

System House

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

Volume 7

Number 6

Available by subscription only

ISSN 0967-2583

April 1996

A merger, a demerger, two floats and a new UK Number One

At the excellent Regent Conference in Jan. 96, CGS' COO Geoff Unwin related Holway's fear when launching *System House* in 1989 that there would not be enough corporate news to fill 12 pages each month. *If any month could prove the stupidity of that fear it was March 1996!*

Data Sciences

Data Sciences was due to be the first of a series of high quality IT services new issues. But on the 4th March, after a week of non-stop work, it was announced that IBM UK would be purchasing Data Sciences instead and the float was cancelled. IBM paid £95m plus assuming £3.9m debt.

That equates to an exit P/E of about 25 or 20 on the more profitable continuing professional services operations. To be fair, it was a "no brainer" for CINVen who held 75% of the equity. The original MBO team and other managers also did well. They invested at £1 a share back in 1991. When Andy Roberts took over the troubled group in 1993 those shares were probably worth no more than 1p. *The IBM deal valued the MBO shares at £3.15.* But readers will anticipate our feelings on yet another of the very few remaining £100m+ UK-owned SCSI companies falling into foreign ownership. *If only one of the other UK-owned companies had been prepared to match that price!*

IBM

(Note: Broadview acted for IBM)

We strongly suspect that further acquisitions will be made by IBM UK. IBM's Brian Sellwood stressed to us that he wanted to build a "well balanced operation". In other words, having just significantly strengthened the SI and consultancy arenas, it makes outsourcing - where IBM now looks relatively small - the most favoured next target.

Top UK Supplier?

As we reported in the Feb. 96 *System House*, IBM UK had increased their SCSI revenues earned in the UK market by about 25% to £450-460m in 1995. I.e. £560m with the Data Sciences acquisition. So with a growth rate of 20% that makes £650m - £700m possible for 1996. Indeed IBM UK's goal is £1b by 1998.

Last year's leading UK SCSI supplier - ICL - increased its revenues by a relatively modest 12% from £455m to £510m in 1995.

We estimate that with GM, Xerox and Unigraphic's revenues, EDS UK earned £525m in the UK in 1995 - up 50% from a like-for-like £345m in 1994. With known new EDS contracts, we estimate EDS' UK revenues of £600m

- £650m in 1996.

So with Data Sciences, IBM UK (on our strict definitions) would have been the largest SCSI supplier to the UK market in 1995. IBM already leads such rankings in France and Germany, so can now claim leadership in the Top Three markets in Europe. It looks as though that situation will continue in 1996.



Top Suppliers of Software and Services to UK Market in 1995

1	IBM UK SCSI + Data Sciences	£ 560.0m
2	EDS UK	£ 525.0m
3	ICL UK SCSI	£ 510.0m

(Note: Full reviews of the UK leaders in next month's *System House* and, of course, in the 1996 Holway Report.)

Triad

Readers must be aware of our high regard for Triad. (See *System House* Mar. 96).

Triad has forecast PBT of £2.4m to the end Mar. 96, up from £1.1m in 1995. The shares were placed this month at 135p; meaning a market capitalisation of £34m and a forecast P/E of 19.15. No new money was raised by the sale of c30% of the equity. John Rigg, Alistair Fulton and various VCs and trusts all took the opportunity to sell part (but by no means all) of their shareholding. The shares rocketed to 178p on the first day of trading and ended March on 183p - a P/E of around 25.

FI Group

This must have made Fulton Hilary Cropper's blue eyed boy. FI Group's shares were priced at 235p, inferring a value of £69.8m. The P/E of 20.8 is based on expected PBT up 41% to at least £4.6m (excluding £1m float expenses) to 30th April 96.

The float will raise about £18.5m of which £5.2m net is new money. Dealings start 10th April.

Rebus

CE Heath at last announced the demerger of its SCSI activities - i.e. Peterborough Software, Datasure and others now to be known as Rebus Group - from its "core" insurance activities. Basically CE Heath's shareholders will be offered one Rebus share for each one they hold. This values Rebus at around £50m. Rebus forecasts PBT to 31st Mar 96 of £6.5m before exceptionals. I.e. the same as last year. Rumours abound that the Rebus float might go the same way as Data Sciences.

Could Hoskyns become Really Boring again?

In February 1996, at their annual conference, we presented **Hoskyns Group** with an "honorary" *System House Boring Award*. In the thirteen years to 1990, Hoskyns had one of the most consistent growth records of any SCSI company operating in the UK. Despite repeated changes of ownership, their performance would certainly have more than qualified them for a Boring Award. Indeed, ten years ago, Hoskyns was the lead supplier of SCSI services to the UK market, was about to become a quoted company and was not only the lead FM supplier but probably had in excess of 50% of the UK outsourcing market.

It would be easy to blame the down turn in the early 1990s on the slowdown in the UK economy, the uncertainties over the direction of technological change or the new competition created by EDS, CSC and others. But the situation at Hoskyns was made worse by losing the Plessey contract as ownership changed. The wider difficulties faced by its new parent CGS did not help either. But, perhaps, Hoskyns also lost its way a bit too.

Whatever the reasons, Hoskyns not only sacrificed their unbroken profit growth record, but also slipped down the rankings. Indeed in the FM/outsourcing rankings, Hoskyns slipped even more and currently would have difficulty claiming even a 10% share of that fast growing market. Hoskyns is the UK subsidiary of French **Cap Gemini Sogeti** (CGS). For FY1995 CGS reported its first profit in four years since 1991 - albeit a minimal FF52 million on revenues up 11% at FF11.3 billion. A major programme to strengthen the balance sheet was announced, now the intentions (or rather lack of them) of Daimler-Benz towards exercising their option to acquire a majority stake has been resolved. This will bring the complex structure of CGS together into one organisation which, we hope, in future

will not require a PhD to understand.

Hoskyns results for the year to 31st December 1995 were the best ever. Revenues increased by 19% to £269.2m. Indeed, continuing UK revenues increased even more substantially by 29% to £242.3m. It should be remembered that in 1994 Hoskyns sold back its Project Manager Workbench (PMW) interests to the owners - ABT Corp. This had contributed £8.8m of revenues in 1994. Staff increased from 3,597 to 3,950.

Net operating profit (i.e. after interest received) increased by 47% to £20.46m - the highest on record. That's a really quite attractive 7.6% profit margin. We should however point out that Hoskyns' operating profit does not always bear too much relationship to the PBT as contained in the R&A at Companies House. As in any transnational, the published results are a little "foggy" but having said that, official PBT will have increased from £5.1m to £16.5m. This does, of course, mean that Hoskyns has to pay only £1.9m corporation tax in the UK.

Finance, Industry and Retail are still the largest sectors for Hoskyns. It is outsourcing - what Hoskyns terms as Information Systems Management - which has contributed the major part of the growth. Indeed, the British Gas deal, followed in 1996 by the British Steel/CMS deal, should boost outsourcing growth still further. CMS will add around £20 - £25m a year when it is fully up and going.

Hoskyns has a long way to go to rival EDS or even CSC, but at least Hoskyns is now improving its rankings and market share again.

So what of the future?

We expect revenues in excess of £325m in 1996 with some further margin improvement over the 7.6% achieved in 1995 leading to operating profits of at least £25m.

Of course, such results make Hoskyns a very attractive - and valuable - company.

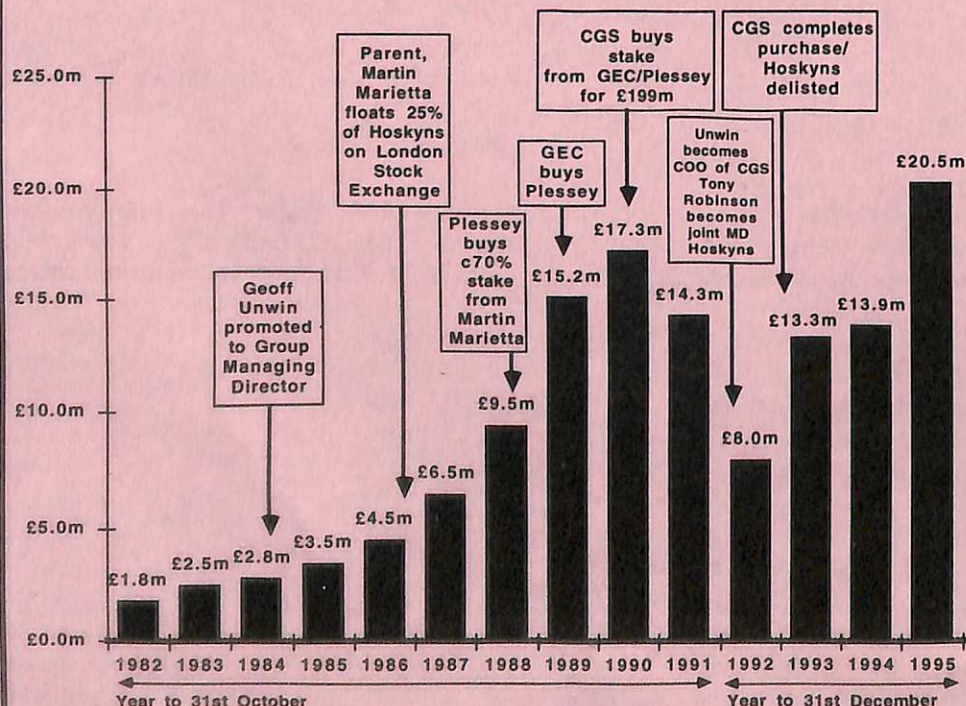
Attractive..... to any predator wanting to boost outsourcing revenues. For a possible candidate, one needs to look no further than the openly declared intentions of IBM UK, post the Data Sciences purchase (p1).

There are few other candidates of such size and stature which might even remotely be available. *Valuable.....* as the CMG float has shown only too well, Hoskyns would command a market capitalisation of at least £350m based on current market values.

