R. M. Price Speech

Board of Directors Meeting
March 10, 1972

I. General
The Computer Services Group began 1972 with a continuation of the generally favorable trends we were experiencing in 1971. For the month, the group was profitable and favorable to budget. I'll comment in a moment on some particular highlights and the outlook for the first quarter. First some particular comments with respect to the operating statement.

II. Operating Statement Highlights
1) Revenue -- As you can see, revenue was favorable to budget by more than a million dollars. Each service business was favorable to its revenue budget. We did not, however, get the Consulting Services revenue we expected from Europe and had some conflicting forecasts. Upon examination, this appears to be reporting difficulties as much as anything, and we do expect to achieve our budgeted revenues for international consulting services for the year. Commercial parts sales exceeded our budgeted level by over 600 thousand dollars -- and while this makes a nice, favorable deviation for the month -- at both the top and bottom lines -- it cannot be taken as a permanent positive deviation, but rather more likely represents simply the forward movement of some orders that would have been placed later. For the year we expect parts revenues to be just about on budget.
2) **Gross Profit** -- Our gross profit and gross profit rate were favorable to budget. Again, each service had a favorable deviation on gross profit rate. Data Services had approximately a 5% favorable deviation which resulted partially from higher than planned utilization, but also a favorable cost picture in our center operations. Again, it would be inappropriate to expect this trend to be permanent for the year because typically at this time of year we suffer from lagging reporting of costs in the international subsidiaries and this tends to mush on out to the last two months of the year.

3) **Expenses** -- All expense categories are favorable to plan except marketing expenses. Total expenses were favorable to budget by $5K. Since, on a month-to-month basis our international reports tend to be most inaccurate in the area of period expenses, it would be misleading to view this favorable deviation as permanent. Also, we still are working to find the right level for our marketing effort. This was a difficult area of the budget for us and while we budgeted higher marketing expense for 1972 vs. 1971 -- $16,042 as opposed to $12,621, for 1971, we would like to have budgeted more. Also, the month-by-month allocation of the marketing expense level was difficult to estimate. It is going to be difficult to live within the total marketing budget for the year, but we feel we can do it in spite of this month's 100 thousand dollar deviation.
4. **Net Profit** -- All these favorable deviations, then, net out to a bottom line favorable deviation of slightly over $1.1 million -- which is a nice way to start the year.

### III. Other Highlights

1. **Education** -- A critical indicator for our education business, as you have heard before, is placement. Placement trends have been much better in the computer technician area and are back to a **65%** level. Programming Technician placement levels are not as strong, but the area in which we still are having bad placement experience is the digital computer operators course. All-in-all, placement -- and, therefore, the outlook for CDI -- in total seems to be reflecting a more favorable recovery.

2. **Data Services** -- Our domestic and international data services were in the black for the month. Airlines and contract data services {facilities management} were not. Our revenue picture looks good and the principal obstacle to achieving this year’s budget is the build up and reliability improvement of our KR0N0S time-sharing network. We have planned for time-sharing revenues to increase from **$27K** in 1971 to **$3.0 Mil**. for 1972.
Consulting Services -- I commented on this briefly earlier. One additional note, however, is that our engineering management operations in Washington, D.C., recently received a "Poseidon Flag" recognition for their outstanding support of the Navy’s Fleet Ballistic Missile Program.

Engineering Services -- We have noted particular improvement in the last few months in our international customer engineering operations and since this area has historically been a maintenance loser, we are particularly encouraged by this.

IV. Outlook

There will be some "catch up" reporting -- especially in International -- during February and March. Still we should be able to retain a significant portion of the first month’s favorable profit deviation and be profitable for the quarter instead of the loss as budgeted.