

# System House

The monthly review of the financial performance of the UK computing services industry  
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## Bellwether month for shift from in-house to outsourcing

As we have reported before, November was an important month for the UK computing services industry and certain UK outsourcing companies - EDS, CSC and IBM - in particular. Putting it into perspective the three main contracts in contention - BAe, Inland Revenue and DVOIT - were worth perhaps £300m p.a.. Or, putting it another way, an increase of around 50% on 1993's total UK FM spend.

### The biggies

**British Aerospace (BAe)** announced that it had entered into "final negotiations with **Computer Sciences Corp. (CSC)** which, if successfully concluded, will result in an agreement being signed in Spring 1994". The ten year outsourcing contract, "worth an estimated

£90m p.a.", is at £900m "the largest outsourcing contract ever awarded to a single supplier in Europe". Under the agreement "CSC is paying BAe some £75m for its existing IT function... approx. 1,250 of BAe's IT staff will transfer to CSC". EDS and IBM were the other short-listed companies. CSC claimed UK revenues of £59m in the year to Mar 93, so the BAe deal plus the FM deal with BHS (£100m over 10 years) announced earlier this year, will boost CSC in the top echelons of the UK SCSI supplier lists. CSC European revenues are now estimated to be around \$400m.

The **Inland Revenue** contract was awarded to **EDS-Scicon**. Even EDS does not know exactly how big the contract is. It is certainly in excess of £1 billion over 10 years but probably less than the £2 billion contract quoted in the "popular press". In any event, it is the largest FM contract ever awarded in the UK. The contract will involve "about 2,000 staff" transferring to EDS in April 94.

EDS-Scicon had 1992 UK revenues of £250m of which £55m was derived from non-GM outsourcing. (By the way,

Alan Stevens, EDS-Scicon Marketing Director now doesn't like the term "outsourcing" either).

### The other biggies- if it weren't for the real biggies

**DVOIT** (UK Drivers & Vehicle Licensing Agency) was awarded to **EDS-Scicon** which has taken on 370 people in a contract understood to be worth c£25m p.a. over a five year period.

**EDS-Scicon** was also awarded an outsourcing contract with **London Parking**. Basically that means that if your car is clamped anywhere in London you will be answered by an EDS employee when you ring to get released. The contract will probably eventually be worth around £4m p.a.

**Hoskyns**, who after all in our opinion

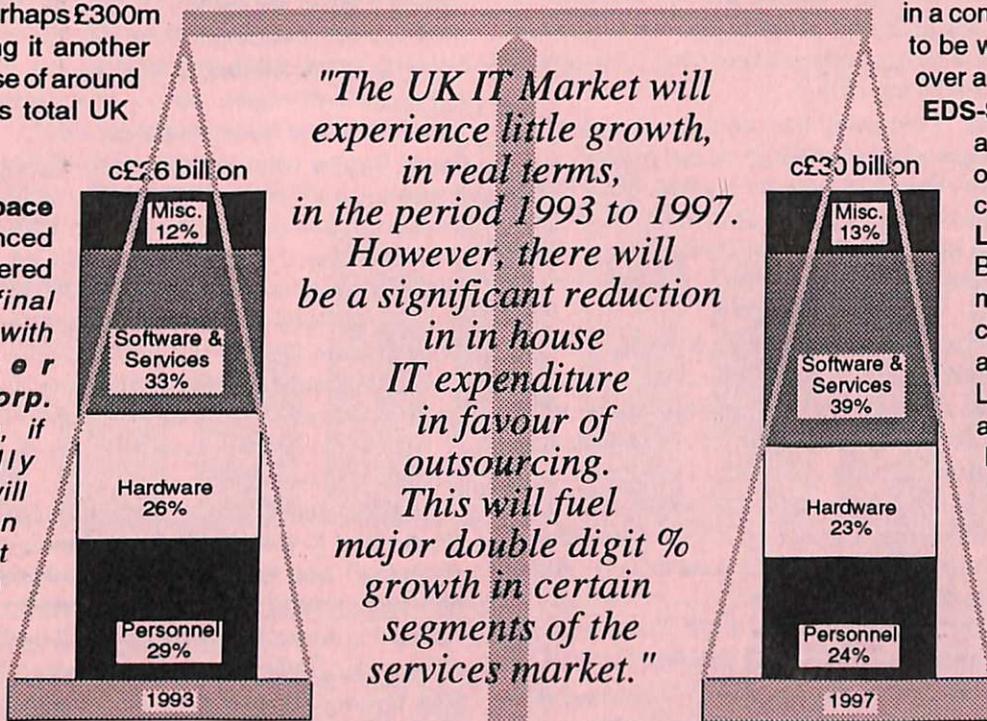
pioneered FM in the UK, opened an outsourcing centre in Scotland with £1.5m of local support. They also confirmed their FM contract with MoD Bureau West (c£20m over 5 years).

### Comment

Alan Stevens from EDS-Scicon was, as you might expect, jubilant. He said that both the contracts they had won, and those they had lost, this month had been handled in "an exemplary manner". We estimate that EDS-Scicon and CSC spent at least £2m each to bid for each contract. That's a lot of money to lose. This is a far cry from the loud criticisms from Hoskyns towards the market testing process this month.

The month has been a "bellwether" - demonstrating the unstoppable trend towards outsourced IT. However, readers should remember, as our diagram shows, that total IT is expected to remain constant in real terms (i.e. stripping out inflation) in the next few years; with decreases in in-house spend balanced by increases in outsourced revenues.

*"The UK IT Market will experience little growth, in real terms, in the period 1993 to 1997. However, there will be a significant reduction in in house IT expenditure in favour of outsourcing. This will fuel major double digit % growth in certain segments of the services market."*



Source - Software and Computing Services Industry in Europe Report

## ACT Group

ACT Group's first results since the BIS mega acquisition, for the six months to 30th Sept. 93, were as we said of the full year results "a mixture of the exceptional, the average and the poor". See major review in *System House* July 93.

Results showed total revenues up 49% at £107.6m - but £24.4m of this was from 11 weeks of BIS. Revenues from continuing operations were still up a very respectable 15%. PBT advanced 21% to £11.5m. However, at the operating level BIS had contributed £2.6m ("in line with expectations") and therefore operating profit from continuing activities was up just 2%. The effects of the BIS and other acquisitions was apparent in EPS - which advanced only 4.6% - and in the replacement of the £788K interest received last time by a net interest paid of £9K now. The balance between the £51.4m raised in the rights issue and the initial cash paid for BIS meant ACT paying £17m cash from its own coffers. But this still left net cash of £9m at the half year. However, £3m needs to be paid to Kindle in the next half and a further £12.5m to Nynex for BIS next year. As ACT has always been keen to avoid debt, it looks as if acquisitions will be on the back burner for a while. No bad thing at that.

**ACT Financial Systems**, the securities operation "continued to expand and achieved record profits".

**ACT Kindle** (purchased in Dec. 91 for £28.7m + £5.5m deferred) "showed reduced profit" of £3m compared with £4.3m in the first half of last year. But "record orders" (the order backlog was up 68% on last year) indicate medium term growth.

Readers might like to reflect on this quote from ACT's FD Brian Whittey. "We bought Kindle for a consideration that was based on an earnout, which in turn was based on last year's profits. So naturally, Kindle was incentivised to draw as much profit into the last half of 1992 as it could".

Source - Analyst Alan Page in *MicroScope* 17th Nov. 93

**BIS Banking Systems** "performed above expectation", "will make a very significant profit contribution" and is showing growth of around 20% p.a.

**ACT Computer Support and ACT Cablestream** "continued to trade well in the face of continued margin pressure". Readers know our views on TPM but we were impressed with the "PC FM" deal with the CAA.

**ACT Business Systems** (newly formed and comprising Logsys, ACT's systems company and BIS Information Systems) had "underperformed as a result of lower than expected order levels during the summer months".

**ACT Medisys and Brann Direct Marketing** (from the BIS purchase) do not seem to fit in so well with ACT's focus. *Might they be sold?*

Analysts are projecting PBT of £30m for the full year to 31st Mar. 94. ACT believes it is now in a position "to deliver long term consistent growth".

**Comment.** Organic profit growth at ACT is minimal thus fuelling speculation that, without a continuing acquisitions programme, ACT could suffer the same fate as Misys in 1990/91. But cash considerations rule out further mega acquisitions for a while. Foster believes that the lack of organic growth is a "blip". We would like to see ACT getting their house in order and not embarking on anything major in the next year. It might be painful but it also might produce the "long term consistent growth" that ACT desires.

ACT closed the month at 158p - well off their 1993 high of 187p.

## People

Some of our most avid readers (based on their feedback to us) have had an "interesting" month.



**Philip Crawford**, who we really rate for building Bull's service revenues in the UK, has been promoted to CEO of Bull UK. Crawford believes that services will rise to 80% of Bull UK's revenues. Believe him...his record bears it out. Indeed, days later, a new structure for the whole of Bull was announced "to cut costs and promote the company as a services provider". Crawford added that the restructure "was a testament to the success of the UK operation".

**David Bean** from **Praxis** took on the CSA Presidency this month. He reported, in his inaugural speech, that the EC Journal had listed 60 IT contracts up for grabs in the period 14th Aug. to 1st Oct. 93; 45 of these were from the UK. Clearly a case, yet again, of the UK playing by the rules whereas our Maastricht "friends" are not so keen. "Civil servants point out that contracts are always awarded in the country of origin, so no real harm is done. This is hypocritical and quite unacceptable".

