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"Misys launches an agreed £212m bid for ACT"

CityService 7.51am Monday 13th Feb. 95

So started one of the busiest few weeks for us on record. By the time the month ended we had logged scores of calls from publications, analysts, investors etc. requesting the "Holway View". We also had a most "robust" telephone session with Misys.

Deal Statistics

Misys offered 120p - 30p in cash, the rest in Misys shares - valuing ACT at £212m. ACT had closed on 10th Feb. at 77p and Misys at 409p. On those prices Misys was paying a premium of 57% and a prospective P/E of 22 for ACT when its own shares were on a prospective P/E of 11.3. Currently, the average prospective P/E for quoted SCSi companies is 14 - which on the surface would mean that ACT had been quite fairly priced at 77p. But Misys point out that the £15m PBT expected for ACT includes £3-£5m provisions for reorganisation costs. Stripping these out infers a profit run rate of up to £20m which, Misys argues, equates to a more modest P/E of 15.

ACT Roger Foster founded ACT 30 years ago and has been at its helm through its many metamorphoses. In 1990 ACT sold its Apricot PC hardware activities to Mitsubishi for £39m. With continued losses since, it was clearly an excellent price (for ACT!). After that, ACT moved to become a full line services house. It then decided to concentrate on financial services, and banking in particular, with its major purchases of Kindle (Nov. 91 - £34.2m) and BIS (June 93 - £93.5m). To finance these, most of the non-financial services businesses were sold. A record £28.5m PBT was made in the year to 31st Mar 94, but since then its been all bad news. Two warnings later and ACT's share price had tumbled from its 1994 high of 187p to a low of 74p. The original £212m bid made this the 2nd largest acquisition of any UK-owned SCSi company. The biggest was CGS/Hoskyns for an eventual total of £286m.

It is claimed that the combined Misys/ACT group, with 3,600 staff, will have revenues of nearly £300m, making it the largest UK-owned SCSi company by worldwide revenues. Currently, the combined capitalisation of the companies is around £326m - about £41m less than Sema.

The aftermath

Every single article we read about the deal was critical. The common theme was Misys has paid too much. This was made even worse by an Investors Chronicle Sell recommendation in an article which warned of "Misys gambling that ACT's business has no more black holes". Misys strongly refuted any idea of such impending doom. But, as a consequence, the Misys share price fell to 319p

- wiping nearly £50m off their value and reducing the ACT bid price from 120p to 99p - still a healthy 29% premium. Foster and the rest of the ACT directors (except ex-Kindle Kieran Nagle) will depart. Misys has agreed not to challenge their three year rolling service contract provisions which will mean a £1.2m payout to Foster and a further £1.5m to the rest of the executive board. Foster will also get consultancy fees of £60K in the next year.

Shareholdings

Interestingly, Foster held only 800,000 shares in ACT, which means in the final exit he will get more from his service contract than he will from his shares.

There is also an interesting similarity between ACT and Misys institutional shareholdings with many holding shares in both. For example, Gartmore is recorded as holding 12.5% of Misys and 8.5% of ACT and the Prudential has 6.9% of Misys and 4.5% of ACT. Misys claims strong institutional backing for the deal and, as the takeover is clearly in the interests of their ACT holding, the chances of Misys shareholders defeating the deal are slim.

Does Misys pay too much?

Our views on this were established well before the ACT announcement...views that seem to be our reader's views too. Many of you have told us that either Misys had put in the highest bid for their company or Misys had paid a price considered, by you, to be unrealistically high.

Our analyses show that, indeed, the initial value of seven years of acquisitions is now less than Misys is currently worth. All that work, all that organic growth negated. Our CSI Index is up over 40% in the same period. Misys points out that this is because their prospective P/E had slipped to just 8.8 at the end of Feb. - a discount of 37% to the average prospective P/E of 14.

But, taking a pre bid value of £142m, ACT had fared even worse with its purchases.

Misys	
Capitalisation April 1988	£25m
Initial value put on 21 acquisitions since (excl. ACT)	£148m
Value raised from disposals	£0m
Total	£173m
Capitalisation 27th Feb 95	£152m

ACT Group	
Capitalisation April 1988	£6.1m
Initial value put on 11 acquisitions since	£188m
Value raised from disposals	-£77m
Total	£172m
Capitalisation 27th Feb 95	£175m

STOP PRESS STOP PRESS

The review above was completed on 27th Feb, to meet our press deadline. But at 8.00 am on 28th Feb Misys confirmed that it had £10.3m on deposit at Barings - now in administration. At best the deposit is frozen - at worst it could be lost; raising doubts as to the viability of the ACT bid.

Continued - page 2

Misys/ACT - continued from page one

Misys argues that under their control ACT is likely to be profitable in the next financial year and that the deal "at least will be non-dilutive to EPS" and "there could be some upside". Misys cannot be faulted for its strong cost control and cash management. But they strongly refute suggestions that R&D will be cut to the bone. "R&D will increase - particularly on such products as Quasar", we were told.

The Misys/ACT coupling will form "a UK based world class market leader...in the international banking software sector". According to most researchers, this is one of the largest and the fastest growing segments of the IT industry. And we should point out that Misys is currently expected to produce PBT of over £25m - up 35% on 1994 - in the year to 31st May 95.

Does Misys really know where it's at?

Misys has long argued that it, unlike others, has a clear objective as a predominately software product based solutions provider. It would probably argue that this mission was still valid. But along the route it has taken on hardware maintenance (now in decline), hardware distribution (now in decline), has declared its objective of buying in the US (never consummated) and had a high profile skirmish in trying to purchase RM plc. The story is strangely similar to that of ACT.

But, in the end, we still have two main concerns:

• price

We do get the impression of a takeover where the price was based on the minimum premium required to do the deal rather than its real value. Also most people we know have a high respect for Foster's street-cred. If Foster was prepared to accept it and quit from his business after 30 years, he clearly believed this was the best deal going and that continuing on could only reduce the value of ACT still further.

• and the serious inadequacies of Misys' PR abilities

We usually fax our articles to companies before publication. So a few hours before we went to press, Misys went out of their way to put their side of case. A case that we have now done our best to incorporate into our review. If Misys had taken the trouble to put that case to us, and other serious commentators, perhaps it would not have received such a universally negative reception.

Assuming the deal goes through (and it is highly unlikely not to) Misys will be the UK's flagship SCSI company. It is surely important that it should treat that the rest of the industry, and those that serve it, with respect not disdain.

"Misys backs belief that size matters"

Daily Telegraph 14th Feb. 95

The Questor column was just one of many critical of the deal. Their headline particularly caught our eye. Although we have long argued that the UK needs some large international players (and accept that is unlikely by organic means alone) we would point out that we have **never** recorded any acquisition by a UK SCSI company, where the consideration was >25% of the then capitalisation of the purchaser, which has not had a major detrimental effect on the acquirer over at least the subsequent two years.

On the latest valuations, Misys will be buying a company >115% of their own valuation.

Finally our view. The deal is a mistake; probably due more to Lomax' ego than to logic or enhancing shareholder value. We would be pleased to see the deal abandoned.

Encouraging maiden results from Compel Group

Compel Group claims to be "one of the UK's leading systems integrators". We are sure that is the aim but in the past Compel has mainly been known as a PC supplier and maintenance organisation. "Compel's principal market is the client/server and networked PC and workstation market" where it offers "complete solutions" mainly to blue chip customers. Readers are aware that this is currently one of the fastest growth sectors.

Compel was one of last of the SCSI new issues in September 1994 at 125p which valued Compel at £19.07m. Although no bad news came from the company, the shares drifted down to a low of 108p as sentiment towards the sector declined.

Chairman Neville Davis was therefore understandably "pleased to report a very encouraging first set of results". In the six months to 30th Dec. 94 revenues increased by 16% to £28.3m, PBT was up 20% at £1.19m and EPS advanced 11%. Compel reported that demand has "remained firm" with an increasing trend towards client/server and networked PC. Compel is moving more and more towards being a systems integrator rather than a supply company and is now merging its Systems and Services divisions.

The market liked what it saw and the shares rose by 6p to 115p on the announcement. Perhaps part of this was general relief that at least Compel had not joined the ever growing ranks of new issues to disappoint with their maiden figures.

DST Clarke & Tilley nearly doubles revenues

In June 1993 UK-owned financial services system house Clarke & Tilley (C&T) was acquired by US DST Systems (itself part of the \$1 billion revenue Kansas City Southern Industries Corp. - KCSI) for £11m. It was an impressive deal at the time given that C&T had reported PBT of £556K and revenues of £5.1m in the year to 31st Dec. 92. Twice revenue or a P/E of 30+ ain't bad in anyone's books.

In the following year to 31st Dec. 93, the accounts for C&T filed at Companies House show revenues up a third at £6.8m but PBT unchanged. But we all know the vagaries of pre-acquisition accounting!

This month DST C&T claims a 90% increase in revenues to £15.4m and a 30% increase in profits to £1.3m. We find that claim difficult to verify. C&T says "these figures exclude other group companies such as DST Belvedere and CTDS each of which are accounted separately. Total group-wide turnover reached £23.8m and the headcount passed 450 by the year end".

KCSI also announced "a possible public offering of 51% of DST Systems Inc. common stock". DST Systems recorded revenues of \$404m and PBT up 40% at \$45.2m. DST C&T offers a range of multi-currency, multi-asset software and services from offices in the UK, Europe, Australia, South Africa and the US. They currently service over 2000 mutual funds and 32m accounts. In the UK the most recent win was at Pilkington Pension Services for their PC-based Impart/2 system.

"Simply the Best" Sage - gets bigger

Lest we are accused of overlooking the really good news, we are delighted to report that Sage is to increase its technical support "SageCover" centre staff in Newcastle from 130 to over 300 by 1998.

