**DIVERSIFIED BUSINESS GROUP**

**SHUGART CORPORATION**

**JANUARY 22, 1985 MANAGEMENT MEETING**

**MOUSE**

## OVERVIEW

| | | |
|---|---|---|
| MARKET OPORTUNITIES: | XEROX | |
| | OTHERS | |
| DESIGN STATUS: | XEROX TOOLING | CURRENT |
| | COST REDUCED DESIGN | 1-18-85 |
| PRODUCTION PLAN: | START @ SUNNYVALE | 11-84 |
| | TRANSFER TO S.D.N. | 5-85 |
| | INTRODUCE COST REDUCED | 6-85 |

APPROVALS REQUIRED

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## MOUSE PLAN VS OUTLOOK

| | PLAN | OUTLOOK | B/(W) |
|---|---|---|---|
| VOLUME (UNITS) | 97,100 | 97,100 | - |
| AUP ($) | $65.00 | $60.80 | $ (4.20) |
| REVENUE ($M) | $ 6.3 | $ 5.9 | $ (0.4) |
| GROSS MARGIN ($M) | $ 1.2 | $ 1.9 | $ 0.7 |
| GROSS MARGIN % | 19% | 33% | 14% |

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# MOUSE CRITICAL FACTORS

| | 1ST QTR | 2ND QTR | 3RD QTR | 4TH QTR | TOTAL |
|---|---|---|---|---|---|
| SALES VOLUME (UNITS) | 6,100 | 18,000 | 31,000 | 42,000 | 97,100 |
| AUP ($) | $94.00 | $76.11 | $60.00 | $50.00 | $60.80 |
| REVENUE ($M) | $ 0.6 | $ 1.4 | $ 1.9 | $ 2.1 | $ 5.9 |
| GROSS PROFIT MARGIN ($M) | $ 0.1 | $ 0.5 | $ 0.7 | $ 0.6 | $ 1.9 |
| GROSS PROFIT MARGIN (%) | 17% | 38% | 37% | 30% | 33% |
| DGR (QUARTER END) | 150 | 400 | 600 | 650 | |

# OPTICAL MOUSE MARKET

<u>CAD/CAE</u>

SYSTEM COST >$10,000

LOW VOLUME 500 - 10K UNITS/YR

new! price

MOUSE PRICING $75 - $100

REQUIRE HIGH PERFORMANCE, HIGH RELIABILITY

<u>PC</u> (OEM AND RETAIL)

SYSTEM COST >$2,000

MEDIUM VOLUME 20 - 100K UNITS/YR

MOUSE PRICE $50 - $55

SENSITIVE TO PRICE/PERFORMANCE TRADEOFFS

<u>HOME COMPUTER</u>

SYSTEM COST <$2,000

HIGH VOLUME >100K UNITS/YR

MOUSE PRICING $20

COST DRIVEN

JANUARY 21, 1985

1.5 sqt - fans $20e, flps

20K/mo

# COMPETITION

| | COMPANY | PRODUCT | PERFORMANCE | OEM PRICE |
|---|---|---|---|---|
| A | ALPS | MECHANICAL | 100 TRANSITIONS/INCH | $19 |
| Send on A | LOGITEK | OPTOMECHANICAL | 200 TRANSITIONS/INCH | $55 |
| RS232 | SUMAGRAPHICS | OPTICAL | 100 TRANSITIONS/INCH | $75 - 100 |
| RS232 | MOUSESYSTEMS | OPTICAL | 100 TRANSITION/INCH | $75 - 100 |
| A | SHUGART | OPTICAL | 200 TRANSITIONS/INCH | $55 - 100 |