Could Hoskyns float again? Well remember that last time it was parent Martin Marietta which put a 25% stake into play. Although the reasons were complex, you may remember that Martin Marietta was having just a few trading problems of its own and needed the money to strengthen its own balance sheet.

Is it so far fetched to draw similarities with the current situation at CGS?

Hoskyns Group plc Profit Performance

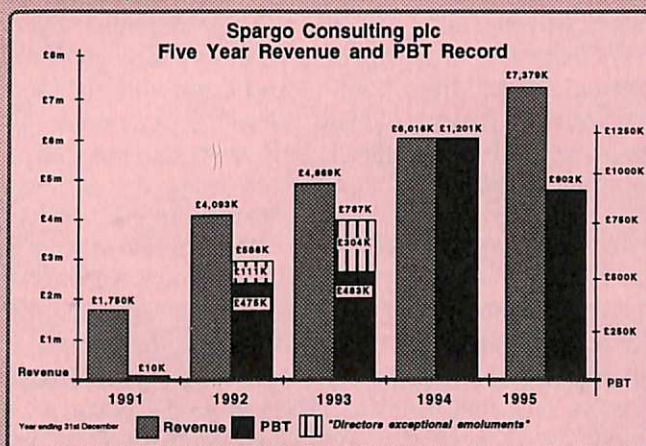


Spargo Consulting

Spargo Consulting was a new issue back in June 94 at 95p. They were of particular interest to us as they are engaged in application management (AM) and IT staff contracting. Spargo had consistently reported profit margins of 20% due to "tight control of costs" and long term contracts with blue chip customers.

But they suffered a big profits hit in 1995 relating to a "one-off full and final payment to the Inland Revenue in respect of employees PAYE and NIC on round sum allowances". This liability was noted in the placing document but, at that time, "the directors were of the opinion that there were reasonable grounds to refute the claim and no provision has been made".

In the year to 31st Dec. 95, revenues increased by 23% to £7.4m but, for the reasons described above relating to the settlement of the dispute with the Inland Revenue for £323K, PBT reduced by 26% to £902K. The previously high profit margin of 20% had been reduced to 12%. EPS reduced by 30%.



Chairman Bob Morton said that "current trading and prospects are buoyant and showing encouraging growth over last year".

Serco Group

There is little doubt that **Serco** appears to be at the very periphery of the kind of company that we should cover. The problem is that they describe themselves as "the high tech. FM company". In the year to 31st Dec. 95 revenues increased by 24% to £323m, PBT was up 21% to £15.2m and EPS advanced by 25%. Around 70% - or £228m - of revenues were from the UK. On the surface therefore they could be ranked as one of the largest FM suppliers to the UK market.

But then it gets more complex. The problem is that Serco is involved in *facilities management* in its truest sense. I.e. it manages real property related facilities. For example it has just been awarded a £180m FM contract to provide services to three MoD ports. It also manages 11,000 council houses for Sutton council.

But we reckon that around 30% of revenues - i.e. about £68m in the UK - relate to IT/high tech. Indeed systems engineering represents around 20% of revenues (and 25% of profits) "focused on comprehensive solutions to communications, monitoring and control requirements".

If you want to ignore/exclude Serco then fine. But don't forget it is exactly Serco's kind of managed service arena that is already the target for **Capita** and many other UK IT outsourcing providers.

Shock news "Meal eats diner"

In Feb. 94, **Nesco** sold its Nigerian interests, turned itself into a SCSL company called **DCS**, undertook a rights issue at 55p, bought **Motis**, **G.S.I UK** and a 51% stake in **ED&S** (Spain) - expanding their position in the motor dealer systems market where they are one of the market leaders after Kalamazoo. Ray Spence was appointed CEO.

DCS' biggest acquisition was of **CSI** ("supply chain management") in June 95 for a max. £8.2m.

Latest results for the six months to 31st Dec. 95 show revenues up 258% to £14.3m, PBT up over ten-fold from £105K to £1.2m and EPS up from 0.88p to 4.27p. The shares ended Mar. on 85p - that's a pretty healthy 55% rise since the rights issue.

You might therefore be as surprised as we were to learn that Ray Spence + two non execs have resigned due to what is officially described as "irreconcilable differences within the board".

Having sat on a dozen or so boards we would guess the story went approx. as follows. Spence has long term relationship with CSI and, after much courtship, consummates an acquisition. Paying a max. of £8.2m (half cash, half shares) for a company with revenues of £13.5m and PBT of £716K seemed fair. But it was a big bite for the smaller DCS to make. Bob Williams, Chairman, CEO and main shareholder in CSI became Dep. Chairman of DCS.

In the event, CSI performed brilliantly but....delays in the new version of DCS' Global DMS product meant that this part of the business made "a small operating loss". DCS addresses this by appointing Chris Merriman - from chief rivals Kalamazoo - as MD and the project is now "back on schedule".

It would not take a genius to imagine the ensuing board meetings. But how would you choose between Williams ("blunt" personality, major shareholder, i/c strongest part of group) v Spence (minimal shareholding, associated with weakest part of group but the person who put the whole thing together)?

Indeed even Chairman Robin Lodge admitted to us that "grown people do not always make it easy". He choose Williams...and Spence vacated his office. We joked with Spence on many occasions that DCS would be a victim of "acquisition indigestion" and, in a convoluted way, that's exactly what has happened. *The meal has extracted terminal revenge on the diner.*

BCE Holdings

BCE, which still has its snooker halls activities, undertook some of the larger acquisitions of 1994 when it bought **Software Creations** and **Rage Software** for £14m. Results for six months to 31st Dec. 95 show revenues up 70% at £4.1m but a loss of £1.2m compared with £199K PBT last time. Delays in contract signing for new games was blamed.

Inventure Ltd is a new "let's build an IT group from scratch by multiple acquisitions" company set up by Michael Adama and backed by **3i** and **Thompson Clive**. This month it has acquired **Astrogamma** of New York (currency option pricing systems) for £7m.

Schroder Ventures' VC Fund IV, which will invest in our type of company, raised £110m in just 3 months.

CSC Tom Williams has been appointed President of the newly merged CSC UK + ISM divisions.

Pegasus

Pegasus really seems to be living up to its namesake - the winged horse of Greek mythology that fell to earth only to take off again. *"Through the efforts and achievements of the past three years we are now well positioned to give priority to the expansion of the business"* said Chairman P Sellers.

Pegasus is (was?) one of the leading suppliers of financial accounting and business software products in the UK market. However, they hit a purple patch back in 1991/92 which resulted in the very public removal of their founder/CEO - Derek Moon. Jonathan Hubbard-Ford was appointed in his place.

Results for the year to 31st December 1995 show PBT up 268% at £893K on revenues up a third at £6.43m. On the surface EPS declined by 19% to 10.3p, but *"the previous year included the benefit of a significant prior year tax credit, without which EPS would have been 2.4p"*. Despite considerable (£3m) capital expenditure on their *"new purpose built and equipped office"* Pegasus still had cash and short term deposits of over £4m at the year end.

These really do appear to be an excellent set of results as they show that the core software - and related services - grew strongly. Indeed, sales of their new *"flagship"* product - Opera - increased by 63%.

As readers will know it was the previous policy of channelling most of the associated services revenues via VARs/dealers that (in our opinion) caused most of Pegasus' earlier problems. Most of their (previously more successful) competitors make significant revenue from services which has the added attraction of not disappearing so fast during times of market down turn. It is therefore interesting that *"a significant and growing proportion of Pegasus' revenues are derived from services, including annual licences fees, software support contracts and training. Service revenues grew rapidly in 1995 and now contribute approx. 30% of total revenues"*. It is worth noting, however, that such services revenues are over 50% of revenues in Pegasus' main competitors. It just shows how much more improvement is possible!

Radius

"What goes round, comes around". Recovery followed by setback is becoming a rather monotonous (we were going to say boring, but refrained) tale at **Radius plc**. Acquisitive Radius are involved in a wide (some might suggest too wide) range of vertical areas.

Latest results for the year to 31st December 1995 showed revenues up just 5% at £26.1m but PBT up 25% at £1.81m and EPS up 52%. Net cash increased by £1m to £3.9m. But this just puts them back to the earnings performance achieved a decade ago in 1985.

"Printing and Public sectors both exceeded expectations. Retail, Commercial and the Professional businesses all performed well in competitive markets. Growth in revenues were particularly marked in relation to the supply of our software packages, where initial values were almost 40% ahead of the previous year". But, not unsurprisingly there was a decline in hardware maintenance revenues. Chairman Mike Roberts looks forward *"to reporting continued progress at the half year"*.

Radius shares ended Mar. 96 on 60p - up 15% on the year and 122% above the 27p low suffered in 1994.

Logica

Logica's results for the six months to 31st Dec. 95 were good but hardly exceptional. PBT was up 25% at £9m and EPS up 26%. But revenues grew by just 14% to £128.9m. Margins were up from 6.4% to 7%.

But revenues from the UK market were up by a *"below market average"*

12% whereas revenues from the North American market - the old perennial trouble

Logica - Revenues by Client Location			
6 months to 31/12/95	Revenue	Growth	Proportion
UK	£63.0m	12%	49%
Continental Europe	£35.4m	24%	28%
North America	£16.0m	-7%	12%
Asia Pacific			
Middle East	£14.5m	26%	11%
Total	£128.9m	14%	100%

spot for Logica - actually declined by 7%. Continental Europe, where margins improved to 8.7%, was surprisingly a particularly strong area. *"Significant growth was achieved in Germany"*. Growth in the Middle East was offset by small declines in the Far East and Australasia.

But it does look as if Logica could do better in the next period. *"Order intake for the period is ahead of last year...we have been working on a significant number of very large proposals which have a very long gestation period"*. Indeed CEO Martin Read listed four contracts Logica was currently bidding - all with order values well in excess of £10m. Logica is unlikely to lose them all! Logica is already a world-class company - it now has to show it can become a world sized company. We had hoped they would purchase one of the very few remaining sizeable UK SCSI companies. Indeed the latest interim statement confirms that Logica has *"considered a number of acquisition possibilities...but has not been able to conclude any transactions at prices we felt appropriate"*. Logica now has a capitalisation around £343m, so a purchase of *"say £95m"* would have been under 30% of Logica's value.