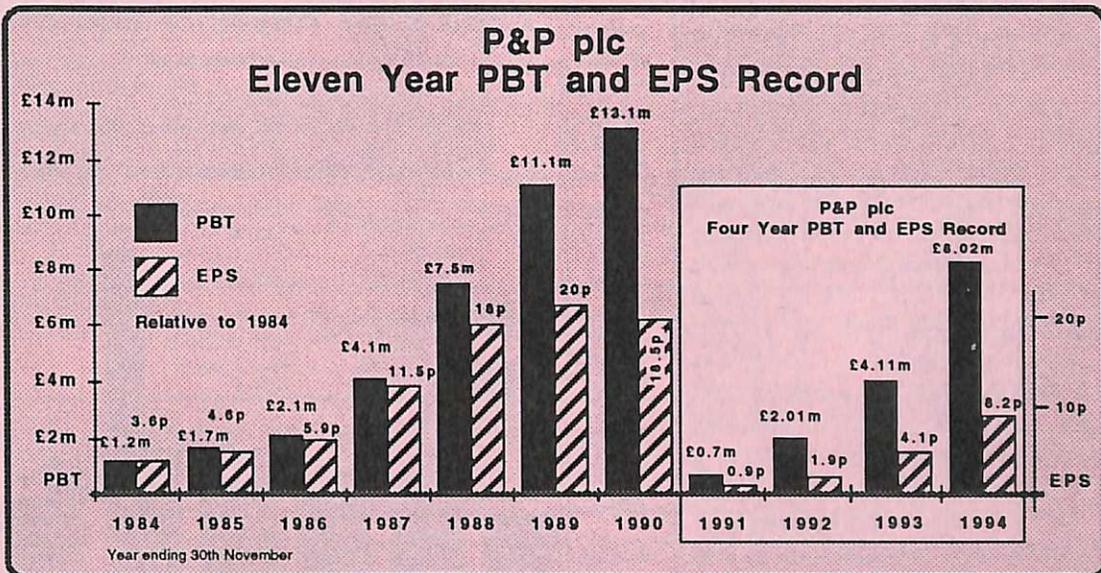
Sage also reports Q1 trading "ahead of forecast".

If you presented P&P's four year trading record at any analyst's briefing you might even get a round of applause. We present, as usual and to the increasing disdain of certain companies, the longer term performance record; just in case heads get too big.

But, as readers will know we have been a long term fan of P&P. When the PC distribution market "hit its nadir" in 1990/91, it was P&P's strong management that took the very hard decision to re-focus the business into services. To be fair the decision was not too hard. Many companies had come to that conclusion. But implementing it, without going out of business in the process, proved beyond many. Now P&P claims 50% of its workforce are dedicated to "consultancy, implementation and training".

So P&P's transformation gets unconditional praise from at least this analyst. Latest results for the year to 30th Nov. 94 were excellent.

Revenues increased by 21% to £264m, PBT almost doubled to £8m. Of course, a part (£20m of the revenue increase and £2m of the PBT) was due to the acquisitions of **Computers for Business (Scotland)** (max. £5.34m - May 94) and **QA Training** (max. £18m - Aug. 94). "Both these acquisitions have contributed very



positively...and have exceeded our expectations". But the underlying strength of P&P can be judged by the doubling of EPS - a superb achievement given the acquisitions. But we should not forget the continued importance of "specialist distribution" to P&P. **Nordic Datadistribution** of Sweden (purchased back in 1990 for £6.4m) helped P&P to increase revenues from Continental Europe from £29.5m to £53m.

Shareholders have benefited too. At long last the City seems to have forgiven P&P for that rights issue at 185p in 1990. The 60p rights issue to finance the QA purchase was 93% taken up and the shares have risen by 37% to 82p since. Analysts are now forecasting PBT of £10.8m for 95 as P&P increases margins from their current low 3%.

Capita excels

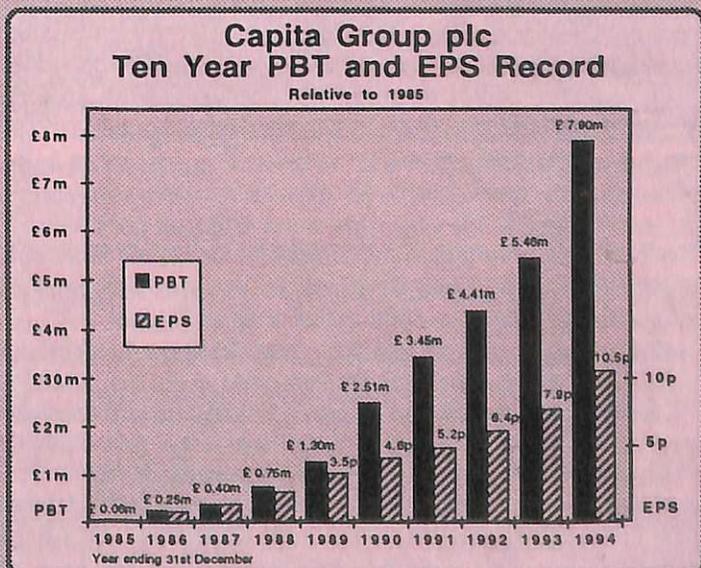
Capita was not only the first UK quoted SCSi company to announce its 31st Dec. full year results, it also beat most analysts forecasts. Revenues were up 47% to £73.8m, PBT up 45% to £7.9m and EPS up by 33%. Cash balances increased from £8.4m to £9.7m despite £6.2m cash paid on acquisitions.

Capita has about the best record around - the performance chart below is almost unique. Only two other quoted companies can claim *never* to have reduced EPS.

Outsourcing is the star performer with revenues up 67% to £51.2m and profits up 87% at £4.76m. They now operate 32 contracts, mostly in local government. They make the interesting point that over 60% of these are with non-Tory controlled authorities where the driving force is not political but due to increased pressure on budgets. Indeed Capita anticipated "accelerating bid activity in 1995". Whereas others have blamed uncertainties in this market for poor performance, Capita just expanded into other markets. They have recently been awarded FM contracts by TSB and Westland Helicopters worth £13m.

Capita's other divisions - Advisory and Property services - recorded increased profits but more modest growth. Margins, however, are at least twice those achieved in the much larger outsourcing business. Chairman, Rod Aldridge anticipates "another year of progress".

Comment. Readers may remember we have had numerous complaints from competitors complaining that Capita bids unrealistically low prices to secure outsourcing contracts. As these criticisms have been made for at least the last three years, during which Capita has continued to prosper, we must assume they were made out of jealousy or spite. There can be few readers, surely, who do not envy Capita's superb record and market position.



Sorry, IPL "Well done, but you haven't quite made it this year"

"So will we make it into the *System House Best of the Privates* listing this year?" asked IPL director Mike Johnson.

For new readers - or those with short memories - we publish a Top Five of privately owned UK SCSi companies by PBT growth (excluding companies with PBT of <£500K in both years). IPL has had the unique honour of featuring twice (in 1990 and 1991) and might well have made it again in 1993 had not our rules been so severe.

Although a superb performance, a PBT growth of 58% to £2.95m on a more modest 17% revenue growth to £10.3m, is just not good enough to secure a place this year. They have already been beaten by BMC Software (+99%), Triad (+89%), Holistic Systems (+75%), Planning Consultancy (+74%) and FI Group (+62%). Our rankings will be published in May - when the 1994 results are available.

But at least IPL has restored our faith in our own contention that specialist IT consultancy is the place to be. We used them as evidence in our argument last year with a profit margin of 21%. So this year's 29% margin is all the more convincing.

IPL was formed by three ex-Logica people nearly 20 years ago. Their focus initially was developing complex real time systems; particularly in the defence arena. Software development is still around 75% of revenues. In the last few years they have expanded into business systems consultancy (now 16% of revenues). They also offer a range of "software verification" products (9% of revenues) including Cantata and AdaTEST.

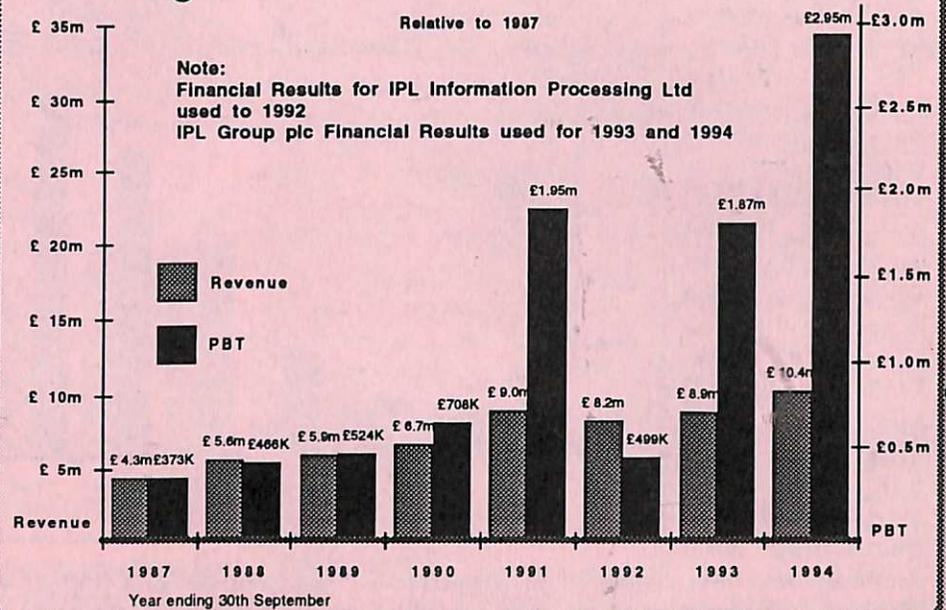
Valuing a company like IPL must be a nightmare. Regent Associates reckons an average historic P/E of 18 for SCSi trade sales. That would make IPL worth a quite extraordinary £38m. But interestingly, IPL is very similar in so many ways to Vega which currently has a capitalisation of £35.7m on a lower PBT of £2.1m.

