

10 Rising Companies to Watch in 2008

A NUMBER OF DYNAMIC COMPANIES INVOLVED IN THE RAPIDLY DEVELOPING BUSINESS OF HOMELAND SECURITY ARE NOT INCLUDED IN *HSTODAY'S* LISTING OF THE TOP 25 HOMELAND SECURITY CONTRACTORS.

These companies are noteworthy because they reflect the breadth of the field, from major systems integrators to biometrics firms to detection companies. These companies promise to grow quickly in coming years, because of either recent contract wins or their overall positioning in nascent growth areas within homeland security.

This listing, which makes no claim to comprehensiveness, looks at 10 of those companies that show promise as future leaders in homeland security. Five larger companies (Raytheon Co., Honeywell International Inc., Harris Corp., BAE Systems plc and Mine Safety Appliances North America) are likely to reach the Top 25 in coming years.

Five small to mid-size companies on the list may not reach the Top 25 but show the dynamic and technologically driven nature of homeland security. They range across a number of specialty areas including biometrics (Cross Match Technologies), information technology (Dynamics Research Corp.), unmanned aerial vehicles (AeroVironment Inc.) and detection (ICx Technologies Inc. and FLIR Systems Inc.).

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By PHILIP FINNEGAN

1. Raytheon Co.

Although defense contractor Raytheon Co., Waltham, Mass., does not appear anywhere in the listings of the Top 25 homeland security contractors, it has been achieving major successes in the

US and international markets.

Homeland defense sales reached \$700 million in 2007, up 40 percent from the previous year. They promise to continue to grow rapidly since Raytheon booked \$2.2 billion in homeland defense business last year, up from \$1.3 billion.

Raytheon's management sees homeland security as a key growth area. It has the advantage of being outside the company's core defense business, but also is closely related. That enables the company to broaden its business base at minimal risk.

The company, which is a major subcontractor on the US-VISIT program, scored a big victory by winning the United Kingdom's e-Borders contract, a \$500 million (approximately \$976 million) contract to connect airports and seaports into a national data collection system. It is pursuing border opportunities in Saudi Arabia and other international markets.

Raytheon bought Oakley Networks last year to build its information assurance capabilities. It has already played an important role in the Department of Homeland Security (DHS) effort to secure its information networks. Northrop Grumman Information Technology selected Raytheon to provide information security systems for its own Homeland Secure Data Network program, a classified information network. Raytheon has the critical role of protecting the network against possible hacker or terrorist attack.

2. BAE Systems

Defense and aerospace giant BAE Systems plc's \$4.5 billion purchase of Armor Holdings in July 2007 promises to add to the UK-

based company's homeland security presence. The acquisition is only the latest of at least 12 US defense companies purchased since 2000 that have given BAE, Farnborough, UK, considerable capabilities in homeland security.

Armor Holdings is a major player in providing state and local police forces with vehicles and protection systems such as tactical vests, helmets and armor. BAE is looking at combining the two companies' capabilities to provide improved systems to state and local police. The goal is to give first responders faster access to intelligence, surveillance and reconnaissance information.

BAE also has a strong position in the multi-billion-dollar potential market to provide protection against shoulder-fired missiles such as Stingers. BAE has won a \$29 million contract to test an infrared countermeasures system known as JetEye. It will be working with American Airlines to test the system on American transcontinental flights. The RAND Corp. has raised concerns about the affordability of such systems to protect airliners, estimating it could cost \$11 billion, but if such protection proves affordable, BAE is in a strong position to provide it.

3. Harris Corp.

Harris Corp., Melbourne, Fla., the communications equipment company, is putting a high priority on developing its homeland security business. In February, it introduced a public security radio intended to allow federal users at the DHS, Department of Justice and Coast Guard to easier communicate with local authorities in a crisis—potentially a \$600 million market.

The new radio technology developed through Harris' leadership in the tactical military market, an area in which it has one-third of the world's market, is applicable to the needs of homeland security. Harris supplies state-of-the-art secure radios used in the wars in Iraq and Afghanistan.

Harris is also seeking to apply its systems integration expertise to homeland security—particularly, to communications, border control and maritime vessel control programs.

4. Honeywell

Honeywell International Inc., Morristown, NJ, provider of a variety of consumer products, engineering services and aerospace systems, is extending its worldwide reach in homeland security into China to help with the Olympics. It is providing a computer monitoring system for video for cameras in certain areas of the Olympic sites. It is also working on more ambitious systems in Shanghai for the 2010 World Expo.

