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RFID Boost Checkpoint's Earnings

July 24, 2002 – Checkpoint Systems (NYSE: CKP), a Thorofare, NJ-based maker of retail security and identification systems, yesterday reported weak financial results, due to a decline in capital spending by retailers. But the company saw a rise in sales of electronic article surveillance tags and RFID systems

for libraries.

For the second quarter ended June 30, Checkpoint posted net income of \$6.0 million, compared to \$6.2 million, in the second quarter 2001. Revenue for the quarter declined slightly to \$160.9 million, from \$162.2 million in the prior year period.

Second quarter 2002 net income included pre-tax operating expenses of \$2.8 million, related to compensation paid to Mike Smith, who resigned as the company's CEO last month, and for legal fees associated with a lawsuit brought by ID Security Systems Canada Inc.

Although ID Security was awarded damages that could total more than \$80 million, Interim CEO George Off said during a conference call with analyst that the company would pursue all appeal options and that it had not recorded a liability yet, in accordance with standard accounting rules.

Checkpoint is a leading supplier of electronic article surveillance (EAS) tags, which are tiny devices that alert stores when someone passes through a gate at an exit with a stolen item. That business increased 25 percent from the first quarter. But revenue from handheld labeling and merchandising systems fell by \$4 million, or 22 percent, from the first quarter.

RFID remains a small part of Checkpoint's overall business. But CEO Off highlighted it as a bright spot amid the disappointing earnings. "Our RFID program continues to gain momentum," he said, during the conference call. "We received eight new orders for our RFID Intelligent Library System, for a total of \$750,000."

Checkpoint has been focused largely on retail products. But interestingly, Off said that the company was working with the Auto-ID Center's lab in Cambridge, England, on industrial automation applications for RFID.

Checkpoint is coping with a difficult economy, which has hit retailers harder than other segments. Capital spending is down, which hurt the company's handheld labeling division and EAS sales were weak in Europe. But the company continues to generate strong cash flow and pay down its debt.

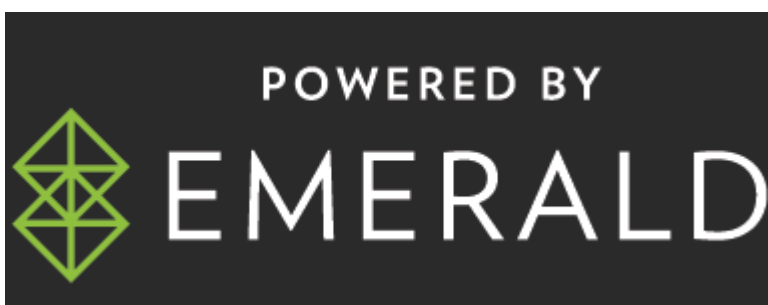
Going forward, Off said his goals were to find a permanent CEO, cut costs further and continue to execute on the companies strategic plan. Based on the current market conditions, he said Checkpoint expects third quarter 2002 revenue of between \$160 million and \$165 million.



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