



# newsletter

Ltd.

Since 1977, the  
premiere management  
& marketing newsletter  
of automatic data  
capture: Bar Coding, RF  
and related  
technologies.

SCAN Newsletter, LTD. • 11 Middle Neck Road • Great Neck, NY 11021 • ~~516/487-6370~~ • ~~FAX 516/487-6449~~

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

Volume XIX Number 3

November 1995

## Having recently moved....

....from linear (one-dimensional) to two-dimensional scanning, is the ADC industry now ready for 3-D?

The possibility of this extra "dimension" took a step forward on October 20, when Robotic Vision Systems, Inc. (Hauppauge, NY), a specialist in 3-D technology, acquired International Data Matrix (Clearwater, FL), a 2-D pace-setter. The price was \$8 million in RVSI stock (which traded at \$22/share that day on the NASDAQ exchange). IDM, formed in August 1987, was owned by President Dennis Priddy (the largest shareholder, with less than 50% of the stock) and other private investors.

IDM invented Data Matrix, the two-dimensional symbology that a number of trade organizations have recommended for small parts identification. These supporters include the Automotive Industry Action Group (AIAG), the Semiconductor Equipment & Materials International (SEMI), and the Electronics Industry Association (EIA). Priddy told *SCAN* that IDM's current revenues are running at the annual rate of \$2-3 million.

RVSI designs, develops, manufactures and markets three-dimensional machine vision inspection and measurement products which are sold primarily to the semiconductor industry for lead inspection. According to the company, its systems have been sold to every major semiconductor manufacturer outside of Japan. RVSI sales in FY 1994 (9/30/94) were \$24.6 million; earnings were \$.21/share. (For the first nine months of FY 95 -- before any acquisitions took effect -- sales were \$29.4 million; earnings were \$.50/share.)

RVSI was founded in 1978, when it was spun off from Dynell Electronics. During the 1980s, RVSI supplied 3-D machine vision systems to the US Department of Defense and the automotive industry. In 1984, General Motors bought a substantial equity interest in RVSI to support the design and manufacture of vision systems used for robot welding devices by the automobile industry.

In 1990, RVSI withdrew from the automotive robotics market and became a manufacturer of products used for electronics inspection. The company is now a leading supplier of precision, noncontact, 3-D measurement devices to inspect the hundreds of fragile leads that connect semiconductors with



0273-3080(199511)19:3:1-Z

INCLUDING THE INTERNATIONAL EDITION



circuit boards. RVSI recently introduced an electro-optical ice detection system to indicate the presence of ice, snow or frost on aircraft surfaces.

In a related move that occurred just one month prior to the I.D. Matrix purchase, RVSI also acquired Acuity Imaging (Nashua, NH), which makes 2-D readers for the IDM Data Matrix symbol. Acuity's 1994 revenues were \$22.1 million; earnings were \$1.3 million.

The negotiations between RVSI and Acuity had been tortuous. In a February letter of intent, RVSI offered to acquire Acuity for 4.4 million shares of RVSI stock. In April, Acuity announced a bad first quarter with negative earnings. RVSI responded by dropping its offer to 2.6 million shares -- but continuing the negotiations based on Acuity's ongoing performance. The final deal, on September 21, was for 1.4 million shares of RVSI stock (which was then selling at \$21.25 per share, bringing the total acquisition price to \$30 million).

Acuity designs and manufactures 2-D machine vision systems for a diversity of markets. It was Acuity's success with the 2-D Data Matrix decoders that drew the attention of RVSI to ID Matrix as a possible acquisition. "In the process of acquiring Acuity," IDM's Priddy told *SCAN*, "RVSI was meeting with Acuity customers who recognized and commented favorably on the ID Matrix products. This prompted RVSI to investigate the possible acquisition of our company."

Priddy was extremely happy with this turn of events. "We decided to sell the company," he explained, "rather than to invest the enormous effort and capital that would be required to develop the two-dimensional products ourselves. Our company was looking at markets and applications that were very large and required huge investments in development money and time." (Many of IDM's Data Matrix scanners are now sold to the pharmaceutical industry for packaging control and FDA compliance.)

