

System House

The monthly review of the financial performance of the UK computing services industry
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Large Companies Responsible for Profits Boost

Last month, we showed that the 16 largest CSI companies operating in the UK (those with UK revenues exceeding £100m) grew by 19% between 1991/1992. Although we reported an average revenue growth of 5%, if these 16 larger companies are excluded, the remaining 1000 **smaller companies** in our database, on average, **experienced no revenue growth at all.**

We also reported that average profits increased (*recovered* would be a better word) by a massive 44% in 1992 - after two years of profit decline (1989/90 down 22%, 1990/91 down 10%). Again a more detailed analysis shows that profits growth in 1992 at the larger companies (those with PBT >£1m) was more than double that of companies with PBT <£1m. The exception to this was the average for CSI companies quoted on the Stock Exchange, where profits growth was just 20%.

The **main contributors** towards this massive profits growth were:

- profits **recovery** at large CSI companies (e.g. Logica +92%, Sema +39%, Misys +62%)
- continued high profit growth at the UK subsidiaries of US companies (e.g. Computer Associates UK +107%, Microsoft UK +92%, Oracle UK +52%)

But we should not forget the excellent performance of many smaller private companies. For the last three years we have produced our "**Best of the Privates**" profits growth league table. Last year the rankings were headed by **IPL Information Processing** with a massive 175% PBT growth to £1.95m. IPL was formed by ex-Logica people and specialises in designing complex real time systems. We said, last year, that IPL was in the people-based "*business areas which most*

others have used as an excuse for poor performance". But they could not repeat their "against the trend" performance as profits fell by 74% to £500K in 1992. The Chairman's statement said this was due to a "*fiercely competitive marketplace with increasing numbers of available staff competing for a decreasing number of contracts*".

None of the Top Five from either 1990 or 1991 made it in 1992.

July 1993

Best of the Privates 1992

The Top Five for 1992 is dominated by financial accounting software products companies owning the IPR in their product. The list is headed by **Tetra**. Tetra has staged a major **recovery** since Sean Dowling spearheaded the "*back to basics*" restructuring in 1990 with rivals Pegasus and Multisoft diving in the opposite direction. Dowling told us that unaudited accounts for the latest year to 31st May 93 show a further 40% increase in PBT to £2.3m.

	1991	1992	Increase
Tetra	£707,000	£1,631,000	131%
JBA International	£2,082,000	£4,115,000	98%
Azlan	£1,589,000	£2,127,256	34%
Safetynet	£858,966	£1,032,750	20%
Coda	£2,827,000	£3,248,000	15%

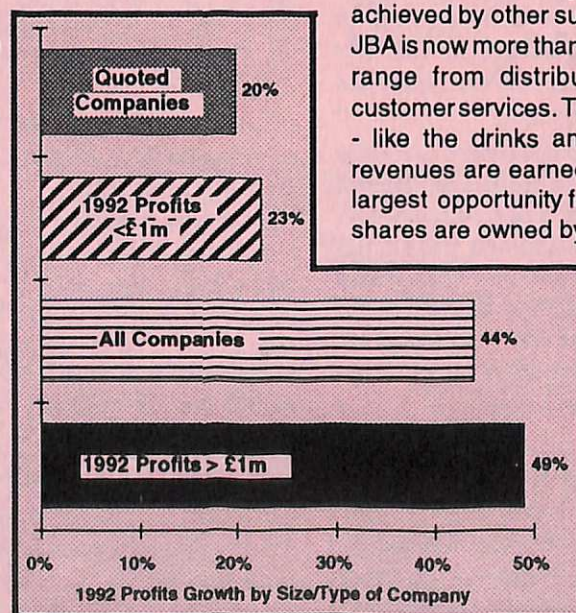
Note: Rankings include only companies which are not listed on the Stock Exchange and are not subsidiaries of larger companies. Only companies with 1992 PBT >£1m are included.

JBA International is also a major supplier of financial accounting software; this time for IBM mid-range systems. JBA's excellent performance is, however, not a recovery - rather the continuation of many years of ever-increasing profits. JBA made PBT (pre-audit) of £4.1m on revenues of £55m. This 7.5% profit margin is still a fraction of that achieved by other successful software products companies. JBA is now more than just financial accounting. Their products range from distribution and manufacturing systems to customer services. They also have systems for niche markets - like the drinks and clothing industries. Over a third of revenues are earned outside the UK and this is clearly the largest opportunity for the company. The vast majority of the shares are owned by the directors with Chairman A Vickery owning c40%. JBA would clearly make an attractive floatation in today's receptive climate.

Networking company, **Azlan** was an MBO from Logitek in 1991. The results shown are the year ending 31st Mar 92. Azlan has continued its excellent performance with a 38% increase in profits to £2.95m in the year to 31st Mar 93. **Safetynet** is a disaster recovery company specialising in IBM mid-range systems. Indeed, they proudly claim to have been the first

disaster recovery company to be awarded BS5750. **Coda**, another financial accounting software products company should be well known to readers as it has one of the most consistent profits growth records of any company. The surprise is that Coda makes the rankings with just a 15% PBT increase.

This just demonstrates the tough time experienced by the other smaller companies in the sector in 1992.



No revenue + increased losses = 350% share price increase

June 1990 - Proteus International launched onto USM at 84p projecting revenues of £5.1m for the year to Mar. 91.

June 1991 - Loss of £1.5m announced for year. No revenue achieved as Proteus decided to take stake in future success of drugs developed as a result of their Prometheus molecular modelling software. Shares rise to 111p.

June 1992 - Loss doubled to £2.4m, still no revenue. Share price hits 280p.

June 1993 - Loss increased to £3.55m, "in line with the company's expectations of higher expenditure as product development programmes approach maturity". Still no revenue. Share price hits high of 380p.

You would think with a record like this the last thing shareholders would want is any change. But Proteus now forecasts that its first revenue will come on stream within the next two years and could be making an operating profit in the current financial year. Among the first real revenue earners are likely to be a diagnostic for tuberculosis and for BSE and scrapie in cattle and sheep respectively.

Proteus now has a market capitalisation in excess of £100m and employs over 80 PhD's. The Prometheus software has been extended significantly, particularly their artificial intelligence expert system language. They have installed a new Convex C3240 supercomputer, a Massively Parallel Processor and 22 new Silicon Graphics workstations.

Comment

There is a new impetus around towards forming business partnerships with customers. This is particularly strong in the managed services arena with companies such as **Capita**. A recent report from market researchers INPUT stated that Applications Management "has become the fastest growing outsourcing sector in Europe. 20% of outsourcing contracts are now AM based and by 1997 the market is expected to top \$1500m". Source - Hoskyns Press release.

But so far this approach is very rare with software products companies. We have long argued that there is significant opportunity for CSI companies not just to sell their products and earn the appropriate licence revenues but to get further gearing from the financial benefits that these products provide (or should provide) for clients. If the Proteus promise is fulfilled, they will have provided an object lesson in the rewards which can be achieved from such an approach.

Others should take note.

Granada still finds TPM hard going

Chairman Alex Bernstein said that it was taking longer than expected for **Granada Computer Services** to secure large maintenance contracts after they gave up so many smaller contracts last year. Even so, operating profits rose 8% to £4m on static revenues of £76.3m for the six months to 31st Mar. 93. This massive improvement, compared with the £12m loss in 1991, was brought about by significant "down-sizing" and the appointment of John Curran as MD. We have said for the last 18 months that Curran's job was to sell GCS - a view now expressed by many others. They paid c£200m for the likes of DPCE, Mainstay etc in the 80s. They would get a fraction of that now.

Watch out...there's a bank about

At a recent industry event, we were asked "who was likely to be the biggest FM player on the UK scene in the next few years". We gave the usual list - IBM, EDS-Scicon, CSC, Hoskyns. "No" came the response - it is likely to be **Barclays**.

In 1991 Barclays Bank "spun-off" its IT operations into a separate unit, **Barclays Computer Operations**, run by Bob Hazel. BCO employs 1100 staff in 4 locations in the UK with revenues exceeding £150m. "Not only is BCO the UK's second largest user of processing power but is IBM's fourth largest client in Europe and Tandem's largest". This month BCO has been short-listed to buy the Dept. of Transport's IT operations (DVOIT) which has revenues of £26m and a further 460 employees. Other short-listed companies are (surprise, surprise) EDS-Scicon, CSC, Hoskyns and IBM (with DVOIT managers). BCO says that in the last year they have "acquired 10 clients in addition to working for the bank". Source - FT 14th June 93.

BCO "aims to be the number one player in the market by 1996". Source - CSA Reference Book 1993.

You have been warned.

