

System House

The monthly review of the financial performance of the UK computing services industry
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1993 was "a remarkably good year"

The latest edition of the Holway Report has found that 1993 was even better than we had predicted. Revenues, even after the effects of acquisitions, rose by 11%. The best since 1990. PBT, even when the top four profit and loss makers were excluded, rose by 34%.

An unprecedented 63% of all software and computing services companies improved their financial performance.

Although a quarter of all companies managed to report losses, this was actually lower than the 29% of companies reporting losses in 1990!

The UK SCSi had the fastest growth of any of the major SCSi markets in Europe. Indeed, for all true patriots, the UK SCSi is now forecast to be larger than that of France by 1998!

Before readers start to think this is all too good to be true, you should consider the following:

- total IT spend - i.e. including user IT staff, hardware and software and computing services will experience only marginal growth.
 - hardware spend decreased by 5% in 1993. User "in-house" personnel spend decreased by 2%.
 - but outsourcing grew by 35% in 1992/93. The contracts awarded in the last year totalled £3 billion or £400m p.a. That means that the outsourcing market is guaranteed to grow by 40% in 1994/95! (see full story - p11)
- In other words, this quite amazing growth in the SCSi industry is merely a shift from in house spend to

outsourcing. Given the campaigns run by the industry, this must (surely?) be considered as a major triumph.

For as long as we have produced our annual reports, software products companies have been the envy of all. Not any more. In 1993 - as our p12 feature explains - specialist IT consultancies have stolen the show.

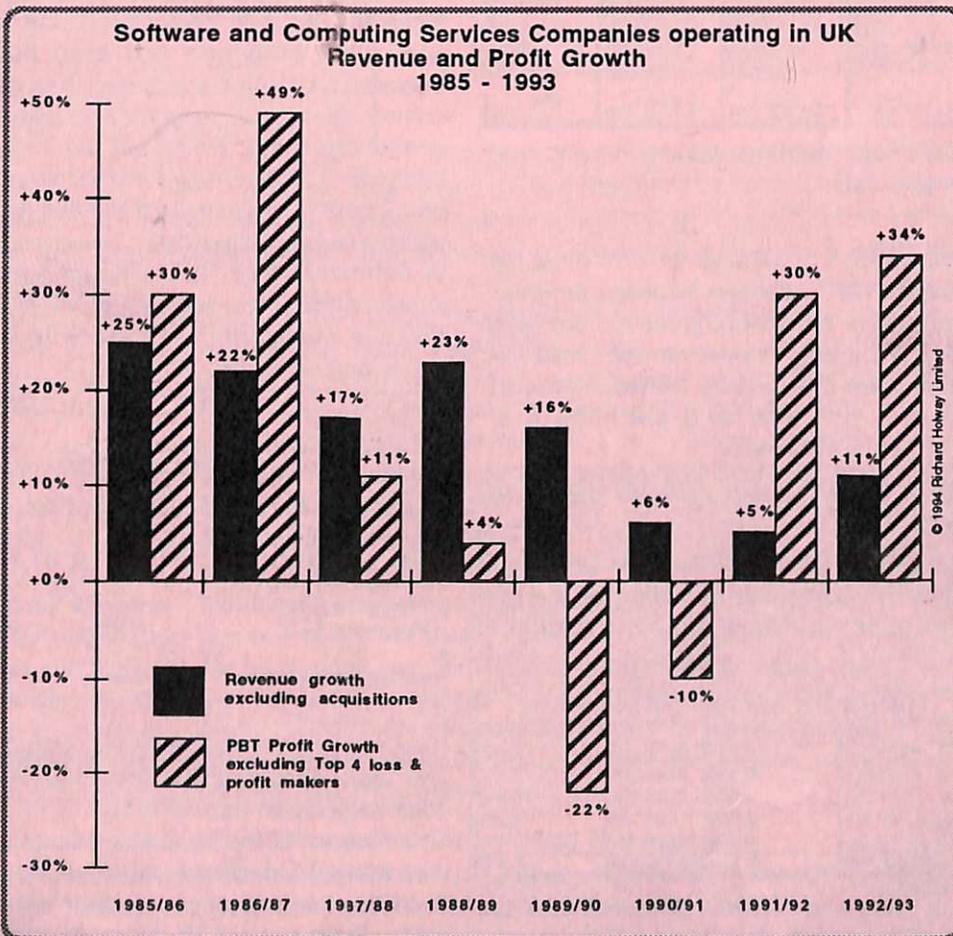
Profits growth of 34% is largely as a result of cost cutting

- or, not to beat about the bush - job cuts in previous years. In the last year the number of staff employed increased for the first time in years - by 4.5% to 133,300. The employment outlook - for once - looks rosy. Hoskyns looking for a further 350 staff and the latest MSL Index of IT job adverts (up 97% on April 1993) are examples.

Perhaps the most negative finding was that although average staff costs rose by just 1.5%, the remuneration of

the average highest paid director went up by 7.1%. If this was not enough to make you see red, the number of SCSi millionaires we can identify now approach 100.

For most of our readers 1993 was clearly "a remarkably good year".



The statistics in this article are extracted from the 1994 Holway Report which is published this month. The analyses are based on the financial performance of the leading 1,250 SCSi companies operating in the UK in 1993 with combined revenues exceeding £11 billion. For further details, see page 12.

Since its near terminal problems in the early 1990s, Unisys has witnessed quite a renaissance. Although worldwide revenues dropped by 8% to \$7.74b in 1993 profits were up nearly 60% at \$565m. Their move to services - up 11% in Q1 1994 alone - is seen as a major reason for this excellent (almost unique) performance.

As can be seen from the results provided this month, Unisys UK also witnessed a drop in revenues because of lower hardware sales. But services revenues stormed ahead. Omitting hardware maintenance and operating system software, UK SCSI revenues were up over 20% at £53.5m.

UNISYS UK			
Year to:	31st Dec 1992	31st Dec 1993	Growth 92/93
Total UK Revenue	£246.0m	£219.2m	-10.9%
Hardware	£104.0m	£68.5m	-34.1%
SCSI revenues	£44.5m	£53.5m	20.2%
• Software products (est.)	£9.5m	£9.0m	-5.3%
• Systems Integration	£16.0m	£18.5m	15.6%
• Other Services etc	£17.0m	£21.6m	27.1%
• Outsourcing/FM	£2.0m	£4.4m	120.0%
Hardware maintenance	£88.0m	£91.7m	4.2%
Op. Software (est.)	£9.5m	£5.5m	-42.1%
Total Software & Services	£142.0m	£150.7m	6.1%

Note: Other services include custom applications, development, training and IT consultancy.

Olivetti UK

Olivetti UK reported PBT up 39% at £1.47m on static revenues of £212m for 1993, although "excellent progress was reported particularly in developing the systems and software business". The only breakdown we could get was that revenues were split equally between product (eg PC hardware), systems and services (i.e. maintenance) - around £70m each.

Own hardware support far harder hit than expected in 1993

Now that the top five hardware vendors to the UK market have supplied their 1993 revenue breakdowns, the true dire state of the "own hardware" support market is revealed.

UK "Own" Hardware Support Revenues					
	1991	1992	Change 91/92	1993	Change 92/93
IBM	£209.0m	£203.0m	-2.9%	£195.0m	-3.9%
ICL	£215.0m	£195.0m	-9.3%	£165.0m	-15.4%
DEC	£186.6m	£187.6m	0.5%	£160.7m	-14.3%
Unisys	£96.0m	£88.0m	-8.3%	£91.7m	4.2%
Olivetti	£70.0m	£70.0m	0.0%	£70.0m	0.0%
Total	£776.6m	£743.6m	-4.2%	£682.4m	-8.2%

IBM, ICL, DEC, Unisys and Olivetti represent over two thirds of the £1 billion hardware maintenance market controlled by manufacturers rather than TPMs.

We had been forecasting a 5.5% decline in "own hardware" support revenues, but the situation looks as if it was even worse.

In many ways the decline in own hardware support and operating systems revenues, which have shown similar declines, are more damaging to hardware manufacturers than hardware sales - as the profit margins were considerably higher.

No wonder they are all moving into non hardware related SCSI activities!

"Digital stunned investors by reporting third-quarter losses of \$183.3m - about four times higher than analysts' projections. Revenues fell 6% to \$3.26 billion. Worse, Robert Palmer President and CEO acknowledged that he too had been taken by surprise by the "unacceptable" results, raising serious questions about financial controls....gross margins on the service business fell by 1.6% in Q3, signalling that Digital's cushion against profit declines on product sales may be thinning". Source - Financial Times 18th April 1994.

"DEC's stock, which traded as high as \$48.25 just last May, crashed to \$18.25 - less than a tenth of its all time high of \$199 in 1987". Source - BusinessWeek 9th May 1994.

"DEC bet the company on Alpha, and I believe it lost". Source - C. Gordon Bell, former head of DEC engineering.

Analysing DEC's problem on a worldwide basis is quite beyond our brief. Latest breakdown of the results for DEC UK for the last financial year to 30th June 1993 show revenues static and, we understand, at best a "breakeven". This reversed a long trend when the UK had been one of the best performers in the DEC camp.

DEC UK had great hopes of moving into software and services. The extensive advertising campaigns for their consulting activities and high hopes of major UK outsourcing contracts all came to nought. After losing out on both the Inland Revenue and BAe FM contracts, DEC announced that it would not bid for any more large FM contracts "until we have established a proven track record of successful projects on a smaller scale". Source - DEC UK MD Chris Conway writing in DEC's internal newspaper in Jan. 94. Then in February 1994 DEC UK announced that 800 staff (nearly 20% of the workforce) were to face the axe. Of these a staggering 475 were to come from DEC's consulting activities.