PARITY

Parity announced revenues up 44% at £128m, PBT up 57% at £6.5m and EPS up 44% in the

year to 31st Dec. 95.

CSS Trident increased revenues by a rather lower than market average 17% to £83m. However, CEO Paul Davies told us that CSS Trident is now not so much the lowest cost IT staff agency but *"more a services operation competing with the established systems houses"*. Keith Jennings' **Parity Solutions** - boosted by the ACT purchase in Dec. 94 - now has revenues of £31m (£7m) and represented 25% of Parity's total revenues. Revenues from Europe, *"now rebranded under the Eurosoft banner"*, contributed a further £14m.

Parity now has 2,250 fee earners of which 350 are permanent staff and an order book of £54m.

Niche acquisitions are still very much on the cards. They will be of services - rather than product - oriented companies with IT training, logistics, systems development etc. being particularly favoured.

"Steady growth from the professional IT resources business in the UK and further margin improvements in Parity Solutions" are expected.

You could have bought Comac shares three years ago at 18p. Parity closed Mar. 96 on 209p.

Systems Integrated Research (SiR) (multimedia educational software group) joined AIM at the end of March 96 at 115p raising £3m of new money and valuing SiR at £15.4m.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc					Electronic Data Processing plc						
	Final - Dec 94		Final - Dec 95	Comparison		Final - Sep 94		Final - Sep 95	Comparison		
REV	£ 49,473,000		£ 65,460,000	+32.3%	REV	£ 14,013,000		£ 12,605,000	-10.0%		
PBT	£ 7,719,000		£ 9,832,000	+27.4%	PBT	£ 4,123,000		£ 3,083,000	-25.2%		
EPS	45.20p		53.60p	+18.6%	EPS	10.21p		7.53p	-26.2%		
Azlan Group plc					Firecrest plc						
	Interim - Sep 94		Final - Mar 95	Interim - Sep 95	Comparison		Interim - Jun 94		Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 37,735,000		£ 90,488,000	£ 72,716,000	+92.7%	REV	n/a		£ 7,130,000	£ 2,620,000	n/a
PBT	£ 1,079,000		£ 3,906,000	£ 4,445,000	+312.0%	PBT	n/a		£ 414,429	£ 113,000	n/a
EPS	3.70p		12.50p	13.60p	+267.6%	EPS	n/a		2.30p	0.35p	n/a
British Data Management plc					Flomerics Group plc						
	Final - Jun 94		Final - Jun 95	Comparison		Final - Dec 94		Final - Dec 95	Comparison		
REV	£ 16,817,000		£ 17,042,000	+1.3%	REV	£ 3,098,672		£ 4,147,187	+33.8%		
PBT	£ 4,618,000		£ 1,575,000	-65.9%	PBT	£ 406,900		£ 415,565	+2.1%		
EPS	9.80p		3.80p	-61.2%	EPS	11.00p		11.00p	+0.0%		
Capita Group plc					Gresham Computing plc						
	Final - Dec 94		Final - Dec 95	Comparison		Final - Oct 94		Final - Oct 95	Comparison		
REV	£ 73,800,000		£ 86,994,000	+17.9%	REV	£ 6,507,000		£ 7,895,000	+21.3%		
PBT	£ 7,903,000		£ 9,420,000	+19.2%	PBT	£ 708,000		£ 1,281,000	+80.9%		
EPS	10.50p		11.80p	+12.4%	EPS	1.32p		2.36p	+78.8%		
Cedardata plc					INSTEM plc						
	Interim - Sep 94		Final - Mar 95	Interim - Sep 95	Comparison		Final - Dec 94		Final - Dec 95	Comparison	
REV	£ 3,726,000		£ 8,932,000	£ 5,333,000	+43.1%	REV	£ 16,812,000		£ 21,324,000	+26.8%	
PBT	£ 1,337,000		£ 3,572,000	£ 1,995,000	+49.2%	PBT	£ 1,153,000		£ 1,244,000	+7.9%	
EPS	2.80p		7.90p	4.20p	+50.0%	EPS	16.80p		18.10p	+7.7%	
CentreGold plc					JBA Holdings plc						
	Interim - Jan 94		Final - Jul 94	Interim - Jan 95	Comparison		Interim - Jun 94		Final - Dec 94	Interim - Jun 95	Comparison
REV	£ 52,554,000		£ 91,314,000	£ 41,037,000	-21.9%	REV	£ 38,500,000		£ 90,687,000	£ 49,464,000	+28.5%
PBT	£ 2,600,000		£ 4,033,000	-£ 3,883,000	Profit to Loss	PBT	£ 264,000		£ 6,131,000	£ 754,000	+185.6%
EPS	4.70p		7.30p	-6.44p	Profit to Loss	EPS	0.19p		12.13p	1.43p	+652.6%
Clinical Computing plc					Kalamazoo Computer Group plc						
	Interim - Jun 94		Final - Dec 94	Interim - Jun 95	Comparison		Interim - Sep 94		Final - Mar 95	Interim - Sep 95	Comparison
REV	£ 735,000		£ 1,471,684	£ 924,000	+25.7%	REV	£ 28,263,000		£ 60,719,000	£ 32,358,000	+14.5%
PBT	-£ 227,000		-£ 688,596	-£ 357,000	Loss both	PBT	£ 3,003,000		£ 6,815,000	£ 2,012,000	-33.0%
EPS	-1.40p		-4.30p	-2.20p	Loss both	EPS	4.98p		11.80p	3.66p	-26.5%
CMG plc					Kewill Systems plc						
	Final - Dec 94		Final - Dec 95	Comparison		Interim - Sep 94		Final - Mar 95	Interim - Sep 95	Comparison	
REV	£ 146,283,000		£ 196,484,000	+34.3%	REV	£ 16,405,000		£ 33,667,000	£ 16,567,000	+1.0%	
PBT	£ 14,057,000		£ 18,460,000	+31.3%	PBT	£ 2,166,000		£ 5,067,000	£ 2,613,000	+20.6%	
EPS	13.90p		18.20p	+30.9%	EPS	12.16p		28.39p	14.55p	+19.7%	
Coda Group plc					Learmonth & Burchett Management Systems plc						
	Final - Oct 94		Final - Oct 95	Comparison		Interim - Oct 94		Final - Apr 95	Interim - Oct 95	Comparison	
REV	£ 23,388,000		£ 32,791,000	+40.2%	REV	£ 11,023,000		£ 23,761,000	£ 12,440,000	+12.9%	
PBT	-£ 7,992,000		£ 1,030,000	Loss to Profit	PBT	-£ 3,278,000		-£ 5,251,000	£ 496,000	Loss to profit	
EPS	-27.70p		2.50p	Loss to Profit	EPS	-13.70p		-24.70p	1.80p	Loss to profit	
Compel Group plc					Logica plc						
	Interim - Dec 94		Final - Jun 95	Interim - Dec 95	Comparison		Interim - Dec 94		Final - Jun 95	Interim - Dec 95	Comparison
REV	£ 28,272,000		£ 70,019,000	£ 40,421,000	+43.0%	REV	£ 113,565,000		£ 250,135,000	£ 128,919,000	+13.5%
PBT	£ 1,194,000		£ 2,684,000	£ 1,441,000	+20.7%	PBT	£ 7,220,000		£ 20,310,000	£ 9,035,000	+25.1%
EPS	5.56p		11.10p	6.06p	+9.0%	EPS	7.80p		21.70p	9.80p	+25.6%
Computerised Financial Solutions plc					Lorien Group plc						
	Interim - Jun 94		Final - Dec 94	Interim - Jun 95	Comparison		Interim - May 94		Final - Nov 94	Interim - May 95	Comparison
REV	£ 1,404,000		£ 3,120,711	£ 1,276,000	-9.1%	REV	£ 7,800,000		£ 17,904,000	£ 11,500,000	+47.4%
PBT	-£ 36,000		£ 350,617	-£ 66,000	Loss both	PBT	£ 142,403		£ 169,000	£ 414,315	+190.9%
EPS	-1.40p		3.97p	-1.50p	Loss both	EPS	2.39p		2.65p	6.17p	+158.2%
Cray Electronic Holdings plc					Lynx Holdings plc						
	Interim - Oct 94		Final - Apr 95	Interim - Oct 95	Comparison		Final - Sep 94		Final - Sep 95	Comparison	
REV	£ 135,044,000		£ 264,838,000	£ 128,957,000	-4.5%	REV	£ 21,523,000		£ 32,018,000	+48.8%	
PBT	£ 10,085,000		£ 835,000	-£ 14,594,000	Profit to loss	PBT	£ 2,009,000		£ 2,564,000	+27.6%	
EPS	3.00p		-0.30p	-6.30p	Profit to loss	EPS	4.50p		4.70p	+4.4%	
CRT Group plc					M.A.I.D. plc						
	Interim - Oct 94		Final - Apr 95	Interim - Oct 95	Comparison		Final - Dec 94		Final - Dec 95	Comparison	
REV	£ 29,187,000		£ 72,762,000	£ 48,079,000	+64.7%	REV	£ 8,887,000		£ 13,642,000	+53.5%	
PBT	£ 1,288,000		£ 5,972,000	£ 1,748,000	+35.7%	PBT	£ 1,285,000		-£ 4,045,000	Profit to loss	
EPS	1.42p		6.30p	1.71p	+20.4%	EPS	1.14p		-4.42p	Profit to loss	
DCS Group plc					MMT Computing plc						
	Interim - Dec 94		Final - Jun 95	Interim - Dec 95	Comparison		Final - Aug 94		Final - Aug 95	Comparison	
REV	£ 4,007,000		£ 8,694,833	£ 14,335,000	+257.7%	REV	£ 10,861,498		£ 13,957,949	+28.5%	
PBT	£ 105,000		£ 609,530	£ 1,204,000	+1046.7%	PBT	£ 2,505,106		£ 3,075,053	+22.8%	
EPS	0.88p		5.02p	4.27p	+385.2%	EPS	13.10p		16.30p	+24.4%	
DRS Data & Research Services plc					MR Group plc						
	Final - Dec 94		Final - Dec 95	Comparison		Interim - Dec 94		Final - Jun 95	Interim - Dec 95	Comparison	
REV	£ 8,798,000		£ 6,468,000	-26.5%	REV	£ 21,305,000		£ 41,429,000	£ 18,560,000	-12.9%	
PBT	£ 1,487,000		£ 594,000	-60.1%	PBT	£ 3,136,000		£ 1,309,000	£ 2,174,000	-30.7%	
EPS	3.07p		1.33p	-56.7%	EPS	4.00p		1.60p	2.60p	-35.0%	
Delphi Group plc					McDonnell Information Systems Group plc						
	Final - Dec 94		Final - Dec 95	Comparison		PF Interim - Jun 94		PF Final - Dec 94	Interim - Jun 95	Comparison	
REV	£ 97,685,000		£ 175,006,000	+79.2%	REV	£ 68,609,000		£ 148,911,000	£ 79,145,000	+15.4%	
PBT	-£ 391,000		£ 9,015,000	Loss to profit	PBT	£ 5,044,000		£ 9,064,000	-£ 1,673,000	Profit to loss	
EPS	-7.76p		25.42p	Loss to profit	EPS	3.48p		4.57p	-2.42p	Profit to loss	
Division Group plc					Macro 4 plc						
	Final - Oct 94		Final - Oct 95	Comparison		Interim - Dec 94		Final - Jun 95	Interim - Dec 95	Comparison	
REV	£ 5,270,000		£ 4,830,000	-8.3%	REV	£ 12,285,000		£ 25,035,000	£ 12,635,000	+2.8%	
PBT	-£ 1,440,000		-£ 3,893,000	Loss both	PBT	£ 5,685,000		£ 11,602,000	£ 5,956,000	+4.8%	
EPS	-4.00p		-9.20p	Loss both	EPS	16.70p		35.20p	17.90p	+7.2%	
Eidos plc					Micro Focus plc						
	Interim - Jun 94		Final - Dec 94	Interim - Jun 95	Comparison		Final - Jan 95		Final - Jan 96	Comparison	
REV	£ 188,196		£ 254,225	£ 96,128	-48.9%	REV	£ 89,885,000		£ 77,258,000	-14.0%	
PBT	£ 47,834		-£ 107,623	-£ 267,533	Profit to loss	PBT	£ 8,723,000		-£ 6,542,000	Profit to loss	
EPS	1.93p		-4.16p	-10.03p	Profit to loss	EPS	32.00p		-43.60p	Profit to loss	

