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In a major strategy shift....

....Symbol Technologies has abandoned its joint venture with Olympus Optical Company (Japan).

Under their original agreement, signed when Olympus Symbol Inc (OSI) was established in 1991, OSI was formed to "sell and distribute laser-based bar code scanning products throughout Asia and to collaborate on development of next-generation bar code and two-dimensional symbology scanning products" (*SCAN* Apr 91). At that time, Symbol was seeking a strong partner to help them enter the Japanese market.

Selling laser-based scanners in Japan proved more difficult than Symbol anticipated. Last month's agreement to dissolve the OSI partnership calls for Olympus to buy out Symbol's fifty percent share of the joint venture. Under license from Symbol, OSI will continue to be the exclusive sales agent -- in Japan only -- for bar code reading equipment manufactured by Symbol and Olympus. Symbol, in turn, will assume control of the Asian business outside Japan, operating from its new sales office recently opened in Singapore.

According to the statement issued by Symbol's Chairman/CEO Jerry Swartz: "This new arrangement represents a more efficient way for each company to satisfy customer requirements in their respective territories."

Comment

In the long run, Swartz's assessment will probably turn out to be accurate. While Japan is solidly entrenched with systems employing locally-manufactured wands and CCDs -- with no significant market penetration by laser scanners -- the emerging Asian markets are still in their infancy and not committed to either technology.

With a marketing/sales staff under their own direction and control -- and the opportunity to partner with local VARs and distributors -- Symbol may achieve better results going it alone in Asia than with OSI, whose top management was staffed and directed primarily by Olympus personnel.

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Corporate News and Analysis

The year-end financials....

....for public companies in automatic data collection were outstanding in 1994 and reflected very positive momentum for the industry. The following is a rundown of these results, with additional comments on recent events. Take particular note that an astonishing eleven of the twelve companies reporting had the highest sales and earnings *in their history* during this past year. Not bad!

* *

Still struggling to break into the profit column, Computer Identics showed a solid revenue advance of 19% on the year, which helped cut its annual losses in half.

Computer Identics	12 Months Ended 12/31 1994	1993
Revenues ($000)	$26,026	$21,890
Earnings (Loss) ($000)	(510)	(1,026)
Earnings (Loss)/Share	(.05)	(.10)

The company's most positive news was that the fourth quarter of 1994 was profitable, with sales ($7.6 million) and earnings ($526,000 or $.05 per share) at record levels. The bar code equipment manufacturer sees these numbers as tangible evidence that progress is being made to contain costs "while growing top line revenue." President/CEO Richard Close points to the company's efforts to reduce SG&A (selling, general and administrative) expenses and to raise gross margins as "a positive step forward."

* *

DH Technology made two acquisitions last year -- Stadia Colorado (a supplier of labelling and marking solutions) in February and Cognitive Solutions (a manufacturer of thermal bar code printers) in August -- which helped sales and earnings to rise sharply to record levels.

DH Technology	12 Months Ended 12/31 1994	1993
Revenues ($000)	$77,918	$56,351
Earnings ($000)	8,058	6,331
Earnings/Share	1.50	1.23

Although DHT does not break out the additional revenues attributable to its two new corporate additions, we estimate that the amount was approximately $10 million. This calculation is based on Cognitive's annual rate of sales of $10.3 million immediately prior to the August 31, 1994 acquisition, which would make its contribution to DHT about $3.5 million for the last third of the year; Stadia (which had $8 million in revenues in 1993) is estimated to have added about $6.5 million, since it was purchased last February.

* *

The most spectacular results for 1994 -- in terms of percentage gains -- were turned in by Eltron International (which completed its initial public offering on February 9, 1994).

Eltron International	12 Months Ended 12/31	
	1994	1993
Revenues ($000)	$17,530	$6,505
Earnings ($000)	2,913	815
Earnings/Share	.99	.51

Although it is certainly easier to increase sales two-and-a-half times and to more than triple earnings when starting from a fairly small base, Eltron's performance was nevertheless impressive.

Eltron's success is built upon its line of lower-priced thermal and thermal transfer printers. The company made a big splash at SCAN-TECH 94 last November (*SCAN* Nov 94) when it broke through the $1,000 barrier with its stand-alone, thermal transfer printer, which was priced at $995, including comparable features found on units costing $400-500 more.