DIGITAL (UK)

	30th June 1991	30th June 1992	30th June 1993	Growth 92/93
Total UK Revenue	£875.4m	£799.5m	£809.0m	1.2%
SCSI revenues	£78.6m	£102.2m	£110.1m	7.7%
• Systems Integration	£11.8m	£15.9m	£26.8m	68.6%
• Professional Services	£49.1m	£59.0m	£53.7m	-9.0%
• Processing & FM	£17.7m	£27.3m	£29.6m	8.4%
Hardware maintenance	£186.6m	£187.6m	£160.7m	-14.3%
Op. Software etc	£62.2m	£72.4m	£62.0m	-14.4%
Total Software & Services	£327.4m	£362.2m	£332.8m	-8.1%

We were delighted that (eventually) DEC UK released their breakdown figures to us.

The "failure" of the DEC Consulting initiative are clear to see with a 9% decline in revenues despite all the adverts. Systems integration was a clear winner - but from a low base. Even so, a 7.7% increase in SCSI revenues was both below the 11% average for the market as a whole and significantly lower than that achieved by other hardware vendors like ICL and IBM.

As can be seen, the SCSI growth of 7.7% was not enough to prevent an 8% decline in software and services revenues due to substantial declines in DEC's revenues from hardware maintenance and operating software.

Serious doubts on DEC's survival as an independent company are currently being aired. If DEC cannot hack it in the software and services arena then we might start polishing up our obituary too.

JBA International to market "later this year"

"JBA International is one of the world's leading suppliers of software solutions to the IBM mid-range IBM AS/400 environment. JBA is IBM's largest Business Associate in Europe and one of the three largest in the world". Its main business activity is its Business 400 accountancy, manufacturing and distribution software. JBA's competitors are more likely to be the SAPs or JD Edwards of this world than the CODAs or QSPs.

JBA was founded in 1981 by Chairman Alan Vickery and technical director Kevin Jones - who both worked for IBM. JBA has perhaps been one of the least sung UK success stories. In the year to 31st December 1993, revenues increased by 33% to £74.5m and PBT increased by 27% to £4.6m.

JBA now services 3000 customers with 1200 employees working in subsidiaries in 11 countries together with a network of agents. 60% of revenues are earned outside the UK with £27m revenues from the USA and a further £4m from other non-European markets. Vickery told us that the US was an excellent performer which had remitted \$7m of net profits to the group's coffers last year. Although Lloyds Development Capital has a small stake, JBA is still predominately owned by its founders and employees.

In May 1994, JBA announced its intention to seek a Stock Exchange listing "later this year" with Kleinwort Benson appointed as advisers and brokers.

The JBA record is superb. They are a worthy past recipient of the *System House* "Best of the Privates" award. They are head and shoulders above most of the recent new issues. Their

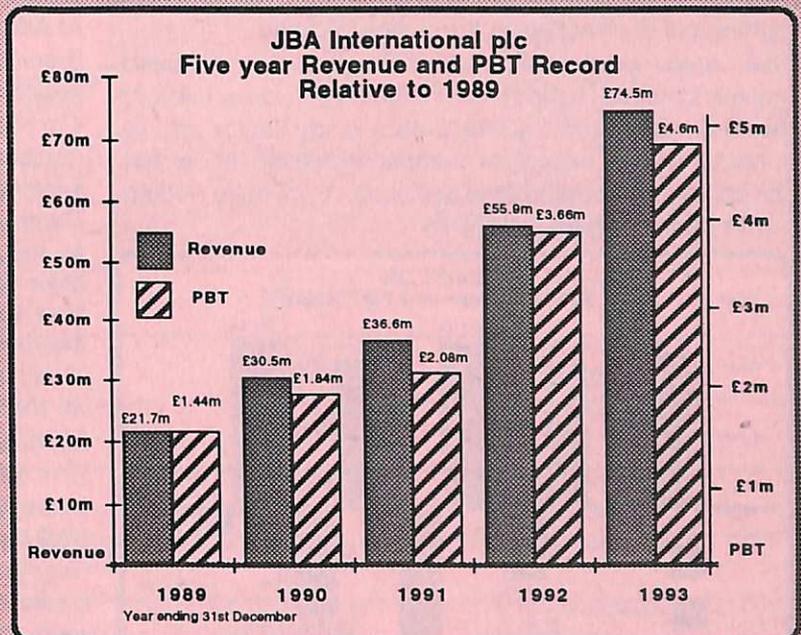
record is exemplary, they are well managed, they have a wide geographic coverage, with over 60% of revenues earned outside the UK, and their business application software products market is as secure as you will find anywhere. So why should we, who after all have backed rare UK-owned companies like JBA to the hilt in the past, have any qualms about its float now?

At present JBA's product range is IBM AS/400 based. IBM launched the AS/400 three years ago. It has since sold over 250,000 systems and, in a period of deep despair for IBM, had been a beacon of light. But a recent report from the Meta Group, however, predicted that up to 40% of AS/400 users could be poised to "jump ship" to UNIX-based client/server systems. IBM responded in May 1994 by launching new AS/400 systems able to run AS/400, UNIX or OS/2 (PC) programs. In theory this strategy looks like a market beater. But it also looks surprisingly like the response DEC had with their Alpha systems which were capable of running both DEC VAX VMS and UNIX programs. But DEC users decided that, as they had to make a change anyway, they would move away from DEC completely. DEC Alpha, for all its technological superiority has attracted few new "non-DEC" buyers.

We suspect that IBM AS/400 users might well react in the same way. Even more important for JBA are new users. It would be a rare (some would say daft) "new user" who would decide to go "native" AS/400. Assuming the choice is UNIX, why go AS/400 when there are so many other seemingly more effective choices available?

JBA has responded to this challenge by announcing OPEN ROUTE, to be launched in December, which will allow their software to be generated to run on AS/400 or a range of multiplatform hardware. OPEN ROUTE will use the existing JBA CASE tools either to generate RPG code for the AS/400 or C++ for use on other platforms.

As we wish JBA well with their float, we hope that this response will allay the obvious and understandable fears of some observers about JBA's current reliance on the IBM AS/400.



Making Notes to welcome Lotus

Worldwide Lotus boosted revenues by 9% to \$981m. Exceptional gains from the sale of Sybase stock had boosted 1992 profits so profits dipped 31% to \$55.5m in the year ending 31st Dec. 93, although on a like-for-like basis they increased by 32%. Results for Lotus UK, which arrived this month, show an even better picture. UK revenues were up 15% at £68.1m and PBT of £5.5m was reported compared with a loss of £1m in 1992. The number of employees grew by just 8 to 182. Microsoft UK had revenues of £150m, twice that of Lotus, to June 1993.

We are delighted that Lotus UK is about to become a member of the CSA.

Perot for sale?

Perot Systems had UK revenues of £34.4m in 1992, mainly from the East Midlands Electricity and Europcar FM deals.

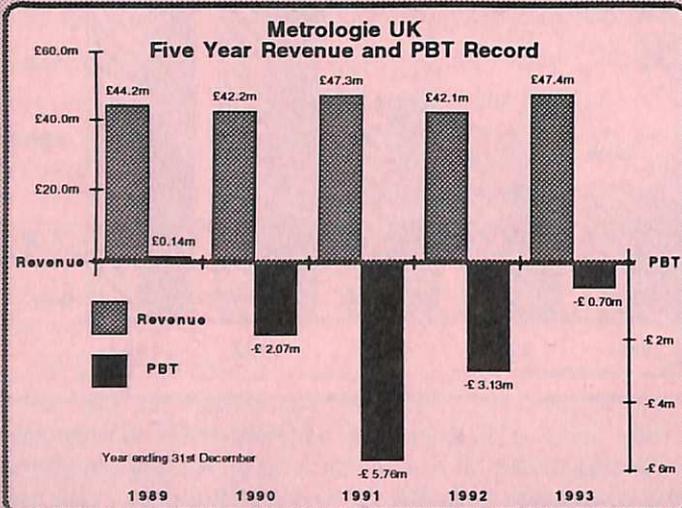
Readers will know that we have found Perot positively unhelpful (as in "we wouldn't want to help any publication which had computing services companies as subscribers" - Andrew Maluish MD Perot Europe).

The Wall Street Journal on 25th May carried a feature stating that Perot was up for sale and suggested SHL Systemhouse as a logical suitor. We are pleased that SHL seems quite happy to describe itself as a computing services company - and subscribes to *System House*.

Metrologie UK - climbing out of the abyss

Metrologie is one of the leading distributors in Europe with revenues of around £200m. Many System House subscribers are probably on their customer list. They are as good an illustration as you will get of the difficulties of making any money in this sector in recent years. Debts mounted, losses hit nearly £60m and a serious rescue refinancing plan was put in place. Part of this involved getting out of direct sales throughout Europe.

Metrologie was formed in the UK when they acquired equally troubled Rapid Recall in 1989. Their latest full year results to 31st Dec. 93, which were kindly sent to us this month ahead of lodging at Companies House, show that the improved internal control and productivity have worked - with losses reduced to £695K.



As a result, sales per employee increased from £240K to £284K. The balance sheet looks a lot stronger with net assets up from just £549K to £2.2m largely as a result of a £2.3m debt writeoff by the parent and a "reduction in debtor days from 72 at the end of 1992 to 54 at the end of 1993".

"A break even or modest profit is anticipated for 1994".

Private investors rescue Standard Platforms

Standard Platforms Holdings plc is one of the smallest of all the quoted SCSl companies with revenues of just £2.7m. They develop UNIX software for optical discs.

