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13:17 EST Wednesday

Round Rock company divests touch-screen unit

Alicia Pounds Austin Business Journal Staff

Round Rock-based TouchSystems Inc. has sold its touch-screen manufacturing line to Touch International Inc.

Touch International is a newly created company, with U.S. headquarters in Round Rock, that sells touch-screen components to original equipment manufacturers. The company has established 19 offices around the world through various partnerships, according to a company news release.

Financial details weren't disclosed.

TouchSystems designs and sells personal computers that include touch-screen technology for the point-of-sale markets, including retailers and restaurants. TouchSystems was an incubator for Touch International, says Michael Woolstrum, who moved to the new company as its CEO. Previously, Woolstrum was the top executive at TouchSystems.

Martin Reynolds, an analyst at Gartner Inc., says separating the touch-screen manufacturing line from TouchSystems could prove to be lucrative.

"Unloading the component makes sense," Reynolds says.

"Companies have found it more lucrative to sell the overall system. By leaving the touch-screen component market, the company has created a supplier and can bring back technology at a lower cost. ... It is business optimization for both companies."

TouchSystems started developing the touch-screen manufacturing line in 2000 when Woolstrum joined the company as president and CEO. The decision to separate the touch-screen business line from

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TouchSystems stems from the customer base and the potential of conflict of interest between those customers and TouchSystems.

"It became evident that we would have two different sets of customers and the dynamics in the marketplace would require it to be two different companies," Woolstrum says.

"Even though both companies sell to touch-screen customers, TouchSystems sells as a system integrator to end customers. Touch International sells more to tier-one customers that TouchSystems would never sell to, and many are TouchSystems competitors."

Potential customers for Touch International include NCR Corp. [NYSE: NCR], IBM Corp. [NYSE: IBM] and Palm Inc. [Nasdaq: PALM], Woolstrum says.

TouchSystems' customers include Canada-based SMTC Corp. [NYSE: SMTC], which provides contract manufacturing services to clients such as Dell Computer Corp. [Nasdaq: DeLL], IBM and Alcatel [NYSE: ALA], according to online business resource Hoover's Inc.

Touch International's competitors include Fremont, Calif.-based Elo TouchSystems Inc. Elo established a presence in Round Rock when it acquired Carroll Touch Inc. in 1999. Elo is a subsidiary of holding company Tyco International Ltd. [NYSE: TYC], based in Exeter, N.H.

Elo TouchSystems generates annual sales of about \$150 million to \$200 million, according to Hoover's.

Woolstrum says Touch International will differentiate itself from its competitors with its employees' experience, its intellectual property and low overhead.

"What we bring to the party is a bunch of human capital experience," Woolstrum says. "I have gathered teams from many of the major competitors. We have a local presence without an infrastructure that requires huge overhead."

The number of people employed by Touch International wasn't disclosed.

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