

Geac Computer Corporation Limited

Revised January 22, 1987 (IC)
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CUSIP Number 368289

Stock Symbol GAC

Head Office — 350 Steelcase Road W., Markham, Ont. L3R 1B3

Telephone — (416) 475-0525

THE COMPANY provides computer systems, comprising task-specific hardware, application software, cost-effective communications and complete customer support to meet the on-line processing requirements of selected industries.

COMPARATIVE DATA								
Fiscal Year	Total Assets	L-Term Debt	Shldrs.' Equity	Working Capital	Revenue	Net Inc. Oper.	Earns. Per Sh.	Price Range* High Low
000's							— Common —	
	\$	\$	\$	\$	\$	\$	\$	\$
1986....	75,770	15,380	31,991	24,363	65,073	d9,878	d1.06	12.75 7.00
1985....	76,576	675	39,707	24,422	71,658	4,248	0.46	24.13 10.38
1984....	64,151	1,649	35,565	22,127	61,438	6,075	0.66	27.50 17.50
1983....	45,495	589	29,434	21,486	47,987	3,326	0.48	

*Previous calendar year; listed May 16, 1983.

CONSOLIDATED CAPITALIZATION AS AT APRIL 30, 1986			
	Outstanding		%
Long-term debt		\$15,380,000	32
Common stock	9,307,597 shs.	21,306,000	45
Retained earnings		9,913,000	21
Cumulative foreign exchange adj.		772,000	2

SUMMARY STATEMENT

For the three months ended July 31, 1986, revenues dropped 6% to \$15,900,000 from \$16,967,000 in the year earlier period. The net loss for the period was \$2,900,000 or 31 cents per share compared to net income of \$375,000 or four cents per share a year earlier. This was the fourth consecutive quarter of losses for the company, but follows eight years of profits.

For the year ended April 30, 1986, revenues were down 9% to \$65,073,000 from \$71,658,000 the previous fiscal year. The net operating loss for the year of \$9,878,000 or \$1.06 per share, contrast with the net previous fiscal year's net income from operations of \$4,248,000 or 46 cents per share. Extraordinary gains of \$278,000 boosted net income for fiscal 1985 to \$4,984,000 or 54 cents per share. There were no extraordinary items in fiscal 1986. Several contracts which had been anticipated with Canadian financial institutions did not materialize because of mergers and cessation of operations. The failures of the Northland Bank and Commercial Bank resulted in a revenue shortfall of \$6,000,000 for Geac. At the same time the company lost the business of Canada Permanent Trust when it merged with Canada Trust. Also the company encountered competition in its library systems markets. The company remains the largest library systems installer in the U.S. but now faces new competition from IBM in this end of the market.

Proposed reorganization plan was announced by the company Oct. 24, 1986. This plan was presented to its bankers in response to their request for the company to realign its group of companies. The plan, aimed at strengthening its core computer business and maintaining its software business, must first meet bank approval. Geac retained Lancaster Financial Inc. to assist with the plan.

N.B. — For quick reference data, see page 2.

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QUICK REFERENCE DATA

Major Shareholders—At April, 1986, R. A. Germain held approximately 18%, T. C. Grunau held 18% and R. K. Isserstedt held 20% of outstanding common shares.

Employees—750 at October, 1986.

Incorporation—Canada, May 11, 1971.

Auditors—Price Waterhouse, C.A., Toronto.

Fiscal Year Ends—April 30.

Annual Report Appeared—In November in 1986.

Annual Meeting—September 10 in 1986.

Bankers—Bank of Montreal, Toronto.

Listed—GAC, Toronto Stock Exchange.

Transfer Agent & Registrar—Canada Trust, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver.

COMPANY

The company manufactures medium to large scale computer systems. The company designs, manufactures and markets proprietary hardware and software products to provide total solutions for its selected markets. Markets served are ones which typically require many terminals accessing large databases in a fully on-line multi-processing environment, in particular the automation of financial institutions and libraries.