On 30th March 1994 Standard Platform's shares were suspended at 36p "pending publication of its accounts". On 18th May, these were duly announced as losses of £1.07m for the 18 months to 30th Sept 1993 (loss £847K in 1992). The losses were largely as a result of the abortive acquisition of DocuFile in the US in Sept. 90. It didn't work out and the US operation was closed in Feb. 93 at a loss of £1.25m.

It also announced a proposed rights issue, loan stock conversion, a capital reduction, a share option scheme and board changes. The rights issue will raise £450,000 net on the basis of 5-for-2 at 5p per share. "What distinguished the deal was that 30 private individuals subscribed an average of £17,000 in a rare, if not unique, example of a business angel rescue". Source - FT 24th May 94. 3i have agreed to convert their 11% unsecured loan stock into 3m shares.

The directors said that if these resolutions were not passed at the EGM on 9th June 1994 "the group's future would be uncertain and it might have to cease trading".

The shares ended May at 28p.

Tales from the AGM

We have never before witnessed such a set of universally optimistic Chairmen's statements....

At Microvitec's AGM held on 4th May 1994, Chairman James Bailey said orders in the first four months "were strong in all business divisions" and that he had greater confidence in the company's prospects than at any time since he became Chairman in April 1990.

At Admiral's AGM held on 3rd May 1994, Chairman Clay Brendish said "1994 has started well. The economy is improving and our order book continues to strengthen. Our staff numbers at the 30th April 1994 were 836. All our companies have won several new contracts in all market sectors. Our newest operating company, Admiral Training Centres Ltd, is settling well. We continue to be optimistic for the year as a whole".

Mike Roberts, Chairman of Radius, told its AGM that "the first three months of 1994 had showed a marked improvement...including securing its largest ever single order, approx. £2m, from Royal Mail...Radius is optimistic for the full year".

MDIS said it had been awarded 5 new contracts worth £7m since its March float and "was well placed to grow strongly in 1994".

P&P reported "an encouraging start to 1994" and expected "significant progress".

Leslie Warman, Chairman of Wakebourne (nee Maddox) said "current trading is comfortably in line with expectations...with Network Services, in particular, growing strongly".

MAID issued a "bullish trading statement" and brokers Hoare Govett issued a forecast of £1m PBT in 1994 and £5m in 1995. "That, given the blue sky nature of the business, must be regarded as a long way from being certain". Source - The Times 10th May 94. With comments like that it was not surprising that the statement did not help the share price which has collapsed from the 110p issue price to 60p in just two months.

David Gare, of INSTEM, reported record orders of £7m during the first 4 months of 1994 and could "endorse the confidence stated in the annual report that 1994 will be a satisfactory year".

Micro Focus' Chairman Paul O'Grady reported "an encouraging start" with Q1 profits up 25% at £2.9m on revenues up 22% to £20.2m. Revenues from the OEM channel were particularly strong and networking products grew 36% and now represent 37% of turnover.

MF shares surged by 242p to £10.65 on the news.

Enterprise Computers has asked its auditors, KPMG to resign. Apparently they wanted to increase their fee by 30% over the agreed level bringing the bill to £80,000! Stoy Hayward has been appointed in their place. Enterprise has brought itself back into profit by tight cost control - this is clearly another example.

People John Curran, who transformed the fortunes of Granada Computer Services, has returned as planned to his independent consultancy activities. Rumours abound that Vernon Ellis (currently head of Andersen Consulting Europe) is about to get the worldwide CEO role at Arthur Andersen & Co.

Logica has announced a new UK structure with "15 market-facing divisions reporting to the CEO" - Cliff Preddy.



Richard Holway Results Service

ACT Group plc	Results Revenue PBT EPS	Interim - Sep 92 £ 73,120,000 £ 9,743,000 5.01	Final - Mar 93 £ 152,926,000 £ 20,478,000 10.63p	Interim - Sep 93 £ 107,595,000 £ 11,531,000 5.24p	Interim Comparison +9.2% +20.8% +4.6%
Admiral plc	Results Revenue PBT EPS	Final - Dec 92 £ 30,870,000 £ 3,986,000 24.2p		Final - Dec 93 £ 36,640,000 £ 4,608,000 27.6p	Final Comparison +18.7% +15.6% +14.0%
Azlan Group plc	Results Revenue PBT EPS	Final - Mar 92 £ 29,283,000 £ 2,062,000 5.4p	Interim - Sep 93 £ 26,140,000 £ 1,882,000 6.3p	Final - Mar 93 £ 41,196,000 £ 2,954,000 8.4p	Final Comparison +40.6% +43.2% +55.6%
Capita Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 33,098,452 £ 4,406,012 6.43p		Final - Dec 93 £ 50,168,000 £ 5,463,000 7.9p	Final Comparison +51.6% +24.0% +23.4%
Cedardata plc	Results Revenue PBT EPS	Final - Mar 92 £ 4,062,000 £ 1,476,000 3.4p	Interim - Sep 93 £ 2,808,000 £ 998,000 2.3p	Final - Mar 93 £ 5,259,000 £ 1,778,000 4.2p	Final Comparison +29.5% +20.5% +23.5%
Centregold plc	Results Revenue PBT EPS	Interim - Jan 93 £ 36,601,000 £ 2,090,000 4.46p	Final - Jul 93 £ 67,985,000 £ 2,715,000 5.63p	Interim - Jan 94 £ 52,554,000 £ 2,600,000 4.7p	Interim Comparison +43.6% +24.4% +5.4%
Clinical Computing plc	Results Revenue PBT EPS	Final - Dec 92 (17 mos) £ 2,014,137 (£ 549,038) (2.12p) amended		Final - Dec 93 £ 2,635,853 (£ 1,163,951) 6.27p (amended)	Final Comparison Not comparable Loss to profit Loss to profit
Coda Group plc	Results Revenue PBT EPS	Final - Oct 92 £ 17,934,000 £ 3,248,000 n/a		Final - Oct 93 £ 23,450,000 £ 3,752,000 9.6p	Final Comparison +30.8% +15.5% n/a
Comac Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 11,118,158 £ 394,723 3.7p		Final - Dec 93 £ 19,768,000 (£ 228,000) (1.9p)	Final Comparison +77.8% Profit to loss Profit to loss
Computerised Financial Solutions Europe Ltd	Results Revenue PBT EPS	Final - Dec 92 £ 3,224,898 £ 37,109 n/a		Final - Dec 93 £ 3,338,636 £ 330,233 n/a	Final Comparison +3.5% +789.9% n/a
Computer People Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 62,735,000 £ 145,000 (0.87p)		Final - Dec 93 £ 68,748,000 £ 1,102,000 4.37p	Final Comparison +9.6% +660.0% Loss to profit
Cray Electronics Holding plc	Results Revenue PBT EPS	Interim - Oct 92 £ 81,862,000 £ 17,833,000 10.33p	Final - Apr 93 £ 200,785,000 £ 29,014,000 13.8p	Interim - Oct 93 £ 114,308,000 £ 7,804,000 2.399p	Interim Comparison +39.6% -56.2% -131.4%
CRT Group plc	Results Revenue PBT EPS	Final - Apr 92 £ 43,469,000 £ 6,158,000 8.26p		Final - Apr 93 £ 47,035,000 £ 3,297,000 4.22p	Final Comparison +8.2% -46.5% -48.9%
Data & Research Services plc	Results Revenue PBT EPS	Final - Dec 92 £ 7,806,000 £ 706,000 1.51p		Final - Dec 93 £ 11,577,000 £ 1,689,000 3.83p	Final Comparison +48.3% +139.6% +153.6%
DCS Group plc	Results Revenue PBT EPS	Interim - Dec 92 £ 2,993,000 £ 121,000 1.36p	Final - Jun 93 £ 5,545,965 £ 231,406 2.92p	Interim - Dec 93 £ 2,604,000 £ 41,000 0.61p	Interim Comparison -10.3% -66.1% -55.1%
Division Group plc	Results Revenue PBT EPS	Final - Oct 92 £ 1,081,913 (£ 107,783) (1.0p)		Final - Oct 93 £ 2,078,000 (£ 503,000) (2.1p)	Interim Comparison +92.1% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Final - Sep 92 £ 15,455,000 £ 4,877,000 12.8p amended		Final - Sep 93 £ 14,341,000 £ 4,672,000 11.71p amended	Final Comparison -7.2% -4.2% -8.5%
Enterprise Computer Holdings plc	Results Revenue PBT EPS	Interim - Sep 92 £ 35,524,000 (£ 3,392,000) (4.3p)	Final - Mar 93 (restated) £ 58,231,000 (£ 6,143,000) (7.7p)	Interim - Sep 93 £ 9,895,000 £ 25,000 (0.02p)	Interim Comparison -72.1% Loss to Profit Loss both
Gresham Telecomputing plc	Results Revenue PBT EPS	Final - Oct 92 £ 7,250,000 £ 767,000 1.94p		Final - Oct 93 £ 5,823,000 £ 551,000 1.04p	Final Comparison -19.7% -28.2% -46.4%
INSTEM plc	Results Revenue PBT EPS	Final - Dec 92 £ 14,272,000 £ 575,000 8.5p		Final - Dec 93 £ 19,294,000 £ 1,021,000 14.8p	Final Comparison +35.2% +77.6% +74.1%
Kalamazoo Computer Group plc	Results Revenue PBT EPS	Interim - Sep 92 (Restated) £ 27,576,000 (£ 936,000) Nil	Final - Mar 93 (Restated) £ 56,508,000 £ 940,000 Nil	Interim - Sep 93 £ 29,562,000 £ 2,533,000 4.2p	Interim Comparison +7.2% Loss to Profit Loss to Profit
Kewill Systems plc	Results Revenue PBT EPS	Interim - Sep 92 (Restated) £ 15,418,000 (£ 172,000) (3.58p)	Final - Mar 93 (Restated) £ 33,341,000 (£ 5,192,000) (0.60p)	Interim - Sep 93 £ 15,999,000 £ 1,757,000 10.15p	Interim Comparison +3.8% Loss to Profit Loss to Profit
Kode International plc	Results Revenue PBT EPS	Final - Dec 92 £ 20,915,000 £ 1,031,000 8.6p		Final - Dec 93 £ 24,916,000 £ 1,143,000 7.0p	Final Comparison +19.1% +10.9% -18.6%
Learmonth & Burchett Management Systems plc	Results Revenue PBT EPS	Interim - Oct 92 £ 10,713,000 £ 753,000 3.1p	Final - Apr 93 £ 23,645,000 £ 1,610,000 7.0p	Interim - Oct 93 £ 13,114,000 £ 201,000 1.0p	Interim Comparison +22.4% -73.3% -67.7%
Logica plc	Results Revenue PBT EPS	Interim - Dec 92 £ 104,208,000 £ 4,136,000 3.7p	Final - Jun 93 £ 217,434,000 £ 9,026,000 8.7p	Interim - Dec 93 £ 106,522,000 £ 3,211,000 3.3p	Interim Comparison +2.2% -22.4% -10.8%
Lynx Holdings plc	Results Revenue PBT EPS	Interim - Mar 93 £ 4,719,000 £ 105,000 0.83p	Final - Sep 93 £ 10,807,000 £ 619,000 4.27p	Interim - Mar 94 £ 7,257,000 £ 460,000 1.15p	Interim Comparison +53.8% +338.1% +38.6%
M.A.I.D plc	Results Revenue PBT EPS	Final - Dec 92 £ 3,485,337 £ 323,832 n/a		Final - Dec 93 £ 5,723,909 £ 603,176 n/a	Final Comparison +64.2% +86.7% n/a
McDonnell Information Systems plc	Results Revenue PBT EPS	Final - Dec 92 £ 158,634,000 £ 18,558,000 n/a		Final - Dec 93 (Pro Forma) £ 148,480,000 £ 12,857,000 14.3p	Final Comparison -6.4% -30.7% n/a
MR-Data Management Group plc	Results Revenue PBT EPS	Interim - Dec 92 £ 18,629,000 £ 4,020,000 4.89p	Final - Jun 93 £ 40,788,000 £ 8,759,000 10.6p	Interim - Dec 93 £ 19,602,000 £ 2,660,000 3.21p	Interim Comparison +5.2% -33.8% -34.4%
Macro 4 plc	Results Revenue PBT EPS	Interim - Dec 92 £ 11,213,000 £ 4,935,000 14.8p	Final - Jun 93 £ 23,256,000 £ 10,497,000 31.5p	Interim - Dec 93 £ 12,104,000 £ 5,400,000 16.0p	Interim Comparison +7.9% +9.4% +9.8%