**Geoff Squire** (who we also rate highly) was at long last appointed a VP of the CSA which might have led to a long awaited vibrant year for the CSA in 1994/5. But, almost on the same day, Squire lost his role as head of **Oracle's** international operations in favour of Ray Lane. Squire was to head corporate business development. This just isn't Squire's style. So...he quit on 22nd Nov. Rumours abound that he is taking the top slot at Sybase as, unbelievably, his contract did not have a non competition clause. The value of his Oracle options seem similar to the GDP of most developing countries.

In addition, the CSA will be deprived of its next president. Squire had in the CSA's Tony Lewis' words been "very proactive" and had been responsible for the likes of Microsoft joining recently. Personally, we were looking forward to an exciting year of much needed change at the CSA under Squire. We now feel very depressed.

**Sid Green** "is standing down as CEO of **Gresham Telecomputing** due to ill health...Hamish Donaldson, who was recently appointed chairman, will temporarily assume the role of CEO and Steve Purchase will become COO". Gresham shares had gone into orbit this year; hitting a high of 186p but had settled back to 150p since. **Paul Davies**, the ex-SD-Scicon manager who was recently the MD of **Easams**, has been appointed to the board of ex-SD-Scicon Philip Swinstead's **Comac** to run the non body shopping side. Keith Jennings is "acting" MD at Easams for the moment. Given Jennings success in building Easams commercial SCSI activities, perhaps they should make it permanent.

**Note:** One of our avid readers (but for some reason not a subscriber) is clearly Philip Swinstead at Comac who was said to be furious at our article last month. We had several other calls commenting on our "restraint" for once. Can't win 'em all.

**Jim MacKenna** has joined his ex-boss at Marconi Radar - Dr Martin Read - at **Logica**; where he has been appointed Group Personnel Director.

**Tricia Gardom** and **Lyn Barrat** have been promoted to the board at **FI Group plc** - congratulations!

## MMT Computing

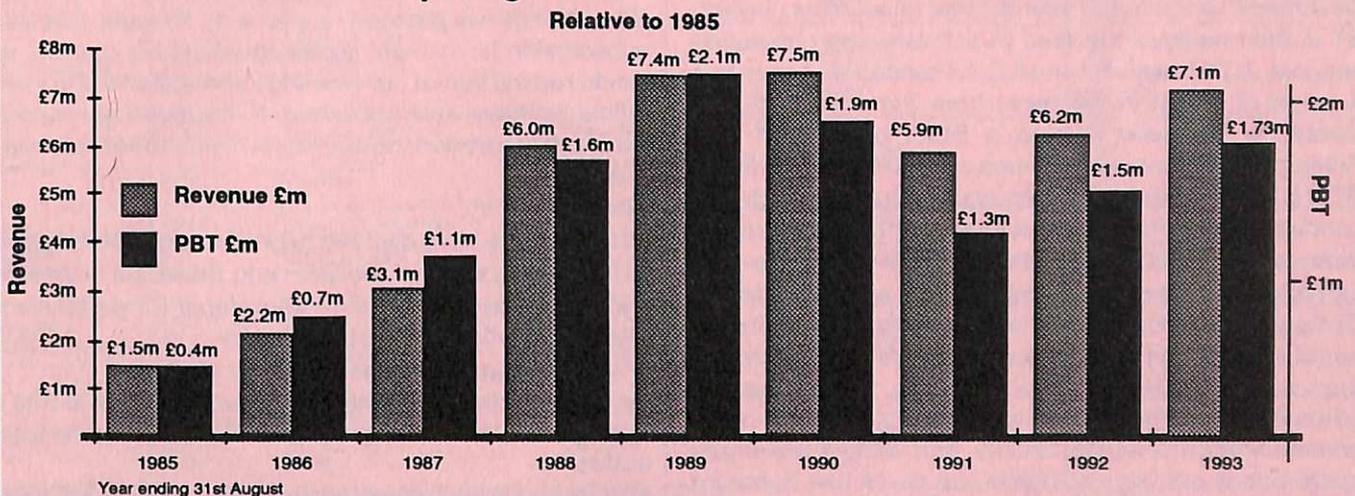
In the year to 31st Aug. 93, **MMT Computing** increased revenues by 13.5% to £7.1m but operating profit by only 6.6% to £1.1m. However, "a small investment in **P-E International** and a somewhat larger investment in **Total Systems** both proved to be winners and sales in the period yielded a capital gain of over £230K, rather more than offsetting reduced returns on cash deposits resulting from dramatically lower interest rates". This resulted in PBT up 14.7% at £1.7m. Cash increased to end the year at £4.5m.

MMT was one of the earliest entrants in what we now refer to as Applications Management (AM). Their flagship AM account is Marks & Spencer - now 15 years duration. However "South East" - a 51% owned subsidiary - "was very much the star" with "profitability at a record level". "We hope to move to fuller ownership". However the Reading branch "was a severe disappointment and particularly sad to see set against the efforts and profit contributions of the younger companies".

MMT seem to have got around the accounting rules relating to unlet properties by sub letting their surplus space "on a somewhat subsidised basis" to South East.

Now read this. In May 1990 - "The marketplace is difficult at present and utilisation of fee earning staff is currently 95% as opposed to almost 100% in earlier years". Now Chairman Mike Tilbrook reports that MMT has "begun the new year with much better utilisation rates on staffing levels returning to the higher numbers of earlier years and likely to increase soon to an all time high. Whilst margins remain under considerable pressure, and may never again enjoy the margins of 5 or 6 years back, we do have an excellent current order book and numerous first class prospects for future business".

### MMT Computing - Nine Year Revenue & PBT Record



### First profits from Alphameric

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 a 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". He was right. Latest results for the six months to 30th Sept. 93 show operating profits of £203K compared with a loss of £313K last time. Revenues were up 75% at £5.3m.

If we had included Alphameric (we don't because they still look to us like a hardware manufacturer) in our CSI Index they would have been one of the best performers. They are now trading at 46p - 150% higher than at the start of 1993 and nearly seven times higher than the 1992 low. They had been a penny stock in 1991 prior to the rights issue. Alphameric has now extended its EPOS range to include keyboards and terminals designed for the hospitality sector.

### Trace, perhaps not in the black?...

The number of publicly quoted SCSI companies whose accounts get qualified by their auditors are small. Last month we reported yet another quite dismal set of results from **Trace Computers**. These showed PBT down 58% at £251K compared with £1.8m three years ago when they floated.

But neither the Chairman's statement nor the press release at that time disclosed that their auditors, Touche Ross, had expressed "fundamental uncertainty" over the valuation of property in Trace's balance sheet at £4.6m against "its current market value of £2.25m". The problem is that Trace only has net assets of £2m - so the shortfall is...well, draw your own conclusions.

### ...perhaps not in the Pink...

**Pink Computing**, acquired in the last year by Trace, has sold its cabling, networking and maintenance activities for £115K. The proceeds will be used as an "opportunity to reduce borrowings".

### ...certainly in the red...

Trace Computers full R&As reports bank overdrafts of £4.3m as at 31st May 93; contributing to current net liabilities of £3.9m.



# Syntegra

Syntegra (*"the systems integration business of BT"* as the receptionist repeated for the millionth time) is the new name for BT Customer Systems. We always thought the old name was...out of date and misleading. The new name, chosen from over 1000 suggestions, fits in well with BT's network management arm Syncordia. But they were a little annoyed when we suggested this as the reason for the choice. The "real" reason was that the name *"combines integrity and trust with technology...suggests synthesis and synergy... provides a strong link with systems integration"*. You can't fool us...we think it is a great name **because** of its links with BT and Syncordia.

Only the name has changed...the management under ex-Software Sciences Bill Halbert remains the same.

**Comment.** Of the major international telecomms players, BT is the one least involved in software and computing services. AT&T has Intel and NCR, France Telecom has a range of SCSI investments from Sema to CGS and Deutsche Telekom is also a SCSI player. BT has Syntegra...with annual revenues of £200m or just 1.5% of BT's £13 billion annual revenues. Syntegra has always concentrated on what it described as *"communications intense"* systems. Distributed/client-server systems - perhaps one of the fastest growth areas and estimated by Syntegra to be growing at 35% p.a. - will continue to be the target market. But competition will be intense - from the conventional SCSI players, the management consultancies, hardware manufacturers and other communications players. Bluntly, and without wishing to upset one of our biggest clients, we doubt that Syntegra can grow fast enough organically. It - or BT - needs a megadrive boost by a significant SCSI purchase. *Now we can think of quite a few likely candidates.*

## Sherwood issues second profits warning

In Jan. 93 Sherwood Computer shares hit a high of 350p. Since then there have been two profits warnings. The second, this month, caused a crash from 145p to a low point of 85p - some 75% lower than the 1993 peak. Sherwood said that *"market expectations of PBT between £1.5m and £2.1m would not be met"* as *"the local government market was proving difficult"*. A large life and pensions client had decided to continue with its bureau services rather than move to Sherwood's package software. This would cost Sherwood some £0.5m in licence fees. In addition, there were continuing problems at Lloyds where significant job losses seem bound to occur.

Sherwood has been buoyed by "once-off" licence fees from clients moving away from its bureau services. It was therefore quite vulnerable to even minor slowing. Sherwood, with a current capitalisation of £5.8m must be a very vulnerable takeover target.

**Sorry**...we had hoped to talk to Quality Software Products (QSP) this month but our interview was cancelled for the second time. Readers will know of our deep concerns and we are sure that the cancellation had nothing to do with the lay off of some 25 of their staff this month.

