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A clear signal

Business

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Sheryl Gracia attaches a parabolic dish to a mobile satellite TV antenna used for recreational vehicles at the KVH Industries plant in Middletown. The TV antenna is designed to pull in satellite TV stations.

THE PROVIDENCE JOURNAL / Kris Craig
Kris Craig

MIDDLETOWN — The manufacturing floor was mostly quiet on a recent Friday afternoon, the movements of an automated robotic arm drowning out any noise from the manual assembly of mobile satellite TV antennas.

Empty hallways suggested that some employees might have skipped out early to hit the town beach.

But the serene assembly line and parking lot belie a pattern of steady growth at KVH Industries Inc., the Middletown manufacturer that was established in a Newport basement in 1982.

As boaters and drivers cling umbilically to TV access, KVH has seen demand rise for the squat mobile antennae it produces for recreational vehicles, automobiles and boats.

In 1998, KVH had 154 employees and \$20.6 million in annual revenue. It now employs 311 people, and last year generated \$79 million in sales.

The company recently added 15,000 square feet to its Chicago plant, where it builds tactical navigational equipment using fiber optic gyroscopes for the military.

KVH is also investing \$2 million to build new offices in its 75,000-square-foot headquarters in Middletown.

The company says that upgrade should satisfy its immediate needs, but falls short of its ambitions. So KVH is planning to construct a new building near its headquarters in Enterprise Park.

Preliminary plans call for a 70,000-square-foot facility that could cost as much as \$14 million.

“We have great confidence in the products we are building and the demand for them,” KVH spokesman Christopher Watson said. “It’s room for expansion, as the company grows.”

Although the final location has not been selected, KVH has been negotiating with construction giant Gilbane Inc. to purchase seven acres of undeveloped land Gilbane owns in Enterprise Park.

The land, next to Town Hall, is valued at \$1.5 million, according to the town’s tax assessor.

“The business is growing, and you start to run out of facilities space,” Martin A. Kits van Heyningen, the company’s president and chief executive officer, said in an interview. “We are committed to staying in Rhode Island.”

Gilbane has filed for special-use permits that would “allow manufacturing of electronic equipment” on the property, according to its petition. The town’s Zoning Board of Review is scheduled to hear the request later this month.

If KVH opens a new building next year, company officials say, it will close a 39,000-square-foot facility it has leased since 2004 for use as warehouse space, and for packaging and shipping finished products and receiving imported components. That lease expires next March.

But the new building would also include additional office, manufacturing and design space, solidifying the company’s ties to the state as it ramps up production.

The plans to grow come despite disappointing first-quarter earnings results. Revenue for the first three months of the year was \$20.4 million, only slightly above the \$20.3 million KVH earned in the same period last year. Profits dropped, from \$1.3 million to \$57,000, a decline the company blamed on “softness” in the U.S. marine market.

KVH has no backlog on orders, Watson said.

Company stock dropped last month on news of the stagnant revenue, falling to \$6.49.

But KVH did not alter its projections of 10- to 17-percent revenue growth, and the stock price has since rebounded. (It closed yesterday at \$9.76, up 6 cents.) Although military sales dropped by 27 percent in the first quarter, marine sales rose by 10 percent and sales of land satellite devices jumped 16 percent.

Together, sales of satellite antennae make up about 80 percent of total revenue, and international sales of marine products are growing.

The opening of a new facility is not expected to immediately increase employment at KVH. But Kits van Heyningen said it will facilitate a gradual doubling of worldwide staff by 2012. (KVH also operates a sales office in Denmark.)

The new facility could allow for a second and third manufacturing shift, Watson said. (The assembly line operates only from 7:30 a.m. to 4 p.m.) But it will also lead to additional high-wage positions, company officials say.

KVH, the fifth-largest employer in Middletown, is already advertising openings for six engineers, who are paid about \$100,000 a year. It has 75 engineers in Middletown, as well as several interns from the University of Rhode Island, corporate executives, salespeople and customer support staff.

The prospect of a larger design team has pleased town officials, who have been trying to recruit clean, high-tech industries.

Middletown is also home to SEACorp, a software firm in the Aquidneck Corporate Park, and Anteon Corp., a systems engineering company acquired by General Dynamics last year.

Gerald S. Kempen, the town administrator, said the beaches and seaside real estate have helped him lure and retain companies.

But the town has also created a tax-incentive program to draw in companies, allowing businesses to cut their property tax bills by as much as 40 percent if they grow their staff significantly. (The tax break is even higher if the company hires local residents.)

KVH could also benefit from a tax break for new construction. If a business increases its total floor space by 50 percent, the town forgives any increase in the property tax bill for a year, Kempen said.

Last year, KVH paid \$87,217 in property taxes, according to town records.

"KVH is a highly valued business in town," Kempen said. "It's really the kind of business that any community would love to have. They provide skilled jobs that pay well, and they're talking about a considerable number more over the near future."

Last year, Middletown hired a part-time economic development consultant to attract high-tech companies.

KVH, says Town Council President Paul M. Rodrigues, is the model.

"They employ a lot of folks in our town, with good positions," Rodrigues said. "You need to get businesses like this."

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