SALES

Revenue by operational categories for the past two fiscal years has been as follows:

	1986		1985	
	\$000's	%	\$000's	%
System sales	40,844	63	50,252	70
Rental & service	24,229	37	21,406	30
	65,073	100	71,658	100

Revenue by geographic area for the past two fiscal years has been as follows:

	1986		1985	
	\$000's	%	\$000's	%
Canada	26,228	40	32,228	45
U.S.	21,404	33	22,141	31
International	17,441	27	17,289	24
	65,073	100	71,658	100

EARNINGS

Segmented operating profit (before corporate expenses, interest and income taxes) has been as follows in the last two fiscal years:

	1986-	1985-
	\$000's	\$000's
Canada	d2,537	7,707
U.S.	d3,498	347
International	d4,300	1,570
	d10,335	9,624

OPERATIONS

Computer Systems Division:

This division's principal functions are research and development, engineering, manufacturing, product marketing and quality assurance.

CSD manufactures the company's range of computers—Systems 2000, 4000, 6000, 8000 and Concept 9000 as well as a variety of specialized communications and terminal products, and procures a wide range of system peripherals such as disc drives, tape drives and printers to ensure optimal system performance. System software components such as operating systems, programming languages, tools and utilities are also developed and maintained by the division.

Financial Systems Division:

This division offers a range of integrated products designed to address the processing needs of a variety of financial institutions in North America. The division has four regional sales managers based in Vancouver, Toronto, Boston and Los Angeles. This division serves the on-line processing needs of financial institutions, particularly banks, trust companies, savings and loan associations and credit unions.

Products include ABS (Advanced Banking System); GFS (Geac Financial System); GSS (the Geac Signature System) and FTS (Financial Terminal System). FTS integrates the capabilities of personal computers into bank operations.

More than 300 financial institutions around the world use Geac products and services. They range in size from small credit unions in B.C., to the Bank of America, and AVCO Financial in London, England. The company's Signature Verification system which assists banks in detecting cheque fraud was adopted by the Bank of America and the Bank of New York during fiscal 1986. In the United Kingdom, automated leasing systems are used by each of the 'Big 4' clearing banks.

Library Systems Division:

This division's principal functions are advanced development; product development and support; marketing and sales. The Geac Library Information System is an integrated system supporting all of the functions carried out in a library environment through three major modules. The circulation module controls the movement of library materials, the acquisition module facilitates the full purchasing functions and the public catalogue module provides patrons with on-line access to library materials.

Over 130 libraries in 10 countries presently use the Geac Library System. During fiscal 1986, The Vatican Library, Australia's Commonwealth Scientific and Industrial Research Organization, and the U.S. Air Force Academy were some of the additions to the list of users which includes the Smithsonian Institute and the National Library of France. The system has achieved global intercommunication for the world bibliographic community and libraries using Geac systems can now exchange library records automatically around the world.

Library Systems accounted for 63% of the company's sales in fiscal 1986, down from the 70% in fiscal 1985. The company is still the largest library systems installer in the U.S. but encountered increased competition in fiscal 1986 as IBM entered the academic library market.

General Systems Division:

The general systems division has three business units, office automation, on-line publishing system and hardware system.

Office automation systems combine word processing, spread sheet calculation and electronic filing with the ability to transmit mail electronically to any terminal location in the system.

On-line publishing systems—In November, 1983, the company acquired Brauch & Neville Associates Limited providing data processing services to the publishing industry. This company has developed a sophisticated system termed OPS II for on-line subscription fulfilment.

Hardware system—The company's equipment is sold either directly or through distributors to a variety of industries where the integrated "total solution" of hardware and software is not available.

North American Operations:

This division's principal responsibilities are 1. Administrative services which include accounting, reporting, personnel and the provision and management of all facilities. These services are provided out of three locations, Toronto, Vancouver and Los Angeles; 2. Management support which includes support in the areas of contract administration, business planning and operations; and 3. Field Engineering department which is the provision of hardware and system software support services to the company's customer base.

International:

This division sells and supports the Geac product range to serve European markets and has developed certain products specifically for European requirements. Primary markets and products are libraries (GLIS); Financial (ABS); Financial (Autostar which automates the reconciliation of interbank electronic funds transfers; Insurance (RTIS); Leasing and Networking.

Corporate Services:

Corporate Services provides specialized financial, administrative, personnel and marketing support services to all other Geac divisions. The division is also responsible for marketing support services, co-ordinating trade shows, brochures and advertising, and publishing the in-house magazine, Geaction.

