Technical data corporation

Business, Company

HarvardBusiness School 9-283-072 Rev. December 1, 1987 Th Jeff Parker was 38 years old, and held BS (1965), Master of Engineering (1966) and MBA (1969) degrees from Cornell University. After receiving his MBA, Parker had been employed in a number of positions in the investment industry. From 1969 to 1971, he worked for Smith Barney is m This case was prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. 1 at er ia Jeff Parker lc an Since it was founded, TDC had proved to be a more successful venture than Parker had thought probable when he started the company. By mid-1982, the company's revenues were running at an annual rate in excess of $1, 000, 000 and net profits after taxes were at a $270, 000 annual rate. o tb e re Technical Data had been established in November of 1980. The necessary funds for starting the company had been raised by selling a package of debentures and stock representing 10% of the equity in the company to outside investors for $100, 000. Parker retained 85% of the company. The outside investors were all active participants in the bond market. pr od uc ed Interdata Corporation supplied a wide variety of economic data and information services to a broad spectrum of firms. Interdata was a privately-held company with 1981 revenues of approximately $83 million. w ith u tp

Technical Data was a supplier of data analysis services to the financial community specifically, to participants in the bond market, including bond traders, bond salesmen, pension fund managers and bankers. er m is si on Technical Data Corporation fro m Scribbled at the bottom of the last worksheet was Parker's initial estimate of the value of his company. His calculations indicated a range of reasonable values from $5 to 10 million. Parker was somewhat aghast at the magnitude of this amount, given the firm's somewhat modest start only one and one-half years previously.

When TDC was created in November, 1980 the total capitalization of the company was under $200, 000. LA D C us to Jeff Parker, President of Technical Data Corporation (TDC), was going over some worksheets he had recently prepared. He was scheduled to meet the next day with Will Hollister, Chairman of Interdata Corporation. Hollister had asked Parker to discuss a possible investment by Interdata in TDC. Eventually, Hollister had said, Interdata was interested in buying the whole company. m Pu b lis h in g Technical Data Corporation . 283-072 Technical Data Corporation

Harris Upham as a fixed income securities salesman. From 1972 to 1975, he was Vice President and Manager of the Corporate Bond Department of A. G. Becker. From 1975 to mid-1977, Parker helped develop a west-coast based bond operation for Loeb Rhoades. In mid-1977, Parker left San Francisco to come to Boston to work for Fidelity Management as a senior, fixed income portfolio manager. At Fidelity, Parker was responsible for managing the fixed income portion of a number of large pension fund portfolios. Th is Virtually all of the data analysis services embodied in TDC's product had been developed by Jeff Parker.

During the period he had been employed as a bond trader and as a portfolio manager, he had written a number of proprietary programs to analyze bond data. In 1980, Parker had purchased an APPLE II micro-computer. He transferred all the programs he had developed over the years on large time-sharing systems so that they would run on the APPLE. The process of producing the " pages" to be sent out over the Telerate system was fairly simple. The requisite data were typed into the APPLE by a clerical worker. Then, the individual 2 m Also, TDC had introduced a number of new analytical services for use by traders of longterm bonds.

By April of 1982, the company had expanded the number of pages of information offered from 19 to 40. There were always new ways to analyze or present data on yields and prices. at er ia lc Over the year and a half that the business had been in existence, a number of improvements had been made in the basic product. For example, when first introduced, the analysis of bond prices, yields and futures prices was updated only once a day. However, Technical Data had recently hired someone to update the data and analysis more frequently, in some cases as often as hourly. In the longer run, plans called for continuous updating by computer. n no tb e re pr TDC charged approximately $150. 00 per month per customer for access to its services. This fee was extremely modest in comparison to the other costs incurred by bond market professionals. By mid-1982, the company had over 500 paying subscribers, slightly under 10% of all the Telerate screens in existence. A representative list of customers is provided in Exhibit 2. od uc ed w Technical Data had the right to send out up to 40 " pages" of

information over the Telerate system. Then, Telerate customers could contract separately with TDC to buy access to the TDC pages.

Otherwise, the Telerate user could not gain access to the information. ith ou tp er The method of distributing the product was somewhat unusual. The data analysis was sent out over a computer network known as Telerate, the dominant distributor of fundamental data (e. g. , prices and volumes) in the bond business. By mid-1982, Telerate had over 6, 000 customers, each of whom had a computer terminal linked electronically to Telerate's central computer. m is si on fro m The product had several components, all designed to provide information useful to bond market traders.

