

Tymshare bides its time as suitors make pitches

By Evelyn Richards
Times Tribune Staff

CUPERTINO — Tymshare Inc.'s symbol is an hourglass with sand passing through the funnel.

It's designer probably meant it to symbolize the many customers that can all simultaneously use Tymshare's computer network.

But two decades of sifting have suggested a new meaning — measuring the time left for Tymshare as an independent company.

Indeed, last February Tymshare received an offer from a major company — not a firm in the same computer services industry — to purchase all of the company's common stock for \$50 a share.

That offer was rejected by the Tymshare board, but speculation has persisted in the financial community that another suitor may appear in the not too distant future.

The firm is an attractive target. It's growth of revenues and earnings has been steady at a compound annual rate of 30% for the last five years; last year it made \$10.6 million (\$2.31 a share) on sales of \$150 million. It holds a respected position in the huge computer services field, and, with its range of advanced computer technologies, Tymshare makes it possible for many different types of businesses to use computers to obtain and analyze information. Its computing network spans the United States and reaches into Europe and Asia.

President and chairman of the board T. J. O'Rourke well realizes Tymshare's appeal. "Companies like us would be on somebody's acquisition list," he said in a recent interview, and any offer would be conscientiously examined by the board.

Tymshare, in fact, is a seasoned negotiator, but its experience comes from the other side of the table. Tymshare's growth has been fed by a steady diet of acquisitions, and even though purchases have accounted directly for only one third of the firm's expansion, according to O'Rourke, they have given Tymshare entree into a long menu of computer service areas — by its count, 40 different industry sectors.

But diversification, O'Rourke says, has, in fact, enabled Tymshare to specialize. It divides its computer services into major market sectors, including health care, large corporations and accounting. From there the breakdown continues. Large corporations, for instance, may use Tymshare services for a host of functions, including personnel planning, financial management and accounting, production control and marketing and sales management. Fees paid by such corporations for the time they use Tymshare's services account for about \$40 million of the company's annual revenues.

Similarly, hospitals and medical centers hook up with Tymshare for a variety of computerized services.

In the accounting market, which provides \$30 million in revenues, Tymshare



Times Tribune Photo by Rick Browne

Tymshare President T.J. O'Rourke in his office

operates several computerized tax processing services that prepare income tax returns for millions of Americans.

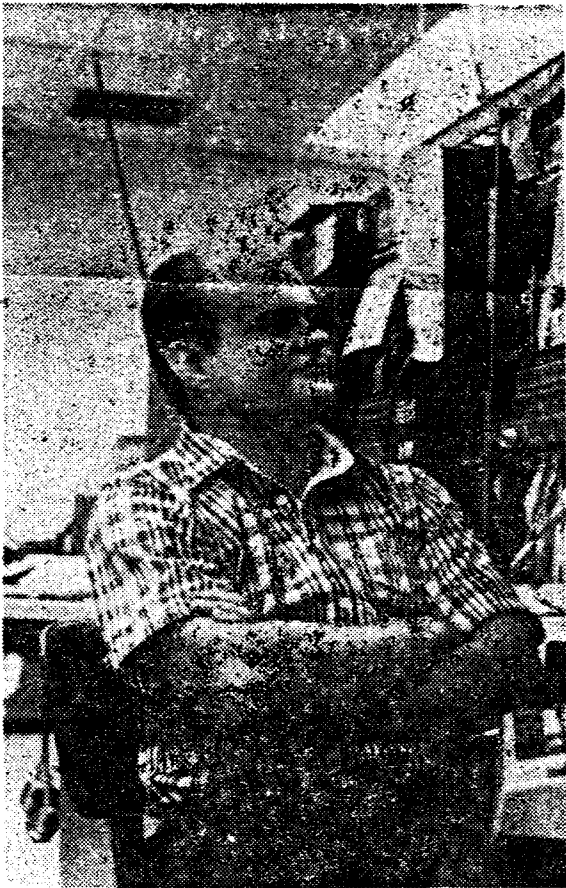
Tymshare's hand is also in America's other pocket, where its credit cards are kept. Tymshare Transaction Services keeps the master records for nearly seven million credit card accounts, and its operations were strengthened earlier this year by the purchase of Validata from TRW. When a sales clerk telephones to verify a potential charge, Tymshare can check in seconds. In addition, the Tymshare center also actually processes the charge slips, some 300,000 a day.

Also in the financial services sector, Tymshare now is planning to introduce

a new service in Southern California that would allow customers from several subscribing savings and loan institutions to do remote transactions at the same shopping center kiosk.

The omnipresence of the computer network today never was in the mind of O'Rourke when he and a colleague founded Tymshare in 1966. At that time, even the idea of sharing time on a remote computer was revolutionary enough. The pervasiveness since then really has been made possible by a Tymshare subsidiary, Tymnet Inc., which is its communications network.

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Times Tribune Photo by Gene Tupper
La Roy Tymes, despite his name and job as senior scientist at Tymshare, is not an officer of the firm. The Portola Valley resident, who is of Dutch descent, did not have anything to do with starting the business, but had a lot to do with designing the Tymnet circuit during his 10 years with the company. And, he says, he does not have designs on the presidency.

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It contributes about \$20 million of Tymshare's annual revenues, but, in effect, Tymshare pays Tymnet for the use of its network. A large portion of Tymnet's business, however, comes from companies that lease parts of the network for intracorporate data and message communications from one plant site to another.

Tymnet offers customers in 200 metropolitan areas, as well as in Canada, Europe and Asia, access to Tymshare computers by simply making a local telephone call. The system is driven by more than 400 minicomputers, which are separate from the mainframes that process the data, and information travels over lines leased from American Telephone and Telegraph Co.

Ironically, it is AT&T that could prove to be one of Tymnet's primary competitors — eventually. A year ago AT&T announced that it hoped to gain FCC approval for a so-called Advanced Communications Service, a network that would directly compete with Tymnet.

Tymshare officials immediately pooh-poohed AT&T's intention, and this month their position was substantiated when AT&T said it is indefinitely delaying introduction of the system, having run into development problems.