

Robert W. Baird & Co.

State of RFID Industry January 2008

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Overview

- Review of 2007
- Market status
 - Business opportunities
 - International
 - Investment perspective
 - Risks
- Thoughts on 2008



Review of 2007

- By most accounts the UHF market doubled; HF +20%; Active +25%
- Hardware accepted as “working”
- Industry focused on closed loop and asset management
- Retail supply chain leadership to Metro
- Near-completed Version 2 standard for HF
- Solutions development / personnel training

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Current Market Status

- Increasing level of enthusiasm regarding business opportunities
 - Expanding pilots, small rollouts
 - Equipment has progressed very well
 - Data capture and vertical specific resellers view RFID as important
- Closed loop / Asset Tracking remain 80%+ of the market - areas of Emphasis
 - Transportation
 - Auto
 - Library
 - Manufacturing
 - Utilities
 - Books/DVDs
 - Healthcare
 - Chemical
 - Mining
 - Government
 - Payment
 - Apparel
 - Food / Product Safety
 - Office

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Market Status

- Comments from Public Companies
 - Avery – Inlay growth 200%
 - Intermec - Discuss closed loop projects
 - Zebra - Strategic direction is more RFID oriented
- International markets remain ahead of United States
 - Europe seeing strong activity; smart card history helpful
 - Korea government is driving RFID
 - Handset players seeking near-field RFID capability
 - More products and solutions being developed for these markets

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Investments

- Investments stronger than most think
 - Roughly \$400M in venture / private equity capital since January 2006
 - Expect increased interest with more activity; exit will increase activity significantly
- 2007 investments
 - Alien (\$33.0M), Impinj (\$19.0M), Intellex (\$15.5M), Confidex (\$8.5M), AeroScout (\$21.0M), SkyeTek (\$10M), Tego (\$6.0M), Power ID (\$12.0M), Precision Dynamics (\$75.0M), Inside Contactless (\$38.0M)
 - Zebra acquires WhereNet (\$126M), Navis (\$145M), proveo (\$16.3M)
 - Avery acquires Paxar (\$1.3B)

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Industry Risks

- Intellectual property aggregation (Gen 2) – several thousand patents owned among several hundred groups
 - Intermec Rapid Start
 - RFID Consortium
 - Open call for submissions
 - Licensees requires DOJ approval – possibly mid-2008
- Privacy – the industry needs to do more education
- Available solution development / implementation skill sets remain modest

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Thoughts for 2008

- Expect 75%-100% Gen 2 growth; HF gets small boost to 25%; active 25%
- Seems like a few larger, multi-year orders might be announced
- Emphasis on solution development, most software enhancements will likely come from “smaller” players that bolt-on to existing ERP or WMS systems
- New reader silicon expected mid-2008, will foster new product development, particularly in mobile area
- Development of printing technology (consumer item level), expect low end prototypes available in 2009

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RFID Monthly

- Summary of monthly developments in RFID industry
- Recent new content additions (end users)
 - More applications
 - Case study information
- Available at no cost; send us an e-mail if you want to be included

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Thank You

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