

Offshore Systems buys into U.S. market

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Offshore Systems International Ltd. has paid \$9 million US to buy an American company that it expects will open the door to U.S. contracts.

The North Vancouver company, which makes computer-based geospatial intelligence software including navigation and mapping systems, acquired Philadelphia-based CHI Systems Inc., a private company that provides interactive computer applications and technology to the defence and aerospace industry.

OSI acquired the company, in part, because it was unable to break into the U.S. market, OSI's president and CEO Ken Kirkpatrick said in an interview.

"The U.S. is 50 per cent of our market and we've been locked out of it," Kirkpatrick said. "We are very confident [acquiring CHI] will open up the market to us by having a US company that's been in business for a number of years with existing contracting vehicles in place with customers we've been pursuing out of Canada," he said. "I think it will open the door absolutely. And it's part of the strategy of why we acquired the company."

The acquisition will also enable OSI to capitalize on synergies between the two companies, Kirkpatrick said. Where OSI's expertise is on marine applications for its command and control applications, CHI's specialty is land and air.

"Our focus in the short-term is to get the acquisition up and running, introduce the different management teams to the products and services of each company and start to develop the strategy to get one plus one equals four," Kirkpatrick said.

Under the terms of the deal, which closed Tuesday, OSI paid approximately \$9 million US, made up of \$8.1 million US in cash and 1,067,975 common shares of OSI for all of the outstanding shares of CHI. CHI, with offices in San Diego, Calif., Orlando, Fla. and Philadelphia, has 70 employees and unaudited revenues in 2004 of \$12 million US.

The deal has been in the works since a letter of intent was signed in July.

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