JANURAY 21, 1985

# MARKET STRATEGY

* SEEK BUSINESS WITH HIGH END CAD/CAE AND PC OEMS 4K - Xerox 10K - Tektronix

* EXPLORE RETAIL PC MARKET MID-YEAR AFTER ESTABLISHING OEM BASE

* FOREGO PARTICIPATION IN HOME COMPUTER MARKET SEGMENT

JANUARY 21, 1985

CURRENT CUSTOMERS

| | | |
|---|---|---|
| <u>XEROX</u> | (UNITS 000's) | |
| ED | 25 | |
| IPD Ollevetti Sys $50 20K mid | <u>15 - 20</u> | 40 |
| <u>OTHER</u> | | |
| TEKTRONIX $.88 10K Co. $1.65 prog 2K/mo run rate | 10 | |
| FILENET | <u>.5</u> | <u>10</u> |
| TOTAL | | <u>50</u> |

JANURAY 21, 1985

# PRODUCT EVALUATIONS

| CUSTOMER | PRODUCT | (UNITS 000's) QTY/YR |
|---|---|---|
| 20K/mo MICROSOFT Supplies mice to Heath/Zenith | 2/3 BUTTON PARALLEL | 200 |
| COMMODORE | 3-BUTTON PARALLEL | 100 |
| IBM | 3-BUTTON RS232 High End | 50 |
| HEATH/ZENITH From Microsoft | 3-BUTTON RS232 | 50 |
| TEKTRONIX | 3-BUTTON RS232 | 12 |
| D.E.C. | 2-BUTTON PARALLEL | 10 |
| TRACORNORTHERN | 3-BUTTON RS232 | 5 |
| ADVANCED TECHNICAL LABORATORIES | 3-BUTTON RS232 | 3 |

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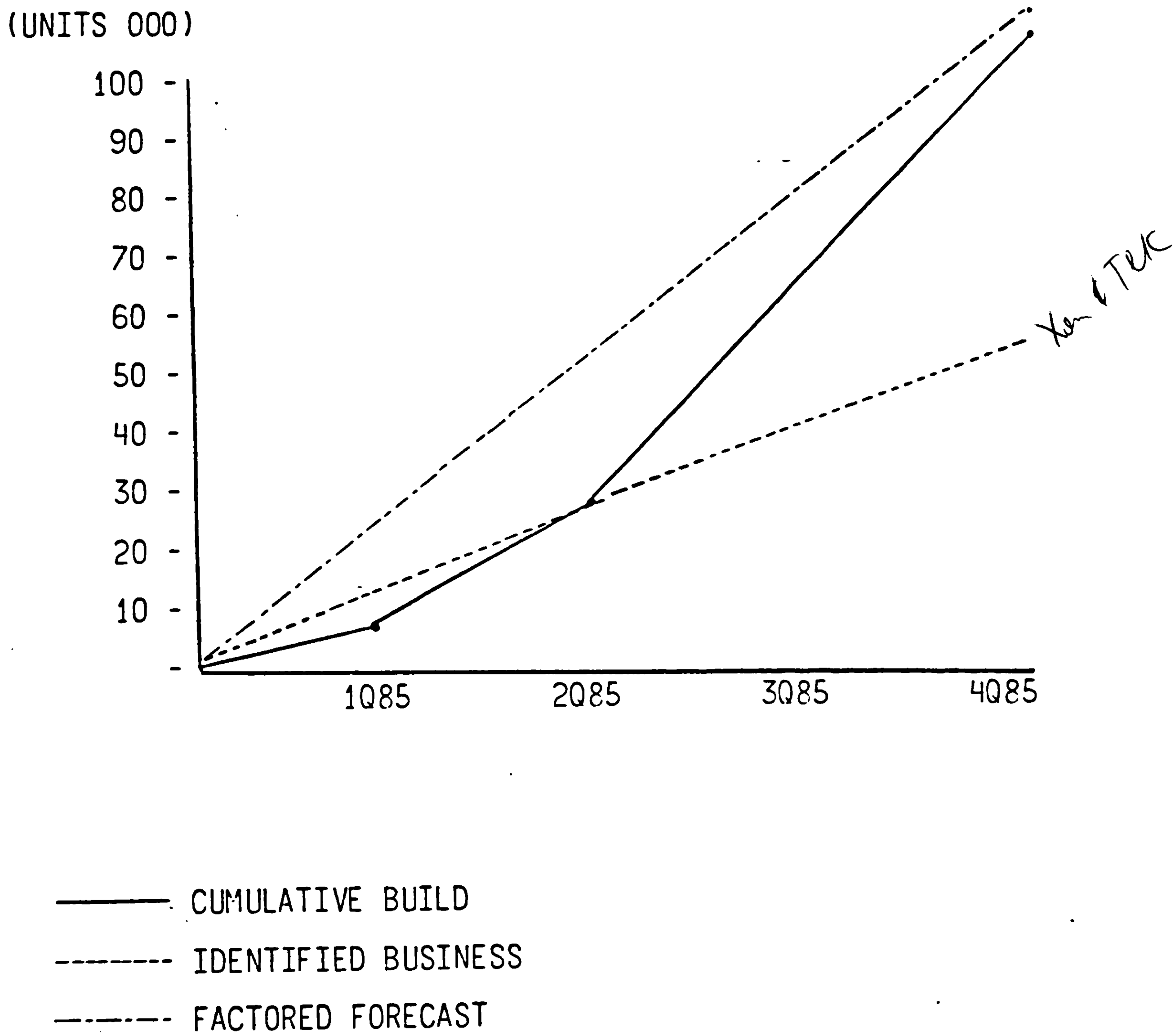
BUILD SCHEDULE