Honeywell already provides perimeter security for three-quarters of all US Air Force bases and is expanding its presence in providing airport and port security.

Honeywell's most recent boost came with the deployment of its miniature unmanned aerial vehicle (UAV) to Iraq to detect explosives. Honeywell hopes ultimately to market the UAV, which can be put in a backpack, to the US Border Patrol or the Coast Guard.

5. Mine Safety Appliances

Mine Safety Appliances North America, Pittsburgh, Pa., a manufacturer of safety products, has built up a strong position in supplying first responders (police, fire and emergency medical) with products such as fire helmets and respirators. The company is expanding that position by continuing to introduce new products, such as respiratory protective devices. Mine Safety has been the first to meet US government standards for protection against chemical, biological, radiological and nuclear threats.

The company's MSF Safesite Wireless Multi-Threat Detection System has been purchased by the US government and was used to protect major sporting events such as the Super Bowl. The new system detects six different threats from weapons of mass destruction, such as chemical and radiation threats.

6. Cross Match Technologies

Cross Match Technologies, Palm Beach Gardens, Fla., a biometrics company, is emerging as a consolidator in the fragmented industry. The company, which offers finger-print-based biometric products, intends to make biometric acquisitions to give it the scale needed to become profitable and allow cross-marketing.

Cross Match has provided finger scanners for US-VISIT, the DHS program that monitors the arrival and departures of foreign visitors to the United States. It has also provided biometric equipment to the US military for use in Iraq, as well as equipment for UK, German and Swedish homeland security programs.

The company's plans for an initial public offering of stock to help finance its aggressive expansion program have been put on hold due to volatile US stock market conditions.

7. ICx Technologies

ICx Technologies Inc., Washington, DC, a developer of sensor technologies for homeland security, successfully completed its initial public offering in November. That should help the company continue an acquisition drive that has seen 18 company purchases since ICx was created in 2003.

The company has made a name for itself in mobile detec-

tion. It has been incorporating its Fido explosives detector on iRobot PackBot robots used to detect improvised explosive devices in Iraq. Its systems have also been used by US Park police seeking to protect the July 4 celebrations at the Capitol Mall in Washington, DC.

In the company's latest homeland security victory, its Fido detect was adapted by the US Coast Guard Marine Safety and Security Team for wide-area explosive detection in difficult maritime environments.

8. AeroVironment Inc.

AeroVironment Inc., Monrovia, Calif., a manufacturer of small UAVs, appears to be in a strong position to benefit as DHS develops its UAV concept of operations.

DHS already has begun operating large Predator UAVs along the US border with Mexico. AeroVironment sees the potential for the use of small UAVs, similar to those extensively used in Iraq and Afghanistan.

AeroVironment plans to offer a family of UAVs that could meet a broader range of homeland security needs. Small UAVs that can be hand-launched could be stored at a border outpost or in the trunk of a car. They could even be carried in a backpack. That provides tremendous flexibility for border observation. Other small UAVs could be used for maritime surveillance or to deliver equipment such as a radios or food.

9. FLIR Systems

FLIR Systems Inc., Wilsonville, Ore., a manufacturer of thermal imaging infrared cameras, has been winning key contracts for the sensors it provides to help secure US land and sea borders. The US Coast Guard Deepwater modernization program and the Secure Border Initiative are offering strong potential for growth in the company's homeland security sales.

The US Coast Guard placed two indefinite delivery-indefinite quantity contracts worth up to \$87 million for sensors that will be installed on Coast Guard cutters and helicopters. US Customs and Border Protection placed its largest order to date in June for the company's Ranger III multi-sensor systems. The \$6 million order of systems will be installed along the southern US border.

10. Dynamics Research Corp.

Dynamics Research Corp., Andover, Mass., a provider of technology management services and solutions, is representative of the smaller information technology companies that play a critical role in homeland security. These companies are small enough to be nimble in meeting DHS' needs, while having the technical capabilities to perform.

In 2006, Dynamics Research was one of the few mid-size contractors that won entry to the DHS EAGLE program. Its award under management support services has already resulted in two task orders worth \$11 million and strong potential for additional awards. This work added to its existing business providing support for Customs and Immigration Services' 136 Application Support Centers and support for the Coast Guard. **HST**