

## Geac takes big charge in third quarter

By SHOWWEI CHU

14 Mar 2001

All material copyright Bell Globemedia Publishing Inc. or its licensors. All rights reserved.

Struggling Geac Computer Corp. Ltd. said Tuesday that it took a \$211.4-million charge in the third quarter, the bulk of it for underperforming unit JBA Holdings PLC.

In the three months ended Jan. 31, Toronto-based Geac took a one-time writedown of \$196-million for JBA Holdings of Britain, which the software company bought for about \$205.5-million in September, 1999. The remaining \$15.4-million was for other past acquisitions, which Geac declined to name. JBA Holdings had revenue in the latest quarter of about \$70-million, or about \$280-million on an annual basis. That's far below previous years such as 1998 when annual sales were about \$500-million.

In the third quarter, Geac had a profit from continuing operations, excluding amortization and writedowns, of \$33.5-million or 50 cents a share, compared with a profit from continuing operations of \$39.5-million or 61 cents in the same period a year ago. Geac was expected to post a profit — excluding good will — of 15 cents a share in the quarter. Geac had sales of \$218-million in the latest quarter, compared with \$278.3-million a year ago.

The results were released after the close of markets Tuesday. The stock fell 12 cents to \$2.56 on the Toronto Stock Exchange.

"The business [JBA] has not performed as we originally intended when we acquired [it]," said John Caldwell, Geac president and chief executive officer. "It clearly did not have the value that we originally had paid for, and we just determined we should recognize that and write it down now."

Mr. Caldwell said Geac intends to retain JBA Holdings and improve its performance. Geac had been restructuring JBA and further restructuring is expected, he said. JBA has lost a lot of revenue, he said, but he thinks it has stabilized.

The economic slowdown in the United States has not affected Geac's business, as it has other software companies such as Cognos Inc., Hummingbird Ltd. and CrossKeys Systems Corp., he said.

"Clearly, the spending on new systems is slowing...We're not seeing evidence of that," Mr. Caldwell said. "In a tougher economy where spending is actually shrinking, it can actually be good news for us because we believe we'll experience lower customer attrition."

While spending levels are lower for software products, Geac's business is less affected because the bulk of its revenue is from maintenance services. The attrition rates of maintenance contract renewals that the company typically experiences will be lower, but Mr. Caldwell doesn't expect business to pick up.

He declined to provide revenue and profit guidance for fiscal 2002, but added that the fourth quarter is typically lower in sales and profit than the third quarter, which has historically been its best quarter.

The company said it will be able to update investors on the potential sale of parts or all of Geac in the next six weeks, but declined to give additional details.

Including charges, Geac had a loss in the third quarter of \$218.9-million or \$3.53 a share, compared with a profit of \$900,000 or 1 cent in the same period a year ago.