* *

LXE reports that its record sales and earnings last year benefitted from "increased revenues in [its] traditional US market and revenue growth from European sales subsidiaries....of wireless data communication systems for real time transaction processing in materials handling and other operations."

LXE	12 Months Ended 12/31	
	1994	1993
Revenues ($000)	$63,142	$45,653
Earnings ($000)	4,122	336
Earnings/Share	.71	.06

On March 1, LXE and OpenQuest Technologies (Duluth, GA) announced the licensing of OpenQuest's Concourse software and architecture for the creation of a connectivity product developed by LXE. Concourse is a client/server development tool that connects bar code reading equipment and other devices to host computers for a totally automated data collection solution for manufacturing, inventory, warehousing and distribution applications.

* *

Although Intermec had not announced its financial results since it was bought by Litton Industries in April 1991, the company just couldn't keep this year's good news a secret.

Intermec's 1994 sales were up 20% and exceeded $300 million for the first time in its history. When it was acquired four years ago, annual sales were running at the rate of $190 million (which computes to an average compound annual growth rate of 12%). The company -- now a subsidiary of Western Atlas after Litton spun off that division -- does not break out its earnings figures.

President Tim Koogle cites the retail, industrial and distribution market segments as "leading to a resurgence in demand," contributing to the company's "strong revenue growth" following the 1991-92 recession. It certainly didn't hurt when Intermec was also awarded, in 1994, the US government's 5-year Automatic Identification Technology (AIT) contract worth an estimated $250 million (*SCAN* Apr 94).

Intermec has been actively introducing new products this past year, with emphasis on spread spectrum, radio frequency data collection devices and its new J7101 hand-held, non-contact CCD imager to scan linear and 2-D symbologies.

* *

In its first annual report since going public last October, Metrologic posted its best performance in its history.

Metrologic	12 Months Ended 12/31	
	1994	1993
Revenues ($000)	$35,960	$23,682
Earnings (Loss) ($000)	3,206	(1,636)
Earnings (Loss)/Share	.82	(.47)

[Note: The 1993 loss included a $5 million expense that was related to the settlement of patent litigations with Symbol Technologies.]

This manufacturer of retail and industrial laser scanners showed particular strength in foreign markets, which, according to President Harry Knowles, accounted for an unprecedented 63% of total sales -- four-fifths of which were in Europe. In the fourth quarter, Metrologic reported that there were "unusually strong sales to German value-added resellers relating to the German government's mandate that all pharmacies have at least one scanner installed prior to January 1, 1995." Knowles cautioned that "the company's strong involvement in that German pharmacy scanner implementation will make 1995 sales comparisons to 1994 more challenging." [In other words, don't necessarily expect the same percentage increases in revenues and earning this year.]

Metrologic is also actively pursuing a restructuring of its North American sales distribution channel and "more aggressive pricing" in this market.

* *

Norand's last fiscal year ended six months ago, but those results -- and the company's latest quarterly report -- are worth noting. For FY 1994 (ended 8/31/94) Norand had sales of $193 million (+22.7%) and earnings of $10.4 million (+24.8%), or $1.40 per share, its best performance ever.

The first quarter of this fiscal year (11/30/94) reflected continuing success, with revenues up 28.1% to $38.2 million and net income up 35.4% to $905,000. During that three month period, international revenues increased by 60% compared to a year ago (which represents one-third of the company's gross sales). Norand continues to dominate the route accounting market while expanding its Mobile Systems and Radio Frequency Divisions.

* *

While breaking through the $100 million barrier -- with a positive earnings turnaround to match -- Peak Technologies roared ahead with record results.

Peak	12 Months Ended 12/31 1994	1993
Revenues ($000)	$114,088	$83,349
Earnings (Loss) ($000)	3,990	(7,441)
Earnings (Loss)/Share	.71	(1.40)

During this past year, Peak opened up European operations, acquiring Endata in the UK (*SCAN* Nov 94, Jan 95), and completed its North American coverage with the purchase of Innovative Products & Peripherals (*SCAN* Feb 95).

* *

After hiccupping slightly in 1993, when sales increased only 8% and earnings were cut to less than half the previous year, PSC came hurtling back in 1994 with a sales leap of 55%.

