The acquisition....

....of LazerData by PSC, in mid-December -- for $9 million cash -- seems to provide an excellent solution for all of the parties.

- PSC (Webster, NY) has carved out a very comfortable market niche as the second largest supplier of hand-held laser scanners. In 1992, in a move to expand into fixed-position laser scanners, PSC acquired BRT (Fountainville, PA), a small manufacturer of these larger laser devices (SCAN Oct 92). BRT's products were primarily designed for customized applications, however, and did not provide the product line that PSC was seeking for entry into a broader market.

- LazerData (Sanford, FL) -- best known for its high-performance, omnidirectional laser scanners for baggage handling and automatic vehicle toll booth identification -- has had a stormy history. The company's origins date back to the early 1980's when it was known as Instaread -- which was first a division of Control Laser and later acquired by Rexnord. In 1988, management completed a leveraged buyout and renamed the company LazerData (SCAN Jan 89). Within a year, LazerData was bought by the Electro Company which merged it with the bar coding division of its then recently acquired Skan-A-Matic -- one of the earliest manufacturers of bar code scanners. Two years later, Electro was bought by UK-based Hawker-Siddeley which, in turn, was acquired in late 1991 by BTR PLC, a very large British conglomerate. PSC purchased LazerData from BTR. [Don't blame us -- you're on your own trying to keep track of BTR and BRT.]

According to Bill Woodard, PSC's VP Finance, LazerData is currently "pretty much a breakeven operation on $10 million in sales." Woodard believes, however, that the company's fixed-position laser scanner products are "rock solid" and that profitability will be improved through significant cost reductions. "Because of the small size of the company," he explained, "they cannot leverage their purchasing power and we should be able to help in that area."

Woodard told SCAN that LazerData will remain in Sanford, FL. The BRT operation in Pennsylvania will be closed down and folded into LazerData (resulting in a one-time R&D write-off for PSC of $2 million or $.27 per share).
Woodard also sees significant marketing advantages to the acquisition. "We hope to cross-sell our hand-held units to their customers," he predicted, "and vice versa -- especially in Europe where we have a presence and they do not."

PSC just completed a banner year with 1994 revenues and earnings expected to exceed all projections by financial analysts. In its last published report, nine months sales (9/30/94) topped $43 million -- up 58% over last year -- and profits for the period were $.50 per share, triple last year's performance.

**The potential synergism....**

...of technologies as well as markets spurred Amtech (Dallas, TX) to acquire Cotag (Cambridge, England). Both companies have proprietary expertise in radio frequency identification (RF/ID) products and systems.

- Cotag, privately held, with FY 1994 (3/31/94) sales of $6.9 million, designs and manufactures low-frequency RF/ID electronic security systems for commercial, industrial and government markets. The company specializes in access control systems with hands-free cards and readers.

- Amtech, a public company (NASDAQ) with 1993 sales of $59 million, is the leading supplier of high-frequency RF/ID technology to the intelligent transportation market. Major applications include non-stop electronic toll collection systems and automatic equipment identification for high-value transportation assets such as rolling stock and freight containers.

Although Amtech stated that the addition of the Cotag low frequency RF/ID product line is a natural complement to its business, that advantage is not yet clear. The merger with Cotag, however, does provides Amtech with a strong foothold in Europe and with an additional international distribution network (more than 75% of Cotag's sales are exported to 40 countries).

Cotag Chairman and Chief Executive Stuart Evans will continue in his current post as well as being named as Amtech's VP-Europe.

**The revolving door....**

...at Hand Held Products (Charlotte, NC) took another spin on January 4 when the manufacturer of portable data collection devices appointed Scott Cardais as its new President/CEO.

In early 1994, HHP founder Mike Weaver stepped down as Chairman/CEO. Miles Smith, one of HHP's original investors, became chairman; Ed Sternagle, who had been president, assumed the additional job of CEO (SCAN June 94, Sept 94). (Although it was announced, at that time, that Weaver would continue in a "consulting capacity," he is no longer affiliated with the company in any way.)

Nine months later, Sternagle resigned as President/CEO and vacated his office the day before Cardais took over. No specific details of the reasons for the change are officially available from the company, although a management spokesman told SCAN: "Sternagle had been here during
troubling and difficult times. He decided it was time to move on and do other things. He was not pushed out by the company. He has not relocated to a new position."

The day after he took over the reins, Cardais told SCAN: "Going into an operating position in a company like HHP is not new to me. I owned my own manufacturing company [which he sold in 1984] and I was VP Marketing and Sales at HHP from 1986 through 1989. I left in 1989 because of a disagreement with Mike Weaver."