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Microgen Holdings plc				Radius plc					
	Final - Oct 94	Final - Oct 95	Comparison		Final - Dec 94	Final - Dec 95	Comparison		
REV	£ 58,774,000	£ 69,029,000	+17.4%	REV	£ 24,866,000	£ 26,052,000	+4.8%		
PBT	£ 6,173,000	£ 8,383,000	+35.8%	PBT	£ 1,451,000	£ 1,809,000	+24.7%		
EPS	10.00p	14.80p	+48.0%	EPS	2.87p	4.37p	+52.3%		
Microvitec plc				Real Time Control plc					
	Final - Dec 94	Final - Dec 95	Comparison		Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison	
REV	£ 44,146,000	£ 55,050,000	+24.7%	REV	£ 8,491,000	£ 13,463,000	£ 5,325,000	-37.3%	
PBT	£ 2,560,000	£ 3,411,000	+33.2%	PBT	£ 1,050,000	£ 1,782,000	£ 742,000	-29.3%	
EPS	3.00p	3.10p	+3.3%	EPS	12.00p	20.00p	7.10p	-40.8%	
Misys plc				Rolfe & Nolan plc					
	Interim - Nov 94	Final - May 95	Interim - Nov 95	Comparison		Interim - Aug 94	Final - Feb 95	Interim - Aug 95	Comparison
REV	£ 63,922,000	£ 153,395,000	£ 129,528,000	+102.6%	REV	£ 7,104,000	£ 14,288,000	£ 7,661,000	+7.8%
PBT	£ 11,245,000	£ 26,345,000	£ 19,216,000	+70.9%	PBT	£ 742,000	£ 1,512,000	£ 1,074,000	+44.7%
EPS	16.20p	35.10p	16.90p	+4.3%	EPS	2.90p	6.70p	5.35p	+84.5%
Moorepay Group plc				Sage Group plc					
	Final - Dec 94	Final - Dec 95	Comparison		Final - Sep 94	Final - Sep 95	Comparison		
REV	£ 3,873,089	£ 4,632,538	+19.6%	REV	£ 50,888,000	£ 102,234,000	+100.9%		
PBT	£ 686,336	£ 1,142,110	+66.4%	PBT	£ 14,252,000	£ 22,362,000	+56.9%		
EPS	6.28p	10.22p	+62.7%	EPS	9.08p	13.88p	+52.9%		
OmniMedia plc				Sanderson Electronics plc					
	Incorp. - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Final - Sep 94	Final - Sep 95	Comparison	
REV		£ 124,594	£ 199,962	n/a	REV	£ 33,984,000	£ 57,801,000	+70.1%	
PBT		-£ 421,354	-£ 279,137	n/a	PBT	£ 4,228,000	£ 5,305,000	+25.5%	
EPS		-3.84p	n/a	n/a	EPS	7.30p	8.80p	+20.5%	
On Demand Information plc				Sema Group plc					
	Final - Jul 94	Final - Jul 95	Comparison		Final - Dec 94	Final - Dec 95	Comparison		
REV	£ 14,487,000	£ 8,786,000	-58.8%	REV	£ 596,111,000	£ 677,726,000	+13.7%		
PBT	-£ 2,617,000	-£ 3,646,000	Loss both	PBT	£ 29,518,000	£ 36,927,000	+25.1%		
EPS	-5.70p	-7.20p	Loss both	EPS	20.98p	24.79p	+18.2%		
Oxford Molecular plc				Sherwood International plc					
	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison		Final - Dec 94	Final - Dec 95	Comparison	
REV	£ 1,086,000	£ 2,765,000	£ 2,832,000	+160.8%	REV	£ 27,067,000	£ 26,246,000	-3.0%	
PBT	-£ 933,000	-£ 2,906,000	-£ 2,112,000	Loss both	PBT	£ 79,000	£ 6,850,000	+8570.9%	
EPS	-3.50p	-8.60p	-4.30p	Loss both	EPS	-10.73p	66.20p	Loss to profit	
P & P plc				Spargo Consulting plc					
	Final - Nov 94	Final - Nov 95	Comparison		Final - Dec 94	Final - Dec 95	Comparison		
REV	£ 263,930,000	£ 341,990,000	+29.6%	REV	£ 6,016,000	£ 7,379,000	+22.7%		
PBT	£ 8,016,000	£ 12,574,000	+56.9%	PBT	£ 1,211,000	£ 902,000	-25.5%		
EPS	8.10p	11.00p	+35.8%	EPS	6.29p	4.43p	-29.6%		
Parity plc				Standard Platforms Holdings plc					
	Final - Dec 94	Final - Dec 95	Comparison		Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison	
REV	£ 88,791,000	£ 127,711,000	+43.8%	REV	£ 749,995	£ 1,305,476	£ 699,119	-6.8%	
PBT	£ 4,176,000	£ 6,540,000	+56.6%	PBT	-£ 35,640	-£ 143,280	-£ 314,850	Loss both	
EPS	7.19p	10.34p	+43.8%	EPS	-0.90p	-1.10p	-1.50p	Loss both	
Pegasus Group plc				Superscape VR plc					
	Final - Dec 94	Final - Dec 95	Comparison		Final - Jul 94	Final - Jul 95	Comparison		
REV	£ 4,808,000	£ 6,426,000	+33.7%	REV	£ 859,192	£ 1,590,000	+85.1%		
PBT	£ 243,000	£ 893,000	+267.5%	PBT	-£ 238,024	-£ 1,746,000	Loss both		
EPS	12.70p	10.30p	-18.9%	EPS	-6.10p	-32.80p	Loss both		
Persona plc				Total Systems plc					
	Final - Dec 94	Final - Dec 95	Comparison		Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison	
REV	£ 31,537,000	£ 53,375,000	+69.2%	REV	£ 1,096,691	£ 2,289,437	£ 1,273,331	+16.1%	
PBT	£ 2,059,000	£ 2,832,000	+37.5%	PBT	£ 7,460	£ 53,516	-£ 54,488	Profit to loss	
EPS	12.69p	15.70p	+23.7%	EPS	0.04p	0.34p	-0.44p	Profit to loss	
PhoneLink plc				Trace Computers plc					
	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison		Final - May 94	Final - May 95	Comparison	
REV	£ 797,000	£ 2,085,000	£ 2,103,000	+163.9%	REV	£ 18,628,990	£ 19,676,832	+5.6%	
PBT	-£ 1,963,000	-£ 3,702,000	-£ 2,712,000	Loss both	PBT	£ 409,901	£ 482,746	+17.8%	
EPS	-5.50p	-10.40p	-7.30p	Loss both	EPS	2.33p	2.55p	+9.4%	
Proteus International plc				Vega Group plc					
	Interim - Sep 94	Final - Mar 95	Interim - Sep 95	Comparison		Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparison
REV	Nil	Nil	£ 30,000	n/a	REV	£ 5,710,000	£ 12,516,000	£ 7,280,000	+27.1%
PBT	-£ 3,666,000	-£ 7,925,000	-£ 3,618,000	Loss both	PBT	£ 1,020,000	£ 2,910,000	£ 1,271,000	+24.6%
EPS	-11.94p	-25.47p	-11.06p	Loss both	EPS	4.76p	13.49p	5.90p	+23.9%
Quality Software Products Holdings plc				Virtuality Group plc					
	Final - Dec 94	Final - Dec 95	Comparison		Final - Dec 94	Final - Dec 95	Comparison		
REV	£ 16,494,732	£ 21,385,842	+29.7%	REV	£ 9,126,000	£ 12,779,000	+40.0%		
PBT	£ 2,512,400	£ 502,697	-80.0%	PBT	-£ 1,397,000	-£ 565,000	Loss both		
EPS	26.90p	5.20p	-80.7%	EPS	-5.30p	-2.10p	Loss both		
RM plc				Wakebourne plc					
	Final - Sep 94	Final - Sep 95	Comparison		Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparison	
REV	£ 65,493,000	£ 80,691,000	+23.2%	REV	£ 18,172,000	£ 35,336,000	£ 18,848,000	+3.7%	
PBT	£ 3,769,000	£ 5,023,000	+33.3%	PBT	£ 1,068,000	£ 1,865,000	-£ 356,000	Profit to loss	
EPS	15.50p	18.80p	+21.3%	EPS	3.40p	5.70p	-1.10p	Profit to loss	
				Zergo Holdings plc					
	Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparison		Interim - Oct 94	Final - Apr 95	Interim - Oct 95	Comparison
REV	£ 2,986,000	£ 7,074,520	£ 4,005,000	+34.1%	REV	£ 2,986,000	£ 7,074,520	£ 4,005,000	+34.1%
PBT	£ 46,000	£ 12,769	-£ 479,000	Profit to loss	PBT	£ 46,000	£ 12,769	-£ 479,000	Profit to loss
EPS	n/a	n/a	n/a	Profit to loss	EPS	n/a	n/a	n/a	Profit to loss