For example, one service provided by TDC was an analysis of yield spreads on government securities of different maturities (e. g. , the difference between the yield available on a short-term treasury bill and the yield to maturity on a long-term government bond). A description of the basic product is contained in Exhibit 1. LA D C us to Parker left Fidelity in late 1980 to form TDC. The business plan called for the company to develop an information analysis system for sale to participants in the fixed-income securities business. The latter group would include bond traders, fixed-income salesmen, bankers and pension fund managers. Pu b lis h A Brief History of Technical Data Corporation in g . Technical Data Corporation 283-072 analysis programs were run to create summary reports useful to traders in the bond market. These reports were in turn transmitted directly to the Telerate central computer for transmission over the Telerate system. By mid-1982, TDC had 6 employees, including Parker. Parker was responsible for generating most of the ideas about product enhancements or new product

introductions. Jody Morse, a Vice President of the firm, was in charge of office operations.

Marketing of TDC's products was done on three levels. First, the Telerate system had certain pages set aside for advertisements. Also, advertisements were placed directly in relevant trade journals. The second level of marketing entailed direct contact by an employee of TDC on the phone. Possible users were identified and a phone call was placed to describe the product in some depth. Parker employed two people in this capacity. He called them " smilers and dialers. " The third level of marketing was done by Parker. Parker actively sought national exposure in the media.

He made numerous presentations during meetings of bond market professionals. And, he made himself easily available to reporters for comments on current conditions in the bond markets. By mid-1982, Technical Data had an excellent reputation for delivering a high quality yet inexpensive product which was useful to investors in fixed income securities. Th Telerate had experienced tremendous growth over the past few years. The number of terminals in place was expected to reach 7, 000 over the next year and a half. The company was just beginning to expand into the European market.

A further complication in defining the size of the potential market for TDC was that there were suppliers of financial data other than Telerate. It was entirely feasible to provide the basic TDC services over other networks. And, perhaps even more importantly, the scope of TDC's product line could easily be expanded so that the potential market would be very large. In the last decade, there had been an 3 is m at er This list shows the approximate

distribution of the existing Telerate customer base. However, Telerate had not come close to capturing 100% of all the possible consumers of financial data on fixed-income securities. a lc an Total no Customer Type -U. S. Banks Brokers Mortgage Bankers Savings & Loans Insurance Companies Trading Operations andMoneyManagers Miscellaneous w ith Defining the market to which TDC's products were directed was somewhat difficult. A narrow definition suggested that the current subscribers to the Telerate system were the market. In turn, the distribution of Telerate's customers by type of business is given below: ou Telerate Systems, Inc. Approximate % of Total U. S. 20 % 25 20 7 2 20 6 100 % tb e re pr od uc ed tp er m The Market is si on fro m LA D C us to m Pu b lis h in g . 283-072

Technical Data Corporation explosion in the number of types of securities in which money could be invested: stock options, financial futures, bond options, futures contracts on stock market indices were all relatively new investment media. Investors were hungry for information which would help them deal with the myriad choices among securities, and it was to this market that TDC would provide its services. For example, the company could provide a service similar to its bond market service to investors in common stocks. The dominant supplier of data in the stock market was a company called Quotron.

Quotron had over 50, 000 terminals around the world as compared with the 6, 000 Telerate terminals. TDC could arrange to distribute a stock analysis service over the Quotron system on terms similar to those governing TDC's relationship with Telerate. It was also possible that TDC could deliver its current bond-based product to Quotron subscribers. To give some idea of the

scope of possible products and distribution media, a copy of the Technical Data corporate charter is provided as Exhibit 3. The Competition Th is The company intended in the Fall of 1982 to introduce a brand new service over the Telerate system.