But Regent found that "solutions providers" were valued at only 0.8 times revenues. With a minority stake in IPL currently up for sale, which of these extremes you take is

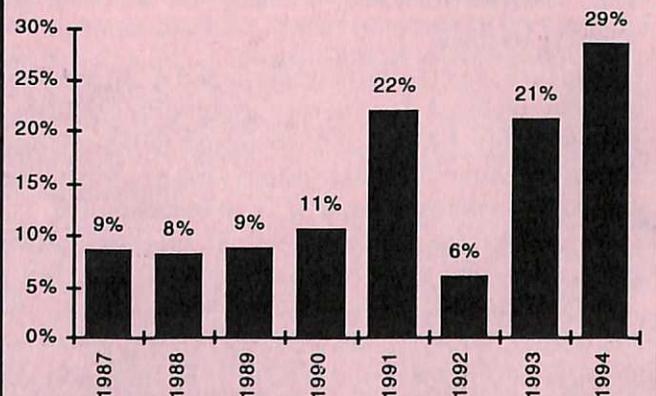
of more than just academic interest. Our guess would be something in the middle!

And given this superb performance, can we pencil IPL in for a float? Apparently not. Johnson told us "we have no plans either to acquire any other business or to dispose of IPL, whether by flotation or by other means".

IPL Group plc Eight Year Revenue and PBT Record



IPL Profit Margin Record



Standard Platforms - still struggling on

Standard Platforms is one of the smallest quoted SCSi companies. They provide "computerised on-line data filing and retrieval systems". They had been at the very edge of extinction for quite some time. In May 94 they announced £1.1m losses for the 18 months to 30th Sept. 93 and a group of some 30 private "business angels" subscribed £450K in a rights issue at 5p per share.

Latest results for the year to 30th Sept. 94 show losses reduced to £143K on revenues (similarly reduced) of £1.3m. Staff number reduced from 40 to a low of just 17. The auditors raised doubts about its status as a "going concern" unless the new share issue at 12p, which was also announced this month to raise £1.5m, is successful. Only 34% acceptances were received but the rest of the funds required were raised from institutions. Brokers expect breakeven in 1995. Shares closed the month at 13p.

Slow death continues at Enterprise

We have written of the impending demise of Enterprise Computers often. We thought when the bankers turned off the life support system in Sept. 94, the patient was not long for this world. But, although Enterprise announced losses of £5.19m on sales of £2.93m (yes...the figures are the correct way around!) in the six months to 30th Sept. 94, had their shares suspended on 3rd Feb. (at 3p, compared with 35p when Bob Evans sold out to the Hanna Group in 1992), have debts of £7m and are still in negotiation with their bankers...they are still alive.

See under either "Financial Restructuring" or "Obituaries" next month.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

ACT Group plc					Gresham Telecomputing plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Oct 93	Final - Oct 94	Comparison	
REV	£ 107,595,000	£ 250,630,000	£ 106,337,000	-1.2%	REV	£ 5,823,000	£ 6,507,000	+11.7%	
PBT	£ 11,531,000	£ 28,469,000	£ 1,006,000	-91.3%	PBT	£ 551,000	£ 708,000	+28.5%	
EPS	4.41p	12.15p	4.05p	-8.2%	EPS	1.04p	1.32p	+26.9%	
Admiral plc					INSTEM plc				
	Final - Dec 93		Final - Dec 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 36,640,000		£ 49,473,000	+35.0%	REV	£ 9,505,000	£ 19,294,000	£ 8,043,000	-15.4%
PBT	£ 4,608,000		£ 7,719,000	+67.5%	PBT	£ 410,000	£ 1,021,000	£ 505,000	+23.2%
EPS	27.60p		45.20p	+63.8%	EPS	6.00p	14.80p	7.40p	+23.3%
Azlan Group plc					JBA Holdings plc				
	Interim - Sep 94	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 28,530,000	£ 61,506,000	£ 37,735,000	+32.3%	REV	£ 29,908,000	£ 74,467,000	£ 38,500,000	+28.7%
PBT	£ 1,882,000	£ 3,871,000	£ 1,079,000	-42.7%	PBT	£ -1,074,000	£ 4,610,000	£ 264,000	Loss to profit
EPS	6.30p	12.40p	3.70p	-41.3%	EPS	-2.87p	10.23p	0.19p	Loss to profit
Capita Group plc					Kalamazoo Computer Group plc				
	Final - Dec 93		Final - Dec 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison
REV	£ 50,168,000		£ 73,800,000	+47.1%	REV	£ 29,562,000	£ 60,911,000	£ 28,283,000	-2.4%
PBT	£ 5,463,000		£ 7,903,000	+44.7%	PBT	£ 2,533,000	£ 6,355,000	£ 3,003,000	+18.6%
EPS	7.90p		10.50p	+32.9%	EPS	4.20p	10.20p	4.98p	+18.6%
Cedardata plc					Kewill Systems plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison
REV	£ 2,608,000	£ 6,120,000	£ 3,726,000	+42.9%	REV	£ 15,999,000	£ 31,780,000	£ 16,405,000	+2.5%
PBT	£ 998,000	£ 2,715,000	£ 1,337,000	+34.0%	PBT	£ 1,757,000	£ 4,043,000	£ 2,166,000	+23.3%
EPS	2.30p	6.30p	2.80p	+21.7%	EPS	10.15p	23.00p	12.16p	+19.8%
CentreGold plc					Kode International plc				
	Final - Jul 93		Final - Jul 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 67,985,000		£ 91,314,000	+34.3%	REV	£ 12,277,000	£ 24,916,000	£ 12,255,000	-0.2%
PBT	£ 2,715,000		£ 4,033,000	+48.5%	PBT	£ 710,000	£ 1,143,000	£ -515,000	-172.5%
EPS	5.63p		7.30p	+29.7%	EPS	4.30p	7.00p	-5.50p	-227.9%
Clinical Computing plc					Learmonth & Burchett Management Systems plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison
REV	£ 1,180,000	£ 2,635,853	£ 735,000	-37.7%	REV	£ 13,114,000	£ 26,406,000	£ 11,023,000	-15.9%
PBT	£ 446,000	£ 1,129,000	£ -227,000	Profit to loss	PBT	£ 201,000	£ 731,000	£ -3,278,000	Profit to loss
EPS	3.70p	9.10p	-1.40p	Profit to loss	EPS	1.00p	-3.30p	-13.70p	Profit to loss
Coda Group plc					Logica plc				
	Final - Oct 93		Final - Oct 94	Comparison		Final - Jun 93		Final - Jun 94	Comparison
REV	£ 23,450,000		£ 23,388,000	-0.3%	REV	£ 217,434,000		£ 228,848,000	+5.2%
PBT	£ 3,752,000		£ -7,992,000	Profit to loss	PBT	£ 9,026,000		£ 13,543,000	+50.0%
EPS	10.60p		-27.70p	Profit to loss	EPS	8.70p		14.00p	+60.9%
Compel Group plc					Lynx Holdings plc				
	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison		Final - Sep 93		Final - Sep 94	Comparison
REV	£ 24,305,000	£ 54,542,000	£ 28,272,000	+16.3%	REV	£ 10,807,000		£ 21,523,000	+99.2%
PBT	£ 993,000	£ 2,062,000	£ 1,194,000	+20.2%	PBT	£ 619,000		£ 2,009,000	+224.6%
EPS	5.02p	10.35p	5.56p	+10.8%	EPS	4.27p		4.50p	+5.4%
Computerised Financial Solutions plc					M.A.I.D. plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 1,638,000	£ 3,338,636	£ 1,404,000	-14.3%	REV	£ 2,601,746	£ 5,723,909	£ 3,971,619	+52.7%
PBT	£ 77,000	£ 330,233	£ -36,000	Profit to loss	PBT	£ 207,108	£ 603,176	£ 439,832	+112.4%
EPS	1.50p	7.30p	-1.40p	Profit to loss	EPS	0.24p	0.69p	0.39p	+62.5%
Computer People Group plc					McDonnell Information Systems plc				
	Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison		Final - Dec 93		Final - Dec 94	Comparison
REV	£ 33,542,000	£ 68,748,000	£ 38,013,000	+13.3%	REV	£ 146,480,000		£ 148,911,000	+0.3%
PBT	£ 364,000	£ 1,102,000	£ 733,000	+101.4%	PBT	£ 21,248,000		£ 7,157,000	-66.3%
EPS	1.45p	4.37p	3.42p	+135.9%	EPS	13.89p		4.83p	-65.2%
Cray Electronic Holdings plc					MR-Data Management Group plc				
	Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 114,308,000	£ 271,718,000	£ 135,044,000	+18.1%	REV	£ 19,600,000	£ 40,521,000	£ 21,310,000	+8.7%
PBT	£ 7,804,000	£ 26,168,000	£ 10,085,000	+29.2%	PBT	£ 2,660,000	£ 6,348,000	£ 3,140,000	+18.0%
EPS	2.49p	8.60p	3.03p	+21.7%	EPS	3.20p	8.00p	4.00p	+25.0%
CRT Group plc					Macro 4 plc				
	Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 22,427,000	£ 47,348,000	£ 29,187,000	+30.1%	REV	£ 12,104,000	£ 24,387,000	£ 12,285,000	+1.5%
PBT	£ 472,000	£ 532,000	£ 1,285,000	+172.2%	PBT	£ 5,400,000	£ 11,211,000	£ 5,685,000	+5.3%
EPS	0.56p	-0.13p	1.42p	+153.6%	EPS	16.00p	34.20p	16.70p	+4.4%
DRS Data & Research Services plc					Micro Focus plc				
	Interim - Jul 93	Final - Dec 93	Interim - Jul 94	Comparison		Interim - Jul 93	Final - Jan 94	Interim - Jul 94	Comparison
REV	£ 6,868,000	£ 11,577,000	£ 5,756,000	-16.2%	REV	£ 40,800,000	£ 83,842,000	£ 42,950,000	+5.3%
PBT	£ 1,535,000	£ 1,689,000	£ 1,484,000	-3.3%	PBT	£ 11,554,000	£ 21,761,000	£ 7,024,000	-39.2%
EPS	3.47p	3.83p	3.02p	-13.0%	EPS	53.50p	101.20p	32.90p	-38.5%
DCS Group plc					Microgen Holdings plc				
	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison		Final - Oct 93		Final - Oct 94	Comparison
REV	£ 2,604,000	£ 6,375,180	£ 4,007,000	+53.9%	REV	£ 53,351,000		£ 58,774,000	+10.2%
PBT	£ 41,000	£ 426,144	£ 105,000	+156.1%	PBT	£ 6,700,000		£ 6,173,000	-7.9%
EPS	0.56p	4.32p	0.88p	+57.1%	EPS	10.50p		10.00p	-4.8%
Division Group plc					Microvitec plc				
	Final - Oct 93		Final - Oct 94	Comparison		Interim - Jun 93	Final - Dec 93	Interim - Jun 94	Comparison
REV	£ 2,078,000		£ 5,270,000	+153.6%	REV	£ 17,959,000	£ 35,170,000	£ 20,923,000	+16.5%
PBT	£ 503,000		£ 1,440,000	Loss both	PBT	£ 570,000	£ 1,611,000	£ 1,120,000	+96.5%
EPS	-2.10p		-4.30p	Loss both	EPS	0.78p	2.05p	1.24p	+59.0%
Electronic Data Processing plc					Misys plc				
	Final - Sep 93		Final - Sep 94	Comparison		Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparison
REV	£ 14,341,000		£ 14,013,000	-2.3%	REV	£ 42,086,000	£ 93,358,000	£ 63,922,000	+51.9%
PBT	£ 4,672,000		£ 4,123,000	-11.8%	PBT	£ 8,012,000	£ 18,612,000	£ 11,245,000	+40.4%
EPS	11.71p		10.21p	-12.8%	EPS	14.00p	31.90p	16.20p	+15.7%
Enterprise Computer Holdings plc					MMT Computing plc				
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Aug 93		Final - Aug 94	Comparison
REV	£ 9,900,000	£ 16,399,000	£ 2,930,000	-70.4%	REV	£ 7,057,716		£ 10,861,498	+53.9%
PBT	£ 25,000	£ -2,052,000	£ 5,190,000	Profit to loss	PBT	£ 1,725,549		£ 2,505,106	+45.2%
EPS	n/a	-2.60p	n/a	Profit to loss	EPS	9.00p		13.10p	+45.6%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

