

# Ashton-Tate takes higher ground despite escalation of 'Soft Wars'

By Brian Deagon

Ashton-Tate quietly became the second-largest publisher of personal computer software in 1984 — a notable feat during a combative year many observers termed "Soft Wars."

The Culver City manufacturer and publisher shot up four notches after recording sales of \$82.3 million and a 20 percent increase in earnings of \$7.5 million for the fiscal year ended Jan 31, 1985.

Manufacturers of software — the set of instructions that make a computer come alive — have felt the heat of competition. Some 1,000 newcomers doubled the number of publishers since 1980. But only 20 percent report annual sales exceeding \$1 million, and software stocks remain undervalued because rapid-fire technological change threatens even the strongest software makers.

Not surprisingly, some 100 mergers and acquisitions occurred in the past nine months, say Dataquest Inc. Moreover, the number of personal software companies will shrink to less than 100.

But Ashton-Tate has emerged as one of the last high-tech darlings of Wall Street investors, many of whom were burned by the great computer shakeout of 1984. L. F. Rothschild, Unterberg, Towbin, predicts Ashton-Tate will achieve earnings per share of \$1 in 1986, on revenues of \$100 million, compared to 70 cents in fiscal 1985 and 78 cents the year before.

In its most recent assessment, the brokerage firm reports: "During fiscal 1985, the company clearly demonstrated its ability to take a long-term posture." Noting, too, "The company has displayed its ability to develop products that are on the leading edge of technology."

Though its product line is limited — four software packages and publications to support them — Ashton-Tate has consistently received favorable reviews for its products. Introduced in 1984, "dbase III" is already one of the largest selling data base management systems in the world — allowing the user to enter, manipulate, and retrieve large volumes of information: And "Framework" was quickly tagged 1984 Software Product of the Year by a French computer magazine.

Despite these achievements, Ashton-Tate admits it has lost valuable market share because of a long shadow cast by the leading software company, Lotus Development Corp.

"We have to get out of their shadow," admits Ron. S. Posner, executive vice president, sales and marketing. "Our PR efforts have not gone well and this hurt us in the marketplace."

A costly promotional blitz to bring the spotlight over to Ashton-Tate forced first quarter earnings to a historical low of 2 cents per share, and 7 cents in the second quarter. Says one Wall Street analyst of a major New York brokerage house: "Their promotional strategy was not wise. Half their earnings were penalized."

Although Ashton-Tate blamed poor first half earnings to high expenses relating to introducing new products, shortly thereafter then chairman and chief executive David C. Cole resigned, and a major restructuring of management and internal operations ensued.

Despite internal upheavals — co-founder and chairman George Tate died suddenly of a heart attack last Aug. 10 — European operations continued a leading role in microcomputer software. International sales accounted for 22 percent of revenues in 1984, and 17 percent in 1983.

"Global markets will become increasingly important during the coming year and our presence overseas enables us to realize significant growth," said president and chief executive Edward M. Esber Jr. in his third quarter report to shareholders.

"There's logic to their strategy," says Kim Davis at Dataquest. "They've expanded product lines and invested in its strength. And they have enormous momentum in third-party support."

Then, too, Ashton-Tate recently kicked off a national program to provide special support and training programs unique to Fortune 2000 companies and dealers selling to the corporate sector. It launched the program last month with two-day seminars in five major cities.

"We're here to stay," says Posner. "We're eyeing selected acquisitions and we'll move into newer directions later this year. But we're very cautious." □

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