System House

The monthly review of the financial performance of the UK computing services industry

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Computing Services *"Your time has come"*

This month a partner from one of the world's largest investors in our industry 'phoned to say *"you've been saying in System House for years that the place to be is services...it looks as though you might now be right"*.

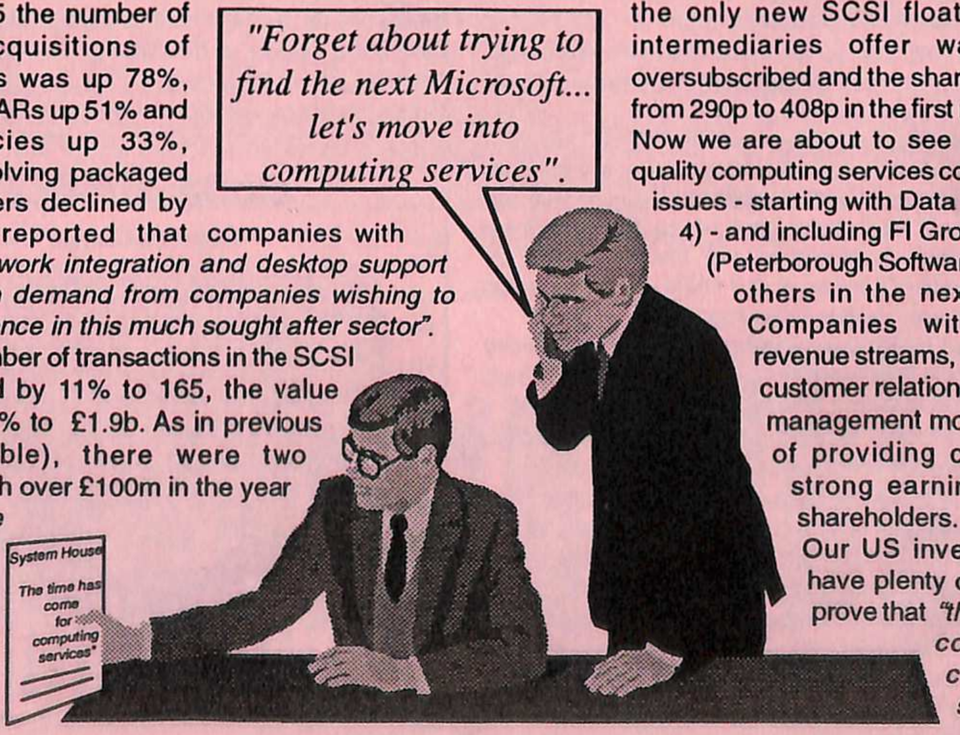
Although we ought to have been pleased of the compliment, the problem was the words *"might **now** be right"*. Any cursory review of the long term/5 year share performance as contained in our tables on p9, shows the leaders to be companies making most or all of their revenues from services like Admiral (up 5-fold), Capita (up 8-fold), Parity (up 8-fold), and, of course, Sage (up 11 fold) - which makes a clear majority of its revenues from services/support not product. Even last year's winner - Unipalm (up 5-fold since launch) - is an Internet access *service* provider.

Sure there have been major share price rises from *some* product providers. But there have been far too many products companies amongst the failures too.

Purchases Involving UK Software and Computing Services Companies in 1995			
Buyer	**Acquired**	**Notes**	**Consideration £ million**
Misys	ACT Group	Public company	£ 212.0m
Pearson	Interactive Data	From Dun & Bradstreet	£ 126.0m
UUNet	Unipalm	Internet	£ 97.0m
Acclaim Entertainment	Probe	Entertainment s/w	£ 60.0m
Morse Group (MBO)	Morse Group	PC dealer	£ 46.0m
ITNet (MBO)	ITNet	Cadbury Schweppes	£ 37.1m
Ceridian	Centrefile (HR & Payroll)	Nat West Bank	£ 33.1m
Avid Technology	Parallax	Graphics/publ. s/w	£ 23.8m
Lynx	Visteo	Public company	£ 22.0m
Ameridata	CDS/Europe	Division	£ 21.4m
Persona	Top Log		£ 19.9m
Sage	Sybel	French acc. s/w	£ 16.2m
Syntegra	Europe Informatique	French client/server s	£ 15.0m
SHL Systemhouse	Planning Consultancy	PC dealer/consultancy	£ 13.5m
Sema	Tibet (51%)		£ 12.1m
Policy Management	Creative Insurance Services	Insurance systems	c£10m
Wang	BISS	Network systems	£ 10.0m

This renewed interest in the services sector is evidenced by research by M&A specialists **Regent Associates**. Whereas in 1995 the number of trade sales/acquisitions of software houses was up 78%, system houses/VARs up 51% and IT staff agencies up 33%, transactions involving packaged software suppliers declined by 11%. Regent reported that companies with expertise in *"network integration and desktop support services were in demand from companies wishing to establish a presence in this much sought after sector"*.

Although the number of transactions in the SCSI sector increased by 11% to 165, the value decreased by 17% to £1.9b. As in previous years (see table), there were two transactions worth over £100m in the year - *although the Unipalm deal was also worth > £130m by the end!* And UK purchases in France were up.



But what about the future?

Firstly, let us repeat our comment (yet again) that the halcyon days of the pure product producer - be they hardware or software - are over. Of course product will continue to be a vital differentiator. Whether you are a *service* provider to a niche market or a developer, you need the tools to do the job. We are increasingly getting the feeling that even the successful datacentre service providers might need access to the product if they are to maximise throughput. Even on the Internet, the service and content providers need product - even if it is *"given way"* - to allow customers to use (and therefore pay for) the service provided.

Our industry was born from the service bureaux of the 1960s. Service providers with similar characteristics will be required on the Internet. We have long jibed that we are awaiting Centre-file (or Ceridian?) to offer the first Internet payroll service. *Then we will really know that our industry has come full circle!*

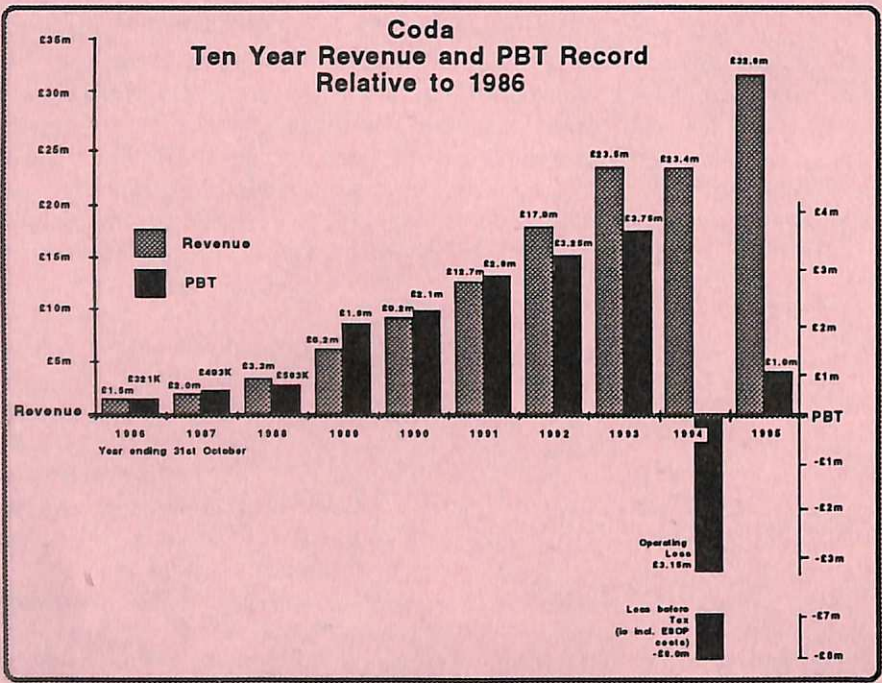
But in the meanwhile, the long established computing services companies are now coming of age. CMG was the only new SCSI float of 1995. The intermediaries offer was 8.9 times oversubscribed and the share price has risen from 290p to 408p in the first month of trading. Now we are about to see a string of high quality computing services companies as new issues - starting with Data Sciences (see p 4) - and including FI Group, Triad, Heath (Peterborough Software/Datasure) and others in the next few months. Companies with predictable revenue streams, long established customer relationships and strong management more than capable of providing consistent and strong earnings growth for shareholders.

Our US investor friend will have plenty of opportunity to prove that *"the time really has come for the computing services sector"*.

Coda - Boring again!

When we returned to the office late on the evening of 17th Jan. 96, there was Fax from **Coda**'s Chairman, Rodney Potts, saying he was looking forward to receiving his bottle of champagne. It was immediately despatched.

Back in 1993, before it was a publicly quoted company, we gave Coda one of our rare (and, if our mailbag is anything to go by, incredibly eagerly sought after) *System House* Boring Awards. At that time (as the chart below shows) their performance was really *boring* and deserved it! Launched at 235p in Feb. 94, Coda quickly turned into a disaster story. The shares slumped to a low of 75p as Coda immediately slumped to a loss before tax of £8m in the year to 31st Oct. 94 - its first loss in 15 years.



Our reporting of this resulted in a *"request"* (we say *"request"* as they took offence to our previous use of the word *"ordered"*) to attend the offices of SG Warburg.

The reporting at the time upset more than just Warburgs. Potts was deeply concerned that an exemplary career should be so blighted.

We quote verbatim from our interview with Potts in July 94 *"I will be doing my very best to get Coda back on track as quickly as possible and I will be open and honest with our investors, just as I was at the time of the flotation. I am confident that the patience of our investors will be rewarded...15 years of hard work and 100% of my reputation is on the line"*. Source - *System House* Aug. 1994.