"A major achievement" says Benjamin

When ex ICL and CAP, Alan Benjamin, took the helm at **Alphameric** they had reported losses of £11.6m in the year to 31st Mar. 90. A £3.6m rights issue in May 90 and major surgery was followed by reduced losses of £2.9m in 1991 but later that year the shares suffered the ignominy of trading at <1p. The dealing room systems operation FTT was sold for £1.65m in 1991 and further £4.3m was raised in a complex refinancing deal in Feb. 92. This, and the closure of various other activities, reduced losses to £2.1m in 1992. Indeed, Benjamin announced in Jul. 92 that he was "confident that we shall become profitable in the coming year".

Latest pronouncements show that Alphameric has just about started to trade profitably. Although full year losses (to 31st Mar. 93) of £321K were announced, second half losses were just £90K. Sales had increased by 33% to £6.83m although acquisitions, particularly the communications division of BAe in Nov. 92, contributed £1.16m.

Alphameric operates in three divisions - the design and installation of information display systems, keyboards and Alpha-Serv, the data broadcast operations. Taking a company from £11.6m losses, and the very edge of extinction, to a breakeven in three years is a notable achievement. The shares are now trading at 48p - 150% higher than at the start of 1993 and nearly seven times higher than the 1992 low.

Peterborough rescues CE Heath

CE Heath's computing services revenues increased by 8% to £43m although overall profits fell by 7% to £4.7m. However, problems in the insurance sector meant PBT reduced by 92% to just £1.5m in the year to 31st Mar 93. The group was "saved" by an excellent performance from their computing services offshoot, **Peterborough Software** (human resource s/w), where profits were up 9% at £3.85m. But at **Datasure** (systems for Lloyds brokers and underwriters) profits were down 44% at £850K. "Sales of broking and company underwriting systems, as well as payroll and data centre services, have been at high levels but conditions at Lloyd's have concealed this progress".

Profits standstill at Sanderson Electronics

Sanderson Electronics' sponsorship of Sheffield Wednesday looked inspired. But both the Coca Cola and the FA Cup slipped from their grasp at the very last stage. One almost felt the same sense of frustration in the announcement of the interim results for the six months to 31st Mar. 93. Revenues increased 14% to £12.1m but PBT was static at £1.8m. EPS was down 11.3% at 14.2p mainly as a result of a 42% increase in the tax charge.

Readers should bear this in mind when reading from the press release. "These excellent pre-tax profits were achieved due to an 8% increase in our UK operating profit despite the fact that five of our subsidiaries are still operating below their peak levels of performance". Cotswold "achieved record profits" from their insurance and food processing systems.

The problems, yet again, are at "associated companies" which "made a much lower contribution to PBT" - £13K this time compared with £189K in 1992. In the last full year the US operation, General Automation, had reported a £400K loss but we understand they have approx. broken even in the last six months.

Sanderson still claims to have "probably the most extensive portfolio of software packages available from a single UK supplier". This is their claim - not ours - so we hope readers will write to Chairman Paul Thompson, not us. Initially Sanderson was a PICK based system house but all software has now been redeveloped to operate under UNIX. The portfolio covers some 17 different industry areas.

As with many companies which have continued to report profits in the recession, Sanderson's recurring revenue base is strong. This now accounts for "74% of overheads" providing an "improved turnover of around £10m p.a."

Further acquisition opportunities are sought in the UK and Thompson reckons the "business will make further progress as the economy continues to recover". Indeed Sanderson reports signs that "expenditure decisions in the manufacturing and printing industries are on the increase".

End of the nightmare at Kewill?

To see a consistently successful UK CSI company like **Kewill Systems** brought to its knees by a German acquisition which went badly wrong is a crying shame. Loss-making Weigang was purchased in May 91 for £400K. In Mar 93, Weigang was sold back to its managers for ...£400K. This has resulted in a £5.7m extraordinary loss on disposal. Latest full year results for the year to 31st Mar 93 show PBT down 82% at £435K on revenues down 20% at £33.3m. Revenues from continuing operations were also 5% lower at £31m. EPS of 19.9p last year was turned into a loss of 0.6p. *But is the nightmare now over?*

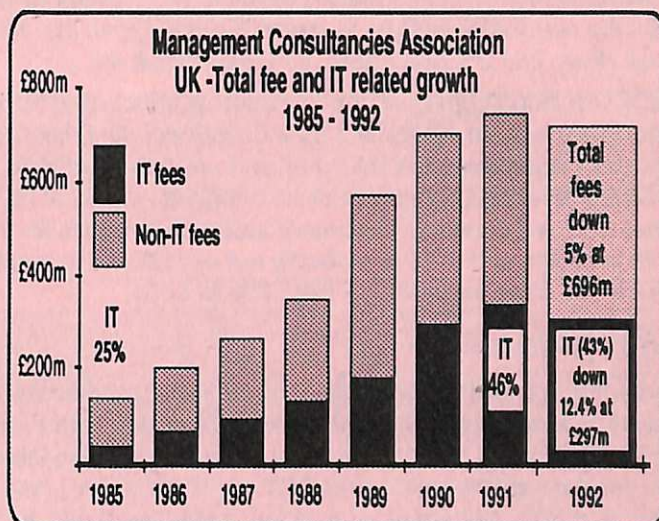
The results from the continuing businesses were decidedly mixed. Profits were down 40% at **Micross**. US **Micro MRP** also reported operating profits down 34%. But the other German acquisition, **Han-Dataport**, increased profits by 4%. Even so a third (20) of their staff have recently been made redundant in anticipation of the German recession. UK **Trifid** made an excellent recovery and increased profits by 92%.

The cash injection of £2.7m in Aug. 92 meant that borrowings were reduced to £3.9m. New investors must be very happy

Kewill shares have been one of the best performers this year - up by 250% from 55p to 192p. Given the superb Kewill track record prior to the disastrous Weigang purchase, we give our support to chairman Kevin Overstall's view that Kewill is now "back on track to resume our progress in the future".

Sharply lower management consultancy earnings

This month the FT has published their annual league tables of fee income from the UK's major accountancy firms. They make dismal reading with two thirds of firms reporting an absolute decline in income. The only bright spot (a matter of opinion) was an 11% rise in insolvency income.



IT fees fell by 12.4% in 1992. These activities are included by the FT under the management consultancy heading.

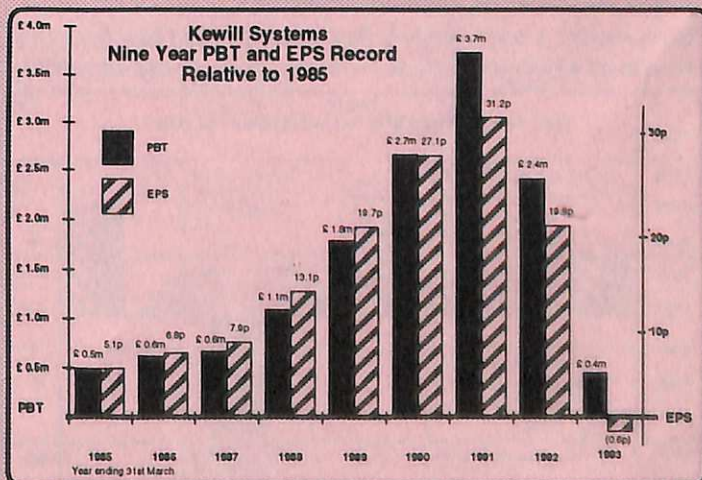
The only firm to show any growth was Andersen Consulting;

a success we have reported on many occasions. As an illustration of the depth of the problem, Price Waterhouse has laid off

20% - 78 - of its IT consultants this month.

Note: This month **CMG** has joined the MCA. "First member from the computer services sector". CMG Press Release.

Firm	1992/3 Fees from Management Consultancy
Andersen	£218.4m
Coopers & Lybrand	£123.9m
Price Waterhouse	£86.8m
KPMG Peat Marwick	£74.6m
Ernst & Young	£66.4m
Touche Ross	£58.4m



"EDP gravy train grinds to a halt" - System House - January 1993

Those were the closing words on our review of full year results for Electronic Data Processing (EDP) after a 19% increase in PBT had been announced. EDP has a near blemish free record increasing PBT from £600K in 1985 to £4.9m in 1992 with a similarly spectacular increase in share price. Such performance fuels expectations. More usual, more modest performance fuels discontent.

Latest results for the six months to 31st Mar 93 show a standstill. Operating profits were unchanged but PBT was down 3% at £2.34m. Interest rate cuts reduced interest receivable on their £10.4m cash mountain to £300K. Revenues from continuing businesses reduced by 8% to £6.87m due to the "continuing compression in the selling prices of hardware". But the acquisitions of Via Systems Inc. and Open Inc. added £480K revenue (but a loss of £11K) so the final revenue was down just 2% at £7.35m. EPS was down 4%.

