

# Market Place

## Out of Computers, Is Xerox 'In' Stock?

BY ROBERT METZ

Until recently, the Xerox Corporation had been regarded in Wall Street as a story-book company. Emerging out of a moribund corporation some years back, Xerox became a sensation as the producer of a patented dry process facsimile maker. The copying method became so popular and was so superior to the photographic methods of its day that the term Xerox became synonymous with office copying.

For years, it seemed that Xerox growth knew no bounds. The company, modeled by its management after the premier growth company, International Business Machines, turned in 30 to 40 per cent growth rates annually in the Nineteen-Sixties.

Inevitably, however, the growth rate slowed as Xerox began to fill its market potential and as vigorous competition began to arrive with similar processes, including, in recent years, one by I.B.M.

In the late nineteen-sixties, Xerox began a diversification process that contemplated an "office of the future" that would integrate typewriters, copiers, telephones, dictating equipment and storage and retrieval systems all tied into a central computer system.

The company was fearful that, if it developed the system it had in mind without its own computer technology, it might be at the mercy of suppliers. Thus, in a move much debated in Wall Street at the time, Xerox purchased Scientific Data Systems, a mainframe computer maker that produced some of the largest equipment in the business.

In a sense, the Xerox move was shrewdly thought out. A number of companies that have built equipment designed to be used with computers made by others have been left out in the cold when the mainframe maker has changed designs. Telex, Memorex and others have suffered as a result of design changes by I.B.M., the company with which their equipment was designed to work.

But the 1969 computer acquisition did not work well for Xerox and on Monday the company announced after the close of trading on the New York Stock Exchange that it would withdraw from the computer manufacturing business in about a year. The stock, weak all day, closed down  $2\frac{1}{8}$  points at 65. Xerox fell  $1\frac{1}{8}$  to  $63\frac{3}{8}$  yesterday.

The historic high for Xerox is  $171\frac{3}{8}$ , set in 1972. Last year it sold as low as 49.

At the time of the acquisition, many questions arose concerning the \$900-million Xerox paid to get into the computer business, and the loss of the company has experienced in computers has hurt profits at a time when Xerox growth is slowing.

In the last five years, Xerox has grown at a re-

duced rate of about 15 per cent, causing some in Wall Street to characterize Xerox as a great company but no longer a great stock.

Disaffection with Xerox stock has been fairly widespread on Wall Street. One analyst, who like several others asked not to be identified, said that heavy volume in Xerox of late represented institutional selling.

However, Xerox still has its fans. Its anticipated growth rate of 8 to 12 per cent in the next five years is regarded as acceptable by many in a period of generally slower economic growth.

Burn Eaton of Mitchell, Hutchins, Inc., has been recommending the stock right along. He believes the resolution of Xerox computer problems is "belated but positive."

Like many others, he was trying to evaluate the effect the computer abandonment would have on the Xerox bottom line. A Xerox official reached by telephone reiterated remarks made yesterday by the Xerox chairman, C. Peter McCollough, that the company expected a modest decline in earnings for 1975 from 1974 from continuing operations.

Mr. Eaton said that it sounded as though Xerox were expecting a slightly larger decline in earnings in the third and fourth quarters than previously anticipated.

"I would guess maybe 5 to 10 cents a share [less] for the year," he said. "We've been anticipating \$4.15 to \$4.20 a share for the year 1975 so take 5 to 10 cents off of that."

"But dropping losses from computer operations should bring the figure back to \$4.30 to \$4.40 a share. Last year Xerox earned \$4.14 a share," he said. "To make that comparable—that is by dropping last year's computer losses—the figure for 1975 would be about \$4.40 a share. That means a flat to down year on a comparable basis in 1975."