic EPS up 28% (adjusted EPS, after taking out the exceptionals below, was up a much higher 79%). And what's more these results are after £237K flotation costs (the lowest we've seen for a long while) and a further £829K *"founder's bonus for the establishment of the Asia Pacific subsidiary based in Singapore"*. If you strip these out, PBT would have been up a 91% - higher still without the £250K hit caused by the strength of sterling.

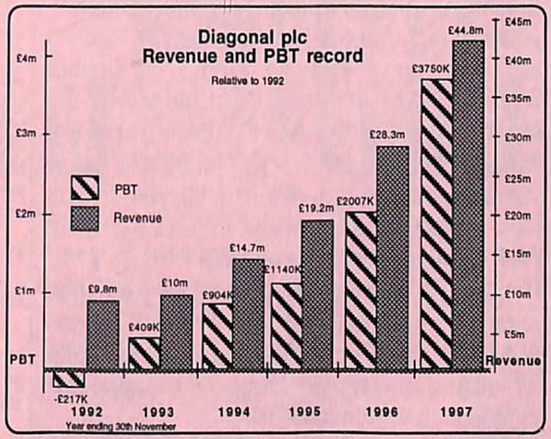
Chairman Gordon Crawford stated *"London Bridge Software's trading performance for 1997 has met the expectations of the board in all areas of Group operation. We anticipate that revenues will grow significantly during the current year and beyond"*. The US RMS acquisition for up to £20.1m in Aug. 97 *"performed above expectations"* with a *"particularly commendable contribution"* from the Singapore office which opened in Feb. 97. A new multinational signed in early 1998 for their new 'Euro' product version which *"will significantly increase the demand for the Group's products in Continental Europe over the next few years"*.

LBS' shares were the best performing SCSI newcomer in 1997. They ended this month on 663p, a rise of 26% in the month and up over threefold since launch.

**Comment.** LBS really does seem to have been in the right place at the right time and is a world leader with its products. This, of course, makes it vulnerable to predators in the Rolfe & Nolan mould.Henderson Crosthwaite (house brokers) are now forecasting 1998 PBT of £7.9m - a forward P/E of 37.

**DIAGONAL**

Like LBS above, **Diagonal** was also a new float in Mar. 97 at 275p. Their business is roughly 40% consultancy and 60% IT staff agency/recruitment. Also like LBS, their maiden results are superb. In the year to 30th Nov. 97, revenue rose 58% to £44.8m, PBT increased a higher 78% to £3.75m with EPS up 77%. The SAP related operations, as you might expect, roared ahead with SAP consultancy revenue doubling to £14.3m and their SAP staff contractor revenue up to £6.3m - and in its second year of operations only. The number of contractors increased from 264 to 448.Chairman Mark Samuels said *"Prospects look excellent for the year ahead, with a rising order book and the development of new services"*. Again like LBS, Diagonal's share price has rocketed - ending the month up 10% at 923p - also up over threefold to the float price.




**Comment**. No disrespect to Diagonal - all the team have done very well - but if they can't make money now with the present buoyant staff IT market, then we would be both very surprised and disappointed. But it is interesting how the smaller agencies are growing much faster than their larger cousins like Parity and Delphi.

## ORDER FORM

| **From:** | **Delivery address:** |
|---|---|
| | |
| | |
| | |

**1998 Holway Report (available June 1998)**

☐ **Master copy @ £2,150** (cheque with order only) ☐ **Additional copies @£650 each**

***System House***

☐ **One year's subscription @ £340 p.a.** ☐ ***"4 - copy subscription"* @ £680 p.a.** ☐ **Site licence @ £1000 p.a.**

**1997 Software and Computing Services Industry in Europe Report**

☐ **Master copy at £5,950** ☐ **Additional copies @ £950 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.