

Security System Maker Risks Taking on Big Guys

MANUFACTURING: Smaller player Astrophysics aims to expand sales by 50 percent.

By **KAY CHINN** Staff Reporter

Compared with large transportation security system makers like **Smiths Detection Inc.** and **OSI Systems Inc.**, \$50 million-a-year **Astrophysics Inc.** in the City of Industry is small. But it's thinking big.

The company, which makes X-ray devices for detecting weapons and contraband at airports, ports and borders as well as at industries that might be exposed to security risks, has set an aggressive goal to expand sales 50 percent this year. It has started the year quickly, signing a \$1 million contract with Canadian Border Services Agency last month, a \$1.5 million contract with the Navy's Fleet Logistic Center and striking another deal with **Formula One** in Europe. It has set a target of producing 2,000 of its X-ray machines this year.

It's a big goal for a company competing with much larger players. Hawthorne-based OSI's security division generated revenue of \$372 million last year; the much larger Smiths Detection, a unit of London's **Smith Group**, contributed \$929 million to its parent's revenue last year. Indeed, just last week, Smiths announced it had won a much larger contract — a \$63 million order for automatic explosives scanners for carry-on baggage from the Transportation Security Administration.

Still, said **John Price**, Astrophysics' vice president of finance, the company has seen 30 percent revenue growth in each of the last four years, growth that comes as demand increases.



Securing Deals: John Price at Astrophysics' facility in City of Industry.

"It's really been the two large players and everybody else working their systems and trying to improve their market share," he said. "Our goal is to be the No. 1 provider of X-ray security equipment worldwide and we think we are on the path to do that in the three-to-five year period."

Growing demand

To feed that expected increase in capacity, Astrophysics opened a 45,000-square-foot manufacturing facility in Ontario last year. That facility supports work done at the company's 75,000-square-foot Industry headquarters. In the past two months, Astrophysics hired 17 employees, bringing its head count to 120. Price said that number was expected

to increase to 160 by the end of this year.

François Zayek, majority owner of Astrophysics, established the company in 2002. An imaging scientist with a master's degree in electric engineering, he began his career in 1987 as a researcher at Bio-Imaging Research Inc. Prior to Astrophysics, he founded Xaytek, an X-ray imaging technologies research and development and consulting firm. He also designed and developed an X-ray instrument for underground mine detection.

Astrophysics, whose imaging technology is based on getting quality electronic signals and using algorithms to translate them into clear, easy-to-read images, has 10 patents pending. While the hardware it makes has to be competent enough to get good signals, the company

expends greater effort in developing the formulas that translate the signals accurately.

Its products vary significantly in both size and price. Smaller units are used at airport security checkpoints, while large devices can be as big as a cargo container. Price ranges from \$15,000 to \$2 million. The time from order to delivery is about two weeks on average, allowing the company to be more responsive to custom orders.

While it has traditionally sold a greater number of smaller, cheaper devices, Price said he expected to see demand increase at the higher end due to the demand for cargo screening.

That optimism about its growth prospects comes from tightened security regulations around the world, Price said, fed in large part by a 2012 Transportation Security Administration mandate that all cargo carried on passenger airplanes be screened for explosives.

Astrophysics has two distributors that work with more than 80 agencies around the world to ship the products to more than 100 countries. International sales account for 90 percent of the company's business, which helped it grow during the recession.

"The world doesn't go into a recession as an entirety," Price said, "so there are always pockets in the world that are spending money, and there is always infrastructure growth going on in various parts of the world."

While sales in Europe are a little low, he said, the company expects strong demand from Africa and the Middle East, and Asia will continue to do well.

Price also said that as Astrophysics is closely held by Zayek, it has a little more flexibility to focus on long-term growth rather than emphasizing too much on quarterly results.

"We are not subject to the quarter-to-quarter profit numbers that publicly held companies are," he said. "All of our profits roll back to the company."



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