IDM now makes a desktop reader for the 2-D symbol and expects to introduce a "swipe" reader soon. Priddy expects that his Florida operation will be shut down and moved to New Hampshire (with Acuity), or to Long Island (with RVSI).

#### The corporate announcement....

....of Jan Lindelow's departure as President/COO of Symbol Technologies was brief and matter-of-fact -- and then came the unofficial interpretations from surprised and puzzled outsiders.

On October 16, the company issued a terse statement which began: "Symbol Technologies...today announced the resignation of Jan Lindelow...and the appointment of Tomo Razmilovic as his successor." In the statement's only reference to Lindelow's performance, Chairman Jerome Swartz said: "Under Jan's leadership, Symbol has shown steady growth in revenue and earnings." By contrast, Swartz noted that "Tomo's direction of our sales effort resulted in 29 percent revenue growth in 1994, which generated an increase in earnings of more than 150 percent." Lindelow's brief remarks in the statement vaguely explained that he resigned to pursue "other business activities."

All concerned at Symbol have stuck with those explanations of Lindelow's



"resignation." But the evidence seems to indicate otherwise. In the first place, Lindelow will receive a severance package worth \$2.5 million -- not exactly the kind of going-away present a corporation normally gives an executive who quits after serving only fourteen months in office. Secondly, whatever his "other business activities" might be, Lindelow will remain on Symbol's payroll as an employee through the end of this year. He will also continue as a member of the Board of Directors, presumably to the end of his current term -- due to expire at the next annual shareholders meeting in May 1996.

Lindelow joined Symbol in July 1994. During his first six months, he earned more \$722,000 in salary, profit-sharing bonus, and "special compensation." According to documents filed with the SEC, Lindelow's employment agreement stipulated that his 1995 compensation would be \$437,000 plus an annual bonus of up to 100% of his salary. In addition, if he were to be terminated, Lindelow would receive "between one and two year's annual base salary plus one to two times the annualized bonus." All of which goes a long way toward explaining the \$2.5 million severance charge taken by the company in its recent third quarter 1995 financial statements.

We asked all of the principals in this dramatic move for a fuller explanation. Swartz told *SCAN*: "It's just one of those things. Not everything in life works out as planned. Jan came from a much larger company [Asea Brown Boveri, a \$30 billion Swiss-based conglomerate] and his perceptions were different from those of a smaller company in a fast-paced technology."

Reached at his Connecticut home, Lindelow declined to comment about the meaning of his substantial severance arrangement. Regarding the sudden news of his resignation, he explained: "I decided to move on. I had fun, I had big challenges, it was rewarding. But I do not plan to stay in the auto ID industry." As for Symbol's future, he predicted: "Tomo's background in sales will help to lead the company to market expansion and international growth. He will continue on the path that both Ray [Martino, Lindelow's predecessor] and I had been pushing -- each in a different way."

Razmilovic joined Symbol in 1989 as senior VP international operations, based in the UK. He refused to comment directly about Lindelow's resignation. He chose only to express optimism about the continued growth and success of the company under his new leadership.

Reactions from outside the company were quite different. One CEO of a leading auto ID company (with close ties to Symbol Tech) told *SCAN* that even the Symbol executives with whom he has spoken were surprised by the sudden change. "I firmly believe," the CEO said, "that Lindelow was fired because he did not get along with Jerry [Swartz] and that it was Jerry's decision to make the change."

A financial analyst who follows Symbol closely was even more blunt. "I am not unhappy with this management change," this Wall Street pundit remarked. "I am not sure I saw any new customer relationships or changes in strategy emerge during Lindelow's fourteen months there. I think that many of the new things coming out of Symbol are coming from Tomo."

[Editor's note: Our last issue (*SCAN* Oct 95) carried a report about our two-hour interview with Lindelow on September 27, less than three weeks before the surprising announcement. Swartz, who had just returned from



vacation, joined us during part of that meeting in Lindelow's office.

Although it is now apparent that problems must have already been brewing between the two executives (Swartz candidly told us on October 17 that the decision "was not abrupt and was very well deliberated"), we detected no sign of tension between them. They went out of their way to compliment each other on the company's excellent performance. Swartz praised the important new corporate reorganization recently put in place by Lindelow.

