



1969 Annual Report

MEMORREX

In the Memorex 1603 Microfilm Printer a matrix of 4,620 fiber optic strands transmits light signals to a location where the resultant character display is microphotographed at the rate of 10,000 lines per minute.

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Memorex Corporation

Financial Highlights

for the years ended December 31, 1969 and 1968

	1969	1968
Net sales	\$77,692,000	\$58,295,000
Income before provision for Federal and foreign income taxes	13,604,000	10,084,000
Net income after taxes	6,902,000	4,939,000
Net income per share*	1.87	1.35
Depreciation and amortization expense	2,888,000	2,651,000
Capital expenditures	11,901,000	8,363,000
Research and development:		
Capitalized	3,683,000	1,487,000
Expensed	5,477,000	3,798,000
Working capital	18,898,000	7,239,000
Long-term debt	21,959,000	4,289,000
Shareholders' equity	35,074,000	27,295,000
Total capitalization	57,033,000	31,584,000
Return on total capitalization (weighted monthly average during year)	20.4%	21.2%
Shares outstanding (average during year)	3,693,307	3,663,010
Number of employees at year's end	3,409	1,916
Number of shareholders at year's end	16,450	17,050

*Based on weighted average number of shares outstanding.

Fiber optic strands (mid-picture) transmit red light to form alphanumeric characters in the operation of the Memorex 1603 Computer Output Microfilm Printer. Ends of the fibers (lower picture) are photographed to provide the microfilm record.

To Shareholders:

The year 1969 was pivotal in Memorex's corporate development.

It began with our business comprised principally of magnetic media product lines. At year-end, Memorex was also engaged in large scale manufacturing and marketing of direct access disc memory equipment; a Computer Output Microfilm ("COM") Printer based upon technological innovation had been introduced to the computer market; and several other corporate development programs had been launched with objectives of still further diversification in information handling systems media and equipment.

Significantly, excellent growth of sales and profits paralleled corporate development achievements.

Consolidated sales for 1969 were \$77,692,000, a 33% increase over 1968 sales. The major contribution to the sales gain resulted from shipments of computer peripheral equipment.

Net profit after taxes for 1969 amounted to \$6,902,000, a 40% year-to-year growth. Earnings per share were \$1.87, compared to \$1.35 in 1968, both figures based upon approximately 3.7 million shares of common stock outstanding.

Four corporate development programs initiated during 1969 are expected to add new product lines to our business in 1970.

The Model 661 Disc Drive Control Unit, announced in December, is scheduled to be in production at mid-year. A keyboard terminal for communication-based and other time-shared computers, whose specifications have not yet been announced, is nearing completion and is planned for production early in the second half of the year. New media product lines which will begin production for sale during 1970 are microfilm supplies for computer output recording and

Memorex's first consumer product line, magnetic tape cassettes.

Magnetic media products accounted for \$62 million sales in 1969, a 12% increase over 1968's sales. The sales increase produced a less than commensurate increase in profit of media products because of a number of adverse business circumstances, which included a 15% lower average price for media products and limited production of broadcast video tape early in the year. Substantial reduction in costs of disc pack manufacturing and introductions of new computer tape and video tape products mitigated lower prices, but the primary offset was an approximate 30% increase in physical unit volume. This increase was achieved by major expansion of domestic and international media sales organizations.

Media markets continue to grow, especially the market for closed-circuit video tape which is burgeoning at an annual rate in excess of 30%. A firming of prices is also occurring, and there is other evidence that the industry's competitive shakeout is concluded. Hence, Memorex's media sales capacity, expanded during 1969, will be advantageous in 1970, and we are optimistic that media products will again enjoy a profit growth commensurate with sales growth.

Disc drive equipment sales rose to \$15 million during 1969, the first full year of equipment manufacturing operations. At year-end, the scale of operations was at an annual rate of \$30 million. This achievement resulted from success in meeting two major goals: the launching of production of the Model 660 Disc Drive and the expansion of manufacturing capacity at a maximal rate. At the close of 1969, shipments of the 660 Disc Drive exceeded those of the smaller capacity Model 630, which was introduced in 1968, and both the workforce and plant facilities for disc drive manufacturing tripled from

the beginning-of-year levels. More than a thousand units of Memorex disc drives have now been shipped.