Richard Holway Results Service

Micro Focus plc	Results Revenue PBT EPS	Final - Jan 93 £ 68,882,000 £ 22,777,000 106.5p		Final - Jan 94 £ 83,842,000 £ 21,761,000 101.2p	Final Comparison +21.7% -4.5% -6.0%
Microgen Holdings plc	Results Revenue PBT EPS	Final - Oct 92 £ 49,316,000 £ 8,243,000 13.8p		Final - Oct 93 £ 53,351,000 £ 6,700,000 10.5p	Final Comparison +8.2% -18.7% -23.9%
Microvitec plc	Results Revenue PBT EPS	Final - Dec 92 £ 49,889,000 (£ 2,137,000) (3.4p)		Final - Dec 93 £ 35,170,000 £ 1,611,000 2.1p	Final Comparison -29.5% Loss to profit Loss to profit
Misys plc	Results Revenue PBT EPS	Interim - Nov 92 £ 41,147,000 £ 6,757,000 11.9p	Final - May 93 £ 88,761,000 £ 15,125,000 27.4p	Interim - Nov 93 £ 42,086,000 £ 8,012,000 14.3p	Interim Comparison +2.3% +18.6% +20.2%
MMT Computing plc	Results Revenue PBT EPS	Interim - Feb 93 £ 3,165,000 £ 865,000 4.8p	Final - Aug 93 £ 7,057,716 £ 1,725,549 9.0p	Interim - Feb 94 £ 4,815,000 £ 1,215,000 6.4p	Interim Comparison +52.1% +40.5% +33.3%
On Demand Information plc	Results Revenue PBT EPS	Interim - Jan 93 £ 8,968,000 £ 1,490,000 (1.49p)	Final - Jul 93 £ 18,969,000 (£ 1,450,000) n/a	Interim - Jan 94 £ 11,847,000 (£ 969,000) (1.62p)	Interim Comparison +31.8% Loss both Loss both
Oxford Molecular plc	Results Revenue PBT EPS	Final - Dec 92 £ 1,048,000 (£ 318,000) (9.7p) adjusted		Final - Dec 93 £ 1,409,000 (£ 1,265,000) (8.9p) adjusted	Final Comparison +33.6% Loss both Loss both
P & P plc	Results Revenue PBT EPS	Final - Nov 92 £ 222,752,000 (£ 7,872,000) (14.0p)		Final - Nov 93 £ 217,259,000 £ 4,107,000 4.3p	Final Comparison -2.47% Loss to profit Loss to profit
Pegasus Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 10,269,000 £ 620,000 7.3p		Final - Dec 93 £ 7,502,000 £ 6,930,000 72.0p	Final Comparison -26.9% +1017.7% +886.3%
Persona plc	Results Revenue PBT EPS	Final - Dec 92 £ 14,088,000 £ 358,000 2.36p		Final - Dec 93 £ 22,862,000 £ 1,749,000 11.06p	Final Comparison +62.3% +388.5% +369.5%
Phonelink plc	Results Revenue PBT EPS	Interim - Sep 92 £ 327,000 (£ 2,000) n/a	Final - Mar 93 £ 922,557 £ 30,905 0.1p	Interim - Sep 93 £ 586,000 (£ 301,000) (0.8p)	Interim Comparison +79.2% Loss both Loss both
Proteus International plc	Results Revenue PBT EPS	Interim - Sep 92 £ 1,516,000 (4.73p)	Final - Mar 93 £ 21,000 (£ 3,547,000) (13.52p)	Interim - Sep 93 Nil (£ 2,733,000) (10.08p)	Interim Comparison Both nil Loss both Loss both
Quality Software Prod. Holdings plc	Results Revenue PBT EPS	Final - Dec 92 £ 13,118,183 £ 1,200,676 16.2p		Final - Dec 93 £ 13,346,543 £ 553,214 6.7p	Final Comparison +1.7% -54% -58.6%
Radius plc	Results Revenue PBT EPS	Final - Nov 92 £ 24,012,000 £ 1,231,000 2.9p		Final - Dec 93 £ 23,273,000 (£ 1,171,000) (3.0p)	Final Comparison (13 mo) -3.1% Profit to loss Profit to loss
Real Time Control plc	Results Revenue PBT EPS	Interim - Sep 92 £ 346,000 £ 258,000 2.5p	Final - Mar 93 £ 314,000 £ 492,000 4.9p	Interim - Sep 93 £ 379,000 £ 424,000 4.1p	Interim Comparison +14.2% +64.3% +64%
Rofe & Nolan plc	Results Revenue PBT EPS	Interim - Aug 92 £ 5,307,000 £ 707,000 8.9p	Final - Feb 93 £ 11,232,000 £ 1,216,000 17.7p	Interim - Aug 93 £ 6,055,000 £ 609,000 6.1p	Interim Comparison +14.1% -13.9% -31.5%
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 93 £ 20,983,000 £ 5,380,000 17.68p	Final - Sep 93 £ 41,289,000 £ 9,656,000 32.5p	Interim - Mar 94 £ 25,400,000 £ 6,864,000 22.25p	Interim Comparison +21.1% +27.6% +25.8%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 93 £ 12,067,000 £ 1,603,000 14.2p	Final - Sep 93 £ 23,681,000 £ 3,327,000 25.4p	Interim - Mar 94 £ 14,217,000 £ 2,169,000 15.9p	Interim Comparison +17.9% +20.3% +12.0%
Sema Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 416,675,000 £ 19,458,000 13.22p		Final - Dec 93 £ 501,992,000 £ 24,855,000 16.62p	Final Comparison +20.5% +27.7% +25.7%
Sherwood Computer Services plc	Results Revenue PBT EPS	Final - Dec 92 £ 21,103,000 £ 3,004,000 34.1p		Final - Dec 93 £ 23,561,000 (£ 1,998,000) (35.78p)	Final Comparison +11.6% Profit to Loss Profit to Loss
Standard Platforms plc	Results Revenue PBT EPS			Final - Sep 93 (18 months) n/a (£ 1,070,000) n/a	Final Comparison n/a Loss Both n/a
Superscape VR plc	Results Revenue PBT EPS	Final - Jul 92 £ 395,989 (£ 44,502) (23.1p)	Interim - Jan 94 £ 390,121 (£ 73,280) (53.4p)	Final - Jul 93 £ 642,018 (£ 21,450) (12.3p)	Final Comparison +62.1% Loss Both Loss Both
Total Systems plc	Results Revenue PBT EPS	Interim - Sep 92 £ 1,361,536 £ 424,536 2.85p	Final - Mar 93 £ 2,869,359 £ 832,908 6.08p	Interim - Sep 93 £ 1,079,044 £ 12,330 0.078p	Interim Comparison -20.7% -97.1% -97.3%
Trace Computers plc	Results Revenue PBT EPS	Interim - Nov 92 £ 8,835,000 £ 105,000 0.59p	Final - May 93 £ 18,042,438 £ 211,504 1.12p	Interim - Nov 93 £ 9,236,000 £ 216,000 1.22p	Interim Comparison +4.5% +105.7% +106.8%
Unipalm plc	Results Revenue PBT EPS	Final - Apr 93 £ 2,288,963 £ 698,831 2.3p	Interim - Oct 93 £ 4,943,000 £ 148,000 0.5p	Final - Apr 93 £ 3,390,000 £ 605,000 2.9p	Final Comparison +48.7% -13.3% +26.1%
Vega Group plc	Results Revenue PBT EPS	Interim - Oct 92 £ 3,623,000 £ 404,000 1.34p	Final - Apr 93 £ 8,089,000 £ 1,705,000 7.99p	Interim - Oct 93 £ 4,517,000 £ 757,000 3.54p	Interim Comparison +24.7% +87.4% +164.2%
Virtuality Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 5,245,000 £ 217,000 1.1p		Final - Dec 93 £ 5,400,000 (£ 385,000) (1.7p)	Final Comparison +2.9% Profit to Loss Profit to Loss
Vistec Group plc	Results Revenue PBT EPS	Interim - Oct 92 £ 18,703,000 £ 1,305,000 0.73p	Final - Apr 93 (Restated) £ 38,665,000 £ 3,282,000 1.88p	Interim - Oct 93 £ 17,630,000 £ 1,126,000 0.62p	Interim Comparison -5.7% -13.7% -15.1%
Wakebourne plc	Results Revenue PBT EPS	Final - Dec 92 £ 24,171,000 £ 453,000 0.13p		Final - Dec 93 £ 23,233,000 (£ 18,649,000) (3.6p)	Final Comparison -3.9% Profit to Loss Profit to Loss

