

Alien Technology's IPO Woes

Alien's decision last week to delay its initial public offering has left industry watchers debating on whether the RFID company is a bellwether for the RFID industry as a whole.

By Claire Swedberg

Aug. 1, 2006—On Thursday, [Alien Technology](#), a manufacturer of passive UHF RFID tags and readers based on [EPCglobal](#) standards, delayed its IPO for one day. According to documents the company had filed previously with the [U.S. Securities and Exchange Commission](#) (SEC), Alien planned to offer 9 million shares with an expected price range of \$10 to \$12 per share. Sources say Alien agreed to drop the price to \$6 per share. When it was clear the IPO would be undersubscribed even at that price, the company decided on Friday to postpone the offering indefinitely.

That status isn't changing immediately, according to Linda Prosser, the company's vice president of corporate marketing. "Alien is delaying the IPO," she says. "Alien will continue monitoring marketing conditions."

Alien is not the only company to have IPO jitters. In fact, a total of nine firms—including [Clearwire Corp.](#), [Activant Solutions](#) and [NewPage Holding Corp.](#)—delayed or withdrew their IPOs in July alone, according to [Thomson Financial](#). None of these companies are in the RFID industry.

"There are various reasons for IPO delays," explains Michael Liard, RFID and contactless practice director at [ABI Research](#). "Unfavorable market conditions have been the excuse of lots of IPOs over the summer."

In Alien's case, however, unfavorable market conditions were not the only issue. The market for the UHF EPC solutions that Alien sells is still very young, and Alien has been losing money in an attempt to position itself as a low-cost provider and market leader,

"We know Alien has been losing money and continues to spend money," Liard says. "The timeline for this IPO was fairly aggressive." That Alien got cold feet, he believes, is more a reflection on the company than on the RFID industry or the current economy.

"I don't think it's a death knell for Alien or the industry," Liard adds. "We've endured lots of ups and downs as an industry, and RFID continues to forge forward."

Pete Abell, program director of radio frequency (RF) sensor network research at Framingham, Mass., consultancy Manufacturing Insights, agrees that Alien's decision should not be seen as a warning sign for the RFID industry. "This is a reflection of the company that started with the hype cycle of 5-cent tags," he says.

Alien has not actually offered a 5-cent tag; rather, Abell refers to Alien's push to meet the aggressive goal of a 5-cent tag that was established by the Auto-ID Center, which developed the first EPC protocol. Alien had pioneered a mass-assembly system it called Fluidic Self-Assembly (FSA) to manufacture billions of low-cost RFID tags per year.

In May 2004, it cut the price of its ALL-9238 EPC Class 1 labels to less than 20 cents apiece for orders of 1 million (see [Alien Cuts Tag Price](#)), then lowered it further in September 2004. In fact, Abell says, Alien's withdrawn IPO may be a consequence of troubles created by such a swift reduction of prices, along with expenses related to attempts to resolve reported problems with its FSA manufacturing technique.

Alien contends that it will continue to evaluate its IPO options on a day-to-day basis. Some industry observers wonder if Alien's inability to pull off an IPO will affect the plans of other companies. In May, [SmartCode](#) CEO Avi Ofer indicated his company planned to launch an IPO later this year or in early 2007 (see [SmartCode Offers 5-Cent EPC Tags](#)), and in December, [Impinj](#) CEO Bill Collieran told *RFID Journal* of his company's intention to make a public offering within the next 18 months (see [Impinj Raises \\$26.5, Turns First Profit](#)).

It's unlikely Alien's decision will have a big impact on other RFID players. If a company has strong fundamentals, the market for RFID starts growing faster and market conditions are good, investors will be eager to snap up its shares.

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