PROPERTIES

The head office and principal manufacturing and research and development facilities are located in two leased properties in Markham, Ont. One of these facilities was newly constructed in 1983 and contains approximately 63,000 sq. ft. Western operations are conducted from leased premises in Vancouver, having 30,000 sq. ft. The company also operates from a number of smaller leased facilities aggregating 50,000 sq. ft. located in various cities in Canada, the United States and the United Kingdom.

CAPITAL EXPENDITURES

Net additions to fixed assets in recent fiscal years have been as follows:

1983	\$3,118,000	1985	\$5,549,000
1984	6,213,000	1986	6,177,000

HISTORY

The company was incorporated on May 11, 1971, under the laws of Canada (continued under the Canada Business Corporations Act Jan. 7, 1980). The company held approximately 80% interest in Geac Computers International Inc., and its wholly-owned subsidiaries, Geac Computers Inc., Geac Canada Limited and Geac Computers Limited.

On Apr. 13, 1983, the company acquired all of the common and preferred shares of Geac Computers International Inc. held by employees in exchange for 1,554,570 common shares, thus making Geac Computers International Inc. a wholly-owned subsidiary. On May 16, 1983, the company became public through listing on the Toronto Stock Exchange.

In the first quarter of fiscal 1984, two European subsidiaries were incorporated, Geac Computers Europe Limited in Dublin, Ireland and Geac Computers Benelux B.V., in Amsterdam, Holland. Also during the first quarter, the company formed an equally owned company, Craden Peripherals Corporation, with Craden Inc. of Pennsauken, N.J. On Nov. 1, 1983, Brauch & Neville Associates Limited, a Toronto-based company was acquired.

In late 1984, the company and Marketing Electronics (Canada) Inc. formed an equally owned company to manage their combined direct mail operations. The company's direct mail operations had been handled by subsidiary Brauch & Neville Associates Limited. The continuing other operations of Brauch & Neville were merged with the company's subsidiary Geac Canada Limited.

Also in fiscal 1985, Geac Computers France S.A. and Geac Computers GmbH were formed.

DIRECTORS AND OFFICERS

Officers—T. C. Grunau, chm.; W. W. Bearisto, pres. & CEO; F. T. White, vice-chm.; M. I. Bishop, sr. v-p; K. Aling, v-p; W. R. DeGeer, v-p corp. mktg.; H. Porteus, v-p; J. H. Whiteside, sec.

Directors—R. A. German, T. C. Grunau, W. W. Bearisto, F. T. White, J. H. Wexler, J. H. Whiteside, Toronto, Ont.; D. J. Doyle, Kanata, Ont.; R. K. Isserstedt, London, Eng.

SUBSIDIARIES

Geac Computers International Inc. and its subsidiaries, **Geac Computers Inc.**, Woodland Hills, Calif.; **Geac Canada Limited**, Markham, Ont.; and **Geac Computers Limited**, London, Eng.

Geac Computers Europe Limited—Dublin, Ireland.

Geac Computers GmbH—Frankfurt, West Germany.

Geac Computers France S.A.—Paris, France.

Geac Computers B.V.—Amsterdam, Holland.

Craden Peripherals Corporation—50% owned; 50% held by Craden Inc. of Pennsauken, N.J. Develops and markets a document printer for retail banking and related applications.

CAPITAL STOCK

(April 30, 1986)

	Author.	Outstand.
Preference	500,000 shs.	nil
Common	10,000,000 shs.	9,307,597 shs.

Preference—Issuable in series.

Common—One vote per share.

Options—At Apr. 30, 1986, certain employees held options to purchase, over the period to Dec. 31, 1986, 2,070 shares at \$1.45 per share.

In May, 1985, an option plan granted certain employees options to purchase stock at \$9.75 per share over the following six years.

Employee Stock Ownership Plan—Employees may make quarterly purchases of shares in the company at a 10% discount from the prevailing market price.

CAPITAL STOCK CHANGES

The company was incorporated on May 11, 1971 with an authorized capital of 45,000 preferred shares and 5,000 common shares of which 5,000 common shares were outstanding.

On Nov. 20, 1975, the authorized capital was increased to 10,000 common shares. On Mar. 30, 1976, 2,500 common shares were issued to a new partner.