On Demand Information plc				Sanderson Electronics plc					
HEV	Final - Jul 93 £ 18,989,000	Final - Jul 94 £ 14,487,000	Comparison -23.7%	HEV	Final - Sep 93 £ 23,581,000	Final - Sep 94 £ 33,984,000	Comparison +44.1%		
PBT	£ 1,450,000	£ 2,617,000	Loss both	PBT	£ 3,327,000	£ 4,228,000	+27.1%		
EPS	-3.90p	-5.70p	Loss both	EPS	6.30p	7.30p	+15.9%		
Oxford Molecular plc				Sema Group plc					
HEV	Interim - Jun 93 £ 591,000	Final - Dec 93 £ 1,409,000	Interim - Jun 94 £ 1,086,000	Comparison +83.8%	HEV	Interim - Jun 93 £ 232,948,000	Final - Dec 93 £ 501,992,000	Interim - Jun 94 £ 298,419,000	Comparison +28.1%
PBT	£ 488,000	£ 1,265,000	£ 933,000	Loss both	PBT	£ 15,213,000	£ 24,855,000	£ 12,567,000	-17.4%
EPS	-4.40p	-8.90p	-3.50p	Loss both	EPS	10.46p	16.62p	9.13p	-12.7%
P & P plc				Sherwood Computer Services plc					
HEV	Final - Nov 93 £ 217,259,000	Final - Nov 94 £ 263,930,000	Comparison +21.5%	HEV	Interim - Jun 93 £ 11,837,000	Final - Dec 93 £ 23,561,000	Interim - Jun 94 £ 11,957,000	Comparison +1.0%	
PBT	£ 4,107,000	£ 8,016,000	+95.2%	PBT	£ 541,000	£ 1,998,000	£ 88,000	Profit to loss	
EPS	4.10p	8.10p	+97.6%	EPS	3.40p	-35.78p	1.50p	-55.9%	
Parity plc				Spargo Consulting plc					
HEV	Interim - Jun 93 £ 5,298,000	Final - Dec 93 £ 19,768,000	Interim - Jun 94 £ 38,803,000	Comparison +632.4%	HEV	Interim - Jun 93 £ 2,307,000	Final - Dec 93 £ 4,869,000	Interim - Jun 94 £ 2,854,000	Comparison +23.7%
PBT	£ 60,000	£ 228,000	£ 2,023,000	+3271.7%	PBT	£ 272,000	£ 483,000	£ 606,000	+122.8%
EPS	0.61p	-1.90p	3.54p	+480.3%	EPS	1.52p	2.58p	3.20p	+110.5%
Pegasus Group plc				Standard Platforms Holdings plc					
HEV	Final - Dec 93 £ 7,502,000	Final - Dec 94 £ 4,808,000	Comparison -35.9%	HEV	Final - Sep 93 £ 3,161,418	Final - Sep 94 £ 1,305,478	Comparison -58.7%		
PBT	£ 6,930,000	£ 243,000	-96.5%	PBT	£ 1,065,027	£ 143,280	Loss both		
EPS	72.00p	12.40p	-82.8%	EPS	-10.50p	-1.10p	Loss both		
Persona plc				Superscape VR plc					
HEV	Interim - Jun 93 £ 11,189,000	Final - Dec 93 £ 22,862,000	Interim - Jun 94 £ 15,042,000	Comparison +34.4%	HEV	PF Final - Jul 93 £ 642,018	PF Final - Jul 94 £ 859,192	Comparison +33.8%	
PBT	£ 825,000	£ 1,749,000	£ 1,005,000	+21.8%	PBT	£ 21,450	£ 238,024	Loss both	
EPS	5.30p	11.08p	6.00p	+13.2%	EPS	-0.50p	-6.10p	Loss both	
Phonelink plc				Total Systems plc					
HEV	Interim - Sep 93 £ 586,000	Final - Mar 94 £ 1,241,000	Interim - Sep 94 £ 797,000	Comparison +36.0%	HEV	Interim - Sep 93 £ 1,079,044	Final - Mar 94 £ 2,092,429	Interim - Sep 94 £ 1,096,691	Comparison +1.6%
PBT	£ 301,000	£ 1,761,000	£ 1,963,000	Loss both	PBT	£ 12,330	£ 141,918	£ 7,460	-39.5%
EPS	-0.80p	-5.00p	-5.50p	Loss both	EPS	0.07p	0.96p	0.04p	-46.6%
Proteus International plc				Trace Computers plc					
HEV	Interim - Sep 93 Nil	Final - Mar 94 Nil	Interim - Sep 94 Nil	Comparison n/a	HEV	Final - May 93 £ 18,042,438	Final - May 94 £ 18,628,990	Comparison +3.3%	
PBT	£ 2,733,000	£ 6,618,000	£ 3,666,000	Loss both	PBT	£ 211,504	£ 409,901	+93.8%	
EPS	-10.03p	-24.23p	-11.94p	Loss both	EPS	1.10p	2.33p	+111.8%	
Quality Software Products Holdings plc				Unipalm plc					
HEV	Interim - Jun 93 £ 6,607,000	Final - Dec 93 £ 13,346,543	Interim - Jun 94 £ 7,266,000	Comparison +10.0%	HEV	Interim - Oct 93 £ 4,943,000	Final - Apr 94 £ 10,753,000	Interim - Oct 94 £ 7,804,000	Comparison +57.9%
PBT	£ 143,000	£ 553,214	£ 604,000	+322.4%	PBT	£ 148,000	£ 272,000	£ 149,000	+0.7%
EPS	2.00p	6.70p	6.90p	+245.0%	EPS	0.50p	0.89p	0.47p	-6.0%
Radius plc				Vega Group plc					
HEV	Interim - May 93 £ 10,723,000	Final - Dec 93 £ 23,273,000	Interim - Jun 94 £ 12,325,000	Comparison +14.9%	HEV	Interim - Oct 93 £ 4,517,000	Final - Apr 94 £ 9,703,000	Interim - Oct 94 £ 5,710,000	Comparison +26.4%
PBT	£ 466,000	£ 1,171,000	£ 808,000	Loss to profit	PBT	£ 757,000	£ 2,147,000	£ 1,020,000	+34.7%
EPS	-1.30p	-3.00p	1.80p	Loss to profit	EPS	3.54p	10.01p	4.76p	+34.5%
Real Time Control plc				Virtuality Group plc					
HEV	Interim - Sep 93 £ 3,579,000	Final - Mar 94 £ 8,534,000	Interim - Sep 94 £ 8,491,000	Comparison +137.2%	HEV	Interim - Jun 93 £ 2,444,000	Final - Dec 93 £ 5,400,000	Interim - Jun 94 £ 4,120,000	Comparison +68.6%
PBT	£ 424,000	£ 1,387,000	£ 1,050,000	+147.6%	PBT	£ 65,000	£ 365,000	£ 695,000	Profit to loss
EPS	4.10p	13.30p	12.00p	+192.7%	EPS	0.30p	-1.70p	-2.70p	Profit to loss
RM plc				Vistec Group plc					
HEV	Final - Sep 93 £ 66,212,000	Final - Sep 94 £ 65,493,000	Comparison -1.1%	HEV	Interim - Oct 93 £ 17,830,000	Final - Apr 94 £ 45,018,000	Interim - Oct 94 £ 25,374,000	Comparison +43.9%	
PBT	£ 2,525,000	£ 3,769,000	+49.3%	PBT	£ 1,126,000	£ 3,409,000	£ 745,000	-33.8%	
EPS	n/a	14.20p	n/a	EPS	0.62p	2.06p	0.41p	-33.9%	
Rolfe & Nolan plc				Wakebourne plc					
HEV	Interim - Aug 93 £ 6,055,000	Final - Feb 94 £ 12,720,000	Interim - Aug 94 £ 7,104,000	Comparison +17.3%	HEV	Interim - Jun 93 £ 12,004,000	Final - Dec 93 £ 22,275,000	Interim - Jun 94 £ 18,172,000	Comparison +51.4%
PBT	£ 609,000	£ 1,573,000	£ 742,000	+21.8%	PBT	£ 18,944,000	£ 18,649,000	£ 1,068,000	Loss to profit
EPS	3.00p	6.45p	2.90p	-3.3%	EPS	-144.60p	-143.80p	3.40p	Loss to profit
Sage Group plc				prices reducing by >70% and a 25% decline in the market size as customers move to newer technology. None of this was anticipated at the launch or even at the last announcement four months ago of their 48% increase in PBT to £4m for 1994. Indeed, until Feb. 95, brokers Smith New Court had been forecasting PBT of £5.3m. But on 21st Feb. 95, CentreGold issued a warning that an interim loss of £3.6m would soon be announced and Smith New Court hurriedly revised their forecasts to a £1.5m loss for the year. The shares crashed by 57%; from 105p to 45p this month. Interesting, isn't it, that as well as cashing in at launch time their CEO Geoff Brown sold 1.4m shares at 98p only last Oct?					
HEV	Final - Sep 93 £ 41,289,000	Final - Sep 94 £ 50,888,000	Comparison +23.2%						
PBT	£ 9,656,000	£ 14,252,000	+47.6%						
EPS	32.50p	45.40p	+39.7%						