Cardais comes to HHP directly from Quad II, the consulting firm he co-founded with Rick Bushnell in 1989. Cardais said that Quad II has been very successful and will continue to operate under Bushnell’s stewardship. Cardais’ future financial interest in that company is currently being discussed.

We asked Cardais about his plans for the future of HHP. "My charter is to change company direction," he replied, "and to take advantage of its well-defined strengths. HHP has invested hundreds of thousands of dollars -- or more -- in its good name in the industry and it has not exploited that to its fullest potential. My plans are to use the first thirty days to figure out what I need to do. My responsibility will be to analyze our assets and marry them up to what the market needs. I was selected because I know what the market needs."

According to Cardais, when he first joined HHP in 1986 it was a "very small company" in its formative years. "We had just booked our first order for Federal Express," he recalled, "but the order had not yet been shipped. HHP was about to enter its heyday. In the last few years, however, the company has lost its momentum. Some of that is due to its many changes in management. I hope to turn things around."

HHP is privately held and has never released its sales or earnings figures. Cardais would not divulge his present or future equity interest in the company.

At the time of the acquisition....

.... of Endata (Chippenham, Wilts, UK) by Peak Technologies (New York City), management would only say that the price was "part cash and mainly Peak stock" -- the specific terms were not disclosed (SCAN Nov 94).

Peak operates as a national distribution network for automatic data collection products for the non-retail market. Endata is a systems integrator of bar code and wireless data transmission products with 1994 sales -- primarily in the UK -- of $5 million. This was Peak’s first venture outside North America.

A bit of sleuthing in Peak’s quarterly report to the Securities and Exchange Commission, however, disclosed that the exact amount of the purchase was "169,500 shares of Peak common stock...plus approximately $850,000 in cash which was funded from existing credit facilities" (Form 10Q - 9/30/94).

The price of Peak’s stock (NASDAQ) on October 25, 1994 -- the date of the acquisition -- was $13.25, bringing the total cost of the transaction, therefore, to $3.1 million.

SCAN/January 1995
The aggressive licensing policy....

...adopted by Norand last year, managing its large portfolio of patents covering CCD scanning, is rapidly going forward (SCAN Feb 94).

Norand has about thirty patents covering both linear and area array CCDs used to scan one- and two-dimensional symbologies. Last year, Norand licensed Nippondenso. In December 1993, the company sued Opticon and notified Welch Allyn and Panasonic that they were violating patented claims. This past May, Welch Allyn signed a licensing agreement to manufacture and market CCD scanners under Norand's patents (SCAN June 94).

At SCAN-TECH 94, last November, Norand announced that it was actively discussing licensing agreements with a number of other companies. Norand also revealed that it had just signed a contract with UPS -- and expanded its agreement with Welch Allyn -- specifically for CCD scanning of 2-D symbologies. Although no specific details were made public, a Norand spokesman confirmed that the contracts called for up-front payments plus royalty fees for the life of the patents. [In discussing the new Norand agreement with Welch Allyn, Kevin Jost, Welch Allyn's VP Data Collection Division, noted that his company is currently the only manufacturer of CCD scanners in the US].

During a press conference at SCAN-TECH 94, Jim Bagley, Marketing Director of Norand's Radio Frequency Systems Division, ardently defended CCD scanning technology in comparison to lasers. He argued that many of CCD's past problems have now been resolved. "CCDs can now scan out to twelve inches," Bagley explained, "and can operate in ambient light from dark to sunlight. The size of the CCD hand-holds is comparable to laser guns and power consumption is much less; the scanning depth of field is four to six inches; motion tolerance has been improved; autodiscrimination among one- and two-dimensional symbols is available; and CCDs cost about one-half of lasers."

[As expected, an executive from Symbol Technologies told SCAN that he vehemently disagrees with Bagley. The Symbol spokesman points out that the versatility, scanning distance, depth of field, speed and self-illuminating capability of lasers still favor that technology over CCDs. There are indications that laser scanning is gaining market share in Europe -- where CCDs dominate; and CCDs are gaining in the US where lasers have been way out in front. The reasonable consensus is that both CCDs and lasers will eventually co-exist in the market, each with its own performance and cost advantages.]

Norand also announced a new relationship with Ericsson, Sweden's giant telecommunications company (US-based in Totowa, NJ), to integrate "a new generation of wireless technology" devices, such as the new M2190 miniature, wide-area radio modem. Norand expects that its terminals will be able to "access seamless, nationwide roaming, utilizing the Mobitex wireless data networks."