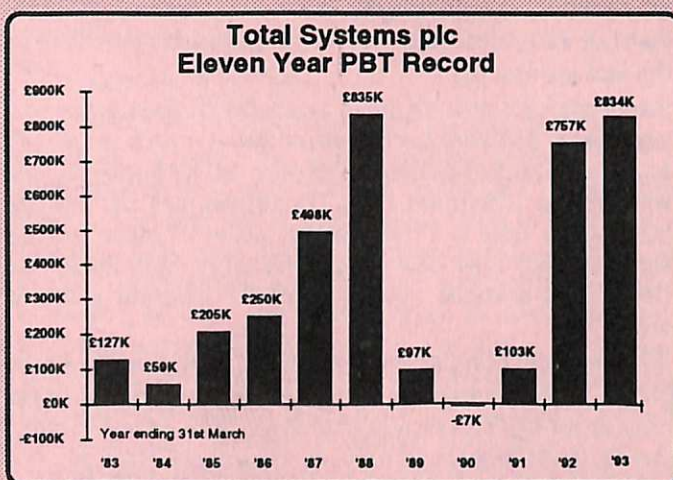
EDP is a lead supplier of open systems products and turnkey solutions to the wholesale distribution industry with their Merchant system. New UNIX based products - UniVision (a 4GL which allows PICK systems to run on UNIX boxes) and Axiom - were launched this year and are expected to be "contributors to profit in our next financial year". Recurring service revenues now account for over half - £8m - of EDP's annual revenues. Chairman Michael Heller is "confident that EDP will continue to achieve acceptable results for the whole of the current year". Given the past record, a stand still in profits and EPS is probably not acceptable to most EDP shareholders. Since the start of 1991, the EDP share price has risen over 600% - from 79p to 580p.

Imagine.....

Imagine you had bought Total Systems shares when they were launched onto the USM in Mar. 88 at 85p with PBT of £835K to 31st Mar 88. You then wake up five years later to read an announcement of PBT of £833K and a share price of 80p. Nothing very exciting there, you think, and return to your slumbers.

But you would have missed five years of Terry Bourne's Chairman's statements, each of which has used a variation on the phrase "we are in a strong position to take advantage of an upturn in the market which surely must come" (This example vintage Dec. 89). You would have missed losses of £7K in 1990. You would have missed the share price reaching a low of 10p and the group being capitalised at just £1m. You would have missed that wily investor Mike Tilbrook of MMT starting to buy Total stock at 14p and accumulating just over 6% before he sold half his stake at a substantial profit.

Bourne considers that the latest results for the year to 31st Mar 93 are "encouraging... against such a difficult economic background". PBT was up 10% at £833K on revenues up 2.6% at £2.87m. EPS increased 19% as a result of a lower tax charge. Cash balances grew by 53% to £1.86m although cash generated in the year slipped by 35% to £649K. With the majority of revenues on a time and materials basis and over two-thirds open systems based,

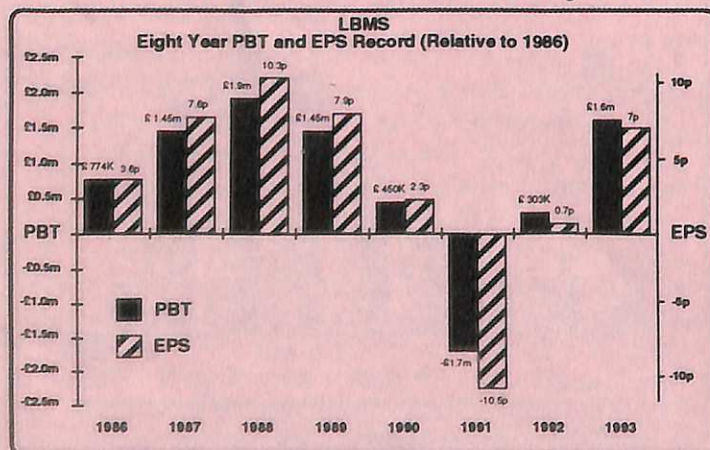


Total should achieve good organic growth if the upturn in the sector continues.

Perhaps what woke our mythical sleeping Total shareholder was a recurring but quite new nightmare. Bourne repeats for third time in a row that Total "continues to seek acquisitions". So let us repeat that for a company of the size and with the record of Total's to undertake any significant acquisitions would be as near corporate suicide as you are likely to get. Everyone we can think of with Total's profile that has ever tried it has failed.

Major profits revival at LBMS

As expected, **Learmonth & Burchett (LBMS)** has returned to its previous profits level in the year to 30th Apr. 93. PBT increased 430% to £1.61m on revenues 10% higher at £23.6m. EPS was up ten fold. The Jan. 93 rights issue (at 100p - share price now 278p) eliminated debt. Indeed they ended the year with £2.1m cash. Revenues from outside the UK rose 50% to £9.8m and now represent 40% of the total. European revenues increased 170% but UK revenues declined slightly. "The early signs of an end to the recession in the UK, while very welcome, have not yet yielded positive signs of increased activity in our own marketplace".



Although the 7% profit margin is below the target of 10%, the results include £3.1m (13%) R&D expenditure. LBMS is "firmly committed to an aggressive growth plan" but "profit growth year to year may be less uniform". LBMS has "every reason to feel confident that we can achieve our ambitions".

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Richard Holway Results Service

ACT Group plc	Results Revenue PBT EPS	Final - Mar 92 £ 119,447,000 £ 17,020,000 10.83p		Final - Mar 93 £ 152,926,000 £ 20,478,000 11.33p	Final Comparison +28.0 +20.3% +4.6%
Admiral plc	Results Revenue PBT EPS	Final - Dec 91 £ 26,104,000 £ 3,472,000 21.9p		Final - Dec 92 £ 30,870,000 £ 3,986,000 24.2p	Final Comparison +18.3% +14.8% +10.5%
Capita Group plc	Results Revenue PBT EPS	Final - Dec 91 £ 24,711,830 £ 3,448,487 5.23p (Restated)		Final - Dec 92 £ 33,098,452 £ 4,406,012 6.43p (Restated)	Final Comparison +33.9% +27.8% +22.9%
Comac Group plc	Results Revenue PBT EPS	Final - Dec 91 £ 9,971,456 £ 362,424 4.05p		Final - Dec 92 £ 11,118,158 £ 394,723 3.94p	Final Comparison +11.5% +8.9% -2.7%
Computer People Group plc	Results Revenue PBT EPS	Final - Dec 91 £ 67,660,000 £ 1,006,000 5.48p		Final - Dec 92 £ 62,735,000 £ 145,000 (0.97p)	Final Comparison -7.3% -85.6% Profit to Loss
Cray Electronics Holding plc	Results Revenue PBT EPS	Interim - Oct 91 £ 40,044,000 £ 536,000 0.47p	Final - Apr 92 £ 84,786,000 £ 4,787,000 3.2p	Interim - Oct 92 £ 81,862,000 £ 17,833,000 10.33p	Interim Comparison not comparable not comparable not comparable
Division Group plc	Results Revenue PBT EPS	Final - Oct 91 £ 444,000 (£ 115,000) (1.1p)		Final - Oct 92 £ 1,082,000 (£ 107,000) (1.0p)	Final Comparison +143.7% Loss both Loss both
EIT Group plc	Results Revenue PBT EPS	Final - Mar 91 £ 485,052 (£ 246,437) (4.15p)		Final - Mar 92 £ 7,028,738 (£ 190,510) (1.3p)	Final Comparison +1349% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Interim - Mar 92 £ 7,468,000 £ 2,407,000 18.83p	Final - Sep 92 £ 15,455,000 £ 4,877,000 38.4p	Interim - Mar 93 £ 7,350,000 £ 2,341,000 18.07p	Interim Comparison -1.6% -2.7% -4.0%
Enterprise Computer Holdings plc	Results Revenue PBT EPS	Interim - Sep 92 £ 57,604,000 (£ 3,398,000) (4.6p)	Final - 15 mos to Mar 92 £ 157,857,000 (£ 8,330,000) (9.8p)	Interim - Sep 92 £ 35,524,000 (£ 3,392,000) (4.3p)	Interim Comparison -38.3% Loss both Loss both
Gresham Telecomputing plc	Results Revenue PBT EPS	Final - Oct 91 £ 6,296,000 £ 355,000 1.0p		Final - Oct 92 £ 7,250,000 £ 767,000 1.94p	Final Comparison +15.2% +116.1% +94.0%
INSTEM plc	Results Revenue PBT EPS	Final - Dec 91 £ 15,810,000 £ 1,010,000 15.2p		Final - Dec 92 £ 14,272,000 £ 575,000 8.5p	Final Comparison -9.7% -43.1% -44.1%
Kalamazoo Computer Group plc	Results Revenue PBT EPS	Final - 8 mos- Mar 92 £ 38,300,000 £ 611,000 Nil		Final - Mar 93 £ 56,700,000 £ 1,800,000 1.6p	Final Comparison Not comparable Not comparable Not comparable
Kewill Systems plc	Results Revenue PBT EPS	Final - Mar 92 £ 41,824,000 £ 2,421,000 19.91p		Final - Mar 93 £ 33,341,000 £ 435,000 (0.60p)	Final Comparison -20.3% -82.0% Profit to Loss
Kode International plc	Results Revenue PBT EPS	Final - Dec 91 £ 15,693,000 £ 486,000 3.9p		Final - Dec 92 £ 18,335,000 £ 1,031,000 8.6p	Final Comparison +16.8% +112.1% +120.5%
Learmonth & Burchett Management Systems plc	Results Revenue PBT EPS	Final - Apr 92 £ 21,404,000 £ 303,000 0.7p		Final - Apr 93 £ 23,645,000 £ 1,610,000 7.0p	Final Comparison +10.5% +431.4% +900.0%
Logica plc	Results Revenue PBT EPS	Interim - Dec 91 £ 98,575,000 £ 2,155,000 2.1p	Final - Jun 92 £ 200,383,000 £ 7,062,000 7.0p	Interim - Dec 92 £ 104,208,000 £ 4,136,000 3.7p	Interim Comparison +5.7% +91.9% +76.2%
MR Data Management plc	Results Revenue PBT EPS	Interim - Dec 91 £ 16,338,000 £ 3,809,000 4.58p	Final - Jun 92 £ 33,711,000 £ 8,227,000 10.6p	Interim - Dec 92 £ 18,629,000 £ 4,020,000 4.89p	Interim Comparison +14.0% +5.5% +6.8%
Macro 4 plc	Results Revenue PBT EPS	Interim - Dec 91 £ 8,829,000 £ 3,828,000 11.5p	Final - Jun 92 £ 19,016,000 £ 8,750,000 26.5p	Interim - Dec 92 £ 11,213,000 £ 4,935,000 14.8p	Interim Comparison +27.0% +28.9% +28.7%
Maddox Group plc	Results Revenue PBT EPS	Final - Dec 91 £ 222,809 (£ 311,542) (1.43p)		Final - Dec 92 £ 24,171,000 £ 1,134,000 0.39p	Final Comparison Not comparable Loss to Profit Loss to Profit
Micro Focus plc	Results Revenue PBT EPS	Final - Jan 92 £ 55,869,000 £ 18,146,000 83.1p		Final - Jan 93 £ 67,700,000 £ 22,300,000 110.1p	Final Comparison +21.1% +23.2% +27.4%

