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One of the most acquisitive....

....companies in the ADC industry these days is Eltron International (Simi Valley, CA), the manufacturer of low-cost thermal printers.

In December 1994, Eltron bought Russet, a UK-based, value-added distributor of bar code products. The price was \$1.2 million; Russet's 1994 sales were \$2 million (SCAN Dec 94).

In September 1995, Eltron acquired Donner Media (Appleton, WI), a manufacturer of thermal labels. The purchase price was \$1.3 million in cash and stock; Donner sales for 1995 were at \$2 million (SCAN Oct 95).

Eltron's third acquisition, completed on January 26, 1996, was Privilege, S.A. (Varades, France), which manufactures card printers used for on-demand applications. The price was \$3.2 million in cash; Privilege had 1995 revenues of \$2 million.

On March 1, in its most recent move, Eltron acquired RJS (Monrovia, CA), its largest corporate purchase. RJS manufactures industrial bar code printers, verified printing systems and bar code verifiers. For this acquisition, Eltron paid 346,000 shares of its stock (NASDAQ), which closed that day at \$32.125, bringing the price to \$11.1 million. RJS sales in 1995 were \$12 million.

By merging with RJS, Eltron moves into the market for higher priced, on-demand label printers targeted at the industrial market. RJS was one of the first companies to manufacture printers with built-in verifiers ("verified printing systems"). Depending on features -- e.g., width of label, print speed, verification -- RJS printers range in price from \$1,995 to \$8,995. There will be no overlap with Eltron's thermal transfer printers, which start at \$995 and stop at \$1,795. (The two companies maintained a close working relationship for the past three years when Eltron served as an OEM supplier of printers to RJS.)

RJS is also a major manufacturer of bar code verifiers. According to VP Bill McCubbins: "RJS and PSC are the leading suppliers of verifiers. Based on dollar volume, we estimate that we have about 40% of the market -- due in part to our higher unit prices -- and PSC has about 35%. I expect that RJS will continue to be an active player in verifiers under the new Eltron ownership."



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INCLUDING THE INTERNATIONAL EDITION

RJS has had a checkered history. The company was founded by Harry Palmer in the late 1970s as a private label manufacturer of film master generators and bar code verifiers. In 1981, the company began selling verifiers under its own name.

In 1983, after it developed one of the earliest thermal transfer bar code printers -- called Thermabar -- RJS was acquired by Signode for a reported \$12 million. Three years later, Signode was bought by Illinois Tool Works, which decided to unload the RJS operation. This sale was accomplished in July 1987, through a leveraged buyout (very popular in those days). Four insiders -- President Tee Migliori, VP Marketing Bill McCubbins, CFO Jim Morgan and VP Sales Dick Mahmarian -- along with a fifth outside silent partner wound up owning 98% of the stock. The debt to ITW/Signode -- which financed the buyout -- had been completely paid off well before the Eltron deal.

According to McCubbins, the production of RJS printers will be moved to Eltron's facilities. The verifiers will continue to be made by RJS in Monrovia under the RJS label. Because almost no overlap exists in the distribution channel/reseller networks of the two companies, McCubbins sees no need to make any changes in that area at this time. Similarly, the ongoing roles of the four RJS principals have not yet been defined.

Eltron's Chairman/CEO Don Skinner recently told *SCAN* that his aggressive corporate moves, this past year, were part of a revised business strategy. "Earlier in our corporate development," he said, "our mission was to be a leading supplier of all auto ID equipment. We later decided that we do not want to be in the scanner business. We rewrote our mission to stick with what we know best -- on-demand printers -- which opens many avenues. ADC remains our major emphasis."

Although the acquisitions of Privilege and RJS fit Eltron's stated mission related to on-demand printing, these corporate additions have also clearly moved the company into new markets and expanded areas of opportunity.

Corporate News and Analysis

When we reviewed....

...the 1994 financial reports of the major American ADC companies last year, we characterized the results as "outstanding" and noted that "an astonishing eleven of the twelve companies reporting had the highest sales and earnings in their history" (*SCAN* March 95). As the 1995 reports come in, it has become evident that this past year's figures were more of a mixed bag. A recurring theme set forth by these public companies was that substantial increases in offshore sales have been offset by weakness in the domestic market.

All of the companies have not yet reported in. Some (including Telxon and Norand) have fiscal years that do not end on December 31 so they will not be covered in this issue.

* * * * *

For the past three years, Computer Identics' revenues have crept slowly ahead while earnings have hovered just above or below the breakeven mark. In 1995, the company posted record sales; profits were on the plus side every quarter -- but just barely.