"Voilà L'Admiral" - une compagnie très ennuyeuse!

Deux acquisitions d'un montant supérieur à 5 millions de livres en moins d'un an: cela commence à devenir intéressant!

After buying Belgian systems house **Delphy** for £5.4m last May, **Admiral** has announced the acquisition of French **Ares SA** and its subsidiaries **Dacylog SARL** and **Abaqus SA** for FF40m (£5.2m) initially plus an estimated £1.9m dependent on performance to 31st Dec. 96.

Ares had revenues of £8.4m and PBT of £700K in the year to 30th Sept. 95. Ares employs 130 staff and specialises on client server, network and industrial systems.

After being pipped to the post by **Syntegra** on **Europe Informatique** a few months ago, voilà qui contribue aux ambitions européennes d'Admiral.

Acquisitions, disposals and liquidations

Lynx has acquired **Tesoft SA** of Spain for £6.44m - an initial £4.83m cash plus the rest in shares to be retained for 3 years. An additional £1m is payable on profits to 1998. Tesoft provides automotive software.

Sema has acquired **Mouncey & Partners Ltd.**, which specialises in public sector consultancy. Mouncey had 41 staff and earned revenues of £2.76m in the year to 31st Dec. 95. No consideration was disclosed. Sema also announced that it had sold its Pleiades payroll and personnel suite to French **Sopra SA**.

IBM (UK) followed up its **Data Sciences** purchase by acquiring mainframe maintenance company **ISL Integrated Services** which employs 41 in the UK and 11 in Sweden and had revenues of £4.3m in 1995. No consideration was disclosed, but we assume it was small. Mac mail-order storage specialist **Business Data Comms. Systems** has called in the receivers.

Oxford Molecular has acquired the **Unichem** software product range from **Cray Research**.

Leading Technology (t/as Protek)

Having undertaken the market due diligence, it's a bit difficult to report more than the public statement that **BZW Equity** has taken a 31% stake in **Protek** where Geoff Evans is CEO. BZW bought out the shares owned by Mike Berman and others. Protek currently has revenues of £10m and is now concentrating on its IT services business. If Protek's plans are met, it could be one of the best investments for BZW in a long while. A float is anticipated in "5 to 7 years". Can we wait that long?

Quality Software Products

QSP was floated at 380p in March 1993. In Nov. 95 investors contributed £14.7m in a 535p rights issue, but in Feb. 96, QSP issued a profits warning and the shares dived from 708p to 355p. The same month Alan Benjamin took on the responsibility of Chairman taking over from founder Alan Mordain who remained as CEO.

Revenues increased by 30% to £21.4 in the year to 31st Dec. 95. At the headline level PBT decreased by 80% to £502K and EPS was down 81% at 5.2p. In other words, the results were largely as expected.

We say "headline" because, as readers will know only too well, we have (it seems) played our part in making QSP a *cause célèbre* in the capitalisation of R&D debate. So much so that Benjamin promised a "robust" approach to the press on such matters when appointed. So, we give him full marks for stating on page one of his first Chairman's Statement that "net software capitalisation of £3.1m" was incurred in the year. In other words the operating profit of £1.25m would have read a loss of £1.9m. £16.8m out of QSP's net assets of £20.7m are now accounted for by "intangible assets" - i.e. mainly capitalised R&D.

Benjamin is "confident that we shall, during the course of the year, acquire the contracts which were delayed at the end of last year". He has also "transferred some 50 people to revenue earning activities".

We are delighted that QSP is now "keenly focused on profitability". But we would still like that to be after expensing R&D like most of QSP's competitors.

QSP shares fell by another 14% to end March on 253p.

MAID, provides on-line third party market research

m-a-i-d
EASY ACCESS TO THE HARD FACTS

information, and was a new issue at 110p in March 1994. In Sept. 95, MAID announced a deal to provide its services to the Microsoft Network and they launched onto NASDAQ raising about £25m net. Although revenues increased by 54% to £13.6m for the full year to 31st Dec. 1995 a loss of £4.04m was reported compared with PBT of £1.3m in 1994. However, to be fair, this was "in line with the board's expectations at the time of the NASDAQ offer". This offer also strengthened the balance sheet somewhat. MAID ended the year with cash of £22m.

Easy Access? We should point out that the losses are actually much worse. MAID capitalises its R&D and "intangible assets" increased by £3.5m - from £2.7m to £6.2m - in the year.

In a "year of remarkable development", MAID doubled the number of new customers signed and now has over 1,200 corporate clients worldwide.

We have no objection to Chairman Michael Mander saying that "the prospects for MAID are exciting". Whether you feel you can take this level of excitement is clearly up to you. In a market which is changing so rapidly that a month can witness changes which previously took a generation, MAID will have to take care that the very value added services it offers are not eclipsed overnight by some new development or free offer.

Hard Facts? MAID's share price has been volatile - to say the least. After hitting a high of 355p in Nov. 95, they fell to 270p at the time of the rights issue and have fallen significantly since to end Mar. 96 on 233p.

Persona is a distributor of PC network and comms.

products and was a new issue back in April 1994 at 160p. Its performance since has been exemplary.

In December 1995, Persona undertook its largest ever acquisition by buying **Financière Top Log** of France for £19.9m, funded by a £23.1m rights issue, and thereby effectively doubling their size.

Results for the year to 31st Dec. 95 showed revenues up 69% at £53.4m, PBT up 38% at £2.8m - £100K ahead of the directors' forecasts at the time of the Top Log acquisition - and EPS up 24%.

The distribution bit increased revenues by 71% to £50.8m and PBT by 31% to £2.5m. Therefore gross margins fell to around 5% - a trend which is expected to continue.

Faculty Ltd. - the training and services activity - grew revenues by 35% to £2.5m and PBT by 10% to £329K. Chairman, Wayne Channon "looks forward to 1996 with great enthusiasm". Given that the group will be at least twice as big in 1996, it could be a very exciting year for a company which so far seems to have done no wrong and is clearly distributing products in the fastest growing sector of the market connected with the Inter and Intranet.

Persona shares ended Mar. down 3% at 251p.

Phonelink

Phonelink has announced a placing aimed at raising £15m - priced at between 165p and 185p - in order to develop and market its Tel-Me services. Phonelink also anticipated losses of £6.7m for the year to 31st March 1996 on turnover which was "expected to have doubled to £4.3m". Subscribers have doubled from 1,450 to 5,550.

The shares closed March 1996 down 2% on 169p.

CMG

We have covered **CMG** on many occasions in the last few months. **CMG** floated in Dec. 95 at 290p. They ended Mar. 96 at 495p. i.e. a 71% premium in 3 months! Thereby they unlocked the door to several other quality IT services companies to seek a listing in the first half of 1996.

CMG had gone to market with a forecast PBT of not less than £19.5m to 31st Dec. 95. In the event PBT increased by 38% to £20.1m (albeit before float expenses of £1.6m). Revenues were up 34% at £196.5m. EPS (also before float costs) increased by 47% to 21p.

Operating profits (before float costs) increased by 42% to £19.7m in 1995 and represent an operating margin of 10%.

Eat your heart out all those IT services CEOs (i.e. many of our readers!) who try to suggest that such margins are impossible!

The results were interesting also because they showed that the Dutch market - **CMG**'s largest market - had grown by a massive 37% to £127.8m. In the Netherlands, **CMG** had achieved a gross operating profit of £19.6m - i.e. an operating margin of 15.3%! This was "helped to a small degree by some of our competitors being distracted by reorganisation and takeover problems." Who could they be referring to!

On the other hand **CMG** UK had managed only an industry average revenue growth of 14% to £49.2m. Even with operating profits up over two-thirds, at £1.8m, that still only equates to a margin of just 3.6%.

Revenues from Germany increased by c80% to £19.5m - helped, of course, by the acquisition of **Pecom** for an estimated £7.8m in 1995. Although Germany is back in profit of a minimal £12K after the losses of £603K in 1994 "the German economy is still facing difficulties. Some 30% of **CMG**'s business in Germany in 1995 came from the manufacturing sector, which tends to be one of the first casualties of a downturn in investment".

Profits of £24.5m and EPS up 12% are forecast for the current year. Source FT. 13th March 1996.

Moorepay

Moorepay is one of the oldest established SCSi companies, supplying payroll processing services since 1966. Given its 30 years in the business, it has hardly been a dramatic performer.