CentreGold shares crash

It was only four months ago that we wrote of the "pleasure" in reporting maiden results from a newly floated company which were "ahead of expectations". Of course, it couldn't last.

CentreGold develops and distributes entertainment software. After announcing PBT of £2.7m on revenues of £68m in the year to 31st July 93, they floated at 125p which valued the group at £50m. The shares rose to 170p.

But the video games market is now "a bloodbath" with



"Bloodbath"

CentreGold warns of losses

Acquisitions, disposals and liquidations

Hello Heath Computer Services

Insurance brokers **CE Heath** has bought 60% of **Saffron Computer Services** for £528K. The remaining 40% can be purchased during the next three years. Saffron, which develops housing management systems, made PBT of £200K on revenues of around £5m in the year to 30th Sept. 94. It is reckoned that the housing sector computing market is worth "£100m and growing".

At the same time, CE Heath has formed **Heath Computer Services (HCS)** bringing all their SCSI activities (**Peterborough Software** and **Datsure**) activities together. HCS now has revenues "approaching £60m". We have commented on many occasions that Peterborough and Datsure were acquisition candidates. There are very few non-IT companies that have made a long term success of their SCSI divisions. Most have been sold. Perhaps the formation of HCS is a step towards their ultimate autonomy - however that might be effected.

Intereurope Technology Services

Intereurope Technology Services has come to our attention this month because it has acquired **Hatfield Computer Training** from **Kalamazoo** for £19K. Intereurope is a quoted company with a current capitalisation of £7m. In the year to 30th June 94, they achieved PBT of £405K (down from £1.2m in 93) on revenues of £8.8m. They offer a diverse range of technical support services to private and public sector organisations in Europe - from technical documentation and translation to contract staff. The IT training purchase was described as "a further step in widening the range of services offered".

Clearly now a candidate for regrading as a SCSI stock.

The others...RPS Group has purchased certain assets from **Laser-Scan** including the rights to their Horizon software product for £124K. Jeff Trendell's **Arrival Systems** has acquired **Cypher** "a CA-Clipper software house". Cypher made PBT of £20K on revenues of £300K to 31st July 94. **Merit Computer Solutions** has bought the **DocuPower** imaging product division of **Danetre Business Systems** which went into receivership in Jan. 95. **Network Imaging UK** has paid "a six figure sum" for the assets of Autodesk reseller **Autocim** from **Corporate Computers**. As previewed last month, **Proteus International** has raised a further £2.6m in a placing at 175p per share. Will it be enough?

Admiral "Another Boring Record Year"

We kept the presses open on 28th Feb. to record the headline news from **Admiral**. We will do our usual in-depth review next month.

Results for the year to 31st Dec. 94 were stunningly good and maintained Admiral's unbroken record of EPS growth. Revenues increased 35% to £49.5m, continuing operating profit was up 29% and EPS up 23%. In fact the headline results were even better than that. In Aug. 94, Powersoft paid Admiral for a 51% stake in a new joint venture. This resulted in a £1.9m profit on disposal. Including this, PBT rose by 68% to £7.7m and EPS was up 63%.

"All our companies saw demand...rise in a most encouraging way...our order book is in a stronger position than last year". Far be it from us to argue, Clay.

ICL

ICL is due to announce its 1994 results on 7th March. Profits are expected to be static - but at least ICL will still be in the black.

ICL is currently the largest supplier of SCSI services to the UK market. At least part of ICL's past success had been attributed to its strong profit centre organisation. ICL has now introduced a new streamlined organisation reducing the current 26 business units to a rather more manageable ten. We will bring you full details next month, but the changes announced already include:

ICL Sorbus

In 1991 ICL bought a 51% stake in **TPM Sorbus** from its then owners **Bell Atlantic**. In the year to 30th Nov. 91, the UK part of Sorbus had revenues of £21m and operating profits of £1.47m. Although revenues have doubled since, operating profits had slipped to just £312K in 1993. In Aug. 94, Sorbus wrote to its suppliers saying that "prices and margins have fallen to scarcely sustainable levels" with "20%-30% price erosion". We do not have the 1994 accounts yet, but do not expect glad tidings.

This month Bell Atlantic has given its Sorbus stake to ICL in exchange for an undisclosed profit related payout. ICL has thus created the 4th largest "multivendor IT service company" in Europe by merging Sorbus with ICL Customer Service.

Our views on the hardware maintenance marketplace are well known - it is in serious decline. But the new ICL Sorbus initiative is far more than just hardware maintenance. It is able to offer from one company everything from helpdesk support to network services on a pan-European basis. As an example of the potential, ICL was recently "appointed as the first global provider of PC-based services to the Shell Group, which has some 80,000 PCs worldwide". Few others are capable of providing such a service.

ICL Sorbus starts with 100 service centres in 15 countries, 5,000 staff and annual revenues of over £500m. It comprises five main divisions:

- datacentres (i.e. the VME mainframes)
- desktop
- point of sale (EPOS, EFPOS etc.)
- professional services (i.e. ICL's Power of Four)
- logistics (spares etc.)

Success will depend on ICL developing the high margin parts of the business, like pan-European desktop services - considered as one of the fastest growing outsourcing markets, rather than its conventional hardware maintenance activities.

ICL Sorbus and CFM, which this month announced a £30m/5 year outsourcing deal with London Underground, will report to Paul Whitwam

ICL Enterprises

The "new" ICL Enterprises brings together all of ICL's systems integration operations, including Government, Major Companies (GMC) and Openframework. It will have over 2,000 staff and revenues "expected to double to over £350m in 1995". Typical recent contracts include the departure control system for Eurostar and the installation of an automated cash dispensing system for Bank Gdansk in Poland.

Computacenter leads European Dealer Rankings

This month **Computacenter**, the largest UK company in the sector still in private hands, announced revenues up 29% at £418m for the year to 31st Dec. 94. Exact profit figures are still being finalised, but we are told PBT will be greater than £10m, up from £8.3m in 1993. Excellent as

that is in comparison to the industry, that would still mean that profit margins have slipped to under 2.5%. Margins have slipped each year since the 6.2% made in 1989.

Although *"systems integrator"* Computacenter may now flinch at the description, they can be described as a PC dealer. I.e. they sell PCs - and a lot of associated software and services - direct to end users.

Because of this Computacenter has more cause for celebration. The latest research on the Top 400 PC Dealers in Europe (Passant Publishing - Tel: 01206 853304 - price £995) puts them as the largest PC dealer in Europe, when the FFr360m revenues from French dealer **netWorx** (where Computacenter has a 75% holding) are included.

The other UK-owned companies in the Top Ten are **P&P** and **Specialist Computer** (SCH), although both have significant revenues from other activities like distribution. Max Hotopf found that revenues from the Top 400 PC dealers in his report rose by 20% to \$13.5 billion in 1994.

The 3.5m PCs they sold represented nearly a third of all PC sales in Europe. *"Around 55% of sales, \$8.4 billion or 2m PCs are to large accounts and the public sector. Here large dealers are taking over a lot of big customers from vendors such as IBM and DEC"*.

	TOP TEN DEALERS In EUROPE	Countries of operation	Total Group Revenues - 1994	Dealer Sales - 1993	Dealer Sales - 1994	Growth
1	Computacenter	UK, France	\$775m	\$563m	\$775m	38%
2	Info'Products	Neth,UK, Fr, Spain	\$677m	\$565m	\$677m	20%
3	Compunet	Germany	\$589m	\$436m	\$589m	35%
4	ISTA	France	\$576m	\$516m	\$576m	12%
5	ECS	Fr, Ger, UK, Benelux, It	\$1,903m	\$360m	\$396m	10%
6	Informatica el Corte Ingles	Spain	\$163m	\$160m	\$244m	53%
7	Specialist Computer	UK	\$360m	\$149m	\$235m	58%
8	P&P	UK, Bel	\$376m	\$217m	\$229m	6%
9	M&S	Germany	\$217m	\$173m	\$217m	25%
10	Getronics	Neth, Den, Nor	\$199m		\$199m	

Source - Microcomputer Dealers - Europe's Top 400 - Passant Publishing

Passant Publishing

We would like to claim to have played a small part, four years ago, in encouraging journalist Max Hotopf to start his **PC Europa** newsletter. Since then he has produced several excellent research documents on the PC market in Europe - dealers, distributors, retailers etc.