As Potts had sent us (and we assume many other industry observers!) a bottle of champagne at the time of the float, we publicly offered to return it *(well, not the actual bottle - it doesn't last THAT long in the Holway household!)* when Coda's share price breached 235p again - *albeit briefly.*

But enough of the past. The reason for the share price recovery is that Coda is back in profit again. Results for the year to 31st Oct. 95 showed a PBT of £1.03m (loss £8m). Much of the previous loss was due to ESOP costs, so the operating profit of £909K, compared with operating losses of £3.15m, is a better comparison. But the far more exciting figures are that revenues increased by 40% to £32.8m. The *"double whammy"* which resulted in the losses last time were both reversed. Open systems sales were up fourfold to £13.7m. Although Coda now has 100 clients for its open systems products, proprietary system sales - at £19.1m - held up remarkably well. Indeed AS/400 sales had *"broken new ground"* and represented £7.6m of these revenues. DEC VAX sales - the decline in which had been the main culprit for the 1994 downturn and our summoning to Warburgs - also performed better than expected at £10.5m.

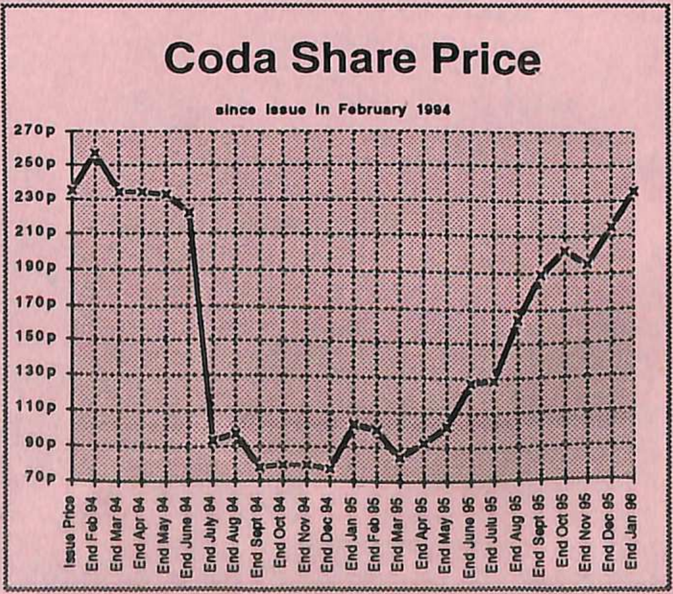
The superb increases in new licence revenues should be compared with the excellent, but rather lower, 23% increase in professional services revenues to £8.5m and the 26% increase in support revenues to £7.8m. Indeed, we suspect that Coda is decommitting from the services area in favour of *"encouraging the Big Six accountancy groups"* to recommend/support the product and thus get the "reward" of earning the services revenues themselves. But it's a minor gripe compared with Coda's overall performance.

Comment We cannot contain our delight that Coda is likely to be *"boring"* again. It's interesting that General Atlantic doubled their stake to 20% when the price was around 88p. Potts also bought another 200,000 shares. The other major shareholders are the Kaufmann fund who increased their stake to 4% when Coda was at 129p. They are all now sitting on substantial gains. Even Katie Potts - an original investor via her Herald Investment Trust with c4% - must also be relieved at sticking with Coda.

And finally, let us say to competitors like QSP (see p7), that not only has Coda fully expensed its £6.3m of R&D expenditure but that it only takes income to the P&L account on acceptance by the customer. *A bit irrelevant you might think as, we are assured, no Coda signing has failed to accept in the last year anyway.*

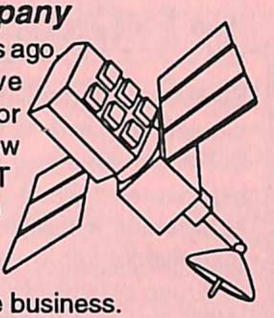
Finally let us quote from the highly respected **TechInvest** newsletter *"Coda is developing terrific momentum going forward. Very strong hold"*.

Given the above, how could we possibly disagree!



Vega - another boring company

Vega got a boring award some years ago. Unlike Coda (opposite) they have continued to be *"boring"*. Results for the six months to 31st Oct. 95 show revenues up 27% at £7.3m and PBT up 25% at £1.27m. EPS was up a similar 24%. To save the batteries on your calculator, that's a 17.4% profit margin - about the best in the business.



Vega develops systems for satellite operations, air traffic control, marine information systems etc. It considers itself to be *"the market leader for equipment emulation"* where it has completed *"to budget and schedule"* such projects as the RAF Avionics Systems Trainer and many others.

MD Kelvin Harrison says, in somewhat of an understatement, *"the first half of the year has gone very well"*. Vega claims *"the ability to win new contracts consistently while achieving extensions to contracts with existing customers"*. This certainly seems to be borne out with contracts like the recently awarded £1m RAF CATS project and the £1.4m project from the ESA for systems for the Envisat spacecraft..

As readers will know, Vega is a "Rigg" company - the only person to have TWO *Boring Awards* - the other was for Triad which we expect to be a new issue in 1996. Rigg - as reported earlier - is to step down in place of Robert Drummond. We hope he will retain Vega's *boring* record.

But finally even Computergram seem to have been infected with the *System House* journalistic style. "Chairman John Rigg said in true space explorer fashion that he is looking *"forward to the second half and beyond with* ***confidence****"*". Source - Computergram 19th Jan. 96.

"Record" profits at Gresham Computing

Gresham Computing's share price had risen from 11p in 1991 to a high of 186p in 1993. Against that backdrop, Hamish Donaldson took over as Chairman from founder Sid Green in Dec. 93. Soon after he had to announce reduced profits and a major restructuring and re-focus back onto their core ICL systems software market. The shares crashed to a low of 31p in mid 1995.

But the effects of the harsh medicine is now starting to show through in the results. In the six months to 31st Oct. 95, Gresham increased PBT by 81% to a *"record"* £1.28m, on revenues up 21% at £7.9m. EPS rose 79%.

Product development is now much reduced and the emphasis now is on product sales and services. Revenues from the "older" IDMS products and the previous great expectations for DataServe and ISAM-XA *"became significant for the first time"*. Consulting, support, contract IT staff and recruitment all seem to have grown and reported profits.

Having rebuilt the foundations, Gresham can look to the future again. Although the share price has recovered from that low to end Jan. 96 on 43p - that still seems a million miles away from the 1993 heady heights.

ITnet and outsourcing

The excellent ITnet Index of outsourcing deals has recorded 73 organisations which outsourced for the first time in 1995. Of the eight *"mega contacts worth over £20m p.a., six were in the private sector"*.

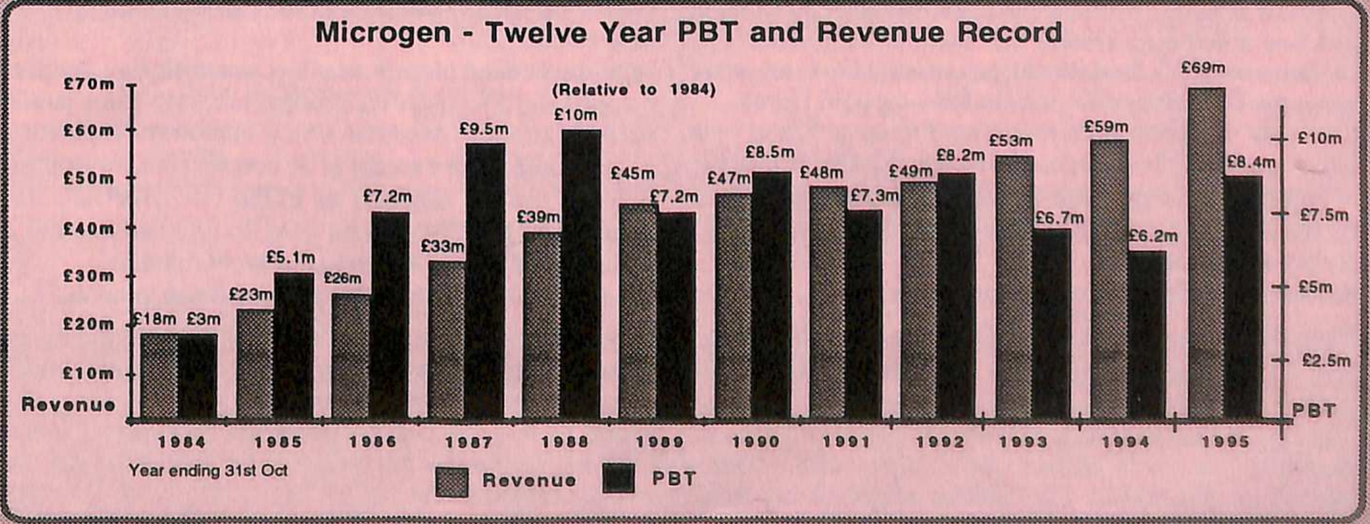
"Contracts worth £545m were agreed in 1995, compared with £384m in 1994, a rise of 42%". Of the 117 contracts signed in 1995, *"nine were switched to a new supplier"*. Excellent report. We are sure Dr. Claire Forrest of ITnet (tel.: 0121 459 1155) will send a copy to any interested reader.

Microgen - getting its act back together

Microgen is *"a broadly based provider of computer output services"*. But as their major output service was microfiche, they suffered as users moved to other outputs - electronic, data warehouses, CD-Roms etc - and usage declined. Microgen was rather slow to recognise this and even expanded its COM services by acquisition. A consistent - if not exciting - financial performance went into reverse as a consequence in 1992/93.

But a reconstruction of the group is now starting to show through. The number of COM bureaux has been reduced from 20 in 1992 to eight now and Microgen has moved into the electronic printing arena which, with a 35% increase last year to £33.5m, now represents nearly 50% of revenues. Latest results for the full year to 31st Oct. 95 show revenues up 17.4% at £69m, PBT up 36% at £8.4m and EPS up 48%. Although not a *"record"*, that's still a creditable 12% margin.

Also this month Microgen, via its Swedish operation **Capella**, has acquired **Ljungdahis Mailaman AB** for £860K. Microgen now seems to have most of the *"computer output services"* covered from CD-ROM to mass hard copy printing. Although the future may not be exciting, Microgen seems well positioned for the next period. The shares have almost doubled since the start of 1995 and put on another 4% this month.



