

# BizWatch

## Zooming In on Target Markets

### Israeli Firm Expands Niche in Surveillance, Reconnaissance

By **BARBARA OPALL-ROME**

**HOD HASHARON, Israel** — In the mid-1990s, Controp Precision Technologies was the first company to come out with an operationally certified, continuous zoom lens for medium-wave infrared aerial surveillance cameras. Then it developed its trademark enhancement software, which infused nighttime imagery with near-daytime clarity.

At the start of the new millennium, when competitors focused on improving infrared observation technologies, it introduced around-the-clock, persistent, panoramic scanning systems that allowed for automated detection of moving targets at long ranges. And by late 2003, it was the first to offer a very small, inertially gyro-stabilized payload that streams zoomed imagery along with precise targeting data directly into the hands of users.

As Controp enters its 20th year, variations of these pioneering products and subsequent company developments are supporting military forces and homeland security authorities in Israel, the United States and around the world.

Mounted atop observation towers, on tethered aerostat balloons or on ground vehicles, patrol ships and unmanned aircraft, Controp's niche capabilities are proliferating throughout the global surveillance and reconnaissance market. In recent years, Controp systems have been deployed in defense of U.S. ground forces in Afghanistan, to support counterterror surveillance throughout Jerusalem's Old City, and as guardians of seaports and airports from Southern Europe to Southeast Asia.

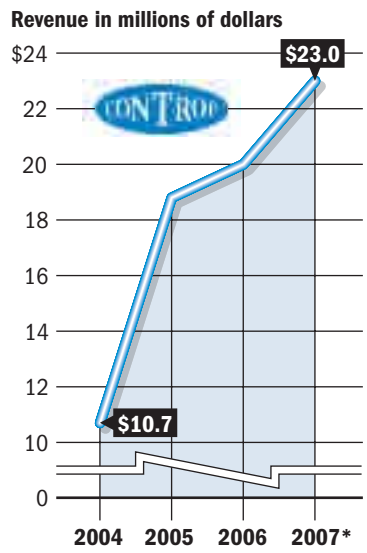
Since Israel's summer 2005 evacuation from Gaza, Controp systems have detected swimmers up to two kilometers at sea, located rocket-launching squads at altitudes of 10,000 feet, and spotted terrorists attempting to infiltrate the kilometer-deep no-go zone along Israel's southern border.

Operating out of modest production and administrative facilities here in this town northeast of Tel Aviv, the small specialty firm is about to conclude its fourth straight year of double-digit growth.

On average, says Controp Chief Executive Shlomo Nir, revenues have risen some 30 percent annual-

## GROWTH THROUGH INNOVATION

Four straight years of double-digit growth and nearly two decades of consistent profitability have fortified the position of Controp Precision Technologies Ltd. as an innovator of surveillance and reconnaissance technologies. The small, privately held firm strives to remain at least three years ahead of the market.



ly since 2004, from \$10.7 million to a projected \$23 million by year's end. In parallel, the firm is showing a comfortable backlog, "about a year's worth of business," Nir said.

As for profitability, Nir said the firm has enjoyed annual margins of some 10 percent to 15 percent "virtually since the beginning."

Because Controp is privately held by Nir and four other partners — all but one of whom work full time for the company — the firm does not publish precise financial data or quarterly performance reports. As such, Controp has been able to operate below the radar of financial auditors and industry analysts.

Nevertheless, its success in recent years has attracted the interest of potential partners and strategic investors. In 2005, Controp formed an alliance with General Dynamics Ordnance and Tactical Systems, granting the Healdsburg, Calif.-based business unit exclusive rights to distribute the Spider and Cedar

long-range intruder detection systems in the United States.

Also that year, the firm established Controp USA, a subsidiary based in Bethesda, Md., to market and support other offerings.

Through its expanding customer base and product portfolio, Controp and its 130-strong work force is competing with Israeli and international electro-optical firms more than 10 times its size.

Earlier this year, the Israeli Army selected the firm's D-Stamp as its payload of choice for the service's plans for a tactical, over-the-hill UAV. Accordingly, the Land Forces Command directed Elbit Systems, Israel Aerospace Industries (IAI), Rafael and other competing Israeli aerospace firms to include the Controp payload in their bids.

"Obviously, each of them wanted to bid their own payloads, but more than two years of test data clearly showed that the Controp system best met our requirements," said an Israeli Army procurement official.