PSC	12 Months Ended 12/31 1994	1993
Revenues ($000)	$60,447	$38,894
Earnings ($000)	612	1,851
Earnings/Share	.08	.25

The decline in net earnings from last year was due to accounting charges totalling $6.9 million resulting from the LazerData acquisition (*SCAN* Jan 95). Without these charges, net income for the year would have been $5.1 million or $.64 per share.

On February 8, PSC filed a registration statement with the SEC offering to sell two million shares of stock for the company plus 77,100 shares for "certain stockholders." (On March 6, PSC was quoted on NASDAQ at $12/share.) The net proceeds will be used by the company for repayment of debt and general corporate purposes, including possible acquisitions. The prospectus, which will contain details of the offering, will be available in mid-March from Hambrecht & Quist, San Francisco (415/576-3300) or from Robinson-Humphrey, Atlanta (404/266-6000).

* *

Poised this coming year to be the first ADC company to break through the half-billion-dollar level (fourth quarter 1994 revenues were $124 million), Symbol Technologies chalked up another impressive 12-month performance: 1994 sales were up 29.3%; earnings almost tripled.

Symbol Tech	12 Months Ended 12/31 1994	1993
Revenues ($000)	$465,306	$359,980
Earnings ($000)	34,984	12,445
Earnings/Share	1.33	.50

* *

The financial results at Telxon, so far this year, suggest that the company has emerged stronger than ever following its troublesome period two-and-a-half years ago (*SCAN* Nov 92). For the first nine months of FY 95 (its fiscal year will end 3/31/95) the company posted a 41.2% increase in revenues and turned its operating losses into profits.

Telxon	9 Months Ended 12/31 1994	1993
Revenues ($000)	$277,515	$196,594
Earnings (Loss) ($000)	5,356	(3,684)
Earnings (Loss)/Share	.34	(.24)

During the past 60 days, Telxon has made a number of important management changes:

- William Murphy was appointed Telxon's president/COO and a director. He replaced Dan Wipff, who had held those jobs since November 1992 when he replaced Ray Meyo. Murphy joined Telxon in 1988 and was president of the North American Division since 1993.

- Wipff's new position is president/CEO of Telxon Products, the company's manufacturing, field service and procurement division.

- John Cribb was elected to Telxon's Board of Directors as vice chairman. He joined Telxon in 1982, was appointed president of the International Division in 1992, and will now serve as chairman of that division.

- Frank Brick, who was Telxon's VP of Global Sales, Marketing and Technical Operations, is now president/COO of the International Division reporting to Cribb. Brick came to Telxon in 1993 from Basicomputer Corp.

- David Swank joined Telxon in 1994 as senior VP Finance and Administration and has now been promoted to executive VP Corporate Development.

- Kenneth Haver came to Telxon in September 1993 as VP Financial Planning, was appointed treasurer in May 1994, and has now been moved up to senior VP and chief financial officer.

Telxon's dramatic "new look" has been engineered under the direction of Chairman/CEO Bob Meyerson. Following Meyo's departure, Meyerson returned to resume the leadership role he filled during Telxon's earlier years. Soon after, Telxon was completely restructured into independent "Strategic Business Groups" and also proceeded to acquire smaller specialized companies to expand its technology capabilities (*SCAN* Nov 92, Feb 93).

The current restaffing of top management -- including a number of relative newcomers to Telxon -- continues the dramatic reshaping of the company. The financial results, so far, are a strong sign that they are on the right track.

* *

Spurred on by a substantial increase in international sales and an encouraging response to its new high-performance line of Xi printers, Zebra posted excellent financial results in 1994.

Zebra	12 Months Ended 12/31	
	1994	1993
Revenues ($000)	$107,103	$87,456
Earnings ($000)	21,073	18,255
Earnings/Share	1.75	1.52

Zebra continues to register enviable after-tax earnings which run a healthy 20% of sales. According to CFO Randy Whitchurch, international sales were up 29% for the year, and increased 53% during the fourth quarter. "Now that we have a full distribution facility and label conversion in Europe, rather than just a sales office," he told *SCAN*, "we see ourselves as an international company."

