

MEMORREX

1976 Annual Report



# Memorex Corporation 1976 Annual Report

## Contents

- 1 Financial Highlights
- 2 Report to Shareholders
- 4 Equipment Products
- 12 Media Products
- 20 International
- 26 Corporate Capabilities
- 28 Financial Review
- 31 Shareholder Information
- 32 Officers & Directors
- 33 Financial Report
- Corporate Facilities (inside back cover)



On the cover, "Memorexcellence" signifies the company's dedication to excellence in information storage and communication products. The building blocks symbolize the basis for continuing profitable growth that has been established. As a Memorex symbol, the building block is featured at entrances to company plants.



The Memorex Corporate Headquarters building at Santa Clara, California, has been reoccupied by the corporate staff as other space at the main plant was needed for expanded manufacturing in anticipation of 1977 customer needs.

## Financial Highlights\*

	1976	1975	Difference
<i>(For the year ended December 31)</i>			
Revenues .....	\$344,633,000	\$263,994,000	\$ 80,639,000
Depreciation and amortization charged to operations .....	30,138,000	40,532,000	(10,394,000)
Income before extraordinary credits .....	24,876,000	8,245,000	16,631,000
Extraordinary credits .....	15,254,000	9,777,000	5,477,000
Net income .....	40,130,000	18,022,000	22,108,000
Average number of common shares and equivalents .....	5,674,000	4,740,000	934,000
<i>(End of year)</i>			
Cash and temporary investments .....	43,803,000	40,182,000	3,621,000
Total assets .....	262,596,000	228,137,000	34,459,000
Notes payable .....	90,958,000	117,562,000	(26,604,000)
Convertible subordinated debentures .....	67,218,000	68,045,000	(827,000)
Shareholders' equity (deficiency):			
Preferred shareholders' equity .....	62,815,000	59,057,000	3,758,000
Common shareholders' (deficiency) .....	(15,279,000)	(55,966,000)	40,687,000
Total shareholders' equity .....	47,536,000	3,091,000	44,445,000
Number of employees .....	6,840	5,364	1,476

\*Please refer to the financial statements included in the 1976 Financial Report which is an integral part of this 1976 Annual Report.

## Report to Shareholders

1976 was a great year for Memorex with operating results well above previous record levels. These results were achieved despite the fact that worldwide economic conditions were fair to poor. Inflation, political unrest, and unstable currencies were the order of the year. The good things that took place at Memorex were made to happen by the people of Memorex.

In addition to the excellent current performance, your company made major investments in the future. Impressive current operating results were matched by equally impressive, if less visible, progress in building the Memorex of the future.

Revenue growth has been one of your company's distinguishing characteristics. In 1976, revenues broke through the third of a billion mark to \$345 million. This is an increase of 31 percent or \$81 million over the prior year. This increase is larger than the total company revenue in 1970. Fourth quarter revenues were \$100 million, an annualized rate of \$400 million.

Thus Memorex has become a large company. It will be our continuing objective to retain the warmth, flexibility, and decisiveness that has made this growth possible.

Profit before taxes was \$51 million, which was more than two and a half times the \$18 million recorded on an equivalent basis in 1975. Net income for 1976 was \$40 million or \$7.10 per share. Thus net income is 12 percent of revenue. This performance was achieved despite the rapid acceleration of expenditures for the future and conservative accounting practices. Thus, they are truly quality earnings.

Cash requirements were high throughout 1976. Substantial amounts were used to finance the \$81 million dollars of revenue growth and to make the investments required to assure future growth. In addition, debt service required \$39 million — including a cash debt repayment of \$30 million. The cash and short-term investments at year end were \$44 million. This is 10 percent higher than at year-end 1975. Thus, your company has been able to generate internally the very substantial amounts of cash utilized in 1976. This enabled Memorex to enter the new year with ample cash to provide freedom of action.

Debt at year end was \$158 million. With debt coming down and revenue growing, the impact of debt service on operations has declined rapidly. Thus, debt service was 24 percent of revenue in 1975 and fell to 11 percent in 1976. It should continue to decline as revenues grow and debt is repaid.

Total shareholders' equity increased from \$3 million to \$48 million during the year. Common shareholders' equity improved from a negative \$56 million to a negative \$15 million. It should become solidly positive in 1977.

Futures investments were made in a number of different areas. All of them will enable Memorex to better serve its customers in the future.

The most important investment was in organization structuring, staffing, and personnel development. During the year responsibilities were delegated and decentralized. New profit centers were added and professional skills strengthened throughout the company. Thus, at year end, Memorex was professionally structured and staffed for continuity of growth.

