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First-Half Tally for 31 Large Contract Manufacturers

When results of 31 large contract manufacturers were rolled up in U.S. dollars, their first-half 2008 sales grew by a collective 21.9% (Table 1). Ostensibly, that's a pretty fair showing in spite of an anemic U.S. economy. But this calculation does not necessarily reflect market reality. Two factors are driving a wedge between computed growth and what actually happened in the market. The first is **Flextronics'** 64.0% first-half growth rate that was made possible by its acquisition of **Solectron**. As *MMI* pointed out last month, this rate does not include Solectron's sales for the first half of 2007 (Aug., p. 4). When an estimate of Solectron's sales for the period (\$5.89 billion) is plugged in, calculated growth falls to 15.0% (Table 2).

Secondly, a weakening U.S. dollar introduced some inflation in growth rates when revenues of Asian and European companies were converted to U.S. dollars. This distortion, which could be up to a few percentage points, further reduces the overall growth rate. *MMI* concluded that the market growth represented by these 31 companies was below 15% in the first half, but certainly still in double digits.

The 31 contract manufacturers in this tally consisted of 20 EMS providers and 11 ODMs, accounting for first-half sales of \$120.5 billion.

Although the 31 contract manufacturers together achieved double-digit sales growth in the first half, the same

Table 1: First-Half Results by Outsourcing Groups in M US\$

EMS Group	No. of cos.	Q1-2 '08 sales	Q1-2 '07 sales	% chg.	Q1-2 '08 net profit	Q1-2 '07 net profit	% chg.	Net margin
Asia-listed	7	30,872	25,635	20.4	1,067	1,136	-6.1	3.5
Europe-listed	6	3,716	3,374	10.1	(9)	(55)	NA	-0.2
US-listed	7	32,273	25,649	25.8	237	264	-10.2	0.7
Combined EMS	20	66,861	54,658	22.3	1,295	1,345	-3.7	1.9
ODM Group	11	53,611	44,191	21.3	1,524	1,393	9.4	2.8
Total/avg.	31	120,472	98,849	21.9	2,819	2,738	3.0	2.3

Table 2: First-Half Results by Outsourcing Groups in M US\$, Adjusted for Solectron Sales and Net Income in 2007

EMS Group	No. of cos.	Q1-2 '08 sales	Q1-2 '07 sales	% chg.	Q1-2 '08 net profit	Q1-2 '07 net profit	% chg.
Asia-listed	7	30,872	25,635	20.4	1,067	1,136	-6.1
Europe-listed	6	3,716	3,374	10.1	(9)	(55)	NA
US-listed	7	32,273	~31,535	~2.3	237	~291	~18.6
Combined EMS	20	66,861	60,544	10.4	1,295	1,372	-5.6
ODM Group	11	53,611	44,191	21.3	1,524	1,393	9.4
Total/avg.	31	120,472	104,735	15.0	2,819	2,765	2.0

cannot be said for their combined net profit. Total net profit, as expressed in U.S. dollars, rose 3.0% (Table 1).

When an estimate of Solectron's first-half 2007 net income (\$27 million) was added in, the net profit increase

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First Half

Table 3: Six-Month 2008 GAAP Results for Seven Large EMS Providers, US Traded (M\$ or %)

Company (in order of 6-mo. sales)	Q1-2 '08 sales	Q1-2 '07 sales	Yr.-yr. chg.	Q1-2 '08 net inc.	Q1-2 '07 net inc.
Flextronics	16,125.6	9,833.8	64.0	37.5	227.6
Jabil	6,146.9	5,936.8	3.5	14.4	20.1
Sanmina-SCI	3,720.7	3,461.3	7.5	(9.1)	(53.7)
Celestica	3,712.0	3,779.3	-1.8	69.6	(53.5)
Benchmark	1,366.7	1,508.8	-9.4	45.1	50.5
Plexus	907.4	739.8	22.7	39.5	25.7
Nam Tai	293.3	389.4	-24.7	40.2	47.2
Total/avg.	32,272.6	25,649.2	25.8	237.2	263.9

slipped to 2.0% (Table 2). Even this number probably includes some U.S.-dollar induced inflation. The EMS group saw its total net profit nominally decline by 3.7% from the year-earlier period (Table 1) or by 18.6% with the Solectron adjustment (Table 2). In contrast, the ODMs produced an overall profit increase of 9.4%. Overall net margin for the 31 companies in the first half stood at 2.3%. Net margin for the ODM group was 90 basis points higher than that of the EMS

side, not a surprising result.