Whitchurch projected 1995 sales of $135 million, with earnings in the range of $2.10 to $2.15 per share. "Business is very strong," he said, "and we have a high degree of optimism for the future." When asked about Zebra's plans to meet Eltron's very successful move to price their thermal transfer printers under $1,000, Whitchurch would only respond: "We continue to maintain a high level of interest in our [under $2,500] Value Line end of the business. Our actions last September to reduce prices and increase dealer discounts was significant and successful." (*SCAN* Oct 94).

There was a notable shuffling of management personnel at Zebra last month. Ed Kaplan, Zebra's founder, stepped aside as president, while remaining as chairman/CEO. Jeffrey Clements, who joined Zebra in July 1994 as executive VP, was promoted to president. Jack LeVan, a newcomer to the ADC industry (from his own management consulting company), was appointed senior VP Marketing reporting to Clements. Jack Kindsvater, who was VP Marketing and Sales, is now VP Corporate Development. He and Whitchurch will continue to report to CEO Kaplan.

Moving quickly....

....To fill the vacancy left by the resignation of Don Anderson last November (*SCAN* Dec 94), the incoming AIM/US Board of Directors appointed Larry Roberts as its new president, in charge of all business operations. Roberts joined AIM/US in March 1994 and became senior vice president in July. His prior experience includes thirteen years in association management.

In a very supportive vote of confidence, Roberts was promoted to his new position without the directors even considering any other candidates. He was interviewed one-on-one by each Board member -- a few by phone and some during a whirlwind trip Roberts took across country from Duxbury, MA to Seattle, WA -- and the decision was unanimous.

We wish him every success as he takes over the reins of the restructured, redirected AIM/US organization.

The Board of Directors also elected Tim Koogle (president of Intermec) as its chairman for the coming year. In addition to Koogle and Roberts, the members of the newly elected AIM/US Board are: Mike Hone (PSC), Bonney Shuman (Bar Code Systems), David Collins (Data Capture Systems), Ivan Jeanblanc (Axiom), Jack Kindsvater (Zebra) and Joe Sheppard (Xico).

Just a few months ago....

....the promotional flyer for Identimex 95 -- the third annual Mexican ADC trade show -- promised: "With the Mexican economy moving forward, U.S. corporations are again flocking south of the border, confident of Mexico's future."

In view of recent financial and political crises, however, and with the peso dropping daily like a stone, it was with some trepidation that American exhibitors went to Mexico City on February 22-24. Many Americans expected the Mexican business community to be in disarray, showing limited interest in making any capital investments in automation systems.

In spite of these forebodings, a preliminary assessment from Expocon (sponsors of Identimex), issued immediately following the event, reported that attendance more than doubled compared to last year (3,800 vs 1,700). The number of booths and product manufacturers also were substantially increased.

About three-quarters of the exhibitors were Mexican distributors, dealers and VARs. The rest were American, European, Japanese and Taiwanese manufacturers displaying their own products. One exhibitor was impressed with the number of visitors from South America -- notably Brazil, Argentina, Chile and Bolivia -- and felt that this show opened many avenues to business in the entire region.

More important than the statistics were positive reports from Mexican and American exhibitors of the heightened interest in automatic data collection systems. Peter Nathan, VP of Expocon, offered his own theory of why Identimex was so active in spite of the immediate economic pressures. "Mexican exports are now very much in demand," he explained, "because they are so much cheaper following the peso devaluation. One result is that Mexican manufacturers must conform to the packaging requirements of their foreign customers -- and that includes complying with bar coding and other labelling standards." Nathan also speculated: "These Mexican businessmen seem to have enough money to buy what they want. Although internal demand for products is not as great, export is very good." [We have not heard any audible "sucking sound" yet, but there may have been a chortle or two coming from the Perot corner.]

In previous years, observers noted that most of the interest at Identimex was concentrated on retail applications. Although a significant portion of the visitors were still interested in POS scanning, Nathan believes there was a large increase of potential users who were searching for automation solutions to industrial and distribution problems -- indicating the opening of new markets.

Identimex 96 will be expanded to include other related technologies; e.g., logistics, warehousing, transportation, distribution and material handling. Next year, some existing smaller Mexican shows may be folded into Identimex; AIM/Mexico also will be taking their own pavilion. To house this larger event, Identimex will be moved to a much grander venue at the new World Trade Center in Mexico City. Although the original target date was February 6-8, 1996, Nathan expects the event will be pushed back a few months to accommodate the new participants.

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