Memorex announced the Model 661 Storage Control Unit in December. This equipment interfaces with the IBM Series 360 computers and enables the Model 660 Disc Drive to attach to a computer as a substitute for the IBM counterpart disc storage file equipment. Initial deliveries will be made in mid-1970. The thrust of Memorex's disc drive business, as a result, will shift during the current year from the sale of drives to manufacturers of computers to the direct sale of Model 660/661 Systems to IBM computer users.

In spending for research and development, facilities acquisition, and development of Memorex's organization, the rates of increase substantially exceeded the rate of growth of sales in 1969.

Corporate development programs, which are the bases of future product lines, and on-going research and development activities relating to existing product lines involved spending of \$9.2 million, a 70% increase over 1968. Of this amount, \$5.5 million, or 7.1% of sales, represented on-going R&D and was charged against revenues as a current operating expense. In 1968, the comparable figures were \$3.8 million and 6.5%.

Plant facilities amounted to 960,000 square feet at the end of 1969, a 70% expansion of space occupied a year earlier. Also, construction was undertaken of 590,000 square feet, and approval given to projects for an additional 90,000 square feet.

Employment increased to 3,409 at year-end 1969, an increase of almost 80%. The number of divisional and departmental managers exceeded 200, an increase of more than 100% during the year.

These increases relating to technology development, facilities, and most importantly, people, must anticipate our near-term business projections. Because these resources are well provided, Memorex should substantially exceed the \$100 million sales goal in 1970 which we set three years ago. We have now raised our sights to a goal of \$250 million sales in 1972.

The 1603 COM Printer which was announced in October is a fundamentally new peripheral product for the computer market, perhaps the most important to be introduced since the first replaceable disc storage file was announced. The 1603 meets a critical requirement of most computer users — the need for an archival record of output which, in microfilm form, can be more easily stored than paper records, and which can be more economically copied and distributed in large number throughout a user's organization.

Memorex's pricing strategy has placed the 1603 COM Printer within reach of the great mass of computer users, and with it has staked a claim upon the COM market potential, which some industry experts have estimated at \$500 million.

Initial deliveries of the 1603 are scheduled for April 1970, with a rapid scaling up of production through the end of the year. We anticipate its production rate at year-end 1970 will be comparable to that of our disc drive equipment products.

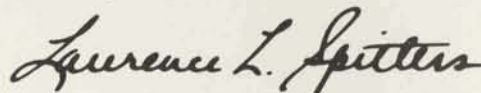
In anticipation of the introduction of the Model 660/661 Disc Drive Storage System and the 1600 COM System and yet other peripheral products now under development, plans were prepared in 1969 and key men recruited for a worldwide equipment sales and service capability. The plans are now being implemented most aggressively. Our objectives are, at the end of 1970, to achieve a predominance of sales of our equipment

products directly to computer users, and to have the capacity to solicit orders and provide service to customers at any location in the United States and in the principal markets of Canada, Europe, Latin America, and the Far East.

W. Noel Eldred resigned from the Board of Directors in December because of the press of his other business responsibilities. We are appreciative of the service which Mr. Eldred performed in his five years of Board membership.

In announcing the inauguration of Memorex's business in 1962, the motivation of Memorex employees was described by the idea that "a man's reach should exceed his grasp." That ambition has prevailed through all of Memorex's experience, in domestic and international operations, in established operations and in newly-formed subsidiary enterprises. Coupled with hard work, it produced the success of operations again in 1969. Employees of Memorex, at every level and location, take pride in building together a business which is as estimable for its quality as for its tangible growth. They invite, too, the challenges of a demanding future, confident that their past success is a signal of what they will yet accomplish.

Sincerely,



Laurence L. Spitters
President

January 30, 1970