Of the \$66.9 billion in EMS group sales for the first half, **Hon Hai Precision Industry** and Flextronics represented 63%. When they are excluded, composite growth for the other 18 providers drops to 5.4%.

Tables 3 and 4 reprise first-half results

published last month for the U.S.-traded EMS providers, with Table 4 adding in an estimate of Solectron's first-half revenue for 2007. Tables 5 through 8 on pages 2 and 3 present first-half results for the large EMS providers listed in Asia and Europe. Results are tabulated in both the companies' reporting currencies and U.S. dollars. Results in non-U.S. currencies were converted to U.S. dollars by using six-month averages for 2008 and 2007 based on monthly data from the

Table 4: Rough Estimate of Six-Month Growth Adjusting for Solectron Sales in 2007

Company (in order of 6-mo. sales)	Q1-2 '08 sales	Q1-2 '07 sales	Yr.-yr. chg.
Flextronics + Solectron	16,125.6	~15,720*	~2.6
Jabil	6,146.9	5,936.8	3.5
Sanmina-SCI	3,720.7	3,461.3	7.5
Celestica	3,712.0	3,779.3	-1.8
Benchmark	1,366.7	1,508.8	-9.4
Plexus	907.4	739.8	22.7
Nam Tai	293.3	389.4	-24.7
Total/avg.	32,272.6	~31,535	~2.3

* Estimate combines Flextronics' sales for the quarters ended March 31 and June 29, 2007 with Solectron's sales for the quarters ended March 2 and June 1, 2007.

U.S. Federal Reserve. Due to the declining value of the U.S. dollar, growth rates went up by varying amounts when reporting currencies were converted to U.S. dollars. To the extent that companies' manufacturing contracts were based on U.S. dollars, this is not a distortion. Companies that

Table 5: First-Half Results for Seven Asia-Based EMS Providers in M US\$

Company	Q1-2 '08 sales	Q1-2 '07 sales	Yr.- yr. %	Q1-2 '08 net profit	Q1-2 '07 net profit
Hon Hai	26,181	21,538	21.6	904	947
Cal-Comp	1,578	1,236	27.7	39	40
Venture	1,378	1,291	6.7	88	98
USI	1,127	891	26.4	29	27
SMT	210	196	6.8	(3)	4
Wong's Intl.	203	211	-3.7	3	3
Jurong	196	271	-27.8	7	17
Total/avg.	30,872	25,635	20.4	1,067	1,136

Currencies converted to US\$ using 6-month averages based on monthly 2008 and 2007 data from the US Federal Reserve.

Table 7: First-Half Results for Six European EMS Providers in M US\$

Company	Q1-2 '08 sales	Q1-2 '07 sales	Yr.- yr. %	Q1-2 '08 net profit	Q1-2 '07 net profit
Elcoteq	2,777	2,554	8.8	(39)	(90)
PartnerTech	213	197	8.4	(1)	5
Kitron	213	163	31.0	11	6
Neways	199	184	8.0	3	10
Scanfil	166	148	12.7	15	8
NOTE	146	129	13.4	3	6
Total/avg.	3,716	3,374	10.1	(9)	(55)

Currencies converted to US\$ using 6-month averages based on monthly 2008 and 2007 data from the US Federal Reserve.

Table 6: Q2 2008 and Six-Month Results for Seven Asia-Based EMS Providers

Company	Home base	Cur- rency	Q2 '08 sales	Q2 '07 sales	Yr.- yr. chg.	Q2 '08 net profit	Q2 '07 net profit	Q1-2 '08 sales	Q1-2 '07 sales	Yr.-yr. chg.	Q1-2 '08 net profit	Q1-2 '07 net profit	Yr.- yr. chg.
Hon Hai	Taiwan	M NT\$			*			811,033	711,257	14.0	28,008	31,261	-10.4
Cal-Comp	Thailand	M Baht	26,466	19,815	33.6	622	618	49,879	41,042	21.5	1,239	1,328	-6.7
Venture	Singapore	K S\$	972,506	1,004,653	-3.2	65,635	78,662	1,911,644	1,973,555	-3.1	121,969	149,374	-18.3
USI	Taiwan	M NT\$	16,694	14,735	13.3	288	394	34,900	29,439	18.5	895	905	-1.2
SMT	Hong Kong	K HK\$	867,045	816,843	6.1	(4,799)	15,410	1,634,323	1,533,372	6.6	(26,613)	29,646	-189.8
Wong's Intl.	Hong Kong	K HK\$						1,584,063	1,648,864	-3.9	25,722	24,851	3.5
Jurong	Singapore	K S\$	125,519	195,968	-35.9	4,110	13,895	271,503	414,284	-34.5	9,858	26,673	-63.0