Acquisitions, disposals and liquidations

"Last non core disposal" at Cray

Cray Electronic's Chairman Roger Holland says he has now completed the disposal of non core operations. In March, Cray sold Cray Technology, Cray Marine and Cray Computer Graphics to an MBO team for £10.33m. This month the last remaining "non core" activity - Gresham Power Electronics - was sold to an MBO team for £1m. Gresham was also part of the Dowty IT purchase and its disposal would have "a negligible effect on on-going profitability".

Cray

Electronics

Logica buys in US

The acquisition by Logica of Precision Software in the US this month was "significant" because it was the first real new corporate initiative since Martin Read took over as CEO getting on for a year ago. The acquisition itself was fairly modest. "Up to" \$12.3m will be paid for Precision - a US-based provider of commercial loan processing software. An initial payment of \$3.3m will be followed by "a further \$2m upon achievement of certain minimum targets. In addition, there are provisions for Precision to be paid a further \$7m on a performance-related basis running until June 1988. in cash". Precision made PBT of \$900K on revenues of \$1.7m in the year to 31st Dec. 93. Dr Martin Read, we know, reads our *Guide to Successful Acquisitions*. He therefore must be aware of the mounting evidence against the success of performance related deals. You don't get more performance related than the Precision deal.

P&P buys in Scotland

P&P has bought Scottish software solutions operation, **Computers for Business (Scotland) (CFB)**, for up to £6.6m. The initial £3.74m was satisfied in P&P shares plus loan notes and cash. CFB made PBT of £530K on revenues of £15m in 1993 and are "targetting at £950K" PBT in 1994. Clearly this will be the trigger for an additional £1.6m profit related element. CFB started as a PC dealer in 1984 but now offers the usual range of value added services.

Compower for sale

Samuel Montagu has advertised for interested buyers for **Compower** - the wholly owned payroll, personnel management bureau, EDI and computer services business of the Coal Board. In the latest year's figures we have to 31st Mar 93, revenues were down 16% at £8.7m and PBT was static at £850K with a reduction in staff to 168. The deal also includes an FM contract as well.

Campbell Lee Holdings merges

In 1991 IBM Business Associate, **Campbell Lee** backed the formation of **Byford**. This month they have formally merged under the **Campbell Lee Holdings** banner, by an exchange of shares. This "signals a period of increased activity...paving the way for the acquisition of further software houses strategically located nationwide". Campbell Lee had revenues of £3.7m and PBT of £133K in the year to 31st Jan. 93.

The others... Apple dealer, **Application Computer Centre (ACC)** of Bury St Edmunds has gone into liquidation. **Microvitec** has acquired **Project Assyst Ltd** - a 6 man retail sector IT consultancy - for an undisclosed sum. **Azlan** has bought **Research & Development**, a distributor in the network computing market in France, for an initial £650K plus further £60K profit related. **Michael Business Systems** (itself acquired by Control Data in late 1993) has bought AS/400 software company **PCI Systems** from P&O for an undisclosed sum. **US Group 1 Software** is to acquire **Archetype Systems Ltd** "the forms creation software specialist". No terms were disclosed. **IBSI (UK)** has ceased trading.

EDS and Sprint

We did manage to preview the EDS/Sprint rumour last month (courtesy of BusinessWeek). This month the negotiations were confirmed.

The merger would "create an information services powerhouse with revenues of more than \$20 billion". GM bought EDS for \$2.5 b ten years ago, so the current price tag of \$15 b represents a decent return.

The convergence of IT and communications is now so well advanced that it is a non-argument. *We had hoped that the EDS link would be with BT though!*

CA and ASK

ASK Group, who develop **INGRES** and the **Data 3 CIM** products, has been acquired by **Computer Associates** for around \$300m. After losses in 1992, ASK made profits of \$149K on revenues of \$426m in the year to 30th June 1993.

CA had revenues of c\$2 billion in 1993, so with ASK the merged group will have revenues of c\$2.5 b - about the same as CSC and CGS.

π

Pi Holdings is the acquisitive group initially put together by ex-CMG Bryan Mills in 1988. He set out on a major acquisitions' binge. Of around 10 purchases, John Croucher's **Calidus** and **SIA** were the most significant.

Unfortunately, things went rather wrong. The bad news included a £7.8m loss in 1991 and the unusual step of putting subsidiaries - **Eosys/Granglear** - into receivership. The receiver has recently issued a writ for the return of £160K dividends paid prior to liquidation. With support from **Advent** (33%), the **Growth Fund** (16.7% - **Friends Provident**), **Baronsmead** (12.3%) and **Alta-Berkeley** (10.7%), the finances were restructured and it now looks as if Pi is on the slow road to recovery. The continuing Pi businesses increased revenues by 22% to £12m. PBT was up 14% at £580K with EPS also up 14%. However, £503K of this year's profit was from newly capitalised R&D - making an intangible balance sheet total of £1.2m. In addition investments in **Orbit** and **Calidus Inc** have been valued on the balance sheet at £1.6m.

Calidus seems to have been the star with revenues up 33% and operating profits up 77% despite declining hardware sales. Other group subsidiaries include **SIA**, **Trurofield**, **Timegate** and **Orbit BV** (only 20% owned). We are pleased to see that **Tony Stairmand** and **John Croucher** (both ex **Hoskyns**) have recently joined the main Pi board. In the new structure, Mills is now "just" a non-exec. director.



We are not easily impressed. But even we sit up and take note of a UK group which started trading only in 1988 and now has revenues approaching £10m, PBT of over £1.2m, around £2m in cash and no borrowings. If it sounds too good to be true, take a look at **Satelcom UK**. They are 51% owned by French Group SAGEM ("Europe's fifth largest electronics group"), which has revenues of around £1.3b. But a joint venture agreement puts control in the hands of the executive directors (Brian Jacobs - Managing, Ian George - Technical and Mervyn Rochester - Financial) who own the remaining 49%.

Satelcom "is engaged in the data communications industry and manufactures its own range of multi-protocol network access devices generically called MegaPAC". Whilst the design, development and manufacture of the products is conducted at Satelcom, a significant proportion of the hardware production is sub-contracted. They are, therefore, essentially a software company. Their customers are a blue chip bunch ranging from Barclays and the Bank of Scotland to MAFF and a range of local authorities. In addition to the main theme of network engineering, Satelcom, also provide structured cabling, systems integration, consultancy and training. In other words, they seem to be exactly where all pundits like us suggest companies should be.

On its own, the financial performance of the business was enough to garner our undivided attention. But there were some other attractions. The command of financial detail was something we rarely find in a company of this size. It appears that we were asked along for a visit because of our campaign against R&D capitalisation. (Satelcom, as you might guess, expense all R&D). We have also seldom come across a company which has accumulated this kind of cash even after "pursuing an aggressive dividend policy every year".

ACT sells ACT Computer Support

It should not come as any surprise to our readers that **ACT Group** has, this month, announced the sale of **ACT Computer Support** and **ACT Newtork Si** in an MBO for £14.5m in cash. NatWest and Phildrew Ventures have backed the MBO.

In the year to 31st March 1994, the two companies produced PBT of £3.5m or a minimal exit P/E of 7. But the operating profitability of this TPM - as we have warned for so long - had been "falling sharply". ACT has now eliminated all UK borrowings relating from the BIS purchase and also has severed all links with hardware.

New issues and fund raising

We understand that **Spargo Consulting** will be launched onto the Stock Exchange in mid June. Latest filed accounts to 31st Dec. 92 show revenues of £4.1m and PBT of £474K - up from a breakeven in 1991. Vistec's Bob Morton is a director/shareholder.

Quality Software Products (QSP) has raised a further £1.6m via a placing a 400p to "accelerate international development". **Tadpole Technology** has raised £6.8m through a placing at 260p. **Eidos**, which makes video compression software, has launched a 1-for-10 rights issue at 240p to raise £582K.