When Swartz was later asked why he allowed the interview to go forward if there were problems ahead, he replied: "That meeting was set up by Jan while I was away. Not everything in life works out as planned. It would be inappropriate for me to say any more."]

#### In a much more orderly....

....and voluntary manner, John Paxton resigned from Western Atlas (parent company of Intermec) to take over the position of President/CEO of Monarch Marking on October 23.

Paxton joined Intermec in 1986 (while it was still an independent, public company) and was appointed chairman/president/CEO in 1988. Following Litton's acquisition of Intermec in 1991, he became corporate vice president of Litton -- which included responsibility for Intermec.

When Litton reorganized into two separate companies last year (SCAN Jan 94), Paxton went with the newly spun-off Western Atlas, as the executive VP of the Industrial Automation Group (with Intermec still one of his responsibilities). This past May, in his last important, public decision at Intermec, Paxton dismissed President Tim Koogle and replaced him with Mike Ohanian (SCAN June 95).

From all indications, Paxton did not particularly enjoy the administrative duties and piles of paperwork associated with his new position at Western Atlas. He wanted back into a hands-on job that offered active, decision-making involvement at the operating level. Monarch seemed to be a perfect opportunity.

Founded in 1890, Monarch Marking has been a leading manufacturer of price-marking machines and supplies for more than one hundred years. The company was acquired by Pitney Bowes in 1968. In 1994, Monarch's revenues were \$250 million.

Five months ago, P-B sold Monarch for \$127 million to a new holding company jointly owned by the Paxar Corp. and Odyssey Partners (SCAN July 95). Paxar is the leading supplier of labels and tags to the apparel industry; Odyssey is a private investment firm. After the acquisition, the position of Monarch's president/CEO was temporarily filled by Tom Loemker, who had previously served with both Paxar and Monarch.

While Loemker began a search for his permanent replacement, he also initiated major steps to reorganize the company. His dramatic four-point plan to "Slim Down, Speed up and Simplify" the company called for these actions:



1. Increase the supplies business via the sale of printers.
2. Develop new uses, products and markets for Monarch's conventional hand-held labeler line.
3. Define target markets in order to become a leader in bar code printers and supplies.
4. Simplify operations, eliminate bureaucracy and lower overhead costs. (The US workforce has already been reduced 25% -- reportedly 400 out of 1,600 employees have been let go.)

We caught up with Paxton at SCAN-TECH 95 in Chicago on October 24, just one day after he took over the reins at Monarch. He declared that his reorganization strategies are even more ambitious than Loemker's plans. "I want to create a new image and a new product line for Monarch," he said. "This is a solid, profitable company with a large international marketing organization. We want to capitalize on that by introducing systems products, including RF communications and portable computers. We will also be selling bar code scanners which we are prepared to buy from others like Symbol or Intermec."

Sounds like exciting times in auto ID technology may lie ahead for what many people have perceived as an old-line, conservative company.

#### The financial markets are ready....

....and willing, so two more ADC companies have decided to take the plunge with initial public offerings (IPOs) of their stock.

The IPO of Teklogix (Mississauga, Ontario, Canada) became effective on September 21. A total of four million shares were sold at \$12.00 per share: 2.4 million shares were sold for the company, netting \$27 million after expenses; and 1.6 million shares were sold by shareholders (three officers and directors), for \$17.5 million. [Note: All dollar amounts shown for Teklogix are in Canadian dollars.]

Teklogix was established in 1967 to design and manufacture automation systems for real-time material control operations. In 1978, the company began to investigate the feasibility of incorporating RF in their designs. During the next few years, Teklogix installed a number of commercial RF systems; by the late 1980s, it had identified wireless networking as its strategic business. Since then, the company's focus has remained on developing "engineered wireless data communication systems for large-scale corporations having complex logistics and material handling requirements."

In fiscal year 1995 (ended 3/30) Teklogix's total revenues were \$69.6 million and earnings were \$.75/share, compared with \$46.0 million and \$.07/share for the previous year. An analysis of worldwide sales reveals this breakdown: Canada-5%; US-62%; Europe-27%; Pacific Rim & Australia-6%.