We are sure there is a considerable interest in Hotopf's research as a surprisingly large number of *System House* subscribers are PC dealers or hardware vendors who wish to expand into the computing services arena.

JBA prospers

JBA announced this month that its first full year results (to 31st Dec. 94) as a quoted company would show revenues up over 20% from £74.5m to *"over £90m"* with US sales up over 50% at \$53m. At this point readers should pinch themselves and remember that currently JBA's business application products are all IBM AS/400 based. (As in *"news of my death is exaggerated"*)

The audited results will not be announced until early April. Brokers Kleinwort Benson are currently forecasting PBT up over 40% at £6.5m.

It is a salutary lesson to those thinking of a float that JBA was one of the last SCSI floats in June 1994. Placed at 160p, this inferred a *modest* launch P/E of 16 which Chairman and Founder Alan Vickery admitted *"was lower than anticipated just two months ago"*. Although sinking to a low of 126p, JBA's share price is currently largely unaltered at 168p. If current estimates are met, JBA is trading on a prospective P/E of 10 which the Investors Chronicle recently commented was *"high enough"*. **Really?**

SRH facing cash problems

Third party maintenance company **SRH** (Systems Reliability Holdings) is facing serious financial difficulties. Last month it wrote to creditors saying that losses in the last year had eroded cash *"to such an extent that it has seriously impacted on its ability to pay its creditors"*.

SRH has had an interesting history since its days as a telephone monitoring equipment manufacturer. Then ex-Hillsdown Bob Evans took on the by then quoted company and used it as the base to build a SCSI company by acquisition. Indeed by 1990, the group had revenues of £183m and PBT of £7.5m. It then all went disastrously wrong. The TPM part did an MBO with VC Murray Johnstone holding 55% of the stock and the remaining quoted bit was renamed Enterprise Computers. Enterprise (which still owns 25% of SRH) has had its own financial difficulties and is *still* in talks with its bankers (see p4). SRH had appeared to be doing OK. Latest reports at Companies House show revenues of £25m and PBT of £1.3m in the year to 31st Dec. 93 Net assets stood at £4.1m with £878K cash.

SRH say that they are in the process of raising further funds from shareholders which *"will return it to profitability and ensure creditors are paid in full"*. Source - MicroScope 8th February 1995.

MDIS - not as bad as expected

Results at **McDonnell Information Systems** (MDIS) for the year to 31st Dec. 94 showed pro-forma PBT down 57% at £9.1m on revenues down slightly at £148.9m. (For statutory figures, see Results Service p5). We expected worse. The share price moved up to 76p on the news.

We have covered the disasters at MDIS since their float at 260p in May 94 on many occasions. Orders for the PRO-IV banking system which did not materialise and local govt. uncertainties (see Capita p3 for how to avoid this) were the main culprits. MDIS has now laid off 100 staff and the 1994 results include £1.1m for this.

But let's look on the brighter side for once. The losses at the recently acquired Chess operation were £1.8m - £700K less than we expected. MDIS HR and FM services are doing well, the local govt. sector is waking up, the end year order book is 21% up (at £38m) and MDIS has recurring revenue of £78m. Net assets are still a respectable £44.5m, including £9.1m cash. Plus an historic P/E of 14, some good hopes for significant recovery and a ratio of revenue to capitalisation of just 0.5.

On these figures MDIS is now looking decidedly cheap.

SCSI shares "Big Losses - big Gains"

Note: System House went to press at midday 28th Feb and our share price analyses are based on the closing prices on 27th Feb.

But before the Misys admission on 28th Feb. of having £10.3m on deposit at Barings, their share price had fallen 24% in the month writing £47.6m from their value. At the other end of the scale ACT shares were the highest riser - up 34% (or +£37.4m) in Feb.

But CentreGold (p6) got the wooden spoon - down 57% (or £26m) on a profits warning. Proteus shed 19% on yet another rights issue at 175p. The participants must be sick - the share price is now 149p. And our *least favourite* small company - Total Systems - is down 18% at 31p - *again*.

Investors are "re-evaluating" the potential at Kode after the losses and the sale of DCM. Brokers Hoare Govett

issued a Buy recommendation and the shares recovered by 27% this month. MAID is also recovering; up 23% to 80p - still less than the 110p launch price. DCS also gained 20% on the encouraging interim results (p11).

27th Feb. 95	CSI Index		1434.05
	FTSE 100		3025.30
CSI Index = 1000 on 15th April 1989	FTSE SmallCap		1693.46
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (30/1/95 - 27/2/95)	-2.33%	+0.98%	-1.00%
From 15th Apr 89	+43.41%	+47.32%	
From 1st Jan 90	+55.86%	+28.08%	
From 1st Jan 91	+102.59%	+40.03%	
From 1st Jan 92	+37.25%	+21.35%	
From 1st Jan 93	-10.01%	+6.28%	+22.06%
From 1st Jan 94	-14.11%	-11.50%	-9.38%
From 1st Jan 95	-4.34%	-1.31%	-3.03%

System House CSI Share Prices and Capitalisation

	Share Price 27/2/95 (£p)	Capitalisation 27/2/95 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 27/2/95	Share price % move since 30/1/95	Share price % move in 1995	Capitalisation move (£m) since 30/1/95	Capitalisation move (£m) in 1995
ACT	£0.99	£174.70m	10.4	0.70	1571.43	33.78%	-0.50%	£37.40m	£-9.90m
Admiral	£6.34	£72.30m	18.6	1.46	4594.20	-0.16%	-0.16%	£-0.10m	£-0.10m
Azlan	£1.21	£26.40m	9.8	0.43	526.09	-8.68%	-9.70%	£-2.50m	£-2.90m
Capita	£1.54	£84.40m	14.7	1.14	4624.62	2.67%	-6.10%	£2.20m	£-5.10m
Cedardata	£0.90	£27.50m	14.3	4.49	857.14	-7.22%	-10.89%	£-2.20m	£-3.40m
Centregold	£0.45	£19.40m	6.2	0.21	360.00	-57.14%	-61.21%	£-25.70m	£-27.30m
Clinical Computing	£0.60	£9.72m	9.6	3.70	483.87	-4.76%	-10.45%	£-0.48m	£-1.18m
Coda	£1.00	£26.20m	Loss	1.12	425.53	-1.96%	29.87%	£-0.50m	£6.00m
Compel	£1.14	£17.40m	11.0	0.32	912.00	4.59%	4.59%	£0.80m	£0.80m
Computerised Financial	£0.90	£4.23m	n/a	1.27	1000.00	-12.62%	-12.62%	£-0.61m	£-0.61m
Computer People	£2.24	£54.70m	51.0	0.80	921.81	-3.45%	-7.44%	£-1.90m	£-4.60m
Cray Electronics	£1.41	£334.70m	16.4	1.23	824.56	-7.24%	-12.69%	£-26.10m	£-48.70m
CRT	£0.76	£51.10m	Loss	1.08	844.44	-3.80%	-3.80%	£-2.10m	£-2.10m
DRS Data & Research	£0.28	£10.10m	6.7	0.87	254.55	-9.68%	-12.50%	£-1.00m	£-1.30m
DCS Group	£0.79	£7.50m	22.2	1.18	1316.67	19.70%	8.22%	£1.23m	£0.59m
Division Group	£0.95	£41.70m	Loss	7.91	2375.00	-8.65%	-18.80%	£-4.00m	£2.20m
Electronic Data Processing	£1.37	£35.90m	13.4	2.56	4194.73	-2.14%	-4.20%	£-0.80m	£-1.60m
Enterprise	£0.03	£2.37m	Loss	0.14	24.00	-7.69%	50.00%	£-0.20m	£0.82m
Gresham Telecomputing	£0.32	£10.50m	24.2	1.61	344.09	-15.79%	-13.51%	£-1.90m	£-1.60m
INSTEM	£1.44	£6.48m	8.6	0.34	1440.00	-4.00%	-4.00%	£-0.27m	£-0.32m
JBA Holdings	£1.68	£55.40m	17.1	0.74	1050.00	4.35%	10.53%	£2.30m	£5.20m
Kalamazoo	£1.03	£39.40m	11.6	0.65	2942.86	-5.50%	-5.50%	£-2.10m	£-2.10m
Kewill	£2.62	£31.70m	9.6	1.00	1035.57	3.15%	9.62%	£1.00m	£2.70m
Kode International	£0.66	£6.27m	9.4	0.25	306.98	26.92%	24.53%	£1.38m	£1.28m
Learmonth & Burchett	£0.87	£19.00m	Loss	0.72	725.00	12.99%	8.75%	£2.20m	£1.60m
Logica	£3.08	£190.30m	21.7	0.83	843.84	-1.60%	-5.23%	£-3.10m	£-10.50m
Lynx Holdings	£0.43	£18.10m	9.7	0.84	1075.00	-2.27%	-8.51%	£-0.40m	£-1.70m
MAID	£0.80	£65.00m	115.9	11.36	727.27	23.08%	15.94%	£12.20m	£8.90m
MDIS	£0.69	£69.00m	14.3	0.47	265.38	1.47%	-31.68%	£1.00m	£-32.00m
MR Data Management	£1.17	£65.30m	17.1	1.61	464.29	-3.31%	6.36%	£-2.20m	£3.90m
Macro 4	£4.00	£86.80m	11.3	3.56	1612.90	-4.31%	-8.68%	£-3.90m	£-8.20m
Micro Focus	£7.50	£108.00m	9.1	1.29	3623.19	-9.96%	-8.54%	£-12.00m	£-10.10m
Microgen	£1.08	£42.60m	10.8	0.72	461.54	-7.69%	5.88%	£-3.50m	£2.40m
Microvitac	£0.34	£24.70m	16.8	0.70	817.07	-5.63%	-8.22%	£-1.40m	£1.40m
Misys	£3.19	£151.80m	10.0	1.63	793.53	-23.87%	-22.00%	£-47.60m	£-42.90m
MMT	£1.93	£21.80m	15.3	2.01	1148.81	-2.53%	-5.85%	£-0.60m	£-1.30m
On-Demand	£0.64	£32.60m	Loss	2.25	820.51	-4.48%	-4.48%	£-1.60m	£-1.60m
Oxford Molecular	£0.61	£26.50m	Loss	18.79	762.50	-8.96%	1.67%	£-2.60m	£4.40m
P&P	£0.82	£64.10m	9.8	0.24	367.71	-1.20%	10.81%	£-0.80m	£6.20m
Parity	£1.15	£48.20m	Loss	2.44	6388.87	0.00%	-8.73%	£0.00m	£2.00m
Pegasus	£1.49	£9.39m	12.0	1.95	405.99	-3.87%	-0.67%	£-0.38m	£0.00m
Persona	£1.73	£20.90m	15.5	0.91	1081.25	-0.57%	8.12%	£-0.20m	£1.60m
Phonelink	£1.85	£65.70m	Loss	52.94	1193.55	2.21%	-13.15%	£1.40m	£-9.90m
Proteus	£1.49	£48.60m	Loss	n/a	1773.81	-19.02%	-14.86%	£-8.40m	£-5.80m
Quality Software	£3.66	£31.80m	52.7	2.38	963.16	-4.44%	-4.44%	£-1.50m	£-1.50m
Radius	£0.33	£9.17m	Loss	0.39	239.13	-5.71%	-13.16%	£-0.56m	£-1.43m
Real Time Control	£1.68	£11.80m	12.8	1.38	3428.57	-5.08%	-1.75%	£-0.60m	£-0.20m
RM	£1.90	£32.00m	12.2	0.49	1085.71	-7.77%	-7.77%	£-2.70m	£-2.70m
Rolle & Nolan	£1.77	£21.60m	28.2	1.70	2107.14	-3.80%	-4.32%	£-0.80m	£-0.80m
Sage Group	£7.29	£154.50m	15.9	3.04	5607.69	9.13%	8.16%	£14.90m	£13.60m
Sanderson	£0.88	£34.80m	12.8	1.02	1497.87	3.53%	11.39%	£2.10m	£4.40m
Sema Group	£3.95	£367.70m	23.8	0.73	1242.14	-1.00%	-3.19%	£-3.80m	£-10.90m
Sherwood	£0.95	£5.89m	Loss	0.25	791.67	7.95%	18.75%	£0.43m	£1.01m
Spargo Consulting	£0.87	£10.90m	34.3	2.24	915.79	-2.25%	-4.40%	£-0.20m	£-0.50m
Standard Platforms	£0.13	£4.07m	Loss	3.11	57.77	4.00%	-7.14%	£1.82m	£1.55m
Superscape	£2.02	£10.70m	Loss	12.44	1020.20	0.00%	-0.98%	£0.00m	£-0.10m
Total	£0.31	£3.10m	32.2	1.48	584.91	-18.42%	-11.43%	£-0.70m	£-0.40m
Trace	£0.46	£6.44m	21.9	0.35	368.00	-8.00%	12.20%	£-0.56m	£0.71m
Unipalm	£1.25	£25.60m	140.4	2.38	1250.00	-0.79%	5.93%	£-0.20m	£1.70m
Vega Group	£2.53	£35.70m	25.5	3.68	2073.77	-1.94%	-3.80%	£-0.70m	£-1.50m
Virtuality	£2.09	£55.20m	Loss	10.22	1229.41	-7.52%	-5.43%	£-4.00m	£-2.60m
Vistec	£0.14	£17.20m	7.6	0.38	608.70	3.70%	7.69%	£0.60m	£1.20m
Wakebourne	£0.69	£15.20m	Loss	0.65	383.33	0.00%	-12.66%	£0.00m	£-1.30m