Declining margins at Computacenter

Computacenter is the largest PC reseller in the UK. Over the past five years many of their rivals have thrown in the towel. Few have performed as well as Computacenter. So their record - as the best in the sector - is salutary. The chart shows that although revenues have more than doubled since 1989, operating profit margins have slipped in every year from 6.2% in 1989 to just 2.7% in 1993. Operating profit was lower in 1993 than in 1989.

Computacenter's results for the year to 31st December 1993 show revenues up 26% at £322m, operating profit static at £8.8m and PBT down a marginal 2% at £8.4m. Staff employed increased by 172 to 1,218.

Engineering and professional services, as opposed to logistics services, accounted for about 70% of gross profit in 1993 - up from the 50% claimed for 1992.

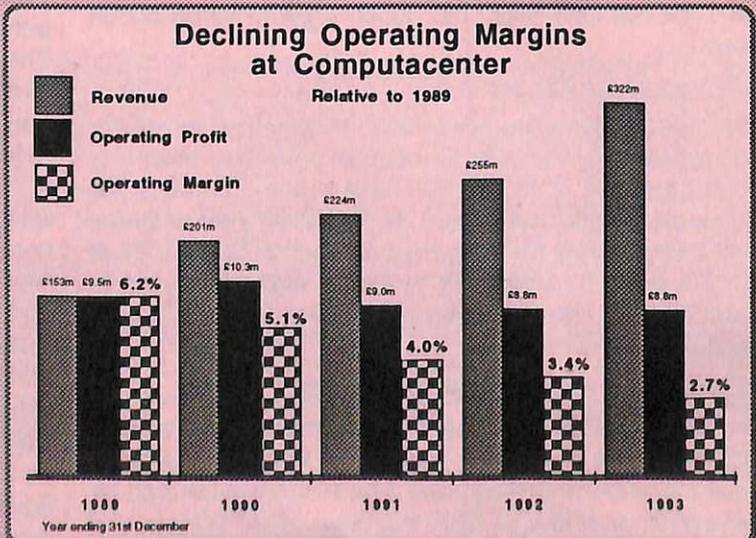
Computacenter's Chairman Peter Ogden told us that even "within this service oriented business, although our role as a supplier hardware has changed, we believe it remains of great importance.

This is because we are able to take total ownership of projects, user support and control processes... In our business model we are investing heavily in people and systems to develop the new opportunities in outsourcing and project management".

Computacenter would not confirm how much of their £322m revenues were hardware related but we estimate that they would find it difficult to claim much more than £70m of pure SCSI revenues. That would not put Computacenter even into the ranks of the Top Twenty UK SCSI providers.

Computacenter is privately owned with Peter Ogden (Chairman) and Philip Hulme (MD) being the largest shareholders. They had planned a float in 1990 via Warburg's, but we are currently assured that no such float plan exists as the company "prefers to stay as it is".

Finally, Computacenter is one of the important barometers of the health of the UK IT market. So we should take encouragement. Hulme reports £102m revenues in Q1 1994 - clearly up significantly on last year.



FTSE falls below 3000

The FTSE 100 fell 5% in May to under 3000. Our CSI Index did not suffer quite so badly - down 2.8%. This wiped out all the gains this year so far.

Micro Focus put on 27% as a result of the excellent Q1 figures reported in the last edition and renewed US buying interest. The shares are, however, still around a third of their high. **LBMS** put on 17% in anticipation of a recovery in full year results to be announced this month. They are still showing a 20% fall in 1994. **Kalamazoo** was up 16%, also in anticipation of about to be published results.

At the other end of the scale, **Wakebourne** was down 26% for no particular reason other than the 40-for-1 share consolidation. **Standard Platforms** fell 22% as private business angels organised a rescue (see p 4). **Proteus**

fell another 19% making a 50% fall in 1994 as doubts spread on the revenue earning potential of current clinical trials. The biggest fall of the new issues was **MAID** - now down 45% from its issue price.

27-May-94		CSI Index		1670.19
CSI Index = 1000 on 15th April 1989		FTSE 100	2966.40	
		FTSE SmallCap	1883.82	
Changes in Indices		CSI Index	FTSE 100	FTSE Small Cap
Month (25/3/94 - 30/4/94)		-2.80%	-5.08%	-1.91%
From 15th Apr 89		+67.02%	+44.45%	
From 1st Jan 90		+81.52%	+25.59%	
From 1st Jan 91		+135.95%	+37.31%	
From 1st Jan 92		+59.85%	+18.98%	
From 1st Jan 93		+4.81%	+4.21%	+35.79%
From 1st Jan 94		+0.04%	-13.22%	+0.81%

System House CSI Share Prices and Capitalisation

	Share Price 27/5/1994 (£p)	Capitalisation 27/5/1994 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 27/5/94	Share price % move since 30/4/94	Share price % move in 1994	Capitalisation move (£m) since 30/4/94	Capitalisation move (£m) in 1994
ACT	£1.66	£307.80m	16.7	2.01	2634.92	-4.60%	16.08%	-£ 14.80m	£44.10m
Admiral	£5.60	£63.80m	20.6	1.74	4057.97	0.00%	15.46%	£0.00m	£11.40m
Azlan	£2.77	£60.50m	33.0	1.47	1204.35	-0.72%	4.53%	-£ 0.40m	£2.60m
Capita	£2.05	£100.20m	26.1	2.00	6156.16	-9.29%	-13.87%	-£10.30m	-£ 12.60m
Cedardata	£1.05	£32.20m	17.2	6.12	1000.00	5.00%	0.00%	£1.60m	£0.04m
Centregold	£1.12	£45.10m	16.9	0.66	896.00	-6.67%	-30.86%	-£ 3.20m	-£ 20.10m
Clinical Computing	£1.36	£22.00m	21.7	8.37	1096.77	-0.73%	9.68%	-£ 0.20m	£1.90m
Coda	£2.33	£61.10m	24.3	2.61	991.49	-0.43%	-0.85%	-£ 0.30m	-£ 0.55m
Comac Group	£1.10	£40.20m	28.3	2.03	6111.09	-2.65%	0.00%	-£ 1.10m	£0.00m
Computerised Financial	£1.26	£5.92m	n/a	1.77	1400.00	-10.00%	40.00%	-£ 0.66m	£1.69m
Computer People	£1.75	£24.30m	40.0	0.35	720.16	-1.69%	62.04%	-£ 0.40m	£9.30m
Cray Electronics	£1.73	£381.30m	16.8	1.90	1011.70	-6.99%	7.45%	-£ 28.60m	£26.50m
CRT	£1.08	£57.80m	19.5	1.23	1200.00	-0.92%	10.20%	-£ 0.50m	£5.70m
DRS Data & Research	£1.17	£41.70m	27.9	3.60	1063.64	6.36%	6.36%	£2.50m	£2.50m
DCS Group	£0.85	£8.05m	29.1	1.45	1416.67	2.41%	41.67%	£2.13m	£3.85m
Division Group	£1.09	£36.80m	Loss	17.69	2725.00	-6.03%	34.57%	-£ 2.40m	£9.40m
Electronic Data Processing	£1.47	£38.40m	12.6	2.68	4500.92	-17.88%	-25.76%	-£ 8.30m	-£ 13.20m
Enterprise	£0.14	£10.80m	Loss	0.19	112.00	-17.65%	-55.56%	-£ 2.40m	-£ 14.90m
Gresham Telecomputing	£0.69	£22.60m	62.0	3.88	741.94	0.00%	-37.84%	£0.10m	-£ 12.90m
INSTEM	£1.52	£6.89m	9.7	0.36	1520.00	0.66%	12.59%	£0.04m	£0.43m
Kalamazoo	£1.37	£52.10m	31.8	0.92	3914.29	16.10%	37.00%	£7.20m	£14.00m
Kewill	£2.63	£31.90m	Loss	0.96	1039.53	-2.59%	18.47%	-£ 0.90m	£5.40m
Kode International	£1.13	£10.60m	16.2	0.43	525.58	-1.74%	-29.38%	-£ 0.20m	-£ 4.30m
Learmonth & Burchett	£1.16	£21.00m	16.4	0.89	966.67	17.17%	-20.00%	£3.00m	-£ 5.00m
Logica	£2.93	£180.50m	33.8	0.83	802.74	-3.30%	7.33%	-£ 5.90m	£12.60m
Lynx Holdings	£0.49	£20.60m	18.8	1.91	1225.00	2.08%	11.36%	£0.40m	£3.80m
MAID	£0.60	£48.80m	n/a	8.53	545.45	-13.04%	-45.45%	-£ 7.30m	-£ 40.30m
MDIS	£2.33	£233.00m	16.3	1.57	896.15	-10.38%	-10.38%	-£ 27.00m	-£ 27.00m
MR Data Management	£1.98	£109.90m	22.0	2.69	785.71	-7.48%	-3.41%	-£ 8.90m	-£ 3.70m
Macro 4	£6.30	£143.60m	18.9	6.17	2540.32	-1.56%	-7.08%	-£ 1.90m	-£ 10.40m
Micro Focus	£10.40	£148.70m	10.0	1.77	5024.15	27.14%	4.00%	£31.70m	£6.70m
Microgen	£1.42	£55.90m	14.2	1.05	606.84	-4.05%	-4.05%	-£ 2.40m	-£ 2.40m
Microvitec	£0.34	£21.40m	16.0	0.61	817.07	-0.74%	3.08%	-£ 0.10m	£0.20m
Misys	£4.85	£229.40m	18.0	2.58	1206.47	-1.62%	-3.96%	£8.50m	£33.50m
MMT	£1.88	£21.10m	19.3	2.99	1119.05	8.67%	31.47%	£1.60m	£5.80m
On-Demand	£0.93	£47.40m	n/a	2.50	1192.31	-7.00%	-17.70%	-£ 3.60m	-£ 10.20m
Oxford Molecular	£0.70	£25.80m	Loss	18.30	875.00	-13.58%	-12.50%	-£ 4.10m	-£ 3.70m
P&P	£0.74	£44.50m	17.8	0.20	331.84	6.47%	15.63%	£5.80m	£9.00m
Pegasus	£1.94	£12.10m	21.4	1.61	528.61	-1.52%	-9.35%	-£ 0.20m	-£ 2.00m
Persona	£1.93	£23.30m	17.3	1.02	1206.25	9.04%	20.63%	£1.90m	£4.00m
Phonelink	£3.77	£133.80m	n/a	143.87	2432.26	-8.05%	3.57%	-£ 11.70m	£4.60m
Proteus	£2.11	£65.60m	Loss	n/a	2511.90	-19.16%	-49.88%	-£ 15.60m	-£ 49.80m
Quality Software	£4.05	£33.60m	58.3	2.52	1065.79	-4.48%	0.00%	-£ 1.60m	£2.10m
Radius	£0.33	£9.01m	Loss	0.39	239.13	13.79%	17.86%	£1.09m	£1.37m
Real Time Control	£1.00	£7.00m	20.5	1.15	2040.82	-6.54%	36.99%	-£ 0.49m	£1.89m
Rolle & Nolan	£3.18	£19.30m	21.8	1.72	1892.86	3.25%	7.80%	£0.60m	£2.60m
Sage Group	£5.83	£121.80m	15.7	2.95	4484.62	-2.51%	14.31%	-£ 2.60m	£16.70m
Sanderson	£3.60	£34.20m	14.2	1.45	1531.91	11.46%	12.50%	£3.50m	£5.70m
Sema Group	£4.12	£379.90m	24.8	0.76	1295.60	0.49%	32.90%	£1.90m	£97.80m
Sherwood	£1.14	£6.95m	Loss	0.29	950.00	-1.72%	3.64%	-£ 0.13m	£0.24m
Standard Platforms	£0.28	£1.11m	Loss	0.41	124.44	-22.22%	-12.50%	-£ 0.32m	-£ 0.19m
Superscape	£2.38	£12.60m	Loss	19.63	1202.02	-8.46%	20.20%	-£ 1.20m	£2.10m
Total	£0.31	£3.10m	5.5	1.08	584.91	-11.43%	29.17%	-£ 0.43m	£0.70m
Trace	£0.41	£5.73m	24.4	0.32	328.00	-2.38%	7.89%	-£ 0.10m	£0.34m
Unipalm	£1.26	£25.50m	43.45	3.04	1260.00	-8.70%	26.00%	-£ 2.40m	£5.26m
Vega Group	£2.40	£33.90m	22.8	3.81	1967.21	-3.23%	9.59%	-£ 1.20m	£3.00m
Virtuality	£2.39	£62.50m	Loss	11.57	1405.88	-12.13%	-27.79%	-£ 8.60m	-£ 24.00m
Vistec	£0.26	£31.20m	15	0.81	1108.70	-6.42%	6.25%	-£ 2.20m	£1.90m
Wakebourne	£0.96	£20.10m	Loss	0.86	533.33	-26.15%	60.00%	-£ 7.10m	£7.60m