## Another nightmare comes true...

In Mar. 92, Maddox Group moved to a full listing on the Stock Exchange when they changed their name from Pathfinder Personnel Services Ltd. This was after entrepreneur, Hugo Biermann moved into the Maddox driving seat. Their main activities are recruitment, maintenance (IBM and Compaq) and product distribution (non-CSI related to cable distribution where they acquired Cable & Flexibles Ltd. and Seacoast Electric Co. Inc. in Mar 92).

In Aug. 92, just a year ago, brokers Williams de Broe organised a rights issue for Maddox at 8p per share raising £16.5m in order to acquire TPM Wakebourne for £13.3m. Wakebourne then went on to acquire Computer Profiles (Feb. 93 - £150K) and Switch (Sept. 93 - £950K). In May 1993 Maddox announced the sale of C&F and Seacoast for c£19.9m. In July 93 auditors Ernst & Young expressed *"fundamental uncertainties"* over whether the debts of £15.1m owed by the sold companies would be repaid. In Sept. 93, C&F had been put into receivership. Maddox announced that it *"had received approaches which may or may not lead to a sale"*.

Now, before we proceed, if you ever thought that your subscription to *System House* could not be justified, we would remind you of our warnings about Maddox in every article we have ever published. It, however, gives us no satisfaction to report that the worst nightmares have come true.

### The facts

- the directors have decided to provide against the whole £15.1m book value of the C&F and Seacoast disposals.
- Maddox has additional £1.85m debts for professional fees etc. relating to these disposals.
- *"no offers have been received"* for Maddox
- in the six months to 30th June, Maddox made a loss of £18.9m of which £15.7m related to the provisions listed above.
- these results are *"unrelated to the trading at Wakebourne"* which *"performed well making PBT of £1.3m"*.
- The company is unable to satisfy its liabilities, currently approx. £3.6m, and *"has sought bank facilities ... without success"*.

• Maddox is proposing a rights issue at 1p per share raising £3.9m underwritten by Williams de Broe. The shares fell from 3p to 1p on the announcement.

• Hugo Biermann has left the board *"to pursue other business interests"* and Maddox will change its name to Wakebourne. Auditors Earnst & Young are replaced by Touche Ross.

• Wakebourne directors/shareholders have the right to repurchase Wakebourne *"upon the occurrence of certain events of insolvency"* for approx. £1.5m. They have agreed to waive these rights with a number of provisions which could see them owning c30% of Maddox after the rights. That's a far cry from the £13m valuation they agreed a year ago.

### Comment

*"Remember the obvious similarities with Ferrari, Enterprise, EIT...."* Source - *System House* Mar. 93. A comment which was not only prophetic but still has some way to go. Our industry does not need stories like this. As Logica's Philip Hughes said a few years ago *"we all drink out of the same soup bowl"*. The integrity of all IT companies suffers from these kinds of fiascos.

# Richard Holway Results Service

|  |                                  |   |   |  |  |
|--|----------------------------------|---|---|--|--|
| <b>ACT Group plc</b>                                   | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92<br>£ 72,120,000<br>£ 9,543,000<br>5.01               | Final - Mar 93<br>£ 152,926,000<br>£ 20,478,000<br>10.63p             | Interim - Sep 93<br>£ 107,595,000<br>£ 11,531,000<br>5.24p   | Interim Comparison<br>+49.2%<br>+20.8%<br>+4.6%                  |
| <b>Admiral plc</b>                                     | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 13,656,000<br>£ 1,960,000<br>11.6p              | Final - Dec 92<br>£ 30,870,000<br>£ 3,986,000<br>24.2p                | Interim - Jun 93<br>£ 17,710,000<br>£ 2,185,000<br>13.3p     | Interim Comparison<br>+29.7%<br>+11.5%<br>+14.7%                 |
| <b>Capita Group plc</b>                                | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 13,732,000<br>£ 1,769,000<br>2.53p              | Final - Dec 92<br>£ 33,098,452<br>£ 4,406,012<br>6.43p(Revised)       | Interim - Jun 93<br>£ 22,102,000<br>£ 2,038,000<br>2.86p     | Interim Comparison<br>+61.0%<br>+15.2%<br>+13.0%                 |
| <b>Comac Group plc</b>                                 | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 4,800,000<br>£ 43,727<br>0.44p                  | Final - Dec 92<br>£ 11,118,158<br>£ 394,723<br>3.94p                  | Interim - Jun 93<br>£ 5,300,000<br>£ 59,950<br>0.65p         | Interim Comparison<br>+8.2%<br>+37.1%<br>+47.7%                  |
| <b>Computer People Group plc</b>                       | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 29,895,000<br>(£ 135,000)<br>(0.73p)            | Final - Dec 92<br>£ 62,735,000<br>£ 145,000<br>(0.97p)                | Interim - Jun 93<br>£ 33,542,000<br>£ 364,000<br>1.45p       | Interim Comparison<br>+12.2%<br>Loss to profit<br>Loss to profit |
| <b>Cray Electronics Holding plc</b>                    | Results<br>Revenue<br>PBT<br>EPS | Final - Apl 92 (restated)<br>£ 84,786,000<br>£ 2,352,000<br>1.9p      |   | Final - Apl 93<br>£ 200,785,000<br>£ 29,014,000<br>13.8p     | Final Comparison<br>+136.8%<br>+1133%<br>+626%                   |
| <b>Division Group plc</b>                              | Results<br>Revenue<br>PBT<br>EPS | Interim - Apl 92<br>£ 498,564<br>£ 73,100<br>0.7p                     | Final - Oct 92<br>£ 1,081,913<br>(£ 107,783)<br>(1.0p)                | Interim - Apl 93<br>£ 913,508<br>(£ 10,212)<br>(0.1p)        | Interim Comparison<br>+83.0%<br>Profit to Loss<br>Profit to Loss |
| <b>EIT Group plc</b>                                   | Results<br>Revenue<br>PBT<br>EPS | Final - Mar 91<br>£ 485,052<br>(£ 246,437)<br>(4.15p)                 |   | Final - Mar 92<br>£ 7,028,738<br>(£ 190,510)<br>(1.3p)       | Final Comparison<br>+1349%<br>Loss both<br>Loss both             |
| <b>Electronic Data Processing plc</b>                  | Results<br>Revenue<br>PBT<br>EPS | Interim - Mar 92<br>£ 7,468,000<br>£ 2,407,000<br>18.83p              | Final - Sep 92<br>£ 15,455,000<br>£ 4,877,000<br>38.4p                | Interim - Mar 93<br>£ 7,350,000<br>£ 2,341,000<br>18.07p     | Interim Comparison<br>-1.6%<br>-2.7%<br>-4.0%                    |
| <b>Enterprise Computer Holdings plc</b>                | Results<br>Revenue<br>PBT<br>EPS | Final -15 mos to Mar 92<br>£ 157,857,000<br>(£ 8,330,000)<br>(9.8p)   |   | Final - Mar 93<br>£ 58,231,000<br>(£ 5,888,000)<br>(7.4p)    | Final Comparison<br>Not comparable<br>Loss both<br>Loss both     |
| <b>Gresham Telecomputing plc</b>                       | Results<br>Revenue<br>PBT<br>EPS | Interim - Apl 92<br>£ 3,954,000<br>£ 284,000<br>0.57p                 | Final - Oct 92<br>£ 7,250,000<br>£ 767,000<br>1.94p                   | Interim - Apl 93<br>£ 3,060,000<br>£ 419,000<br>0.86p        | Interim Comparison<br>-22.6%<br>+47.5%<br>+50.9%                 |
| <b>INSTEM plc</b>                                      | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 7,062,000<br>£ 551,000<br>7.96p                 | Final - Dec 92<br>£ 14,272,000<br>£ 575,000<br>8.5p                   | Interim - Jun 93<br>£ 9,505,000<br>£ 410,000<br>6.01p        | Interim Comparison<br>+34.6%<br>-25.6%<br>-24.5%                 |
| <b>Kalamazoo Computer Group plc</b>                    | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92 (Restated)<br>£ 27,576,000<br>(£ 936,000)<br>Nil     | Final - Mar 93 (Restated)<br>£ 56,508,000<br>£ 940,000<br>Nil         | Interim - Sep 93<br>£ 29,562,000<br>£ 2,533,000<br>4.2p      | Interim Comparison<br>+7.2%<br>Loss to Profit<br>Loss to Profit  |
| <b>Kowill Systems plc</b>                              | Results<br>Revenue<br>PBT<br>EPS | Interim - Sep 92 (Restated)<br>£ 15,418,000<br>(£ 172,000)<br>(3.58p) | Final - Mar 93 (Restated)<br>£ 33,341,000<br>(£ 5,192,000)<br>(0.60p) | Interim - Sep 93<br>£ 15,999,000<br>£ 1,757,000<br>10.15p    | Interim Comparison<br>+3.8%<br>Loss to Profit<br>Loss to Profit  |
| <b>Kode International plc</b>                          | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 9,637,000<br>£ 330,000<br>2.5p                  | Final - Dec 92<br>£ 20,915,000<br>£ 1,031,000<br>8.6p                 | Interim - Jun 93<br>£ 12,277,000<br>£ 710,000<br>4.3p        | Interim Comparison<br>+27.4%<br>+115.2%<br>+72.0%                |
| <b>Learmonth &amp; Burchett Management Systems plc</b> | Results<br>Revenue<br>PBT<br>EPS | Interim - Oct 92<br>£ 10,713,000<br>£ 753,000<br>3.1p                 | Final - Apl 93<br>£ 23,645,000<br>£ 1,610,000<br>7.0p                 | Interim - Oct 93<br>£ 13,114,000<br>£ 201,000<br>1.0p        | Interim Comparison<br>+22.4%<br>-73.3%<br>-67.7%                 |
| <b>Logica plc</b>                                      | Results<br>Revenue<br>PBT<br>EPS | Final - Jun 92<br>£ 200,383,000<br>£ 7,062,000<br>7.0p                |   | Final - Jun 93<br>£ 217,434,000<br>£ 9,026,000<br>8.7p       | Final Comparison<br>+8.5%<br>+27.8%<br>+24.3%                    |
| <b>MR Data Management plc</b>                          | Results<br>Revenue<br>PBT<br>EPS | Final - Jun 92<br>£ 33,711,000<br>£ 8,227,000<br>10.6p                |   | Final - Jun 93<br>£ 40,790,000<br>£ 8,760,000<br>10.6p       | Final Comparison<br>+21.0%<br>+6.4%<br>+0%                       |
| <b>Macro 4 plc</b>                                     | Results<br>Revenue<br>PBT<br>EPS | Final - Jun 92<br>£ 19,016,000<br>£ 8,750,000<br>26.5p                |   | Final - Jun 93<br>£ 23,256,000<br>£ 10,497,000<br>31.5p      | Final Comparison<br>+22.3%<br>+20.0%<br>+18.9%                   |
| <b>Maddox Group plc</b>                                | Results<br>Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 9,552,000<br>£ 325,000<br>0.21p                 | Final - Dec 92 (Restated)<br>£ 24,171,000<br>£ 453,000<br>0.13p       | Interim - Jun 93<br>£ 12,004,000<br>(£ 18,944,000)<br>(4.3p) | Interim Comparison<br>+23.4%<br>Profit to Loss<br>Profit to Loss |
| <b>Micro Focus plc</b>                                 | Results<br>Revenue<br>PBT<br>EPS | Interim - Jul 92 (restated)<br>£ 30,644,000<br>£ 9,628,000<br>44.5p   | Final - Jan 93 (restated)<br>£ 68,882,000<br>£ 22,777,000<br>106.6p   | Interim - Jul 93<br>£ 40,800,000<br>£ 11,554,000<br>53.5p    | Interim Comparison<br>+33.1%<br>+20.0%<br>+20.2%                 |