Whereas the existing product provided data analysis of longer-term government securities and the related financial futures, the new product would provide similar analysis for short-term financial securities (e. g. , U. S. Treasury Bills, certificates of deposit, and bankers's acceptances). Specialization by investors in the long-term or short-term end of the market suggested that there would not be much overlap in the client base. Both sets of customers, however, were very likely to have Telerate screens already installed as Telerate supplied raw data on securities of all maturities. m Parker had developed a strategic plan for the next several years which called for continued expansion and refinement of the company's current Telerate-based product. at er ia lc Future Plans and Projections an no Parker believed he had a significant advantage over other competitors, given his substantial knowledge of the market. His experience as a bond trader and as portfolio manager was an important asset. tb e re pr However, at least withrespectto TDC's existing market niche, TDC's market penetration was limited more by the ability of the company to contact otential customers and to sign them up than it was by direct competition. od uc ed Also, one of the reasons Interdata had contacted Parker was that the company was interested in expanding its data analysis capabilities. Like Telerate, Interdata was known principally as a supplier of raw data. w ith ou tp Indeed, Parker had discovered that Telerate was interested in developing its own analytical products to transmit over its

system. It was possible that such products might be directly competitive to those offered by TDC.

Parker knew, however, that Telerate would have to build a completely new department to produce analytical programs. Telerate had traditionally only provided raw financial data to the bond market. er m is si on fro m There were many current and possible competitors in the business of supplying data and analysis to the financial community. Some of these competitors were substantially larger in size than Technical Data. LA D C us to m Pu b lis h in g . Technical Data Corporation 283-072 Additionally, TDC planned to diversify away from Telerate as the sole distribution medium for its products.

Specifically, the company was discussing arrangements with Quotron and Radiodata. As noted above, Quotron was the dominant supplier of financial information pertaining to the stock market. They were very much interested in performing a similar role in the fixed income markets. And, Parker's firm could provide services to stock investors similar to those provided for bond investors. In particular, Parker and TDC had expertise in some of the recently introduced financial securities - options and futures contracts on stock market indices such as the Standard & Poors 500. Th s m Financial Performance In November of 1980, when the company was formed, sales were zero. By mid-1982, sales were running at an annual rate of slightly over $1, 000, 000. From the day the company was formed to the end of April, 1982, the increment to retained earnings was $179, 335. At that date, cash and marketable securities were slightly less than $400, 000. Some recent financial statements and the associated notes to the financial statements are

included as Exhibit 5. at er ia Current plans called for the introduction of two new software programs by the Fall of 1982.

Parker hoped that introducing a complete line of programs with a common user interface would preempt the market, and would effectively create a barrier to entry. lc an no tb At Technical Data, Huebscher was in charge of overseeing the complete process of developing new stand-alone software programs. He would write some of the software himself, and he would assess the attractiveness of programs offered to TDC for resale by outside programmers. e re pr od Parker had recently hired a graduating MBA from Harvard Business School to be a product manager for the software series.

Bob Huebscher had been a project manager for a software firm in Boston before entering business school. uc ed w In the last three years, the number of micro-computers being used by investment professionals had expanded dramatically. More generally, during this time period, over 1. 5 million so-called personal computers had been sold which could conceivably run software created by TDC. The introduction in late 1981 of a personal computer by IBM was an important event from TDC's perspective because its customer base was more likely to buy personal computers from IBM than from some of the other firms active in the industry. th ou tp er m is si on TDC was scheduled to introduce in July, 1982 the first of what was intended to be a broad line of financial software. The initial product was a yield calculator, and is described in Exhibit 4. The preliminary response in the market to pre-released versions of this product had been overwhelmingly enthusiastic. fro m LA Finally, TDC was in the process of introducing several stand-alone software products. These products were intended to be used by professional

participants in the investment community on a personal computer. D C us to Radiodata was a relatively new company.

They intended to supply information over the middle part of the FM radio band. The middle part was not used for radio transmission, but could provide a reliable means for transmitting data to specially equipped terminals. m Pu b lis h in g 5 . 283-072 Technical Data Corporation The asset requirements of TDC were minimal. In addition to normal office furniture, the company owned a number of personal computers. A fully equipped APPLE II computer, however, only cost $4, 000. 00. When TDC had been formed, Parker had arranged to use the office space of a company active in the bond business.

In return for free rent, Parker provided the company with the use of his programs. However, in the Spring of 1982, the company had signed a five year lease on new space in a downtown Boston building. The annual rent on the new office was $45, 000. In March of 1982, Technical Data had entered into preliminary negotiations with Telerate to extend its contract to distribute its product. The company was attempting to sign a five year contract which would involve TDC paying Telerate a royalty of its Telerate-based revenues. It was very likely that these negotiations would be successfully concluded in the near future.

