

System House

The monthly review of the financial performance of the UK computing services industry
Volume 6 Number 8 Available by subscription only ISSN 0967-2583 June 1995

1994 Growth exceeds forecasts

Our eighth analysis of the financial performance of the leading 1,250 companies in the UK software and computing services market in 1994 is now complete and the 1700 page **1995 Holway Report** is available.

The findings show that the UK SCSi market grew marginally faster (+14%) than we had forecast and improved on the 11% growth experienced in 1993. This is a remarkable recovery from the standstill (in real terms) experienced in 1990/91/92

The Top Ten suppliers to the UK market grew their UK revenues by even an even larger 24% and now represent a third of total UK SCSi revenues. A case of *the big getting bigger...and bigger!* ICL managed to retain its #1 ranking. *But for how much longer?* The gap is closing fast. For a more detailed analysis, see p 2 & p 12 for our 'awards'.

The single major reason for this high growth was the switch from in-house user spend to outsourcing. Indeed, the combined AM/FM markets grew by an unprecedented 37% in 1994 and the Top Twenty AM/FM suppliers grew their revenues by 40%. But, for the first time, the non-UK revenues of the companies in our database grew even faster than their UK revenues. Non-UK revenues increased by 20% (to £2.1 billion) with EC revenues up 18%. But revenues with the rest of the world were up 27%. Welcome growth in the overseas activities of companies such as Logica, JBA, Sage etc. was the cause.

The UK had by far the highest growth rate of any major SCSi market in Europe in 1994. We estimate that the UK market will grow by 12.8% p.a. thru to 1998 when it will overtake France to become second only to Germany in the SCSi market rankings in Europe. But the UK still does

not own any company in the Top Twenty SCSi suppliers to Europe. The largest UK-owned company is Misys/ACT. Even in the domestic market, the UK owns only two of the Top Ten suppliers. This was at least better than the single entry in 1993! Indeed currently there seems to be some hope that the gradual improvement will continue.

Profits grew by an even higher 32% (down marginally on the 34% growth in 1993). But yet again quoted companies performed less well than private companies or UK subsidiaries of larger organisations. Indeed the worst performance reversals and losses were recorded by companies quoted on the Stock Exchange. This has resulted in the "poor market sentiment towards the sector" referred to by CMG when they decided not to proceed with their float.

Profits at non-quoted SCSi companies increased by 44%. An unprecedented 64% of all the companies in our database improved their financial performance in 1994 and the lowest

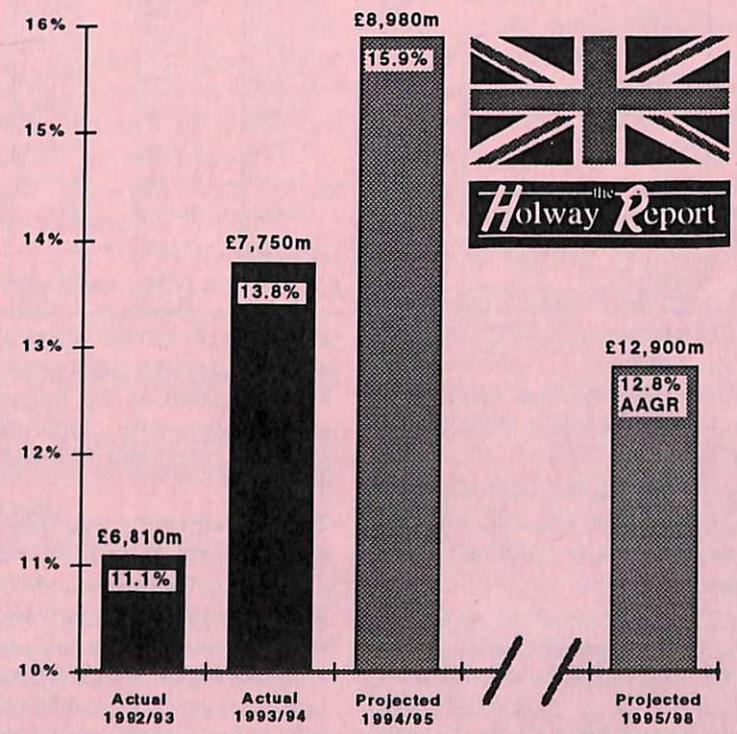
proportion on record - 15% - reported losses. But an alarming 29% of all the companies in our database failed the liquidity test - i.e. their current liabilities exceed their current assets. The list included Enterprise - which appointed the receivers this month.

Staff numbers increased by a massive 10% - again fuelled by outsourcing. After several years of staff declines, the numbers employed now stand at record levels. Staff costs per employee grew by just 2.7% - about the rate of inflation, whereas the average highest paid director received 14.3% more! We also identified a significant increase in the number of directors earning over £200,000 p.a. and in the number of SCSi millionaires.

Not such a bad time, after all, to be involved in the sector!

Actual and Projected Growth Rates for the UK Software & Computing Services Market

Excludes Manufacturers' Operating Software and Hardware Maintenance



The Leading Suppliers of Software and Computing Services to the UK Market in 1994

We probably generate more interest - and controversy - from our annual rankings of the suppliers of software and computing services to the UK market, ranked by 1994 revenue and including all SCSI suppliers with UK revenues exceeding £100m, as anything else we do. But we would stress that the figures quoted have been agreed - **officially or unofficially** - with every one of the companies featured.

It must be pointed out that we have excluded non SCSI revenues as far as we can. In particular we have excluded hardware revenues

(this is why **Computacenter, P&P, Specialist** etc.) do not feature on this list, *as yet*. We have also reappraised **Cray** (which had featured in these lists in previous years) and have excluded their data comms revenues. As the combined SCSI revenues of **Cray Systems** and **P-E International** were c£80m in FY1994, they fall outside the rankings.

The table shows that:

• the Top 15

companies had combined UK revenues of £3.2 billion in 1994 - up a massive 21% on 1993.

• the Top 15 companies represent around 42% of our estimate of £7.75b for the total UK SCSI market. This compares with 39% in 1993.

• with revenues of nearly £2.6b, the Top Ten represent around a third of the total UK market. The Top Ten have consistently represented around a third of the UK market in each of the last five years.

• the 21% growth of the Top 15 companies was substantially higher than the 14% growth rate experienced by the UK SCSI industry. However several of the companies featured grew mainly by acquisition (e.g. **ACT/BIS** etc.). Nevertheless it does show that **the big, yet again, really are getting bigger**.

ICL's lead at the top of the rankings has narrowed from £163m in 1993 to just £90m in 1994. Indeed there is every sign that **ICL's** lead will be eroded still further in 1995 (or might even lose it completely). **EDS' £310m** revenues included only a couple of months revenues from the Inland Revenue. We estimate that **EDS** will have revenues of £500m in 1995.

Readers will note the 45% growth in UK SCSI revenues recorded by **IBM** (see full report last month). Although some of this must be put down to reclassification, there is no doubt that **IBM** is fast attaining the importance in the UK SCSI market that it has long enjoyed in the US and in certain countries in Europe. **IBM** is the lead supplier of SCSI services in Europe and the UK is one of the few major

countries where it is not in #1 position.

Serge Kampf, Chairman of **CGS** (**Hoskyns'** French parent), was recently quoted (Source - Evening Standard 20th April 1995) saying "*IBM had always been hardware suppliers, not competitors. US competitors like EDS had wanted to get into Europe but had never succeeded. Suddenly it was all happening at once. We were fighting people we were not used to competing with, even people we did not know.*"

Once upon a time, in the mid 1980s, **Hoskyns** was the largest supplier of computing services to the UK market

but their position has been continually eroded since. In 1991 **ICL** took the lead - but only just - over the UK SCSI revenues for the by then combined **EDS/SD-Scicon** operations. By 1994, **Hoskyns** had slipped to #7 and had been overtaken on its home ground by the likes of **IBM, EDS, Sema** and **Andersen Consulting**.

Hoskyns had a lower than the market average growth in 1994, as

Software and Computing Services Suppliers with UK SCSI Revenues >£100m in 1994						
1994 Rank	Company	1991	1992	1993	1994	Growth 1993/94
1	ICL UK CSI Revenues	£250m	£320m	£415m	£455m	10%
2	IBM UK CSI Revenues	£170m	£208m	£252m	£365m	45%
3	EDS UK	£232m	£255m	£250m	£310m	24%
4	Andersen Consulting UK	£172m	£215m	£247m	£275m	11%
5	Sema Group	£145m	£172m	£212m	£223m	5%
6	Microsoft UK	£67m	£100m	£150m	£200m	33%
7	Hoskyns	£165m	£173m	£183m	£197m	8%
8	ACT Group	£91m	£106m	£127m	£189m	49%
9	Syntegra	£160m	£172m	£168m	£179m	6%
10	AT&T Istel - Business Unit	£150m	£150m	£130m	£170m	31%
11	Oracle UK	£91m	£106m	£144m	£166m	16%
12	Logica	£101m	£106m	£112m	£134m	19%
13	Digital UK CSI Revenues	£79m	£102m	£110m	£131m	19%
14	McDonnell Info. Systems	£130m	£118m	£112m	£113m	1%
15	Easams	£46m	£53m	£48m	£111m	131%
Average increase			14.9%	13.0%	21.0%	

did **Sema, Andersen Consulting** and **Syntegra**. Although slipping down the ranking each year, **Hoskyns** had retained its #1 position as the largest UK outsourcing (**FM&AM**) supplier every year...until 1994 when its position was taken by **EDS**. On current information, they will slip still further in 1995.