# Richard Holway Results Service

|  |                               |  |   |   |  |
|--|-------------------------------|--|---|---|--|
| <b>Microgen Holdings plc</b>                   | Results Revenue<br>PBT<br>EPS | Interim - Apl 92<br>£ 24,974,000<br>£ 4,368,000<br>7.1p              | Final - Oct 92<br>£ 49,316,000<br>£ 8,243,000<br>13.8p            | Interim - Apl 93<br>£ 26,137,000<br>£ 3,758,000<br>6.1p               | Interim Comparison<br>+4.7%<br>-14.0%<br>-14.1%                  |
| <b>Microvitec plc</b>                          | Results Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 25,533,000<br>£ 62,000<br>0.1p                 | Final - Dec 92<br>£ 49,888,000<br>£ 2,137,000<br>(3.4p)           | Interim - Jun 93<br>£ 17,959,000<br>£ 570,000<br>0.8p                 | Interim Comparison<br>-30.0%<br>+819%<br>+700%                   |
| <b>Misys plc</b>                               | Results Revenue<br>PBT<br>EPS | Final - May 92<br>£ 68,023,000<br>£ 9,118,000<br>17.8p               |   | Final - May 93<br>£ 88,761,000<br>£ 15,125,000<br>27.4p               | Final Comparison<br>+30.5%<br>+65.9%<br>+53.9%                   |
| <b>MMT Computing plc</b>                       | Results Revenue<br>PBT<br>EPS | Final - Aug 92<br>£ 6,215,475<br>£ 1,504,040<br>7.9p                 |   | Final - Aug 93<br>£ 7,057,716<br>£ 1,725,549<br>9.0p                  | Final Comparison<br>+13.5%<br>+14.7%<br>+13.9%                   |
| <b>P &amp; P plc</b>                           | Results Revenue<br>PBT<br>EPS | Interim - May 92<br>£ 119,300,000<br>£ 1,000,000<br>1.0p             | Final - Nov 92<br>£ 222,752,000<br>£ 2,012,000<br>1.9p            | Interim - May 93<br>£ 121,800,000<br>£ 2,000,000<br>2.1p              | Interim Comparison<br>+2.1%<br>+100%<br>+110%                    |
| <b>P-E International plc</b>                   | Results Revenue<br>PBT<br>EPS | Interim - June 92<br>£ 35,308,000<br>£ 515,000<br>1.5p               | Final - Dec 92<br>£ 71,108,000<br>£ 160,000<br>(0.22p)            | Interim - June 93<br>£ 34,198,000<br>£ 896,000<br>(4.1p)              | Interim Comparison<br>-3.1%<br>Profit to Loss<br>Profit to Loss  |
| <b>Pegasus Group plc</b>                       | Results Revenue<br>PBT<br>EPS | Interim - Jul 92<br>£ 4,193,000<br>£ 335,000<br>3.7p                 | Final - Dec 92<br>£ 10,269,000<br>£ 620,000<br>7.3p               | Interim - Jun 93<br>£ 5,300,000<br>£ 1,017,000<br>9.1p                | Interim Comparison (Note yr end)<br>+26.4%<br>+203.6%<br>+145.9% |
| <b>Phonelink plc</b>                           | Results Revenue<br>PBT<br>EPS | Final - Mar 92<br>£ 819,709<br>£ 140,420<br>0.5p                     |   | Final - Mar 93<br>£ 922,557<br>£ 30,905<br>0.1p                       | Final Comparison<br>+12.5%<br>-78.0%<br>-80.0%                   |
| <b>Proteus International plc</b>               | Results Revenue<br>PBT<br>EPS | Final - Mar 92<br>£ 3,000<br>£ 2,408,000<br>(10.86p)                 |   | Final - Mar 93<br>£ 21,000<br>£ 3,547,000<br>(13.52p)                 | Final Comparison<br>+600%<br>Loss both<br>Loss both              |
| <b>Quality Software Prod. Holdings plc</b>     | Results Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 6,000,000<br>£ 227,000<br>3.9p                 | Final - Dec 92<br>£ 13,118,000<br>£ 1,201,000<br>16.2p            | Interim - Jun 93<br>£ 6,600,000<br>£ 143,000<br>2.1p                  | Interim Comparison<br>+10.0%<br>-37.0%<br>-46.2%                 |
| <b>Radius plc</b>                              | Results Revenue<br>PBT<br>EPS | Interim - May 92<br>£ 11,988,000<br>£ 525,000<br>1.0p                | Final - Nov 92<br>£ 24,012,000<br>£ 1,231,000<br>2.9p             | Interim - May 93<br>£ 10,723,000<br>£ 466,000<br>(1.3p)               | Interim Comparison<br>-10.6%<br>Profit to Loss<br>Profit to Loss |
| <b>Real Time Control plc</b>                   | Results Revenue<br>PBT<br>EPS | Final - Mar 92<br>£ 6,835,000<br>£ 1,192,000<br>11.1p                |   | Final - Mar 93<br>£ 6,114,000<br>£ 492,000<br>4.9p                    | Final Comparison<br>-10.5%<br>-58.7%<br>-55.9%                   |
| <b>Rolfe &amp; Nolan Computer Services plc</b> | Results Revenue<br>PBT<br>EPS | Final - Feb 92<br>£ 6,737,000<br>£ 1,390,000<br>15.9p                |   | Final - Feb 93<br>£ 11,232,000<br>£ 1,216,000<br>17.7p                | Final Comparison<br>+66.7%<br>-12.5%<br>+11.3%                   |
| <b>Sage Group plc</b>                          | Results Revenue<br>PBT<br>EPS | Interim - Mar 92<br>£ 14,489,000<br>£ 4,340,000<br>14.53p            | Final - Sep 92<br>£ 27,274,000<br>£ 8,853,000<br>30.9p            | Interim - Mar 93<br>£ 20,983,000<br>£ 5,380,000<br>17.68p             | Interim Comparison<br>+44.8%<br>+24.0%<br>+21.7%                 |
| <b>Sanderson Electronics plc</b>               | Results Revenue<br>PBT<br>EPS | Interim - Mar 92<br>£ 10,610,000<br>£ 1,801,000<br>16.0p             | Final - Sep 92<br>£ 21,398,000<br>£ 2,805,000<br>24.0p            | Interim - Mar 93<br>£ 12,057,000<br>£ 1,803,000<br>14.2p              | Interim Comparison<br>+13.6%<br>+0.1%<br>-11.3%                  |
| <b>Sema Group plc</b>                          | Results Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 195,393,000<br>£ 28,534,000<br>5.3p (Adjusted) | Final - Dec 92<br>£ 416,675,000<br>£ 19,458,000<br>13.22p         | Interim - Jun 93<br>£ 232,948,000<br>£ 15,213,000<br>7.05p (Adjusted) | Interim Comparison<br>+19.2%<br>-46.7%<br>+33.0%                 |
| <b>Sherwood Computer Services plc</b>          | Results Revenue<br>PBT<br>EPS | Interim - Jun 92<br>£ 10,710,000<br>£ 1,748,000<br>16.7p             | Final - Dec 92<br>£ 21,103,000<br>£ 3,004,000<br>27.5p            | Interim - Jun 93<br>£ 11,837,000<br>£ 541,000<br>3.4p                 | Interim Comparison<br>+10.5%<br>-69.1%<br>-79.6%                 |
| <b>Standard Platforms plc</b>                  | Results Revenue<br>PBT<br>EPS | Final - Mar 92<br>£ 1,606,610<br>£ 847,471<br>n/a                    |   | Final - Mar 93<br>£ 2,700,000<br>£ 405,368<br>n/a                     | Final Comparison<br>+66.8%<br>Loss Both<br>n/a                   |
| <b>Total Systems plc</b>                       | Results Revenue<br>PBT<br>EPS | Final - Mar 92<br>£ 2,796,777<br>£ 756,880<br>5.11p                  |   | Final - Mar 93<br>£ 2,869,359<br>£ 832,906<br>6.08p                   | Final Comparison<br>+2.6%<br>+10.0%<br>+19.0%                    |
| <b>Trace Computers plc</b>                     | Results Revenue<br>PBT<br>EPS | Final - May 92<br>£ 19,311,869<br>£ 502,212<br>2.87p                 |   | Final - May 93<br>£ 18,042,438<br>£ 211,504<br>1.12p                  | Final Comparison<br>-6.6%<br>-58.0%<br>-61.0%                    |
| <b>Vega Group plc</b>                          | Results Revenue<br>PBT<br>EPS | Final - Apl 92 (amended)<br>£ 6,269,000<br>£ 1,387,000<br>6.69p      |   | Final - Apl 93<br>£ 8,089,000<br>£ 1,705,000<br>7.99p                 | Final Comparison<br>+29.0%<br>+27.0%<br>+19.4%                   |
| <b>Vistec Group plc</b>                        | Results Revenue<br>PBT<br>EPS | Interim - Oct 92<br>£ 18,703,000<br>£ 1,305,000<br>0.73p             | Final - Apl 93 (Restated)<br>£ 38,665,000<br>£ 3,282,000<br>1.88p | Interim - Oct 93<br>£ 17,630,000<br>£ 1,126,000<br>0.62p              | Interim Comparison<br>-5.7%<br>-13.7%<br>-15.1%                  |