Data Sciences announces float

On 28th Jan. 96, **Data Sciences** declared its intention to float, thus becoming the first in a series of quality IT services companies to seek a listing in 1996.

A year ago we wrote *"The current year (i.e. to 30th Sept. 95) is the one that really matters as that will decide when Data Sciences comes to the Stock Exchange. A 15-20% organic revenue growth and margins nudging 6% would make Data Sciences a very attractive candidate in a year's time. Our report card would then read "Good - but can do even better" - and that's exactly the kind of message they will need for a successful float".* Source - *System House* Feb. 95.

We know Data Sciences' CEO Andy Roberts is an avid *System House* reader...but we didn't realise how closely he would follow our advice! Results to 30th Sept. 95 show revenues from the continuing professional services activities up 18% to £105.7m and operating profits up 80% at £6.1m - i.e. a 5.8% profit margin!

As previously reported, Data Sciences withdrew from its datacentre activities by subcontracting these to Integris from Oct. 95. For the record, including these loss-making discontinued bureau operations, Data Sciences had revenues of £116.5m, operating profit of £5.38m, PBT of £5.7m and PAT of £4.8m.

As is both well known and oft-reported, the MBO from THORN-EMI in 1991 left Data Sciences with debts of £60m. The recession in our market, project and other problems meant that the original MBO team's financial expectations were not met. That led to the appointment of Roberts as CEO in April 93...and a massive loss before tax of £18.8m in the year to 30th Sept. 93 as he realigned the cost base. Data Sciences has been revitalised under his leadership. The simple fact that Data Sciences can now plan a listing, when quite a few questioned the survival of the company a few years back, is testimony to Roberts' achievements.

Data Sciences is involved in the largest and fastest growing sectors of the market - systems integration, project development and, of course, application management. It is just the type of *"services"* company that we refer to in our p1 article and in our presentation at the Regent Conference this month.

But what makes Data Sciences so attractive - like many others in the services sector - is the predictability of its revenue stream. They started the current year with a firm order book of £101m.

Clearly the success of the CMG float must have reinforced the decision to float now. Both companies make the majority of their revenues from systems integration for major blue chip organisations. CMG was floated on a P/E of 14.9 (FY95 forecast) at 290p and the share price has risen by >40% in just two months to around the sector's av. historic P/E valuation of 19-20. That should give some guide to investors when the Data Sciences' price is announced in March.

Last year we promised a report card reading *"Good - but can do better"*. Roberts should be aiming to increase margins to nearer 8% this year. Armed with a listing and *sans* debt, he should then be able to contemplate some acquisitions - particularly in Europe.

We will review Data Sciences again next month.

F • I • GROUP PLC

We have deliberately placed the reviews of **FI Group** and Data Sciences side-by-side. The main reason being that we expect them both to become quoted companies soon.

But there are other similarities - current profit margins being one of them! They are both high quality services companies engaged in high growth areas with high potential for improved financial performance.

FI Group's results for the six months to 31st Oct. 95 were at the superb level that we are rather coming to expect. Revenues were up 32% at £37.4m, PBT was up 38% at £2.09m and EPS was up 36%. Of course it is AM - which now represents 73% of revenues - which was the star. It looks as though the increase in AM billings was ahead of even our massive 37% growth estimate for the total UK AM market for 1994/95.

FI's IT staff agency and end user IT training activities are also doing well. CEO Hilary Cropper told us that FI is moving more-and-more towards long term partnerships with its clients, and away from the *"transaction by transaction"* way of working. FI has studiously avoided the *"computer operations-type"* outsourcing deal but would be happy to work with partners in the sector. FI is currently involved in three such consortium bids.

Having the right skills to meet this market growth is a key issue. In the last calendar year FI has taken on nearly 100 graduates - its first such mass recruitment in a decade. Of course, staff relationships have always been rather special at FI. At present around 50% are full time employees, 10% contractors and the remaining 40% *"associates"* with whom FI has had long relationships. Although it is unlikely that many other companies will reach those ratios, the trends throughout the industry are in the same direction.

As has long been trumpeted, most of the FI staff and associates own shares in one form or another; representing around 54% of the equity. In addition every employee is on a profit share or bonus scheme. As Cropper pointed out *"that way the management and staff get hit by poor performance before the shareholders"*. In addition, FI intends to introduce a new option scheme for all employees where they will have to invest to "buy" their options. Readers who know our negative views on options will understand how much we welcome this novel move.

The next big decision for these shareholders is when to go for a float. Roadshows have commenced and our money would be on a Q2 float after the April year end but before the holiday period and the inevitable run up to the next election.

With sentiment clearly moving towards the services companies, FI - with its predictable long term quality revenue stream - would be a very attractive candidate. A quote would make it easier to do acquisitions, for example "buying" user IT activities as in the Hoskyns/CMS deal (see p8) or the CSC/Lucas deal. In turn *"economies of scale"* could further increase the profit margins.

We look forward with anticipation to developments.

Declaration Richard Holway was retained by **Hambros Bank** to assist in their marketing due diligence in the run up to the Data Sciences' float. Our research has been quoted extensively in **James Capel**'s research document. These parties - and, of course, Data Sciences itself - have been our customers for many years.

We have been advised to make the following statement. *"The information contained in this article has been obtained from public documents (except for the 1994/95 results which were provided by the company but will shortly be filed at Companies House). Expressions of opinion are those of Richard Holway only".*

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 24,560,000	£ 49,473,000	£ 30,204,000	+23.0%
PBT	£ 3,198,000	£ 7,719,000	£ 5,589,000	+74.8%
EPS	18.50p	45.20p	31.80p	+71.9%

Azlan Group plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	£ 37,735,000	£ 90,488,000	£ 72,716,000	+92.7%
PBT	£ 1,079,000	£ 3,906,000	£ 4,445,000	+312.0%
EPS	3.70p	12.50p	13.60p	+267.6%

British Data Management plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 16,817,000		£ 17,042,000	+1.3%
PBT	£ 4,618,000		£ 1,575,000	-65.9%
EPS	9.80p		3.80p	-61.2%

Capita Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 30,470,000	£ 73,800,000	£ 43,420,000	+42.5%
PBT	£ 2,710,000	£ 7,903,000	£ 4,010,000	+48.0%
EPS	3.80p	10.50p	5.00p	+31.6%

Cedardata plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	£ 3,726,000	£ 8,932,000	£ 5,333,000	+43.1%
PBT	£ 1,337,000	£ 3,572,000	£ 1,995,000	+49.2%
EPS	2.80p	7.90p	4.20p	+50.0%

CentreGold plc

	Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparision
REV	£ 52,554,000	£ 91,314,000	£ 41,037,000	-21.9%
PBT	£ 2,600,000	£ 4,033,000	-£ 3,883,000	Profit to Loss
EPS	4.70p	7.30p	-6.44p	Profit to Loss

Clinical Computing plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 735,000	£ 1,471,684	£ 924,000	+25.7%
PBT	-£ 227,000	-£ 688,596	-£ 357,000	Loss both
EPS	-1.40p	-4.30p	-2.20p	Loss both

CMG plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 69,723,000	£ 146,283,000	£ 94,599,000	+35.7%
PBT	£ 6,771,000	£ 14,057,000	£ 8,640,000	+27.6%
EPS	6.30p	13.90p	8.90p	+41.3%

Coda Group plc

	Final - Oct 94		Final - Oct 95	Comparision
REV	£ 23,388,000		£ 32,791,000	+40.2%
PBT	-£ 7,992,000		£ 1,030,000	Loss to Profit
EPS	-27.70p		2.50p	Loss to Profit

Compel Group plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 54,542,000		£ 70,019,000	+28.4%
PBT	£ 2,062,000		£ 2,684,000	+30.2%
EPS	9.60p		11.10p	+15.6%

Computerised Financial Solutions plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 1,404,000	£ 3,120,711	£ 1,276,000	-9.1%
PBT	-£ 36,000	£ 350,617	-£ 66,000	Loss both
EPS	-1.40p	3.97p	-1.50p	Loss both

Cray Electronic Holdings plc

	Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparision
REV	£ 135,044,000	£ 264,838,000	£ 128,957,000	-4.5%
PBT	£ 10,085,000	£ 835,000	-£ 14,594,000	Profit to loss
EPS	3.00p	-0.30p	-6.30p	Profit to loss

CRT Group plc

	Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparision
REV	£ 29,187,000	£ 72,762,000	£ 48,079,000	+64.7%
PBT	£ 1,288,000	£ 5,972,000	£ 1,748,000	+35.7%
EPS	1.42p	6.30p	1.71p	+20.4%

DCS Group plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 6,375,180		£ 8,694,833	+36.4%
PBT	£ 426,144		£ 609,530	+43.0%
EPS	4.32p		5.02p	+16.2%

DRS Data & Research Services plc

	Interim - Jul 94	Final - Dec 94	Interim - Jul 95	Comparision
REV	£ 5,756,000	£ 8,798,000	£ 4,269,000	-25.8%
PBT	£ 1,484,000	£ 1,487,000	£ 512,000	-65.5%
EPS	3.19p	3.07p	0.95p	-70.2%

Delphi Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 38,013,000	£ 97,685,000	£ 83,168,000	+118.8%
PBT	£ 733,000	-£ 391,000	£ 4,101,000	+459.5%
EPS	3.42p	-7.76p	11.66p	+240.9%

Division Group plc

	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparision
REV	£ 2,106,000	£ 5,270,000	£ 2,469,000	+17.2%
PBT	-£ 892,000	-£ 1,440,000	-£ 1,575,000	Loss both
EPS	-2.50p	-4.30p	-3.80p	Loss both

Eidos plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 188,196	£ 254,225	£ 96,128	-48.9%
PBT	£ 47,834	-£ 107,623	-£ 267,533	Profit to loss
EPS	1.93p	-4.16p	-10.03p	Profit to loss