On Jan. 7, 1980, the company was continued under the Canada Business Corporations Act and the authorized capital was changed to an unlimited number of common shares. On Feb. 23, 1983, the authorized capital was increased by the creation of an unlimited number of preference shares. By a further Certificate of Amendment the authorized capital was changed to 500,000 preference shares and 10,000,000 common shares.

On Feb. 23, 1983, the 7,500 common shares were subdivided into 6,458,400 common shares. During fiscal 1983, 1,554,570 common shares were issued for an acquisition and 1,200,000 were issued under a public offering at \$15.75 per share.

During fiscal 1984, 24,840 common shares were issued under options.

In fiscal 1985, 24,150 common shares were issued under options and 9,410 shares under the employee stock ownership plan. Common shares outstanding at Apr. 30, 1985, were 9,271,370.

During fiscal 1986, 20,700 shares were issued under options and 15,527 shares were issued under the employee stock ownership plan. Common shares outstanding at April 30, 1986, were 9,307,597.

PRICE RANGE OF STOCK

Common

Year	High	Low	Year	High	Low
1983*	\$27.50	\$17.50	1985	\$12.75	\$7.00
1984	24.13	10.38	1986	7.87	0.65

*Listed May 16, 1983.

LONG-TERM DEBT

Long-term debt outstanding at Apr. 30, 1986, totaled \$15,380,000 including \$42,000 due in one year. Debt

Geac Computer Corporation Limited

included borrowings by certain subsidiaries, primarily a mortgage at 12% maturing in 1988.

Details of debt as follows:

9% Convertible Debenture:

Dated Sept. 12, 1985, due Oct. 1, 1995.

Authorized, issued, and outstanding \$15,000,000.
Conversion—Convertible into common shares at \$13.125 per share, at any time.

Redemption—Redeemable after May 31, 1988 at a premium; this premium declines annually to par.

Issued—September, 1985 in a private placement.

INTERIM EARNINGS

Fiscal Year	Net Inc.		Earns. Per Sh.	Net Inc.		Earns. Per Sh.	Net Inc.		Earns. Per Sh.
	Revenue	Oper.		Revenue	Oper.		Revenue	Oper.	
	3 months			6 months			9 months		
	\$000's		\$—	\$000's		\$—	\$000's		\$—
1983 ..	12,320	1,020	0.11	25,761	1,955	0.21	42,000	3,400	0.37
1984 ..	15,156	600	0.06	30,500	1,000	0.11	49,000	2,300	0.24
1985 ..	16,967	375	0.04	32,121	d831	d0.09	47,532	d2,081	d0.22
1986 ..	15,900	d2,900	d0.31						

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION Years Ended April 30

	1986	●1985
	\$000's	
Cash provided by (used in)		
Operating Activities:		
Income (loss) before extraordinary item	(9,878)	4,248
Items not requiring cash:		
Depreciation and amortization	4,680	2,608
Deferred taxes	(5,458)	(90)
Equity in associated company	(512)	(385)
Other	81	...
Total cash from operations	(11,087)	6,381
Extraordinary item .....	...	736
Changes in non-cash working capital components	2,870	(8,505)
Cash provided by (used in) operating activities	(8,217)	(1,388)
Investment Activities		
Additions to fixed assets, net	(6,177)	(5,549)
Foreign exchange translation adjustment	2,025	(975)
Investments in associated companies, net	(334)	(65)
Cash provided by (used in) investment activities	(4,486)	(6,589)
Financing Activities:		
Proceeds of long-term debt	15,000	...
Decrease in amounts receivable under sales-type leases	559	2,274
Decrease in other long-term receivables	457	...
Long-term debt issue costs	(614)	...
Issue of common shares	137	133
Reduction of long-term debt	(25)	(640)
Cash provided by (used in) financing activities	15,514	1,767
Net cash increase (decrease) during the year	2,811	(6,210)
Cash position at beginning of year	(15,132)	(8,922)
Cash position at end of year	(12,321)	(15,132)

●As shown in the 1986 annual report.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
Years Ended April 30

