

Roger,

Attached are some revised forecasts for you as we discussed on Friday. 1984 is as we forecasted at the last board meeting. The algorithm for 85-88 is cost of revenues-12%, marketing (including sales)-38%, R&D-15%, and G&A-9% which gives us 26% before tax. I used a 50% tax rate although I think it will actually be less. On the balance sheet I have kept receivables high and payables/accruals low to show more of a need for cash.

I have taken a copy of the statements home with me to play around with some more and I will also be in on Sunday. Give me a call if you have any questions before I get in (I'm always up by 7) and I will make any changes that you have on Sunday.

George

P.S.

I have the copy of the bus. plan with me.

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- ① Will '84 ^{Cash} assets really be that low? Possibly
 - ② Are reserves for Income taxes shown? per \$200K
 - ③ What other analyses should we include?
~~employees~~ # of employees?
 - ④ Are ratios of AR/sales & Assets/sales smooth over the 5 years? yes

George/pi/pipt = 84 YTD, 83 Proforma, 82 (Fpipt)
bs88 = Projected Balance Sheets thru 88 (Fbs88)
pi88 = " Income St. " (Fpi88)

George/buspln = Sec. 516 of Business Plan

RDS INC.
INCOME STATEMENTS
Projected 84-88

*most work
back to
2 mos.*

Amounts in thousands
except for EPS

	84 <i>5</i>	85 <i>10</i>	86	87	88
NET REVENUES	5500	12000	20000	30000	45000
COST OF REVENUES	550	1440	2400	3600	5400
Gross Margin	4950	10560	17600	26400	39600
OPERATING EXPENSES:					
Marketing	2350	4560	7600	11400	17100
R & D	730	1800	3000	4500	6750
G & A	820	1080	1800	2700	4050
	3900	7440	12400	18600	27900
INCOME FROM OPERATIONS	1050	3120	5200	7800	11700
INTEREST INCOME, net	20	10	5	0	25
Income before tax	1070	3130	5205	7800	11725
PROVISION FOR TAXES	535	1565	2603	3900	5863
NET INCOME	535	1565	2603	3900	5863
TOTAL SHARES	2650	2650	2650	2650	2650
EPS	\$0.20	\$0.59	\$0.98	\$1.47	\$2.21
COMPANY VALUATION @10X	5350	15650	26025	39000	58625
COMPANY VALUATION @15X	8025	23475	39038	58500	87938
COMPANY VALUATION @20X	10700	31300	52050	78000	117250
VALUATION @2X REVENUE	11000	24000	40000	60000	90000
VALUATION @3X REVENUE	16500	36000	60000	90000	135000
AVG. NO. OF EMPLOYEES	40	85	130	200	300

RDS INC.
BALANCE SHEETS
Projected 84-88

Dollars in thousands

	84	85	86	87	88
ASSETS	-----	-----	-----	-----	-----
=====					
CASH	151	100	100	100	100
A/R, NET	1,000	2,800	6,000	9,000	13,000
PREPAIDS	25	40	80	150	200
DEPOSITS	20	35	65	120	200
CURRENT ASSETS	----- 1,196	----- 2,975	----- 6,245	----- 9,370	----- 13,500
PROP. & EQUIP.	800	2,400	4,000	6,000	9,000
DEPR. RES.	-200	-600	-1,000	-1,500	-2,500
	----- 600	----- 1,800	----- 3,000	----- 4,500	----- 6,500
OTHER ASSETS	15	30	60	100	100
TOTAL ASSETS	----- 1,811	----- 4,805	----- 9,305	----- 13,970	----- 20,100
LIABILITIES	=====	=====	=====	=====	=====
=====					
BANK CR. LINE	0	1,151	2,288	1,815	792
CUR. BANK NOTES	22	22	22	20	0
ACCTS. PAY.	200	500	800	1,200	1,800
ACCRUALS	40	100	400	800	1,200
INC. TAXES PAY.	200	100	200	600	800
UNEARNED REVENUE	55	80	150	200	300
CURRENT LIA.	----- 517	----- 1,953	----- 3,860	----- 4,635	----- 4,892
BANK NOTES	62	40	20	0	0
DEF. TAXES	5	10	20	30	40
S/H EQUITY					
STOCK	470	470	470	470	470
NOTE	-10	0	0	0	0
RET. EARNINGS	767	2,332	4,935	8,835	14,698
TOTAL S/H	----- 1,227	----- 2,802	----- 5,405	----- 9,305	----- 15,168
TOTAL LIABILITIES	----- 1,811	----- 4,805	----- 9,305	----- 13,970	----- 20,100
	=====	=====	=====	=====	=====