<u>Computer Identics</u>	<u>12 Months Ended 12/31</u>	
	<u>1995</u>	<u>1994</u>
Revenues (\$000)	\$27,745	\$26,026
Earnings (Loss) (\$000)	683	(510)
Earnings (Loss)/Share	.06	(.05)

Although C/I's international business increased 23% in 1995, those gains were offset by an 11% decline in North American sales. The company is heavily dependent on sales to the material handling market which C/I noted was in a "second half slump" in the US and Canada. Management is encouraged by strong bookings in the fourth quarter from both North America and Europe.

* * * * *

With sales during the fourth quarter more than doubling and profits soaring more than 50% compared to last year, Eltron International wound up 1995 with record results as it headed for another banner year. The consensus 1996 estimates of financial analysts for Eltron (not including recently acquired RJS -- see above) anticipate revenues of \$67 million and earnings of \$1.22 per share.

<u>Eltron</u>	<u>12 Months Ended 12/31</u>	
	<u>1995</u>	<u>1994</u>
Revenues (\$000)	\$42,361	\$17,531
Earnings (\$000)	6,370	2,913
Earnings/Share	.91	.50

* * * * *

LXE did not continue its winning ways in 1995. By comparison, in 1994 sales had gone up a substantial 38% over the previous twelve months; earnings had multiplied twelve times.

<u>LXE</u>	<u>12 Months Ended 12/31</u>	
	<u>1995</u>	<u>1994</u>
Revenues (\$000)	\$62,291	\$63,142
Earnings (Loss) (\$000)	(165)	4,122
Earnings (Loss)/Share	(.03)	.71

The company attributes its less-than-stellar performance last year to "a third quarter loss related to product line transitions." LXE's Chairman/CEO Thomas Sharon points to a profitable fourth quarter (\$.02/share) as a "significant achievement [that is] encouraging due to improvement in the rate of new orders." He adds that the company is "very optimistic about our continued growth and success in Europe."

* * * * *

Add Microscan (Renton, WA) to the growing list of ADC companies where the entrepreneur/founder has been replaced by new management. The manufacturer of compact, high-performance laser scanners has brought in a new president/CEO one year after it was acquired by Fairey Group, a \$300 million British conglomerate. Greg Love has replaced Mike Mertel, the founder and president of Microscan.

Last year, when Fairey purchased Microscan, Mertel had emphasized continuing stability for the company. "Microscan and its management will continue to operate as before," he had told *SCAN*. "I have a contract for a couple of years to continue to run the company" (*SCAN* Feb 95).

Love recently gave *SCAN* an insider's appraisal of why Mertel decided to leave the company. "It was the classic transition of the entrepreneur," he explained, "who had been with a growing company and was involved in everything, and it was no longer as much fun as it used to be. The company had gotten to where he no longer knew everyone's name."

Love comes from Flir Systems, a company in the infrared imaging business. "When I came aboard," he said, "Fairey told me they did not want to make any changes: 'It is a successful company,' they said, 'do not mess it up'." Fairey does not break out the sales or earnings of any of its subsidiaries. Love would only say that Microscan's revenues were up in 1995 and that it was a profitable year.

* * * * *

Peak Technologies alerted the financial community on January 31 that "fourth quarter revenues were negatively impacted by shortfalls in certain anticipated high margin maintenance business, and order delays in part related to one supplier." The company was letting everyone know that earnings would come in below analysts' estimates of between \$.30 and \$.33 per share. In spite of this poor quarter, Chairman/CEO Nick Toms announced in the same statement that revenues for the year would be up 35% and earnings would increase 30%.

If you assumed that such careful preparation of the analysts and shareholders would shelter the price of the company's stock from any dramatic drop, you would have been wrong. The stock began getting hammered immediately after the announcement and dropped twelve points -- or 40% of its value (to 18 1/2) -- during the next few days of heavy trading. As it turned out, fourth quarter results were \$.26/share (before merger-related charges). The stock closed at 22 1/4 on March 8.

<u>Peak</u>	<u>12 Months Ended 12/31</u>	
	<u>1995</u>	<u>1994</u>
Revenues (\$000)	\$153,052	\$110,621
Earnings (\$000)	15,113*	11,171
Earnings/Share	.94*	.71
(*Before merger-related charges)		

During the past eighteen months, Peak has moved aggressively into the European market by acquiring two distributors: Endata in the UK (*SCAN* Nov 94); and Mandata in Norway (*SCAN* Nov 95). Three established European resellers have devised an aggressive response to what they perceive as these incursive moves by Peak into their territories. For the first time, ICS International (Neu Anspach, Germany), Zetes (Brussels, Belgium) and Stralfors (Vaftra Frolunda,

Sweden) have banded together to run cooperative advertisements in the trade press. The three companies -- which have satellite offices throughout Europe -- are emphasizing their many years of experience as distributors of ADC supplies and services, featuring Zebra printers.