VS

IDENTIFIED BUSINESS

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# RISK

## COST

1) IC
2) OTHER MATERIALS AND LABOR

## TECHNICAL ISSUES

1) WANDERING CURSOR
2) 400 NSEC. VOLTAGE SPIKE ← not noticeable w/ RS232 interface

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REQUIRED ACTIONS

* IMPLEMENT COST REDUCTIONS ASAP

* EXPEDITE RESOLUTION TO I.C. PERFORMANCE ISSUES

* ELIMINATE ED'S REQUIREMENTS FOR UNIQUE MICE
  - Let Xerox pay for mold
  -

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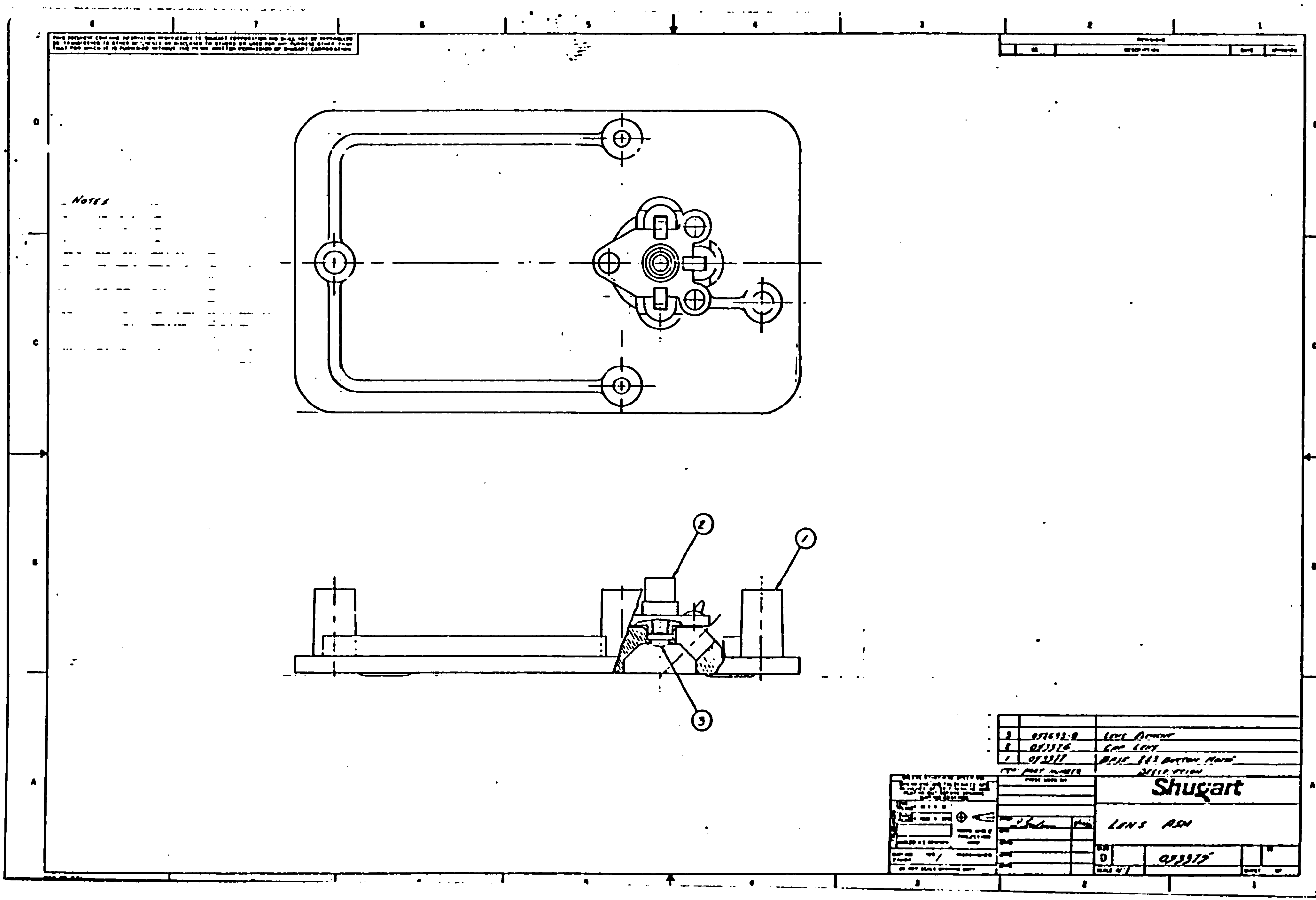
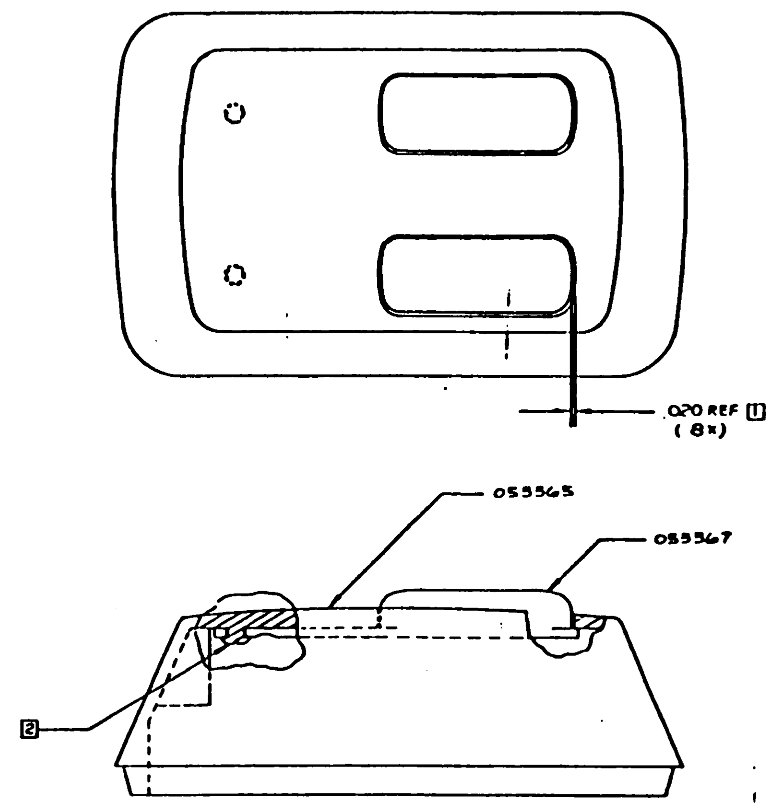
Unique DB Connector



NOTES
1
2
3
ITEM
PART NUMBER
DESCRIPTION
053376
CAP LENS
Shugart
LENS ASM
D




## NOTES

1. ADJUST DIMENSIONS ON COVER TO ACHIEVE GAPS UNIFORM WITHIN .005 PRIOR WELD THE BUTTON ON COVER
2. ULTRASONIC STAKING THE BUTTON ON TO THE COVER BY USING THE 5 PINS LOCATED ON THE INSIDE OF COVER

