

Intermec, Inc.
Form 10-K
March 21, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-13279
Intermec, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4647021
(I.R.S. Employer Identification
No.)

6001 36th Avenue West
Everett, Washington
www.intermec.com
(Address of principal executive
offices)

98203-1264
(Zip Code)

Registrant's telephone number, including area code: (425) 265-2400
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange

Large Accelerated Filer Accelerated Filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 2, 2006, which was the last business day of the registrant's most recent second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$1.5 billion, based on the closing sale price as reported on the New York Stock Exchange.

On February 28, 2007, there were 59,884,736 shares of Common Stock outstanding, exclusive of treasury shares.

Documents Incorporated by Reference

Certain information required to be reported in Part III of this Annual report on Form 10-K is herein incorporated by reference from the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission with respect to the registrant's Annual Meeting of Shareholders scheduled to be held on May 16, 2007.

INTERMEC, INC.
TABLE OF CONTENTS TO ANNUAL REPORT
ON FORM 10-K

		Page
Part I.		
<u>Item 1.</u>	<u>Business</u>	1
<u>Item 1A.</u>	<u>Risk Factors</u>	13
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	17
<u>Item 2.</u>	<u>Properties</u>	18
<u>Item 3.</u>	<u>Legal Proceedings</u>	18
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	18
Part II.		
<u>Item 5.</u>	<u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	19
<u>Item 6.</u>	<u>Selected Financial Data</u>	21
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	39
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	40
<u>Item 9.</u>	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	40
<u>Item 9A.</u>	<u>Controls and Procedures</u>	40
<u>Item 9B.</u>	<u>Other Information</u>	40
Part III.		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	41
<u>Item 11.</u>	<u>Executive Compensation</u>	41
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	41
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	41
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	41
Part IV.		
<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	42
	<u>Signatures</u>	43

Table of Contents

PART I

SAFE HARBOR

Forward-looking statements contained in this filing are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 (alternatively: Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and are dependent upon a variety of important factors that could cause actual results to differ materially from those reflected in such forward-looking statements. These factors include, but are not limited to, our ability to maintain or to improve the revenues and profits of our continuing operations, maintain or reduce expenses, maintain or improve operational efficiency, use our investment in research and development to generate future revenue, maintain or improve year-over-year growth in the revenues and profits of our continuing operations and the other factors described in Part I, “Item 1A, Risk Factors,” and in Part II, “Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operation,” of this filing. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this report on Form 10-K.

Such forward-looking statements involve and are dependent upon certain risks and uncertainties. When used in this document and in documents it refers to, the words “anticipate,” “believe,” “will,” “intend,” “project” and “expect” and similar expressions as they relate to us or our management are intended to identify such forward-looking statements.

Forward-looking statements are not guarantees of future performance. A number of factors can impact our business and determine whether we can or will achieve any forward-looking statement made in this report. Any one of these factors could cause our actual results to differ materially from those discussed in a forward-looking statement. We outline these risk factors in reports that we file with the SEC, in press releases and on our website, www.intermec.com.

ITEM 1.

BUSINESS

General

Effective January 1, 2006, we changed our name from UNOVA, Inc. to Intermec, Inc. (“Intermec”, “us”, “we”, “our”). We became an independent public company when our common stock was distributed to the shareholders of Western Atlas Inc., our former parent company, on October 31, 1997. We are a Delaware corporation and our headquarters are located in Everett, Washington. Our major offices and manufacturing facilities are located in the states of Washington, Iowa, and Ohio and internationally in the United Kingdom, the Netherlands, France, Canada, Mexico and Singapore.

Information on our company may be found at the Internet website www.intermec.com. Our annual reports on Form 10-K and certain of our other filings with the Securities and Exchange Commission (“SEC”) are available in PDF format through our Investor Relations website at www.intermec.com/IntermecInc/investorinfo.asp. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are also available on the SEC website at www.sec.gov. The contents of these websites are not incorporated by reference into this report or in any other report or document we file. Our references to the addresses of these websites are intended to be inactive textual references only. Shareholders may request a free copy of the annual reports on Form 10-K and quarterly reports on Form 10-Q from:

Intermec, Inc.
Attention: Investor Relations
6001 36th Avenue West

Table of Contents

ITEM 1.

BUSINESS (Continued)

Continuing Operations

We design, develop, manufacture, integrate, sell, resell and service wired and wireless automated identification and data collection (“AIDC”) products including radio frequency identification (“RFID”) products, mobile computing products, wired and wireless bar code printers and label media products. Our products are sold to customers within and outside of the United States in market segments that include industrial goods, consumer packaged goods, transportation and logistics, retail and the public sector, in work applications such as manufacturing production, warehousing, field service, direct store delivery, in-transit visibility, store floor operations and management and RFID supply chain management. Our products are used by customers to improve the productivity, quality and responsiveness of their business operations including supply chain management, enterprise resource planning and field sales and service.