Although revenues for the year to 31st Dec. 95 increased by 20% they are still just £4.6m. PBT increased by two-thirds to £1.14m and EPS was up 63%.

However, 1995 did have its excitement for **Moorepay** and its shareholders. In Aug. 95 it transferred to the AIM market from Rule 4.2 at 83p. It has since performed exceptionally well, closing Mar. 96 on 200p.

"The current year has started well" says Chairman A Nichol. **Moorepay** acquired three small payroll businesses in 1995 and "negotiations continue with a number of companies for the purchase of payroll processing business".

MSB International

It was reported (Source - Mail on Sunday 24th Mar. 96) that **MSB International** is to float with a value of £35m in April. **MSB** is an IT staff agency and claims revenues of £39m and profits of £3.4m.

Given the pedigree of the directors, the "unsatisfactory" nature of the conversations we had with them this month and our current inability to obtain their R&A, it is probably wise for us not to comment further.

INSTEM

INSTEM plc is one of the lesser known SCSi companies - perhaps because they specialise in computerised control systems.

Their performance has been good - like making a profit in every one of its 27 years - but hardly consistent and certainly not exciting.

Although revenues increased by 27% to a record £21.3m in the year to 31st Dec. 1995, PBT was up a more modest 8% at £1.24m. EPS similarly advanced by 8%.

It looks as if the year was "mixed" with order intake at £17.9m described as "lower than planned". Delays in orders from the UK utilities sector and the international pharmaceutical industry were blamed. But **INSTEM** has such large chunky contracts that year on year comparisons can be misleading.

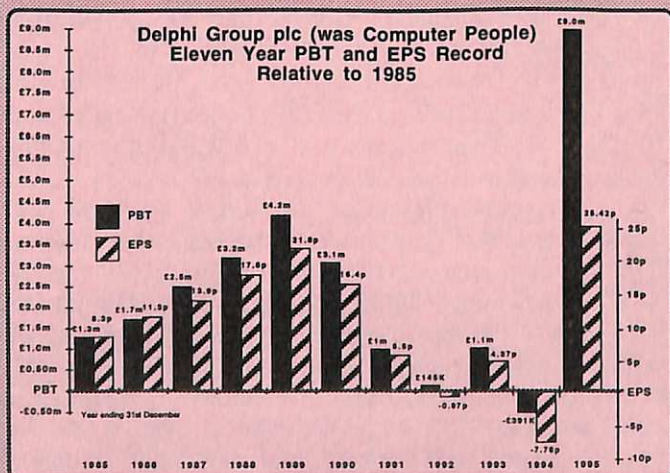
INSTEM is currently a USM company but is considering moving to AIM rather than onto the full market which we would have expected.

INSTEM shares ended March static at 172p.

Delphi

The last two years has seen considerable change at **Computer People** - not least its name change to **Delphi Group** in June 1995. Since Tony Reeves took over as CEO in 1994, they have acquired **The Span Consultancy** (£5.5m), **VNG Group** (£10.2m), **US Automated Concepts Inc.** (\$2m), **Cathy Tracey & Associates** (£2m) and **DBI Associates** for £1.75m.

The results for year to 31st Dec. 1995 showed not only a 79% increase in revenues to £175m - not totally exceptional given the acquisition activity - but a 144% increase in operating profit to £9.8m, a PBT of £9.0m compared with a loss of £391K (after the exceptionals of £4m) in 1994. EPS was 25.42p which was an impressive 75% increase over the pre exceptional EPS in 1994. The acquisitions made in 1995 cost £3.9m and contributed £3.7m revenue and £252K PBT to **Delphi**'s results.



Revenues from the UK almost doubled to £126.5m and US revenues were up 19% at £34.3m. However, revenues from continental Europe were up from £2.5m to £14.2m. All geographic locations were profitable with operating profits of £8.74m in the UK - equivalent to a 6.9% margin. Clearly **Delphi** is riding what it calls "a long term trend towards outsourcing and flexible resourcing". This provides **Delphi** "with a strong platform for continuing to improve the return to our shareholders in 1996".

Delphi shares ended March up 4% at 384p.

CSI Index up 10% in Q1

The CSI Index rose by 2% - that makes 10% in the first three months! The FTSE100 is largely unchanged since 1st Jan. **MAID**, up 33%, recovered some lost ground (p7). **Sherwood** gained 25% on excellent results (p11). **Coda** was up 12% as Rodney Potts told the AGM that Q1 revenues had increased by 23%. Indeed revenues from the open version of CODA financials were up 150%. **Standard Platforms** slumped another 29% to take the wooden spoon as the worst performing and now smallest company in the list. Shares in **Firecrest** slumped 27% on news that it was to raise a further £1.5m by placing 3m shares at 50p to raise cash "for further working capital in the short term".

26th Mar. 96	CSI Index			2476.02
	FTSE 100			3660.90
CSI Index = 1000 on 15th April 1989	FTSE SmallCap			2086.60
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap	
Month (28/2/96 - 26/3/96)	+2.18%	-2.07%	+1.77%	
From 15th Apr 89	+147.60%	+78.27%		
From 1st Jan 90	+169.10%	+54.99%		
From 1st Jan 91	+249.78%	+69.45%		
From 1st Jan 92	+136.97%	+46.84%		
From 1st Jan 93	+55.37%	+28.61%	+50.40%	
From 1st Jan 94	+48.30%	+7.09%	+11.66%	
From 1st Jan 95	+65.16%	+19.48%	+19.48%	
From 1st Jan 96	+9.63%	-0.77%	+7.47%	

