

## Vendor Strategies

### Telerate Revenues Grow Fast; But Will They Last?

Dow Jones & Co.'s third quarter financial statement showed revenues for the publishing company's Dow Jones Telerate unit growing faster than they have in years. As a result, the market data vendor, which makes up 90 percent of Dow Jones' so-called information services segment, is at last reaping fairly uniform praise from market data industry investment analysts.

Reporting over \$246 million in third-quarter revenue, the information services segment grew nearly 15 percent over the same quarter last year. This growth rate continues this year's trend of strong quarter-over-quarter revenue increases for Telerate—which logged a 10 percent increase in the first quarter this year and a 12 percent increase in the second. These rates of revenue growth outshone increases consistently below 10 percent in previous periods (*IMD*, April 25/July 18).

While industry analysts—including Salomon Brothers Inc.'s Lanny Baker, Wertheim Schroder & Co.'s Michael Ellmann and Goldman Sachs & Co.'s Eric Philo—attribute Telerate's strong showing at least in part to a generally healthy demand for market data services across the board (a phenomenon that has boosted Telerate's competitors, too), they say the numbers still show improvement on the part of Telerate in particular.

Specifically, they say that

Telerate did not this quarter permit its revenue gains to flow straight to its bottom line: Though operating profits grew about 22 percent over the same quarter last year, this rate of growth represents a significant fall-off in comparison to the growth rates in the first and second quarters this year—especially the first. Given revenue increases, this suggests that the vendor has devoted more of its resources to research and development or to reserve funds—categories which the vendor has in the past several quarters been criticized for showing slow growth (*IMD*, Oct. 11, 1993).

#### Strong Demand

The analysts say that Telerate's revenue growth rate won't likely persist at the 15-percent level going forward, especially in light of the aggressive staff cuts that have just begun to hit Wall Street's capital markets operations—a core Telerate customer constituency. Still, they say, the impending first quarter 1995 release of the vendor's much-touted Telerate Workstation (TW) product could

keep it growing at around ten percent through 1995.

Baker Says the strong sales were due in part to demand from the big money center banks. Ellmann says there has been a "significant cyclical improvement in demand in most major markets around the world."

Says Ellmann: "I think this was the strongest quarterly comparison, in terms of the magnitude of the revenue growth, that the information services business of Dow Jones has seen or delivered in many, many years."

"They made their budget in the first quarter and did a little bit better than budget on the revenue side in the second quarter and noticeably better than budget in the third quarter," says Ellmann. "But rather than bring all of that benefit to the bottom line, it may be that management has taken the opportunity to do some increased development."

However, Ellmann emphasizes that in order to remain competitive, Telerate has to increase its

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