Electronic Data Processing plc

	Final - Sep 94		Final - Sep 95	Comparision
REV	£ 14,013,000		£ 12,605,000	-10.0%
PBT	£ 4,123,000		£ 3,083,000	-25.2%
EPS	10.21p		7.53p	-26.2%

Firecrest plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	n/a	£ 7,130,000	£ 2,620,000	n/a
PBT	n/a	£ 414,429	£ 113,000	n/a
EPS	n/a	2.30p	0.35p	n/a

Flomerics Group plc

	Final - Dec 93	Interim - Aug 95	Final - Dec 94	Comparision
REV	£ 2,318,380	£ 2,055,000	£ 3,098,672	+33.7%
PBT	£ 177,179	-£ 120,000	£ 406,900	+129.7%
EPS	n/a	n/a	11.00p	n/a

Gresham Computing plc

	Final - Oct 94		Final - Oct 95	Comparision
REV	£ 6,507,000		£ 7,895,000	+21.3%
PBT	£ 708,000		£ 1,281,000	+80.9%
EPS	1.32p		2.36p	+78.8%

INSTEM plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 8,043,000	£ 16,812,000	£ 11,205,000	+39.3%
PBT	£ 505,000	£ 1,153,000	£ 577,000	+14.3%
EPS	7.40p	16.80p	8.40p	+13.5%

JBA Holdings plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 38,500,000	£ 90,687,000	£ 49,464,000	+28.5%
PBT	£ 264,000	£ 6,131,000	£ 754,000	+185.6%
EPS	0.19p	12.13p	1.43p	+652.6%

Kalamazoo Computer Group plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	£ 28,263,000	£ 60,719,000	£ 32,358,000	+14.5%
PBT	£ 3,003,000	£ 6,815,000	£ 2,012,000	-33.0%
EPS	4.98p	11.80p	3.66p	-26.5%

Kewill Systems plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	£ 16,405,000	£ 33,667,000	£ 16,567,000	+1.0%
PBT	£ 2,166,000	£ 5,067,000	£ 2,613,000	+20.6%
EPS	12.16p	28.39p	14.55p	+19.7%

Learmonth & Burchett Management Systems plc

	Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparision
REV	£ 11,023,000	£ 23,761,000	£ 12,440,000	+12.9%
PBT	-£ 3,278,000	-£ 5,251,000	£ 496,000	Loss to profit
EPS	-13.70p	-24.70p	1.80p	Loss to profit

Logica plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 209,952,000		£ 250,135,000	+19.1%
PBT	£ 13,543,000		£ 20,310,000	+50.0%
EPS	14.00p		21.70p	+55.0%

Lorien Group plc

	P/F Final - Nov 94		PF Final - Nov 95	Comparision
REV	£ 17,904,000		£ 29,109,000	+62.6%
PBT	£ 169,000		£ 971,000	+474.6%
EPS	2.70p		12.10p	+348.1%

Lynx Holdings plc

	Final - Sep 94		Final - Sep 95	Comparision
REV	£ 21,523,000		£ 32,018,000	+48.8%
PBT	£ 2,009,000		£ 2,564,000	+27.6%
EPS	4.50p		4.70p	+4.4%

M.A.I.D plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 3,972,000	£ 8,887,000	£ 5,762,000	+45.1%
PBT	£ 440,000	£ 1,285,000	£ 408,000	-7.3%
EPS	0.39p	1.14p	0.33p	-15.4%

MMT Computing plc

	Final - Aug 94		Final - Aug 95	Comparision
REV	£ 10,861,498		£ 13,957,949	+28.5%
PBT	£ 2,505,106		£ 3,075,053	+22.8%
EPS	13.10p		16.30p	+24.4%

MR Group plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 40,521,000		£ 41,429,000	+2.2%
PBT	£ 6,348,000		£ 1,309,000	-79.4%
EPS	8.00p		1.60p	-80.0%

McDonnell Information Systems Group plc

	PF Interim - Jun 94	PF Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 68,609,000	£ 148,911,000	£ 79,145,000	+15.4%
PBT	£ 5,044,000	£ 9,064,000	-£ 1,673,000	Profit to loss
EPS	3.48p	4.57p	-2.42p	Profit to loss

Macro 4 plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 24,367,000		£ 25,035,000	+2.7%
PBT	£ 11,211,000		£ 11,602,000	+3.5%
EPS	34.20p		35.20p	+2.9%

Micro Focus plc

	Interim - Jul 94	Final - Jan 95	Interim - Jul 95	Comparision
REV	£ 42,950,000	£ 89,885,000	£ 36,800,000	-14.3%
PBT	£ 7,020,000	£ 8,723,000	-£ 4,470,000	Profit to loss
EPS	33.10p	32.00p	-30.30p	Profit to loss

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Microgen Holdings plc

	Final - Oct 94		Final - Oct 95	Comparision
REV	£ 58,774,000		£ 69,029,000	+17.4%
PBT	£ 6,173,000		£ 8,383,000	+35.8%
EPS	10.00p		14.80p	+48.0%

Microvitec plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 20,923,000	£ 44,146,000	£ 26,550,000	+26.9%
PBT	£ 1,120,000	£ 2,560,000	£ 1,607,000	+43.5%
EPS	1.24p	3.00p	1.47p	+18.5%

Misys plc

	Final - May 94		Final - May 95	Comparision
REV	£ 93,358,000		£ 153,395,000	+64.3%
PBT	£ 18,612,000		£ 26,345,000	+41.5%
EPS	31.90p		35.10p	+10.0%

Moorepay Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 1,991,972	£ 3,873,089	£ 2,342,152	+17.6%
PBT	£ 412,773	£ 686,336	£ 666,324	+61.4%
EPS	3.79p	6.28p	5.88p	+55.1%

OmniMedia plc

	Incorp. - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV		£ 124,594	£ 199,962	n/a
PBT		-£ 421,354	-£ 279,137	n/a
EPS		-3.84p	n/a	n/a

On Demand Information plc

	Final - Jul 94		Final - Jul 95	Comparision
REV	£ 14,487,000		£ 8,786,000	-56.8%
PBT	-£ 2,617,000		-£ 3,646,000	Loss both
EPS	-5.70p		-7.20p	Loss both

Oxford Molecular plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 1,086,000	£ 2,765,000	£ 2,832,000	+160.8%
PBT	-£ 933,000	-£ 2,906,000	-£ 2,112,000	Loss both
EPS	-3.50p	-8.60p	-4.30p	Loss both

P & P plc

	Interim - May 94	Final - Nov 94	Interim - May 95	Comparision
REV	£ 118,900,000	£ 263,930,000	£ 171,700,000	+44.4%
PBT	£ 2,700,000	£ 8,016,000	£ 6,200,000	+129.6%
EPS	2.80p	8.10p	5.30p	+89.3%

Parity plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 38,003,000	£ 88,791,000	£ 61,512,000	+61.9%
PBT	£ 2,023,000	£ 4,176,000	£ 3,069,000	+51.7%
EPS	3.51p	7.19p	4.82p	+37.3%

Pegasus Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 2,275,000	£ 4,808,000	£ 3,038,000	+33.5%
PBT	£ 68,000	£ 243,000	£ 172,000	+152.9%
EPS	0.70p	12.70p	1.80p	+157.1%

Persona plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 15,042,000	£ 31,537,000	£ 24,780,000	+64.7%
PBT	£ 1,005,000	£ 2,059,000	£ 1,350,000	+34.3%
EPS	6.00p	11.42p	7.50p	+25.0%

PhoneLink plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	£ 797,000	£ 2,085,000	£ 2,103,000	+163.9%
PBT	-£ 1,963,000	-£ 3,702,000	-£ 2,712,000	Loss both
EPS	-5.50p	-10.40p	-7.30p	Loss both

Proteus International plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	Nil	Nil	£ 30,000	n/a
PBT	-£ 3,666,000	-£ 7,925,000	-£ 3,618,000	Loss both
EPS	-11.94p	-25.47p	-11.06p	Loss both

Quality Software Products Holdings plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 7,266,000	£ 16,494,732	£ 10,115,000	+39.2%
PBT	£ 604,000	£ 2,512,400	£ 805,000	+33.3%
EPS	6.90p	27.50p	9.10p	+31.9%

RM plc

	Final - Sep 94		Final - Sep 95	Comparision
REV	£ 65,493,000		£ 80,691,000	+23.2%
PBT	£ 3,769,000		£ 5,023,000	+33.3%
EPS	15.50p		18.80p	+21.3%

Radius plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 12,325,000	£ 24,866,000	£ 13,424,000	+8.9%
PBT	£ 808,000	£ 1,451,000	£ 835,000	+3.3%
EPS	1.19p	2.87p	1.96p	+64.7%

Real Time Control plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	£ 8,491,000	£ 13,463,000	£ 5,325,000	-37.3%
PBT	£ 1,050,000	£ 1,782,000	£ 742,000	-29.3%
EPS	12.00p	20.00p	7.10p	-40.8%

Rolfe & Nolan plc

	Interim - Aug 94	Final - Feb 95	Interim - Aug 95	Comparision
REV	£ 7,104,000	£ 14,288,000	£ 7,661,000	+7.8%
PBT	£ 742,000	£ 1,512,000	£ 1,074,000	+44.7%
EPS	2.90p	6.70p	5.35p	+84.5%

Sage Group plc

	Final - Sep 94		Final - Sep 95	Comparision
REV	£ 50,888,000		£ 102,234,000	+100.9%
PBT	£ 14,252,000		£ 22,362,000	+56.9%
EPS	9.08p		13.88p	+52.9%

Sanderson Electronics plc

	Final - Sep 94		Final - Sep 95	Comparision
REV	£ 33,984,000		£ 57,801,000	+70.1%
PBT	£ 4,228,000		£ 5,305,000	+25.5%
EPS	7.30p		8.80p	+20.5%

