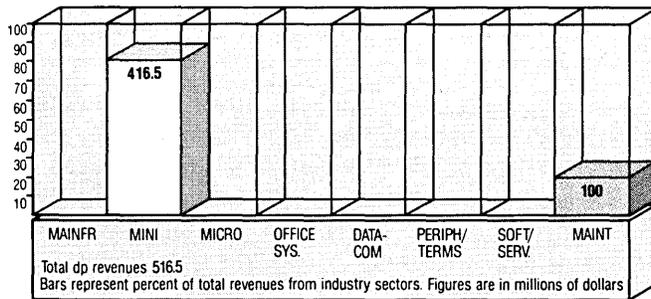


# 31



## PRIME COMPUTER INC.

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Prime found 1983 tough going. Revenues were up a respectable 19% to \$516.5 million, but earnings fell 27.6% to \$32.5 million from the \$44.9 million of 1982. Most of the earnings slack came early in the year, as Prime struggled to get costs under control. One move to cut costs involved the direct sales force, since the number of branch offices were cut from 44 to 58. In addition, a number of sales management layers were eliminated to centralize selling to major accounts.

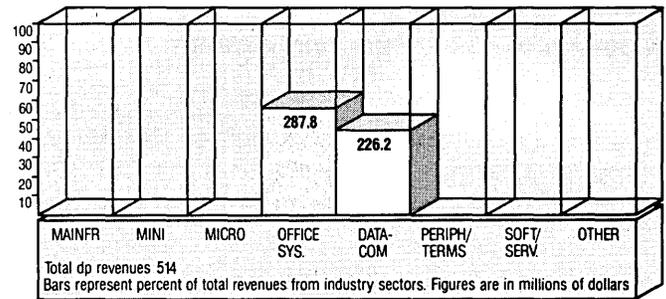
These moves were of limited financial success during the year, in part because of the tremendous competition in the mini-computer market. Data General currently has the price/performance lead with the MV/10000 and is putting a great deal of pressure on the market. Sales of Prime's high-end 9950 supermini were strong after its midyear introduction, and analysts estimate this machine now represents about 20% of total volume. The earnings decline does show that Prime's prior premium pricing approach is now softening. The 9950 was also the first commercial minicomputer to use emitter coupler logic (ECL) chips, though other companies soon followed.

Prime's fastest growing business is in the CAD/CAM market, which analysts expect to remain hot in 1984. Prime acquired the Medusa (solids modeling) and other software packages, such as EDMS (electrical design) and PDMS (plant design), and they are considered critical to the company's long-term future. Indeed, Prime's CAD/CAM revenues are now less than 20% of the total but could exceed 40% in the next three years if the company's planned efforts are successful.

Prime faces a much tougher environment than ever before. How its 9950 supermini will stack up against DEC's forthcoming top-of-the-line entry remains to be seen. The company is also facing a number of unknowns in the small supermini market, where its model 2250 faces DEC's MicroVAX models and Data General's MV4000, formidable competition both.

The company lost a number of senior sales and research people last year, as president Joe Henson revised the corporate culture to reflect a more mature organization. Several of Prime's former executives left to form other companies now in the supermini business, but Henson is optimistic about the company's future: "During 1984, we plan to continue our aggressive new product introduction schedule, and our strategic investments in R&D, customer service, and marketing programs. We believe our investments in 1983 have positioned us well to benefit from an improving economy."

# 32



## MOTOROLA INC.

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Motorola's semiconductor business drove its revenues and profits in 1983: last year's operating profits from chip sales exceeded the company's whole pretax income for 1982. Net sales hit \$4.33 billion, up just over 14% from the year before, and net earnings were \$244 million, up 37%. Dp revenues—from office systems and data communications—kicked in \$514 million to total revenues but contributed little or nothing to profits.

The Codex Corp., Four-Phase Systems, Universal Data Systems, and the International Division make up Motorola's Information Systems Group, and in 1983 the information wasn't terribly cheering. Four-Phase discontinued a line of central processing equipment in the fourth quarter and the resulting \$11 million write-off produced a \$5 million loss for the group. Despite a big order from the IRS and in-house optimism about MAESTRO, a software development system built by the European software house Softlab, the news from Four-Phase is expected to remain gloomy for a while longer. An expected strong performance from Codex and a probable improvement in international trade, however, should help boost the group out of the red for 1984.

The news from Motorola's communications businesses was better, but not thrilling: profit margins that had traditionally held at about 12% dropped last year to 5.7%. But a turnaround that began in the third quarter and intensified in the fourth quarter suggests that much rosier reports will be written about 1984's performance. Sales of Motorola's early entry in the advanced car-telephone sweepstakes are encouraging. Certainly, Motorola means to buy a hunk of future success: it accelerated its communications R&D investment by 24% in 1983. (Overall corporate R&D spending rose to \$336 million from 1982's \$278 million, an increase of just over 20%.)

Motorola's Communications Group is the source of a marketing victory that has cheered other companies faced with competition from the Japanese. The battle ground: pagers. When the intrusive little devices took off, the Japanese moved in. But Motorola fought back, and the pager remains an item in the American profit column.