

NASDAQ Symbol CMPU (Eligible for purchase on margin)

Price	Range	P-E Ratio	Dividend	Yield	S&P Ranking
Dec. 4'79 17 1/4-18	1979 17 1/4-5 1/2	13	None	None	NR

Summary

This computer time sharing company has agreed to be acquired by NYSE-listed H&R Block for \$20 a share in cash or 0.8 common share of Block.

Business Summary

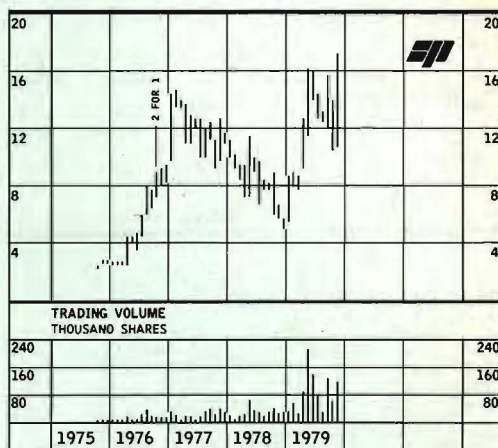
CompuServe Inc. (formerly Compu-Serv Network) provides the services of computer systems and programs on a time-sharing basis for more than 650 customers in 35 metropolitan areas throughout the U.S. Operations are conducted from computer centers in Columbus and Dublin, Ohio, and branch offices in more than 20 other cities. Specialized software packages developed by the company are available for customer access on CompuServe's computers.

Time-sharing permits a large number of persons to use one computer simultaneously, with information being transmitted between computer and user over leased telephone lines. Customers may run programs on CompuServe's computers in an "interactive" or question-and-answer-like manner. This method of computer usage, also called "on-line" processing, differs from the more common "off-line" process in which all inquiry data is punched onto cards or typed directly onto magnetic tapes or discs prior to processing. The computer centers are accessible 22 hours daily, six days each week.

CompuServe owns or leases 15 computing systems, each based on Digital Equipment Corp.'s PDP-10 central processing units, including two acquired in 1978. Three of these systems are used by the company for research and development, but are also available for customer access should demand warrant. The company has also developed specialized terminal equipment to provide customers with more efficient and reliable input-output capability.

Numerous software packages are available, including programs with applications in data base, communications and financial management; management sciences; graphics; research analysis; and engineering. Also, three nationally recognized data bases may be accessed through the company's systems.

Services provided to federal, state and local



government customers provided 23% of 1978 revenues, including 11% from a U.S. Postal Service contract for a computerized mail forwarding system.

In the 1979 second quarter, the company introduced MicroNET, a service whereby personal computer users can utilize CompuServe's computer systems during non-prime time hours when commercial customer use is low.

Important Developments

Nov. '79—H & R Block Inc. said it had agreed in principle to acquire CompuServe for about \$23 million in cash and stock. Under the proposed terms, each CompuServe share could be exchanged for either \$20 in cash or 0.8 of a Block common share. No more than 49% of the CompuServe shares could be exchanged for cash. Completion of the transaction was scheduled for early 1980. For information on H&R Block, please see Standard NYSE Stock Report No. 336K.

Per Share Data (\$)

Yr. End Dec. 31	1978	1977	1976	1975
Book Value	7.28	6.44	5.26	4.15
Earnings	0.81	1.10	1.09	0.33
Dividends	Nil	Nil	Nil	Nil
Payout Ratio	Nil	Nil	Nil	Nil
Prices—High	11 1/2	14 3/4	9 1/2	6 1/8
Low	5	9 1/4	2 1/2	2 1/4
P/E Ratio—	14-6	13-8	9-2	18-7

Data as orig. reptd. Adj. for stk. div(s). of 100% Oct. 1978. 1. Ful. dil.: 1.06 in 1978.