Richard Holway Results Service

Microgen Holdings plc	Results Revenue PBT EPS	Final - Oct 91 £ 47,735,000 £ 7,283,000 12.2p		Final - Oct 92 £ 49,316,000 £ 8,243,000 13.8p	Final Comparison +3.3% +13.2% +13.1%
Microvitec plc	Results Revenue PBT EPS	Final - Dec 91 £ 36,873,000 (£ 3,847,000) (5.3p)		Final - Dec 92 £ 49,888,000 (£ 2,137,000) (3.4p)	Final Comparison +35.3% Loss both Loss both
Miays plc	Results Revenue PBT EPS	Interim - Nov 91 £ 32,304,000 £ 3,585,000 7.0p	Final - May 92 £ 68,023,000 £ 9,118,000 17.8p	Interim - Nov 92 £ 41,147,000 £ 6,757,000 11.9p	Interim Comparison +27.4% +88.5% +70.0%
MMT Computing plc	Results Revenue PBT EPS	Interim - Feb 92 £ 3,009,000 £ 712,000 3.9p	Final - Aug 92 £ 6,220,000 £ 1,500,000 7.9p	Interim - Feb 93 £ 3,165,000 £ 865,000 4.8p	Interim Comparison +5.2% +21.5% +23.1%
P & P plc	Results Revenue PBT EPS	Final - Nov 91 £ 228,324,000 £ 711,000 0.9p		Final - Nov 92 £ 222,752,000 £ 2,012,000 1.9p	Final Comparison -2.4% +183.0% +111.1%
P-E International plc	Results Revenue PBT EPS	Final - Dec 91 £ 68,750,000 £ 1,622,000 4.9p		Final - Dec 92 £ 71,108,000 £ 160,000 (0.22p)	Final Comparison +3.4% -90.1% Profit to Loss
Pegasus Group plc	Results Revenue PBT EPS	Final - Jul 91 (Restated) £ 8,493,000 £ 1,512,000 18.1p		Final - Dec 92 £ 10,269,000 £ 620,000 7.3p	Final Comparison (Note yr end) +20.9% -59.0% -59.7%
Phonelink plc	Results Revenue PBT EPS	Final - Mar 92 £ 819,709 £ 140,420 0.5p		Final - Mar 93 £ 922,557 £ 30,905 0.1p	Final Comparison +12.5% -78.0% -80.0%
Proteus International plc	Results Revenue PBT EPS	Final - Mar 92 £ 3,000 (£ 2,408,000) (10.86p)		Final - Mar 93 £ 21,000 (£ 3,547,000) (13.52p)	Final Comparison +600% Loss both Loss both
Quality Software Prod. Holdings plc	Results Revenue PBT EPS	Final - Dec 91 £ 11,105,698 £ 1,501,039 21.9p		Final - Dec 92 £ 13,118,000 £ 1,201,000 16.2p	Final Comparison +18.1% -20.0% -26.0%
Radius plc	Results Revenue PBT EPS	Final - Nov 91 £ 28,115,000 £ 366,000 0.8p		Final - Nov 92 £ 24,012,000 £ 1,231,000 2.9p	Final Comparison -14.6% +236.3% +262.5%
Real Time Control plc	Results Revenue PBT EPS	Interim - Sep 91 £ 3,002,000 £ 507,000 4.9p	Final - Mar 92 £ 6,835,000 £ 1,192,000 11.1p	Interim - Sep 92 £ 3,134,000 £ 258,000 2.5p	Interim Comparison +4.4% -49.1% -49.0%
Rolfe & Nolan Computer Services plc	Results Revenue PBT EPS	Final - Feb 92 £ 6,737,000 £ 1,390,000 15.9p		Final - Feb 93 £ 11,232,000 £ 1,216,000 17.7p	Final Comparison +66.7% -12.5% +11.3%
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 92 £ 14,489,000 £ 4,340,000 14.53p	Final - Sep 92 £ 27,274,000 £ 8,853,000 30.9p	Interim - Mar 93 £ 20,983,000 £ 5,380,000 17.68p	Interim Comparison +44.8% +24.0% +21.7%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 92 £ 10,610,000 £ 1,801,000 16.0p	Final - Sep 92 £ 21,398,000 £ 2,805,000 24.0p	Interim - Mar 93 £ 12,057,000 £ 1,803,000 14.2p	Interim Comparison +13.6% +0.1% -11.3%
Sema Group plc	Results Revenue PBT EPS	Final - Dec 91 £ 412,501,000 £ 14,015,000 11.02p		Final - Dec 92 £ 416,675,000 £ 19,458,000 13.22p	Final Comparison +1.0% +38.8% +20.0%
Sherwood Computer Services plc	Results Revenue PBT EPS	Final - Dec 91 £ 22,321,000 £ 2,446,000 19.6p		Final - Dec 92 £ 21,103,000 £ 3,004,000 27.5p	Final Comparison -5.5% +22.8% +40.3%
Total Systems plc	Results Revenue PBT EPS	Final - Mar 92 £ 2,796,777 £ 756,880 5.11p		Final - Mar 93 £ 2,869,359 £ 832,906 6.08p	Final Comparison +2.6% +10.0% +19.0%
Trace Computers plc	Results Revenue PBT EPS	Interim - Nov 91 £ 9,715,000 £ 221,000 1.52p	Final - May 92 £ 19,491,000 £ 502,000 2.89p	Interim - Nov 92 £ 8,835,000 £ 105,000 0.78p	Interim Comparison -9.1% -52.5% -48.7%
Vega Group plc	Results Revenue PBT EPS	Final - Apr 92 (amended) £ 6,269,000 £ 1,387,000 6.69p		Final - Apr 93 £ 8,089,000 £ 1,705,000 7.99p	Final Comparison +29.0% +27.0% +19.4%
Vistec Group plc	Results Revenue PBT EPS	Final - Apr 92 £ 32,287,000 £ 2,714,000 1.52p		Final - Apr 93 £ 38,665,000 £ 3,503,000 2.07p	Final Comparison +19.8% +29.1% +38.2%

Acquisitions, disposals and liquidations

MBO at SQL

Swiss Instrumatic Inter SA has sold its majority stake in CASE developer, **SQL Software Ltd.** for an undisclosed sum. As part of the deal 3i has invested £750K. SQL had revenues exceeding £10m in 1992 and is growing fast - doubling in size each year. Around three quarters of revenues are earned outside the UK.

