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STRATEGIC PLANNING AND PARTNERING: BUYOUTS AND ACQUISITIONS

C. Michael Dishman
Vice President
INPUT

REVISITING TRADITIONAL ACQUIRERS

ADP	Bank of America
Computer Associates Int'l	Computervision
Computer Sciences Corporation	Computer Task Group
Control Data Corporation	EDS
Informatics General	Martin Marrietta
MSA	McDonnell Douglas Corp.
Monchik Weber	National Data Corp.
Planning Research Corp.	Policy Mgt. Systems
Sterling Software	Tymshare
UCCEL	Xerox

REVISITING

RECENT ACQUISITIONS

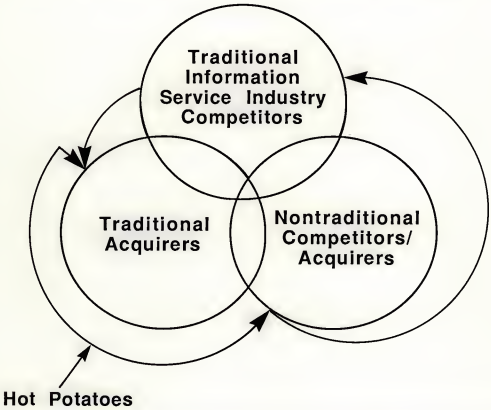
- EDS
- Informatics General
- Monchik Weber
- Tymshare

REVISITING NON-TRADITIONAL COMPETITORS

Dun & Bradstreet
McGraw-Hill
U.S. West
Weyerhaueser
MTech
Burroughs
Contel
McKesson
Dow Jones

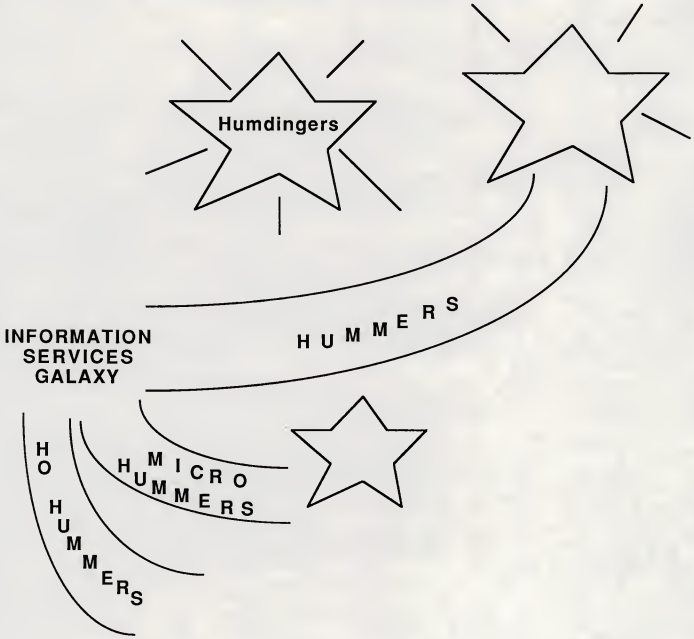
Ameritech
Schlumberger
Bechtel
Citicorp
Mellon Bank
Borg Warner
American Express
H&R Block
Diebold/Travelers

REVISITING
THE INDUSTRY HAS CHANGED



REVISITING

AND STILL IS . . . CHANGING



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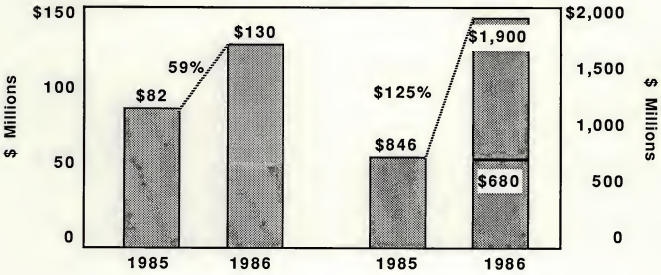
REPOSITIONING

