

Rush for thermal cameras boosts Flir before factories reopen

April 22 2020, by Ed Ludlow



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First, it was ventilators for hospitals. Now, it's thermal body scanners for factories.

Demand for thermal-imaging equipment to screen workers' temperatures is soaring as manufacturers and businesses prepare to return to operations while trying to prevent the spread of COVID-19. Two of the industry's biggest manufacturers—Flir Systems Inc. and closely held Seek Thermal Inc. - say they're rushing to meet demand.

"When the virus moved in to Europe and North America, it was more Fortune 500 companies, hospital and health-care networks and immediate needs from essential business that were required to operate," Flir Chief Executive Officer Jim Cannon said in an interview. Now, talks with customers have transitioned to what will be required to keep workers safe when they're allowed to return to work.

Flir's shares gained more than 18% Monday and Tuesday, buoyed by prospects for the industry after Reuters reported on Amazon.com Inc.'s plans to use thermal cameras at its warehouses and Whole Foods locations. Amazon wouldn't identify the company making its scanners, and Wilsonville, Oregon-based Flir declined to comment. Seek Thermal said it has not supplied equipment to Amazon.

Automakers including General Motors Co. have also confirmed they're using thermal scanners, without naming their suppliers.

Big Demand

Scanners can be used to detect higher body temperatures, a common symptom of COVID-19. They measure temperature on the skin's surface using infrared light to create a thermal image. They come in different forms from complex, fixed-position scanners to more basic hand-held devices. Costs can range from \$2,500 to \$15,000 each.

Santa Barbara, California-based Seek Thermal, a younger and much smaller company than Flir, says it's the second-largest producer by

volume but focuses on lower-cost products, such as sensors that can be installed and used without training. Flir, by comparison, offers more complex solutions along with installation and training for thermographers.

Even so, Seek Thermal developed a body scanner in six weeks after demand first surged in Asia.

"We have been inundated," Bill Parrish, a Seek Thermal co-founder, said in an interview. Calls are coming from larger Fortune 500 companies, he added. "They are doing demos and evaluations to help them open up their factories. There is a big demand."

Broader Use

Prior to the COVID-19 outbreak, sales of thermal-imaging equipment and scanners was largely to the military and government authorities for use in border checks. About a third of Flir's revenue comes from the U.S. government, according to supply-chain data compiled by Bloomberg.

On an earnings call in February, Cannon had said he didn't expect COVID-spurred demand for thermal cameras to be a "needle mover" for the company, which had \$1.89 billion in sales for 2019. That might be changing now that impact on the U.S. economy has become more evident, an analyst said.

"It is likely that [thermal cameras](#) will be more commonly used as a screening device for large gatherings" such as sporting events, factories, and entertainment venues including Broadway theaters, Louie DiPalma, an analyst for William Blair & Co., wrote in a recent report. He maintained the equivalent of a buy rating on Flir.

Flir and Seek Thermal's executives both said they're confident they can meet the demand, but some customers may have to wait because of the intricacies of the technology and tight supply of some materials, such as aluminum used for the casings.

"If overnight huge industries place huge orders, that certainly will take time to satisfy those orders," Flir's Cannon said. The company is prioritizing sales to health-care providers and essential businesses, particularly as the lead time for manufacturing lengthens.

Fulfilling Orders

Seek Thermal has [intellectual property](#)-sharing arrangements with Raytheon Technologies Corp. and NXP Semiconductors NV, giving it some supply chain flexibility. Even so, building the equipment's core or chip set takes time.

"The problem is that when this pandemic turned up and you open the valve and say you want these tomorrow, you're actually many months away," Parrish said. "So it comes down to how many units you had in your inventory."

And the technology does have limits. "I am very careful to say that while we can measure a body temperature, that does not mean they are infected," Cannon said. "There are other things that can cause elevated temperature."

Seek Thermal's Parrish shares the sentiment. "Thermal imaging is not a panacea for determining whether or not you have a fever or whether or not you have COVID-19," he said.

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Citation: Rush for thermal cameras boosts Flir before factories reopen (2020, April 22) retrieved 19 April 2024 from

<https://techxplore.com/news/2020-04-thermal-cameras-boosts-flir-factories.html>

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