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Income Data (Million \$)

Year Ended Dec. 31	Revs.	Oper. Inc.	% Oper. Inc. of Revs.	Cap. Exp.	Depr.	Int. Exp.	Net Bef. Taxes	Eff. Tax Rate	Net Inc.	% Net Inc. of Revs.
1978	15.7	3.59	22.8%	1.88	1.68	0.64	1.37	33.2%	0.91	5.8%
1977	14.2	3.59	25.3%	4.88	1.50	0.55	1.66	24.6%	1.25	8.8%
1976	11.3	3.06	27.0%	1.66	1.09	0.44	1.59	24.9%	1.19	10.5%
1975	8.4	1.91	22.7%	1.93	1.02	0.52	0.40	11.5%	0.35	4.2%

Balance Sheet Data (Million \$)

Dec. 31	Cash	— Current — Assets	Liab.	Ratio	Total Assets	Ret. on Assets	Long Term Debt	Com- mon Equity	Total Cap.	% LT Debt of Cap.	Ret. on Equity
1978	1.97	4.88	3.30	1.5	16.8	5.6%	4.78	7.93	13.4	35.6%	12.2%
1977	1.44	4.09	3.06	1.3	15.5	9.2%	5.01	6.98	12.0	41.8%	19.8%
1976	1.82	3.53	2.94	1.2	11.6	11.2%	2.73	5.63	8.4	32.7%	23.7%
1975	0.44	2.29	1.83	1.3	9.7	NA	3.26	4.41	7.7	42.5%	NA

Data as orig. reptd. 1. Reflects accounting change. NA-Not Available.

Net Sales (Million \$)

Period:	1979	1978	1977	1976
12 wks. Mar.....	4.15	3.38	3.20	2.27
12 wks. Jun.	4.23	3.58	3.47	2.39
12 wks. Sep.	4.50	3.62	3.09	2.83
16 wks. Dec.		5.25	4.57	3.91
	15.83	14.33	11.40	

For the 36 weeks ended September 7, 1979, revenues advanced 22%, year to year. Net income more than doubled, to \$1,168,000 (9.1% of revenues), from \$495,000 (4.7%). Share earnings were \$1.00, versus \$0.44. Jeffrey M. Wilkins, president, said he expects net for fiscal 1979 to be \$1.6 million to \$1.7 million, or \$1.37 to \$1.40 a share. He said revenues should rise to almost \$19 million. David Swaddling, treasurer, said the company expects revenues in fiscal 1980 to continue to grow more than 20%, with profit margins continuing to improve.

Income from computer services grew 11%, year to year, in 1978. With the average number of customers remaining approximately constant over the two years, the gain stemmed mainly from higher revenue per customer. Expenses climbed more rapidly, however, partly as a result of expanded marketing efforts, and income before taxes fell 18%. Taxes, provided at 33.2%, compared with 24.6%, widened the gap, and net income dropped 27%.

Common Share Earnings (\$)

Period:	1979	1978	1977	1976
12 wks. Mar.....	0.31	0.11	0.30	0.21
12 wks. Jun.	0.33	0.14	0.26	0.21
12 wks. Sep.	0.36	0.19	0.18	0.28
16 wks. Dec.		0.37	0.36	0.39
	0.81	1.10	1.09	

1. Incls. other income.

Office—5000 Arlington Centre Blvd., Columbus, O. 43220. Tel—(614) 457-8600. Chrmn—H. K. Gard. Pres & CEO—J. M. Wilkins. VP, Secy & Treas—D. C. Swaddling. Dir—F. S. Friess, H. K. Gard, M. O. Gard, H. O. Gingrich, D. C. Swaddling, D. R. E. Thomas, J. M. Wilkins. Transfer Agent & Registrar—Huntington National Bank of Columbus. Incorporated in Ohio in 1969.

Information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

Dividend Data

No cash payments have been made. A 100% stock dividend was distributed October 22, 1976.

Finances

From its incorporation in 1969 until June 27, 1975, CompuServe operated as a wholly owned subsidiary of Ilex Corp., an Ohio-based life insurance holding company. On the latter date, Ilex spun off CompuServe to its own shareholders by distributing 0.5 share of CompuServe for each Ilex share held. To facilitate this transaction, the CompuServe shares held by Ilex were split 7,885.2654-for-1 (unadjusted) on June 16, 1975.

During 1978, CompuServe entered into a five-year contract valued at \$4.6 million to provide teleprocessing support to the ICC in the form of on-line systems geared to transportation regulations.

The company operates a research and development facility in Tucson, Ariz. R&D costs, charged to current expenses, totaled \$668,000 in 1978, down from \$783,000 a year earlier.

Capitalization

Long Term Debt: \$3,833,057 (9/7/79).

Common Stock: 1,136,799 shs. (\$0.50 stated value).

Shareholders: 11,286.

Options: To purchase 90,851 shs. at \$2.75 to \$11.50 a sh. (12/29/78).