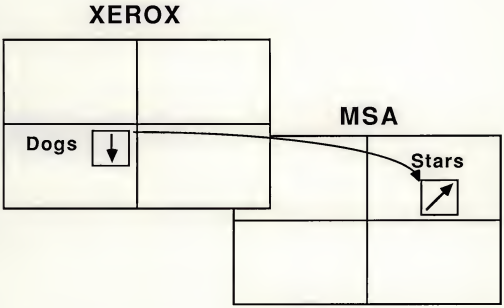
MERGER/ACQUISITION FIRST SIX MONTHS 1985-1986



Source: Broadview Associates

REPOSITIONING

DIVESTURES



REPOSITIONING

THE REBOUND

- GTE
- Comshare
- GEISCO
- Xerox

REPOSITIONING

THE OUTLET PASS

- Boeing Computer Services
- Computer Sciences
- U.S. West

REPOSITIONING

THE SLAM DUNK

- ADP
- Computer Task Group
- Shared Medical
- First Financial Management

REPOSITIONING

THE IMPACT PLAYER

- Strategic Purpose
- Market Focus
- Gain Segment Dominance
- Market Image
- Posture for the Future-Planning

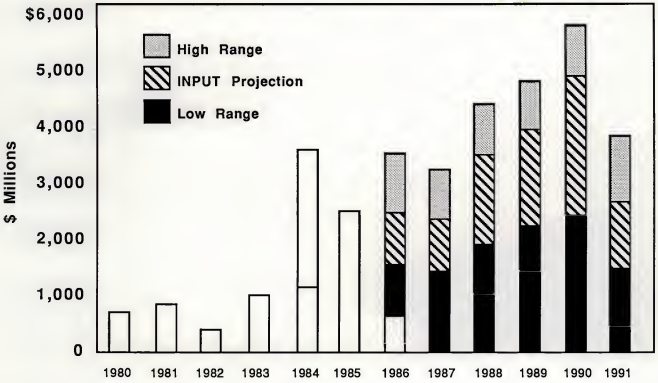
REACTING

BUY, ALLY, or DIE

- Product Life Cycle Presure
- Development Cost
- Development Lead Time
- Competitive Market
- Shifts in Business Mix

REACTING

MERGER/ACQUISITION OUTLOOK



REACTING

THE PROCESSING/NETWORK SERVICES TARGET

COMPANY	PROBABILITY	COST	VALUE
ADP	VL	VH	VH
Anacomp	M	H	H
Comdata Network	H	H	H
National Data Corp.	M	H	H
SEI	L	VH	VH
Shared Medical	M	VH	H
Systematics	H	H	H
Telecredit	M	H	M
Telerate	L	VH	VH

REACTING

THE PROFESSIONAL SERVICES TARGETS

COMPANY	PROBABILITY	COST	VALUE
AGS Computer	M	H	M
American Mgt.	M	H	H
BDM Int'l	H	VH	M
BBN	M	H	H
CSC	L	VH	H
Computer Task	H	H	H
Logicon	H	H	H
PRC	L	VH	VH
Syscon	L	M	M

REACTING

THE SOFTWARE PRODUCTS TARGETS

COMPANY	PROBABILITY	COST	VALUE
Ashton Tate	L	H	M
Computer Assoc.	M	VH	VH
Cullinet	M	H	M
Lotus	L	VH	H
MSA	H	H	H
Microsoft	L	VH	H
Policy Mgt.	M	H	VH
Sterling	L	H	M
UCCEL	L	VH	M

REACTING

THE TARGETS

- Only a Few Good Strategic Candidates
- Most Would Be "Projects"
- Few, if Any, Blockbuster Deals
- Few Would Satisfy Emerging Needs
- The Targets Will Be Active Acquirers

REACTING

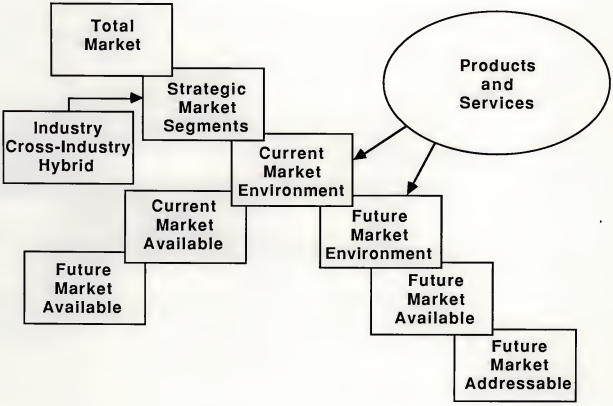
THE DEALS

- Candidates in the $15 to 50 Million Sales Range
- Vertical Expertise
- Further Consolidation
- Higher Prices
- Less Cash - More Earned Buyouts - Over More Time