Sema Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 298,419,000	£ 596,111,000	£ 321,892,000	+7.9%
PBT	£ 12,567,000	£ 29,518,000	£ 15,208,000	+21.0%
EPS	9.13p	20.98p	10.55p	+15.6%

Sherwood Computer Services plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 11,957,000	£ 25,069,000	£ 10,988,000	-8.1%
PBT	-£ 88,000	£ 79,000	£ 615,000	Loss to profit
EPS	0.30p	-10.73p	5.90p	+1866.7%

Spargo Consulting plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 2,854,000	£ 6,016,000	£ 3,329,000	+16.6%
PBT	£ 606,000	£ 1,211,000	£ 192,000	-68.3%
EPS	3.20p	6.29p	0.90p	-71.9%

Standard Platforms Holdings plc

	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparision
REV	£ 749,995	£ 1,305,476	£ 699,119	-6.8%
PBT	-£ 35,640	-£ 143,280	-£ 314,850	Loss both
EPS	-0.90p	-1.10p	-1.50p	Loss both

Superscape VR plc

	Final - Jul 94		Final - Jul 95	Comparision
REV	£ 859,192		£ 1,590,000	+85.1%
PBT	-£ 238,024		-£ 1,746,000	Loss both
EPS	-6.10p		-32.80p	Loss both

Total Systems plc

	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparision
REV	£ 1,096,691	£ 2,289,437	£ 1,273,331	+16.1%
PBT	£ 7,460	£ 53,516	-£ 54,488	Profit to loss
EPS	0.04p	0.34p	-0.44p	Profit to loss

Trace Computers plc

	Final - May 94		Final - May 95	Comparision
REV	£ 18,628,990		£ 19,676,832	+5.6%
PBT	£ 409,901		£ 482,746	+17.8%
EPS	2.33p		2.55p	+9.4%

Vega Group plc

	Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparision
REV	£ 5,710,000	£ 12,516,000	£ 7,260,000	+27.1%
PBT	£ 1,020,000	£ 2,910,000	£ 1,271,000	+24.6%
EPS	4.76p	13.49p	5.90p	+23.9%

Virtuality Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 4,120,000	£ 9,126,000	£ 6,269,000	+52.2%
PBT	-£ 695,000	-£ 1,397,000	-£ 583,000	Loss both
EPS	-2.70p	-5.30p	-2.20p	Loss both

Wakebourne plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 18,172,000	£ 35,336,000	£ 18,848,000	+3.7%
PBT	£ 1,068,000	£ 1,865,000	-£ 356,000	Profit to loss
EPS	3.40p	5.70p	-1.10p	Profit to loss

Zergo Holdings plc

	Final - Apr 94		Final - Apr 95	Comparision
REV	£ 5,404,255		£ 7,074,520	+30.9%
PBT	£ 122,736		£ 12,769	-89.6%
EPS	n/a		n/a	n/a

Sanderson Electronics acquires Fletcher

Sanderson Electronics has acquired an 80% stake in **Fletcher Computer Services** for around £150K - all in shares. Fletcher, with whom Sanderson has had a long trading relationship, supplies Fleetplan vehicle fleet management software and, according to our records, had revenues of £3.1m and made a loss of £90K in the year to 31st Dec. 94.

IT staff agency, and one of the first AIM new issues, **Lorien** has increased PBT by 475% from £169K to £971K and revenues by 63% to £29.1m in the 52 weeks to 26th Nov. 95. EPS was up 350% at 12.1p. All comparisons *"pro forma". More details next month.*

Acquisitions, disposals and liquidations

Chessington-based **Skywell Corp. Ltd.**, which had revenues of £9m (and apparently debts of £3m) has appointed the receivers.

Dr. Solomon, the computer antivirus operation, has been the subject of an MBO backed by **Apax. Fullduplex Computer Professionals Ltd.** and **Microtransfer Network Systems Ltd.** have merged to become **Fullduplex Networks Ltd.** *(Isn't that really exciting!)*

BCE Holdings has decided to get out of *"its non core arcades and snooker businesses"* and concentrate on its computer software games development activities. BCE has appointed Frank Herman *"regarded by games industry professionals as 'the Father of the European Industry'"* to the board. BCE has also raised £2.3m in a private placing at 21p a share.

Reuters - continuing its purchases in the SCSI arena - has bought US **Equis International** *"a Utah-based developer of technical analysis software for individual investors"* for *"an undisclosed sum"*. **Dawson Holdings plc,** via its subsidiary **Data Trek Inc.**, has acquired **Information Management and Engineering Ltd.** (IME) - a library automation systems supplier. **Arrival Holdings**, via its **Syan** division, has acquired the rights to **Icarus Help Desk** and **Journal Auditor**.

Radius plc has acquired **IT Professional Ltd.** for £180K cash. The accounting systems co. reported revenues of £2.6m and a loss of £270K in the year to 31st Mar. 94.

Bull and Cara

BULL UK (& Ireland!) has acquired a majority stake in **Cara Group Ltd.** *"Ireland's leading independent computer services company"*. Cara employs 250 staff with a turnover of IR£28m to 31st Mar. 95 and IR£30m to 31st Mar. 96. Cara is a major TPM and provider of payroll processing bureau services.

Our admiration - indeed an admiration which increases by the month - for BULL UK, Integris and its managers is well known. Please don't underestimate them any more - they are fast becoming a force with which you will have to reckon. *If only they weren't French owned!*

PCL buys off shore

You may recall that **PCL Group** sold its FM operations to **SHL Systemhouse** last month. This month, Trevor Clarke's original PCL has acquired data capture operation, **Dataphon (Mauritius) Ltd.**, for around £500K. *"The business will provide PCL with an additional revenue stream in excess of £1m, an infrastructure of over 500 PCs and over 310 skilled staff, bringing PCL Group's staff to over 1000 worldwide".*

Dun & Bradstreet Software "For Sale"

It looks as though **Dun & Bradstreet Software**, with worldwide revenues of c$350m - which was formed out of McCormack & Dodge and MSA in 1990, is now up for sale. After the sale by D&B of **Datastream** in the UK in 1992, latest accounts filed at Companies House show UK revenues of £25.3m and losses of £3.6m in the year to 30th Nov. 94. An MBO is rumoured.

In our research industry, our competitors **Gartner Group** and **Dataquest** will henceforth be part of **Cognizant Corp**.

IMI Computing completes MBO

Hot on the heels of the news that ITnet had finalised its MBO from Cadbury Schweppes and that Peterborough Software and Datasure were to "demerge" from CE Heath, comes the news this month that Irene Brown has finally concluded the MBO of **IMI Computing** from its parent.

IMI plc's foray into the SCSI sector had been somewhat expensive. Buying **Redland** (Uniplex) and **Brook Street** resulted in losses in excess of £35m. Now the original IMI IT dept. - deeply involved in workflow and AM in the insurance and financial services markets - has been bought by its management for £4.65m in a deal backed by Lloyds Development Capital and 3i. The new operation is to be known as **Icom Solutions Ltd.**

In the year to 31st Dec. 94, IMI Computing increased revenues by 8% to £13m but PBT more than doubled to £749K, Given that Icom is currently engaged in *"an extensive recruitment drive to meet a strong order book and expected growth in 1996"*, the price paid looks very reasonable...*to say the least!*

Kalamazoo in talks with Datapoint

Kalamazoo has announced that it is *"one of two parties"* negotiating with **Datapoint Corp.** to acquire a 51% stake in a new joint venture formed out of Datapoint's automotive operations in Europe and Kalamazoo's Dutch subsidiary - **CBA Nederlands BV**. The consideration for the 51% stake is £11.3m. Datapoint is the market leader in the supply of Dealer Management Systems (DMS) in Europe whereas Kalamazoo is the UK DMS market leader.

Yet another example of the increasing trend of UK companies buying into Europe.

Oxford Molecular buys three in US

Oxford Molecular has reached agreement to acquire three US businesses - the **Chemical Informatics** division of **PSI**, **MacVector** from **Eastman Kodak** and **Health Designs Inc.** for £9m. This is to be financed by a 1-for-7 rights issue at 235p raising £16.2m. OM also estimated losses *"not greater than £3.75m on revenues of £6.2m"* to 31st Dec. 95.

QSP crashes on profits warning

QSP has announced that *"profits will not meet market expectations"*. The shares dived from 708p to 355p as a result. *"The principle reason for this is that certain major UK contracts ...anticipated to be **signed** in Dec. 95 are now expected to be completed in 1996"*.

Staff redundancies added a further £500K exceptional costs. This all resulted in analysts' profit forecasts being reduced by over £2.5m to just £500K. *And, of course, that would be a loss without further capitalised R&D.*

We have written and been quoted, on so many occasions, commenting on QSP's accounting policies. These differ widely from most of its nearest competitors; making any meaningful comparison of financial performance by the layman investor impossible. We were also concerned at the £7.2m paid for the loss-making £1m revenue Global operation in the US, although we understand that this operation met expectations and was not the reason for the warning.

Back in Nov. 95 investors contributed £14.7m in a 535p rights issue and four QSP directors cashed in options for £1.75m on 23rd Nov. 95 when the share price was 635p. *We have been assured that the shortfall was totally unknown at that time - just a month off the year end.* That being the case, it shows the vulnerability of the revenue streams at such products companies compared to the predictable revenues of the service providers (see p1).

GEAC takes stake in MDIS

It was Philip Hughes who said, many years back, that we in the software and computing services industry must remember that *"we all drink out of the same soup bowl"*. If the soup just happens to be poisoned then we all suffer. We seem to have spent the last year defending our industry against the damage caused as a result of the **MDIS** fallout. The back issues of *System House* dealing with the MDIS debacle have proved very popular! You will know that we long ago suggested that the only humane way out for MDIS was to be taken out by way of acquisition rather than a *"death by a thousand disposals"*. This month MDIS has at least managed to dispose of some of its surplus office space. The £3.5m book loss saves it £1.2m a year. It has also disposed of (given away?) its library business to **Dynix Deutschland GmbH.** This business lost £2.5m last year. It also undertook a reorganisation (i.e. jobs cull). *System House*'s main corporate contact - David Malaperiman who was known to many readers - has now lost his job.