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.

"Your company is now in an extremely healthy position"

You really cannot argue with Chairman Mike Tilbrook when he uses such a phrase to describe **MMT Computing** with revenues up 52% to £4.8m, PBT up 40% to £1.2m and EPS up 33% for the six months to 28th Feb. 94. Although still reliant on fee earning IT staff, it is the AM activities which interest us most. *"Although Marks and Spencer still provide the main core of work, there is little doubt that our increasing spread of clients will be the catalyst for further growth"*.

But it is Tilbrook's *corporate activities* which often hit the headlines. MMT currently has cash of over £4m earning interest *"somewhat less than half those enjoyed a while back"*. So Tilbrook has been buying up group property and making astute SCSi investments. *Astute?* We should say so...buying Quotient just before the ACT bid, buying P-E International just before the Cray bid and buying Total before their meteoric rise and selling before the ensuing crash. These little investments added £269K profit last year and a further £55K in the last six months.

As we all now know, Tilbrook has recently upped his stake in Sherwood to over 4% and must be sitting on a very tidy profit already. We rather liked the quote from Tilbrook in Computergram saying he wasn't worried about history repeating itself and ACT buying Sherwood. *Worried?...we are sure that's what he's banking on.*

Intercom orders at record level

Intercom Data Systems Ltd is an independent and privately owned system house. On the surface the results for the year to 31st Dec. 93 do not look that good. Revenues were down 9% at £4m and PBT down from £601K to £124K. But over 10 man years of product development was undertaken in 1993 - *all expensed*.

In addition, *"current net assets increased by 47%, reserves by 34% and we remain debt free...forward orders for 1994 are the highest in the company's history"*.

Transoft

We guess that the most regular comment that we get is that *System House* is only interested in the large SCSi players. Any review of past editions shows that this is a little unfair. Anyway, we are delighted this month to feature **Transoft** which has just reported revenues of £2.2m and PBT of £314K for the year to 31st Dec. 93.

In 1977, MD Mike Edwards set up MGE Systems to develop software for the accountancy profession and thereafter became one of Data General's largest VARs. The system was written in BBASIC. In 1983, after rejecting a bid from the infamous Star Computers, they sold a majority stake to Extel. Extel Financial and the MGE products have changed hands since, but it is to the founders' credit that the products still form an important part of Solution 6's portfolio.

In 1986, Edwards set up Transoft after realising the need for a portable (i.e. DOS or UNIX) version of BBASIC. They

On-Demand reports increased loss

On-Demand Information was one of the new issues in the last year. Launched in Nov 93 at 78p and a capitalisation of £39.8m, the shares are now up 19% at 93p. The company makes video compression software and offers various information services described as a *"single source multimedia information system"*. First results announced this month show a loss of £669K on continuing revenues of £2.6m in the six months to 31st Jan. 94. This was struck after £273K of R&D, a £150K settlement on litigation relating to building work, £101K of costs relating to the float and a £333K loss on the *demerger* of the Marketing Communications division at the time of the float.

On 20th April, On-Demand acquired "Pictures of Health", which provides a video service to GPs, from Yorkshire Television.

On-Demand is another of the froth companies strictly for the strong-nerved.

Sanderson Electronics

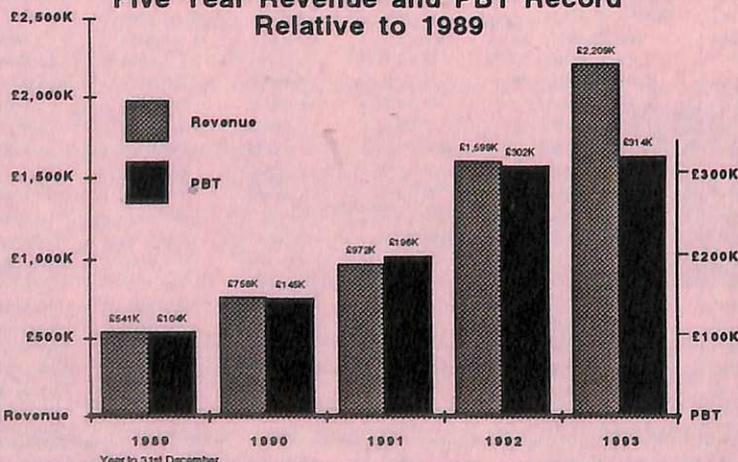
Sanderson has had a busy six months buying Brook Street Computers (£544K), Nord (£525K) and ICL's Commercial Systems (£1.32m initially + £1.95m profit related). Interim results for the six months to 31st March 1994 showed revenues up 18% at £14.2m, PBT up 20% at £2.17m and EPS up 12%.

"The existing businesses have held up well despite falling computer hardware prices, although most of them are operating at significantly below their peak levels of profitability. The acquisitions had made a good first time contribution" said Chairman Paul Thompson.

Sanderson estimates that its acquisitions would boost its annual revenues to almost £50m. In future business will be concentrated on the UK with a *"strategy of diversification to broaden the product base"*.

With the GA hardware venture a thing of the past, Sanderson could well be one of the brightest spots around.

Transoft Ltd
Five Year Revenue and PBT Record
Relative to 1989



have since sold over 6,000 copies. They have recently launched AIM, which automates the migration of applications using the INFOS database system. The first sale, for £78K to Lloyds syndicate RJ Wallace, was announced this month.

Edwards reckons there are 5,000 DG users worldwide who could benefit from AIM *"so £100m is a very conservative estimate of the size of this entirely new market that we are creating...and leading. You can see why I am so optimistic about 1994"*.

One of the reasons, perhaps, why we do not feature that many small, successful, privately owned companies is that most readers know by now what then happens. Edwards ended his letter to us with the prediction *"Transoft - definitely a company to watch"*. We can but agree - *for future news, keep an eye on page 7 (acquisitions and new issues)*.

Excellent results from Lynx

Lynx Holdings is a computing services company quoted on the Stock Exchange. Its activities consist of:

- Communications (APD-Mertech). Software and products for the radio communications industry with revenues of c£2.1m in 1993.
- Computer systems and software (Signal Ltd. - acquired in July 1993 for £1m). UNIX based motor dealer systems.
- Computer services (Lynxserv Ltd.) Hardware maintenance with revenues of £2.9m in 1993.
- Data Memories supplies computer and media products.