Norand -- which posted a 23% increase in sales to $193 million for its fiscal year ended 8/31/94 -- is very upbeat about the future. In addition to its patent activities, the company reports that it is busy negotiating "strategic alliances," opening reseller channels and developing new products.
The anemic performance....

....of the US stock and bond markets in 1994 bore little resemblance to the very strong showings of the public companies in the automatic data capture (ADC) industry. The high values placed on the common stocks of the auto ID companies seemed to reflect a positive investor attitude toward the industry -- a welcome change from previous years.

[Although the year-end corporate statements of revenues and earnings won't be released for at least several weeks, the interim reports of the ADC companies during the year -- e.g., Norand, PSC, Symbol, Zebra -- have been almost uniformly excellent.

One specific example of these positive financial results is the December 30 announcement by Telxon that it expects record third quarter (12/31/94) sales of $95 million -- 23% greater than the same period last year. This was due to "a strong surge of new orders during the quarter for its radio frequency products and systems." In addition, earnings for this same period are predicted to come in at about $.15 per share compared to last year's loss of $.04.]

So, while the Dow Jones Industrial Average languished with a puny 2% increase for the year -- and the S&P 500 and NASDAQ Composite indexes actually fell by 1.5% and 3.2% -- this is how the ADC companies' stock values fared in 1994:

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(Notes: (1) First public offering in 1994. (2) Change and % Change compare year-end 1994 with 1993. All values rounded to nearest dollar except where significant)

The glaring exception of Zebra -- 18 points off its 1993 closing price of 57 -- can be attributed more to its inflated stock value in 1993 than to its 1994 performance (nine months' sales up 20%; profits up 14%). In 1993, Zebra's stock had increased by 39 points, almost 2-1/2 times its opening price that year.

Overall, the past twelve months' stock market performance of ADC companies -- including the oversubscription of all new stock offerings -- was a gratifying endorsement of the outlook for the industry.
We were caught....

....with our symbols down, last month, when we reported on the new Roadway Package System (RPS) MultiCode (SCAN Dec 94).

The RPS MultiCode system incorporates the Code 128 linear bar code for tracking and sortation, and the PDF417 two-dimensional symbol for shipping/receiving information. The Code 128 symbol will contain 22 characters including shipper number, package number and other data necessary to track the package. PDF417 will hold up to 300 characters representing the PO number, consignee address, invoice number and other EDI-type descriptive data.

In our comments, last month, we failed to note that, although the ANSI MH10.8 (2-D) Committee is presently concentrating on the evaluation and selection of two-dimensional symbologies for transportation-related activities, the previous ANSI standard specifying linear bar codes was not being superseded. The RPS MultiCode, therefore -- which specifies Codes 128 and PDF417 -- is in compliance with both the existing standards and the anticipated symbology selections under the new standard.

Joseph Loughran, RPS VP Operations and Engineering, drove this point home in a December 30 letter to this newsletter. "Our choice of Code 128 for automated sortation," he wrote, "is based on the fact that it is already a widely accepted standard. The purpose of the [ANSI] subcommittee is to define standards for the use of 2-Dimensional symbols in three categories: (1) Sortation; (2) Shipping and Receiving; and (3) EDI Messages. This is not to say that 2-Dimensional symbols are the only solution for automated sortation."

Comment

Loughran is correct! As a parting shot, however, may we respectfully suggest to the ANSI MH10.8 (2-D) subcommittee that it clarify the following statement which is included in the current draft of the standard: "1. SCOPE. This document recommends the use of a single symbology for each specific application of two-dimensional symbols with unit loads and transport packages."

The increasing importance....

....of resellers of bar code equipment and supplies was highlighted in a recent survey by Venture Development Corporation (Natick, MA). VDC reports that 48.2% of all US shipments of bar code products are being sold through third party resellers; i.e., systems integrators, VARs, dealers and distributors.

According to VDC, US shipments of bar code products in 1993 totalled $3.1 billion. It is important to note, however, that the market research firm defines "US shipments" in its own special way. It includes total sales by all US-based vendors to all customers -- domestic and foreign -- plus all sales by foreign suppliers to US-based users. According to Project Director Girish Rishi, VDC plans to change that definition in 1995. "Our data will comprise US consumption only," he told SCAN, "to include domestic and foreign sources. We will exclude exports by US companies.
We realize that we must provide some continuity of data and that will be done so that year-to-year comparisons can be made.