RDS INC.
INCOME STATEMENTS
July YTD 1984
Pro Forma 1983
Actual 1982

Amounts in thousands
except for EPS

	July YTD 1984	Pro Forma 1983	Actual 1982	1981	1980
NET REVENUES	2538	2192	637	127	45
COST OF REVENUES	246	214	45		
Gross Margin	2292	1978	592		
OPERATING EXPENSES:					
Marketing	1121	670	150		
R & D	328	292	254		
G & A	409	323	37		
	1858	1285	441	184	64
INCOME FROM OPERATIONS	434	693	151	(57)	(19)
INTEREST INCOME, net	11	26	5		
Income before tax	445	719	156		
PROVISION FOR TAXES	212	291	15		
NET INCOME	223	428	141	(57)	(19)
EPS	\$0.08	\$0.20	\$0.06		

12/george/pi

trbp sum

RDS INC.
Summary Financial Statements

Amounts in thousands

Statements of Operations	YTD 9/30 1984	1983	1982	1981	1980
Revenue	3,282	2,192	637	127	45
Costs & Expenses	2,760	2,006	481	184	64
Income (Loss) before Tax	522	186	156	-57	-19
Taxes on Income	250	18	15	0	0
Net Income (Loss)	272	168	141	-57	-19

Balance Sheets	9/30/84	12/31/83	12/31/82
Current Assets	1,229	806	202
Property and Equipment, net	537	337	61
Other	6	13	8
Total	1,772	1,156	271
Current Liabilities	743	518	32
Other	71	89	
Shareholders' Equity	958	549	239
Total	1,772	1,156	271
Shares Outstanding	2,386	2,137	1,879

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RDS INC.
INCOME STATEMENTS
Projected 1984-1988

Amounts in thousands

	1984	1985	1986	1987	1988
NET REVENUES	5,000	10,000	20,000	30,000	45,000
COST OF REVENUES	500	1,200	2,400	3,600	5,400
Gross Margin	4,500	8,800	17,600	26,400	39,600
OPERATING EXPENSES:					
Marketing	2,350	3,800	7,600	11,400	17,100
R & D	730	1,500	3,000	4,500	6,750
G & A	820	900	1,800	2,700	4,050
	3,900	6,200	12,400	18,600	27,900
INCOME FROM OPERATIONS	600	2,600	5,200	7,800	11,700
INTEREST INCOME, net	20	10	5	0	25
Income before tax	620	2,610	5,205	7,800	11,725
PROVISION FOR TAXES	310	1,305	2,602	3,900	5,862
NET INCOME	310	1,305	2,603	3,900	5,863

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RDS INC.
BALANCE SHEETS
Projected 1984-1988

Dollars in thousands

	1984	1985	1986	1987	1988
ASSETS	-----	-----	-----	-----	-----
=====					
CASH	26	100	100	100	100
A/R, NET	900	2,800	6,000	9,000	13,000
PREPAIDS	25	40	80	150	200
DEPOSITS	20	35	65	120	200
	-----	-----	-----	-----	-----
CURRENT ASSETS	971	2,975	6,245	9,370	13,500
	-----	-----	-----	-----	-----
PROP. & EQUIP.	800	2,400	4,000	6,000	9,000
DEPR. RES.	-200	-600	-1,000	-1,500	-2,500
	-----	-----	-----	-----	-----
	600	1,800	3,000	4,500	6,500
	-----	-----	-----	-----	-----
OTHER ASSETS	15	30	60	100	100
	-----	-----	-----	-----	-----
TOTAL	1,586	4,805	9,305	13,970	20,100
	=====	=====	=====	=====	=====
LIABILITIES					
=====					
BANK CR. LINE	0	1,636	2,773	2,300	1,277
CUR. BANK NOTES	22	22	22	20	0
ACCTS. PAY.	200	500	800	1,200	1,800
ACCRUALS	40	100	400	800	1,200
INC. TAXES PAY.	200	100	200	600	800
UNEARNED REVENUE	55	80	150	200	300
	-----	-----	-----	-----	-----
CURRENT LIA.	517	2,438	4,345	5,120	5,377
	-----	-----	-----	-----	-----
BANK NOTES	62	40	20	0	0
DEF. TAXES	5	10	20	30	40
S/H EQUITY					
STOCK	470	470	470	470	470
NOTE	-10	0	0	0	0
RET. EARNINGS	542	1,847	4,450	8,350	14,213
	-----	-----	-----	-----	-----
TOTAL S/H EQUITY	1,002	2,317	4,920	8,820	14,683
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TOTAL	1,586	4,805	9,305	13,970	20,100
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