# Acquisitions, disposals and liquidations

## Bull and Cara

French **Bull** is said to be backing an MBO of Ireland's largest PC dealer and TPM, **Cara**, from **Aer Lingus**. Cara earned revenues of I£33m and PBT of I£500K in the year to 31st Mar. 93. "Cara was put up for sale in May at the latest, and the fact that it has taken until October to sell to its management suggests Aer Lingus has not got the price it was hoping for". Source - PC Europa Nov. 93.

## Pegasus buys out Sequel

Accounting software provider, **Pegasus**, has acquired the rights to its Pegasus Opera product by buying **Sequel Systems** for £786K. Pegasus acquired the IPR to the product in 1992. Sequel was founded by ex-Pegasus managers - Johnnie Johnson and Chris Leak - who will now become Technical Director and Sales & Marketing Director respectively at Pegasus. One way of getting rid of the c£10m cash mountain at Pegasus.

## Welcome Admiral Training Centres Ltd.

This month, **Admiral plc** has signed an outsourcing deal with **Barclays IT Training Services (BITTS)**, worth around £2m p.a., to provide IT training. This has given birth to **Admiral Training Centres Ltd.** The majority of the training will be in desktop systems - a market which Admiral say is worth £320m p.a.. We understand that 20 Barclays staff have transferred to Admiral; so it really is a "FM-type" deal.

## VAMP

It was only two years since **Value Added Medical Products (VAMP)** was on the verge of collapse. In Feb. 91, VAMP told its 1000 GP users that it would fail unless they accepted substantially lower payments for their patient data in return for "a share in the profits over the next 25 years". The rescue was aided by a medium term financing package from **Capital Group**.

VAMP has had a chequered history as the results below show.

| VAMP Health | Year to 31st Jan. |         |           |           |         |
|-------------|-------------------|---------|-----------|-----------|---------|
|             | 1989              | 1990    | 1991      | 1992      | 1993    |
| Revenue     | £4.2m             | £11.6m  | £12.2m    | £12.8m    | £13.0m  |
| PBT         | -£ 955K           | £2,129K | -£ 1,394K | -£ 1,686K | £1,750K |

Anyway, the VAMP shareholders quickly got their rewards when they were acquired this month for a princely £13.3m by Reuters. We await details of what the GPs - who saved VAMP - will receive.

## Control Data acquires Michael Business Systems

US **Control Data** has signed a letter of intent to acquire **Michael Business Systems (MBS)**. The deal is likely to be finalised in Jan. 94. MBS, which is an IBM and Apple dealer "providing PC LAN enterprise-wide networking and integration services to over 1,200 customers in UK commercial markets", had revenues of £16.6m and PBT of £184K in the year to 31st Oct. 92 with net assets of £567K. MD Michael Roberts said MBS was "a strong, healthy company". The press release states revenues exceeding £23m in 1993 with 160 staff employed.

No consideration has been disclosed. MBS has itself made a number of acquisitions and was known to be seeking more. It looks as if this acquisition process will now accelerate with the aid of Control Data resources.

**The others...** **US Sapiens International** has acquired its UK SmartStar agent **SmartSystems Ltd.** **Q+E Software** has acquired its UK distributor **Contemporary Software**. "The acquisition is seen as a part of Q+E's preparation for a stock-market flotation within the next two years". Source - Computing 11th Nov. 93. **US Enterprise Systems** has bought ICL desktop integration specialist **Boldon James**. **GEAC Computer Corp** has bought the French **McDonnell Douglas Informatique** and will market systems from MDIS in the UK. Microsoft co-founder **Paul Allen** has bought **Ticketmaster Holdings Group Ltd.** **Sanderson Electronics** has sold more of its stake in **General Automation**. The holding is now <20% and is no longer treated as an associate. **Reuters** has bought a majority stake in US database information company **Loan Pricing Corp.** **James Martin** has acquired French **Pact**, which has 160 staff undertaking offshore systems development. **Dixons** is said to be suing the previous owners of **PC World**, which it acquired earlier this year for £8.5m, for "misrepresentation". Source - Mail on Sunday 28th Nov. 93.

## Misys buys again

**Misys**, which is already a major player in the TPM market, has paid £920K for TPM **Supreme Computer Services** which made PBT of £196K on revenues of £2.9m in the year to 31st July 93. Given that Supreme had net assets of £602K and now cash exceeding £500K, it looks a pretty cheap deal for a £2.4m contract base.

Whilst on the subject of TPM, **Stratagem** tripled PBT to £1.2m in the year to 30th Sept. 93. Stratagem owns TPM **Firstpoint** which from Mar. 93 became a fully consolidated subsidiary. Firstpoint contributed £700K profits in H2 - up 25% on last year. MD Richard Hill said he was moving away from traditional TPM towards "a more intimate relationship with our clients".

## Sybase buys OASIS

US **Sybase** has acquired UK **OASIS Group plc** for shares valued at \$21m - c£14m; therefore one of the larger acquisitions this year.

OASIS was formed by ex-ICL CEO Robb Willmot et al and helps "organisations determine their business process and infrastructure requirements". Sybase CEO Mark Hoffman believes that "the synergy of OASIS and Sybase will pioneer a new level of effectiveness achieved by business re-engineering".

## EDS forms ITP

**EDS** has taken a 50% stake in a new venture, **Interactive Transaction Partners**, together with **France Telecom** (25%) and **US West** (25%) to provide interactive transaction services. "Seamless multimedia services will be the key to future success in the telecomms market" said FT's President.

EDS has made no secret of its ambitions in the convergence of computing and telecomms. This has fuelled takeover speculation after negotiations with BT and AT&T.

## EIT Group...again

Last month we wrote of **EIT Group's** hopes to get their shares relisted after their suspension in Feb. 93. It wasn't to be, as they failed to meet the Stock Exchange's requirements (like publishing their accounts) and have now been delisted.

Now EIT is talking about a major acquisition of a much larger company as a way back. EIT are unlikely to find the process that simple.

# A month of Conflict

## Conflict over definitions

There is no doubt that Facilities Management - FM - is now a "non you" term. The problem is that it was a very good term which was borrowed by the IT sector from companies which used the term in a wider sense. E.g. **Serco** is pleased to undertake FM on MOD sites, missile systems etc. where the IT element is limited. Then the IT industry itself decided to widen the scope of its operational FM activities. For example Hoskyns this month launched in the Scottish Highlands "a £3.2m Business Process Outsourcing Centre...which will perform clerical and administrative functions, including all types of case preparation, linked to clients through the North of Scotland's advanced telecommunications network". It is therefore somewhat ironic that our industry is now rejecting the term FM just when they are embracing the very services for which the term was originally invented! *Oh well!*

So what term do we use? This month EDS-Scicon's Alan Stevens told us that they didn't like the term "outsourcing" either!

## Conflict over Outsourcing growth forecasts

RHM Computing's FM Briefing describes the 25% CAGR in FM billings (see *System House* Oct. 93) as "too modest because they overlook the effect of local and central government contracts". RHM's Stewart Murfitt commented "Predictions should be treated with caution - there is often a large gap between perception and reality".

The latest outsourcing survey from OTR predicts that the UK market will peak at \$1.7 billion (c£1.1b) in 1995 but will then decline to just \$1 billion in 2000. The survey quotes a "58% probability" for their prediction which is based on questionnaires received from over 2000 organisations. OTR shows PC Management outsourcing to be growing at 80% p.a. at present.

## Conflict with Perot

"I wouldn't want to belong to any club that would have a computing services company as a member". Andrew Maluish - MD Perot Systems Europe

We have bent over backwards to get Perot Systems to cooperate with our researches. We were passed backwards and forwards across the Atlantic. Eventually Andrew Maluish, MD of Perot Systems Europe, wrote to say that "a decision has now been made not to have Perot entered" in our publications. In a subsequent telephone conversation he said that he was "not interested in the old world", "would cancel his subscription to any journal to which another SCSI company subscribed" and was "only interested in talking directly to our clients - not you".