In Nov. 93 Lynx acquired Financial Systems Ltd. for £2.9m and Chess Valley Computers (mortgage software) for £2.4m.

In Mar. 1994 Lynx acquired TPM Computer Service Technology (CST) for £2m (£1.5m cash plus £500K in shares). CST made PBT of £322K on revenues of £6.1m (£2.5m from TPM, the rest from product distribution) in the year to Sept. 93.

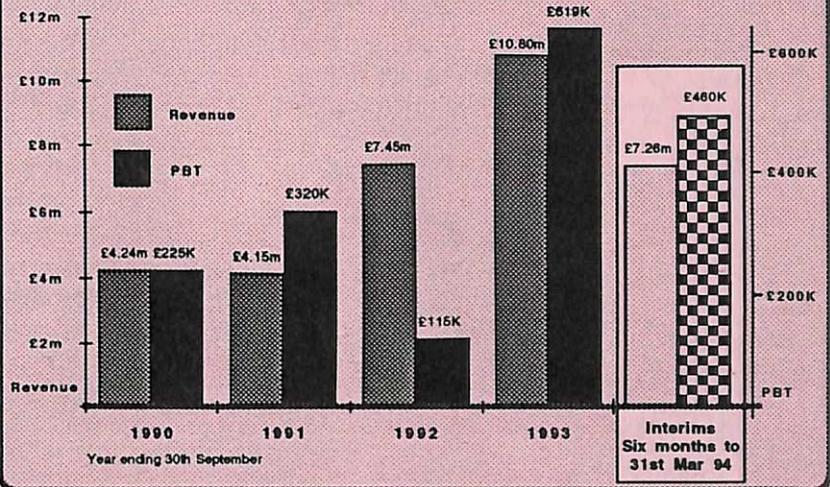
Despite this rampant acquisition activity, latest interim results are truly excellent with

revenues up 53% at £7.3m, PBT up 338% at £460K and EPS up 38%. Perhaps one of the lessons from Lynx is that they have generally bought already successful businesses and have retained the management teams.

All divisions are currently profitable but, hardly surprisingly, "reduced contributions" were reported from the "highly competitive" hardware maintenance activity. With £1.4m cash, further acquisitions will be considered, probably concentrating on the financial services and automotive sectors.

Other Lynx activities are outside the computing industry - such as Bounce About which supplies bouncy castles. "Poor weather conditions, particularly in Scotland, saw leisure contracts delayed". Many might therefore think that there are quite a few similarities between these seemingly disparate activities!

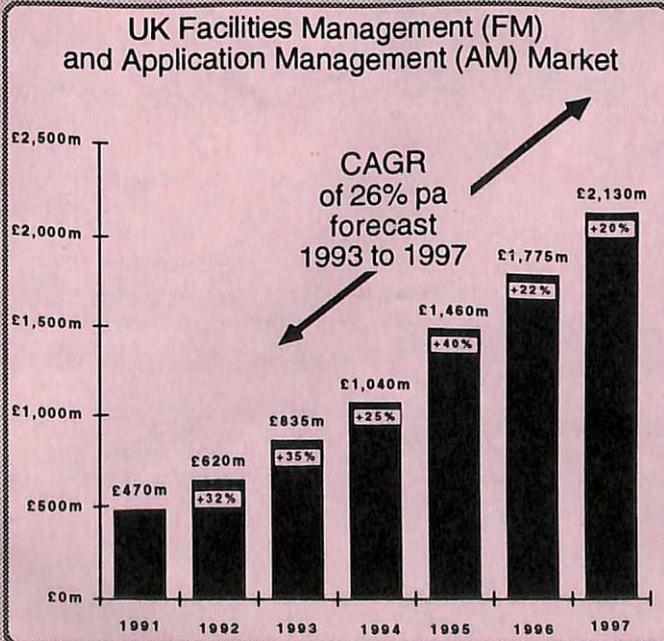
Lynx Holdings plc Revenue and PBT Record Relative to 1990



The phenomenal rise in outsourcing

The UK FM/AM market grew by 35% in 1993 and is forecast to grow by 40% in 1995. The move to outsourcing represents over half of the anticipated growth in the total UK software and services market. Strip it out and the remainder of the UK IT market has very mediocre growth.

represent about 75% of the market. Accounts show that their combined revenues grew by 33% in 1993.



TOP TEN UK FM/AM PROVIDERS IN 1993		
1993 FM Rank	Company	1993 UK FM/AM Revenue Range
1	Hoskyns	£90m
2	EDS	£80m
3	ICL/CFM	£75m
4	Andersen Consulting	£60-£65m
4	Sema	£60-£65m
6	AT&T Istel	£30-35m
6	Capita	£30-35m
6	Data Sciences	£30-35m
9	Computer Sciences Corp (CSC)	£25-£30m
9	ITnet	£25-£30m

The trouble is that forecasters like us get a bit worried when putting forward such high growth predictions. But this is one market which is relatively easy to predict.

Consider the following facts:

- the Top Twenty FM/AM suppliers to the UK market

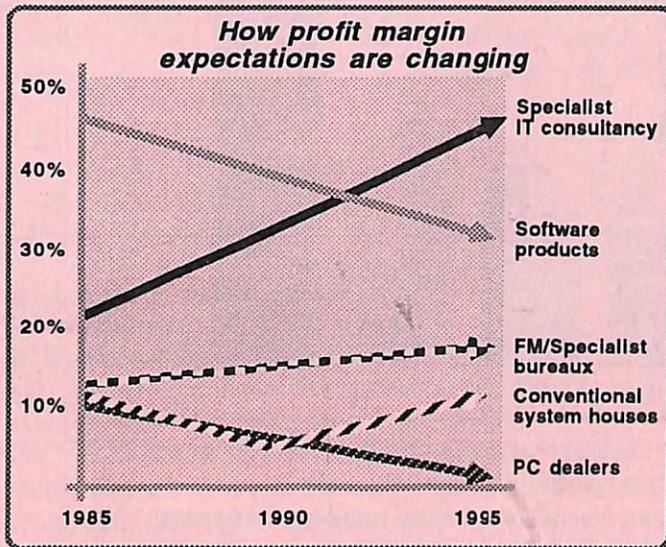
the new contracts awarded in the last year - of which the Inland Revenue and BAe contracts were the largest - totalled well in excess of £3 billion and will add at least £400m revenues to the sector by 1995. In other words the 40% growth forecast is fully underwritten.

Our only real fear is that our forecasts might prove to be too low. Readers should also bear in mind that FM/AM is not "new money" - rather it is a shift from in house user spend to outsourcing. Indeed as many users would expect a saving, it is likely that the "combined spend" will actually decline.

The real winners in all this are the big US outsourcing firms. It now seems to be fairly clear that Hoskyns, who pioneered FM in the UK in the early 1970s, will lose its top slot to EDS in 1994. It looks as though CSC Computer Sciences will be in the #2 slot by 1995.

Specialist IT consultancies command highest profit margins

Perhaps the most surprising finding, (well, for us anyway) from the 1994 Holway Report, was that the highest profit margins are now enjoyed by the "specialist" IT consultancies. In turn, profit margins at the software products companies, which had previously headed the lists, were in retreat.



If you find that difficult to believe, then consider the following 1993 profit margins from specialist IT consultancies:

• Centre for Software Engineering	50%
• Quidnunc	31%
• Total Systems	29%
• IPL	21%
• Vega	21%
• Terence Chapman Associates	21%

Centre for Software Engineering (CSE) is truly exceptional. They earned PBT of £1.08m on revenues of £2.18m in the year to 30th June 1993 and ended the year with £1.1m cash in the bank. This year they head our highest PBT margin (1993 = 50%) and operating margin (47%) rankings. CSE has been in the Top Ten in these and the PBT per employee (£33,800 for each of their 32

staff) charts every year since 1991. (They would probably have featured before that, but only chose to file modified accounts previously). Now this year they feature in our PBT growth charts (+84%) too. "What do CSE do"...is a question we are increasingly asked.

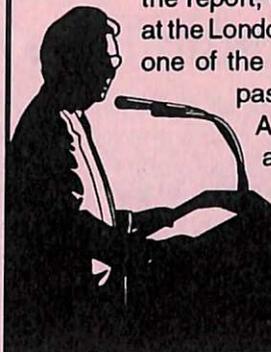
Founded in 1983, CSE is the UK's leader in safety critical computer systems. The sensitive nature of their work - and customers - means that they shy away from publicity. They were however featured, when the Channel Tunnel opened, for their work in assessing the 521 VAX systems and 8 million lines of code involved. They are currently working on other high integrity systems in Europe, US and Far East (e.g. Hong Kong's new airport). CSE are a totally fee based company - they sell no product at all. So anyone who believes these kind of margins can *only* be achieved in product companies is...*wrong*. They employ the most highly qualified and motivated engineers - and pay them accordingly. Clearly CSE's fee rates match. CSE is 55% owned by Dr. P Bennett and 45% owned by the Shepherd Building Group (the UK's largest non quoted building group of Portakabin fame). We are surprised that they haven't been approached before with a bid. Given our readership it is now only a matter of time.

1994 Holway Report and a date for your diary

The 1994 Holway Report, which many consider as "the bible" of the financial performance of the UK software and computing services industry, will be available from 13th June. Ordering details enclosed.

On Wednesday 20th July 1994, Richard Holway is repeating his evening soiree, presenting the findings of the report, on behalf of the CSA. The event, at the London Metropole Hotel which has been one of the most popular CSA events in the past, includes drinks and dinner.

As last year, a **free place** will be awarded to all 1994 Holway Report purchasers.



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