Shugart

COVER ASSY. (2 BUTTONS)

| | | |
|---|---|---|
| C | OA | 055568 |
| SCALE 2/1 | | SHEET 1 OF 1 |

SH (7-83)

| REVISIONS | | | |
|---|---|---|---|
| EC | DESCRIPTION | DATE | APPROVED |

NOTES

1. ADJUST DIMENSIONS ON COVER TO ACHIEVE GAPS UNIFORM WITHIN .005 PRIOR WELD THE BUTTON ON COVER
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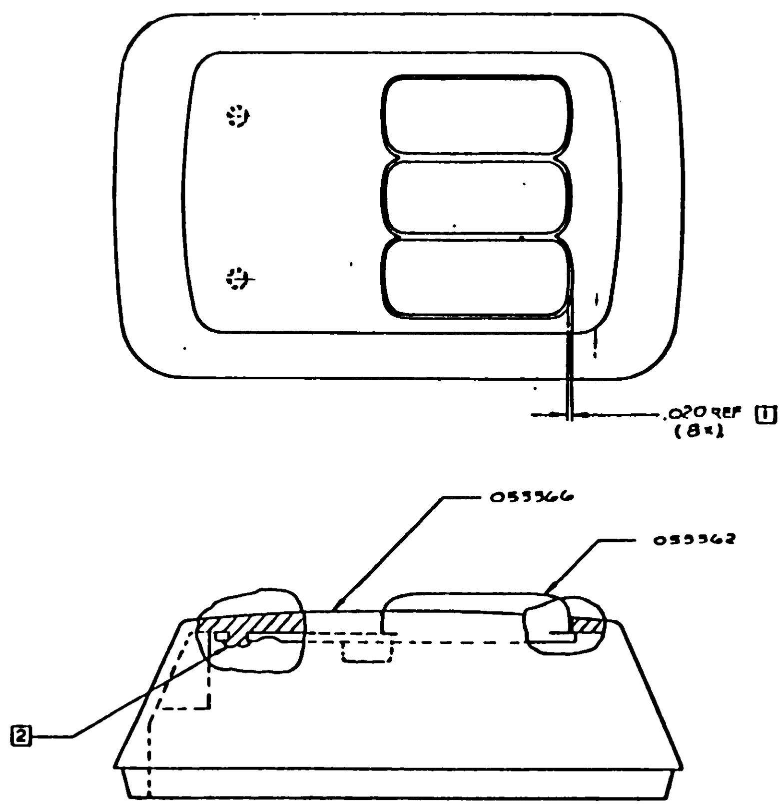


Shugart

COVER ASSY (3 BUTTONS)

C OA 055369

SHEET 1 OF 1

3111 (7-83)

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| QUARTER END | 1Q `85 | 2Q `85 | 3Q `85 | 4Q `85 |
|---|---|---|---|---|
| AUP | $94.00 | $ 76.11 | $ 60.00 | $ 50.00 |
| BASE | 8.38 | 3.88 | 3.88 | 3.88 |
| COVER | 2.04 | 1.04 | 1.04 | 1.04 |
| I.C. | 22.50 | 10.00 | 10.00 | 10.00 |
| OTHER MTL. | 10.32 | 10.32 | 10.32 | 10.32 |
| **TOTAL DIRECT MAT'S** | **$43.24** | **$25.24** | **$25.24** | **$25.24** |
| BURDENED MAT'S | $45.13 | $27.13 | $27.13 | $27.13 |
| BURDENED LABOR | 15.35 | 5.35 | 5.35 | 5.35 |
| **TOTAL C.O.P.** | **$60.48** | **$32.48** | **$32.48** | **$35.00** |
| O.C.O.S. | 8.56 | 7.06 | 4.01 | 2.01 |
| C.O.S. | 69.04 | 39.54 | 36.49 | 37.01 |
| CURRENT MONTH GPM | 26% | 45% | 37% | 26% |
| AVERAGE QTR. GPM | 17% | 38% | 37% | 30% |