	1986	1985	1984	1983
		\$000's		
Revenues	65,073	71,658	61,438	47,987
Add: Interest income	291	527	739	261
Less: Operating costs	63,308	54,071	44,688	34,998
Research & devel. exp.	8,925	6,729	5,740	3,856
Net before deprec., etc.	d6,869	11,385	11,749	9,394
Less: Depreciation	4,680	2,516	1,997	1,572
L-term interest	937	2,142	405	841
S-term interest	2,612	157	124	286
Income taxes: Current	*236	2,445	2,001	1,270
Deferred	*4,472	*16	1,147	1,689
Minority interest .....	.....	.....	.....	410
Loss, discont. ops. ....	.....	278	.....	.....
Add: Equity earns.	512	385	.....	.....
Net income, operations	d9,878	4,248	6,075	3,326
Add: Extraordinary gain .....	.....	736	.....	.....
Net income	d9,878	4,984	6,075	3,326
Add: Prev. ret. earns.	19,791	14,807	8,732	6,392
Less: Stock issue exps. ....	.....	.....	.....	986
Retained earnings	9,913	19,791	14,807	8,732

*Add.

Operating leases on rental equipment and aggregate payments in each of the five years ending Apr. 30, 1991 and subsequent were as follows: \$5,460,000 in 1987; \$4,435,000 in 1988; \$3,362,000 in 1989; \$2,335,000 in 1990; \$2,077,000 in 1991; and \$8,436,000 in 1992 and subsequent.

Earnings Per Share:

Based on net income, operations	d\$1.06	\$0.46	\$0.66	\$0.48
Based on net income	d1.06	0.54	0.66	0.48

□ Calculated using the weighted monthly average number of common shares outstanding during the fiscal period.

Times Interest Earned:

Before deprec. & amort. ....	.....	4.95	22.21	8.34
After deprec. & amort. ....	.....	3.86	18.43	6.94

CONSOLIDATED BALANCE SHEET AS AT APRIL 30

	1986	1985	1984	1983
	\$000's			
Assets				
Current:				
Cash & s-term invest. ....	.....	1,053	658	12,994
Accts. receivable	29,160	32,839	29,683	11,428
Inventory: Finished goods	10,748	10,448	5,749	3,643
Work in progress	1,822	1,607	1,635	1,017
Raw materials	3,155	3,517	1,897	1,141
Maintenance parts	5,232	3,954	3,199	1,901
Prepaid expenses	1,715	1,976	1,265	954
Income taxes recoverable	896	.....	.....	.....
	52,728	55,394	44,086	33,078
Amts. rec. sales-type leases	323	882	3,156	1,941
Fixed Assets:				
Rental equipment	4,503	3,733	4,451	4,322
Less: Accum. deprec.	1,868	1,491	1,829	1,264
Buildings	445	432	432	.....
Equipment	22,225	16,921	12,013	7,266
Leasehold improvements	3,101	2,667	2,073	1,388
Land	200	200	200	.....
Less: Accum. deprec.	9,317	5,883	3,804	2,443
	19,289	16,579	13,536	9,269
Other assets	3,430	3,721	3,373	1,207
	75,770	76,576	64,151	45,495
Liabilities				
Current:				
Bank indebtedness	12,321	16,185	9,580	.....
Accts. payable & accr.	12,435	12,973	9,128	9,044
Income taxes payable .....	.....	.....	943	1,078
Deferred sales revenue	3,567	1,502	1,662	881
Curr. l.-term debt due	42	312	646	589
	28,365	30,972	21,959	11,592
Long-term debt	15,338	363	1,003	.....
Deferred income taxes	76	5,534	5,624	4,469
Shareholders' Equity				
Capital stock	21,306	21,169	21,036	21,000
Retained earnings	9,913	19,791	14,807	8,732
Cum. fgn. exch. adjustment	772	*1,253	*278	*298
	31,991	39,707	35,565	29,434
	75,770	76,576	64,151	45,495
▲Stated at lower of cost (first-in, first-out) basis and net realizable value. *Subtract.				
Working Capital:				
Current assets	52,728	55,394	44,086	33,078
Current liabilities	28,365	30,972	21,959	11,592
Working capital	24,363	24,422	22,127	21,486
W/c ratio	1.86—1	1.79—1	2.01—1	2.85—1
Equities:				
Net worth *(\$000's)	31,991	39,707	35,565	29,434
Common	\$3.44	\$4.28	\$3.85	\$3.19
*Available for capital stock; based on shareholders' equity.				
Shares Outstanding:				
Common	9,307,597	9,271,370	9,237,810	9,212,970

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

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