But perhaps the most joyous news for beleaguered shareholders this month was that Canadian SCSI company **GEAC** had built a 3.79% stake. GEAC was an unsuccessful bidder for the libraries business .

The news sent MDIS shares up 29% this month. We suspect that the GEAC stake is short term and speculative and unlikely to lead to a full takeover. Even so, The Independent (16th Jan. 96) was moved to describe it as *"the first external endorsement"* of confidence in MDIS' recovery!

What a shame. As we said before *"the only humane way out for MDIS is to be taken over"*.

CSC and Oracle

There was widespread surprise this month on the news that Alistair Crawford, CEO of **Computer Sciences** (CSC) UK, had left to join **Oracle UK** as head of services. In his 18 months as CEO, Alistair has boosted CSC's revenues from £80m to over £310m and its staff from 450 to over 2000, winning such high profile outsourcing deals as BAe and Lucas. Ray Mackintosh, CEO CSC Europe, has taken over in the UK *(we assume, temporarily)*.

Before we managed to talk to Alistair we had heard all kinds of reasons. *"He wasn't happy with outsourcing"*, *"he wanted to work closer to home"*, *"he was offered a financial package he couldn't refuse"*, *"CSC was not making money on its outsourcing deals"* and *"CSC UK had missed its profit targets"*. ***After*** our chat with Alistair, we were left with the impression that they were all probably true! He added that public sector outsourcing was *"doing a lot of the dirty work for the Govt. by reducing staff numbers"*.

Moving to Oracle also caused disquiet. UK MD Philip Crawford was at pains to say, on his appointment, that Oracle would not compete with its partners/VARs anymore. The senior director of a major company which has just signed a major partnership deal with Oracle said to us this month that *"either Alistair is going to a different job than he expects or I've signed the wrong contract"*.

Alistair will be responsible for Oracle UK's 700 consultants. *"Oracle already has a successful services business in the UK"*. Indeed Oracle UK makes about half of its revenues (£208m in 1995) from services - about half of that from consulting. Alistair intends to *"secure a large market share in this high growth area"*.

CGS and debis

Daimler Benz, via its debis operation, had a obtained 34% of the equity in **Cap Gemini Sogeti** (CGS) and an option to increase its stake to 51%. The option had to be exercised by 31st Jan. 96. We long suspected that this jewel of French ownership would not be allowed to pass into foreign ownership; albeit German. In the event a financial restructuring involving FFr2.1b of refinancing will result in debis reducing its stake to under 25%. About 30% of the equity will be publicly held; CGIP holding <25% and founder Serge Kampf and other managers, holding around 20%.

Organisationally, SKIP, Sogeti and CGS have been merged into a group which also includes the Gemini Consulting activity.

Hoskyns and CMS

Hoskyns has secured, what seems to us to be, its biggest outsourcing deal ever by acquiring **British Steel**'s IT operations - **CMS**. This means a boost of £20-25m to Hoskyns revenues in the c£125m/5 year outsourcing contract. 300 CMS staff will transfer to Hoskyns. Although the bulk of CMS' revenues were from BS, it did have some other external customers.

Sema and CISI

News that **Sema** was *"in an advanced stage of negotiation"* to acquire French systems integrator **CISI** *"for about £60m"*, although true, was proved incapable of consummation. Negotiations have been terminated *"after unions representing Cisi employees rejected the sale"*. Source - Financial Times 10th Jan. 96.

Footnote

Having been publicly branded a *"Little Englander"* you might, correctly, anticipate our reaction. The evidence is mounting of France's inability to change to the new order in the IT industry. But how is this misfortune to the UK's advantage? With several of our largest players (Hoskyns and Sema) being French owned, the effects of his short-sightedness is, unfortunately, shared.

Andersen Consulting and Sears

Not to be outdone, **Andersen Consulting UK** has also secured its largest ever outsourcing deal this month (see Hoskyns above). It has signed a £344.5m/10 year deal to provide IT and finance services to **Sears.** 1000 staff will transfer. As far as we can see the deal is unique in combining the outsourcing of both IT and accounting. Sears estimates "annualised *cost savings will be between £20m and £25m by the year 2000"*. It is also the largest ever outsourcing deal in the retail sector - a sector which has been rather slow to be seduced by the benefits of IT outsourcing.

We were widely quoted for our comments on these deals *"I can see absolutely no evidence of the growth in outsourcing peaking at all"* was but one example (Source - The Independent 12th Jan. 96). Just for once, the quotes were accurate and we agree with ourselves!

Computacenter continues to grow

The UK's largest PC dealer - **Computacenter** - reported headline revenues up 20% to £502m in the year to 31st Dec. 95. We will have to wait a few months for the PBT - which was £10.5m in 1994. Computacenter sells direct to the corporate end user. They confirmed the continued move away from manufacturers selling PCs direct themselves.

CSI Index up another 4.5%

We have revamped our CSI Index to include **CMG** (whose share price increased *another* 24% this month) and the AIM new issues. *It looks as if we will have a full time job keeping our index up to date in 1996!*

The CSI Index started the year well with *another* 4.5% rise. **Zergo** (AIM - IT security) put on 67% on anticipated breakeven this year and expectations for new products. Recovery/takeover hopes boosted 1995 disaster stocks **Clinical** (up 45%), **DRS** (up 32%) and **MDIS** (up 29%) Conversely **QSP** was down 46% - p7, **Proteus** (down 32% - p11) and **CentreGold** (down 30% as the MD resigns, losses increase and a white knight is sought).

30th Jan. 96	CSI Index		2358.93
	FTSE 100		3735.30
CSI Index = 1000 on 15th April 1989	FTSE SmallCap		2015.12
Changes in Indices	**CSI Index**	**FTSE 100**	**FTSE Small Cap**
Month (31/12/95 - 30/1/96)	+4.45%	+1.25%	+3.79%
From 15th Apr 89	+135.89%	+81.89%	
From 1st Jan 90	+156.38%	+58.14%	
From 1st Jan 91	+233.24%	+72.90%	
From 1st Jan 92	+125.76%	+49.83%	
From 1st Jan 93	+48.03%	+31.22%	+45.25%
From 1st Jan 94	+41.29%	+9.27%	+7.84%
From 1st Jan 95	+57.35%	+15.39%	+15.39%
From 1st Jan 96	+4.45%	+1.25%	+3.79%

