

Northern Colorado BUSINESS REPORT

March 27-April 9, 2009
Vol. 14, No. 14
www.ncbr.com

El Medical Imaging set to launch brand-new product

Animal ultrasound totally redesigned for rugged work

By Kristen Tatti
ktatti@ncbr.com

LOVELAND — When Chas Maloy purchased 20-year-old EI Medical in Loveland in 2005, he had some plans to enter new markets with the company's flagship product. However, he didn't envision that would mean starting over from scratch.

After three years of development, EI Medical Imaging is now prepared to launch its completely redesigned portable soft-tissue ultrasound scanner. Like its predecessor, the new Ibex ultrasound machine is used for diagnostic testing in the animal health market, but that's where the similarities end.

"It's a completely new product," Maloy said. "No elements are the same."

The new product, Maloy says, has increased image quality, durability and battery life. EI assembled a contract engineering team to develop the ultrasound technology, while the internal design team collaborated on the architecture, hardware and electronics. The final build and testing of the units occurs at the company's small office in downtown Loveland.

Shifting markets

Maloy said the original product — developed in the mid-1980s with several retoolings through the years — was having a harder time competing with similar, low-priced scanners coming out of Asia. The hit was particularly hard in the swine market, which had become the largest for EI, accounting for 70 percent to 80 percent of its sales.

The swine market, itself, has been greatly impacted by shifting commodity prices, so going forward, the company will focus more on the bovine, equine and mixed-practice veterinary markets.

Ultrasound scanners are used in the field or in clinical settings. High-end stationary products from companies like General Electric run about \$30,000 and low-end portable products costing as low as \$3,000. The Ibex models start around \$14,000.

Maloy said what differentiates EI's ultrasound from other portable systems is its interchangeable transducers, or wands, and specialty headsets used instead of a screen. It also has the ability to capture and store freeze frames and voice-recording



Courtesy EI Medical Imaging

EI, EI, OH! — JD Leclair, veterinary student at Colorado State University uses EI Medical Imaging's new Ibex portable ultrasound scanner for equine reproduction diagnosis. Loveland-based EI just started shipping the Ibex after more than three years in development.

tags. Perhaps most important is its durability.

"Every aspect of this we designed with ruggedness and durability in mind," Maloy said. "They go everywhere, so they have to be designed to take that abuse."

The company shipped its first Ibex in mid-March, marking the start of a shift from research and development to manufacturing, and Maloy said the company already has a backlog of orders to fill.

Launch during downturn

However, the timing of the product launch might be a little unfortunate. The veterinary products market has taken a hit like most other sectors during this economic downturn. The proof of that is in the fourth-quarter financials for Loveland-based veterinary products company Heska Corp.

Heska, a publicly traded company, reported that its revenues fell off 23 percent compared to the same period in 2007. The drop drew Heska into the red, for a net loss of \$850,000.

"In past downturns, we didn't see a big impact on our business," said Heska CFO Jason Napolitano. "This downturn has had a significant effect on veterinary

spending."

Heska's product mix ranges from veterinary pharmaceutical and vaccine products to instrumentation.

"It's most concentrated on our capital equipment side," Napolitano said of the revenue decline. "If you're not sure if you're getting the customer flow, you're not going to buy the equipment."

A recovery in the veterinary segment is not likely to come rapidly, either. Napolitano pointed out that veterinarians tend to be conservative, sole practitioners who have a lot of their net worth wrapped into their practice. As such, their spending tends to lag — coming after signs of an economic upturn are visible.

Competitive environment

Also adding to the hurdles in the segment is its competitive environment. Margins on veterinary equipment tend to be low, because pricing is often a major part of the product differentiation. Heska typically works with partners, getting into the product development process in a later stage to make adjustments to human health products for veterinary use.

Maloy feels that EI is up for the challenge, with some pretty aggressive goals to

EI Medical Imaging

Founded: 1984

Management: Chas Maloy, president

Headquarters: Loveland

Product/Service: Designs and manufactures portable soft-tissue ultrasound scanners.

Employees: 10

Web: www.eimedical.com

SOURCE: BUSINESS REPORT RESEARCH

hit. He hopes to see sales increase 25 percent this year, followed by 20 percent annually after that. It's a lofty goal for what its president dubs "arguably the smallest ultrasound company in the world," but the plan is to attack the market while at the same time continuing to stay ahead of the technology.

"This is just version 1.0. We've got a product roadmap for the next five to seven years," Maloy said. "Unfortunately, in this day and age the minute you stop, you're gone."