Proforma Revenues and Expenses Th is Parker was in somewhat of a quandry as to how to value the company. Although TDC had been very successful from the start, a great deal of the potential value from operating the company came from future profits. In order to maintain the high rate of growth, the company would have to develop and introduce new products and sustain a strong marketing program. Parker decided that the best way to

arrive at an appropriate price for the company was to obtain data on price earnings ratios being accorded in the stock market to comparable companies.

Then, these multiples could be applied to the expected earnings of TDC over the next 12 months to arrive at a price. There were several sources of information on price earnings multiples. Parker had found a report which contained data on companies in the computer services industry. The list was compiled by an investment banking firm called Alex Brown & Sons. 6 m at er ia lc an Valuation no tb The three sets of revenue and expense forecasts are provided in Exhibits 6, 7 and 8.

Attached to Exhibit 6 are estimates of the market shares necessary to achieve the customer and revenue targets in the base case forecast. e re pr od With respect to expense forecasts, Parker took the approach that at most expenses would be 50% of revenues. Assuming for simplicity an effective tax rate of 50%, the net margin on sales was expected to be 25%. uc ed w The revenue projections were broken down into a number of categories representing specific product line forecasts. In the first year of the forecast period, the bulk of the revenues were expected to come from the current Telerate business. th ou tp er Parker had developed three different forecasts for the revenues and expenses of the firm over the next three fiscal years ending October 31: expected values (base case); optimistic (best case) values; and, pessimistic (worst case) values. m is si on fro m LA D C us to The salary levels of the TDC employees depended in part on the level of profitability of the firm. As of April 30, 1982, Jeff Parker was receiving an annualized salary of $125, 000. For the six months ended April 30, 1982, the

total salary payments of TDC were $126, 000. m Pu b lis h in g . Technical Data Corporation 83-072 There were two parts of the report which were of interest to Parker. The first was a list of some financial data on firms in the computer services industry for the period ending March 9, 1982. The list showed prices, dividend yields and price earnings ratios as well as other related data. The list is attached as Exhibit 9. The second part of the Alex Brown report was a graph showing the relationship between the price earnings ratios accorded firms in the sample and the expected long term growth rates of earnings for each. The graph is reproduced as Exhibit 10.

Parker had also compiled a list of data on recent initial public offerings. That is, the data described the financial characteristics of companies issuing stock for the first time. These data are attached as Exhibit 11. Finally, Parker had gathered some more detailed information about some companies in businesses not disimilar to that of Technical Data. Some summarized data on ManagementScienceof America, Quotron, Cullinane Data Base and Monchik Webber are shown in Exhibit 12. Th is m at er ia lc an no On the other hand, Parker didn't want to give away the company.

He had worked hard for years, and this was the big payoff. He and hisfamilyhad a lot at stake in the negotiations. This was one of the most important decisions he had ever had to make. tb e re pr The final issue confronting Parker was how to negotiate with Hollister and Interdata. He knew Hollister well, and wanted to stay on good terms with him, regardless of the outcome of the negotiations. Therefore, he thought he would have to be reasonable in his demands. od uc ed For the purposes of estimating a

reasonable discount rate, Parker had gathered some information on the financial markets in April of 1982.

These data are provided in Exhibit 13. w ith ou With respect to alternative valuation methods, Parker was interested in seeing if he would arrive at a value different from those estimated by using price earnings ratios if he used discounted cash flow techniques. The questions here involved what the cash flows would be for Technical Data, what the appropriate time horizon for forecasting should be, and what discount rate to use. tp er m is si on There were several issues facing Parker. The first was how to use the information he had gathered above to arrive at a fair price for his company.