RESPONDING

- Know your Markets
- Set Segment Dominance as the Objective
- Improve Competitive Knowledge
- Make a Real Strategic Plan
- Acquire for Strategic Purpose

MARKET BREAKDOWN STRUCTURE



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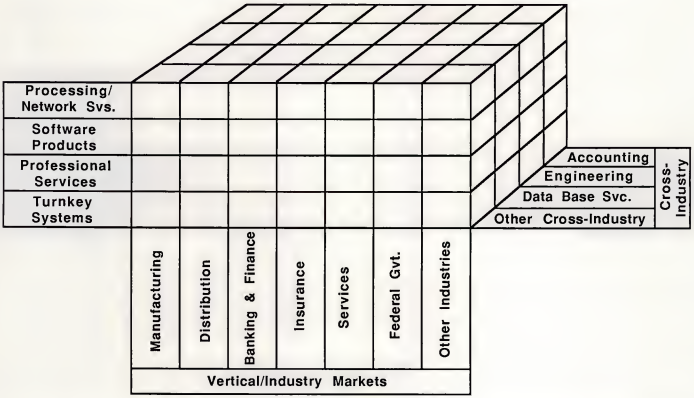
RESPONDING

STRATEGIC SEGMENTATION

- Understand the Segment(s) Needs
- Get Products and Services that Satisfy the Need Including the Non-Traditional
- Package and Price for the Segment -Uniquely
- Develop Distribution Strategies for the Segment
- Look for Vertical Integration

STRATEGIC MARKETING SEGMENTATION



RESPONDING

STRATEGIC ACQUISITION

- Restate the Reason and Acquisition Fits the Plan
- Profile Potential Candidates
  - To the Plan
  - To the Company
  - To the Company Need
- Look at Companies that Are Not for Sale
- Consider a "MOSAIC"
  - Hit Some Singles
- Vertical Integration Is the Objective

RESPONDING

CRITICAL SUCCESS FACTORS

- Strategic Market Planning
- Value Added Solutions
- Marketing/Distribution

RESPONDING

CRITICAL SUCCESS FACTORS
MARKETING

- Strategic Segments
- Strategic Customer Sets
- Responsive Products & Services
- Packages & Priced for the Customer Set
- Targeted Promotion and Posture
- Distribution Strategy By Target Element
- Support and Develop the Customer

RESPONDING

VERTICAL INTEGRATION

- Traditional Products and Services
- Information Providers
- Telecommunications Providers
- Other Business Services
- Extended Presence

RESULTS

REVISITING HOT POTATOES

- Zytron
- NCSS
- Dun & Bradstreet
- Anacomp
- Arista
- Xerox
- MSA
- WUI
- MCI

not used

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REACTING CHART PROJECTING THE ACQ. FERVOR THRU 1991

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REVISITING OTHER HUMDINGERS

- American Can
- RBOCS according to Paine Weber
- Future Computing/Gnostic Concepts
- Contel
- United Telecommunications
- Exxon
- Schlumberger

REVIEWING HUMMERS

- ADP
- Computer Associates
- CyCare
- MTech
- National Data Corp.
- Anacomp
- Cullinet
- First Financial
- Mellon Bank
- Policy Mgt.

REVISITING MICRO HUMMERS

- MSA
- ASK
- Computer Associates

REVIEWING
HO HUMMERS

- Lockheed
- Security Pacific Automation
- American Can
- Mead Data Central

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1986 BROADVIEW STATISTICS:

DISCUSS BIG TRANSACTIONS

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REPOSITIONING

RECENT DISVESTITURES

Anacomp	Bank of America
Computer Sciences Corp.	Computer Task Group
Control Data Corporation	MSA
McDonnel Douglas Corporation	Sterling Software
UCCEL	Xerox