System House SCSI Share Prices and Capitalisation

	Share Price 30/1/96 (£p)	Capitalisation 30/1/96(£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 30/1/96	Share price % move since 31/12/95	Share price % move in 1995	Capitalisation move (£m) since 31/12/95	Capitalisation move (£m) in 1996
Admiral	£8.33	£103.30m	21.8	2.09	6036.23	1.83%	1.83%	£1.90m	£1.90m
Azlan	£5.63	£151.40m	25.1	1.67	2447.83	11.49%	11.49%	£15.60m	£15.60m
British Data Management	£1.57	£39.20m	36.0	2.30	1256.00	26.61%	26.61%	£8.20m	£8.20m
Capita	£3.05	£171.70m	28.2	2.33	9159.16	7.02%	7.02%	£11.20m	£11.20m
Cedardata	£1.69	£51.70m	18.3	5.79	1609.52	1.81%	1.81%	£0.90m	£0.90m
Centregold	£0.38	£16.30m	5.2	0.18	304.00	-29.63%	-29.63%	-£6.90m	-£6.90m
Clinical Computing	£0.45	£7.29m	7.2	4.96	362.90	45.16%	45.16%	£2.27m	£2.27m
CMG	£4.08	£260.50m	21.1	18.53	1406.90	24.01%	24.01%	£50.50m	£50.50m
Coda	£2.22	£58.20m	88.8	1.77	944.68	3.74%	3.74%	£2.10m	£2.10m
Compel	£1.97	£30.10m	16.9	0.43	1576.00	4.23%	4.23%	£1.30m	£1.30m
Computerised Financial	£0.94	£4.61m	29.5	1.48	1044.44	10.59%	10.59%	£0.44m	£0.44m
Cray Electronics	£0.41	£96.00m	Loss	0.36	236.84	-2.41%	-2.41%	-£3.60m	-£3.60m
CRT	£1.20	£81.00m	18.5	1.11	1333.33	4.35%	4.35%	£3.40m	£3.40m
DCS Group	£0.83	£15.70m	16.5	1.81	1383.33	10.67%	10.67%	£1.50m	£1.50m
Delphi Group	£3.73	£94.70m	46.2	0.97	1534.98	0.81%	0.81%	£0.70m	£0.70m
Division Group	£1.04	£45.70m	Loss	8.67	2600.00	-9.57%	-9.57%	-£4.80m	-£4.80m
DRS Data & Research	£0.33	£11.30m	46.7	1.28	300.00	32.00%	32.00%	£2.75m	£2.75m
Eidos	£7.03	£55.50m	Loss	n/a	7030.00	1.44%	1.44%	£0.80m	£0.80m
Electronic Data Processin	£1.03	£27.00m	13.5	2.14	3153.70	-11.21%	-11.21%	-£3.40m	-£3.40m
Firecrest	£1.55	£25.80m	67.4	3.62	3875.00	27.05%	27.05%	£5.50m	£5.50m
Flomerics	£2.15	£5.51m	19.5	1.78	1653.85	14.36%	14.36%	£0.70m	£0.70m
Gresham Computing	£0.43	£14.10m	18.2	1.78	462.37	2.38%	2.38%	£0.40m	£0.40m
INSTEM	£1.72	£7.74m	9.6	0.46	1720.00	-0.58%	-0.58%	-£0.05m	-£0.05m
JBA Holdings	£3.95	£134.70m	41.5	1.49	2468.75	1.02%	1.02%	£1.40m	£1.40m
Kalamazoo	£1.20	£23.40m	12.0	0.39	3428.57	4.35%	4.35%	£1.00m	£1.00m
Kewill	£3.69	£45.80m	13.0	1.36	1458.50	5.13%	5.13%	£2.30m	£2.30m
Learmonth & Burchett	£3.46	£88.20m	Loss	3.71	2883.33	21.40%	21.40%	£16.10m	£16.10m
Logica	£4.65	£291.60m	21.7	1.17	1273.97	1.31%	1.31%	£4.30m	£4.30m
Lorien	£2.15	£12.30m	17.8	0.42	2150.00	3.86%	3.86%	£0.50m	£0.50m
Lynx Holdings	£0.76	£72.40m	16.2	2.26	1900.00	8.57%	8.57%	£5.80m	£5.80m
Macro 4	£4.10	£84.50m	11.1	3.37	1653.23	-3.07%	-3.07%	-£2.60m	-£2.60m
MAID	£1.89	£173.30m	165.8	19.49	1718.18	-18.18%	-18.18%	-£38.50m	-£38.50m
McDonnell IS (MDIS)	£0.53	£53.00m	11.6	0.36	203.85	29.27%	29.27%	£12.50m	£12.50m
Micro Focus	£6.20	£93.60m	19.4	1.04	2995.17	9.73%	9.73%	£8.30m	£8.30m
Microgen	£1.86	£73.50m	12.6	1.06	794.87	3.91%	3.91%	£2.80m	£2.80m
Microvitec	£0.52	£39.40m	17.5	0.89	1268.29	6.12%	6.12%	£2.30m	£2.30m
Misys	£5.90	£494.40m	16.8	3.22	1467.66	3.51%	3.51%	£16.70m	£16.70m
MMT	£2.60	£30.40m	15.9	2.18	1547.62	5.69%	5.69%	£1.60m	£1.60m
Moorepay	£1.83	£13.90m	29.1	3.59	2204.82	15.82%	15.82%	£1.90m	£1.90m
MR Group	£0.76	£42.40m	54.0	1.02	301.59	8.57%	8.57%	£3.30m	£3.30m
OmniMedia	£0.63	£11.30m	Loss	94.17	840.00	-3.08%	-3.08%	-£0.30m	-£0.30m
On Demand	£1.37	£69.90m	Loss	7.95	1756.41	5.38%	5.38%	£3.60m	£3.60m
Oxford Molecular	£3.11	£161.00m	Loss	58.12	3887.50	16.92%	16.92%	£23.30m	£23.30m
P&P	£1.37	£109.10m	13.9	0.41	614.35	-9.87%	-9.87%	-£11.90m	-£11.90m
Parity	£1.95	£82.30m	23.8	0.93	10833.29	11.43%	11.43%	£8.40m	£8.40m
Pegasus	£2.05	£12.90m	14.8	2.68	558.58	-2.38%	-2.38%	-£0.30m	-£0.30m
Persona	£2.74	£68.00m	26.5	2.16	1712.50	-3.52%	-3.52%	£33.60m	£33.60m
Phonelink	£1.78	£71.10m	Loss	34.02	1148.39	-6.32%	-6.32%	-£4.80m	-£4.80m
Proteus	£0.82	£26.80m	Loss	n/a	976.19	-31.67%	-31.67%	-£12.40m	-£12.40m
Quality Software	£3.55	£44.00m	12.4	2.67	934.21	-45.88%	-45.88%	-£37.30m	-£37.30m
Radius	£0.53	£14.70m	14.7	0.59	384.06	0.00%	0.00%	£0.00m	£0.00m
Real Time Control	£1.75	£12.20m	11.6	0.91	3571.43	-1.13%	-1.13%	-£0.20m	-£0.20m
RM	£4.36	£77.20m	21.8	0.96	2491.43	2.35%	2.35%	£5.50m	£5.50m
Rolfe & Nolan	£2.98	£37.20m	32.6	2.60	3547.62	10.78%	10.78%	£3.60m	£3.60m
Sage Group	£3.39	£363.40m	24.4	3.55	13038.46	4.31%	4.31%	£16.00m	£16.00m
Sanderson Electronics	£1.37	£56.70m	15.9	0.98	2331.91	-3.52%	-3.52%	-£1.90m	-£1.90m
Sema Group	£5.48	£512.90m	26.1	0.86	1723.27	2.24%	2.24%	£11.20m	£11.20m
Sherwood	£1.65	£14.20m	Loss	0.57	1375.00	-10.81%	-10.81%	-£1.70m	-£1.70m
Spargo Consulting	£1.73	£21.60m	42.6	3.59	1821.05	20.14%	20.14%	£3.60m	£3.60m
Standard Platforms	£0.16	£4.85m	Loss	3.70	68.88	-6.06%	-6.06%	-£0.31m	-£0.31m
Superscape	£4.14	£34.80m	Loss	21.89	2090.91	-3.27%	-3.27%	-£1.20m	-£1.20m
Total	£0.20	£2.00m	20.8	0.87	377.36	-4.76%	-4.76%	-£0.10m	-£0.10m
Trace	£0.36	£5.08m	14.2	0.26	288.00	-10.00%	-10.00%	-£0.52m	-£0.52m
Vega Group	£3.65	£52.20m	25.1	4.17	2991.80	1.96%	1.96%	£1.00m	£1.00m
Virtuality	£2.34	£64.80m	Loss	7.10	1376.47	-6.02%	-6.02%	-£4.20m	-£4.20m
Wakebourne	£0.21	£4.79m	3.7	0.14	116.67	20.00%	20.00%	£0.80m	£0.80m
Zergo	£2.85	£26.30m	n/a	3.72	2923.08	67.65%	67.65%	£10.60m	£10.60m

Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.

Internet

Since I started as a programmer 30 years ago on 1st Jan. 1966, I have witnessed - actually taken part in - three revolutions which changed the IT world. The launch of 3rd generation systems, like the IBM 360 and ICT 1900, in the 1960s, the launch of the mini, like the DEC PDP11 and VAX, in the 1970s, and the launch of the Apple Mac and the PC in the early 1980s. In each case the then industry leaders failed to realise the changes taking place and suffered the consequences.

The computing services companies of the day also ignored both the opportunities and threats posed by these developments.

I am convinced that the advent of the **Internet** will be a similar - if not more far reaching - revolution to our industry than any mentioned above. *Will our industry ignore this too - until it is too late?*

From now on each month we intend to dedicate space to Internet research and related corporate/financial news.

Internet Research

City brokers **Duracher** and researchers **Intervid** have this month published *"The Internet - An Investment Perspective"* (Price £350 - Tel: 0171 628 4306). The report concludes:

• 33m people currently connected to the Internet worldwide with subscriptions increasing at 100% p.a. to over 200m by 2002.

• UK market currently worth £35m (pretty much in line with our research published a few months ago) but will growth 200%+ p.a. to £900m by 2000. Currently the UK is 10% of the world market, but will drop to 4% by 2000.

• *"The first wave of successful (i.e. profitable) Internet-related businesses will come from the following sectors: Internet access service provision, Internet software applications provision, Internet consultancy (including security) and related hardware provision (servers, modems etc.). **The second wave will be dominated by content provision**".*

• *"US stock markets are currently valuing service providers at 26-28 current annual **revenues**...equivalent to £1500 per dial up subscriber!".*

• **Pipex** (Unipalm) is currently UK market leader in leased line connections, **Demon** in dial up TCP/IP services and **Compuserve** for full service, including the Internet.

• *"Peripheral industries, like Cybercafes and Web design and production, are likely to exceed £65m in UK sales in 1996".*

But it is trade on the Internet that will really be the revolution. Even if you, as a SCSI company, think you will not be directly affected, your existing customers will! If you can't help them develop their Internet trade, then new suppliers will!

Forrester Research Inc. (Tel: US 617 497 7090) estimates Internet related revenues of over $90 billion in the US alone by 2000 - half of this related to financial services. *"Proficiency in Internet technology will define competitive advantage not only among technology companies, but also banks, retailers, publishers and advertising agencies causing Microsoft to compete with Wells Fargo, Reuters with MCI/Delphi ..."*

But **IDC** reckons that 20% of the US Fortune 500 will give up their web sites *"discouraged by a lack of return on investment"*. IDC has, of course, been wrong before.

Internet related M&A

Microsoft has this month purchased US **Vermeer Technologies**, an Internet publishing program developer, for a price estimated to be around $130m. *"The acquisition reflects Microsoft's determination to catch up with smaller rivals in the rapid growth of the Internet".* Source - Louise Kehoe in the FT 17th Jan. 96.

Oracle has taken a stake in $1.6b **MCI/News Corp.** satellite joint venture with the aim of *"providing high speed Internet services"*. MCI has also teamed up with Microsoft to promote the Microsoft Network (MSN) and its browser.

In what, as far as we can see, is the first of the traditional SCSI companies venturing into the Internet service arena, **Sema** this month acquired **Goya Servicios Telematicos** *"the leading Spanish Internet access and services provider"*. Sema has also been awarded the contract to build and manage the Euro 96 football championship site on the www.

We have a long standing regard for **CINVen** and, in particular, its IT partner **Syntech** (the canny Barnes Thompson outfit). One of their UK investments, Internet software provider **Firefox**, went for a still quite rare (for a UK company) NASDAQ IPO in May at $18 a share - which valued the $13m revenue company at $100m. A mere 140 P/E. CINVen's original investment was just £1m.

According to Computergram **Firefox** has this month become *"the first big Internet disappointment"* after succumbing to an all share bid from US **FTP Software Inc.** at c$14.5. Although this values Firefox at $80m, it could rise to a max. of $100m if FTP's share price goes up. Firefox shareholders will hold c20% the enlarged $220m revenue company.

Not to be confused, **Firecrest** was launched onto AIM in Jul. 95 at 40p and is now up a massive 288% at 155p! Their link up with DigiPhone enables cheap telephone calls over the Internet. They then bought a 74% stake in Internet access provider **Nethead.**

This month sees the launch of Firecrest's Global On-Line Directory *(yes, GOD for short!)*. The system enables Internet users to order and pay for a large range of services and products from home delivery pizzas to a vast catalogue of CDs. (For an in-depth review of the potential for Firecrest's offerings, see Computergram 18th Jan. 96).

