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Fleming Meeks is the editor of Barron's Daily Stock Alert, a new newsletter focused on opportunistic stock ideas with long-term growth potential. Previously, he was editor of SmartMoney, the Wall Street Journal Magazine, for five years. Prior to SmartMoney, Meeks was an assistant managing editor at Barron's, where he oversaw cover stories, features, special sections and technology coverage. Meeks began his career in journalism as a staff writer at Forbes, rising to associate editor and senior editor. He also served as an assistant managing editor at Money magazine.

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A Bar Code For All Occasions

by FLEMING MEEKS | [FORMAT FOR PRINT](#)

IN THE BEGINNING was the bar code. Then came RFID, or radio frequency identification tags. Next stop, GPS. It's a business you seldom think about, but it's all around you. Retailers use it to track merchandise, manufacturers use it to track inventory, hospitals use it to track patients, and parents would use it to track their teenage daughters if such a service were available, which it isn't – yet. The leader in this business, by far, is Zebra Technologies (ticker: ZBRA), with about 30% of the market for bar code printers and a growing share of the more fragmented RFID printer business. And at yesterday's closing price of \$32.73, the shares are on sale.

Last year Zebra earned \$110 million, or \$1.60 a share, on revenue of \$868 million. This year EPS are expected to grow to \$1.78 and could climb as high as \$2.25 in 2009, as the company puts the costs integrating recent acquisitions and outsourcing manufacturing behind it. The stock trades at 14 times '09 earnings estimates. Subtract the \$4-plus in cash and investments on the company's debt-free balance sheet, and the multiple is closer to 12. In an improving stock market, the shares could be worth \$45.

Zebra, which gets more than half of its revenue from outside the U.S., is expanding rapidly in Asia and Latin America, which now make up 18% of sales. In the second quarter, these two regions saw sales climb 39%. Overall, revenue was up 21.5%. Earnings, however, were flat, due in part to a currency hedging strategy gone wrong. (The company's CFO has since been replaced.)

Like any stock in today's market, Zebra isn't a sure thing. A severe global downturn would slam profits. And three recent acquisitions, aimed at getting the company into wider-area tracking, could be slower to pan out than expected. Together, these three new businesses make up Zebra's enterprise solutions group, which uses RFID and GPS and other wireless technologies to track containers through marine terminals and other intermodal facilities, among other things. Another use: tracking baggage through airports.

Though Zebra doesn't pay a dividend, the company has been aggressively buying back stock—1.5 million shares in the first half of this year, with another 1.5 million expected in the second half. Over the past three years, the company's share count has been reduced by 9%.

This is an easy story to understand, says one portfolio manager who owns the stock. It helps drive efficiencies for its customers, and it has big overseas growth opportunities. "If the company were to stumble," he adds, "I would be comfortable buying more."

At a Glance

Zebra Technologies



Price:	\$32.73
52-Week Range:	\$39.09 - \$27.50
Market Value:	\$2.1 billion
2007 Revenues:	\$868 million
2007 Net Income:	\$110 million
2007 EPS:	\$1.60
Est 2008 EPS:	\$1.78
Est 2008 P/E:	18
Dividend Yield:	NA

Data as of 08/13/08

Source: Thomson Reuters

Top Ten Holders: Zebra Technologies (ZBRA)

Investor Name	% O/S	Pos	Pos Chg	Filing Date
Neuberger Berman	7.42	4,837,819	33,679	31-Mar-08
Eminence Capital	7.19	4,685,700	885,700	31-Mar-08
Shapiro Capital Management	6.25	4,073,696	219,975	31-Mar-08
Clovis Capital Management	4.45	2,900,000	75,000	30-Jun-08
Artisan Partners	3.91	2,550,155	567,300	31-Mar-08
Barclays Global Investors	3.5	2,281,625	47,832	31-Mar-08
Gerhard & Ruth I Cless	3.29	2,144,521	-10,000	3-Apr-08
Vanguard Group	3.06	1,995,109	84,651	30-Jun-08
Aster Investment Management	2.88	1,880,738	50,950	30-Jun-08
Morgan Stanley Investment Management	2.86	1,866,041	599,777	31-Mar-08

Source: Thomson Reuters

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