System House SCSI Share Prices and Capitalisation

	Share Price 26/3/96 (p)	Capitalisation 26/3/96 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 26/3/96	Share price % move since 28/2/96	Share price % move in 1996	Capitalisation move (£m) since 28/2/96	Capitalisation move (£m) in 1996
Admiral	£10.00	£125.00m	18.7	2.53	7246.38	7.18%	22.25%	£8.40m	£23.60m
Azlan	£5.10	£137.20m	22.8	1.52	2217.39	-5.56%	0.99%	-£8.10m	£1.40m
British Data Management	£1.52	£38.00m	22.0	2.23	1216.00	-1.30%	22.58%	-£0.50m	£7.00m
Capita	£3.03	£180.00m	25.7	2.07	9099.10	-2.88%	6.32%	-£5.00m	£19.50m
Cedardata	£1.67	£51.10m	18.1	5.72	1590.48	0.00%	0.60%	£0.00m	£0.30m
Centregold	£0.37	£15.90m	5.1	0.17	296.00	0.00%	-31.48%	£0.00m	-£7.30m
Clinical Computing	£0.40	£6.48m	Loss	4.41	322.58	-11.11%	29.03%	-£0.81m	£1.46m
CMG	£4.95	£316.00m	27.2	1.61	1706.90	13.01%	50.46%	£36.40m	£106.00m
Coda	£2.64	£70.20m	105.6	2.14	1123.40	11.86%	23.36%	£7.40m	£14.10m
Compel	£1.99	£30.40m	16.2	0.43	1592.00	-2.45%	5.29%	-£0.70m	£1.60m
Computerised Financial	£0.90	£4.41m	28.2	1.41	1000.00	4.65%	5.88%	£0.20m	£0.24m
Cray Electronics	£0.44	£104.30m	Loss	0.39	257.31	2.33%	6.02%	£2.30m	£4.70m
CRT	£1.34	£90.50m	20.6	1.24	1488.89	3.88%	16.52%	£3.40m	£12.90m
DCS Group	£0.85	£16.10m	13.3	1.85	1416.67	-1.16%	13.33%	-£0.20m	£1.90m
Delphi Group	£3.84	£97.90m	15.0	0.56	1580.25	3.78%	3.78%	£3.60m	£3.90m
Division Group	£0.68	£29.90m	Loss	6.19	1700.00	-18.07%	-40.87%	-£6.50m	-£20.60m
DRS Data & Research	£0.32	£10.90m	24.1	1.68	290.91	3.23%	28.00%	£0.30m	£2.35m
Eidos	£8.13	£64.20m	Loss	256.80	8130.00	10.61%	17.32%	£6.10m	£9.50m
Electronic Data Processing	£0.85	£22.30m	11.3	1.77	2602.57	-14.14%	-26.72%	-£3.60m	-£8.10m
Firecrest	£0.83	£13.80m	36.1	1.94	2075.00	-26.55%	-31.97%	-£5.00m	-£6.50m
Flimerics	£2.10	£5.38m	19.1	1.30	1615.38	-0.94%	11.70%	-£0.05m	£0.57m
Gresham Computing	£0.55	£18.00m	23.3	2.28	591.40	22.22%	30.95%	£3.30m	£4.30m
INSTEM	£1.72	£7.74m	9.5	0.36	1720.00	0.00%	-0.58%	£0.00m	-£0.05m
JBA Holdings	£3.91	£133.30m	41.1	1.47	2443.75	0.51%	0.00%	£0.70m	£0.00m
Kalamazoo	£1.08	£21.20m	10.8	0.35	3085.71	0.00%	-6.09%	£0.00m	-£1.20m
Kewill	£4.09	£50.70m	14.4	1.51	1616.60	0.99%	16.52%	£0.50m	£7.20m
Learmonth & Burchett	£1.45	£37.00m	Loss	1.56	1208.33	1.40%	-49.12%	£0.50m	-£35.10m
Logica	£5.44	£342.70m	23.1	1.37	1490.41	11.02%	18.52%	£35.50m	£55.40m
Lorien	£2.10	£12.00m	79.2	0.41	2100.00	-6.67%	1.45%	-£0.80m	£0.20m
Lynx Holdings	£0.82	£78.10m	17.4	2.44	2050.00	-8.89%	17.14%	-£7.60m	£11.50m
Macro 4	£4.14	£85.70m	11.2	3.42	1669.35	-0.24%	-2.13%	-£0.20m	-£1.40m
MAID	£2.33	£213.70m	Loss	15.67	2118.18	33.14%	0.87%	£53.20m	£1.90m
McDonnell IS (MDIS)	£0.81	£81.00m	17.7	0.55	311.54	22.73%	97.56%	£15.00m	£40.50m
Micro Focus	£6.50	£98.20m	Loss	1.27	3140.10	12.46%	15.04%	£10.90m	£12.90m
Microgen	£1.80	£71.10m	12.2	1.03	769.23	-3.74%	0.56%	-£2.80m	£0.40m
Microvitec	£0.59	£45.00m	19.0	0.82	1439.02	4.42%	20.41%	£1.90m	£7.90m
Misys	£7.24	£611.80m	24.0	3.99	1801.00	1.54%	27.02%	£9.30m	£134.10m
MMT	£3.02	£35.30m	18.5	2.53	1797.62	5.23%	22.76%	£1.70m	£6.50m
Moorepay	£2.00	£15.20m	19.6	3.28	2409.64	0.00%	26.58%	£0.00m	£3.20m
MR Group	£0.94	£52.50m	58.8	1.27	373.02	4.44%	34.29%	£2.30m	£13.40m
OmniMedia	£0.55	£9.84m	Loss	82.00	733.33	-8.33%	-15.38%	-£0.86m	-£1.76m
On Demand	£2.00	£102.00m	Loss	11.60	2564.10	7.53%	53.85%	£7.10m	£35.70m
Oxford Molecular	£3.04	£179.80m	Loss	64.91	3800.00	-4.70%	14.29%	-£8.90m	£42.10m
P&P	£1.45	£115.70m	13.2	0.34	650.22	-5.23%	-4.61%	-£6.10m	-£5.30m
Party	£2.09	£88.20m	20.2	0.69	11611.07	3.98%	19.43%	£3.40m	£14.30m
Pegasus	£2.33	£14.70m	22.6	2.29	634.88	14.78%	10.95%	£1.90m	£1.50m
Persona	£2.51	£62.20m	16.0	1.17	1568.75	-3.46%	-11.62%	-£2.30m	£27.80m
Phonelink	£1.69	£67.50m	Loss	32.30	1090.32	-2.31%	-11.05%	-£1.60m	-£8.40m
Proteus	£0.60	£19.60m	Loss	n/a	714.29	5.26%	-50.00%	£1.00m	-£19.60m
Quality Software	£2.53	£31.40m	48.7	1.47	665.79	-13.65%	-61.43%	-£4.90m	-£49.90m
Radius	£0.60	£16.70m	13.7	0.64	434.78	13.21%	13.21%	£2.00m	£2.00m
Real Time Control	£2.48	£17.40m	16.4	1.29	5061.22	15.89%	40.11%	£2.40m	£5.00m
RM	£4.89	£86.60m	24.4	1.07	2794.29	6.54%	14.79%	£5.40m	£14.90m
Rolfe & Nolan	£3.04	£38.00m	33.2	2.66	3619.05	1.33%	13.01%	£0.50m	£4.40m
Sage Group	£3.46	£370.90m	24.9	3.63	13307.69	2.67%	6.46%	£9.60m	£23.50m
Sanderson Electronics	£1.44	£59.60m	16.7	1.03	2451.06	2.86%	1.41%	£1.60m	£1.00m
Sema Group	£6.58	£617.20m	25.6	0.91	2069.18	12.67%	22.76%	£70.60m	£115.50m
Sherwood	£2.32	£20.00m	3.5	0.76	1933.33	24.73%	25.41%	£4.00m	£4.10m
Spargo Consulting	£1.71	£21.40m	38.6	2.90	1800.00	-13.64%	18.75%	-£3.40m	£3.40m
Standard Platforms	£0.13	£3.91m	Loss	2.98	55.55	-28.57%	-24.24%	-£1.57m	-£1.25m
Superscape	£6.68	£56.10m	Loss	35.28	3373.74	-14.14%	56.07%	-£9.30m	£20.10m
Total	£0.28	£2.80m	29.1	1.22	528.30	21.74%	33.33%	-£20.20m	£0.70m
Trace	£0.35	£4.93m	13.8	0.25	280.00	-2.78%	-12.50%	-£0.15m	-£0.67m
Vega Group	£3.75	£53.60m	25.8	4.28	3073.77	3.31%	4.75%	£1.70m	£2.40m
Virtuality	£2.50	£69.20m	Loss	5.41	1470.59	17.37%	0.40%	£10.20m	£0.20m
Wakebourne	£0.22	£5.02m	3.1	0.14	122.22	10.00%	25.71%	£0.46m	£1.03m
Zergo	£2.85	£26.30m	n/a	3.72	2923.08	1.79%	67.65%	£0.50m	£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.

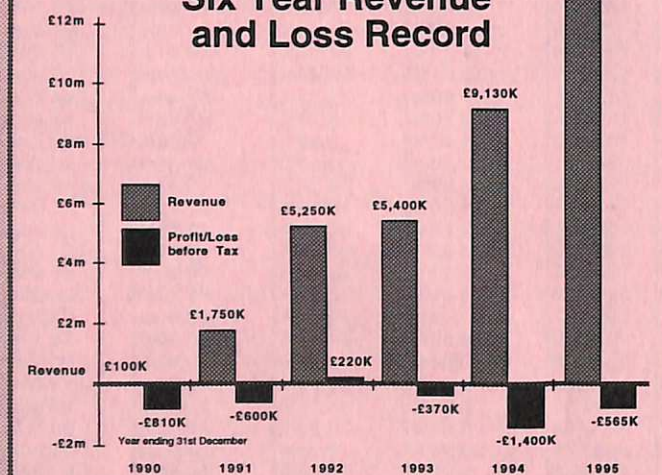
Virtuality

Virtuality specialises in "low cost virtual reality systems" for games suppliers like Sega and Blockbuster. Their software is also used in such things as the "Eurotunnel Experience" and in Project Elysium (with IBM) for use in "non-leisure industries". In January 1995, Virtuality won a £400K contract to supply Japan's largest advertising production company with VR systems for a new ecological centre. Indeed Virtuality claims a "80% share of the worldwide immersive VR entertainment market".

Virtuality was floated in Oct. 1993 at 170p and the share price has fluctuated wildly since to a high of 361p and then all the way back down to a low of 160p.

Assuming you are operating in actual reality, Virtuality's share price has since risen again to 250p with a capitalisation at the end of March 1996 of £69m.

Virtuality Group plc Six Year Revenue and Loss Record



In Sept. 95, we headlined our report on the interims with "Virtuality - Virtually in profit". This was based on news that Virtuality had made a profit in Q2 and was "on target for a profitable year". Analysts - at that time - were expecting a "modest" £300K PBT for the full year. But, in the event, although Virtuality increased its revenues by 40% to £12.8m a loss before tax of £565K was reported for 1995 (1994 loss £1.4m). But, "profit before development expenditure amounted to £1.23m, compared with a loss of £34K (restated) in 1994". Even though an "intangible asset" of £328K has suddenly appeared on the balance sheet, FD Ray Tiger assures us that this was "bought in software" rather than the dreaded capitalisation of (part of) the R&D spend. Indeed R&D expenditure increased from £1.56m to £1.9m.

Loss per share was more than halved to 2.1p, compared with 5.3p last year.

"The virtual reality industry is set to grow exponentially over the next few years". Virtuality has "based its strategy on developing strategic partnerships with companies such as IBM, Kawasaki, Motorola and Philips". Indeed the full year results were accompanied with news that Virtuality had been "chosen by Kawasaki as the core technology in a motorcycle simulator that will be aimed at driving schools in Japan".

"With the infrastructure in place we are prepared for the next stage of growth and indications point to a year of further progress".

No profit forecast this time though!

Micro Focus

We first tracked **Micro Focus**' meteoric rise to a PBT of £22.3m, a capitalisation of £300m and £58m cash in the bank in 1992. We then tracked their equally meteoric fall. We have been one of the very few analysts to warn of troubles ahead at Micro Focus in every review for the last three years. When others were forecasting profits of £13m for 1995 and Chairman Paul O'Grady said his management team "is a seasoned group of people who have gone through periods of transition before" we reminded readers that the last such transition produced a £2.8m loss.

In the event, the results for the year to 31st Jan. 96 were as bad as we feared. Revenues reduced from £89.9m to £77.3m as PBT of £8.7m last year was converted to a loss of £6.5m. Micro Focus's legendary cash mountain fell by £16.9m to (a still rather healthy) £39m.

The US suffered the biggest hit where revenues reduced from £53m (59%) to £42.5m (55%).

Licence revenues fell even more sharply than the headlines would indicate - both from the direct and indirect channels. This particularly hit the sale of mainframe to PC offload products - constituting 56% of Micro Focus' revenues - which were down 15%. This meant that maintenance revenues increased from 34% to 40% of the total.

But just to prove (if you still need proof) of the folly of capitalising R&D, this year Micro Focus capitalised about £10m of R&D but "amortization and accelerated write-offs of software product assets exceeded amounts capitalised by £2.8m". In other words when things start to go bad, capitalised R&D can make it EVEN WORSE. But Micro Focus still has £17.9m of intangibles on its balance sheet. We thought that Computergram (15th March 1996) rather splendidly explained Micro Focus' problems as follows.

"Quite often companies complain that either the move away from the mainframe has hit their figures, or perhaps a slower than expected take-up of Windows 95, or more recently still, the negative impact of the www is having on their business. **Not all three at once.** But that is exactly what Micro Focus is claiming has happened to it".

Micro Focus Group plc Nine Year PBT and EPS Record Relative to 1988



But by becoming a "Web-based company" both internally and in new external product offerings, O'Grady forecasts a return to profitability "by the end of 1996".

STOP PRESS Just as we went to press, it was announced that founders Paul Reynolds and Paul O'Grady have resigned and replaced by Marcelo Gumucio as CEO and J Michael Gullard as Chairman.

As a result the Micro Focus share price rose 57p and they ended Mar. 96 up 12% on 650p and a market capitalisation of £98m - still a very far cry from the heady £300m back in 1992.