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.

CMG puts off floats

We were delighted last April when CMG Computer Management Group declared its intention to float in Spring 95. We were therefore equally disappointed with the announcement this month that the float would be delayed "because of poor stock market sentiment, particularly in the computing services sector".

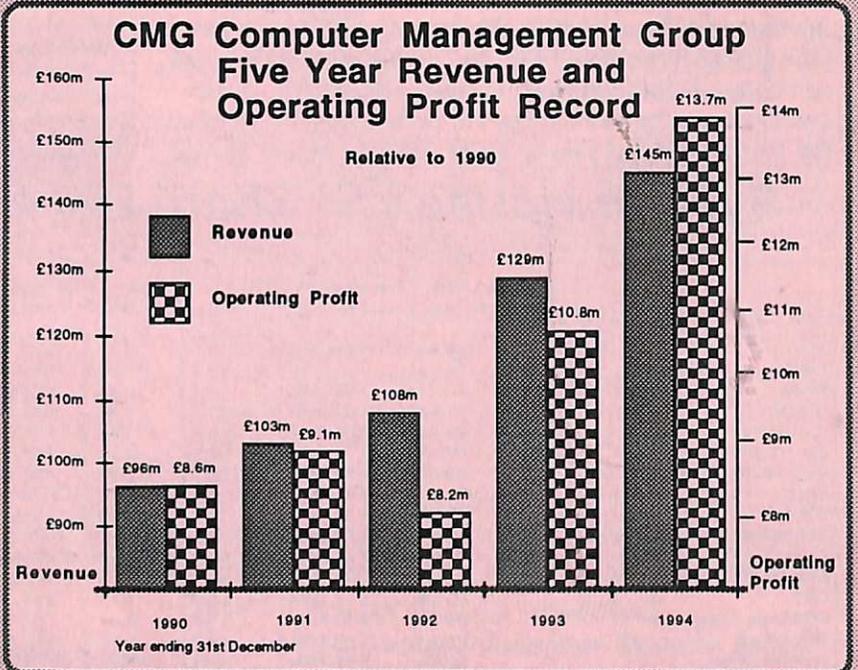
Given the well publicised new issue disasters and current crop of profit warnings, perhaps the decision was not too much of a surprise. But a glance at CMG's financial record shows they are hardly a fly-by-night company. CMG issued an advanced estimate of their 1994 results showing a 12% increase in revenues to £145m and a 25% increase in operating profit to £13.7m. We understand that because of an exceptionally high tax charge in 1993, EPS will have grown by 50%.

CMG has a strong balance sheet with cash of £15m at the year end. PBT is therefore always higher than operating profit although interest reductions will have stunted growth a little. CMG's record, over its 30 year life, shows consistent profits. The only criticism you can lay at CMG's door is that they are unexciting - in fact they are now overdue for a coveted *System House* boring award.

Comment Over 95% of CMG stock is held by employees. The last dealing day in Apr. 1994 had set a price of 740p, valuing CMG at around £115m. This, because of the high tax charge, represented a P/E of 21 (based on 1993 results) which we commented was "high for an internal market". Since then, the market has slipped by over 17%. We now reckon average SCSI P/E's are around 16 and it would be difficult to get a new issue away at much more than 12. In other words it was possible that

CMG's advisers put forward a placing price at or below last year's internal market price.

We believe that CMG would have been well received if floated at a realistic price - giving some headroom for new investors to make a gain too. But clearly that realistic price was currently totally unacceptable. The important question is "when will we see a new issues market prepared to pay P/E's of 18-21 again?" We suspect not for a very long time. And perhaps such a high P/E for a



service company like CMG is not justified anyway.

CMG must now contend with being a takeover target. There are companies with deep pockets who would be prepared to pay "one times revenue+" for CMG. Unfortunately, they are unlikely to be British.

FI doubles profits

Judging from our mailbag, there are a large number of CEO's who believe that:

- you cannot have high growth without acquisition.
 - it is unrealistic to expect PBT and EPS to grow in tandem.
- Indeed, this edition is full of reports of companies which unfortunately subscribe to this maxim.

FI Group is clearly an exception. Results for the six months to 31st Oct 94 show revenues up 53% to £28.4m, PBT more than doubled to £1.52m and EPS was up 94%. This was all achieved without a single acquisition.

What has caused this exceptional performance, of course, is FI's success in winning new Application Management/Strategic Partnership contracts. The results include the first six months of the £21.5m/7 year deal with The Co-operative Bank which involved 128 staff transferring. FI reports a host of other new contracts in the period including Barclays Bank, Britannia Building Soc., Granada, Manweb, Scottish Hydro Electric, Standard Life, Tesco and TSB.

FI Group has also announced that their internal share price has risen by a modest 13% to £9.20. As readers know, FI hiked their share price by 85% in Sept. 94, so the share price has actually risen by 77% in the last year. FI is now valued at £22.4m. Although this equates to a seemingly high historic P/E of 18.7, clearly FI hopes to continue its dazzling results for the year which ends in April. Therefore

F • I • GROUP PLC

the prospective P/E (i.e. the P/E applied to results to 30th Apr. 95) will probably be quite reasonable.

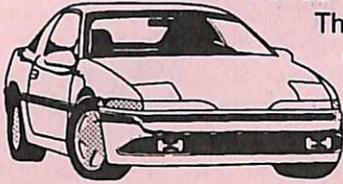
Indeed, if you take the performance in the 12 month period 1st Nov. 93 to 31st Oct. 94, the P/E has already reduced to a more modest 13.9. FI will certainly want to avoid the internal share price being higher than that applicable as a quoted company. (See CMG above)

Readers will know of our respect for FI and its renaissance since 1990 under CEO Hilary Cropper. Their business strategy since, particularly AM, was exactly right for the times. The future could be even brighter. FI is improving its margins, but at 5.3% there is still further to go. That will boost EPS - and the share price - and make FI one of the best new issue candidates when (if) Stock Exchange sentiment eventually improves.