The one company you may be surprised to see missing from the ranks is **Computer Sciences**. **CSC** had revenues of less than £80m in the UK in their FY to 31st March 1994. But **CSC** has already told us that they had UK SCSI revenues of £210m in the year to 31st March 1995 and will enter the higher echelons of these rankings next year. With outsourcing revenues of £160m, **CSC** will be in contention to lead those ranking also. (See **Lucas** - page 3).

The fastest growth - and indeed the only new entrant to these lists in 1994 - was at **Easams** which has benefited from significant revenues from defence related systems development contracts. It will be interesting to see if this position can be maintained.

A combined **Misys/ACT** will clearly figure in these ranks next year - but not as high as you might imagine. Various disposals mean that UK revenues are likely to be around the £200m mark

Oracle's UK growth is only average. There is current talk of disposals which could well impact 1995 revenues significantly.

However, indicators show that the largest suppliers to the UK market will again have above average growth in 1995 and will extend their dominance of the UK SCSI market.

EDS aborts Lucas deal

At 11.00pm on 16th May (i.e. before the US stock markets opened) EDS announced that it was withdrawing from its negotiations for an outsourcing deal with Lucas (worth £500m over 10 years) and its offer to acquire Lucas Engineering and Systems (LE&S) and Lucas Management Systems (LMS) for around £100m (revenues c£50m p.a.). At the same time it was announced that Lucas had signed a letter of intent with Computer Sciences (CSC) for the same deal.

Not for the first time, we found ourselves with every party being a research customer of ours - Lucas, EDS, CSC, Broadview (who were brokering the deal) and all the other "unsuccessful bidders". So they told us the "facts" on the strict understanding that it was "off the record". Steering safely through this minefield is impossible.

- EDS says it based its proposal "on a business prospectus issued by Lucas' advisors" but found it impossible to "forge a relationship" under the terms envisaged.

- Broadview, of course, defend their prospectus and Lucas went out of their way to support Broadview. The term "sour grapes" was uttered in several of the conversations. Others questioned Broadview's expertise in brokering outsourcing deals.

- System House has already reported that the Lucas businesses were not doing too well - "break-even at best".

- that was before the EDS negotiations were announced. Since then LMS, in particular, appears to have suffered as a result of uncertainty over future ownership. EDS said "the LMS figures (in the prospectus) were out of date and wildly flattering". Source - Independent on Sunday 21st May 95.

- but that didn't stop CSC, who "know exactly the current state of the businesses", from topping the EDS bid.

We will let David Bowen writing in The Independent on Sunday sum up - "Whatever the truth, it looks like a banana skin for Lucas and EDS; whether it is a triumph or a slip for CSC only time will tell".

So, please dear readers, cancel your subscriptions to The Independent not to System House!

In any event it means that CSC's meteoric growth in the UK market will accelerate still further. We just hope their wallet size matches their ambition.

Vistec issues second profits warning

In Nov. 94 Vistec issued a first profits warning blaming "acquisition indigestion" at ISO (Nov. 93) and Data Logic Communications (Feb. 94). The shares crashed from 31p to 15p as brokers forecast PBT of £1.6m to 30th Apr. 95 compared with last year's £3.4m

This month Vistec has issued a second warning. This time they blamed restructuring costs, a write-down in property values and a loss on the sale of their insurance services business.

Games score for BCE

Current reports now say that Nintendo paid around \$40m for its 25% stake in UK games software company Rare last month. Also BCE, which paid a total of £14m for Software Creations and Rage in Nov. 94, reported £1m profits from the new games division for Q1 1995. So BCE moved from a loss of £460K to an operating profit of £803K in the six months to 31st Mar. 95.

We know readers don't think these are "proper SCSi companies", but we're sure they would not object to those kind of valuations!

Further canny investments for MMT

"Your company has delivered a solid performance". Last time we headlined our review as "Come in MMT Computing - your time has come". Mike Tilbrook Chairman, MD and chief bottle washer at MMT, has certainly made our predictions come true.

Results for the six months to 28th Feb. 95 show PBT up 14% at £1.39m on revenues up 34% at £6.44m. That's a margin of 22%. EPS was up 16%.

But the news was not universally good. The "mainstream" London operation "performed particularly well...more than making up for disappointing results from the Reading and AS/400 branch companies".

A significant part of MMT's revenues comes from application management. This is an "in vogue" sector but MMT seem reticent in exploiting its full potential. They might attract a higher rating if they did.

But Tilbrook seems content to play the market in other SCSi stocks. He has a canny knack in spotting when to buy...and even more vitally when to sell. His battle honours include Quotient (before they were bought by ACT), P-E International (before they were bought by Cray) and Total (on their periodic rise and selling before the equally periodic fall). His current favourite is Sherwood "we hold around 5% of the equity and are currently showing a paper profit in excess of £100,000". We have suggested in each previous MMT review that you might wish to follow Tilbrook in his investments....

The problem with MMT is that it is the epitome of the excellent SMALL UK SCSi company. £5m in the bank, superb profit margins, a good living for the owner/directors but seemingly no ambition to take over the world. We can just hear the combined cry "If only...."

News from the AGM

As we all know, Chairmen are a universally optimistic breed - particularly once a year when facing shareholders at the AGM! This month:

Mike Roberts, at Radius, reported Q1 "comfortably ahead of last year" and believes that 1995 will be "extremely successful". Roberts has used the "confidence" word every year regardless of the results.

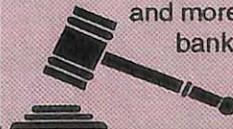
Prof. Sir Roland Smith, king of the NEDs, reported that P&P "continues to make good progress" and "customer order levels are high". We were particularly pleased to hear that the move to services was progressing so well and that the 1994 acquisitions (Computers for Business (Scotland) and QA Training) "both performed beyond expectations".

James Bailey, at Microvitec said "all the group's divisions have stronger order books than in previous years" and forecasted "a successful outcome in 1995".

David O'Brien, at Sherwood, reported that "1995 has got off to a good start" with cost savings from the recent Sherwood/ICL CFM venture "starting to come through". The Stock Market shares the optimism as Sherwood shares are up 73% this year so far!

Even MDIS said it "expects to meet group profit expectations...but almost all these profits will come in the second half". But job losses will cause higher initial costs

and more orders were needed for the PRO-IV banking system. Analysts currently expect PBT of around £12.5m for 1995 after last year's maiden disappointments.



Wakebourne plc "in good stead for the medium term"

The background to Wakebourne is highly complex.

In Mar. 1992, Maddox Group moved to a full listing on the Stock Exchange when they changed their name from Pathfinder Personnel Services Ltd. This was after entrepreneur, Hugo Biermann moved into the Maddox driving seat. Their main activities were then recruitment, maintenance (IBM and Compaq) and product distribution (non-SCSI - related to cable distribution where they acquired Cable & Flexibles Ltd. and Seacoast Electric Co. Inc. in Mar 1992). In Aug. 1992 brokers Williams de Broe organised a rights issue for Maddox at 8p per share raising £16.5m in order to acquire TPM Wakebourne for £13.3m. Wakebourne then went on to acquire Computer Profiles (Feb. 1993 - £150K) and Switch (Sept. 1993 - £950K). In May 1993 Maddox announced the sale of C&F and Seacoast for c£19.9m. In July 1993 auditors Ernst & Young expressed "fundamental uncertainties" over whether the debts of £15.1m owed by the sold companies would be repaid. By Sept. 1993, C&F had been put into receivership. Maddox announced that it "had received approaches which may or may not lead to a sale".

In November 1993 it was announced that:

- the directors had decided to provide against the whole £15.1m book value of the C&F and Seacoast disposals.
- Maddox had additional £1.85m debts for professional fees etc. relating to these disposals.
- these results are "unrelated to the trading at Wakebourne" which "performed well making PBT of £1.3m".
- the company was unable to satisfy its liabilities, which by then amounted to approx. £3.6m.
- Maddox proposed a rights issue at 1p per share raising £3.9m underwritten by Williams de Broe. The shares fell from 3p to 1p on the announcement but over 90% of shareholders voted to take up the rights issue shares.
- Hugo Biermann left the board "to pursue other business interests" and Maddox changed its name to Wakebourne. Auditors Ernst & Young were replaced by Touche Ross.
- Wakebourne directors/shareholders had the right to repurchase Wakebourne "upon the occurrence of certain events of insolvency" for approx. £1.5m. They agreed to waive these rights, with a number of provisions, which saw them owning c30% of Maddox, which was then reverted to the name Wakebourne plc, after the rights.