We have the following primary revenue sources:

- revenue from the design, development, manufacture, sale and resale of wired and wireless AIDC products, mobile computing products, wired and wireless bar code printers, label media and RFID products and license fees and revenue from licenses of our intellectual property (IP) portfolio and
- revenue from customer support, product maintenance and other services related to the products and systems integration described above.

Discontinued Operations

In 2005, we divested our Industrial Automation Systems (“IAS”) businesses, which comprised the Cincinnati Lamb and Landis Grinding Systems divisions. The IAS businesses are classified as discontinued operations for accounting purposes in our consolidated financial statements and related notes. The IAS businesses are producers of manufacturing products and services, including integrated manufacturing systems, machining systems, stand-alone machine tools and precision grinding and abrasives operations primarily serving the global aerospace, automotive, off-road vehicle and diesel engine industries as well as the industrial components, heavy equipment and general job shop markets.

Products and Services

Our products include wired and wireless AIDC products, including RFID products, mobile computing products, wired and wireless barcode printers, label media and related services. These products and services allow customers to identify, track and manage their assets and other resources and improve the efficiency and effectiveness of their business operations.

Table of Contents

ITEM 1.

BUSINESS (Continued)

Products

Bar Code Scanners

Our bar code scanning products include wireless handheld computers and terminals, linear and area imagers incorporating active pixel technology, and badge and laser scanners. These products are able to read or collect data and move that data directly into standard enterprise resource planning ("ERP") systems, warehouse management systems ("WMS"), and order fulfillment, transportation, logistics and other business applications. We also manufacture rugged handheld computers for use in warehouses and industrial environments. These products are used primarily by non-office workers, such as warehouse, delivery, manufacturing and field service workers, and other employees who operate outside the typical office environment.

Our bar code scanning products are typically used for workforce automation: tracking of work-in-process and finished-goods inventory through manufacturing, distribution and other commercial operations, "total asset" visibility, and real-time monitoring of inventory levels and order status. AIDC products of the type we sell replace manual data collection techniques that are more susceptible to errors or omissions due to inaccurate keystrokes, illegible handwriting or overlooked transactions.

Enterprise Wireless Network Technology and Services

We were one of the first companies to provide a network architecture that allows customers to use multiple radio technologies within one Local Area Network ("LAN") system. Starting in the early 1980s, we installed digital communication equipment that linked mobile computers and host servers within industrial workspaces such as warehouses, distribution centers, factories and large outdoor facilities. In 1998, the Institute for Electronic and Electrical Engineering ("IEEE") promulgated a new standard for high-speed network communication via wireless radio signals. The 802.11b standard allows customers to purchase interoperable digital radios for client computing devices.

In the years since the 802.11b standard was established, several large network equipment vendors have begun selling 802.11b, 802.11a/b and 802.11g wireless LAN systems, increasing penetration for this technology among office workers and in public spaces such as hotels, restaurants and airports. We have been named a Solutions Technology Integrator partner by Cisco Systems Inc. ("Cisco"). We use our wireless LAN expertise to enable our AIDC products to work seamlessly across a Cisco network. Our device management software allows centralized management of our wireless products on the network.

Our wireless AIDC products include all major radio technologies, including synthesized UHF, 900 MHz, 802.11a/b/g and Bluetooth. This radio independence allows our customers to choose the most efficient radio technology for their facilities.

Mobile Computing Products

Our mobile computing products include handheld and vehicle-mounted mobile computers and accessories and related services that facilitate local-area and wide-area wireless and wired data communications. These products typically contain multiple wireless technologies (such as wide-area GPRS and CDMA, with 802.11 and Bluetooth) that can operate simultaneously in a mobile computer. This allows customers to communicate remotely with their field employees. We also develop and sell handheld computer software tools that can integrate the information into customers' enterprise management systems.

We have developed a client framework that resides on our products allowing enhanced control by third-party device management software that can interoperate with a customer's existing system management software. This allows centralized management and control of remote devices such as mobile computers. Our mobile computing portfolio may also include AIDC devices, specialized peripherals and printer products.

Table of Contents

ITEM 1.

BUSINESS (Continued)

To assist our customers with the automation of business processes, we provide professional services such as installation, maintenance, site security and systems integration. Our line of handheld and vehicle-mounted computers use Microsoft Windows[®], Windows[®] CE and Windows Mobile[®], and embedded Windows XP operating systems, as well as scanning and Internet Protocol-based data communication capabilities. Our mobile computing product families range from relatively low-cost, handheld batch and wireless data collection devices to higher-cost pen-based computers with wired and wireless network capabilities and flexible vehicle-mount communications.