The problem was that we got off on the wrong foot by asking Maluish about FM. "We don't do FM" he said. This, of course, caused us some problem as we had published a ranking table (*System House* Oct. 93) showing that Perot had won two of the three largest FM deals in the last year - East Midlands Electricity (£150m over 12 years) and Europcar (£120m over 10 years).

Of course, this kind of reaction only increases our resolve. Companies have 10 months to file accounts at Companies House. We phoned each week and eventually Perot signed off their accounts for the year to 31st Dec. 92 on 20th Oct. 93 - within days of the deadline. These showed:

- revenues of £34.4m
  - PBT of £1.3m
  - 381 staff employed
  - 55%, or £18.8m, of this revenue earned in the UK.
- Comparison with 1991, when Perot Europe had revenues of just £1.2m, are rather meaningless.

If Perot had cooperated with us at the time, and assuming that all the UK revenue could be categorised as FM, that would have placed them as the 8th largest FM supplier to the UK market - ahead of ITNet and Capita.

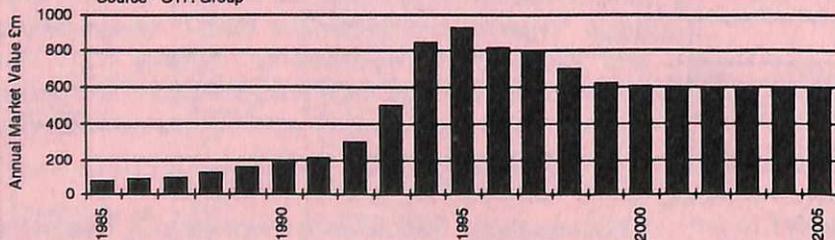
We reckon that Perot now makes around 25% of its \$200m 1992 revenues from Europe. "The goal is to garner half its revenues from the European Community by 1997". Perot is also very keen on the shared risk/reward-type FM contract that we have trumpeted for so long.

"The 'take no prisoners' aggressiveness that Perot instills has clearly been attracting customers". The problem is that it has also jarred with many within the industry.

Quotes source - *BusinessWeek* 10th Aug. 92.

## UK IT Outsourcing Market Projections

Source - OTR Group



The problem is that the outsourcing contracts announced this month alone will add £300m p.a. revenues by 1995.

## Kewill nightmare ends

Kewill Systems (best known for its Micros manufacturing system) was one of the best performing UK SCSI companies - until they acquired loss-making Weigang (Germany) in May 91. EPS of 31.2p in 1991 quickly turned to a loss per share of 0.6p in the year to 31st Mar. 93. The share price slumped to just 47p. In Mar. 93, it was then announced that Weigang had been sold back to its management for £400K - resulting in a £2.3m liability and a £5.6m goodwill writedown.

Since then, recovery really has been the name of the game. The share price is up over five times - to 252p. Latest results for the six months to 30th Sept. 93 show PBT of £1.76m compared with losses of £172K last time. Revenues from continuing operations are up 13% at £16m. Borrowings have been reduced from £3.9m (31st Mar 93) to £2.8m now. Full year profits of £3.1m are forecast by analysts - almost back to the £3.7m made in 1991.

Again we report of a UK company (see Performance Software, LBMS in this issue) doing well "over there". The US "successfully raised sales and delivered a doubling in operating profits to £0.45m". The deal with IBM Germany centred around Han Dataport's CAD product, is expected to "enjoy some early benefit".

Kewill shares were priced at nearly 400p in 1989 when they made just £1.8m PBT. But that was before the nightmare.

## Newcomers profit on market

The CSI Index declined by 1.7% this month; representing a very modest 5% gain in 1993.

However, 1993 was the year when SCSi companies rediscovered the Stock Exchange with six new floats - all of which are showing gains over their issue price. This month **Azlan** made its debut and has risen 6% in the first few days. The two virtual reality companies - **Division** and **Virtuality** - performed exceptionally well, as did **Phonelink** whose success augers well for the float of **On Demand Info** in Dec. On the other hand **QSP** is nearly back to its 380p launch price having fallen from a high of 592p.

The best performer this month is, in many respects, also

|                  | Launch Price | Price 30th Nov 93 | Percent Gain |
|------------------|--------------|-------------------|--------------|
| Azlan            | 230          | 244               | +6.1%        |
| Centregold       | 125          | 169               | +35.2%       |
| Division         | 40           | 74                | +85.0%       |
| Phonelink        | 155          | 278               | +79.4%       |
| Quality Software | 380          | 390               | +2.6%        |
| Virtuality       | 170          | 295               | +73.5%       |

a newcomer. **Comac** shares were up 26% this month as Philip Swinstead added to his shareholding. They have now overtaken **Gresham** as the best performing share of 1993 - up 528%. **Vega**, one of 1992's newcomers, gained 17% this month - that's a tidy 55% increase since their June 92 launch.

At the other end of the scale, **Sherwood** (p4) fell 35% this month on its second profits warning this year. **LBMS** (p11)

also plunged 33% on highly disappointing interims. **Maddox** (p4) shares are technically priced at 1.75p. But the clouds hanging over the company and the impending rights issue at 1p make the effective fall this month even higher. **Vistec** (p10) also fell 16% on announcement of first reversals.

**Micro Focus** lost another 13%. Their capitalisation has been halved this year to £189m. **Cray Electronics** is now far and away the most valuable quoted SCSi company at £323m; with **ACT** their nearest rival at £291m.

## Computing Services Index

29th November 1993

April 15th 1989 = 1000

1672.57

| Changes in Indices          | CSI Index | FTSE 100 | FTSE Small Cap |
|-----------------------------|-----------|----------|----------------|
| Month (30/10/93 - 29/11/93) | -1.69%    | -1.11%   | -2.82%         |
| From 15th Apr 89            | +67.26%   | +52.70%  |                |
| From 1st Jan 90             | +81.78%   | +32.76%  |                |
| From 1st Jan 91             | +136.28%  | +45.15%  |                |
| From 1st Jan 92             | +60.08%   | +25.78%  |                |
| From 1st Jan 93             | +4.96%    | +10.16%  | +25.24%        |