Micro Focus buys Proximity Software

Micro Focus, the most profitable UK-owned software company, has bought US **Proximity Software** by the issue of 120,000 new shares valued at £2.6m. Proximity provides the ProMVS technology which is an option in the MF Workbench development system.

French BULL in FM move

BULL, which had been rumoured to be negotiating to purchase a major UK FM systems operation, has formed an FM joint venture with **CISI SA**. CISI is a bureau and computing services operation, owned by CEA Industrie (64%), the French Atomic Energy Authority and CGS (36%). The move was seen to be "clearly intended to find work for surplus BULL employees". Source - Computergram - 11th June 1993.

BULL lost FF4.7b in 1992 on revenues of FF30b. They were told in May, by newly appointed French Industry Minister Gerard Longuet, that he would allow foreign shareholders to increase their stake in the state owned computer maker. NEC and IBM each currently hold c5% of BULL equity. The new joint venture does not do a lot to reduce Government involvement. Quite how the French have got away with it for so long is beyond comprehension. They have provided mammoth subsidies to their IT industry - they have pumped FF13.6 billion into BULL alone since 1983 - and have insisted that the public sector buys its products.

Stratagem fails to sell Firstpoint

In the beginning there was **MBS**. MBS begat **Touchstone**. Investment house, **Stratagem**, bought Touchstone for £7.7m in Feb. 91 and found it somewhat worse than even they expected. Finding that they couldn't even continue to use the name Touchstone, they begat the **Management Centre plc** and sold off many of the operations leaving **TPM Firstpoint**. Stratagem had been trying to sell this too but now announce that "despite continuing interest from third parties the board has decided that in the light of continued improved profits Firstpoint should be retained wholly within the group... Firstpoint made a profit (before tax and management charges) of £588K for the 6 months to 28th Feb. 93". The announcement revealed (in rather small type) that management charges of £300K had been paid by Firstpoint to Stratagem and abortive disposal costs amounted to £83K.

Jacks buys into Thenon

One of the advantages of writing a newsletter is knowing exactly who reads it. Many of our readers know **Alistair Jacks**, the charismatic founder of BOS. After several years out of the industry since BOS was acquired by Misys, Jacks - together with 3i - has invested in **Thenon**. Thenon/SEE is an AS/400 based change manager system. Thenon is currently "tiny", with revenues of £500K. But with Jacks on board...

The others...

US R R Donnelly & Sons has acquired **European Language Translations Ltd.** of Dublin. ELT produces European versions of US software. No consideration was disclosed. **CMG** has acquired **Stata Business Systems** - the developers of the IBM AS/400-based IMACS insurance management system, which currently generates revenues of around £1m p.a.. No consideration disclosed but understood to be for cash. **International Communications & Data** has sold its loss making bureau **Database Group** in an MBO for £250K. "A team of ex-Misys employees has bought the hardware maintenance business of **Intra Electronics** in a six figure deal financed with personal resources and £31K venture funds from 3i". The new operation, which will be known as **Information Support Ltd.**, has taken on a 250 customer contract base and projects £1m revenues. Source - The VAR 29th Jun. 93. In our first issue of *System House* in 1989 we reported on IBM taking a 15% stake in Australian **Paxus** - similar investments were made by IBM in several hundred other software houses in the next year. Paxus has now been acquired by **US Continuum**. Paxus employs 1000 staff worldwide with a not insignificant presence in the UK market; particularly in the insurance sector. **Azlan** is said to be buying **adcomp** of Denmark and is in talks with **adcomp Italy**. adcomp, which has sales of around £3m in Denmark, was established after their parent company failed a year ago. 98% of French system house, **CGI**, shareholders have accepted IBM's £300m takeover bid. **Trace** has acquired VAR **Alexander Associates**. The assets of failed **MJN Technology** have eventually been acquired by **GT Group**. **Misys** has sold its Multisoft and Tetra support contracts to **Multisoft** and **Lysander Systems**; allowing Misys to concentrate on its own Strategix product. Acer supplier, **Thomas Cairns**, has gone into liquidation.

Quester and March invest £500K in JSB

Macclesfield based **JSB Computer Systems Ltd.** is a UNIX systems developer. Their MultiView product was launched in 1986 and now claims "500,000 users worldwide". The product looks good in a market which is clearly high growth. The UK needs more JSBs.

We understand that in the year to 31st May 1993, JSB should have revenues of £3.3m - up 80% on the previous year. They aim for a further 60% growth this year. Outside investors now hold a c40% minority stake in JSB. "Longer term JSB is considering the possibility of an IPO either in the USA or the UK market". Given what's happened with Division and PhoneLink this month, anything is now clearly possible. At least an IPO would put an end to JSB filing modified accounts; a practice we view with deep suspicion. Their press release states that profits were "substantially higher than in the previous year and has no bank borrowings". But "a spokesman" confirmed that losses had been made in the previous year, although "decent profits" had been recorded in the latest year. Given the unsubstantiated hype of the press release, we await the filed accounts with interest.

"JSB's investment in its US subsidiary, JSB Corp, is already contributing profits after an 18 month investment plan, a rare achievement for a British software company operating in the USA". Will our subscribers from Sage, Macro 4, Micro Focus, etc, etc, etc please address your inevitable responses to Sarah Lakeman (0625 433618) not us this time.

The price of a slice of the Apple pie...

On 6th Apr. 92, **KRCS Group plc**, which claimed to be the largest Apple dealer outside London, acquired 100% of the equity of **SAMS Group plc**, which claims to be the UK's largest Apple dealer. The new group now estimates revenues "of the order of £26m" for the year to Sept. 93. This would make it indisputably the largest Apple dealer in the UK and, they said, the 4th largest in Europe.

SAMS was founded by Max Wright and had grown both fast and profitably. They reported PBT of £437K on revenues of £5.2m in the year to 31st Jan. 89. The following two years had seen revenue boosted dramatically, to £18.4m in the 15 months to 30th Apr. 91, but profits turned into a £138K loss. In 1991, Max Wright sold 60% of the equity to his management team which included ex-Apple sales director, John Smith.

At the time the consideration for the deal was not announced. However, the latest filed KRCS accounts show the deal to have been valued at £877K net of costs. SAMS current assets of £3.2m were almost exactly matched by liabilities.

Nottingham-based KRCS had filed only modified accounts the year to 31st Dec. 91. They showed PBT of £172K, up from £79.9K in 1990. KRCS is a private company, 70% owned by MD, Ken Woods. He said in his 1991 Chairman's statement "KRCS is in a strong position to not only maintain its market share but also to increase its market share at the expense of other less well organised dealers". But although the latest KRCS accounts for the nine months to 30th Sept. 92 show revenues of £12.2m and an operating profit of £328K, a reduced PBT of £66K was reported. This was caused by interest payable of £113K and redundancy costs of £140K and property write-offs.

County Natwest Ventures was brought in to assist in financing the SAMS acquisition and future growth. A further £610K was raised from the issue of preference shares. Ken Woods still owns 70% of the ordinaries. It was interesting to note that ex-Apple/SAMS sales director, John Smith, was made a KRCS director and bought 6.4% of the ordinary shares for £50K. A bargain as it valued KRCS at just £725K.

It is understood that an announcement of more acquisitions is likely soon.

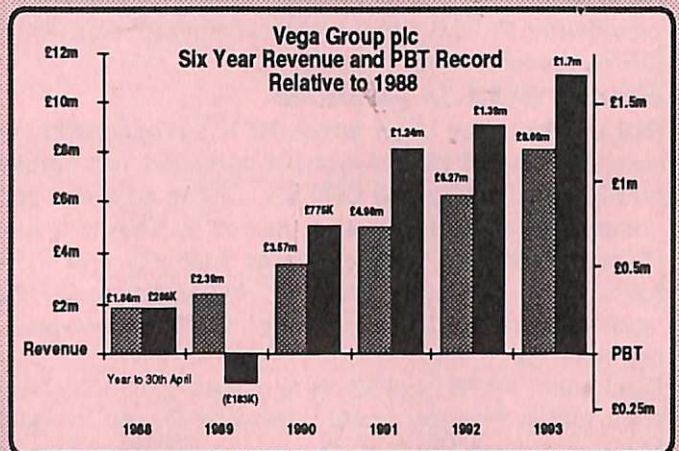
Vistec - the unsung hero

Vistec is one of the unsung heroes of the last few years. Their PBT and EPS is exemplary in a business area where most competitors have floundered. Latest results for the year to 30th Apr. 93 show PBT up 29% at £3.5m (ahead of expectations), revenues up 20% at £38.7m and EPS up 36%. Cash increased 38% to £6.7m at the year end. **Vistec Computer Services**, basically a hardware and systems support operation, "continued to make headway" and intends to put future emphasis on network support. **Sphinx Level V** is "the UK market leader in UNIX software distribution". Associated service revenues increased by 40%. Morton still maintains that he is looking for acquisitions but this superb performance has largely been achieved by organic growth and putting previous acquisitions to rights.

