

RD-49 REV. 1-54

REMINGTON ARMS COMPANY, INC.

INTER-DEPARTMENTAL CORRESPONDENCE

Remington

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Bridgeport, Connecticut
 September 24, 1975

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M/3200 COST-PROFITABILITY REVIEW

The purpose of this review was to determine about where the Model 3200 presently stands with respect to cost and profitability and where it might be a year from now. 83

As the type of numbers that appear on the Company's Operative Earnings reports each month are a normal measurement of profitability, a comparison has been made of current results being shown for the M/3200 and results presently forecast for next year (1976). These comparisons are shown in Table I, attached.

Referring to Table I, the first two columns show a comparison of results for the three (3) month period May, June and July of this year with the same three month period in 1974. The latest three (3) month period was used in order to minimize month-to-month fluctuations and to make comparisons with Forecast data more meaningful.

Table I also shows the results indicated by preliminary #4 Forecast data for the 2nd Quarter (April-May-June), 3rd Quarter and Total Year 1976.

The comparison of the 3-month period this year with the same period last year (1974) shows that Factory Cost of guns sold has been significantly affected this year by the costs of altering 3200's returned to the plant for modifying to our revised design specifications. Factory Cost for the 3-months this year included approximately \$225M (with overhead) of alteration cost that did not exist last year.

Excluding Alteration Costs, Factory Margin dropped from 8.0% in the 1974 period to a negative (6.3)% this year. Including Alteration Costs, Margin dropped to a negative (27.2)%.