Our continuing objective is to earn from our customers the reputation as their "standard of value." During the year, investments were made in quality assurance systems, field engineering, plant capacity, and regional distribution centers. Customer service was emphasized throughout the company and new sales and distribution coverage was added.

Product lines were substantially strengthened with the improvement of existing products and the addition of new ones. Major product developments were pursued for products to be introduced during 1977. The most significant of these is our new 317.5-megabyte disc drive, the 3650, but other programs of significance were established throughout the company.

The improved price of Memorex stock and our growing reputation as a quality company have made it possible to consider a number of acquisitions. During 1976 Memorex agreed to acquire Lencor International, which is the sole owner of CFI Memories, Inc., a manufacturer of computer media. Early in 1977 a letter of intent was signed to acquire Business Systems Technology, Inc. (BST), a supplier of computer peripheral products for small computer systems. Their combined revenues for the most recently

reported fiscal year are \$21 million and their combined net incomes are two million dollars. Both proposed acquisitions are consistent with our basic strategic plans.

Our investment in litigation against IBM increased during the year. It is our estimate that the trial will start in the summer or fall of 1977. Memorex has an excellent case and it will be vigorously pursued. The level of expenditures for this litigation peaked in 1976 and will decline rapidly once the initial trial phase of litigation is concluded.

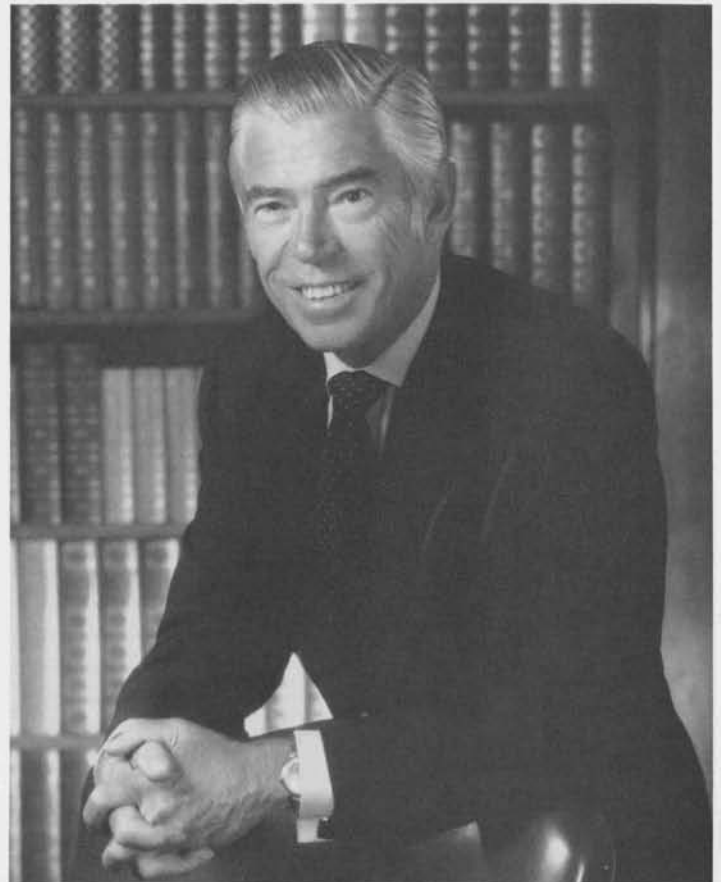
All of us can take pride in the contributions that were made in the area of public responsibility. Two of the most important problems faced by our society were unemployment and inflation. Over 1,000 new jobs were added and price increases were held below the rate of inflation. Growth was accompanied by more than 500 internal promotions during the year. Recognition of contributions to balance

of payments came in the form of an "E" pennant from the U.S. Department of Commerce. The company also received an award of excellence from the Federal Energy Commission for its energy conservation program. Equal opportunity was emphasized with an affirmative action program at all locations. At the community level the company significantly increased its participation in and support for a wide range of activities.

As we look forward to 1977, we anticipate a relatively flat worldwide economic picture. The principal continuing concern is governmental actions—particularly the actions of regulatory agencies. However, Memorex enters the new year as a much stronger company than the one that entered 1976. The major futures investments made during the year will improve our ability to provide substantial customer values to the growth markets we serve. With the continuing support of customers, suppliers, lenders, and shareholders, the talented people of Memorex will make 1977 another great year.



