



Memorex Telex Reports 1994 Second Quarter Results.



Business Wire

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IRVING, Texas --(BUSINESS WIRE)-- Nov. 11, 1994 -- Memorex Telex N.V., (NASDAQ: MEMXY) today announced its financial results for its second fiscal quarter ended September 30, 1994. Revenue for the quarter was \$223.0 million. The operating income before depreciation and amortization ("EBITDA") was \$7.5 million for the quarter. The Company reported a second quarter net loss of \$31.7 million or \$1.27 per share, including amortization of goodwill of \$31.3 million and depreciation of \$2.5 million. The Company is amortizing the goodwill resulting from its financial restructuring over three years.

For the six months ended September 30, revenue was \$455.6 million, EBITDA was \$19.5 million. The net loss for the period was \$62.3 million or \$2.49 per share, including amortization of goodwill of \$62.6 million and depreciation of \$4.9 million.

Memorex Telex chief executive officer Marcelo Gumucio said he was pleased with the fact that the Company has six consecutive quarters of profits from operations. However, he was disappointed with the absolute results. "The market for our traditional products is declining at a faster rate than we had anticipated," said Mr. Gumucio. "We had counted on revenue, profit, and cash flow from these businesses to fund previously implemented cost reduction initiatives as well as to fuel more rapid growth in our Networking Systems and Advanced Services segments. We find ourselves behind in achieving the goals we had set."

The Company also announced it had begun discussions with its banks, major shareholders, and other interested parties concerning new financing. "Our long-term business plan makes sense, but additional financing of \$25 to \$50 million will be needed to successfully continue the transformation of the Company from a manufacturer and developer of hardware to a provider of networking and storage solutions," stated Mr. Gumucio. "We are encouraged by the reception of our products and services in the marketplace. With costs continuing to decline, we

expect operating profit to improve during the next fiscal year."

The Company said its revenue outlook for the current fiscal year is in the \$850 to \$900 million range, with EBITDA of approximately \$35 to \$45 million. Assuming additional financing, the Company expects revenue in the next two fiscal years to be relatively flat, taking into account the current revenue trends and transformation of the business, but EBITDA should improve significantly due to lower operating costs.

Memorex Telex is a leading provider of enterprise network and storage solutions for businesses worldwide. The Company operates in 25 countries around the world, with distributor links in other countries. Among its network products are mainframe and midrange networking equipment, LAN products including PCs and super servers, and LAN-to-mainframe gateways. Storage products include disk and tape storage subsystems and automated tape libraries. Customer support services range from hardware maintenance to advanced services.

Memorex Telex N.V.

Condensed Consolidated Statement of Operations

(Amounts in U.S. Dollar Millions, except per share amounts)

	6 Months Ended		3 Months Ended	
	September 30,		September 30,	
	1994	1993	1994	1993
Revenues	\$455.6	\$535.7	\$223.0	\$256.4
Gross Margin	132.4	164.5	64.7	80.3
Selling, general & administration expenses	115.2	131.4	57.3	63.0
Goodwill amortization	62.6	11.7	31.3	5.9
Other(income) expenses, net	2.6	2.0	2.4	1.4
Operating				

income(loss)	(48.0)	19.4	(26.3)	10.0
Interest expense, net	9.7	58.5	5.0	29.7
(Loss) before income taxes	(57.7)	(39.1)	(31.3)	(19.7)
Provision for income taxes	4.6	5.3	0.4	2.5
Net income(loss)	(62.3)	(44.4)	(31.7)	(22.2)
Net loss per common share	(\$2.49)	*	(\$1.27)	*
EBITDA	19.5	39.5	7.5	19.6

*Per share amounts are not relevant due to the Prepackaged Plan of Reorganization which was filed in February, 1994 and became effective on March 24, 1994.

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