Sherwood recovery complete - AGAIN

Sherwood Computer Services - or **Sherwood International plc** as we must now call them - has great experience in the art of recovery from what appeared to many as the jaws of disaster. The chart below tells it all. Back in May 1993 Sherwood Computer Services reported "record" PBT of £3m and the share price hit 310p. There then followed nearly two years of bad news resulting in a string of disposals as Sherwood put its house back into order once again.

In March 1995 Sherwood formed a joint venture with ICL's CFM subsidiary to "market FM and AM services into the life, pensions and insurance sectors". In Nov. 95 the JV then went on to win a £5.5m/5 year outsourcing deal with Scottish Provident UK.

In Dec. 95, Sherwood sold its 80% stake in City Deal - its share dealing and settlement service - to Cater Allan. The transaction valued City Deal at £7.25m. Sherwood recd £5.8m + £550K loan repayments. But it wasn't all disposals:

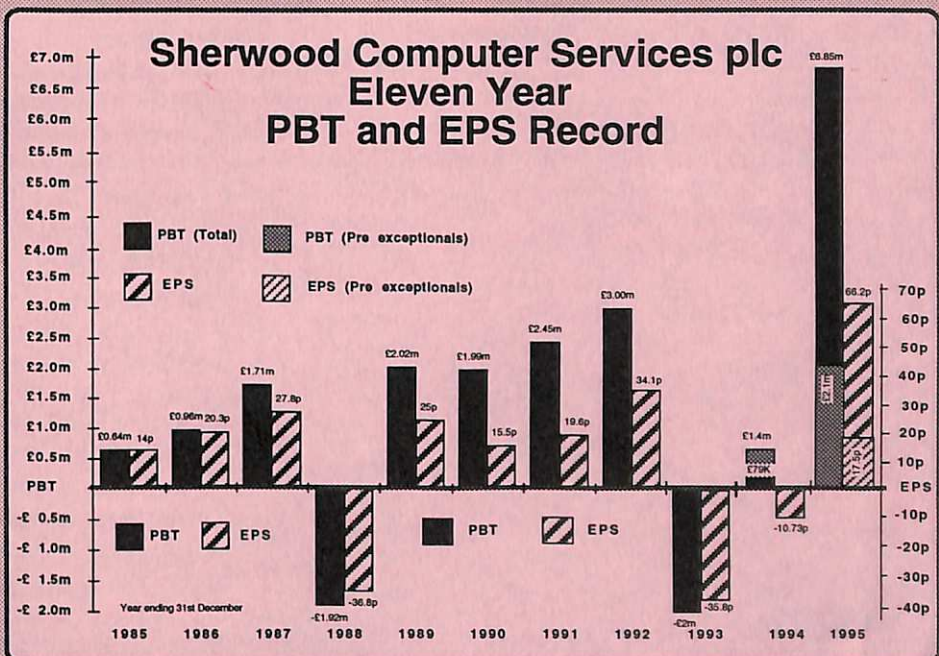
- in March 1995, Sherwood announced that it had acquired **Beta Computers (Europe)**. This gave Sherwood ownership of the AMARTA toolset. But the venture had been loss-making. The consideration was £875K, which seemed a bit steep for a company which lost £83K on revenues of £978K to 30th June 1994. Beta's shareholders took it all in shares to be kept for two years.

- Sherwood also became an exclusive distributor for **Ciris** - an Oracle-based underwriting and administration system. The first UK user has since been signed.

Results for the year to 31st Dec. 95 were quite excellent but just a little complicated by the disposals listed above. Not unsurprisingly, revenues reduced by a minimal 3% to £26.3m. But if you strip out the troubled Lloyds business and the disposals, revenue *increased* by 10%. Back in 1992 the troubled Lloyds insurance market represented

52% of Sherwood's revenues - in 1995 this had fallen by a further 25% to just 22% of the total. On a like-for-like basis, operating profits (pre-exceptionals) increased by 33% to £1.65m and PBT was up 47% to £2.1m. If the £4.8m exceptional profit made on the City Deal sale is included PBT was £6.9m compared to just £79K in 1994. EPS was 66.2p compared with a loss per share of 10.7p in 1994. The sale proceeds also meant that cash increased from £1.6m to £6.6m.

Sherwood now has both the cash resources and the City backing to consider further acquisitions. These are likely to be in the UK as distributors are preferred overseas.



Acquisition candidates will be in the core "insurance and assurance" sectors. Finance Director Steve Bellamy told us that no acquisition is currently in the stocks but a price of up to £15m might be considered. He wants to do a 1/3rd cash, 2/3rd share-type deal with the owners having to keep the shares for period.

From that heady high of 310p, Sherwood shares hit a low of 85p in 1994. Since then they have been one of the best performers in the sector closing March 1996 on 232p.

Regent Associates moves into India

UK M&A specialists **Regent Associates** have formed a new company in India in a JV with **MSE**. MD Peter Rowell said "For years investment traffic was all one-way...now Indian organisations are looking abroad for expansion". MSE CEO Mike Shah pointed out that the Indian SCS market:

- was growing at 50% p.a.
- was the largest supplier of English speaking technical staff after the US (i.e. ahead of the UK)
- is the 2nd largest exporter of software in the world
- has 50 high tech. companies quoted on the Indian Stock Exchange.

Business seems to be booming at Regent Associates, reflecting an equally buoyant M&A market. Latest accounts to 31st Mar. 95 show revenues doubled to £2.38m. But for those who may believe that M&A fees are too high, PBT increased from £34K to a still rather modest £102K and cash more than doubled to £339K.

Microvitec

A few years ago Microvitec announced "a strategic decision to position and refocus the business in the areas of networking and software". Was this the major reason behind the latest - really rather good - results?

In the year to 31st Dec. 95 revenues increased by 25% to £55.1m, PBT increased by 33% to £3.4m but EPS was up by a rather meagre 3% to 3.1p. However, this was in part due to an increase in the effective tax rate from 23% to 32%. R&D expenditure - commendably written off to the P&L account as incurred - increased by 12% to £2.1m.

Networking was the real "star" with revenues up 54% at £15.8m and operating profit up 66% to £1.9m. "Within the software division, CSM Ltd. maintained its dominant position in the professional accountancy sector recording its highest level of sales and profits for many years". Chairman James Bailey is "confident of the potential of the group".

Microvitec has acquired **SCI Network Intelligence** and **See-Phone** video networking technology from Olympic Communications for an initial £275K plus £100K deferred.

DRS Data & Research Services plc

DRS, which sold optical mark reading systems to schools, was a new issue at 110p in April 1994. Soon after HM Govt. stopped funding such purchases. In April 94 the founder cashed in £3.5m of shares.

Results for the year to 31st Dec. 95 showed revenues down 26% at £6.5m, PBT of £594K compared with £1.5m in 1994 and EPS down 57%. Cash had decreased from £9m to a still respectable £7.5m.

This was all summed up by the Chairman as "1995 has been a year of substantial change...some good, some bad". Sales to UK schools did not recover but "we have, nevertheless, managed our reduced business so as to avoid operating losses".

To DRS' credit it has moved into new non-education-type markets. Printing operations have been established in Milton Keynes. But the entry into the health market has not done as well as expected.

It is going to take a long time to "return to substantial profit". DRS intends to "expand its capability to deliver automated forms data capture products and services...to more customers in more business sectors and in more countries throughout the next few years".

If they do this, DRS might well be able "to earn good profits whilst delivering excellent value".

DRS quickly rose to 120p after the issue. However after the profits downturn, the share price collapsed to 22p. It has since recovered to end March 96 on 32p.

Ahhh...

Following on from Alistair Crawford's (ex CSC) desire to work closer to home, **Standard Platform's** MD Iain Bowles has resigned "to find employment nearer to his home base and reduce the demands of travel". He clearly wants to "spend more time with his family" too. Share price fell by 28% this month.

5.30 pm Wednesday
17th July 1996
Make note to
attend
Richard
Holway's
CSSA
Presentation
at London Portman
Hotel.

Last year nearly 250 of the very top CEOs from our industry attended Richard Holway's annual presentation on the financial state of the industry on behalf of the CSSA. It was considered by many to have been the best "networking event" of the year. So please make a note of this year's date - 17th July. Starting at 5.30 pm, the evening at the London Portman Hotel includes dinner and drinks. Also as usual a FREE place for every one who orders an advance copy of the 1996 Holway Report or £97.50 + VAT from the CSSA.

the Holway Report

The 1996 Holway Report will be available from early June. Reserve your copy NOW Order form enclosed.

Flomerics

Flomerics specialises in software to predict fluid flow and heat transfer with its products Flotherm and Flovent. Their non-exec. Chairman is David Mann (ex CEO of Logica) and their main shareholder is UK VC MTI.

In December 1995 Flomerics was one of the still quite small number of UK SCSI companies to seek an AIM listing. Launched at 130p they amazingly rose to 230p.

Results for the year to 31st December 1995 reported PBT up a minimal 2% at £416K. But this was at least ahead of the £400K forecast at the time of the AIM placing. Revenues had increased by 34% to £4.1m. So that even now equates to decent 10% profit margin. EPS was unchanged at 11p - compared with the forecast of 9.8p. R&D expenditure - all expensed we are pleased to report - increased by 55% to £787K. Flotherm revenues grew by 29% - to represent 92% of revenues. Flovent revenues more than doubled.

"The directors foresee good prospects for continued strong growth in revenues and earnings".

Flomerics share price ended March 96 on 210p - a premium of 62% on the issue price.

Outsourcing

How many of you who heard the Radio 4 File on Four programme on outsourcing on 23rd Mar. 96 were as annoyed as us with its total bias? We refused to appear as we got fed up with the researcher's "I don't want to hear about that, just tell me the things that go wrong".

To redress the balance, by 1998 56% of US and European private firms will outsource their IT - compared with 65% who outsource their legal function. We doubt if Radio 4 will make a programme about that! Source - Arthur Andersen and The Economist Intelligence Unit.

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