A second issue was whether or not there was some other way to approach the valuation issue. fro m LA The Meeting with Hollister of Interdata Corporation D C us to m Pu b lis h in g 7 . 8 Th Exhibit 1 is at er ia lc an no tb e re pr od uc ed w ith ou tp er m is si on fro m 283-072 m LA D C us Technical Data Corporation to m Pu b lis h in g . Th at er ia lc an no tb e re pr od uc ed w ith ou tp er m is si on fro m Exhibit 1 (Continued) is m Technical Data Corporation LA D C us to m Pu b lis h 283-072 9 in g . 283-072 Technical Data Corporation Exhibit 2 Technical Data One Federal Street Boston, Massachusetts 02110 617 482 3341

Th is 10 m at ACLI Government Securities Aetna Life Insurance Alex Brown & Sons Alliance Capital Management Allied Corporation American General Armco Bache Halsey Stuart Bankers Trust Bank of America Bear Stearns A. G. Becker Brown Brothers Harriman Cargill Investment Services Chase Manhattan Bank Chemical Bank Chicago Corporation Clayton Brokerage COMARK Conti Commodities Continental Bank Connecticut General Dean

Witter Reynolds Discount Corporation Donaldson Lufkin Jenrette Drexel Burnham Lambert Dry Dock Savings Drysdale Securities Ehrlich-Bober & Company Federal Home Loan Bank Federal National Mortgage Assoc.

Fidelity Management & Research First Boston First City National Bank, Houston First National Bank of Boston Ford Motor Company Forstmann Leff Associates G. E. Pension GNP Commodities Goldman Sachs E. F. Hutton REPRESENTATIVE SUBSCRIBER LIST Harvard Management Heinold Commodities International Business Machines International Monetary Market Jennison Associates Kidder Peabody Lehman Bros. , Kuhn Loeb Lloyds Bank Mark Twain National Bank Mass. Financial Services MEG Asset Management Mercantile Bank of Canada Merrill Lynch Mobil Oil Morgan Guaranty Moseley Hallgarten Neuberger Berman Norton Simon Paine Webber Wm.

E. Pollock T. Rowe Price Putnam Advisory Refco Partners Richardson Securities Scudder Stevens & Clark The Securities Group Shearson/American Express Smith Barney Standard Oil of Ohio State of California State of Illinois State of Minnesota State of Wisconsin Thompson McKinnon Travelers Insurance The Treasury Group Tucker Anthony Union Carbide Wertheim & Co. Wheat First Securities The World Bank er ia lc an no tb e re pr od uc ed w ith ou tp er m is si on fro m LA D C us to m Pu b lis h in g . Technical Data Corporation 283-072 Exhibit 3 TECHNICAL DATA CORPORATION CORPORATE CHARTER

Technical Data is in the business of providing decision support systems to the professional investment community. Essentially, the company provides products which enable investors to analyze data in order to make better investment decisions. The data which can be analyzed using Technical

Data's products are those pertaining to virtually all publicly traded securities. Examples of securities would include U. S. Government bonds, commodity futures, common stocks and options on stocks. For each possible security, the relevant data set would include current and historical prices, volume and open interest. Th is m at r ia lc an no tb e re Correspondingly, there are two methods of distributing Technical Data's products to the final customer. The first is over some electronic communications medium. An example would be the Telerate system. Technical Data's customers gain access to the data and analysis by subscribing to certain pages on the Telerate system. There are a number of other competing communications systems, including Quotron and Radiodata. The other distribution method for Technical Data is direct sales of products to consumers. An example would be a software package to be used on a microcomputer to analyze data. r od uc ed w ith ou There are essentially two modes in which the analysis of data can be done using Technical Data products. The first is what can best be described as " on-line:" that is, the data are analyzed as they are (continuously or periodically) updated on the relevant securities market. The second mode of analysis is one in which the data are analyzed without immediate, computerized access to updated information. An example of the latter mode would be an analytical package provided to an investor in the form of a stand-alone software routine.

The user of such a package would normally be responsible for entering the relevant data. tp er m is si on fro m The analytical tools provided by Technical Data are designed to provide information deemed useful to investors in making investment decisions in an easily understood format.