**Robert C. Wilson, President, Chairman  
and Chief Executive Officer**



## Equipment Products



*Entrance to Equipment Products complex, Santa Clara, California*

*James Dobbie  
Executive Vice President, Equipment*

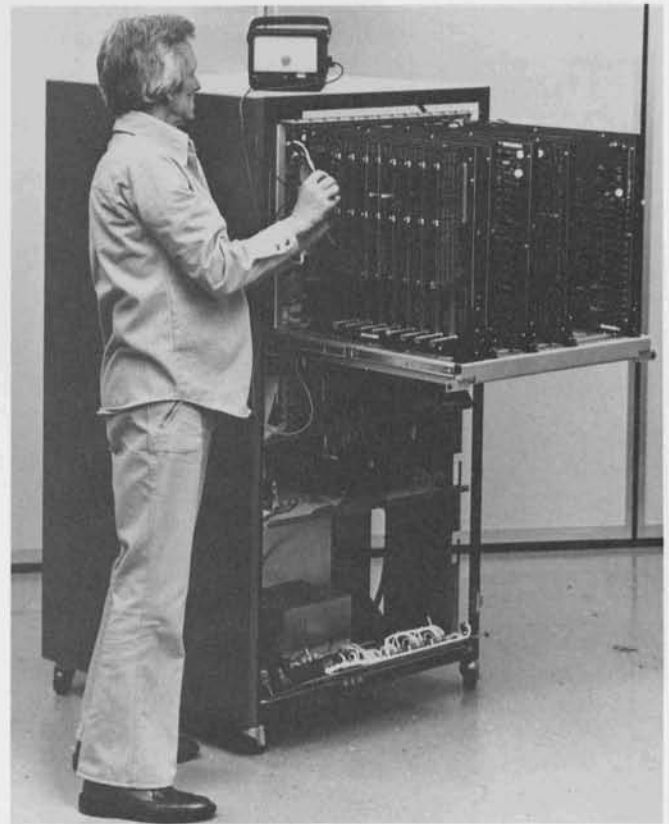
### Overview

During 1976 Memorex made substantial investments to provide improved customer values in equipment for information storage and communication.

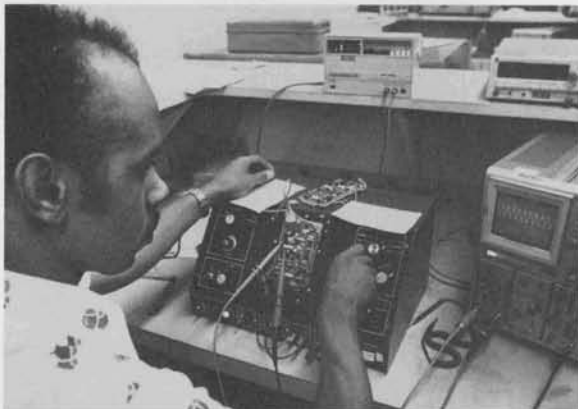
Engineering personnel were increased by more than 40 percent. Investments were made in a wide range of technol-



*As part of the quality assurance procedure, the heads performing the read/write function in disc drives are tested to assure proper electrical performance through this automated machine, which is controlled by a microprocessor and displays the test data visually through an oscilloscope.*



*The new programmable 1380 Communications Controller, shown undergoing final quality assurance tests, was installed for numerous customers during 1976.*



*Printed circuit boards, vital elements in many Memorex equipment products, are rigidly tested for specified performance.*

ogies and engineering disciplines. Those included large scale integrated circuits, the application of advanced semiconductors, magnetic heads, magnetic disc surfaces, computer design capability, and software. In-house investments were supplemented through vendor support and technology obtained from other companies.

Product quality and reliability were emphasized throughout the year. A Total Quality System was installed which provides for complete control and measurement, throughout the total planning, design, and manufacturing cycle.

Field engineering was expanded and improved. Distribution centers estab-

lished in Philadelphia and Chicago included training facilities, diagnostics, refurbishing capabilities, and spare parts warehouses. Additional portable diagnostic tools enable Memorex field engineers to minimize the time required to serve customers.



*Memorex service personnel respond quickly to calls anywhere in market areas to assure maximum operational time for customer equipment.*



*New Distribution Center in Chicago is one of four established or planned in the United States to speed delivery, service and parts distribution for Memory customers.*



*Field engineers are being trained for installation and maintenance of the 1270 Terminal Control Unit.*



*Portable diagnostic kit, providing complete testing of disc file equipment, is used by field engineer on a 3640 Disc Storage Subsystem.*





































































