Teklogix's sales efforts have been directed at the commercial and industrial markets. The company has chosen not to participate in the more competitive area of wireless, in-store, retail applications. According to the company's IPO prospectus, it was felt there was "less potential to yield high value...in this [retail] segment as a consequence of lower complexity of operations and lower failure costs....resulting...in lower gross margins." Teklogix markets its



products through a direct sales force in twenty offices: thirteen in the US, two in France, and one each in Canada, Germany, UK, Sweden and Singapore. Other regions are covered by resellers and VARs.

Teklogix stock will be traded on the Toronto and Montreal Exchanges. The price on November 6 was \$11.50....

#### The second IPO....

....involves Datamax (Orlando, FL) and is expected to be effective shortly after January 1, 1996. The company is waiting for the SEC to reply to its filing documents. The lead underwriters are Donaldson, Lufkin & Jenrette; Robinson-Humphrey; and William Blair.

The offering will consist of approximately three million shares by the company and one million by selling stockholders. A total of 12.4 million shares will be outstanding after the offering -- 35% of which will be held by the public.

The offering is expected to be priced at between \$15 and \$16 per share -- yielding \$40-\$45 million for the company. From this total, \$39 million will be used to repay Liberty Partners, a New York investment firm that provided the investment capital used by Datamax to finance the 1993 acquisition of Fargo (SCAN Mar 93). Liberty, which will be selling some of its Datamax holdings as part of the public offering, will still retain 40% of the company's shares.

Datamax President Robert Strandberg has been preparing for this IPO for some time. Earlier this year he told SCAN: "We have been interested in taking the company public since we resolved the bugs and got our act together following the [March 1993] purchase of Fargo's line of printers." Previous arrangements for an IPO were delayed, he said, because of "a very unattractive public market."

In preparation for going public, Datamax sold its automated ticket and boarding pass (ATB) business to Unimark (Overland Park, KS) on November 3. This ATB unit -- with current annual revenues of \$30 million -- was the core of Datamax's original business before the Fargo acquisition. "The thermal printer segment of the auto ID industry is forecasted to grow at an annual rate of 25%," Strandberg said, "....[and] we have decided to exit the ATB business in order to give full attention to the expansion of our auto ID business."

Privately-held Unimark, founded in 1976, manufactures specialized printers and related devices for bar code and ATB applications. The Datamax division acquired by Unimark manufactures ATB equipment for the airline and travel industry, including printers that generate tickets, boarding passes, baggage tags and other documents. Unimark will transfer the Datamax ATB operations to Kansas. Terms of the sale were not disclosed.

The remaining revenues of Datamax this year (minus the ATB product line) will be \$65 million, from the sale of thermal printers (76%), consumables and verifiers.

#### Setting an exposition record....

....for the ADC industry, 350 exhibiting companies at SCAN-TECH 95 (Oct 23-26)



occupied 100,000 square feet in the main hall of Chicago's McCormick Place North.

The exhibits of the larger ADC companies were bigger and more elaborate than we remember from previous events. Literally thousands of corporate personnel and vendor representatives overflowed into the aisles. At the rear of the hall, a spacious, well-organized Solutions Center -- managed by Insight (Chalfont, PA) -- featured nine teams of users and vendors who were displaying ADC at work in manufacturing, warehousing, healthcare and retail applications.

The size and caliber of the show's attendees were difficult to assess since the crowds ebbed and flowed during the three days. Some participants thought there were too many dealers, distributors and VARs and not enough users. Others welcomed the opportunity to contact such a large number of resellers in such a short period of time. One veteran exhibitor of every SCAN-TECH -- since the first show in Dallas in 1982 -- thought this year's event was the best one ever.

[The official attendance figures for SCAN-TECH 95 have not yet been released. We caution that there is no independent audit of show attendance -- for example, the type of function performed by the Audit Bureau of Circulation (ABC) for magazines. Each exhibition company has its own unique way of counting attendees.]