With regard to format, both numerical and graphical displays are employed. LA D C us There are a number of ways in which these data can be analyzed. These include: price or volume trend analysis (so called technical analysis); fundamental analysis (e. g. , the pricing of options); and, relative pricing analysis (e. . , the spreads between the yields on various fixed income instruments). to m Pu b lis h in g 11 . 12 Th Exhibit 4 is at er ia lc an no tb e re pr od uc ed w ith ou tp er m is si on fro m 283-072 m LA D C us Technical Data Corporation to m Pu b lis h in g . Technical Data Corporation 283-072 Exhibit 5 Income Statements* Year October 31 1981 371, 557 20, 216 17, 139 8, 240 417, 152 391, 773 3 Months January 31 1982 201, 304 6, 262 8, 637 655 216, 858 207, 566 3 Months April 30 1982 241, 568 4, 557 10, 957 1, 138 258, 220 246, 125 6 Months April 30 1982 442, 872 10, 819 19, 594 1, 793 475, 078 453, 691

Revenues: Subscription Income Equipment Sales Interest Other Total Revenues Note: Operating Revenues Costs and Expenses: Cost of Equipment Sales Salaries and Wages Other Operating Expenses Rent Interest Total Expenses Pre-Tax Income Taxes: Th is m at er ia lc an no tb e re pr od Current 23, 025 39, 866 Deferred 2, 275 10, 224 Total Taxes 25, 300 50, 090 Net Income 58, 124 59, 364 Earnings Before Interest & Taxes 78, 660 104, 192 Note: Depreciation & Amortization 9, 154 2, 724 Note: Telerate Royalty 74, 598 26, 911 Note: Rent 0 0 *See the summary of accounting principles at the end of this exhibit. s si on 13, 984 145, 719 161, 650 0 12, 375 333, 728 83, 424 3, 818 46, 325 53, 886 0 3, 375 107, 404 109, 454 C us 3, 432 60, 551 72, 492 0 3, 375 139, 850 118, 370 to m fro m LA D uc 45, 123 11, 410 56, 533 61, 837 110, 788 2, 724 26, 927 0 ed w ith ou tp er m Pu b lis h 7,

250 106, 876 126, 378 0 6, 750 247, 254 227, 824 84, 989 21, 634 106, 623 121, 201 214, 980 5, 448 53, 838 0 in g 13 . 283-072 Technical Data Corporation Exhibit 5 (Continued)

Assets: Current Assets: Cash Marketable Securities Accounts Receivable Prepaid Expenses Other Total Current Assets Property & Equipment: Computer Equipment Office Equipment Motor Vehicles Total Property Less Accumulated Depreciation Net Property and Equipment Other Long-Term Assets TOTAL ASSETS Liabilities: Current Liabilities: Accounts Payable Accrued Liabilities Taxes Payable Deferred Subscription Income Total Current Liabilities Long-Term Debt Deferred Income Shareholders Equity: Common Stock Retained Earnings 67, 927 3, 886 20, 107 91, 920 8, 876 83, 044 1, 238 422, 734 73, 174 3, 886 20, 107 97, 167 11, 525 85, 642 1, 163 559, 953 150, 199 49, 941 138, 041 271 0 338, 452 233, 048 49, 941 187, 112 1, 476 1, 571 473, 148 174, 384 224, 197 217, 804 1, 135 3, 425 620, 945 October 31 1981 January 31 1982 April 30 1982 m is si on fro m LA D C us to uc ed w 13, 984 56, 412 23, 025 113, 747 207, 168 90, 000 2, 275 19, 110 11, 625 55, 336 198, 951 285, 022 90, 000 2, 275 ith ou tp er m Th is 14 m at er ia lc an no tb e re TOTAL SHAREHOLDERS EQUITY pr od 65, 167 58, 124 123, 291 65, 167 117, 487 182, 654 Pu b 75, 566 3, 886 20, 107 99, 559 14, 174 85, 385 1, 088 707, 418 15, 022 27, 583 95, 740 232, 295 370, 640 90, 000 2, 275 65, 167 179, 335 244, 502 lis h in g . Technical Data Corporation 283-072 Exhibit 5 (Continued) Summary of Significant Accounting Policies The Company bills subscription income in advance on an annual or monthly basis.