Results for the year to 31st Dec. 93 showed a loss of £18.6m (PBT £453K in 1992); due to the writing off of the US investment above, on revenues of £23.2m.

In early 1994 the new Wakebourne bought Source Two Ltd. "for a nominal sum" from the receivers. Source Two was a SUN VAR and supplier of AutoCAD systems with revenues of c£3m in 1993.

Wakebourne had been a successful TPM with net profits of £2.6m on revenues of £13.2m in the year to 31st May 1992. In 1993, Wakebourne's UK computer support activities "recorded operating profits of £2.6m excluding discontinued activities and central costs".

On 24th April 1995, Wakebourne warned that 1994 pre tax profits were likely to be below market expectations after stock control difficulties. Wakebourne had found "a difference between records and actual stock". "Rapid expansion had pressured its systems, which are now being overhauled". In other words they couldn't account for thousands of pounds worth of kit. Wakebourne's FD Mike Cartwright departed "amicably" on 22nd May 95.

This month Wakebourne announced PBT of £1.87m on revenues up from £23.2m to £35.3m. EPS was positive - at 5.7p - against losses of 144p per share last time. But readers should note that £388K of the profits are due to the release of previous provisions. The good news is that Wakebourne is now "a broader based computer services group with less dependence on maintenance activities". Wakebourne has moved into cabling and latterly into "the acquisition of application software businesses" and "managed resource contracts, covering a range of services, from companies outsourcing their IT requirements". Wakebourne says it is "in good stead for the medium term". After plunging 40% in April, Wakebourne shares staged a modest recovery, ending May 95 up 32% at 51p.

RM plc

It's a funny old world. The only acquisition where we reckoned that Misys had got the price right in a long while was their bidding 210p a share (mainly in Misys shares) for RM plc back in Dec. 94. RM gave them the thumbs down and floated at 175p. At the time of the bid Misys was trading at 512p - today it is down 30% at 356p. RM, on the other hand is 30% up on its new issue price. It does not take a genius to spot who might be the...genius.

We have got incredibly irritable writing reports of new issue failures, so writing about RM's maiden results give us immense pleasure. If that is also coupled with a drubbing for Misys - which quite frankly has treated us with immense arrogance in the last six months - then so be it.

RM reported PBT up from £155K to £1.04m and revenues up 17% at £33.6m in the six months to 31st Mar. 95. EPS was up six-fold. Sure there were some "unusual" factors. The float had meant that net interest payable of £41K had been transformed in net interest receivable of £247k. But RM, which "in the preceding two financial years had seen more than 95% of PBT achieved in the second half...this year has benefited from an unusually large order book at 30th Sept. 94".

But the future seems even more exciting. RM's Internet for Learning service "is already the leading supplier of Internet services to UK schools, with over 250 schools connected". John Leighfield becomes the latest in a long line of chairman to use the "confidence" word in his statement...we suspect he might be right though!

Footnote: Followers of the "Where are the Oracle high flyers now" cult might be interested to learn that Mike Harrison (was MD Oracle UK - now VP at Informix) has recently been appointed as a non-exec. director of RM.



Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc				JBA Holdings plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 36,640,000	£ 49,473,000	+35.0%	REV	£ 74,467,000	£ 90,687,000	+21.8%		
PBT	£ 4,608,000	£ 7,719,000	+67.5%	PBT	£ 4,610,000	£ 6,131,000	+33.0%		
EPS	27.60p	45.20p	+63.8%	EPS	10.19p	12.13p	+19.0%		
Azlan Group plc				Kalamazoo Computer Group plc					
	Interim - Sep 94	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison
REV	£ 28,530,000	£ 61,506,000	£ 37,735,000	+32.3%	REV	£ 29,562,000	£ 60,911,000	£ 28,263,000	-4.4%
PBT	£ 1,882,000	£ 3,871,000	£ 1,079,000	-42.7%	PBT	£ 2,533,000	£ 6,355,000	£ 3,003,000	+18.6%
EPS	6.30p	12.40p	3.70p	-41.3%	EPS	4.20p	10.20p	4.98p	+18.6%
Capita Group plc				Kewill Systems 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	£ 15,999,000	£ 31,780,000	£ 16,405,000	+2.5%	
PBT	£ 5,463,000	£ 7,903,000	+44.7%	PBT	£ 1,757,000	£ 4,043,000	£ 2,166,000	+23.3%	
EPS	7.90p	10.50p	+32.9%	EPS	10.15p	23.00p	12.16p	+19.8%	
Cedardata plc				Learmonth & Burchett Management Systems plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison
REV	£ 2,608,000	£ 6,120,000	£ 3,726,000	+42.9%	REV	£ 13,114,000	£ 26,406,000	£ 11,023,000	-15.9%
PBT	£ 998,000	£ 2,715,000	£ 1,337,000	+34.0%	PBT	£ 201,000	£ -731,000	£ -3,278,000	Profit to loss
EPS	2.30p	6.30p	2.80p	+21.7%	EPS	1.00p	-3.30p	-13.70p	Profit to loss
CentreGold plc				Logica plc					
	Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 52,554,000	£ 91,314,000	£ 41,037,000	-21.9%	REV	£ 106,522,000	£ 228,848,000	£ 121,972,000	+14.5%
PBT	£ 2,600,000	£ 4,033,000	£ -3,883,000	Profit to Loss	PBT	£ 3,211,000	£ 13,543,000	£ 7,220,000	+124.9%
EPS	4.70p	7.30p	-6.44p	Profit to Loss	EPS	3.30p	14.00p	7.80p	+136.4%
Clinical Computing plc				Lynx Holdings plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison	
REV	£ 2,635,853	£ 1,471,684	-44.2%	REV	£ 7,257,000	£ 21,523,000	£ 12,605,000	+73.7%	
PBT	£ 1,129,000	£ -688,596	Profit to loss	PBT	£ 460,000	£ 2,009,000	£ 741,000	+61.1%	
EPS	9.10p	-4.30p	Profit to loss	EPS	1.15p	4.50p	1.27p	+10.4%	
Coda Group plc				M.A.I.D. plc					
	Final - Oct 93	Final - Oct 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 23,450,000	£ 23,388,000	-3%	REV	£ 5,723,000	£ 8,887,000	+55.3%		
PBT	£ 3,752,000	£ -7,992,000	Profit to loss	PBT	£ 603,176	£ 1,285,000	+113.0%		
EPS	10.60p	-27.70p	Profit to loss	EPS	0.69p	1.14p	+65.2%		
Compel Group plc				MMT Computing plc					
	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison		Interim - Feb 94	Final - Aug 94	Interim - Feb 95	Comparison
REV	£ 24,305,000	£ 54,542,000	£ 28,272,000	+16.3%	REV	£ 4,815,000	£ 10,861,498	£ 6,442,000	+33.8%
PBT	£ 993,000	£ 2,062,000	£ 1,194,000	+20.2%	PBT	£ 1,215,000	£ 2,505,106	£ 1,387,000	+14.2%
EPS	5.02p	10.35p	5.56p	+10.8%	EPS	6.40p	13.10p	7.40p	+15.6%
Computerised Financial Solutions plc				MR-Data Management Group plc					
	PF Final Dec - 93	Final - Dec 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison	
REV	£ 3,338,636	£ 3,120,711	-6.5%	REV	£ 19,602,000	£ 40,521,000	£ 21,305,000	+8.7%	
PBT	£ 330,233	£ 350,617	+6.2%	PBT	£ 2,660,000	£ 6,348,000	£ 3,136,000	+17.9%	
EPS	8.39p	3.97p	-52.7%	EPS	3.20p	8.00p	4.00p	+25.0%	
Computer People Group plc				McDonnell Information Systems plc					
	Final - Dec 93	Final - Dec 94	Comparison		PF Final - Dec 93	PF Final - Dec 94	Comparison		
REV	£ 68,748,000	£ 97,685,000	+42.1%	REV	£ 148,480,000	£ 148,917,000	+0.3%		
PBT	£ 1,102,000	£ -391,000	Profit to loss	PBT	£ 21,248,000	£ 9,064,000	-57.3%		
EPS	4.37p	-7.76p	Profit to loss	EPS	13.89p	4.57p	-67.1%		
Cray Electronic Holdings 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	£ 114,308,000	£ 271,718,000	£ 135,044,000	+18.1%	REV	£ 12,104,000	£ 24,367,000	£ 12,285,000	+1.5%
PBT	£ 7,804,000	£ 26,168,000	£ 10,085,000	+29.2%	PBT	£ 5,400,000	£ 11,211,000	£ 5,685,000	+5.3%
EPS	2.49p	8.60p	3.03p	+21.7%	EPS	16.00p	34.20p	16.70p	+4.4%
CRT Group plc				Micro Focus plc					
	Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison		Final - Jan 94	Final - Jan 95	Comparison	
REV	£ 22,427,000	£ 47,348,000	£ 29,187,000	+30.1%	REV	£ 83,842,000	£ 89,885,000	+7.2%	
PBT	£ 472,000	£ 532,000	£ 1,285,000	+172.2%	PBT	£ 21,761,000	£ 8,723,000	-59.9%	
EPS	0.56p	-0.13p	1.42p	+153.6%	EPS	104.30p	32.00p	-69.3%	
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%	
DRS Data & Research Services plc				Microvitec plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 11,133,000	£ 8,798,000	-21.0%	REV	£ 35,170,000	£ 44,146,000	+25.5%		
PBT	£ 1,950,000	£ 1,487,000	-23.7%	PBT	£ 1,611,000	£ 2,560,000	+58.9%		
EPS	4.02p	3.00p	-25.4%	EPS	2.10p	3.00p	+42.9%		
Division Group plc				Misys plc					
	Final - Oct 93	Final - Oct 94	Comparison		Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparison	
REV	£ 2,078,000	£ 5,270,000	+153.6%	REV	£ 42,086,000	£ 93,358,000	£ 63,922,000	+51.9%	
PBT	£ -503,000	£ -1,440,000	Loss both	PBT	£ 8,012,000	£ 18,612,000	£ 11,245,000	+40.4%	
EPS	-2.10p	-4.30p	Loss both	EPS	14.00p	31.90p	16.20p	+15.7%	
Electronic Data Processing plc				On Demand Information plc					
	Final - Sep 93	Final - Sep 94	Comparison		Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparison	
REV	£ 14,341,000	£ 14,013,000	-2.3%	REV	£ 11,847,000	£ 14,487,000	£ 5,120,000	-56.8%	
PBT	£ 4,672,000	£ 4,123,000	-11.8%	PBT	£ -669,000	£ -2,617,000	£ -1,333,000	Loss both	
EPS	11.71p	10.21p	-12.8%	EPS	-1.60p	-5.70p	-2.60p	Loss both	
Gresham Computing plc				Oxford Molecular plc					
	Final - Oct 93	Final - Oct 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 5,823,000	£ 6,507,000	+11.7%	REV	£ 1,409,000	£ 2,765,000	+96.2%		
PBT	£ 551,000	£ 708,000	+28.5%	PBT	£ -1,265,000	£ -2,906,000	Loss both		
EPS	1.04p	1.32p	+26.9%	EPS	-8.90p	-8.60p	Loss both		
INSTEM plc				P & P plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Nov 93	Final - Nov 94	Comparison		
REV	£ 19,294,000	£ 16,812,000	-12.9%	REV	£ 217,259,000	£ 283,930,000	+21.5%		
PBT	£ 1,021,000	£ 1,153,000	+12.9%	PBT	£ 4,107,000	£ 8,016,000	+95.2%		
EPS	14.80p	16.80p	+13.5%	EPS	4.10p	8.10p	+97.6%		