## System House CSI Share Prices and Capitalisation

|                            | Share Price<br>29/11/1993 (£p) | Capitalisation<br>29/11/1993 (£m) | Historic<br>P/E | CSI Index<br>29/11/93 | Share price<br>% move<br>since 30/10/93 | Share price<br>% move<br>in 1993 | Capitalisation<br>move (£m)<br>since 30/10/93 | Capitalisation<br>move (£m)<br>in 1993 |
|----------------------------|--------------------------------|-----------------------------------|-----------------|-----------------------|---|----------------------------------|---|--|
| ACT                        | £1.58                          | £291.40m                          | 16              | 2507.94               | -1.25%                                  | 6.76%                            | -£ 3.60m                                      | £82.70m                                |
| Admiral                    | £4.70                          | £50.80m                           | 20              | 3405.80               | 2.17%                                   | 22.08%                           | £1.10m  | £9.50m                                 |
| Capita                     | £1.85                          | £87.70m                           | 29              | 5555.56               | 0.00%                                   | 31.21%                           | £0.00m  | £23.80m                                |
| Comac Group                | £1.13                          | £36.30m                           | 30              | 2627.91               | 25.56%                                  | 527.78%                          | £30.52m                                       | £35.14m                                |
| Computer People            | £1.08                          | £15.00m                           | Loss            | 444.44                | -1.82%                                  | 45.95%                           | -£ 0.30m                                      | £4.70m                                 |
| Cray Electronics           | £1.47                          | £322.90m                          | 15              | 856.73                | 2.09%                                   | 34.40%                           | £6.60m  | £102.40m                               |
| Division Group             | £0.74                          | £25.00m                           | Loss            | 1850.00               | -9.76%                                  | 85.00%                           | -£ 2.70m                                      | £11.50m                                |
| Electronic Data Processing | £6.83                          | £59.40m                           | 19              | 6969.39               | 8.76%                                   | 42.29%                           | £4.80m  | £17.60m                                |
| Enterprise                 | £0.33                          | £26.90m                           | Loss            | 264.00                | 15.79%                                  | 60.98%                           | £3.70m  | £11.70m                                |
| Gresham Telecomputing      | £1.50                          | £47.90m                           | 78              | 1612.90               | -1.32%                                  | 417.24%                          | -£ 0.70m                                      | £38.66m                                |
| INSTEM                     | £1.35                          | £6.46m                            | 10              | 1350.00               | 0.00%                                   | 58.82%                           | £0.00m  | £2.64m                                 |
| Kalamazoo                  | £0.99                          | £37.70m                           | 23              | 2828.57               | 15.12%                                  | 273.58%                          | £21.90m                                       | £32.82m                                |
| Kewill                     | £2.52                          | £30.10m                           | Loss            | 996.05                | -0.40%                                  | 358.18%                          | -£ 0.10m                                      | £23.53m                                |
| Kode International         | £1.65                          | £15.30m                           | 20              | 767.44                | 0.00%                                   | 65.00%                           | £0.00m  | £6.01m                                 |
| Learmonth & Burchett       | £1.68                          | £30.10m                           | 24              | 1400.00               | -33.33%                                 | 32.28%                           | -£ 15.10m                                     | £8.90m                                 |
| Logica                     | £2.63                          | £161.70m                          | 30              | 720.55                | -5.73%                                  | 59.39%                           | -£ 9.90m                                      | £60.40m                                |
| Macro 4                    | £6.70                          | £152.20m                          | 20              | 2701.61               | -4.15%                                  | 28.11%                           | -£ 5.90m                                      | £34.50m                                |
| Maddox Group               | £0.02                          | £7.80m                            | 10              | 388.89                | -22.22%                                 | -75.86%                          | -£ 2.20m                                      | -£ 24.50m                              |
| Micro Focus                | £13.33                         | £189.30m                          | 12              | 6439.61               | -13.44%                                 | -50.45%                          | -£ 29.40m                                     | -£ 179.20m                             |
| Microgen                   | £1.54                          | £60.70m                           | 11              | 658.12                | -3.14%                                  | -18.09%                          | -£ 1.90m                                      | -£ 12.60m                              |
| Microvitec                 | £0.31                          | £20.30m                           | Loss            | 756.10                | 12.73%                                  | 29.17%                           | £2.30m  | £4.60m                                 |
| Misys                      | £5.21                          | £202.10m                          | 19              | 1296.02               | -1.14%                                  | 45.53%                           | -£ 2.40m                                      | £64.30m                                |
| MMT                        | £1.48                          | £13.10m                           | 20              | 880.95                | 16.08%                                  | 33.33%                           | -£ 0.40m                                      | £1.30m                                 |
| MR Data Management         | £2.08                          | £115.30m                          | 20              | 825.40                | 10.64%                                  | 7.22%                            | £11.10m                                       | £9.00m                                 |
| P&P                        | £0.62                          | £34.40m                           | 33              | 278.03                | -10.14%                                 | 113.79%                          | -£ 3.90m                                      | £18.30m                                |
| P-E International          | £0.73                          | £16.00m                           | Loss            | 300.41                | 0.00%                                   | 48.98%                           | £0.00m  | £5.30m                                 |
| Pegasus                    | £2.14                          | £13.80m                           | 55              | 583.11                | -2.28%                                  | 86.09%                           | -£ 0.30m                                      | £6.49m                                 |
| Phonelink                  | £2.78                          | £98.60m                           | n/a             | 1793.55               | -0.71%                                  | 79.35%                           | -£ 0.80m                                      | £43.60m                                |
| Proteus                    | £4.24                          | £116.20m                          | Loss            | 5047.62               | -7.02%                                  | 2.17%                            | -£ 8.70m                                      | £4.70m                                 |
| Quality Software           | £3.90                          | £30.30m                           | 19              | 1026.32               | -2.50%                                  | 2.63%                            | -£ 0.80m                                      | £0.70m                                 |
| Radius                     | £0.33                          | £9.00m                            | 11              | 239.13                | -5.71%                                  | -23.26%                          | -£ 0.55m                                      | -£ 2.70m                               |
| Real Time Control          | £0.72                          | £5.04m                            | 15              | 1469.39               | 5.88%                                   | -16.28%                          | £0.28m  | -£ 0.98m                               |
| Rolfe & Nolan              | £2.82                          | £15.90m                           | 16              | 1678.57               | 8.46%                                   | 17.50%                           | £1.20m  | £2.30m                                 |
| Sage Group                 | £4.28                          | £87.70m                           | 14              | 3292.31               | -0.93%                                  | -12.30%                          | -£ 0.90m                                      | -£ 12.30m                              |
| Sanderson                  | £3.00                          | £26.70m                           | 13              | 1276.60               | -3.85%                                  | 32.16%                           | -£ 1.10m                                      | £6.70m                                 |
| Sema Group                 | £3.19                          | £290.30m                          | 26              | 1003.14               | -1.24%                                  | -0.31%                           | -£ 3.60m                                      | -£ 0.90m                               |
| Sherwood                   | £0.95                          | £5.80m                            | 3               | 791.67                | -34.48%                                 | -62.75%                          | -£ 3.05m                                      | -£ 10.00m                              |
| Total                      | £0.43                          | £4.30m                            | 8               | 811.32                | -8.51%                                  | -43.42%                          | -£ 0.40m                                      | -£ 3.30m                               |
| Trace                      | £0.42                          | £5.50m                            | 45              | 336.00                | 5.00%                                   | 16.67%                           | -£ 0.17m                                      | £0.50m                                 |
| Vega Group                 | £1.89                          | £26.70m                           | 23              | 1549.18               | 16.67%                                  | 68.75%                           | £3.80m  | £10.90m                                |
| Vistec                     | £0.24                          | £29.30m                           | 14              | 1043.48               | -15.79%                                 | -2.04%                           | -£ 5.40m                                      | £1.50m                                 |

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.

### **Peterborough stars again for CE Heath**

Peterborough Software celebrated its 30th Anniversary this month. The company is a human resource software specialist and claims 70 of the Times 100 companies as their clients. This is rather better, by the way, than the 62 clients claimed in IBM's current "grey boxes" advertising blitz. Unlike IBM, Peterborough has just announced another set of excellent results for parent CE Heath. Revenues for the six months to 30th Sept. 93 increased by a modest 4% to £14.3m but profits rose 24% to £1.76m "reflecting continued efforts to contain operating cost increases.". This is much in line with other sector companies which have managed to report significant profit increases despite minimal revenue growth. "Steady sales progress has been made across most product ranges in the UK, with the PC division still showing the strongest growth". Contrary to what we hear from others "the UNIX market is developing more slowly than the industry expected". David Laking, Peterborough's MD told us "The open systems market has become very price competitive as more and more suppliers see it as a growth market. There will be a big shake up in the market over the next one or two years with a number of companies going the same way as Miracle" - which readers will remember appointed the receivers last month.

Performance at CE Heath's other SCSI subsidiary, **Datasure**, which supplies systems to Lloyds brokers, was not as good, with profits marginally reduced at £383K.

### **Growth slows at Andersen...**

**Andersen Consulting** has reported a 10% increase in worldwide revenues to \$2.8 billion for the year to 31st Aug. 93. Andersen in the UK reported a 12% rise to £407m but no split between Andersen Consulting and Arthur Andersen has been disclosed. The results would tend to indicate a significantly lower growth rate than in previous years.

### **...revives for MCA members...**

In 1992 the members of the **Management Consultancies Association (MCA)** reported total fees down 5% but IT-related fees down 12.4%. The latest MCA trend survey show a 2% growth in total fees to 30th Sept. 93 - the second consecutive quarterly increase.

### **..but declines again at CGS**

Cap Gemini Sogeti reported revenues down 6% at \$1.39 billion for the 9 months to 30th Sept. 93.

### **"Disappointment" at Vistec**

Readers know how much we value consistency. That's why we thought highly of **Vistec Group plc**. Unfortunately, the latest results show the first reversal for a long time. For the six months to 30th Oct. 93, revenues are down 6% at £17.6m, PBT is down 13.7% at £1.1m and EPS declined 15%. Even so cash increased from £4.1m to £6m and net assets are up 74% at £4.5m

One of the "bears" has been the UNIX software distribution division which had "a quiet first half, due to established products reaching maturity". Indeed Steven Beach seems to have paid the ultimate price by resigning on 26th Nov. Vistec has learned the ultimate lesson "services are growing...product supply activities are in decline".

**Vistec buys...again** In Nov. 93 Vistec acquired **ISO Communications** - a network design, implementation and service provider - for an initial £500K and a deferred element equating to 3xPBT over the next 18 months up to a max. £1.6m.

### **Continuing to profit**

If we feature the companies in which we are involved, we get criticised. If we don't...we get criticised too. So for all followers of companies where Richard Holway is non-executive Chairman...

**Performance Software**, the V-Test (CAST) and Systel people, increased revenues by 24% to around £4m in the year to 30th June 93 - a majority now from outside the UK for the first time. PBT, however, reduced from £285K to £170K. "Recurring revenue" from services and repeat licences into existing clients now account for 53% of revenues. The launch of the open system version of V-Test in 1994 will represent an important new development for the company.

**Rothwell Group plc** (the Apple people) really did rather well in the year to 30th June 93. After the record year in 92, due to the Mercury contract, Rothwell had budgeted for a greatly reduced profit. The results exceeded expectations. Revenues increased 17% to £16.7m and a PBT of £501K was recorded. Rothwell also increased its net assets by 47% to exceed £1m for the first time. This was despite acquiring Jeffreys Systems' Oracle team and accelerating the move to services. Contrast that with every other Apple dealer and you can understand Rothwell's pride.

### **By contrast..**

One of Rothwell's competitors, **Callhaven plc**, this month laid off 8 staff and "made plans to reduce emphasis on services". The redundancies were at Callhaven's networking operations which have been dissolved. Source - Computergram 9th Nov. 93.

Latest financial results at Callhaven to 31st Mar 93 revealed revenues static at £11.1m and a loss of £273K was recorded, following a loss of £343K the previous year. The rights issue raised £679K; rather than the £1m planned. But Callhaven's "transition to a low cost hardware supplier" seems to be boosting revenues. "At the time of writing, (Oct. 93) year on year revenue increases exceed 70%...Callhaven Direct was an immediate commercial success...To Nov. 92, we had lost nearly £600K on revenues of £6m but by the Mar 93 year end the final loss was cut to half this" wrote Chairman Roger Cox.

### **"Strong Recovery" continues at Kalamazoo**

**Kalamazoo plc** has exceeded expectations with interim PBT to 30th Sept. 93 of £2.5m compared with £940K last time. Revenue was up 7% at £29.6m and EPS was up 240%. Computer Services was the main contributor to the revenue growth, reflecting the increased confidence in their core retail motor trade sector. But it was the switch from loss to profit at the printed forms division which really boosted PBT.

| <b>Kalamazoo plc</b> | Six months to 30-Sep-93 | Six months to 30-Sep-92 | Growth         |
|----------------------|-------------------------|-------------------------|----------------|
| Revenue              |                         |                         |                |
| Computer Services    | £21.88m                 | £18.30m                 | 20%            |
| Printed Systems      | £7.68m                  | £9.25m                  | -17%           |
| PBT                  |                         |                         |                |
| Computer Services    | £2.30m                  | £1.78m                  | 29%            |
| Printed Systems      | £0.73m                  | -£1.52m                 | Loss to profit |

Cash balances "improved sharply" from £2.9m to £4.6m. This was after £500K had been expended on the acquisition of CBA Nederlands and repaying a £1m loan. CBA has "performed in line with its business plan". The interim dividend has been more than trebled.