* * * * *

PSC reported record sales and earnings for 1995. The company, however, did not have strong earnings in the fourth quarter; it reported only \$.03/share, compared to last year's \$.15/share (before a one-time restructuring charge related to the acquisition of LazerData). According to President Mike Hone: "PSC's [fourth quarter] international sales results were the highest in the company's history and increased 52% versus the comparable quarter in 1994. Domestic sales, however, were impacted by production start-up issues relating to the company's new Minuet DI-1000 scan engine."

<u>PSC</u>	<u>12 Months Ended 12/31</u>	
	<u>1995</u>	<u>1994</u>
Revenues (\$000)	\$87,516	\$60,447
Earnings (\$000)	5,449	612
Earnings/Share	.54	.08

The patented DI-1000 is the small scan engine that PSC introduced last October (shipments are scheduled for late in the first quarter). The entire assembly, including the laser diode mounted on a moving mirror, is mechanically swept using resonant metal flexural elements. Based on the DI-1000 design, PSC has challenged Symbol Technologies' laser scanner patent licensing agreements and a dispute is pending between the two companies (SCAN Jan 96). PSC has said that it plans to convert most of its product line to this new DI technology.

* * * * *

Symbol Technologies continues to pace the industry with record revenues and earnings. In 1995, Symbol became the first ADC company to achieve more than a half-billion dollars in annual sales.

<u>Symbol Technologies</u>	<u>12 Months Ended 12/31</u>	
	<u>1995</u>	<u>1994</u>
Revenues (\$000)	\$555,163	\$465,306
Earnings (\$000)	46,486	34,984
Earnings/Share	1.71	1.33

As with almost every other US company, a large share of Symbol's increase in revenues was attributed to "significant strength in international markets." The company introduced a number of retail-oriented new products in January -- in time for the National Retail Federation Convention -- including new hand-held and mini-slot checkout laser scanners and portable laser terminals.

Another new product -- not yet officially released -- is being quietly shown to key resellers. The Spark LS 1000 scanner is described by a Symbol spokesman as a "very small, very aggressive, entry-level, hand-held laser scanner." The new device was designed and is being manufactured by Olympus Optical, the Japanese company that joined Symbol in a joint venture in 1991 (SCAN Apr 91). Although

Symbol withdrew from that joint venture company last March (SCAN Mar 95), Olympus continues to sell Symbol's products in Japan.

"Symbol will market the new LS 1000 to the low-end part of the market," the Symbol representative told SCAN. "Some of our competitors have done a good job in that area. We have priced the new unit to be positioned smack in the middle of the lower-priced laser scanners and CCDs. We will be marketing the LS 1000 through our reseller channels only." SCAN has learned from other industry sources that the prices being quoted for the LS 1000 to volume resellers were \$150 undecoded and \$180 decoded. The Symbol spokesman would only respond: "Those numbers are low -- but they are in the ballpark."

* * * * *

Zebra Technologies posted new sales and earnings highs for the year. These results come on the heels of a record setting fourth quarter, with revenues of \$41.2 million and profits of \$.33/share.

<u>Zebra</u>	<u>12 Months Ended 12/31</u>	
	<u>1995</u>	<u>1994</u>
Revenues (\$000)	\$148,593	\$107,103
Earnings (\$000)	22,564	21,073
Earnings/Share	.94	.88

SCAN has learned that Zebra's VP Corporate Development, Jack Kindsvater, is about to be appointed president of Vertical Technologies, the software company that Zebra acquired last July (SCAN Aug 95). Kindsvater will shuttle between Zebra's headquarters in Vernon Hills, IL and VTI's offices in Sandy, Utah. Kindsvater, who is very excited about his new position, told SCAN that business is excellent, VTI is opening many new retail accounts and he expects the new division's 1996 sales to reach \$10 million. VTI's sales for the twelve-month period prior to the acquisition was \$2 million.

Welcome to the arcane world....

....of international standardization for the automatic data capture industry.

Before anyone succumbs to an acute attack of MEGO ("Mine eyes glaze over"), we should first point out that early industry-wide acceptance of standards and diligent attention to them -- led by UPC/EAN in the early 1970s -- provided a major impetus to the worldwide growth of bar code scanning and the prosperity of ADC companies. The specifications issued by the Technical Symbology Committee of AIM/US, for example, insured that a Code 128 bar code printed in Cleveland can be readily scanned in Boston, Tokyo or Marseilles.

Despite these excellent prior efforts, duplicative and/or conflicting specifications have sometimes been issued by different national and regional activities. No governing body has been tasked in recent years to formulate or adjudicate the international standardization of ADC technologies and their applications. This void creates confusion for users and can impede international trade.