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

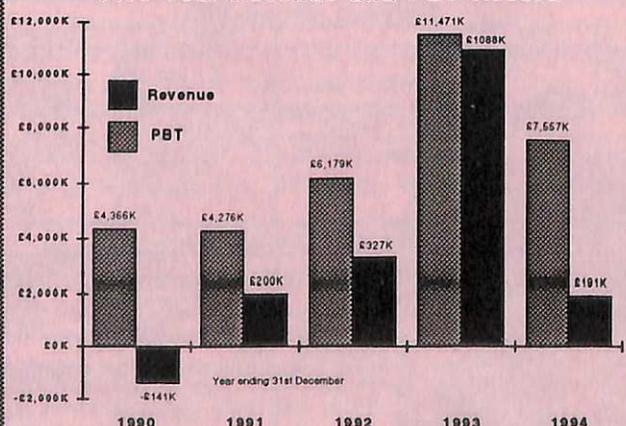
Parity plc				Sema Group plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 19,768,000	£ 88,791,000	+349.2%	REV	£ 501,992,000	£ 596,111,000	+18.7%		
PBT	-£ 228,000	£ 4,176,000	Loss to profit	PBT	£ 24,855,000	£ 32,034,000	+28.9%		
EPS	-1.88p	7.19p	Loss to profit	EPS	16.62p	20.98p	+26.2%		
Pegasus Group plc				Sherwood Computer Services plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 7,502,000	£ 4,808,000	-35.9%	REV	£ 23,561,000	£ 25,069,000	+6.4%		
PBT	£ 6,930,000	£ 243,000	-96.5%	PBT	-£ 1,998,000	£ 79,000	Loss to profit		
EPS	72.00p	12.40p	-82.8%	EPS	-35.78p	-10.73p	Loss Both		
Persona plc				Spargo Consulting plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 22,862,000	£ 31,537,000	+37.9%	REV	£ 4,869,000	£ 6,016,000	+23.6%		
PBT	£ 1,748,000	£ 2,059,000	+17.8%	PBT	£ 483,000	£ 1,211,000	+150.7%		
EPS	10.26p	11.42p	+11.3%	EPS	2.58p	6.29p	+143.8%		
Phonelink plc				Standard Platforms Holdings plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Sep 93	Final - Sep 94	Comparison	
REV	£ 586,000	£ 1,241,000	£ 797,000	+36.0%	REV	£ 3,161,416	£ 1,305,476	-58.7%	
PBT	-£ 301,000	-£ 1,761,000	-£ 1,963,000	Loss both	PBT	-£ 1,065,027	-£ 143,280	Loss both	
EPS	-0.80p	-5.00p	-5.50p	Loss both	EPS	-10.50p	-1.10p	Loss both	
Proteus International plc				Superscape VR plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		PF Interim - Jan 94	PF Final - Jul 94	PF Interim - Jan 95	Comparison
REV	Nil	Nil	Nil	n/a	REV	£ 390,121	£ 859,192	£ 478,371	+22.6%
PBT	-£ 2,733,000	-£ 6,618,000	-£ 3,666,000	Loss both	PBT	-£ 73,280	-£ 238,024	-£ 844,662	Loss both
EPS	-10.03p	-24.23p	-11.94p	Loss both	EPS	-2.20p	-6.10p	-15.90p	Loss both
Quality Software Products Holdings plc				Total Systems plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison	
REV	£ 13,346,543	£ 16,494,732	+23.6%	REV	£ 1,079,044	£ 2,092,429	£ 1,096,691	+1.6%	
PBT	£ 553,244	£ 2,512,400	+354.1%	PBT	£ 12,330	£ 141,918	£ 7,460	-39.5%	
EPS	6.70p	27.50p	+310.4%	EPS	0.07p	0.96p	0.04p	-46.6%	
RM plc				Trace Computers plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparison
REV	£ 28,745,000	£ 65,493,000	£ 33,596,000	+16.9%	REV	£ 9,200,000	£ 18,628,990	£ 9,500,000	+3.3%
PBT	£ 155,000	£ 3,769,000	£ 1,041,000	+571.6%	PBT	£ 216,000	£ 409,901	£ 223,000	+3.2%
EPS	0.60p	15.50p	4.00p	+566.7%	EPS	1.20p	2.33p	1.21p	+0.8%
Radius plc				Unipalm plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison	
REV	£ 23,273,000	£ 24,866,000	+6.8%	REV	£ 4,943,000	£ 10,753,000	£ 7,804,000	+57.9%	
PBT	-£ 1,171,000	£ 1,451,000	Loss to profit	PBT	£ 148,000	£ 272,000	£ 149,000	+0.7%	
EPS	-3.20p	2.87p	Loss to profit	EPS	0.50p	0.89p	0.47p	-6.0%	
Real Time Control plc				Vega Group plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison
REV	£ 3,579,000	£ 8,534,000	£ 8,491,000	+137.2%	REV	£ 4,517,000	£ 9,703,000	£ 5,710,000	+26.4%
PBT	£ 424,000	£ 1,387,000	£ 1,050,000	+147.6%	PBT	£ 757,000	£ 2,147,000	£ 1,020,000	+34.7%
EPS	4.10p	13.30p	12.00p	+192.7%	EPS	3.54p	10.01p	4.76p	+34.5%
Rolfe & Nolan plc				Virtuality Group plc					
	Interim - Aug 93	Final - Feb 94	Interim - Aug 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 6,055,000	£ 12,720,000	£ 7,104,000	+17.3%	REV	£ 5,400,000	£ 9,126,000	+69.0%	
PBT	£ 609,000	£ 1,573,000	£ 742,000	+21.8%	PBT	-£ 365,000	-£ 1,397,000	Loss both	
EPS	3.00p	6.45p	2.90p	-3.3%	EPS	-1.70p	-5.30p	Loss both	
Sage Group plc				Vistec Group plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison
REV	£ 25,400,000	£ 50,888,000	£ 50,622,000	+99.3%	REV	£ 17,630,000	£ 45,018,000	£ 25,374,000	+43.9%
PBT	£ 6,864,000	£ 14,252,000	£ 11,740,000	+71.0%	PBT	£ 1,126,000	£ 3,409,000	£ 745,000	-33.8%
EPS	22.20p	45.40p	37.30p	+68.0%	EPS	0.62p	2.06p	0.41p	-33.9%
Sanderson Electronics plc				Wakebourne plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 14,217,000	£ 33,984,000	£ 27,078,000	+90.5%	REV	£ 22,275,000	£ 35,336,000	+58.6%	
PBT	£ 2,169,000	£ 4,228,000	£ 2,805,000	+29.3%	PBT	-£ 18,649,000	£ 1,865,000	Loss to profit	
EPS	4.00p	7.30p	4.60p	+15.0%	EPS	-143.80p	4.00p	Loss to profit	

