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## Technology

### Apple iPhone Rumor Boosts Biometrics Companies

By [Marie Mawad](#) and [Adam Ewing](#) on August 22, 2013

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Touchscreen technology's big break came in 2007 with the introduction of the iPhone. The popularity of Apple's ([AAPL](#)) smartphone—with an interface that allowed quick, intuitive Web browsing—led most competitors to quickly adopt the technology, reshaping the industry around pinches and swipes. With the next iPhone model widely expected by analysts to carry a fingerprint reader, makers of biometric security devices are enjoying big jumps in their share prices. Investors are betting that other phone manufacturers will quickly adopt physical identifiers to replace conventional passwords and signatures.

Apple bought fingerprint-sensor maker AuthenTec for \$350 million last year. Shortly after, the newly acquired company stopped selling its products to Apple competitors, including Hewlett-Packard ([HPQ](#)), Dell ([DELL](#)), Lenovo ([992:HK](#)), and mobile archrival Samsung ([005930:KS](#)). Apple will unveil a new iteration of the iPhone next month, according to a person familiar with the company's plans who wasn't authorized to discuss them publicly. ABI Research and KGI Securities Thailand ([KGI:TB](#)) are among the market research firms that say the device will include a fingerprint reader to speed electronic payments and retrieval of music, documents, and other files from remote cloud storage. Apple declined to comment. "We think iPhone will continue to lead Android ([GOOG](#)) phones and Windows ([MSFT](#)) Phone by a wide margin in fingerprint-sensing technology and design," KGI analyst Ming-Chi Kuo wrote in an Aug. 10 research note. "As such, Apple will likely be able to offer users a more secure and more intuitive way to conduct mobile payment transactions and access cloud computing services."

## Apple Lights a Fire Under Biometric Stocks



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Other smartphone and tablet makers took a new interest in biometrics after Apple's AuthenTec acquisition, says Thomas Marschall, chief executive officer of Swedish fingerprint-sensor maker Precise Biometrics ([PREC:SS](#)). "All competitors are looking for alternatives to match Apple," he says. "We are gearing up on the manufacturing side in the U.S." (He declined to provide specific numbers.) Shares of Marschall's company have almost doubled since the AuthenTec deal was announced in July 2012; the stock of Fingerprint Cards ([FINGB:SS](#)), another Swedish biometrics company, has risen more than tenfold, and shares of Norwegian biometrics company IDEX ([IEX](#)) have jumped more than fourfold.

Biometrics companies such as Gemalto ([GTO:NA](#)), Morpho, and Oberthur Technologies are already enjoying some success as governments and banks begin to adopt fingerprint and retina scanners and facial-recognition systems. In April researcher SmartMetric ([SMME](#)) said the global market for fingerprint scanners alone will top \$10 billion in the next five years. Morpho founder and Executive Vice President Bernard Didier, whose company issues driver's licenses carrying biometric chips in 42 U.S. states and sells to governments from Albania to Chile, says government IDs will continue to become more complex. Gemalto CEO Olivier Piou says the government of Oman, one of his clients, loads tax stamps and parking and speeding tickets onto its biometric ID card. Shares of Amsterdam-based Gemalto have jumped 41 percent in the past year; Morpho's parent, Safran ([SAF:FP](#)), has gained 52 percent.

Scanner makers have had trouble getting the devices onto mobile devices, though. Heavy-duty palm- and fingerprint-recognition systems use optical scanners too large and costly to build into a smartphone, and even the systems found on many consumer laptops have short life spans. In February the Pentagon signed a \$3 million deal with California-based biometrics company AOptix to develop a hardware add-on for smartphones that would enable soldiers to scan people's faces, eyes, voices, and thumbs.

For consumers, biometric identification has yet to make mobile payment and other uses convenient enough to be compelling, says Francisco Jeronimo, an analyst at market researcher IDC. "The only way this technology is going to become mainstream is if it truly brings additional value to users," Jeronimo says. "It's a risky bet." The first Motorola Atrix smartphone AT&T ([T](#)) sold two years ago had a fingerprint scanner, but the

technology wasn't in the Atrix 2, released later in 2011. "It is far from certain that biometrics are the next must-have technology," says Neil Mawston, an executive director at researcher Strategy Analytics.

Apple is one of the companies best suited to win over skeptics, says Fingerprint Cards CEO Johan Carlström. If "Apple gets its fingerprint solution to work seamlessly and delivers a great user experience, it will mean a paradigm shift," he says.

***The bottom line:** Biometrics companies are getting a share price kick on speculation the next iPhone will feature a fingerprint scanner.*

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