Vistec shares have risen 50% since this time last year. Much of the credit is due to the leadership of Bob Morton. You may recall that in Dec. 90 Morton upped his stake to 17% buying at 7p. The shares now trade at 32p.

Consistent Vega fails to sparkle

We carried our first report on **Vega Group**, the computing services group run by ex-Marcol founder John Rigg, just a year ago when they were listed on the Stock Exchange at 122p. Full year results to 30th Apr. 93 are pretty impressive. PBT is up 27% at £1.7m on revenues 29% higher at £8.1m. EPS advanced 19.4%. Rigg says "Vega has strengthened its position as one of Europe's leading software and systems engineering consultancies within the satellite marketplace... and has continued its development as a software and systems house winning contracts within the Dept. of Environment and the NHS". They have also increased business from the MoD in areas "unaffected by the general military spending cuts".



Using the now obligatory words in Chairman's statements, Rigg says he will "examine suitable opportunities for acquisitions". "These might include one or both of the other companies chaired by Rigg - **Triad Special Systems** and **Shreeveport**". Source - FT 23rd June 93.

The problem with Vega is that they seem to be sound... and therefore boring (in the Admiral, Coda etc definition of the word). Cash positive, excellent growth record, "look forward to another successful year" - but no real excitement. Vega is the kind of company investors should flock to. But after their first year on the market when EPS rose 19%, the shares are unchanged at 127p. Oh well.

"News of our death was exaggerated".

Last year **Computergram** carried a report saying that "Computer Power was crumbling" due to major financial problems. At the time Chairman and CEO Roger Allen said that the inaccuracies in the article "were due to the venom of an angry ex-employee".

Australian **Computer Power** employs some 60 staff in the UK and with a 33% stake in **Harwell Computer Power**. CP has reported net profit of \$3m in the 6 months to 31st Mar 93 compared with a loss of \$4.5m last time. Revenues were flat at \$98m and interest charges were deducted 30% to \$2.1m. As Allen told us "Still not brilliant but a definite improvement and not the demise others forecast". Allen also says that "the Australian market struggles with many of the same issues that I read about in **System House**. The local vs foreign firms trend is also happening in much the same way".

Clarke & Tilley sold for £11m

US **DST Systems Inc.** has paid £11m for UK financial services system house, **Clarke & Tilley**. C&T reported PBT up 70% at £556K on revenues of £5.1m in 1992 - so the deal represents an impressive 30 P/E.

Three new stars...

Yet again, both the CSI Index and the FTSE 100 rose very little in the month. Overall we feel that the market has got recovery expectations about right and do not expect further dramatic "average" rises. The fireworks will be confined to the new players.

Indeed, you should forget the old names you are used to reading about in this section. This month the three Stock Exchange stars could well be a little unfamiliar. **Comac**, the new Philip Swinstead vehicle (see p12), rose 118% from 43p to 94p - they had been as low as 18p earlier this year.

As we reported last month, virtual reality software developer, the **Division Group** came to the market at the end of May at 40p. They have risen by 90% to 76p since. **Phonelink** was also launched in June at 155p. They have risen 49% to 231p since. One analyst told us that either Phonelink was worth nothing or it was incredibly cheap. Certainly the potential for their Tel-Me directory enquiry programme, which IBM says it will bundle with every PC, is quite huge. **Kalamazoo** (up 25%) rose on a return to profits (see p 11) and **Enterprise** (also up 25%) rose on the cash injection from the merger of Teltronics and Systems Reliability and continued expressions of confidence.

The unfamiliar names are not just confined to the major gains. At the other end of the scale **Maddox** lost 12%.

Maddox is being transformed from a shell company into a CSI group with the acquisition last year of Wakebourne and others. Despite continued "Strong Buy" notices from brokers Williams de Broe, the shares continue to slip. Readers should note our June 93 article pointing out the similarities with Ferrari, Headland, EIT....

Notes and apologies...we omitted the CSI Index last month. It was 1726.41 on 31st May 93. Capita's P/E was calculated incorrectly as we did not take account of their share split. Indeed, this month if there is any difference in the FT (if available) or our own P/E calculations, the FT figure is given.

Computing Services Index

28th June 1993

April 15th 1989 = 1000

1776.96

Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (31/5/93 - 28/6/93)	+2.93%	+1.65%	+1.15%
From 15th Apr 89	+77.70%	+40.61%	
From 1st Jan 90	+93.13%	+22.25%	
From 1st Jan 91	+151.03%	+33.66%	
From 1st Jan 92	+70.07%	+15.82%	
From 1st Jan 93	+11.51%	+1.44%	+18.73%

System House CSI Share Prices and Capitalisation

	Share Price 28/6/1993 (£p)	Capitalisation 28/6/1993 (£m)	Historic P/E	CSI Index 28/6/93	Share price % move since 31/5/93	Share price % move in 1993	Capitalisation move (£m) since 31/5/93	Capitalisation move (£m) in 1993
ACT	£1.62	£228.40m	14	2571.43	5.88%	9.46%	£12.70m	£19.70m
Admiral	£4.44	£48.00m	19	3217.39	1.83%	15.32%	£0.90m	£6.70m
Capita	£1.73	£81.50m	27	5195.20	-1.14%	22.70%	-£ 1.40m	£17.60m
Computer People	£1.15	£16.00m	Loss	473.25	0.00%	55.41%	£0.00m	£5.70m
Cray Electronics	£1.54	£312.60m	13	900.58	0.65%	41.28%	£2.60m	£92.10m
Division Group	£0.76	£25.70m	Loss	1900.00	90.00%	90.00%	£12.20m	£12.20m
EIT Group (Suspended)	£0.10	£4.75m	Loss	82.61	0.00%	-38.71%	£0.00m	-£ 3.00m
Electronic Data Processing	£5.80	£50.50m	16	5918.37	4.50%	20.83%	£2.20m	£8.70m
Enterprise	£0.35	£28.10m	Loss	276.00	25.45%	68.29%	£5.70m	£12.90m
Gresham Telecomputing	£1.79	£57.00m	82	1924.73	11.88%	517.24%	£6.00m	£47.76m
INSTEM	£1.48	£6.67m	11	1480.00	9.63%	74.12%	£0.60m	£2.85m
Kalamazoo	£0.64	£11.70m	32	1814.29	24.51%	139.62%	£2.30m	£6.82m
Kewill	£1.92	£22.90m	Loss	758.89	10.98%	249.09%	£2.20m	£16.33m
Kode International	£2.04	£19.00m	24	948.84	0.99%	104.00%	£0.20m	£9.71m
Learmonth & Burchett	£2.78	£49.90m	43	2316.67	-7.33%	118.90%	-£ 3.90m	£28.70m
Logica	£2.55	£156.80m	30	698.63	10.87%	54.55%	£15.40m	£55.50m
Macro 4	£6.70	£151.10m	23	2701.61	2.60%	28.11%	£4.20m	£33.40m
Maddox Group	£0.06	£25.60m	17	1277.78	-11.54%	-20.69%	-£ 3.40m	-£ 6.70m
Micro Focus	£21.53	£299.30m	20	10400.97	-5.57%	-19.96%	-£ 17.60m	-£ 69.20m
Microgen	£1.85	£72.90m	13	790.60	-1.60%	-1.60%	-£ 1.20m	-£ 0.40m
Microvitac	£0.24	£15.70m	Loss	585.37	-4.00%	0.00%	-£ 0.60m	£0.00m
Mleys	£4.98	£193.00m	23	1238.81	-1.78%	39.11%	-£ 3.20m	£55.20m
MMT	£1.19	£12.60m	15	708.33	0.00%	7.21%	£0.00m	£0.80m
MR Data Management	£1.73	£94.80m	17	686.51	-3.89%	-10.82%	-£ 3.80m	-£ 11.50m
P&P	£0.77	£42.70m	41	345.29	10.00%	165.52%	£3.90m	£26.60m
P-E International	£0.75	£16.40m	Loss	308.64	1.35%	53.06%	£0.20m	£5.70m
Pegasus	£1.78	£11.50m	46	485.01	12.66%	54.78%	£1.30m	£4.19m
Phonelink	£2.31	£81.97m	n/a	1490.32	49.03%	49.03%	£26.97m	£26.97m
Proteus	£3.98	£107.50m	Loss	4738.10	15.70%	-4.10%	£14.60m	-£ 4.00m
Quality Software	£5.89	£45.80m	29	1550.00	13.49%	55.00%	£5.40m	£16.20m
Radius	£0.58	£15.80m	20	420.29	-3.33%	34.88%	-£ 0.60m	£4.10m
Real Time Control	£0.76	£5.32m	7	1551.02	-1.30%	-11.63%	-£ 0.07m	-£ 0.70m
Rolfe & Nolan	£2.77	£15.60m	15	1648.81	6.54%	15.42%	£0.90m	£2.00m
Sage Group	£5.20	£106.60m	17	4000.00	-7.47%	6.56%	-£ 8.60m	£6.60m
Sanderson	£2.95	£26.00m	12	1255.32	-7.23%	29.96%	-£ 2.00m	£6.00m
Sema Group	£3.07	£279.40m	25	965.41	1.66%	-4.06%	£4.60m	-£ 11.80m
Sherwood	£2.36	£14.40m	9	1966.67	-5.60%	-7.45%	-£ 0.90m	-£ 1.40m
Total	£0.78	£7.80m	14	1471.70	-6.02%	2.63%	-£ 0.50m	£0.20m
Trace	£0.47	£6.62m	16	376.00	11.90%	30.56%	£0.71m	£1.62m
Vega Group	£1.34	£18.90m	16	1098.361	5.51%	19.64%	£1.00m	£3.10m
Vistec	£0.34	£40.70m	28	1456.522	0.00%	36.73%	£0.00m	£12.90m