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| | CURRENT COST | REDUCED COST | △ |
|---|---|---|---|
| BASE ASSY. | $ 8.38 | $ 3.88 | $ 4.50 |
| COVER ASSY. | 2.04 | 1.04 | 1.00 |
| **TOTALS** | $10.42 | $ 4.92 | $ 5.50 |

| TOOLING REQUIRED: | BUDGETARY COST |
|---|---|
| BASE ASSEMBLY | $55 -- $65K |
| COVER ASSEMBLY | $35 -- $45K |
| **TOTAL** | $90 $110K |

**PAYBACK @ N.T.E. $100K = 18.2K UNITS**

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MOUSE APPROVALS REQUIRED

- PLACE TOOLING ORDER FOR BASE/COVER N.T.E. $100K, JANUARY, 1985

- ORDER SUPPORT TOOLING (TEST/ASSEMBLY) $ 10K, MARCH, 1985

- TRANSFER ASSEMBLY TO NOGALES APRIL, 1985

- PURCHASE MATERIAL TO SUPPORT ORDERS RECEIVED.

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OLD-SHU 1985 PLAN OVERLAY
($000)

| PRODUCT | REVENUE | COS | OCOS | GPM P/(L) | SGA | PBT P/(L) |
|---|---|---|---|---|---|---|
| 300 | $ 396 | $ 413 | $ 21 | $ (38) | $ 61 | $ (100) |
| 350 | 334 | 431 | 167 | (264) | 52 | (316) |
| 3302 CDI | 5,047 | 3,216 | 595 | 1,236 | 782 | 454 |
| 3302 HAB | 610 | 414 | 81 | 115 | 95 | 20 |
| 3303 | 808 | 653 | 122 | 33 | 125 | (92) |
| 800 | 8,317 | 4,153 | 846 | 3,317 | 1,289 | 2,028 |
| 850 | 11,203 | 5,593 | 875 | 4,735 | 1,736 | 2,999 |
| 1004 | 4,556 | 2,714 | 726 | 1,116 | 706 | 410 |
| 4008 | 2,238 | 1,336 | 236 | 756 | 361 | 394 |
| 390 | 124 | 115 | 30 | (22) | 19 | (41) |
| 400 | 1,399 | 1,046 | 173 | 181 | 217 | (36) |
| MOUSE | 6,349 | 3,856 | 1,027 | 1,286 | 984 | 302 |
| SUBTOTAL | $41,471 | $23,940 | $ 5,079 | $12,451 | $ 6,427 | $ 6,022 |
| SERVICE | $ 8,580 | $ 4,417 | $ - | $ 4,167 | $ 1,330 | $ 2,837 |
| PLAN TTL | $50,051 | $28,357 | $ 5,079 | $16,618 | $ 7,757 | $ 8,859 |
| (DELETES) | | | | | | |
| 3302 | $(5,017) | $(3,196) | $ (592) | $(1,230) | $ (778) | $ (452) |
| 3303 mac box | (638) | (516) | (99) | (23) | (99) | 76 |
| SUBTOTAL | $(5,655) | $(3,712) | $ (691) | $(1,253) | $ (877) | $ (376) |
| TOTAL | $44,396 | $24,645 | $ 4,388 | $15,365 | $ 6,880 | $ 8,483 |
| | | | 9.88% | 34.6% | 15.5% | 19.1% |

*PBT BEFORE R & D, CIP, AND INTEREST.

1009E/(01/22/85)

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## CONCERNS

lower than plan
Higher than plan

- XEROX VOLUMES FOR THE 1000/4000 STILL NOT RESOLVED.
- UNPLANNED RESIDUAL UNITS IN INVENTORY (405/450/460).
- UNDEFINED RESPONSIBILITY FOR SELLING 465
- UNDEFINED RESPONSIBILITY FOR SELLING 712.
- OLD-SHU SHOULD NOT SUFFER PERFORMANCE FOR LIQUIDATING THIS INVENTORY.