



## Comparative Pay in UK software companies (Intercede versus others)

It was interesting to attend the AGM of EMIS Group last week (there is a full report on it on the ShareSoc Members Network). EMIS is a very successful, UK based, software company which mainly sells practice management solutions to GPs – they are the leader in that sector. No executive director received total pay (base salary, pensions and benefits) of more than £181,000 last year. They also chose not to receive any increase last year. There is in fact provision for a bonus scheme but the directors apparently chose not to pay any. In addition the directors have no share options at present.

The AGM of Delcam is coming up next week and their Annual Report is already available. This company is a world leader in the CAD/CAM software sector. At last year's AGM, one shareholder complained the directors did not pay themselves enough, and it looks like they have taken notice because pay has been increased. Total pay of the highest paid director is now £208,000 including pension contributions. They also have a few share options (largest is 40,000 options for the CEO at a price of 210p).

It is very instructive to compare the above with the pay arrangements at Intercede, another comparatively successful UK software company in the sense that it is a market leader in its chosen field, although it has much lower revenue and profits. All three of these companies are AIM listed. The Executive Chairman of Intercede, Richard Parris, has claimed that he was underpaid and that was one of the reasons for putting in place the LTIP award last year which ShareSoc has criticised. These are the comparative figures for the three companies using figures from the latest Annual Reports:

| Company   | Sales | Pre-Tax Profits (£m) | CEO Total Pay |
|-----------|-------|----------------------|---------------|
| EMIS      | £73m  | £15.1m               | £176,819      |
| Delcam    | £42m  | £3.1m                | £208,006      |
| Intercede | £7m   | £2.0m                | £279,000      |

Does this not suggest Mr Parris is actually overpaid rather than underpaid? Even allowing for the fact that he has also taken on the role of Chairman when the other companies have a non-executive Chairman who also has to be paid, that would only approximately equalise the total remuneration. He does not have any share options (other than the LTIP), but that is not a significant item in the other two companies either. But Mr Parris is still taking a much higher proportion of the profits of the company than in the other two cases, and this will become even more so in the current year where the profits of Intercede are expected to fall very substantially. The award of the LTIP at Intercede simply compounds the disparity.

In all three companies, the senior executives have substantial shareholdings but EMIS and Delcam pay small dividends whereas Intercede pays none.

But in summary, there is no merit in the claim by Mr Parris that he is underpaid based on these comparable figures from very similar UK companies.

R.W.Lawson 30/4/2012