

PRESENTATION TO MOODY'S

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LET ME FIRST TAKE A MOMENT AND LIST AND SIZE THE ELEMENTS WHICH MAKE UP THE COMPUTER GROUP. IT COMPRISES TEN MAJOR BUSINESSES OR PRODUCT FAMILIES AS WE CALL THEM. THESE TEN PRODUCT FAMILIES IN TURN COME UNDER ONE OF THREE GROUPS OF BUSINESS: SERVICES, SYSTEMS AND PERIPHERAL PRODUCTS. PERIPHERALS COMPRISES FOUR BUSINESSES: OEM, END USER OR PLUG COMPATIBLE PRODUCTS, TERMINALS AND BUSINESS PRODUCTS. PERIPHERALS IN TOTAL IN 1977 HAD \$525 MILLION IN REVENUES.

SYSTEMS COMPRISES THREE BUSINESSES: EDP SYSTEMS, INSTRUMENTS AND CONTROLS, AND AEROSPACE AND MILITARY PRODUCTS. TOGETHER, SYSTEMS PRODUCT FAMILIES HAD \$395 MILLION IN 1977 REVENUES.

SERVICES

REVENUE/NET PROFIT

1Q76 vs. 1Q77

(\$ Millions)

<u>REVENUE</u>	<u>1Q76</u>	<u>1Q77</u>	<u>INCREASE (DECREASE)</u>
NETWORK	18.9	23.6	4.7
APPLICATIONS	8.4	10.6	2.2
SBC	29.2	34.2	5.0
EDUCATION	1.1	1.9	.8
PSD	9.0	11.4	2.4
ENGINEERING	<u>42.1</u>	<u>47.5</u>	<u>5.4</u>
	<u>108.7</u>	<u>129.2</u>	<u>20.5</u>
<u>NET PROFIT BEFORE TAX</u>			
NETWORK	(1.0)	.8	1.8
APPLICATIONS	(.7)	(.8)	(.1)
SBC	3.3	2.9	(.4)
EDUCATION	(.5)	(1.0)	(.5)
PSD	.8	.4	(.4)
ENGINEERING	<u>2.0</u>	<u>2.4</u>	<u>.4</u>
	<u>3.9</u>	<u>4.7</u>	<u>.8</u>

REVENUE

- Major contributor to increased Network 1Q77 revenues are U.S. CYBERNET \$2.7M and West Europe \$1.5M.
- Applications revenue is higher primarily due to A/W (PA #'s), Arbitron and S&E. SBC's timesharing revenue has increased substantially.
- Education revenue is up \$.8M - \$.3M CBE new business and \$.5M IEP increased shipments.
- Engineering revenue for the first quarter is higher mainly due to a higher level of support in the U.S., maintenance & facilities contracts in West Europe, and maintenance in Pan Am.

NET PROFIT

- Network net profit increases due to U.S. CYBERNET \$1.2M and \$.7M in West Europe.
- Application is down due to start-up of P.A. Numbers game.
- SBC is under due to additional CDC allocation in 1977.

SERVICES

1977 PROJECTION

(\$ Millions)

<u>REVENUE</u>	<u>1976 ACTUAL</u>	<u>1977 BUDGET</u>	<u>1977 PROJECTION</u>
NETWORK	86.4	95.4	97.2
APPLICATIONS	39.9	48.3	51.5
SBC	121.7	139.8	140.7
EDUCATION	7.5	15.1	8.5
PSD	42.7	47.7	47.8
ENGINEERING	<u>179.4</u>	<u>185.3</u>	<u>194.9</u>
	<u>477.6</u>	<u>531.6</u>	<u>540.6</u>
<u>NET PROFIT BEFORE TAX</u>			
NETWORK	(3.6)	(1.6)	(.6)
APPLICATIONS	1.1	1.9	2.2
SBC	11.0	7.0	8.4
EDUCATION	(1.9)	(4.5)	(6.1)
PSD	3.4	3.7	3.9
ENGINEERING	<u>8.8</u>	<u>7.9</u>	<u>8.7</u>
	<u>18.8</u>	<u>14.4</u>	<u>16.5</u>

REVENUE

- All Network geographies are forecasting increased 1977 revenues over 1976 -- totaling \$10.8M. Major increases are in U.S. CYBERNET - \$5.1M and West Europe \$3.4M.
- Application revenue is higher mainly as a result of A/W (PA Numbers Game), Arbitron and Sports & Entertainment.
- Timesharing is the major contributor to the projected SBC revenue increase of \$19M.
- Engineering revenue is projected to be higher in 1977 primarily as a result of West Europe and U.S.

NET PROFIT

- Network loss for 1977 is projected to be \$.6M, \$3.0 better than 1976. U.S. CYBERNET and West Europe are the major contributors.
- SBC reduced 1977 profit of \$2.4M is a result of additional CDC allocations, and expenses related to Japan.
- Education loss is forecasted to be \$6.1M -- \$4.2M worse than 1976. CBE Marketing expense is the major factor.

WEST EUROPE - DATA SERVICES

1Q76 vs. 1Q77

(\$000's)

	<u>1Q76 ACTUAL</u>	<u>1Q77 BUDGET</u>	<u>1Q77 ACTUAL</u>
REVENUE	6168	7050	7686
GROSS PROFIT	2581	3128	3762
EXPENSES	3342	3659	3753
NET PROFIT BEFORE TAX	(760)	(531)	9

1Q76 Revenue increased \$1518K (25%) over 1Q77. Restating 1976 revenues at 1977 exchange rates, the increase is 27%. With the exception of the U.K. and Denmark, all countries have higher revenues in 1977. Major increases are in France, Holland and Belgium.

Marketing Expense increased \$369K (19%).

BRAZIL - DATA SERVICES

1Q76 vs. 1Q77

(\$000's)

	<u>1Q76</u> <u>ACTUAL</u>	<u>1Q77</u> <u>BUDGET</u>	<u>1Q77</u> <u>ACTUAL</u>
REVENUE	905	870	948
GROSS PROFIT	(8)	92	150
EXPENSES	575	595	658
NET PROFIT BEFORE TAX	(583)	(503)	(508)

Revenue exceeds budget by \$78K.

Expenses are over budget by \$58K; \$21K translation loss and \$22K due to an overrun in marketing.

Net Profit translation impact is \$16K unfavorable, reducing the loss to \$492K on a performance basis.

EAST COAST CONSOLIDATION

Current schedule for ECC consolidation

- Boston Completion July 1, 1977
- New York Completion September 1, 1977

Boston's two largest customers, NCR and Yankee Atomic, have been transferred to ECC and have been processing there without any problem for the past three weeks. This represents about 20% of the Boston workload. The remaining work will start to move about May 15.

The second SCOPE 175, required for the consolidation, has been running at ECC since April 10. Currently running a small amount of revenue (Block Time) on this system.

The Cyber 173, NOS, system at ECC ran error-free for the months of January and February. All 170 systems (WCC 175, ECC 173, 175 and Commercial Credit Cyberloan 175) are performing well.

On Monday, April 25 all 15 CYBERNET Systems, including 6400, 6600, Cyber 73, Cyber 74, 173, 175 and 7600, ran in full production for the 24 hour period without a single interruption. (Big First)

4/29/77