The recent VDC study was based on a questionnaire mailed to 2,500 resellers (with a 7% response) plus in-depth, followup telephone interviews with seventy respondents. The survey covered large and small resellers whose markets comprised four industry groupings: manufacturing, retail, non-retail services (e.g., health, finance, transportation) and government. "The broad trend," Rishi said, "is for greater use of resellers as the industry grows larger. Bar code manufacturers are increasingly relying on indirect channels that are better equipped to handle smaller customers."

One interesting sidelight of the VDC study was the dissatisfaction expressed by the dealers, distributors and VARs with their sources. "Almost without exception," Rishi explained, "every reseller we contacted complained about its relationship with the vendors. Their major complaints were poor communications, lack of technical support and competition with other resellers or direct vendor sales personnel [carrying the same products]."

Despite the grievances of the resellers, VDC predicts that the ADC manufacturers will increasingly rely on indirect selling channels. "Most manufacturers understand," Rishi concludes, "that traditional markets are beginning to saturate, and going after new markets -- expanding horizons -- cannot be done solely with direct sales people, who cost much more than resellers."

A smooth transition....

.... has taken place at ID Systems magazine (Helmers Publishing). Deb Navas stepped down as editor-in-chief and was succeeded, on January 1, by Mary Langan.

Navas was hired as editor-in-chief, in March 1990, by IDS publisher Tim Jameison. She had previously worked as editor for Yankee, Popular Computing. Under Navas -- and current publisher Kevin Rushalko -- ID Systems has grown in size and stature to where it is now an important presence in the automatic data capture industry.

Navas will continue as Senior Contributing Editor to IDS. "I hope to do occasional industry writing," she told SCAN, "and also devote more time to my other life as a fiction writer -- I am currently working on a novel." Although she says she really enjoyed working for the Helmers organization, Navas will not miss the three-hour daily commute from her home in Newmarket, particularly when battling the New Hampshire winters.

Mary Langan also came to IDS in 1990. She advanced from copy editor, to associate editor, to managing editor of IDS and editor of the European Edition. Congratulations and best wishes for her continued success in her new position.

Kudos to....

.... Auto ID News and Contributing Editor Lynne Brakeman on the excellent front page applications article in the December 1994 issue: "New DoD system tracks refugees."

SCAN/January 1995
Brakeman flew to Guantanamo Bay Naval Base, Cuba, to interview the military personnel and the Haitian and Cuban refugees who had escaped their countries and were being detained pending investigation. As part of the processing center operation, the Army had installed an elaborate identification and tracking system to record the comings and goings of the 34,000 Haitian and 50,000 Cuban detainees on the base.

She found each refugee "encoded" with an RF/ID bracelet for unmistakable identification. In her detailed description of the system installed by the Army -- banks of sophisticated computer workstations, CCD photo cameras, fingerprint scanners, RF/ID readers -- Brakeman was nevertheless sensitive to the dehumanizing implications of banding people with identification tags. She described the steps taken by the officers and enlisted men and women to encourage the detainees to wear these bracelets to help in the processing program -- to the extent that the US military personnel were themselves wearing RF/ID bracelets to express sympathy and solidarity.

The article went beyond the technology and gave us an insight into the difficult conditions for all those involved in this sensitive operation.

Contributing to the upbeat....

....atmosphere at SCAN-TECH 94 (SCAN Nov 94, Dec 94) was a special one-hour promotional video that was professionally prepared by Visitors Almanac Television (VATv). The program played constantly in the lobby of McCormick Place and on the TV sets in the guest rooms of the nearby convention hotels.

Seventeen companies participated (entry costs start at $1,500 for a one-minute spot). VATv claims that 90% of SCAN-TECH’s visitors and exhibitors viewed at least a portion of the program. VATv, 13 East State Street, Media, PA 19063; 610/565-4779; Fax 610/565-4451.

Comment

Our complaint concerns VATv’s post-show ad in ID Systems magazine: "Take Home SCAN-TECH 94....here’s your opportunity to receive complete coverage of the newest products and services presented at the show."

We were disappointed in the video that was offered for sale ($39.95). It was the same pre-show information that was presented at McCormick Place. The material consisted of "talking heads" and short pre-canned pieces describing the products. There was no live material from the floor of the SCAN-TECH show and nothing resembling "complete coverage of the newest products and services."

VATv told SCAN that it intends to expand its participation in the ADC industry -- including ID Expo and SCAN-TECH in 1995. We would suggest that the video producer’s future plans include a more responsible post-show marketing program.

New Phone: 516/487-6375 New Fax: 516/487-6393

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