

TOTAL DP REVENUES 618.0

43

MOTOROLA INC.

Motorola Center
1303 E. Algonquin Rd.
Schaumburg, IL 60196
(312) 397-5000

As an official sponsor, Motorola wasn't about to be left out of 1984's Olympic excitement, providing communications systems for both the winter and summer games. The company went for its own gold in '84 and broke the tape, with both sales and earnings hitting all-time highs. Total revenues were \$5.53 billion, up 27.8% from 1983's \$4.33 billion. Net earnings before the addition of a \$38 million DISC tax break rose to \$349 million, up 43% from 1983 net earnings of \$244 million. The impressive gains were deflated, however, by Motorola's ballooning debt load. Corporate debt soared to \$642 million, more than twice the \$270 million in 1983.

The Information Systems Group (ISG) showed respectable gains, with sales up 20% from 1983 and new orders advancing 14% through the year. The group turned 1983's small operating loss into a small operating profit in 1984. ISG's four divisions—Four-Phase Systems Inc., Codex Corp., Universal Data Systems, and International—expanded in 1984 with new products in the data transmission and ddp areas. Direct sales and service operations in international markets also looked more promising.

Four-Phase went through a reorganization in 1984. It streamlined its management and administrative systems, consolidated its field sales and service operations, and implemented a product management organization. Five top-level executives were recruited to help implement the changes and run the company. In addition, Four-Phase introduced the series 6000 front-office systems, based on Motorola's 68000 microprocessor and Unix, with software for word processing, spreadsheets, software development, database management, and data collection.

Codex introduced several new products, including the 2600 series of 16.8Kbps modems. Codex's new 6240 Digital Transmission Multiplexer is a time division multiplexor designed to integrate voice, data, and video transmission over T1 (1.5Mbps) circuits. Development of a new series of microcomputer modems kept Universal Data Systems busy. The Fast-Talk series includes 300bps and 100bps standalone models and a 1,200bps plug-in card for IBM PCs.

Internationally, Codex equipment was purchased for use in large private networks in West Germany, the U.K., Belgium, Portugal, Korea, and Turkey. Mobil Oil of West Germany got behind the Motorola banner as well by signing a contract for 10 Four-Phase series 5000 systems.

In the communications sector, the ring of the cellular telephone dulled for Motorola in 1984. After a strong first half, operating losses for the phone business increased with the delay in several major cities of licensing and construction permits. Motorola also blamed some competitors, charging in an antidumping petition with the U.S. International Trade Commission and the Commerce Department that rivals sold Japanese cellular products at "less-than-fair value." A decision is expected this year.

Revenue figures are in millions of dollars. Each increment represents \$100 million.

MINI 98.0

DATAKOM 270.0

PERIPH 190.0

MAINT 80.0

TOTAL DP REVENUES 589.2

44

DATAPoint CORP.

9725 Datapoint Drive
San Antonio, TX 78284
(512) 699-4428

Still reeling from an accounting scandal in 1982, still experiencing delays in development and marketing, with customer loyalty on the wane, things couldn't have gotten any worse for Datapoint in 1984. Then they did. On Dec. 10, the *Wall Street Journal* reported that corporate raider Asher B. Edelman had acquired a chunk of Datapoint stock with the intention of buying more, taking control of the company, and selling it off bit by bit.

The stock went up, orders went down. Management turnover increased, employee morale decreased.

Then things got worse.

The company announced a \$15.9 million loss for the quarter ended Jan. 26, 1985, its first quarterly loss since 1982. Earnings for the calendar year also plummeted, to a loss of about \$900,000, down from 1983 earnings of \$20.6 million. Revenues were up only 6.2%, to \$589.2 million from \$554.4 million.

Datapoint had begun 1984 with guarded optimism. The company increased its controlling interest in its French subsidiary, Datapoint Matra Informatique, to 100% and became a large-scale customer of, and investor in, Charles River Data Systems. It implemented a huge stock repurchase plan. It opened up ARC network, its pioneering proprietary local area network, in an attempt to recapture lost market share. It introduced the Convergent Technologies-built Vista-PC and the Datapoint 3200, a 32-bit supermicro.

In June Datapoint reached an agreement with the Securities and Exchange Commission, terminating the investigation of the 1982 accounting scandal, by admitting nothing but, at the same time, promising never ever to break the rules again. It reported record earnings for the fiscal fourth quarter ended July 28. It even supplied a vote-tallying ARC network for the Democratic National Convention.

But, like the Democrats, Datapoint should have been more guarded with its optimism. The new products didn't take off and slashing prices on the Vista-PC in response to aggressive IBM AT pricing didn't help. International orders (representing a third of Datapoint's business) were down. And by the end of the year, Edelman's takeover bid had withered what was once thought to be one of the strongest customer bases in the industry.

For three months, management fought. Nobody wanted the company to be put on the block, piecemeal, to be stripped of its strongest and most profitable units. Suits and countersuits flew. Then the huge quarterly loss was announced. In March, a "reconstitution" of the board of directors was announced, ceo Harold E. O'Kelly stepped down, and Edelman took his place.

Could things get worse? Apparently they could. According to the annual DATAMATION/Cowen & Co. survey on user spending, the number of users who anticipate reordering Datapoint ddp systems, once Datapoint's strongest suit, is a big zero.

Revenue figures are in millions of dollars. Each increment represents \$100 million.

MINI 160.0

DATAKOM 80.0

PERIPH 280.0

MAINT 89.2