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GPS Inside

NovAtel Acquires CMC's OEM GPS Product Line

NovAtel Inc. has acquired the nonaviation GPS OEM product line of its corporate parent, CMC Electronics. The deal effectively moves the remaining responsibility for CMC's core GPS technology development to the Calgary, Alberta, Canada-based NovAtel while broadening the latter's product line by adding midlevel single-frequency L1 designs to its high-precision single- and dual-frequency offerings.

Included in the sale are three GPS L1 engines — the Allstar, the Superstar I, and Superstar II — as well as three enclosures known as the Starbox, Navistar, and Smart Antenna series. The hardware comes from Zarlink Semiconductors, and several

software variations accompany the CMC product line, including Wide Area Augmentation System corrections, base stations, timing applications, and L1 carrier-phase outputs.

According to NovAtel senior managers, the newly acquired products will give the company increased marketing flexibility in being able to offer new and existing customers a smorgasbord of products with a wider range of features and prices. They hope that the acquisition will increase NovAtel's total addressable market in its existing core segments and create entry points into new vertical markets.

"We wanted to get the company in a position where we could supply the whole line, from soup to nuts," said Jon Ladd, NovAtel's president and CEO. "This allows us to catch the customer early, make them happy, and move them up the product line" as their requirements increase, he explained.

Or, conversely, if existing high-end customers find a future need for less-exacting GPS performance, they will have the option of remaining with the same supplier. "As an OEM provider, we have to make it easy for integrators and increase their speed to market."

For the time being, NovAtel will retain the Zarlink Semiconductor GPS hardware, adding advanced algorithms and other software and firmware improvements, according to Farlin Halsey, Jr., NovAtel's vice-president of marketing. The [Zarlink] hardware is well-proven," said Ladd. "It has great carrier phase."

NovAtel's primary attention will fall on the Allstar, Halsey added, although the company will soon announce a new enclosure that will incorporate the Superstar module.

NovAtel has been supplying CMC with OEM GPS technology in the form of ASICs and RF designs for its avionics business

since late 1997. CMC then creates specialized software and hardware that can be certified to civil aviation authority standards.

CMC acquired a 58.3 percent majority ownership of NovAtel in May 1998. The balance of the company's stock is traded publicly on the NASDAQ stock exchange.

The sale calls for \$150,000 (Canadian) at closing and C\$600,000 paid over time as royalties. NovAtel expects sales of about C\$3 million in the balance of 2003 on the former CMC product line out of a projected total revenue of C\$38 million this year.

"This deal enables us to generate revenue from the get-go and help fund the next generation of technology," Ladd said. "CMC has some great customers. We'll improve the performance and features of these products and take them into new vertical markets for NovAtel."

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