Easynet Group plc (which is another of the UK's Internet access providers and, coincidentally, runs the **Cyberia** cafe chain) is planning an AIM listing; raising £2m in the process.

Acorn this month unveiled a contract to build **Oracle**'s sub $500 Internet surfing terminal.

The US Internet Economy in 2000

Sector	Value in 2000 $billion	Examples Established	Examples Newcomers
Internet Infrastructure	$14.2	America Online	Netscape
Consumer content	$2.8	Time Warner, News International	Interactive Imagination
Business Content	$6.9	Dow Jones, Reuters	Profound, BusinessNet
Trade	$21.9	Prodigy Compuserve Mall	Firecrest Barclay Mall
Financial Services	$46.2	Amex, First Data	Cybercash, PC Fin. Network

Source - Forrester Research Inc.

You can contact Richard Holway with any corporate news on 100665.3460@Compuserve.com.

ICL

Keith Todd, on the announcement of his appointment as **ICL's** CEO when (Sir) Peter Bonfield moved to BT (see p12), was quick to announce changes to ICL's organisation. We were delighted to see the *"Vision"* statement being *"to create the best systems integration and services company in Europe* **and** *to build a world class technology business with Fujitsu"*. The words and emphasis are ICL's and readers would do well to take note.

Ninian Eadie continues to be i/c of the Technology side. In ICL's all important SCSI activities there are now five main activities/reports:

- Retail (Rod Powell)
- Financial Services (Nuno Caldeira)
- ICL Sorbus (Paul Whitwam)
- ICL Enterprises (in essence the SI businesses) (Richard Livesey-Haworth)
- Outsourcing (in essence the CFM business) (Nigel Hartnell)

There have been many rumours circulating over ICL's attitude towards outsourcing in general and the possible sale of CFM in particular. Hartnell has assured us that, whatever we may have believed, ICL is 110% committed to this sector. There is every likelihood that ICL will move to consolidate - indeed, increase - its position in this all important growth market in the near term.

As we have long and publicly advocated this policy for ICL, we look forward to developments with great anticipation.

As a part of ICL's desire to focus on its core financial and retail sectors, ICL has this month sold its medical systems business *"for between £10m - £15m"* to **Siemens Nixdorf** (SNI). This will give SNI revenues of £40m in the UK health systems market. Source - FT 27th Jan. 96.

We suspect that there will be other disposals amongst the multitude of ICL's other business and industry interests, enabling them to focus on the core areas above.

We are impressed with both the speed and clarity of purpose displayed by Todd in the first few months of his stewardship. *We hope he continues with this resolve.*

Romtec for listing

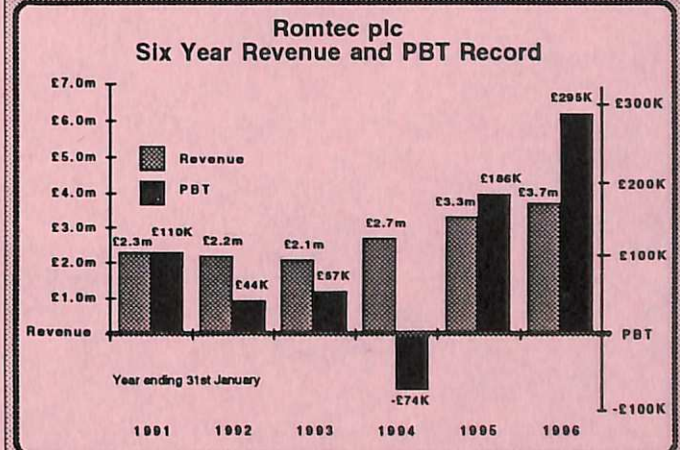
Romtec is, as far as we can determine, the largest UK-owned specialist IT market research company. It began in the PC sector but has expanded to cover mid-range and services and, by a number of acquisitions in 1993, telecoms research too. Now around 40% of revenues comes from database marketing - telemarketing and direct mail.

Chairman and founder Russ Nathan tells us that he is to seek a Stock Exchange listing soon - be it on the main market or AIM.

Anticipated results to the end of Jan. 96 are for revenues up 12% at £3.7m and PBT up nearly 60% at £295K.

To have an IT market research company as a quoted company will be interesting - *certainly we will be watching the reception with great personal interest!* Our industry spends a ludicrously low amount on research - less than a fifth of 1% of revenues. But there is no doubt that IT research is currently in great demand - *we can personally vouch for this.* Nathan confirms that much of Romtec's growth is coming from Europe.

We had expected Romtec to fall to a trade sale. Nathan says he has 2-3 serious approaches each year. Gartner was the potential parent we would have put our money on. There is currently as much consolidation activity in IT research as in the rest of the sector - as the Gartner/Dataquest coupling shows. The Internet is showing that *"information-rich"* companies will be in great demand and thus command high valuations.



Proteus running out of cash and looking for *"a financially stronger partner"*.

Sometimes we have to steer a careful course. Many of you attended our presentation for the CSSA last year. We presented the Top Ten loss makers of 1994 with the finding that all previous entries had either been restructured as a result of the shock and therefore appeared only once, or got acquired or, if they did appear for a second consecutive year, went broke. We merely pointed out that **Proteus International** was the only company on the 1994 list to have appeared on the 1993 list as well.

In an attempt to distance ourselves from any legal proceedings we quote the Evening Standard of 15th Jan. 96 *"Proteus looks set to run out of cash within three months and now stands accused of misleading the market". "Reports that milestone payments could be worth over $1m over three years were not denied"* and the share price rose from 109p to 144p as a result. It now turns out that milestone payments of $10,000 are nearer the mark.

Proteus announced continuing losses of £3.67m - *and still effectively no revenue* - in the six months to 30th Sept. 95. Cash has fallen from £7.5m to £2.7m in a year. Proteus is still eating cash at the rate of £400K a month and after five rights issues it surely has few supporters. Indeed the share price fell still further to end Feb. on 82p. Its novel decision to take stakes in the drugs being developed using its software - rather than sell the licences as everyone was led to expect at the time of the new issue - has clearly backfired. We had hoped to be able to quote an example of a successful *"risk/reward"* sharing deal - but clearly we will be disappointed.

Proteus now admits it does not have *"sufficient funds in the short term to meet its cash requirements"* and has appointed a merchant bank to provide financial advice. *"The company is urgently pursuing fund raising opportunities, including* ***the possibility of a merger with a financially stronger partner****".*

Give a man a Boring Award...

We gave Clay Brendish a *System House* Boring award and he immediately off-loaded his shares, Rodney Potts at Coda did the same and even John Rigg at Vega dumped part of his holding to pay for the celebration party.

So it came as little surprise to learn that our hero David Goldman sold 1m of his Sage shares at 326p raising £3.3m soon after learning that Sage was the latest recipient of this now much sought after award. He needs the money *"to buy a London property and other personal expenses"*.

But Goldman, who goes part time this year, still holds 6.85m shares (4.9%). Anyone contemplating a complaint will get a new *System House* Sour Grapes Award.

..and make us feel very old

AT&T's GIS, born out of the old **NCR**, is from henceforth to be known as .....NCR. Next month Digital will ask us to refer to them as DEC *(which everyone always has!). We have not had a call from the newly named Burroughs/ Univac yet.*

IBM and services

"IBM turned in its best performance for more than a decade, exceeding Wall Street's highest estimates". Source - The Times 19th Jan. 96. You would have to look hard to discover that the *"real star"* was services up 31% at $12.71b in the year to 31st Dec. 95. For the first time, **services were larger than software;** which had grown at a more modest 11.6% to $12.66b.

The performance was repeated in the UK where, on our estimates, revenues from pure SCSI activities increased by 24% from £365m to around £450m. It appears that systems integration grew by over 30%. Although outsourcing grew by an estimated 17% to £105m, this was less than hoped for. Hardware maintenance revenues reduced by a further 6%.

But given the current success of IBM's services activities, perhaps they will eventually consummate a major SCSI acquisition as we have suggested for some time. As soon as CFO Rick Thompson confirmed that such acquisitions were on the cards, rumours spread that the target was **Computer Sciences Corp. (CSC)** - sending the CSC share price higher.

Peter Bonfield's knighthood

We understand that revealing that you are to get a New Year's Honour in advance of the official announcement is almost a treasonable offence. So can we assure the powers that be - ICL, BT and Peter Bonfield in particular - that our comment in Dec. 95 edition *("surely Sir Peter before too long?)*, repeated in many other journals, was purely fortuitous as we had no insider information. But it does mean that we think the reward was richly deserved. This was in stark contrast to the page one headline in *Computing* (4th Jan. 96) which in essence said that *'Sir Peter' was rewarded for selling ICL to Japan.* We sent an e-mail to editor Jerry Sanders telling him of the many people who had 'phoned us affronted at this remark. He had received a few himself and published a letter from Frank Graham, MD of **Kainos Software** in Belfast, which mirrored our remarks. Sanders reply to this was *"winning friends is indeed important if one's ambitions tend in the direction of the New Year's Honours Lists"*.

We have no intention of getting involved in arguments over the merits - or otherwise - of the honours system. But, for the present, it exists... and there are hardly any IT *"knights"* - the Colin Southgate's, John Hoskyns' etc. seemed to get theirs for other activities. So here we have Bonfield - highly regarded by his peers, leading about the only profitable mainstream computer producer, employing thousands in the UK and, in the past, quoted as the role model for others like IBM - being castigated by the editor of one of the UK industry's main trade mags.

Sanders' jibe about *"selling ICL to Japan"* is a bit off course. It would be difficult to find any other of the many companies which have been purchased by overseas companies which have remained as *"British"* as ICL. Which other foreign purchases have even the remotest chance of a London quote? - as is still ICL's intention.

Apart from Bonfield, no other software or computing services notable got anything at all in this year's honours list.

See ICL - p11,

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