

PRESS CONFERENCE
Paris, France
April 23, 1974

A Presentation by
Jean-Pierre Brulé
Président Directeur Général
Compagnie Honeywell Bull

(1st part)

INTRODUCTION OF SERIES 60

We are gathered today to announce the Series 60, the new line of products from Compagnie Honeywell Bull. This announcement is for our Company one of exceptional importance. Exceptional in terms of the range of products involved ; because of the importance of the European contribution to the Series 60, and also by the fact that this event represents the major accomplishment of the corporate merger of 1970.

With the introduction of the Series 60 we are bringing out a new family of compatible computers. This series consists of a great many new peripherals and ten models of central processors. These ten models correspond to four levels, with each level representing an optimum performance point in terms of hardware and software.

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This announcement is being coordinated world-wide, with simultaneous introductions in several important cities of Europe and America. It is also an announcement about a coordinated International development in which teams of European engineers figured very significantly :

- In effect, the Level 61, which inherits the basic lines of its architecture and its logic from our present Series 50, was designed and built in France.
- the Level 62, a new development carried out in Italy, is manufactured there and later also in the United States.
- the Level 64 is a new system developed by the Medium Systems Department of Honeywell Bull with the assistance of a team of American engineers who worked on a part of the software and certain peripheral connections. It is manufactured in Angers and eventually in the United States as well.
- finally, the Level 66, based mainly on our Series 6000, is a product of the American staff. Its production will be in Phoenix, U. S. A., and in Scotland.

The major objectives of the Series 60 are to protect the past investment of our clients on the one hand, and on the other, to provide customers with a simple growth path toward more advanced applications than they require at this time.

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(second part)

SIGNIFICANCE OF THE SERIES 60 ANNOUNCEMENT
IN THE HISTORY AND STRATEGY OF COMPAGNIE HONEYWELL BULL

To place into perspective the new products we are introducing today I would like to talk to you about some recent, and some not so recent, historical events. Within this context I have selected four significant dates : 1919, 1924, 1964 and 1970.

1919 is the date that Frederik Bull, a Norwegian inventor, obtained his first patent in connection with an ambitious project to provide his employer, a Norwegian insurance company, with an alternative to the dominant position held by the main manufacturer of punched card machines at the time. The first patent was for a tabulator, and marked the beginning of a long time of highly competitive equipment. That same alternative was offered to thousands of European and world-wide users.

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This year marks the 50th anniversary of the sale of Bull equipment outside Scandinavia. In 1924 the Swiss insurance firm of Rentenanstalt signed its first contract for equipment, subsequently followed by many other orders. This company remains today as one of our most important customers in Switzerland.

During the succeeding decades the Compagnie des Machines Bull constantly innovated -- furnishing the data processing industry with the first tabulator having an independent cycle ... the first computer based on germanium diodes ... the first multiprocessing computer with multiprogramming capability ... as well as other inventions, such as the magnetic character recognition CMC7, employed today by banks throughout Europe for automatic document reading. Along with this technical activity, the marketing activity developed rapidly, and brought about the creation of several agencies and affiliates covering more than 30 countries -- those which now constitute the affiliate network of Compagnie Honeywell Bull.

However, this outstanding growth does not escape the inherent constraints of the data processing market. I shall discuss them briefly, because they remain unchanged to this day. The main characteristics of the data processing industry are :

1. It is world-wide -- its scope is on a global level.
2. It is dominated by one company which controls more than half of the world market.
3. It requires a large capital investment, with most of the computers being rented according to the practices initially laid down by the leader in the industry.
4. Its growth is rapid (previously 25 to 30 per cent yearly, and today 15 to 20 per cent).

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Compagnie des Machines Bull felt the consequences of these four market conditions in the early 1960s, and thus required the assistance of the General Electric Company in 1964 and then of Honeywell in 1970 -- the last of the key dates I spoke of earlier. The result was the creation of the strongest world-wide challenger to the industry leader through an integration of EDP activities of a comparable level of size and competence.

Whatever the evaluation of the 1964 operation, it met two vital needs -- taking into account the marketing laws previously stated : the need for increased capital and a world-wide market place. Once again Compagnie des Machines Bull had been a forerunner. If these needs were not readily apparent in 1964 they were very obvious in 1970. If European products of today can be sold in large quantities on the American market (following the example of our 58, the only European computer to be successfully marketed in the U.S.A., with several hundred now installed) it is because our 1964 and 1970 mergers have made this possible. And the way shown by Bull is now being followed by other groups seeking a share of the world data processing market to attain a viable volume of business.

In focusing our attention on the recent past -- from 1970 to the present -- I would like to describe the strategies of Compagnie Honeywell Bull, linked, of course, to those of the Honeywell Information Systems group.

- The first strategy consisted of being profitable as a result of the larger size of the group following two successive mergers. The target of this strategy was to increase the rate of net profit year after year. This objective was fully reached. After four years the net result went from the break even point in 1969 to a net profit of 5 per cent in 1973. - during the same period the Compagnie Honeywell Bull revenue more than doubled. I would like to remind you of the results achieved in 1973 : \$ 481,000,000 revenue for the year with a 5 per cent rate of net profit, and a cash flow/

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revenue rate exceeding 20 per cent -- a level close to the highest in the EDP industry. These results demonstrate the success of strategy N° 1 for improving profitability. This achievement was made possible by a great effort on productivity throughout the company. I believe that we can illustrate this achievement by looking at the ratio of the company revenue per employee. It has doubled in four years and tripled in six. I believe that this feat, better than any explanation demonstrates the success obtained by going after economic gains which have grown out of the two mergers, and which the forceful action of Company management was able to "free".