Such billings are recorded as a liability (deferred subscription income) and taken into income ratably over the period that they are earned. Marketable securities are recorded at cost, which approximates market value. Th is m at er ia lc an no tb e re pr od uc ed w ith ou tp er m is si on Deferred income taxes relate to timing differences in the recognition of certain expenses for income tax purposes, principally depreciation. fro m Investment tax credits are accounted for on the flow-through method as a reduction of income taxes in the year in which the credits are available for tax purposes. LA D Organizational expenses are being amortized over a period of sixty months. C us Property and equipment are recorded at cost.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets forfinancial statementpurposes, and principally accelerated methods for tax purposes. Costs of maintenance and repairs are charged to expense and significant renewals and betterments are capitalized. to m Pu b lis h 15 in g . 283-072 Technical Data Corporation Exhibit 6 Proforma Profit Projections Expected Values Actual May/1982 Fiscal '82–'83 Fiscal '83–'84 Fiscal '84–'85 Growth Rates REVENUE SOURCE: Telerate: Customers $ Per Month Revenues Quotron: Customers $ Per Month Revenues Radiodata: Customers $ Per Month Revenues Newsletter: Customers $ Per Year Revenues Software: Customers Products $ Per Product Revenues New Bill Product:+ Customers $ Per Month Revenues See Assumptions Below) 553 156 1035216* 750 165 1485000 150 170 306000 250 100 300000 300 100 30000 200 10 250 500000 350 100 420000 0 3041000 760250 900 190 2052000 300 187 673200 500 110 660000 500 125 62500 1000 210 2520000 450 206 1110780 700 125 1050000 15. 47

12. 82 30. 27 C us to m fro m LA D tp er m 700 125 87500 200 30 250 1500000 700 125 1050000 400000 7718280 1929570 is si on uc ed w 200 20 250 1000000 500 125 750000 250000 5447700 1361925 ith ou TOTAL REVENUES no tb Other New Products: Stocks & For. Exchange e re pr od _____ 1035216 Th is Assumptions: 1. Expense Ratio (%) 2. Tax Rate (%) m at er *Annualized ia lc NET PROFIT an 50. 00 50. 00 The " Bill" Product was the data analysis service focusing on short-term financial securities (e. g. , Treasury Bills) which TDC intended to distribute over Telerate. 16 Pu b 73. 21 10. 00 90. 53 67. 33 11. 80 87. 08 52. 75 11. 80 70. 78 0. 00 73. 21 0. 00 73. 21 41. 42 11. 80 58. 11 NA 59. 31 59. 31 lis h in g . Technical Data Corporation 283-072 Exhibit 6 (Continued) Actual May/1982 ESTIMATED MARKET SHARES: Telerate (Bonds): Total Market TDI Customers Share Quotron: Total Market TDI Customers % Share Radiodata: Total Market TDI Customers % Share Telerate (Bills): Total Market TDI Customers % Share 7000 750 10. 71 24000 150 0. 63 2500 250 10. 0 7000 350 5. 00 8000 900 11. 25 48000 300 0. 63 3700 500 13. 51 8000 500 6. 25 9000 1000 11. 11 60000 450 0. 75 4900 700 14. 29 9000 700 7. 78 13. 39 15. 47 1. 84 58. 11 73. 21 9. 54 40. 00 67. 33 19. 52 13. 39 41. 42 24. 72 Fiscal '82–'83 Fiscal '83–'84 Fiscal '84–'85 Growth Rates Th is m at er ia lc an no tb e re pr od uc ed w ith ou tp er Note: The other market share figures are not meaningful because TDC's expected share is very small. m is si on fro m LA D C us to m Pu b lis h in g 17 . 283-072 Technical Data Corporation Exhibit 7 Proforma Profit Projections Best Case Values Actual May/1982 Fiscal '82–'83 Fiscal '83–'84 Fiscal '84–'85 Growth Rates

REVENUE SOURCE: Telerate: Customers $ Per Month Revenues Quotron: Customers $ Per Month Revenues Radiodata: Customers $ Per Month Revenues Newsletter: Customers $ Per Year Revenues Software: Customers Products $ Per Product Revenues New Bill Product: Customers $ Per Month Revenues Other New Products: Stocks & For. Exchange (See Assumptions Below) 553 156 1035216* 800 165 1584000 300 170 612000 400 100 480000 400 125 50000 1000 190 2280000 500 187 1122000 600 125 900000 600 150 90000 1200 210 3024000 600 206 1481040 22. 47 12. 82 38. 17 41. 42 10. 00 55. 56 50. 00 22. 47 83. 71 41. 42 9. 54 54. 92 41. 42 73. 21 9. 54 168. 33 41. 42 11. 80 58. 11 123. 61 73. 70 73. 70 si on fro m tp er uc ed 200 10 250 500000 500 100 600000 100000 m is 300 20 275 1650000 700 125 1050000 400000 7492000 1873000 w