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.

Continued Strong Growth at ACT...

It's been quite a month for ACT. With one bound they have wrestled the mantle of "largest UK-owned CSI company" from Logica by acquiring BIS. ACT is now one of the leading suppliers of financial systems worldwide. After years of writing article after article on acquisitions of major UK-owned CSI companies by overseas operators, it gives us the greatest pleasure to write the second article this year (the first was the MBO at MDIS) which has reversed this trend.

The latest ACT Group Results.

"Record Sales" - up 28% at £153m.

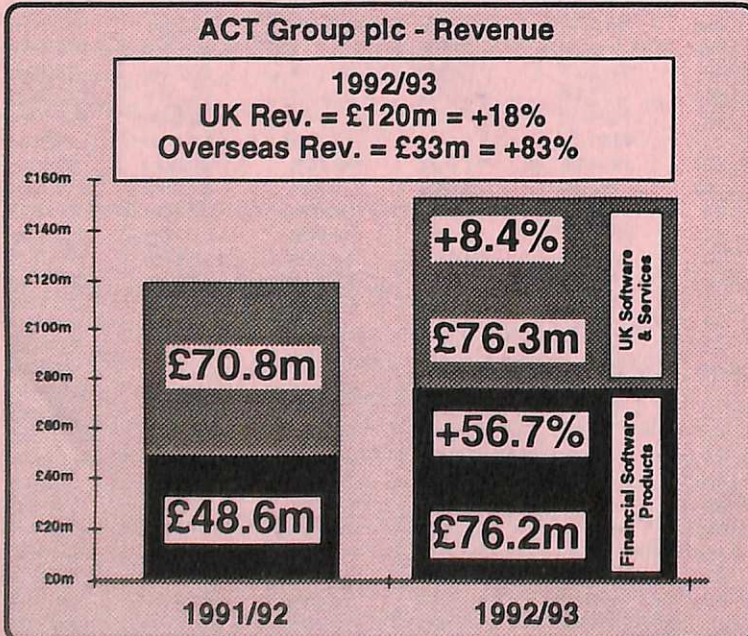
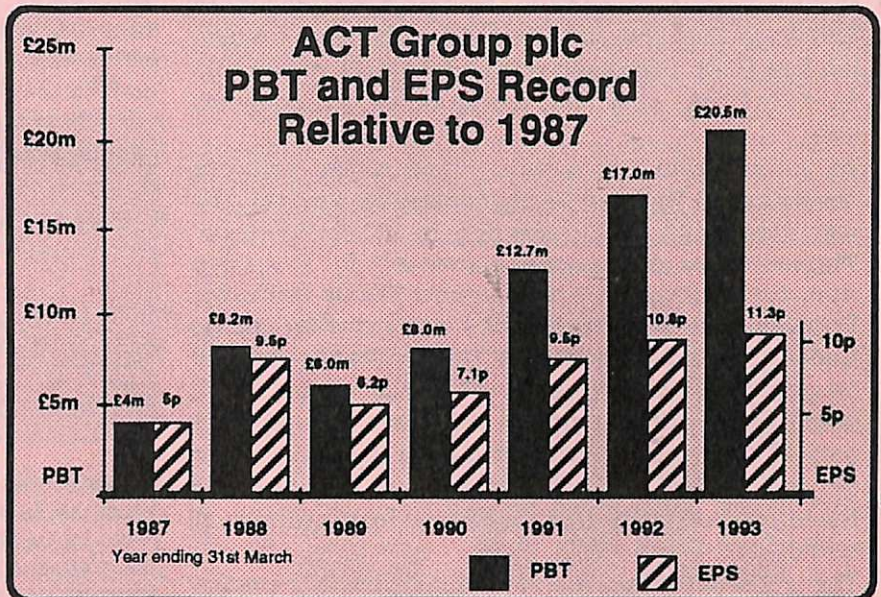
"Record PBT" - up 20% at £20.5m.

"Record EPS" - up 4.6%. Not a bad way for Roger Foster at ACT to start his Chairman's statement for the year ending 31st Mar. 93. This time last year analysts were expecting PBT of £23m; this had been downgraded since so in the event the results were a little better than expected.

ACT is now the second most profitable UK-owned CSI company - Micro Focus is number one with PBT to 31st Jan. 93 of £22.3m. As you would expect in any group of this size, the results were a mixture of the exceptional, the average and the poor.

Financial services is the real star with a 57% revenue growth so that this segment now represents 50% of ACT revenues and over 75% of group profits. **Kindle**, which was purchased in Dec. 91 for an initial £28.7m plus £5.5m deferred, "has maintained strong organic growth" with a 25% organic growth in operating profits. ACT Financial Systems in the UK also recorded "strong growth".

In Nov. 92 ACT purchased **NMW Computers**. NMW had reported losses of £1.23m on revenues of £4.9m in the six months to 30th June 93. However, ACT report that the "acquisition has been completely integrated and contributed £500K to profits in the second half ...ACT sold the Charterhouse side of the business within days because it was haemorrhaging money and in a single stroke brought the remaining stockbroker services back into profit". Source - Computergram 11th June 1993. The MBO deal had already been largely negotiated before the ACT deal was completed. But we are pleased that NMW is now making a profit as a result of considerable job cuts.



UK Software and Services comprises:

- ACT Computer Support** - hardware maintenance
- ACT Medisys** - medicare systems. This incorporates the recent **Stemm** (Aug. 91 - £2m) and **Medical Computer Services** (May 92 - £5m) acquisitions.
- ACT Logsys** - h/w and services to the public sector.
- ACT Cablestream** - Network/cabling services.

However UK Software and Services only contributed profits of £5.6m. This was due to "a very poor performance" from all four divisions in the first half. Indeed ACT Logsys reported a £1m loss in the first half but, after job losses, produced profits of £1m in the second half. As a result second half operating profits for UK Software and Services increased to £4.2m, against £1.4m in the first half.

Overseas Revenues. ACT really does seem to be motoring in terms of overseas earnings - up 83% last year to represent 22% of group revenues. **Kindle** seems to be the major contributor towards this excellent overseas growth.

Financials. Cash, regardless of acquisitions, increased from £24.3m to £25.1m but net interest received reduced from £2m to £1.4m as a result of the reduction in interest rates.

Conclusion

"These results answer some criticism of the group's rapid expansion through acquisition and show that ACT can indeed grow organically". Source - FT 11th June 93. That was a few days before the BIS purchase. We will await the full R&As to determine how much of the profit this time was due to the infamous "pre-acquisition accounting".

But, on the surface, the results seem exemplary.

...and buys BIS

On 22nd June 93 ACT announced that it was to acquire **The BIS Group** for £93.5m cash - £25m of which is deferred. As part of the financing for this deal, a 4-for-13 rights issue at 123p per share was announced. The price seems quite reasonable - an historic P/E of around 16 is almost cheap in 1993. ACT shares advanced to end the month on 162p after the news. The rights offer is open to all shareholders on the register at 30th June 1993.