TA Consultancy Services sees better 1995

TA Consultancy Services (TACS) - based in our "home town" Farnham - was formally Rex Thompson & Partners before the MBO from British & Commonwealth in 1991. They are the SCSi part of the TA Group and concentrate on high tech, mission critical projects like fly-by-wire systems. But revenue reduced from £11.5m to £7.6m in 1994 and PBT fell from £1.1m to £191K. This was due to the completion in 1993 of the Sizewell B Software Protection System which had been worth some £6.2m. This has inevitably caused some "rationalisation and restructuring". But MD Andy Mathew told us that TACS is now back on line and are "well ahead of our planned operating profit of £640,000 for 1995". The balance sheet remains strong with cash of around £140K at the year end.

TACS customers and projects really are impressive with military avionics projects like the Lockheed C130J, Attack Helicopter, EFA etc. In the last year TACS has done a lot of work for oil and gas companies and is developing partnership arrangements with large engineering contractors to the chemicals industry

TA Consultancy Services Limited
Five Year Revenue and PBT Record



Acquisitions, disposals and liquidations

Intelligent Office looks for white knight

The Intelligent Office Co (IOC), where Jim Feeney is a director, has admitted that it has serious financial difficulties and is looking for a white knight. IOC, which specialises in EIS systems had revenues of £2m and PBT of £212K in 1993.

Computacenter increases French stake

Computacenter has increased its stake in French NetWorx SA from 63% to 94%. The subsidiary lost £3.1m on revenues of £45.8m in 1994. Without this Computacenter's overall PBT of £10.46m on revenues up 27% at £418m would have been even better. Computacenter said they shipped 109,400 units in 1994 - up 31% on 1993.

"They'll never believe me...."

"I wanna tell you a story." In 1993 CINVen, together with Syntech (the canny Barnes Thompson outfit), invested £1m in Solihull (UK!)-based LAN connectivity software products developer Firefox. In 1994 Firefox "made a PBT of \$1.06m on sales of \$13.4m".

On 16th May 1995, Firefox "obtained an IPO on NASDAQ valuing the company at more than £100m". Roughly an historic P/E of 175!

It is still rare for a UK company to get a NASDAQ quote but, as Madge had proved, it is both possible and very lucrative when it happens.

Synapse acquires Beacon...again

ECsoft Synapse has this month acquired Beacon Management Services, which had revenues of £1.5m in the 15 months to 30th Sept. 94.

Synapse was founded 15 years ago and was acquired by ECsoft in 1991. In July 1994 ECsoft was the subject of an MBO with the UK representing revenues of £6.2m or about a third of the group. Beacon adds "some 20% to current full year revenues".

Under Group MD Geoff Tubbs, who joined two years ago from Hoskyns, ECsoft Synapse has achieved a "profit turnaround". Around 50% of revenues now come from "open and enterprise class client server systems".

Déjà vue? Readers with long memories will remember when Synapse was a quoted company (before its acquisition by ECsoft). Back in 1989 they acquired Beacon, for the first time, for £300K. Then Jeff Trendell did his MBI in 1990, losses tripled and ECsoft bought the whole lot for £5.8m in July 91. ECsoft, at the time, said it was looking to buy "further elite computing services companies in principal European countries".

For details of Trendell's new "arrival" see page 10.

RIP Enterprise

We will not bore you with a reprise of the Enterprise Computer story, other than to say that the patient eventually died on 9th May when the receivers were appointed. Enterprise's shares in Bleasdale will be sold and its most recent acquisition, DBSS, is trying to organise an MBO.

To us they can share the same gravestone as Ferrari, EIT, Headland and all the other "let's build a computing services company and get rich quick merchants".

Admiral expands into Europe

Hot on the heels of selling its stake in Powersoft UK, resulting in total to "an exceptional profit of £4.2m" last month, Admiral has bought Belgian systems house Delphy Consultants NV for £5.4m. This will be satisfied by a placing at 630p raising £5.4m. Delphy reported a PBT of c£800K on revenues of £7.5m in the year to 31st Dec. 94. Delphy, like Admiral, provide a "broad range" of IT services to a "broad range" of blue chip customers in Belgium.

At the same time, Clay Brendish and Ceri James have sold a total of 810,000 shares at 630p. They still hold a total of 34.1% of Admiral equity.

Given that the Delphy acquisition is <8% of Admiral's current £76m capitalisation, and that it is a mirror image of Admiral's UK activities, it looks exactly right.

Admiral also announced that it is considering an acquisition in France "which is similar to Delphy". They would expect to finance this out of existing cash resources. We had become worried that Admiral might break its unbroken record of EPS growth this year, but Brendish - at the AGM in May - said "the order book stands at £19m...we are confident that 1995 will be another successful year for Admiral". Indeed the Powersoft deal makes an EPS reversal highly unlikely, although the targets for 1996 now seem even steeper.

Comment We met Brendish and James again this month. With Delphy, Admiral now has over 1,000 staff but seems to have kept more or less the same culture. There seems little doubt that Admiral will "stick to the knitting" that has been its recipe for exceptional success in the past. Acquisitions will stick to our "<20%" capitalisation rule. Geographic expansion into Europe will be by way of "Admiral mirror image" companies. Mega acquisitions or mega outsourcing contracts are off limits. The problem with our meetings with Brendish is that we both end up agreeing with each other's statements! It really is difficult to fault either the strategy or the results.

Of course, we asked about the long term. Were they open to offers? "Anyone who offered us enough for us to decide to sell would be a lunatic!". When we retold that story to a City contact, the response was "there are an awful lot of lunatics around".

CINVen buys IPL stake

The 27% stake in IPL (System House March 95) has been purchased by CINVen for "an undisclosed amount". IPL made PBT of £2.95m on revenues of £10.4m in the year to 30th Sept. 94. If IPL had been valued on the same historic P/E as Vega, they would be worth around £36m. In the event, we understand the investment valued IPL at in excess of £20m.

The others....US mail order company Micro Warehouse has bought UK PC retailer Technomatic. Anglia & Oxford Regional Health Authority has sold its consultancy practice - The Oxford Consortium - to CSC. ServiceTec's warranty repair business, ServiceCare, has been bought in an MBO by MD Jeremy Day for £1m. IT recruitment firm, JM Management Services has merged with change management consultancy Catalyst Development. 3i has invested £9.2m in an MBO at computer and telecomms company, Specialix. The equity was acquired from founder Les Pilkington and other investors including Baronsmead.

Sanderson "all divisions are profitable"

We always shy away from tipping shares, but at the end of 1994 we were widely reported saying that "Sanderson Electronics was due for a re-rating" largely because their ratio of £55m revenues to their then capitalisation of £30m looked very low. You could have bought Sanderson shares at the end of Dec. 94 for 79p.

Interim results to 31st Mar. 95 show revenues up 90% at £27.1m, PBT up 29% at £2.8m and EPS up 15%. Acquisitions accounted for £5.9m of the revenues but even so continuing operations grew by 73%. Acquisitions in the last year have included Brook Street Computers (from IMI) ICL Commercial Systems, Nord Group (from the receivers) and an increase to 80% in their holding in Sanderson Pacific. Chairman Paul Thompson told us that all subsidiaries were profitable. He was particularly excited about the prospects in the hotel and health sectors. A significant investment in product development (all expensed we are pleased to say) has been made in the last two years.

Recurring revenues accounted for around a third (£9m) of revenues and sales of upgrades and the like into the existing client base probably another third - getting far more towards the kind of profile that we like.

Thompson told us he had received "25-30" responses to his appeal for possible companies to acquire. He added that he "wasn't itching to make acquisitions" which rather gave us the impression the responses were not of the highest quality.

All-in-all a very creditable performance. So how would we have done as a share tipster? At 101p - that's a 28% gain in five months. We have done a lot worse!

Important note: Please remember that we cannot and do not tip shares. We assume our readers are adult enough to take all the required precautions.

Oracle to quit application software?

We have been quite outspoken in the past with our praise for Oracle UK's increasing service-type revenues. Services accounted for 48% and application software a further 10% of their £166m UK revenues in 1994. The UK had a higher proportion of such revenues than any other Oracle country unit. We believe that this was the strategy of the Squire/Harrison/Evans team. And, bluntly, we thought it was right.

