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Sagebrush stays balanced despite wild ups and downs

Small Business Strategies

New Mexico Business Weekly - July 20, 2007 by [Kevin Robinson-Avila](#) NMBW Staff
Sagebrush Technology Inc. is no stranger to hard times.

The 16-year-old Albuquerque company -- which makes precision rotation devices for cameras, sensors and other machinery -- nearly went bankrupt in 2001. And, despite three years of sustained revenue growth between 2003 and 2005, sales plummeted again last year because of the temporary loss of a major client in Colorado.

But company executives have demonstrated remarkable resilience over the years. And now, thanks to skillful management intervention, Sagebrush is riding a new, vigorous growth curve that is expected to push revenue above \$4 million for the first time in 2007.

"We're breathing a whole lot easier now," says President Joseph Zmuda. "We've diversified our products and our client base. I think we're looking at sustained growth for the foreseeable future."



Created in 1991, Sagebrush makes "gimbals" with a proprietary design that greatly increases stability and precision for machines that need rotation devices. A gimbal is a two- or three-axis mechanism that allows cameras, sensors and other equipment to swivel in numerous directions.

Other companies make gimbals, but Sagebrush's patented "Roto-Lok" drive allows it to provide rotation without using gears or belts, Zmuda says. Rather, Sagebrush uses stainless-steel cables that help axles run smoothly without any friction or "backlash" -- the joggling of the instrument that occurs when the gimbal changes direction.

"The primary advantages of our gimbal are its light weight and zero backlash," Zmuda says. "It provides much greater stiffness and accuracy when rotating equipment compared to gears or belts."

Throughout the 1990s, the company received lucrative defense contracts to mount cameras on helicopters and unmanned aerial vehicles. As a result, revenue grew from \$500,000 in 1995 to \$2.5 million in 2000.

But Sagebrush's early success proved a blessing and a curse.

Its rapid growth caught the eye of NextPath Technologies Inc., a North Carolina company that acquired Sagebrush in 1999 for an undisclosed price.

As a subsidiary of NextPath, it seemed the company was upward bound. But then the [dot.com](#) crash came in 2000, pulling the market down. NextPath slipped into financial crisis, dragging Sagebrush down with it.

"NextPath had asked us to develop more products, but when that company's funds ran out in the market crash in 2000, we were left out to dry," Zmuda says. "We had engineers working on new products and no revenue coming in."

By 2001, revenue had fallen 50 percent, to \$1.3 million. The company laid off more than half its workforce, cutting the payroll from 29 to just 13.

At that point, Zmuda and six other employees intervened to save Sagebrush.

"We provided a \$500,000 cash infusion through deferred salaries," Zmuda says. "We paid for it out of our own pockets."

The group struck an agreement whereby NextPath placed Sagebrush stock in escrow to be turned over to employees if NextPath couldn't pay back the loan within a year, Zmuda says.

Then, more hardship followed the Sept. 11 terrorist attacks.

Federal spending sharply declined, leading to the suspension of a defense contract with Northrop Grumman Corp. that had included a \$750,000 subcontract with Sagebrush.

"Things looked pretty bad at that point," Zmuda says.

In early 2002, however, Sagebrush finally got a break. The company applied for a \$265,000 loan under a post-9/11 Small Business Administration program to help companies affected by the terrorist attacks. The caveat was Sagebrush had to become independent of NextPath, because that firm did not qualify for SBA-backed assistance as a publicly traded company.

On Feb. 28, 2002, NextPath agreed to re-sell Sagebrush to Zmuda's group for \$50,000, plus the forfeiture of the \$500,000 that employees had lent the parent company.

"They still had six months to pay back our loan, but I knew they couldn't do it, so I asked them to just sell the company back to us," Zmuda says.

The same day Zmuda's group regained control, Sagebrush signed a three-year, \$1.5 million per annum contract with Denver-based Fischer Imaging, a medical device company that needed an advanced gimbal for an automated biopsy machine. Sagebrush was already supplying gimbals to Fischer -- which needed them for a biopsy needle with precise positioning -- but the three-year agreement represented Sagebrush's first steady contract with the Colorado company.

"It all came together on that one day," Zmuda says. "We got back controlling stock from NextPath and a three-year contract from Fischer to make autoguides for biopsy needles. The autoguide contract has kept us going."

Revenue bounced back to nearly \$3 million in 2002. And, despite a dip in 2003, sales continued to grow, reaching \$3.16 million in 2004 and \$3.47 million in 2005.

The company also re-located from a smaller space it rented locally to a 5,000-square-foot building in the North I-25 corridor. In 2005, it acquired a second 5,000-square-foot building nearby.

Last year, Sagebrush faced another crisis when Fischer went bankrupt.

Sales plummeted by 40 percent to \$2.1 million, says Vaughn Halford, Sagebrush's director of operations.

"We got a \$200,000 line of credit to get us through the dip last year," Halford says. "In times of crisis, we've really had to pull ourselves up by our own bootstraps."

However, Siemens Medical Solutions of Germany recently purchased the rights to manufacture Fischer's mammogram machines, leading to new gimbal orders. The company now projects \$4.15 million in revenue for 2007, and it already has \$1 million in new orders from Siemens for 2008, Halford says.

Perhaps most important, Sagebrush has diversified its products and client base. Defense contracts are still important, but Sagebrush now serves many commercial companies, with products such as navigation-related gimbals for ships and camera attachments for land vehicles.

Dean Goldsmith, president of Camera Car Industries Inc. in Los Angeles, says Sagebrush custom made the gimbals he needs to mount cameras on vehicles for truck and car commercials. The gimbals allow the cameras to move up and down or spin 360 degrees around the vehicle.

James Bliehall, president and CEO of Albuquerque-based Intelligent Target Systems LLC, says Sagebrush helped him create new technology to train security officers in gun battles.

Rather than the stationary, or right-to-left-moving dummies used for most training, Bliehall uses custom-made gimbals that allow targets to move in many directions.

"It's much more realistic this way," Bliehall says. "They created the prototype for the new targets. It's made them as real as they can be."

Sagebrush has also begun licensing its technology to targeted companies, such as a North Carolina firm that mounts rotating antennas on news vehicles, Halford says.

Royalties from the licenses have grown rapidly, from \$33,000 in 2002 to a projected \$582,000 this year.

"The royalties and our efforts to diversify our products and client base have helped a lot," Halford says. "In the long term, we expect our revenues to be much more stable."

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