- The second strategy was aimed at retaining the share of the market acquired after the 1970 merger. Thus, the second strategy balanced the first, indicating the limit retained in the selection between profit rate and marketing penetration. In order for the profit advance to be absolutely positive, it was necessary that this share of the market attained in 1970 should not weaken. This was achieved, as our increase in revenue proves. The increase is at least equal to that of the overall data processing industry. Moreover, one of the most obvious proofs of success of the 1970 merger was the high degree of fidelity that we have experienced with the Bull General Electric customers as well as with those who came in with Honeywell. We believe that the basic reasons for this were the rapid decisions taken in October, 1970, to form new staffs and to maintain our high-quality customer service.
- The third strategy, closely tied-up with the other two, stressed the progressive improvement of the products offered in 1970 while awaiting the moment whereby they could be more closely unified. That day is now here. It should be noted that this improvement for the products offered in 1970 was accompanied from the start by a rationalization since the number of products under consideration was progressively reduced to the level of the central processing units and, furthermore, to that of the peripherals. It should also be noted that this pragmatically-dosed strategy

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allowed us to enhance some of those products to the point that the two extremes of the product range i.e. the model 58 (replaced the 55) and the 6000 series (replaced the 600) have become two of the pillars of today's announcement, since they supplied the new products with an appreciable part of their architecture and of their software.

While on this subject, I would like to draw your attention to the fact that it was the size of the Honeywell Information Systems/Compagnie Honeywell Bull group which enabled the wide range of existing products to be progressively improved and permitted the development of a new, unified product line since the group R & D budget is superior to \$ 100,000,000 yearly.

As the year 1974 unfolds, we are looking towards the future. Supporting us, we have a profitable financial operation, a staunch technical and marketing staff and a habit of continual progress. What does the future hold in store for us ?

. First of all, in 1974 more progress will probably be made -(unless there is an economical slowdown which is presently unpredictable)- since we have started out this year with a backlog of orders. The year 1975 will be more difficult to analyze because of the legitimate threat hanging over the western economies which no country can pretend to avoid completely.

Over a long term, the outlook for automatic data processing is brilliant with continued progress in the price/performance ratio of computer systems, making them more competitive each year when compared to traditional work methods which are characterized by increasing annual costs - now at an even faster rate because of the inflationary salary spiral.

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New fields of applications for information processing are discovered each year and continuous inflation can only accelerate this tendency. Actually, the energy crisis could emphasize this development, the increase of the use of sophisticated information means and the abandon of the classic processing methods.

. The products presented to you today were planned with this perspective in mind. The policy of reinforcing former products by progressive improvement, to which I have already alluded, has enabled us to introduce a new product line incorporating the latest technology at a time that we have chosen.

This introduction was made at a chosen time based on established strategies, so that we may market a coordinated family of new developments. Furthermore, this introduction is being carried out simultaneously in several countries - an introduction in which Compagnie Honeywell Bull has well filled its part.

I would like to conclude my remarks on this point. In 1970 when Honeywell, the Compagnie des Machines Bull and Bull General Electric discussed the conditions for creating the Compagnie Honeywell Bull with the French administration, among the points considered to be essential by all parties was the maintenance and the development of the Bull technical and research potential and, more generally, the protection of employment within the company and the importance of the Bull role in the new group.

If these points, which were specified at the time, have not drawn any attention since then, it is simply because they have been integrally respected and even over-reached. The operation of the Honeywell Information Systems/Compagnie Honeywell Bull group is not only based on a unity of strategies (whose principles I outlined previously) but on an operational specialization of its main structural units which we call the "mission" concept.

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Under this system each principal unit is assigned both marketing and technical missions. The marketing missions involve the distribution and the maintenance of all the group products in a given number of countries : for Compagnie Honeywell Bull, this responsibility covers 33 countries in Europe (except for Italy and Great Britain), French speaking Africa, Latin America and the Eastern bloc. In other words, the former marketing network of the Compagnie des Machines Bull.

The technical missions involve the planning, development and production of a specified number of large families of data processing products which are subsequently sold and distributed in all of the countries by the marketing networks of Honeywell Information Systems and Compagnie Honeywell Bull. The Compagnie Honeywell Bull is responsible for the following product families within the group : data introduction systems, medium systems, card-based peripherals, high-speed printers and magnetic disk drives up to a specified capacity. Consequently, in the product range presented today, Compagnie Honeywell Bull developed the systems at Levels 61 and 64 as well as a large number of peripherals employed at Levels 61, 62, 64 and 66.

I believe that today's announcement illustrates the way in which our mission organization seems to us to be essential : In an industry which is necessarily world-wide, it represents the opportunity for European researchers and technical staff to work on an equal footing with their American colleagues who are engaged in markets all over the world. It enables them to maintain their level of competence in their specialty on an up-to-date world-wide basis, (I say "maintain" because the entire system assumes that the competence was there initially - and this is one of the original features of a group like ours which is constituted by a merger of units that are comparable from the point of view of size and of competence).

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I hope that I have made clear the major difference between an organization by missions like our group and the customary reassignment of tasks in a multinational group.

Unlike a task, a mission implies an extension in time and in volume. It is not unidimensional but also aims at analyzing the world market requirements for the family of products concerned, as well as undertaking the research and the technical and financial planning, the development and the production. (If a second plant makes the same product because of economic reasons then it operates under the administrative control of the first).

I believe that I may conclude by saying that the concern felt by many of you in this room during the Summer of 1970 was completely taken into account by this organization by missions. Providing one third of the total revenue and of the personnel for the Honeywell Information Systems group in 1970, the Compagnie Honeywell Bull has seen this proportion increase regularly every year and its share of research and production responsibility progress equally. Today it represents, and tomorrow it will represent, one of the greatest assets for a major European data processing industry economically sound.
