

7/3/96

Borland CEO resigns under fire

Wetsel criticized for firm's troubles

By DONALD MILLER
Sentinel business editor

SCOTTS VALLEY — Borland International Inc.'s president and chief executive officer has resigned after only 18 months on the job.

Gary A. Wetsel, once regarded as Borland's salvation, is apparently being blamed for the company's continuing deterioration.

The Wall Street Journal reported Tuesday that Harry Saal, a well-known Silicon Valley executive who joined Borland's board in January, pushed for Wetsel's ouster after becoming aware of the extent of the company's problems.

The Scotts Valley firm, which makes software development tools, expects to report a loss per share for the fiscal first quarter in the range of 53 cents to 56 cents. Wall Street analysts had expected a loss of 1 cent a share, according to a recent survey of five analysts by Zacks Investment Research.

In the year-earlier quarter, Borland earned \$2.8 million, or 10 cents a share, on revenue of \$53.8 million.

Borland stock closed down 1% at 7% on the Nasdaq exchange Tuesday. The shares had traded as low as 7% during the day. In late May, Borland had projected an operating loss for the quarter due to slower sales of its desktop software and a major business reorganization.

Please see BORLAND —A10



Dan Coyro/Sentinel file

Borland CEO Gary A. Wetsel was asked to resign after only 18 months on the job.

Successes and failures

Sentinel staff report

Borland International Inc. has had its share of successes and failures over its 13 years. Among the most noteworthy events:

1983 — Paris-born mathematician Philippe Kahn founds Borland based on his knowledge of Pascal computer language.

July, 1987 — Borland buys software company that makes the Paradox database

See SUCCESSES —A10

7-3-96

Borland chief quits

Continued from Page A1

Borland plans to report its results for the first quarter ended June 30 on July 24, after the close of the market.

Sales of Borland's Delphi Desktop, an entry-level version of its high-performance, visual development tool, have been lower than expected, the company said.

Increased competition from Microsoft Corp.'s rival programming tools hindered Borland's effort, analysts said. Weak sales in the last quarter are "primarily because of competition with Microsoft's C++," a programming language, said Borland spokesman Steve Grady.

Borland said it has initiated a search for a new chief executive.

The company said Chairman William F. Miller will serve as acting chief executive until a replacement is appointed.

In addition, as an interim measure, the company has created an office of the president, reporting to Miller.

The office will consist of Paul Gross, senior vice president, research and development; Michael Greenbaum, vice president, marketing and general manager of client/server tools; and David McGlaughlin, vice president, international.

Miller was named chairman in January after Borland's flamboyant founder, Philippe Kahn, resigned in November 1995. The previous January, Kahn had quit as chief executive and was succeeded by Wetsel after the company's revenues and stock price dropped drastically. Kahn remains on Borland's board of directors.

Wetsel was given options on

450,000 shares of Borland stock when he was hired. His salary in 1995 was \$100,000 with a \$245,000 bonus, including a \$150,000 relocation bonus, according to Borland's 1995 proxy statement.

Miller is a professor of public and private management at Stanford University's graduate school of business. He was president and chief executive of SRI International before retiring in 1990.

"Though we made great progress over the last four quarters, this quarter's results are quite disappointing," Miller said in a statement. "Despite this, Borland has a rich set of assets in its technology, employees and dedicated customers upon which to base a recovery from this setback."

Miller said the company's strategy of developing products for the Internet/Intranet market, begun under Wetsel, will continue, including development products for the Java programming language, which is expected to have a big impact on the Internet.

Borland spokesman Grady said the mood at the company remained relatively hopeful.

"Anytime you have an announcement like this it's difficult," Grady said. "People recognize that despite the disappointing first quarter, over the last year we've made a tremendous amount of progress."

The company ended up with too much inventory of Delphi, Grady said, which made the revenue report "look worse than it is." Grady said the company's cash position, at \$85 million, is better than a year

ago.

Grady also said the company does not anticipate any layoffs. Borland employs 700 in Scotts Valley and 900 worldwide.

The stock decline jeopardizes Borland's proposed acquisition of Open Environment Corp., whose products would help Borland expand its expertise in offering sophisticated programming tools.

Open Environment agreed in May to be bought for Borland stock, provided that the shares don't trade for less than \$12.75.

Grady said the proposed acquisition of Open Environment is "on track." Borland will give shareholders of Boston-based Open Environment more of its shares to make up for the shortfall, he said.

Wetsel joined Borland in November 1994 as its chief financial officer. He had previously been in the same job with Octel Communications of Milpitas.

As Borland's chief executive, Wetsel had tried to change the company's focus to products for software developers and the client-server corporate marketplace, along with Internet development tools.

For a while, that strategy appeared to be working. But events of recent months may have proved his undoing.

In April, Borland reported strong fourth-quarter earnings that came in 2 cents a share ahead of expectations. But the company did not have long to enjoy the announcement it had posted a fourth consecutive profitable quarter.

Investors were none too happy to discover that same day that \$4.4 million in revenue the company reported had been deferred from a

1995 license agreement. When this money was removed, the quarter did not look as bright. As a result, Borland's stock dropped 16 percent.

Borland's stock dropped again, this time 22 percent on May 30, a day after the company announced it expected an operating loss for its fiscal first quarter. Borland blamed the loss, which was for the quarter ending June 30, on weak sales of desktop computer software and its Delphi Desktop programming tool. The company conceded its desktop version of Delphi was priced too high to attract entry level and trial purchases. Borland then began offering a \$100 rebate if customers bought Delphi Desktop by Sept. 30.

The April-May events were indicative of the topsy-turvy ride that Borland has been taking for a couple of years.

The company plunged to the financial depths of a single-digit stock price in 1994 following a brutal round of price cutting in the database software market spurred on by Microsoft Corp. In March of that year, Borland posted a \$70 million loss and revenue freefall of 15 percent.

Borland responded by cutting 200 jobs and then sold its popular Quattro Pro spreadsheet to Novell Inc. for \$145 million.

After that didn't stem the red ink, Kahn stepped down.

It was during Kahn's reign that Borland spent \$91 million on its 495,000 square foot corporate campus in Scotts Valley. The buildings were occupied in late 1993 and one module remains vacant and for lease.

Sentinel wire services contributed to this report.