Similarly, the firm's newest proposed offering — a miniaturized, cooled infrared camera with a continuous zoom lens — has been tapped for development by Israel's Ministry of Defense.

In an Aug. 29 interview, an MoD research and development official declined to discuss details of the prospective program or its intended applications, but confirmed that a development contract could be awarded early next year.

#### Humble Beginnings

Controp has come a long way since April 1988, when Nir, a lieutenant colonel in the Israel Air Force reserves, and three partners, former IAI managers prodded into early retirement following the 1987 termination of the Lavi fighter program, set up shop in a rented townhouse near here.

"From the very first day, we decided we would never fall into debt, and that we'd go without salaries if we had to in order to maintain a positive cash flow," said Sason Benado, a founding partner.

Benado and other founding partners put their entire IAI compensation package into the company, a move, he says, no one regrets.

"We all shared the same vision and conservative management philosophy," he said. "We're loath to

showing off and extravagance. This company has always been and will remain pragmatic and singularly focused on innovative developments, and that, I believe, has been the key to our success."

But despite a consistently positive cash flow and its growing prominence in a burgeoning market, Controp owners and top managers stubbornly cling to the conservative, hands-on involvement that characterized its humble beginnings.

"We'll spend whatever it takes to participate in important international trade shows, but we're not going to spend money on unnecessary or frivolous expenses," said Lori Erlich, Controp's exports, marketing and communications manager.

She stressed that the firm focuses on reinvesting every available dollar back into the company.

Nir said Controp reinvests more than 8 percent of its gross annual income in independent research and development to remain "at least three years ahead of the pack."

"We don't even try to compete on mass production. Instead, our strategy is to continuously come up with new technologies and products to address future needs," Nir said. "We aim to anticipate requirements even before they begin to emerge as early market trends."

Johnny Carni, vice president for marketing and sales and a former MoD research and development official, noted that Controp is immersed in developing several new payloads, ranging in weight from 1.5 pounds to 80 pounds. Specifically, the firm is pursuing new multi-field-of-view optics as well as a new 6-pound stabilized payload that combines its cooled infrared, continuous zoom camera with a daytime color camera.

Yet another new product that has recently become operational, Carni said, is an aerial infrared/electro-optical downward-scanning payload for medium-altitude UAVs.

"The United States has deployed similar technology for its Global Hawk UAV, but that payload weighs about 250 pounds," he said. "Here we're talking about comparable capabilities for about a quarter of that weight, which makes it suitable for medium-altitude as well as tactical UAVs." ■

E-mail: bopallrome@defensenews.com.

## RANDOM NOTES

### Northrop To Upgrade Guardrail

Northrop Grumman, the prime contractor for the U.S. Army's RC-12 Guardrail aircraft fleet, recently won a system integration contract to continue upgrading the plane, extending its operational life beyond 2020.

The RC-12 Guardrail is a targeting, intelligence, surveillance and reconnaissance (ISR) aircraft. The Guardrail modernization project will ensure that Army units on the battlefield continue to receive critical intelligence about current and



NORTHROP GRUMMAN PHOTO

**Better Guardrail:** Northrop Grumman will modernize the U.S. Army's RC-12.

emerging threats, more rapidly deliver precision targeting data, and maximize the ability to engage the enemy, according to Northrop.

The indefinite delivery/indefinite quantity contract has a maximum value of \$462 million. The contract is for five years with one five-year option. The Army Program Executive Office for Intelligence, Electronic Warfare and Sensors also awarded the first two task orders under the contract, which have a combined value of \$25 million.

The Northrop Grumman Mission Systems sector's Intelligence Systems Division is leading the upgrade project. Subcontractors include Lockheed Martin Systems Integration, Owego, N.Y.; Zeta Associates, Fairfax, Va.; and L-3 Communications Systems-West, Salt Lake City.

### Telephonics To Supply Radars

Lockheed Martin Systems Integration, Owego, N.Y., the prime contractor for the U.S. Navy's new MH-60R helicopter, has chosen Telephonics, a subsidiary of Griffon Corp., Farmingdale, N.Y., to supply a radar system for the helicopter.

Telephonics received a multi-year production contract in excess of \$318 million from Lockheed to produce 139 AN/APS-147 Multi-Mode Radars, according to Telephonics. The systems will be integrated into Lockheed's mission avionics package and installed on the choppers.

The AN/APS-147 has small-target detection capability, an inverse synthetic aperture imaging system and an identification friend-or-foe system.