MR Data Management bounces back

MR Data Management is the second largest COM bureau in the UK. After a profit warning in Jul. 94, they announced their first profits reversal to £6.3m in the year to 30th June 94. However, results for the six months to 31st Dec. 94 show revenues up 8.7% at £21.3m, PBT up 18% at £3.14m and EPS up 25%.

Growth prospects look good for the UK data transcription arm, the document scanning services operations and the US division, said Chairman John Redmond.



Tales from the Motor Trade

There are two main suppliers of systems to motor dealers - Kalamazoo with almost a 50% share and DCS with around a 25% share. Apart from (of course) both being

avid *System House* readers, they both made news this month - but for entirely different reasons.

DCS - "Nice little motor" In Feb. 94, **Nesco** sold its Nigerian interests and concentrated on its SCSi operations under the **DCS** banner. In Mar. 94 they completed a 1-for-3 rights issue at 55p to raise £1m and then bought **Motis** (£300K), **GSI UK** (£400K), a stake in French **Aagic SA** and **European Dev. & Systems** (Spain). This month they have announced results for the six months to 31st Dec. 94, which include full period contributions from the acquisitions. Revenues increased 54% to £4m, PBT was up 156% but to a still low £105K. More impressive, given the acquisitions, was that EPS rose by 57%. The figures included a further £535K spent on R&D for the "finalisation of the new **Global DMS** in preparation for delivery to the market" - all written off, we are pleased to see! **Global DMS** is a "pan-European, UNIX/Open systems product for retail motor dealers". Its launch "was an outstanding success and 20 new contracts have already been signed".

CEO Ray Spence described the results rather modestly to us as "steady progress - not spectacular".

But it looks pretty rosy with "further strategic acquisitions" likely to go alongside the "strong organic growth" forecast. Acquisitions are likely to be of distributors of the product across Europe, in the form of minority stakes with the option to go to 51%.

Those who took up the 55p rights issue a year ago got their reward too. DCS ended Feb. 95 on 79p.

Langmore leaves Kalamazoo But the picture at **Kalamazoo** does not look quite so rosy. **Kalamazoo's** CEO Mike Langmore departed unexpectedly on 22nd Feb. 95 "to pursue his career elsewhere". **Kalamazoo** has prospered since Langmore took the CEO role in 92, with PBT up from under £1m to this year's forecasted £7m. Shareholders on the internal market have been equally well rewarded with a five-fold increase in the share price. Langmore was known as a hard manager and financial success had been at the expense of jobs and the cosy family ethos. The **Kalamazoo Workers Alliance** still holds 51% of the shares. *Perhaps the reason for his departure was a case of just one acquisition, one job loss too many?* Although we are assured that the departure was not due to short term performance problems, we do have some concern if Langmore's hard fought reforms at **Kalamazoo** are to be reversed or even softened.

Kalamazoo ended the month down 5% at 103p.

Pegasus revenues static

Comparing **Pegasus** results to 31st Dec. 94 with the previous year, when they made an exceptional profit of £6.1m from the sale of their **Stockforms** division, is bound to be difficult. Base figures show revenues down 36% at £4.8m, PBT down 97% at £243m and EPS down 83%. But that's all a bit academic. Revenues from the continuing accounting software business were static at £4.9m but losses were halved to £154K.

Pegasus shares ended Feb. down 4% at 149p.

On the game at BCE

At some point we might have to get around to adding **BCE Holdings**, which runs those horrendous games arcades, to our CSI Index. You may remember that we reported on their purchases of games software providers **Software Creations** and **Rage Software** in Nov. 94 for a total of £14m. For the record **BCE's** latest results (but prior to these acquisitions which might just get them into our index) for the six months to 30th Sept. 94 show losses of £157K on revenues of £1.8m - both about the same as last time. Games software is one area in which UK inventiveness leads the world - so we should be able to embrace the sector in *System House*. But arcades take us to the limit.

Growth in VR scores for Division

Virtual reality (VR) and games software are two areas where the UK seems to lead the world. Combine the two together and you get the kind of excitement engendered by **Division Group plc**.

Although the use of VR in entertainment is clearly important, (they recently won a \$2m order to install systems in VR entertainment centres in the US and Japan) its application in business is growing. **Division**, for example, helps **THORN-EMI** design lighting schemes and **Glaxo** with drug design.

Division, chaired by Iann Barron, was a new issue back in May 93 at 40p. We referred to them as the ultimate "froth stock". If that's the case, with hindsight, we now wish we had more froth stocks! The share price has since hit a high of 138p although further fund raising has reduced that to end Feb. on 95p.

Division has unveiled results for the year to 31st Oct. 94 showing revenues more than doubled from £2.1m to £5.3m. Losses, however, increased from £503K to £1.44m. The cash raised at the float is running out fast - down from £3.3m to just £144K at the year end. That necessitated a 3-for-10 rights issue at 100p last Nov. raising £9.6m (net). The results now declared are exactly in line with those forecast at the time of the rights were issued and therefore the market was unfazed. Of course, the funds are needed for product development. The strategic alliance with H-P, for the use of **Division's** software in their engineering workstations, is particularly encouraging.

With the VR market growing rapidly, clearly **Division** is well placed to "enjoy a strong position in this exciting market". We ought to be excited too.

Bored with Macro 4

We have written so many times of the *lost opportunities* at **Macro 4** that we are now bored with a company that ignored the forecasts of the changes in its market and is now paying the price.

Results for the six months to 31st Dec. 94 show revenues static at £12.3m. PBT advanced by 5.3% to £5.7m and EPS was up 4.4%. Cash declined by £4.25m to £18.2m, largely as a result of the company's misguided (*in our view*) decision to repurchase £4.76m of its shares in Nov. 94 at 430p. The shares have since sunk to 400p.

Ominously, new sales of **Macro 4's** mainframe products are now falling "short of cancellations". "Newer" AS/400 product sales have, however, increased.

"Assuming no significant foreign exchange movements, the second half PBT is expected to exceed the first half". Analysts are expecting around £11.6m for the full year.

Signs of recovery at CGS

CGS has cut its losses for the full year and a FF20m net profit was recorded in the second half. Revenues at Gemini Consulting increased 10%, so the combined revenues of the CGS empire were around \$2.32 billion in 1994 - down around 4% on 93.

CAP Gemini Sogeti	1993	1994	Change
CGS - Total	FFr11,028m	FFr10,150m	-8.0%
CGS - Continuing	FFr9,730m	FFr10,150m	4.3%
Gemini Consulting	\$498m	\$550m	10.4%
CGS+Gemini (\$1=FFr5.7)	\$2,428m	\$2,326m	-4.2%
Operating Profit before Goodwill Amortisation	FFr298m	FFr508m	
Net Loss	-FFr429m	-FFr95m	

Information Systems Management (i.e. outsourcing) has been a star performer with revenues up 30%.

"CGS - secure in the renewed trust of its shareholders and key bankers - is now confident that 1995 will see ... a clear return to profit". This "renewed trust" was a day later translated into a declaration from debis (Daimler-Benz) that it "may" exercise its option to increase its 34% holding to a majority stake. They have until Feb. 96 to decide but are currently "discussing a suitable price". A combined Debis/CGS would have revenues of c\$3b.

Hoskyns "enthusiastic" for 1995

CGS' UK subsidiary, Hoskyns, produced "disappointing" results with only modest increases in both revenue and profit. But as all the revenue growth, and "substantial improved" profits, were recorded in the second half of the year, Hoskyns is now "very enthusiastic" for 95.

HOSKYN'S GROUP plc	Year to 31st Dec. 92	Year to 31st Dec. 93	Year to 31st Dec. 94	Growth 1993/94
Revenue	£199m	£215m	£226m	+5.3%
UK Revenue	£173m	£183m	£197m	+7.4%
Net Operating profit/PBT	£8m	£13m	£14m	+4.7%
Profit margin	4.00%	6.20%	6.20%	+0.0%
Average staff nos	3227	3372	3597	+6.7%
Revenue per employee	£61,791	£63,701	£62,863	-1.3%
Profit per employee	£2,479	£3,944	£3,872	-1.8%

Outsourcing in Hoskyns Information Systems Management division grew by 15% to £116m or 51% of total revenues. The move to desktop services performed well. Revenues from products declined - you may remember that their PMW activities have since been sold. We will bring you more details in future editions.

Reuters Holdings plc

Reuters Holdings plc is probably the largest UK-owned supplier of SCSi services worldwide. In the year to 31st Dec. 94, Reuters had revenues of £2.31 billion (up 20%) and PBT of £510m (up 16%). That's a PBT margin of 22.1%. EPS was up 20%.

Reuters activities are arranged in three divisions:

- **Information products.** £1.64 billion and up 21% on 1993 e.g. news and analysis of financial markets. Now includes Teknekron (see below)

- **Transaction products.** £527m and up 34% on 1993 e.g. systems and software enabling customers to use terminals to trade in foreign exchange, futures and options etc. Includes sales of Instinet and Dealing 2000 products
- **Media products.** £140m and up 10% on 1993 e.g. news in the form of text, graphics, pictures and video.

Reuters largest acquisition was of **Teknekron Software Systems** of California for around £83m in Dec. 93. Teknekron designs digital trading/dealing room systems. In the UK, Reuters acquired **VAMP Health** for £13.3m in Nov. 93 and in Dec. 93 Reuters bought 20% stake in UK disaster recovery operation **Safetynet** for £5m.

It is interesting to note that Reuters, as far as we can determine, has undertaken no acquisitions of note - whether in the SCSi market or elsewhere - in the last year. Indeed, Reuters accompanied their full year results announcement with a warning that underlying revenue growth would be slower in the current year.

Seriously uncool

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