To address this problem, two important international efforts have been launched to consolidate ADC standards. The larger and more ambitious initiative has been undertaken by the Joint Technical Committee 1 (JTC1).

JTC1 combines the efforts of the International Standards Organization (ISO) and the International Electrotechnical Council (IEC). These two international bodies recognized that their work overlapped in the area of Information Technology (IT) standards.

They agreed to form JTC1 with responsibilities in all IT areas, including: telecommunications, flexible magnetic media, identification cards, OSI, programming languages, optical disk cartridges, office equipment, and open-EDI. The American National Standards Institute (ANSI) is the designated US representative to JTC1.

At its meeting in Sweden in June 1995, JTC1 created an ad hoc committee to address automatic data capture. The committee met in November and unanimously recommended that JTC1 establish a new subcommittee -- designated SC31. The scope of SC31 was defined as follows: "Standardization of common coding; data format, syntax, and structure; and enabling technologies for individually and uniquely identifying items and entities without human intervention."

Subject to JTC1 approval -- expected to be given at its March meeting in Sidney, Australia -- the newly-formed SC31 will meet on June 17 to begin its organization process.

AIM/US has taken a pro-active role in full support of JTC1/SC31 and has agreed to be the US Technical Advisory Group (TAG) administrator. (The TAG is the official voting representative to the subcommittee.) AIM/US is now preparing the American position on work items for the new subcommittee which will be presented at the first SC31 meeting in June. To help formulate this US proposal, AIM/US has invited all interested parties -- non-AIM members included -- to meet on April 23-24 in Pittsburgh.

The potential scope of JTC1's agenda is suggested by the following list of ADC technologies that have been identified for possible inclusion as work items for SC31: "Applications; Bar Code Film Masters; Biometrics; Data Carrier; Data Content; Equipment Testing; Identifiers; Machine Vision; Magnetic Stripe; Optical Mark Recognition; Print Quality; Radio Frequency Identification; Symbologies; Symbology Preambles; Touch Memory; Voice."

The second initiative designed to implement international standards has been launched by AIM International (AIMI). Almost from the first day he joined AIMI in April 1993, Executive Director Brian Wynne has designated "standards" to be one of the most important challenges for his international organization. Wynne maintains that the members of AIMI's twenty-nine affiliates comprise the great bulk of the world's technical knowledge related to ADC -- particularly involving bar code scanning and its symbologies.

AIMI's Board of Directors recently adopted procedures for the development and publication of bar code symbology standards. Wynne told SCAN: "AIMI will have an administrative role. Symbologies that are submitted by their sponsors to any AIM affiliate will be forwarded to the AIMI office. We will then send these applications for standards to all AIM affiliates to determine their level of interest and participation."

Wynne expects the next meeting of AIMI's Technical Council (scheduled for March 13 in London) to "implement the new standards procedure and examine what is waiting out there for us to work on." The immediate projects he sees in the offing are three new 2-D symbologies: Supercode (Metanetics/Telxon); Aztec Code (Welch Allyn); and QR Code (Nippondenso/AIM Japan).

Comment

Whenever international standards are discussed, a key word that invariably surfaces is "harmonization" -- the reconciliation of existing standards created by different organizations.

The initial efforts by both JTC1/SC31 and AIMI -- each within its own areas of responsibilities -- will undoubtedly concern themselves with the review and harmonization of standards already issued or currently in work.

In fact, recommendations have already been made to have CEN TC225 (the European organization responsible for ADC standards) forward copies of all its documents to JTC1. At the last meeting of CEN TC225, its members unanimously endorsed the formation of JTC1/SC31.

Harmonization of all outstanding standards -- both issued and under development -- would be a great accomplishment in itself. Beyond that, trade associations, industry groups and standards organizations will now have two respected organizations, with worldwide representation, to offer centralized, cohesive oversight of ADC standards.

Eventually, however, these two independent organizations will need to coordinate their work programs in order to ensure a balance between the needs of the ADC equipment suppliers and the requirements of the user community. Print quality, equipment conformance standards, and the selection of symbologies all will benefit from AIMI's input, but the final responsibilities for those user-related specifications may best reside with JTC1/SC31.

AIMI, however, is the best source of symbology standards. We suggest, therefore, that SC31 appoint AIMI as the designated agency for this category.

We also recognize that the excellent work completed and still under way by CEN TC225 cannot be ignored or discarded. Suggestions have been made to find some formula for SC31 and CEN TC225 to "join forces" in an arrangement that will strengthen the standards procedures. A careful melding of activities among all of these groups will be necessary, while maintaining complete awareness of the sensitivities of those individuals who have invested many years of uncompensated effort in these endeavors.

The ultimate goal is clear: ADC international standards is an idea whose time has come and whose progress must not be impeded.

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