Our mobile computing products allow a customer's remote workers to access centralized computer applications and databases, automatically collect data and send and receive data on a real-time basis. We and our partners offer mobile computing application software for workforce automation, customer-level sales ordering, pricing and forecasting, account settlement and other software products that manage workforce automation and order dispatching, "total field asset" visibility, real-time proof of delivery, and other customer information.

Printer and Label Media Products

Our line of bar code printers ranges from relatively low-cost, light-duty models to higher-cost, heavy-duty, industrial models that accommodate a number of printing widths, materials and label configurations. Our printers can be wired or can be wirelessly attached to enterprise networks. Our specialty printers provide custom capabilities, including color printing, a global language enabler and high resolution (400 DPI) printing that ensures sharp fonts and precise graphics even on extremely small labels such as those used by the electronics industry. Our printer product line includes printers that can read and write to RFID tags.

Our media products include pressure-sensitive bar code labels and thermal transfer ribbons, which are sold to customers worldwide. We also design and manufacture specialized labels to meet customer requirements for extreme environments such as clean rooms, chemical baths and high humidity.

Radio Frequency Identification (RFID) Products

RFID facilitates wireless communication of product information that exceeds the information available from a barcode. This communication occurs between a RFID reader and RFID tags comprising a computer chip and antenna encased in a protective covering. RFID tags are programmed by users to contain identification, serial numbers, history and other product data. Certain RFID tags contain read/write memory to allow updates and tag reuse. Unlike laser-scanned bar codes, RFID tags do not require "line of sight" to be read. Customers are increasingly using RFID technology to track pallets, cartons, containers and individual items through their supply chains or for access security applications.

Our RFID product line is focused on passive UHF technology and consists of RFID tags, readers, software and related equipment sold under the Intermec trade name. Our RFID products comply with the EPCglobal Generation 2 UHF standard (the "Gen 2 Standard") and with other EPCglobal and International Standards Organization ("ISO") standards being adopted by customers worldwide.

We have approximately 157 RFID patents and 24 companies have taken licenses under those patents, including Cisco, Motorola, Inc., Texas Instruments, Avery Dennison, and Zebra Technologies, Inc.

Table of Contents

ITEM 1.

BUSINESS (Continued)

Services

With our customer support services, professional services and installation services, we help customers design, implement and deploy AIDC systems in their businesses. Our project management teams create strategic plans that identify the customer's operational goals and AIDC solutions that will accomplish the business objectives. Our project management teams also define the functional requirements for implementing AIDC products and systems in the customer's business. This includes the reason why they are needed, how they will be used, and how they will impact business processes.

Our project management teams prepare an implementation plan, evaluate ADIC products and integrate new AIDC products into the customer's existing system. Because we have relationships with many vendors that provide complementary AIDC products, systems and services, we offer customers a "one-stop shopping" experience and comprehensive AIDC solutions. We also provide customers with:

· A single point of contact for project communications

· Project planning, including defining the scope of work, preparing a statement of work, developing project objectives, developing schedules, identifying acceptance procedures, and documenting a project plan

· Project implementation, including proper site preparation; tracking, site evaluation surveys and installation schedules; coordination of the activities of all resources involved in the implementation; project status reports; and implementation of project controls

· Oversight and management of the overall installation process, including managing communications, tracking equipment shipment, managing change requests, and identifying problems and resolving them

· Project completion and closeout

We provide global repair and support through a global network of service centers. These service centers provide maintenance and repair services to our customers. Our customer service representatives ("CSR") are dispatched from approximately 60 U.S. locations and from centers outside of the United States. Our Global Education Services unit provides AIDC training services and solutions, including the design and delivery of training programs and assistance in creating training programs to be delivered by the customer's employees.

Technologies

We offer a line of data capture products which includes linear imaging, area imaging, RFID and a laser scanning engine based on micro-electro mechanical system ("MEMS") technology. Our product suite provides customers with a range of automated identification and AIDC products for their application and cost requirements.

We regularly integrate new technologies into our products to meet customer demand for enhanced functionality and to differentiate our products from competitive offerings. Recent examples of technologies added to our products include:

· Ruggedized Windows CE and Windows Mobile-based computers

· Short-range radio system networks using Bluetooth technology

MEMS-based laser scanning devices

Low-cost, miniature linear image scan engines

Table of Contents

ITEM 1.

BUSINESS (Continued)

- Devices that use the Internet to simplify the management of wireless networks
- Ergonomic integrated terminals with modular designs and a variety of scan engines

Business Strategy

Our strategy consists of:

- Technology leadership in the AIDC industry
- Expanding and leveraging our IP portfolio
- Focusing on supply-chain industries and application areas