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**Sound Alert Technology Plc**

09/04/2001

12:40

## The Unquoted.co.uk Interview #34 - Sound Alert Technology Plc

**Today, Unquoted.co.uk welcomes Mike Lunch, Managing Director of Sound Alert Technology Plc. For the benefit of the readers who are unaware of the company, could you explain a bit about the history of Sound Alert and what they are about?**

Professor Deborah Withington founded Sound Alert out of her work at Leeds University where she researched the problems of confusion in people's perception of direction of approach of Emergency Vehicle Sirens. She patented the idea to use broadband multi-frequency sound as a means to locate direction and founded the business as a spin off from Leeds University. The first licensee – Premier Hazard is the UK's leading supplier of emergency vehicle sirens and, together with Sound Alert has sold Sirens into many of the UK's emergency services. In its first years the company was supported largely through finance from BNFL's venture capital fund. Full commercial development could not be funded without additional resource and so we decided to make an IPO on Ofex in March 2000 – raising £2.2M net. A sales and marketing team was recruited and active license negotiations commenced. During the first year we have been able to open discussions in every area outlined in our prospectus and good progress has been made. More details on Sound Alert's web site [www.soundalert.co.uk](http://www.soundalert.co.uk)

**What were the key reasons for choosing Ofex?**

Sound Alert had sought investment funding from several conventional sources such as venture capital funds but none had been able to meet our needs in terms of timing and cost. The launch via Ofex gave us access to the funds needed to finance the commercial development of the company and also gave a public price, which is useful for motivating our management team through share options.

**Can you describe your current shareholder split in percentage terms between directors, retail investors and institutions, and how many shareholders you have in total?**

There are 51,216,600 shares in circulation with 924 shareholders in total. The Directors hold 34,571,670 shares (67.5%) between them. Prof A J Chapman has 2,020,000 (3.9%). Leeds University has 1,794,930 (3.5%). Scottish Value Management Ofex fund has 400,000 (0.8%) (Institutional Investor) Approx 916 private investors hold the balance of shares.

**A major part of your strategy as stated at the launch on OFEX was to license the technology to others. How is this progressing and do you still see this as core to the future success of Sound Alert?**

Yes, licensing is at the core of our strategy – we have no plans to become a manufacturer ourselves, and we are satisfied with our progress in this area. Whilst it would be nice to be in a position to announce many license deals quickly, one must recognise that some negotiations are protracted – especially on large scale opportunities, and this inevitably means that until these agreements are signed, they cannot be discussed or announced.

**Can you explain the relationship Professor Chapman has with the company, was he a founder/inventor who was issued with shares as a way of buying him out?**

Professor Chapman was a colleague of Dr Withington at Leeds University at the time the original Sound Alert Ltd Company was formed. In forming the company he invested a modest sum in exchange for approx 13% of the equity at that time. In the early days he was involved in some of the research papers through his expertise in Psychology and this was a valuable contribution at that time.

In pursuing his career in academia, he left Leeds University some years ago and is now the Pro-Vice Chancellor of University of South Wales in Cardiff. In this current role he has no involvement with Sound Alert Technology PLC. Through dilution with the arrival of other investors, at the date of the Ofex floatation his holding was some 5.6% of the issued equity. Since that time he has disposed of shares in two transactions (as announced on Newstrack) and currently holds just over 2M shares – representing 3.9% of the issued equity.

**Have any competitors appeared on the international scene?**

No, we are unaware of any competitors

**After your first year of operation do you have any forecast for when the company will become profitable?**

Naturally we have a business plan within the company, which was shared with our advisors and J P Jenkins prior to the Ofex floatation. We continue to follow this plan closely and expect to make our next financial announcement at the declaration of final results for our first year in due course. It would be inappropriate at this time to answer this question in detail.

**How many people does the company employ and how do you forecast the growth of staff proceeding?**

Currently the company employs 15 people. We anticipate only a modest expansion in staff over the coming year – mainly in the commercial area in the prospecting and support of licensees.

**Do you anticipate moving up from the Ofex market, and if yes, what sort of timescale do you envisage?**

We have no plans at present to move up from Ofex.

**With Ofex a market very much controlled by newsflow, how do you manage your investor relations in addition to keeping the market as a whole informed?**

We have retained the services of Iken Communications to assist in our Financial Press relations and through them have a series of press related activities planned to promote our background and news stories.

In principal we make an announcement every month or so. This goes out via Newstrack, Iken's distribution list of key journalists and our own e-mail list of investors and contacts that wish to be kept informed of our news.

We encourage our investors to keep abreast of company announcements and developments through our web site, in which we have an investor relations section, which contains the full detail of all announcements. In addition there are customer reference case studies, reproductions of press articles as well as our own publications available for download on our site.

We exhibited at Ofex 2001 and presented to a "standing room only" seminar giving an update of our progress – which was generally well received judging by the comments of investors and many of their subsequent decisions to increase their investment in the company. We will probably exhibit at other investment shows later this year.