But now it appears that Oracle wants to rid itself of its vertical market activities. Ray Lane (who took over the international role from Squire) told their User Conference last month that he thought such vertical applications were the domain of its third-party resellers. This has been put into practice in the UK where the 100+ strong local government software business was put up for sale. It now looks as if an MBO will be announced shortly with Oracle "oiling the wheels". It is rumoured that Oracle UK's health business would go too.

This all seems mighty strange as only last month Lane had reported "a record quarter for our applications business". Source - FT 22nd Mar. 95. This month Oracle in the US has bought Apogee Open Systems - which provides application products to the oil and gas industry. In addition, the latest "Buy Oracle" research review from US brokers Donaldson, Lufkin & Jenrette says "we view (Oracle's application business) as a solid revenue-growth opportunity...which should drive growth of client/server applications in excess of 50% for the next three years".

Lynx profits "Bounce"

Sorry for the awful pun, but ever since Lynx Holdings sold its Bounce About bouncy castle operations in Oct. 94 and concentrated on its SCSI activities, it seems to have done no wrong.

Results for the year to 30th Sept. 94 had shown revenues doubled to £21.5m. PBT was up from £619K to £2m. But EPS was up just 5%. The interims to 31st Mar. 95 were much the same - revenues up 74% at £12.6m, PBT up 61% at £741K but EPS up a more modest 10.5%.

Lynx' SCSI activities consist of:

- Communications (APD-Mertech and S.Com Mobile Data Systems acquired in Apr. 94). Software and products for the radio communications industry. However, business was "adversely affected by delays in receipt of orders".

- Computer systems and software for motor dealers (Signal Ltd. - acquired in July 1993 for £1m) "continued to perform well".

- Chess Valley Computers (mortgage software) acquired in Nov. 93 for £2.4m and Financial Systems Ltd. (off-shore financial services software) acquired in Nov. 93 for £2.9m. Lynx has recently been awarded a £2m contract from the Royal Bank of Scotland.

- Hardware maintenance and support (Lynxserv Ltd. and Computer Service Technology (CST) acquired for £2m in Mar. 94).

- Heywood & Partners (pension administration systems) acquired in Mar. 95 (i.e. not affecting the period results) for £4.5m.

Lynx "views the second half with optimism".

On Demand Information flaunts its "talents"

On Demand describes itself as an "electronic publishing company". It develops video compression software and offers various multimedia information systems. It was a new issue at 78p in Nov. 93. Since then it has risen to 114p and since fallen back to end May 95 on 67p.

On Demand's press statement is a gem. "Compared to the previous six months, our loss before tax has reduced from £1.95m to £1.33m". Or, put it another way, interim results for the six months to 31st Jan. 95 show losses **doubled** at £1.33m compared to the previous year's interims. Total revenues were either halved (at £5.12m) or "turnover up 98%" (to £5.12m), if you just look at continuing operations. With a current capitalisation of £34m (down from the £58m peak achieved in 1994) you can understand why we described On Demand as "the ultimate froth stock".

But, let's be honest, On Demand is one of companies which could really benefit from the information revolution. The board "approach the future with enthusiasm and determination".

Footnote: Readers will remember that, tucked away in the full year results was, "a provision of £457K against the decline in value of British Government stock...we are seeking compensation from the adviser concerned". This time the statement says the dispute "has been resolved satisfactorily...we have accepted a settlement of £300K over the next 24 months".

Talented? On Demand's press release states "we now employ a total of 222...talented individuals"... "The Information Production division and its talented people"... "We have added a small number of software engineers to the talented team" in the technology Division. No mention of **talented** press release authors, though!

CSI Index best month for years

Whether it had something to do with our prediction last month that there had never been a better time to invest in SCSi stocks, our index rose by 8.4% last month against a more modest 3% rise in the FTSE100. Around 80% of SCSi stocks recorded rises.

Unipalm put on 57% as a result of new orders for Pipex from the likes of Mercury. Brokers have uprated PBT forecasts for FY 1996 to £1.5m. "That implies the forward P/E multiple falling from 117 to 31". Source - Investors Chronicle 5th May 1995. **LBMS** put on 36% as hopes of a NASDAQ-type valuation lures punters. **Wakebourne** (see p4) was up by 32% as actuals were not quite as bad as the warnings. Indeed, medium term prospects look rosy. **Vistec** achieved the impossible of a 26% price increase as a result of its profits warning. *Clearly an interesting*

new trend here!

Computerised Financial fell 17% as a result of disappointing results reported in April and (our) continued concerns about capitalised R&D.

26th May 95		CSI Index	1579.28
		FTSE 100	3311.10
CSI Index = 1000 on 15th April 1989		FTSE SmallCap	1857.85
Changes in Indices		CSI Index	FTSE 100
		Index	Small Cap
Month (30/4/95 - 26/5/95)		+8.39%	+4.95%
From 15th Apr 89		+57.93%	+61.23%
From 1st Jan 90		+71.64%	+40.18%
From 1st Jan 91		+123.10%	+53.26%
From 1st Jan 92		+51.15%	+32.81%
From 1st Jan 93		-0.90%	+16.32%
From 1st Jan 94		-5.41%	-3.14%
From 1st Jan 95		+5.34%	+8.01%

