

Communication Systems' Deal Will Add To Its Presence in Precision Agriculture

By DEBORAH GARDNER
Dow Jones Newswires

Communication Systems International Inc. is positioned to gain a growing share of the precision-agriculture market after its recent acquisition of Satloc Inc.

"It really expands one of the market areas that CSI has been focusing on," Stephen Verhoeff, president and chief executive officer of the Calgary, Alberta, company, said.

Precision farming, a technique of tailoring the soil and managing crops to match conditions at every location in a field, is relatively new. Key to this market are global-positioning systems that assist a farmer in returning the tractor or crop duster to an exact location on the field. There are two types of global-positioning systems, beacon and satellite differential.

Communication Systems has established a reputation with beacon technology, a receiver that gives a positioning accuracy of three to 10 feet. Satloc's expertise has been in the satellite-differential technology.

Mr. Verhoeff said agriculture-equipment manufacturers want global-positioning-system products that work with both kind of technologies. "Integrating our beacon technology with their satellite technology is a clear winner," he said.

Communication Systems announced the acquisition of the Phoenix company on June 15. It paid \$3.5 million for Satloc's business and net working capital and could pay as much as an additional \$1.55 million, based on the future revenue of the Satloc business.

Mr. Verhoeff said he plans to integrate the two companies quickly and expects to see revenue increase by the end of 1999.

Large equipment manufacturers don't switch technology suppliers overnight, "so we'll expect to be competing in the market in the year 2000 in terms of actual larger product sales," Mr. Verhoeff said.

The company is interested in expanding into the European and South American markets, "and we may want to open [an office] there in the next 12 to 18 months to carry both CSI and Satloc technology," Mr. Verhoeff said.

Although integrating the two technologies is a priority for Communication Systems, Mr. Verhoeff said the company is also working on an electronic-steering technology for farm equipment that he believes will be ready in about a year. He said there are several other products being developed, but he declined to elaborate.

The company plans to continue to grow by acquisition and it will be focusing on buying another company next year, Mr. Verhoeff said. The company said it probably would acquire another U.S. company in a different market area but wouldn't disclose more information.

The company is involved in several other markets, including geographic infor-

mation-systems mapping, forestry, marine and vehicle navigation, public safety, transportation, emergency response and environmental management.

Communication Systems has bounced back from near bankruptcy two years ago. Sales in 1998 were up 91% to 8.4 million Canadian dollars (a current value of US\$5.7 million). Mr. Verhoeff said the company hopes that, with the Satloc acquisition, revenue will hit C\$18 million in 1999, and he expects at least an additional 20% growth in 2000.

MONDAY, JUNE 28, 1999

© 1999 Dow Jones & Company, Inc. All Rights Reserved.

THE WASHINGTON STREET JOURNAL.