**It has been suggested that some of the 'potential' markets in which Sound Alert are hoping to market broadband, further Research and Development is needed in size and compatibility interference with other electronic devices. Is this true?**

There is some confusion evident in this question. For some applications – notably mobile phones, it is a challenge to be able to reproduce the broadband sound from a transducer, which is small enough to be fitted into the normal packaging of the product. This has resulted in some research into a number of alternative technologies which may be able to achieve this size / bandwidth requirement. Our research in this area has achieved some success and we now have samples that can demonstrate the principles and practice of our technology in a mobile phone. Several candidate technologies exist which could allow such an idea to be translated into a practicable product – and we continue to pursue this direction. We have no concerns about compatibility or interference with other electronic devices.

**The main interest for a lot of investors in the company is the mobile phone and PDA developments. Is the company in a position to be able to take advantage of this market over the next 2 years?**

As mentioned above, we now have demonstration samples, which can show our technology in this area – and are approaching the manufacturers for discussions. It is too early to predict the possible take up at this stage.

**How far is the sound stick product away from marketability and can you explain the strategic point of the purchase, how does the product fit in with Sound Alerts existing strategy?**

Plans are currently being drawn up for extensive product trials due to commence this summer. Obviously we await eagerly the outcome of this research, and do not anticipate it will alter the plan to have a marketable product within 18 months.

Sound Alert sees the acquisition of Sound Foresight as a good strategic addition for shareholders for several reasons.

1. It is another sound related technology (ultra sound), which assists people to find their way.
2. Like Localizer, it is a potentially life saving technology
3. It raises our "ethical" profile – making us a potential portfolio investment for "ethical" investment funds

As an acquisition, the Directors feel Sound Foresight represents an investment in a technology which has already been proven in lab prototypes and which can now be brought to market relatively quickly to create a positive return. Sound Foresight is being run independent of Sound Alert by its own management team overseen by our Chairman, Graham Cooper

I could go on.....

**What are your long-term views for the company, say in 2 years time?**

I regard 2 years as fairly short term, however, by then I would hope to have established a significant presence in the domestic evacuation segment through smoke detector triggered evacuation beacons sold through DIY and trade outlets throughout Europe and North America. Also by then we expect to have significant progress in Marine and Aerospace markets with early installations having been made and regulatory approvals being well advanced. In commercial building evacuation we would expect to have a European Standard approved and well established licensee businesses in most countries of Europe, in USA and Japan. In domestic CCTV I expect that we would be the established technology for serious DIY fitted security systems in UK and developing the market in USA and Europe. By then Mobile phones will either have adopted our technology or not – and we are ignoring this market from our financial plans since it is potentially so huge – but also somewhat binary.

**And where do you see yourselves in five years time?**

We would hope to have established ourselves in various markets to such an extent that the Localizer® technology is covered by numerous regulations and is regarded as a standard fit. The larger conglomerates in these markets will all be aware of the technology and its potential.

**And finally, a question we ask all of our interviewees - Recently there was a very popular lunchtime programme on Channel 4 called "Show Me The Money" which was a share-related competition between 5 teams of investors competing over a number of weeks. A very popular slot on the programme was the "Sixty Second Pitch" where heads of companies were invited in to present a quick sixty-second summary of why the panel should invest in their company. If you were invited on to that programme, would you accept and if so, what would be your "Sixty Second Pitch"?**

Yes, we would accept, and here is my pitch:

Finding your way out of a building, ship or aircraft filled with smoke is a terrifying experience most of us will never face, however we can all imagine the challenge;

You have just one and a half minutes to get clear of the smoke before poisonous gases overcome you. The smoke attacks your eyes and you cannot see a thing, how will you find your way out? Those illuminated exit signs will be invisible, and even if you start down an exit route, you will probably be in an unfamiliar part of the building and unsure which way to go. Sadly, today's fire detection and evacuation systems give you no assistance – they tell you to get out – but give you no clues as to how!

Using Sound Alert's directional sound beacons above exit doors you can be guided along a safe path and out of the building. It is this innovative solution that won the Prince of Wales Award for Innovation, The Design Council's Millennium Award and has been featured three times on Tomorrow's World.

Today's alarms signals are all based around the narrow frequency band which is the most sensitive part of the human hearing range – but which the brain is unable to use for localization. Multi frequency sound (or white noise) contains the essential information that the brain can use to find the direction of that sound's source.

This patented concept can be used in a wide range of applications with huge global market potential. Every exit sign in every commercial building, ship or aircraft in the world is a potential user of this technology.

In addition, every home has the same problem – many people get disoriented in the smoke and confusion of a fire – even getting lost in their own homes. We are already in discussion with the three largest manufacturers of domestic smoke detectors with world-wide reach.

Other uses of our technology include reversing alarms on trucks, finding your mobile phones when they ring, safety in mines & tunnels and CCTV – grabbing a picture of a face on surveillance cameras. Obviously there are challenges to gain acceptance and get regulatory support in some markets – however the opportunity is huge. Sound Alert's strategy is to licence its directional sound technology to manufacturers to build into their products – this will create an ongoing royalty revenue stream – without the overheads and costs associated with manufacture and distribution

#### **Related links**

- [Investor Relations Research Database entry for Sound Alert Technology Plc](#)

#### **Previous related article**

- [Sound Alert - Japan beckons - 13/02/2001](#)

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