System House CSI Share Prices and Capitalisation

	Share Price 26/5/95 (£p)	Capitalisation 26/5/95 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 26/5/95	Share price % move since 30/4/95	Share price % move in 1995	Capitalisation move (£m) since 30/4/95	Capitalisation move (£m) in 1995
Admiral	£6.60	£75.90m	20.1	1.53	4782.61	4.10%	3.94%	£3.60m	£3.50m
Azlan	£1.79	£39.00m	14.5	0.63	778.26	4.07%	33.58%	£1.50m	£9.70m
Capita	£1.85	£101.40m	19.0	1.37	5555.56	19.35%	12.80%	£16.50m	£11.90m
Cedardata	£1.08	£33.00m	17.1	5.39	1028.57	8.00%	6.93%	£2.40m	£2.10m
Centregold	£0.59	£25.40m	8.1	0.28	472.00	18.00%	-49.14%	£3.90m	-£21.30m
Clinical Computing	£0.36	£5.83m	5.7	3.97	290.32	24.14%	-46.27%	£1.13m	-£5.07m
Coda	£1.02	£26.70m	10.6	1.14	434.04	9.68%	32.47%	£2.30m	£6.50m
Compel	£1.14	£17.40m	11.0	0.32	912.00	0.00%	4.59%	£0.00m	£0.80m
Computerised Financial	£0.76	£3.57m	19.1	1.14	844.44	-17.39%	-26.21%	-£0.75m	-£1.27m
Computer People	£2.71	£66.40m	33.6	0.68	1115.23	15.81%	11.98%	£9.10m	£7.10m
Cray Electronics	£0.66	£156.50m	7.7	0.58	385.96	-9.59%	-59.13%	-£16.60m	-£226.90m
CRT	£0.97	£65.30m	23.8	1.38	1077.78	7.18%	22.78%	£4.40m	£12.10m
DCS Group	£0.76	£7.22m	21.3	1.13	1266.67	-6.17%	4.11%	-£0.48m	£0.31m
DRS Data & Research	£0.24	£8.62m	6.3	0.98	218.18	0.00%	-25.00%	£0.00m	-£2.78m
Division Group	£0.88	£38.60m	Loss	7.32	2200.00	-2.22%	-24.79%	-£0.90m	-£0.90m
Electronic Data Processing	£1.38	£36.20m	13.5	2.58	4225.35	-1.43%	-3.50%	-£0.50m	-£1.30m
Gresham Computing	£0.33	£10.80m	25.3	1.66	354.84	22.22%	-10.81%	£1.97m	-£1.30m
INSTEM	£1.31	£5.89m	7.8	0.35	1310.00	-9.03%	-12.67%	-£0.59m	-£0.91m
JBA Holdings	£1.68	£55.40m	13.8	0.61	1050.00	7.01%	10.53%	£3.60m	£5.20m
Kalamazoo	£0.98	£19.00m	11.1	0.31	2800.00	0.00%	-10.09%	£0.30m	-£22.50m
Kewill	£3.05	£37.50m	11.2	1.18	1205.53	8.93%	27.62%	£3.10m	£8.50m
Learmonth & Burchett	£2.03	£44.30m	Loss	1.68	1691.67	36.24%	153.75%	£11.80m	£26.90m
Logica	£3.83	£237.80m	20.6	1.04	1049.32	8.50%	17.85%	£19.60m	£37.00m
Lynx Holdings	£0.49	£24.80m	11.3	1.15	1225.00	19.51%	4.26%	£4.00m	£5.00m
MAID	£0.89	£72.40m	77.6	8.14	809.09	14.10%	28.99%	£9.00m	£16.30m
MMT	£1.90	£21.50m	13.4	1.98	1130.95	2.70%	-7.32%	£0.60m	-£1.60m
MR Data Management	£0.90	£50.20m	11.1	1.24	357.14	0.00%	-18.18%	£0.00m	-£11.20m
McDonnell IS (MDIS)	£0.90	£90.00m	19.7	0.62	346.15	3.45%	-10.89%	£3.00m	-£11.00m
Macro 4	£4.50	£97.70m	12.7	4.01	1814.52	17.49%	2.74%	£14.60m	£2.70m
Micro Focus	£7.35	£105.80m	23.0	1.18	3550.72	1.38%	-10.37%	£1.40m	-£12.30m
Microgen	£1.28	£50.40m	13.9	0.86	547.01	12.28%	25.49%	£5.50m	£10.20m
Microvitec	£0.40	£29.10m	13.5	0.66	963.41	19.70%	8.22%	£4.80m	£5.80m
Misys	£3.56	£305.10m	11.1	3.27	885.57	-2.47%	-12.96%	-£7.70m	£110.40m
On Demand	£0.67	£34.20m	Loss	2.36	858.97	-17.28%	0.00%	-£7.10m	£0.00m
Oxford Molecular	£0.56	£24.30m	Loss	8.77	700.00	3.70%	-6.67%	£0.90m	£2.20m
P&P	£1.01	£80.10m	12.4	0.30	452.91	9.78%	36.49%	£7.40m	£22.20m
Parity	£1.42	£59.50m	19.8	0.67	7888.86	15.45%	12.70%	£8.00m	£13.30m
Pegasus	£1.85	£11.70m	13.8	2.43	504.09	20.92%	23.33%	£2.06m	£2.31m
Persona	£1.86	£22.50m	16.3	0.71	1162.50	9.41%	16.25%	£1.90m	£3.20m
Phonelink	£2.55	£90.50m	Loss	72.93	1645.16	4.08%	19.72%	£3.50m	£14.90m
Proteus	£0.98	£32.00m	Loss	n/a	1166.67	-15.52%	-44.00%	-£5.90m	-£22.40m
Quality Software	£4.43	£38.50m	16.1	2.33	1165.79	11.31%	15.67%	£3.90m	£5.20m
RM	£2.27	£38.20m	12.4	0.58	1297.14	10.73%	10.19%	£3.70m	£3.50m
Radius	£0.37	£10.30m	12.8	0.41	268.12	-2.63%	-2.63%	-£0.30m	-£0.30m
Real Time Control	£1.65	£11.60m	12.5	1.36	3367.35	5.10%	-3.51%	£0.60m	-£0.40m
Rolle & Nolan	£1.65	£20.10m	26.3	1.58	1964.29	3.12%	-10.81%	£0.60m	-£2.30m
Sage Group	£9.60	£204.50m	15.9	4.02	7384.62	15.94%	42.43%	£28.10m	£63.60m
Sanderson Electronics	£1.01	£40.00m	12.8	1.18	1719.15	21.69%	27.85%	£7.10m	£9.60m
Sema Group	£3.82	£356.00m	18.2	0.60	1201.26	-1.29%	-6.37%	-£4.70m	-£22.60m
Sherwood	£1.38	£9.80m	Loss	0.39	1150.00	15.00%	72.50%	£1.28m	£4.92m
Spargo Consulting	£0.83	£10.40m	13.2	1.73	873.68	2.47%	-8.79%	£0.30m	-£1.00m
Standard Platforms	£0.18	£5.48m	Loss	4.18	77.77	25.00%	25.00%	£1.10m	£2.96m
Superscape	£1.84	£9.75m	Loss	11.34	929.29	16.46%	-9.80%	£1.38m	-£1.05m
Total	£0.25	£2.50m	26.0	1.20	471.70	-10.71%	-28.57%	-£0.30m	-£1.00m
Trace	£0.40	£5.60m	18.5	0.30	320.00	2.56%	-2.44%	£0.14m	-£0.13m
Unipalm	£2.40	£49.20m	269.7	4.58	2400.00	56.86%	103.39%	£17.80m	£25.30m
Vega Group	£2.98	£42.00m	30.1	4.33	2442.62	6.43%	13.31%	£2.50m	£4.80m
Virtuality	£2.29	£60.50m	Loss	6.63	1347.06	8.02%	3.62%	£3.90m	£2.70m
Vistec	£0.15	£18.20m	8.0	0.40	641.30	25.53%	13.46%	£3.70m	£2.20m
Wakebourne	£0.51	£11.20m	9.0	0.32	283.33	32.47%	-35.44%	£2.73m	-£5.30m

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.

Arrival prospers without VC help

Arrival Holdings was founded by Chairman Jeff Trendell and MD Paul Day in November 1991. Previously Trendell had been responsible for Insight/Data 3 and Synapse before his arrival and Day had come from Pansophic. Since then Arrival has grown considerably through the strategic acquisition of a number of software and services companies.

In 1993/94, Arrival acquired:

- Syan Limited
- Systemsdata Limited
- Focus/400 product division
- Telford Computing Limited
- Cypher Information Systems Limited

In February 1995, Arrival acquired **System Dynamics**, a long established Irish software services company.

The group now operates out of five locations within the UK and one in Ireland. Arrival currently employs 117 staff and has four independent divisions:-

Arrival Systems

A Computer Associates Certified Service Provider and supplier of applications and software services to mid-range computer users in the manufacturing, distribution and healthcare markets.

Syan

An IBM Business Associate providing a complete range of hardware, software and support services with specific expertise in operations automation and outsourcing facilities.

Systemsdata

An application solution provider with industry leading products covering service management and customs period entry. Systemsdata is an MDIS PRO-IV Business Partner.

System Dynamics

A long established Irish software house with skills ranging from the PC through to the mainframe. System Dynamics is also a Micro Focus Business Partner distributing their products in Ireland.

All equity is owned by directors or employees and there is no debt or institutional funding. According to Trendell, group revenues grew by 66% to £4.49m and operating profits by 74% to £291K in the year to 31st Dec. 1994. Revenues of £7.7m and operating profits of £500K are forecast for 1995.

Comment

Trendell wrote to us last year with the comment "I am close to needing the Rennies". But so far he seems to have avoided the dreaded *acquisition indigestion* by concentrating on businesses with strong, predictable cash flows. Trendell says Arrival "will continue to seek new business partnerships and opportunities both in the UK and overseas". I.e expect more acquisitions in 1995.

SAGE

THE SAGE GROUP PLC

"The computer software industry is littered with burnt out shells of former hot stocks that investors briefly believed would become the next Microsoft. Sage is the latest in a succession of software producers to attain such stardom". Tempus in The Times 2nd May 1995.

Readers will undoubtedly remember our succession of rave reviews culminating in our last headline "**Sage - now Simply the Best UK Software Company**".

Latest results for the six months to 31st March 95 (yes, announced just one month after the end of the period) were much better than expected - causing the shares to leap 87p to 915p on the day and on to 960p at the end of April. That's a rise of 42% in 1995 *so far!* And just ly deserved as, to be blunt, the results were stunning. Revenues nearly doubled to £50.6m, PBT was up 71% at £11.7m and the hardest trick of all for an acquisitive company, EPS was up 68%.

Of course, Sage had bought **Multisoft** (up to £6.5m), **Timeslips** (up to £7.8m) and **Venture Business Forms** (£750K cash) in the second half of the last financial year. These generated £19.9m of revenue and £2.7m of operating profit in the period. But *"the strength of the underlying organic growth is demonstrated by the 21% increase in sales and a 45% increase in operating profits on a like-for-like basis"*.

It looks as though all of Sage's geographic regions have prospered:

SAGE GROUP	UK	France	US
Revenue	£23.4m	£16.8m	£10.4m
% of total	46%	33%	21%
Increase	69%	431%	24%
Operating Profit	£8.1m	£2.6m	£1.7m
% of total	65%	21%	14%
Increase	64%	550%	25%
Operating Margin	35%	15%	16%

Sage's French operations have "*increased in importance*" since the mega acquisition of **Saari** for £18.7m cash in Nov. 94. Sage has moved quickly with a new management team reducing the cost base and improving margin.

Analysts have now increased forecasts from £18m to £21m PBT for the full year and even David Goldman "*looks forward to achieving a highly satisfactory outcome for the full year*".

Director sell shares. Many Sage directors succumbed to "*a well deserved profit take*" Source - FT 20th May 95, with Wylie selling 200,000 shares and Goldman 100,000 at 960p.

Microsoft loses Intuit.... so how about Sage?

The news that **Microsoft** had abandoned its plans to acquire **Intuit** for \$2.3 billion merely fuelled our oft-repeated prediction that Microsoft will eventually acquire **Sage**. The logic now is almost overpowering. Gates wants to move into financial services but has been frustrated with his plans to acquire Intuit. Sage has a pole position - in US, UK and France - in the provision of PC-based accounting products. But purchasing Sage (current market value £205m) would have no anti-trust ramifications. We have even heard *rumours* of private meetings between Gates and Goldman recently.