"The results...have been very satisfactory and the outlook for the year is encouraging". Analysts had been forecasting PBT of £4m for the full year - but these will need upgrading.

## Hardware Manufacturers and Computing Services

### Strong services growth at IBM UK

IBM UK is "making probably the biggest corporate turnaround in UK history, from a year of record losses to a year in which we returned to growth. This means we are being seen very much as a *role model*, both by other companies in the UK, and by other IBM companies in Europe". IBM UK CEO Nick Temple in UK News 22nd Oct. 93.

Indeed, we understand that IBM UK has increased revenues by 10% in the 9 months to Sept. 93 - compared with a decline of 3.7% for IBM worldwide. Exports lead the way with a 15% increase but UK domestic revenues also advanced 5% with a 7% increase in hardware revenues - much against the trends. Indeed IBM's worldwide hardware revenues were down 1% in Q3. Software sales, predominately operating software, were largely static and revenues from hardware maintenance reduced yet again. But, with even greater relevance to *System House* readers, IBM UK services revenues were up a massive 21%. Worldwide, IBM's services revenues grew by an even higher 27% in Q3.

Interestingly, the same issue of UK News quotes Greg Lock, CEO at IBM's ISL operation, saying "Outsourcing has quadrupled its revenues in 1993 over 1992. Admittedly, we started from a low base, but we shall have a very substantial portfolio of outstanding wins by the end of this year". As we understand that IBM had outsourcing/FM revenues of £4m in 1992, that is still only £16m for 1993 which leaves IBM well outside the UK Top Ten.

We have been suggesting for some years that IBM should buy into the services sector, particularly to strengthen their FM offerings. In May IBM bought French FM player CGI for c£300m. This month IBM Sweden has bought FM operator Lantbruksdata which has revenues of c£25m. But so far there has been no hint of IBM's interest in any UK FM company. When Temple was appointed to his CEO role he gave the impression that what Peter Bonfield had done for ICL was his *role model*. But ICL bought its way into FM - just like IBM is doing on the Continent....

### HP storms ahead

Hewlett-Packard is now the third largest computer maker in the world (after IBM and Fujitsu) after revenues rose 24% to \$20.3 billion in the full year to 30th Sept. 93. Computer products, service and support represented \$15.6 billion of the total - up 29.5%. HP UK did even better with total revenues up 43%, computer revenues up 65% and the number of units shipped doubled. Their UNIX based mini systems are proving to be immensely popular - almost the standard now in the client-server sector.

### LBMS shares dive

Shares in Learmonth & Burchett (LBMS), the software development tools company, dived by 60p to 163p on 26th Nov. 93 - they had been priced at 365p earlier this year. This was within minutes of the announcement of a 73% decrease in profits to £201K for the six months to 31st Oct. 93. EPS declined 68% but revenues advanced 22% to £13.1m. As recently as Oct. 93 analysts from Credit Lyonnais Laing had been predicting PBT of £3.1m for the full year but, even though "LBMS expects to make most of its profits during the second half", Chairman Rainer Burchett now expects full year profits only to be "broadly similar" to last year's £1.6m.

Burchett blamed the first half problems on increased "expenditure on the improvement of software products, increased investment in marketing and by the timing of significant orders". Development accounts for 12.5%, or £1.65m, of revenues - up 16% on last year. He also commented on slow trading conditions in the UK and a period of inactivity among their agents in mainland Europe. But, on the brighter side, US revenues "more than doubled...and now account for 41% of the group total". "Software revenues were up 54% and now account for 61% of total revenues".

But Burchett still "faces the future with confidence in the light of the evidence that our strategy is working".

### Openness at ICL

At an analysts' briefing this month ICL reported that their YTD revenues had increased 6% on 1992 but that margins had fallen a further 7 points - they fell 7 points in 1992 too. Margin pressure has been experienced "across the board - there is no one area where margins have improved. The fact that margins have reduced came as no surprise - but the rate of margin reduction was faster than predicted". Revenue growth has been largely in services rather than products - be they software or hardware. ICL will be profitable in 93 but "profits in 93 will be below 92". (1992 PBT = £40m). Although the recession in the UK was "easing" the rest of the EC had still to follow. The only other bright spots were the US and the emerging markets of Eastern Europe.

ICL predicts total revenues of £4 billion in 1997 - compared with £2.5 billion in 1992. ICL's industry solutions (where, for example, it is now the 3rd largest supplier of retail systems in the world after NCR and IBM) will represent around 60% of worldwide revenues by 1997 and will continue to be the major profit contributor.

As we have already reported, if ICL is to undertake further acquisitions - they have been quiet in the last year - these are likely to be in France and Germany where ICL is still relatively under represented.

We applaud ICL's openness at their briefing. Our respect for ICL increases - particularly as their "competitors" all seem to wish to copy their current business formula. Perhaps they should also copy ICL's frankness too - it really does seem to win friends and influence people. Exactly what you need to do as a services company.

### DEC - when will they ever learn..

Do you remember Daryl Barbe? He was MD of Digital (DEC) back in the early 80s. He tried to stop his VARs - like Hoskyns - selling to large companies. It caused enormous damage and was at least one of the reasons for DEC's current appalling financial position. The main reason was the equally misguided views that Ken Olsen held towards his beloved VMS prompting such statements from him as "Open systems are as exciting as a Russian truck".

Now we all make mistakes but some learn from theirs. Clearly this does not apply to DEC. This month DEC has issued a list of 130 large UK IT users which are now "off limits" to DEC's current VARs. These customers spend >£300K p.a. with DEC. DEC's inability to understand the channel has no bounds and clearly spans generations. When will they ever learn? On past performance...never.

### Azlan float success...

Azlan (see trailer last month) obtained a full Stock Exchange listing in November at 230p per share valuing the company at £50.2m - well in excess of our predictions. On an historic basis that's a P/E of 27.4. No profit prediction is given for the full year but PBT of £1.88m was achieved on revenues of £28.5m in the six months to 30th Sept. 93. The offer was 1.9 times oversubscribed and the shares rose by 11p to 241p on the first day of trading.

Azlan was the subject of a CINVen backed MBO in 1991 for £6.5m. Just three years later the company is worth eight times more. That must make it one of the best CINVen - or indeed any VC - deal in recent times. CINVen are selling 35% of their holdings raising around £6m.

MD Dave Randall and FD Chris Martin are the largest shareholders. They are both selling c30% of their holdings. Non executive Chairman Mike Brooke is also selling 27% of his holding raising £580K but Gordon Skinner is retaining his 234K shares. Brooke and Skinner have a canny knack of knowing when to get into - and out of - companies.

There is no doubt that Azlan has been a superb success story. However, they are dependent on the sale of OEM product e.g. Novell. At the same time as the launch, Madge Networks decided to sell direct in the UK and end its exclusive distributorship with Azlan. Madge represented 15% of Azlan's sales but Randell said the profit contribution was "lower".

### ...ODI float on again

The planned float of On-Line Information (ODI) had been delayed as controversial disclosures on the company were made. An injunction was successfully obtained against Mail on Sunday publishing the details of claimed sales which customers would not confirm. These problems now seem to have been overcome and on 26th Nov. a prospectus was issued by Albert E Sharp valuing ODI at £39.8m or 78p a share. ODI has developed a standard system for accessing information via a PC and modem. Its compression system allows, for example, 9 pages of b/w text and six colour pages to be sent in 45 seconds. ODI reported losses of £803K in the year to 31st Jul. 93. Anyway, EIDOS shares "surged" on 26th Nov. when they signed for ODI to use their video compression technology.

**Rumours..**the sale of Extel is proceeding with VNU, Pearson and Thomson in contention. A pricetag of £70m is rumoured. IBM, which seems to change its strategy each day, is now said to be inviting bids for its \$2.2 billion p.a. Federal Systems operation. Speculation continues that Multisoft is about to be rescued by Kewill Systems. We would have thought that Kalamazoo would be more interested.

The grand daddy of all rumours - "is EDS up for sale?" - received a set back this month when GM raised \$5.7 billion by "selling" 185m Class E (EDS) shares to its pension fund. After our "the sparkling apple juice will be flowing" prediction last month, EDS refused to explain the need for Alka Selters on the morning of 24th Nov. 93.

**Little known facts...**Dixons say that in its heyday around 30% of UK households had a typewriter, but now only 6% have an MSDOS/Windows system. This interesting fact was confirmed when a totally unscientific poll amongst our friends indicated that they had all, at one time, had a typewriter at home, but relatively few now owned a word processor. That's why Dixons is going all out to capture the SOHO (Small Office/Home Office) marketplace which it expects to experience rapid growth in the next few years; fuelling Dixons PC sales from £200m this year to £1000m in 1996. Whereas SOHO sales represent 50% of the German PC market - its currently less than 15% in the UK. Source Computergram - 4th Nov. 93.

**ICL quote of the month.** Richard Livesey-Haworth said that if you take a minority stake you "share 100% of the pain but only experience your share of the pleasure". An analyst from the audience quipped "a bit like marriage really...".

### And finally...

We would like to wish a Happy Christmas and a very successful 1994 to all our subscribers (and all of our many our readers as well!).

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