

INVESTMENT BACKGROUND

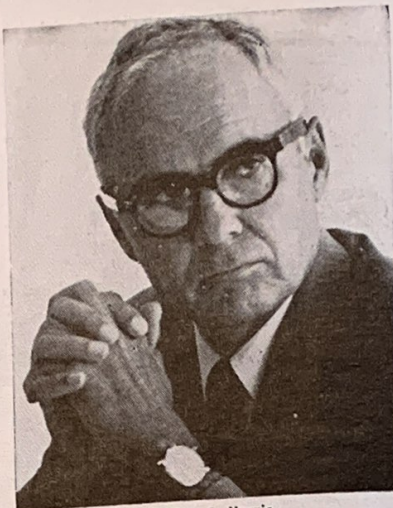
by Louis J. Rolland

CONTROL DATA REGROUPS

ELECTRONIC computers, according to some authorities, offer greater potential benefits for the human race than any other invention in history. Whether or not this is the case, investors clearly have much interest in this field, which an International Business Machines official recently described as "the next truly great industry—after oil and automobiles."

Among the top contenders in the field is Control Data Corporation. Until recently, the Minneapolis-based firm not only was considered IBM's most aggressive competitor but also was a notable exception to most of the industry in that it consistently made money.

Under the direction of William C. Norris, a hard-hitting one-time vice-president of Sperry Rand's Univac



William C. Norris

division, CDC has profited by selling machines to sophisticated scientific users who normally don't require a great deal of costly education in their use. This policy paid off. CDC's

revenues soared from \$7 million in 1958 to \$160 million in the June 30, 1965 fiscal year while earnings in the same period leaped from 7¢ a share to \$1.07. Yet, CDC shares currently sell at less than half their all-time high of 75 reached in 1964.

The reasons are fairly obvious. A deficit is expected to be reported for the June 1966 fiscal year—the first in the company's history. Moreover, without accounting adjustments (particularly depreciation of leased computer systems) fiscal 1965 net would have been 46¢ a share less than actually reported.

On the brighter side, however, CDC's large-scale 6600 line of computers appears to have been well received. (It's generally believed that the firm is second only to IBM in the breadth of its line and could well have a slight edge in the large-scale market.) Equally important, a new financing plan provides for the sale of CDC computers to Leasco Data Processing Corporation which in turn will lease the equipment under payout contracts running five years. This could have a favorable impact on CDC's results which have been adversely affected by a sharp increase in leasing of computers—which tends to postpone earnings.

FINANCIAL WORLD • August 17, 1966

Lately, institutional investors have indicated their confidence in the company's future. (Channing Growth Fund, for instance, has reported purchase of 100,000 shares.)

While there have been a number of recent resignations by key executives, apparently stemming from differences of opinion over what directions the company should take, President Norris seemingly is unworried.

He explains: "Control Data grew rapidly from its formation in 1957 to a small company in 1959, and to a large company in 1965, with essentially the same management structure. It is a source of pride with us that over a period of seven or eight years our management structure remained essentially the same and that it was able to bring about the rapid growth from a small company to a large company in that period of time."

"Since the nature and requirement of a large company are quite different from a small one, it became necessary to make changes in the management of Control Data starting in 1965 and continuing into 1966. These changes have consisted of realignment of duties of personnel and the employment of some new people from outside. During the course of realignment, we have had a few employees who were either not qualified or did not desire to assume changed positions, and they are no longer employed by the company. We now have a restructured organization, and a management which is competent, aggressive and cohesive."