"We will probably wait a week or two before we do anything like (the Intuit deal) again...but our focus is building great software products and to the degree that requires mergers, we will use them as part of our strategy" said Gates. We hope it won't happen as we do not want to see another of the best UK-owned software companies fall to US ownership. But shareholders are unlikely to allow Microsoft to buy Sage for its current, but still rather modest, prospective P/E of 17!

Celebrating 10 years at Citymax

1995 is a rather special year for Citymax as they celebrate their 10th birthday. They were formed in 1985 out of the IT department of stockbroker **Buckmaster & Moore** who held 51% of the equity with the remaining 49% held in trust for the staff. In 1987 B&M, and its stake in Citymax, were acquired by **Credit Suisse**. In 1993, Credit Suisse bought the remaining 49%. 105 out of the then 230 staff held stock or options at the time of the acquisition. 60% of its £17.8m revenues in 1994 came from Credit Suisse where the major boost in revenues came from the outsourcing of Credit Suisse's Northern Europe IT operations to Citymax; involving the transfer of over 50 IT personnel. Citymax say they have to tender competitively for all work.

established what is currently referred to as a software factory in Cairo which employs 45 staff, with the go ahead to recruit a further 15. Citymax is rightly proud that it is only the second IT company to get ISO approval for its Egyptian operations - the first being ICL. India now generates \$1 billion from its software operations and clearly Egypt intends to emulate this success.

Activities are undertaken in seven main areas - all run as profit centres:

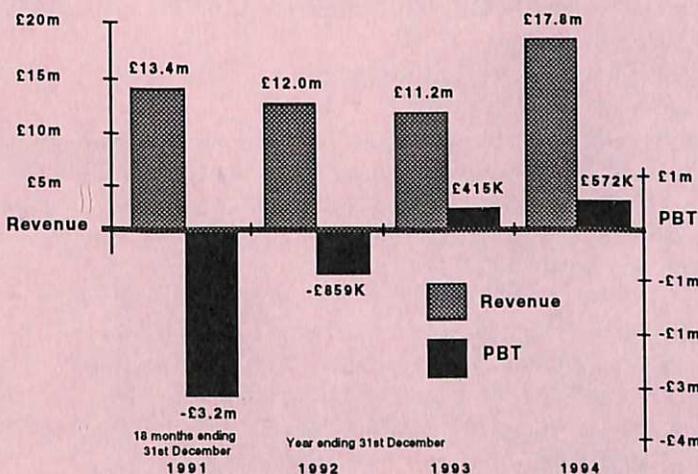
- securities (stockbroker services, client portfolio management etc.)
- asset management
- international banking
- insurance and underwriting
- data centre services/FM
- systems integration
- training and documentation.

Competitors vary from market to market with ACT, DST Clarke & Tilley, Terence Chapman Associates, Trace etc. all cropping up.

Citymax has ambitions to be one of the Top Ten companies in its chosen IT markets in Europe by 2000 and certainly does not rule out well focused acquisitions. Targets could include "IT training, client/server skills and anything that would drive Citymax market share deeper".

Over the decade since Citymax was born, although there have been both ups and downs, the City has been one of the best markets for IT - and software and computing services in particular. Citymax fortunes have - and will continue in the near term - to mirror the health of the City. But there is a growing fear that London's pole position in Europe is threatened by Frankfurt and others. Expansion in Europe could well be the key to future success for Citymax. And there are not too many better parents than Credit Suisse with which to mount such an attack.

**Citymax Limited
Revenue and PBT Record**



Citymax specialises in systems for the finance, banking and insurance markets. It employs 305 staff in four main locations. UK, USA, Singapore and... Egypt. Citymax has

Even in client-server, services is the place to be

Respected US brokers **Donaldson, Lufkin & Jenrette** have launched a new **Information Technology Trends** monthly. Amongst many astute points made is that low-end server technology will become a commodity item but the high-end server market will provide the greatest opportunities. "There are more than 30,000 traditional mainframes running 500,000-odd applications...over the next five years we expect this picture to change quite dramatically with a growing number of mission critical applications migrating down to the network".

DLJ confirms our oft-quoted view that "industry value-added will increasingly shift towards services". "Faced with implementing network technology...users are looking outside for consulting, systems integration and outsourcing skills". DLJ, who after all are all about advising their clients on investment opportunities, suggest that such SCSI companies "should benefit from increased demand for global services, in terms of incremental revenue and higher profits".

But you have heard all that before from us many times before...



Q1 losses at Micro Focus

A year ago **Micro Focus** shares were valued at £10.40. They have since fallen by a further 30% to 735p. Micro Focus recorded a net loss of \$6.8m in Q1, after a restructuring charge of \$3.4m. Revenues also reduced from \$30m to \$28.7m.

Micro Focus announced that 10% of its workforce are to lose their jobs and the rest will face a pay freeze. They aim to save \$8m in a full year.

We repeat our warning:

- Micro Focus was slow to realise the changes in its marketplace. Whether it can now run fast enough to ever regain its previous position is open to doubt.
- we are concerned at the increased gap between capitalised R&D and amortisation.
- we have warned that the last time Micro Focus went through such a "transition" (as it calls the current position) it fell to a loss of £2.76m. Brokers SG Warburg last forecast was for PBT of £15.8m - down from the £21.7m last year. But we also strongly support the current move to "put services on an equal footing to products". Micro Focus' consulting revenues, helping clients to "re-host" their applications, are growing fast. Provided they are given the time needed, this could be the basis for their recovery.

The System House™ awards for 1994

"Best organic profits growth" award to **Spargo Consulting** with their 151% PBT growth. Made even more special as this was their maiden results in the year AFTER their float.

Our "Best of the Privates" award, for the highest profits growth by a privately UK owned SCSl company with PBT >£500K, goes to **Kerridge** with their 98% PBT growth to £1.06m, closely followed by **Triad Special Systems** boosting PBT by 89% to £1.02m. As Kerridge's performance has seen both ups and downs, we think its time to award Alistair Fulton, MD at Triad, the **System House™ "boring"** award that he has long sought. He joins a short list which includes **Admiral** and **Vega** ...but unfortunately **Coda** too. Thus proving, yet again, how fallible we are.

The "highest operating profit per £ of staff costs" award (a very good measure, we feel) goes to **Computer Disaster Recovery** (156p - clearly no disasters last year!) followed by **Cedardata** (141p - in the year AFTER their float) and **Portfolio Administration** (121p - in the year they were acquired by **US Deluxe**).

Most "consistently good performance" award goes to **Capita** who have increased PBT by an average of 73% p.a. between 1995 (when our records began) and 1995. Just look what can be achieved when your company is run by accountants!

Our "highest profit margin" award AGAIN goes to **Macro 4**. Their 46% margin in 1994 means they have topped this particular list in nine out of the last ten years. The **Centre for Software Engineering** pipped them to the #1 slot last year but have faltered in 1994. Whatever criticisms we may have voiced of Macro 4's current trading situation, that is an incredible performance.

To Capita and Macro 4, we add **Admiral** as one of only three quoted SCSl companies never to have announced an EPS reversal in any of the years 1985 - 1994. But *for how much longer?*

Although **Sherwood Computer** heads our best performing share tables for the last year, the best performing share since our records began in six years ago is **Sage** - up a massive 640%!

The "highest paid director in 1994" award goes to **Hoskyns** where last year the board shared in a £1.1m payout from the "senior employees trust #2" setup when CGS bought Hoskyns. The HPD at Hoskyns in 1994 had remuneration of £503K. However, if you add dividends received, the CEO at **CentreGold** received nearly £570,000 in 1994. Readers may be interested to note that the HPD at **DRS**, whose share price has dived from 110p to 24p since they launched onto the Stock Exchange in May 1994, earned £975,000 in the year to 31st Dec. 93.

And the richest? The Sunday Times "UK's Richest 500" list says Peter Rigby, owner of **Specialist Computer Holdings**, is worth at least £175m. It is difficult to value private companies, but considering that SCH expects profits "between £15m and £20m on sales of £370m" in 1995, the valuation seems reasonable! For quoted companies, Trevor and Heather Burke's shareholdings in **Phonelink** were worth over £50m at the last count. Messrs. Wylie and Goldman both saw their shareholdings in **Sage** rise to be worth over £20m, whereas Messrs. Gilmore and Pool saw the value of their shareholdings in **Proteus** dive by £20m in the last year - and still further since.



5.30 pm Wednesday
19th July 1995
Make note to
attend
Richard
Holway's
CSSA
Presentation
at London Portman
Hotel.

The bookings for Richard Holway's annual presentation on the financial state of the industry on behalf of the CSSA on 19th July 1995 are...*incredible*. Last year over 150 CEOs attended and the CEOs that have already booked for this year are a *veritable whos who of our industry*. Starting at 5.30 pm, the evening at the London Portman Hotel includes dinner and drinks.



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