The conference program was spotty. We heard complaints about presentations that have grown stale over the years due to repetition by the same speakers. (Admittedly, this dated material may be perceived as fresh by first-time attendees.) Some seminar sessions were very well received; in a few cases, additional seating had to be rushed in at the last minute to accommodate late-comers who flowed out the doors. Other sessions were sparsely attended. Many observers suggested that the entire conference program would benefit from an overhaul to better reflect the needs of the users, who are seeking more practical, application-oriented information.

For any "veteran" with more than five years experience in the ADC industry, an unmistakable "rush" of excitement hits when entering the hall and witnessing the growth and vitality of the hundreds of participating companies.

The challenge is to get past the glitzy exhibit booths that crowd the front entrance and to seek out the entrepreneurs and engineers from the smaller companies who are developing new concepts and products for the future. These enterprising businesses normally first test their wings at the SCAN-TECH and ID Expo trade shows. Some of their products may never see the light of day; others may wither on the vine, mostly for lack of financing. But a select few will grow and prosper to become the next Datamax or Eltron, Intermec, Norand, PSC, Symbol Technologies, Telxon or Zebra.

[We will describe some of these new companies and their products next month. We will also include an analysis of the heavy concentration of wireless technology and transportation applications which was apparent at the Chicago show.]

During the coming months, we will have much more to say about the controversial "two-shows-each-year-in-Chicago" debate which came up very often during our three days at SCAN-TECH 95.]



We were particularly pleased....

....with the Percival Award selection this year.

The "Percival" -- co-sponsored by *SCAN Newsletter* and AIM/US -- was inaugurated at the first SCAN-TECH in Dallas in 1982. The honor recognizes an individual or organization -- from the user community only -- who has made an outstanding contribution to the ADC industry.

This year, the plaque went to the St. Alexius Medical Center of Bismark, ND. In making the presentation at SCAN-TECH 95, George Goldberg, publisher of *SCAN*, made the following comments:

"AIM/USA and *SCAN Newsletter* maintain that the outstanding progress made by the auto ID industry has been largely the result of the work of a few individuals who have made excellence their credo. We have recognized contributions by representatives from government, retailing, manufacturing, communications and transportation.

"In two instances, the 'Percival' acknowledged achievements in the health-related field. In 1984, the award went to Eric Brodheim for his seminal work in introducing bar coding into the blood banking systems. His efforts were critical in the reform of the identification systems which played a significant role in tracing blood donors during the AIDS crises.

"In 1989, the Percival Award was given to Karen Longe, who was with the American Hospital Association. She had labored persistently and persuasively to bring about the compromises necessary to introduce bar coding to the country's health providers. Karen still exerts a major force in health care from her new position with Zebra Technologies.

"Hospitals and other health providers are among the groups that have proven to be most resistant to the introduction of automatic data collection systems. St. Alexius, however, has forged ahead as a shining example of the benefits that are available and has demonstrated that there is significant opportunity throughout the health care industry for this technology. The Medical Center has successfully implemented bar coding in the Purchasing, Central Supply, Medical Records, Human Resources, Printing, Renal Dialysis, Pharmacy, Laboratory and Nursing Departments.

"Accepting the award for St. Alexius is Frank Kilzer, Director of Material Resources. Frank is involved with St. Alexius's outreach services, networking with more than thirty rural hospitals and physician clinics in both North and South Dakota and Montana. These networks provide electronic communication links among these health providers."

The presentation in Chicago was an especially noteworthy event. It highlighted the successful efforts of a small group of dedicated professionals who have led the way in installing a wide range of ADC systems in a healthcare environment that many others have given up on.

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

---

SCAN NEWSLETTER, LTD. • 11 Middle Neck Road, Great Neck, N.Y. 11021 • ~~Phone: 516/487-6370~~ FAX: 516/487-6440  
PUBLISHER/EDITOR: George Goldberg • ASSOCIATE EDITOR: Jeff Goldberg • CIRCULATION DIRECTOR: Teddy Allen  
INTERNATIONAL EDITOR: Paul Chartier • United Kingdom Office P.O. Box 7 • Cirencester GL7-1HY England  
Phone: Int + 44-285-653011 • Fax: Int + 44-285-640401

---