System House carried an extensive report on BIS in its June 93 edition and we do not intend to repeat the analysis here. According to ACT, in 1992, BIS had revenues of £105.4m (1991: £96m) and PBT of £7.6m (1991: loss £13m). The market research operation, BIS Strategic Decisions is *not* included in the ACT purchase.

The combined statistics for the new group are impressive. Total worldwide "last year" revenues of £258m and PBT of £28.1m are both "record breaking" for a UK-owned CSI company. UK CSI revenues are around £200m, which would have put ACT into the #5 slot as providers to the UK market.

The Future?

ACT is a tough operator - and none the worse for that. Clearly ACT will dispose of certain non-core BIS activities. Brann (direct marketing) and BIS Training are unlikely to fit into the ACT Business Plan. We would hope that ACT recognise the value of the "Systems Operations" division (basically the BIS Perthcrest FM operation).

We also suspect a major "right-sizing" on the jobs front. There is substantial scope for this at BIS even after the recent major job losses. ACT are past masters at the art of cost cutting and we would be surprised if they did not act with considerable speed. BIS has still not got an open systems based MIDAS product for the late 1990s. The ACT Kindle range might look more attractive and we are sure that BIS's 500 worldwide banking clients were the main reason for the purchase. The threat of an MMC investigation is wide of the mark - we would be highly surprised if they wasted their time in that manner. If HM Government threaten the building of the first major UK-owned worldwide CSI company, what hope do we have? (Will our DTI readers please take note).

There was no formal news of the future for BIS Chairman and CEO Roger Graham. He would probably welcome a change. Graham is very highly regarded - and liked - and we suspect his new charitable or non-executive director roles would be legion. His OBE was one that was well deserved. After an exemplary career we really do wish him well.

Comment

During the last week we have been inundated with calls from around the world requesting our view on the ACT/BIS deal. We are delighted that once again the UK owns a major CSI company. The fact that our readers at Logica, Cray Electronics, MDIS and Misys might take offence merely adds to our pleasure that the UK is staging such a resurgence in this all important business arena.

ACT, Cray and Misys have a cold calculating attitude to business which is not loved by some. Logica, Data Sciences et al. were the opposite "damn the EPS, look at the technology" kind of company. We do not need to tell *System House* readers which shareholders prefer.

Madge for US Float

The UK's **Madge Networks** is planning a US NASDAQ float in Aug. valuing the operation between £186m and £223m. In the year to 31st Dec. 92 revenues doubled to £45m and PBT increased from £2.2m to £7.3m. Source - Mail on Sunday 27th June 93. Interestingly no UK float is planned.

Kalamazoo back in profit

Comparisons are difficult at **Kalamazoo** as they have recently changed their year end. Latest results (to 31st Mar 93) show PBT of £1.8m on revenues of £56.7m. EPS was certainly lower (at 1.6p) due to high tax charges. All the profits came from the computing services activities - which now represent 80% of group revenues - rather than the original forms printing activities for which Kalamazoo was founded back in 1902. "Downsizing" in this division meant the loss of 100 out of 480 jobs and gave rise to an exceptional charge of £1.5m. The profits were all achieved in the second half as a loss of £86K was reported for H1.

As we have reported, Kalamazoo has been very acquisitive. The latest was Dutch motor systems company CBS for £962K in May 93. Several further acquisitions are anticipated in the next six months, particularly in Europe.

UNIX DBMS market shows record growth

The latest report from IDC shows a 42% increase in the European UNIX DBMS market which was worth \$288m in 1992. Oracle, which of course still makes the bulk of its revenues from proprietary DBMS software, is none the less the undisputed market leader in the UNIX market as well. IDC says their position is "not really threatened".

IDC says that all major vendors recorded growth rates in excess of 20% with a massive 70% increase at Sybase. Oracle's impressive 50% growth was, however, five points lower than in the previous year.

European UNIX DBMS Market - 1992			
Vendor	Market Share	Value	Growth % 1991/92
Oracle	46.5%	\$134m	50%
Informix	16.7%	\$48m	45%
ASK/Ingres	14.6%	\$42m	45%
Sybase	5.9%	\$17m	70%
Progress	3.8%	\$11m	
Unify	2.4%	\$7m	
Empress	1.4%	\$4m	
Others	8.7%	\$25m	
Totals		\$288m	42%

Source IDC

IDC's reasons for the strong growth included:

- increased acceptance of UNIX in Europe
- high unit growth of small scale multiuser systems
- low price pressure in the DBMS market.

The report confirms how UNIX vendors have bucked the recessionary trends of the last period and seem well positioned to continue their current strong growth.

Arise Swinstead #2

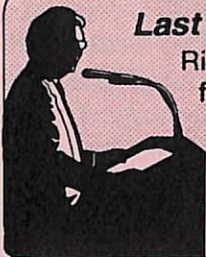
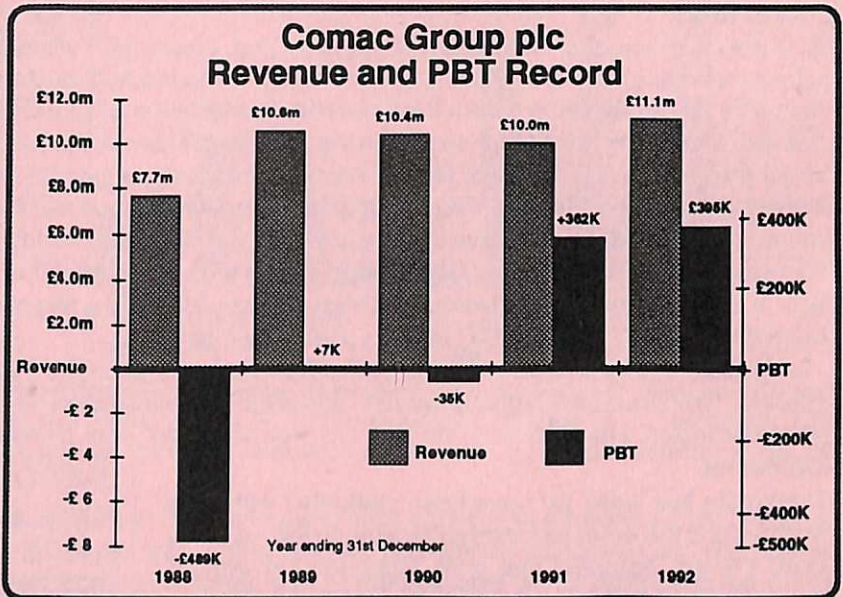
Back in Aug. 91, Philip Swinstead, who had founded Systems Designers and grown it to be the largest UK CSI company, acknowledged defeat and accepted a bid from EDS. He left with c£7.3m in cash plus compensation on his CEO contract. He also had to agree to stay out of the computing industry for around 2 years. This month Swinstead (and a few other old SD Friends) are back in the industry. He has paid £720K for a 19.4% stake in Comac and takes over as CEO. Samuel Montagu has bought 10.5% and a further 16.3% was placed by James Capel at 60p. The purchases were from Hilldown Holdings investment trust which has sold its entire 46.8% stake. Ex-BaE FD Bernard Friend becomes non-exec. Chairman and ex-SD director Ian Scroggins becomes marketing director. Given the number of ex-SD directors presently playing golf, recruitment should not pose too much of a problem.

Comac shares were trading as low as 18p just a few months ago. They rose from 44p to 69p on the announcement and ended June on 94p. Comac is a small USM quoted company "supplying contract computer consultants". The financial record has been chequered as the chart opposite shows. Revenue has been static for the last four years but PBT of £395K was made in the year to 31st Dec. 92. This would have been £52K higher without exceptional costs "relating to an abortive acquisition".

Swinstead said "that he was returning to his

roots". He intends to "start a systems integration business, specialising in communications systems and networks as well as open systems for small to medium-sized organisations". Acquisitions are envisaged once he gets the management right. Source - Computergram 17th Jun. 93.

He also says "Comac was in much the same position as Systems Designers in the 1970s". Source - FT 15th Jun. 93. The world has changed quite a bit since 1991 and a whole lot more since the 1970s. Has Swinstead changed too? We are sure this is the first of many reports on Comac System House will cover in the future and we will add Comac to our CSI Index and Results Service.



Last chance to book for the CSA Seminar on 21st July

Richard Holway is repeating his evening seminar, presenting the findings of our latest analysis of the financial performance of the UK computing services industry, on behalf of the CSA. This will start at 6.00 pm on Wednesday 21st July at the London Portman Hotel. **Bookings have been quite exceptional** - over 100 CEOs have already reserved their place - breaking all previous CSA records! The 1993 Holway Report is now ready for immediate despatch. **Richard Holway Limited will provide a "free" place at the seminar for every 1993 Holway Report purchaser.**

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