* Not available for comparison.

Table 8: Q2 2008 and Six-Month Results for Six European EMS Providers

Company	Home base	Currency	Q2 '08 sales	Q2 '07 sales	Yr.-yr. chg.	Q2 '08 net profit	Q2 '07 net profit	Q1-2 '08 sales	Q1-2 '07 sales	Yr.-yr. chg.	Q1-2 '08 net profit	Q1-2 '07 net profit
Elcoteq	Luxembourg	M EUR	904.8	968.3	-6.6	(13.7)	(20.6)	1,813.6	1,920.8	-5.6	(25.3)	(67.5)
PartnerTech	Sweden	M SEK	694.7	683.1	1.7	3.7	16.0	1,306.7	1,365.3	-4.3	(6.1)	34.3
Kitron	Norway	M NOK	613.3	510.5	20.1	41.2	19.7	1,108.4	996.2	11.3	55.7	34.5
Neways	Netherlands	M EUR						130.0	138.6	-6.2	1.9	7.8
Scanfil	Finland	M EUR	58.7	58.9	-0.3	6.2	3.2	108.7	111.1	-2.2	9.8	6.3
NOTE	Sweden	M SEK	469.2	470.2	-0.2	8.2	22.4	896.5	895.2	0.1	15.7	38.4

Table 9: Consolidated First-Half Results for Ten Large Taiwan-Based ODMs in Millions of NT\$ (or %)

Company	Q1-2 '08 sales	Q1-2 '07 sales	Yr.-yr. chg.	Q1-2 '08 gross profit	Q1-2 '08 gross marg.	Q1-2 '07 gross profit	Q1-2 '07 gross marg.	Q1-2 '08 oper. profit	Q1-2 '08 oper. marg.	Q1-2 '07 oper. profit	Q1-2 '07 oper. marg.	Q1-2 '08 net profit	Q1-2 '07 net profit
Quanta	417,370	316,349	31.9	22,002	5.3	17,638	5.6	9,822	2.4	8,499	2.7	9,038	7,646
Asustek	345,700	370,003	-6.6	38,872	11.2	33,326	9.0	11,518	3.3	14,490	3.9	12,874	13,577
Compal	226,763	227,278	-0.2	15,404	6.8	15,068	6.6	8,174	3.6	9,837	4.3	6,424	5,852
Wistron	178,894	109,882	62.8	11,010	6.2	7,346	6.7	3,627	2.0	2,934	2.7	3,107	2,451
Inventec	149,633	115,592	29.4	6,704	4.5	6,122	5.3	1,302	0.9	1,523	1.3	1,964	2,524
Innolux	86,097	68,542	25.6	10,596	12.3	7,734	11.3	7,035	8.2	5,358	7.8	6,770	4,500
MiTAC	32,508	43,203	-24.8	4,716	14.5	6,399	14.8	786	2.4	2,348	5.4	1,204	2,413
Inventec Appliances	39,057	39,613	-1.4	4,442	11.4	4,336	10.9	1,473	3.8	1,946	4.9	1,420	1,581
Compal Communications	17,629	26,492	-33.5	1,746	9.9	2,791	10.5	378	2.1	1,579	6.0	705	2,142
Ability Enterprise	15,378	16,984	-9.5	1,365	8.9	2,093	12.3	663	4.3	1,333	7.8	700	1,055
Total/avg.	1,509,029	1,333,938	13.1	116,857	7.7	102,853	7.7	44,778	3.0	49,847	3.7	44,206	43,741

Net profit represents consolidated net income attributable to the parent company.

were paid in U.S. dollars actually gave up some revenue growth in the first half when payments were converted to native currencies. But in general, U.S.-dollar conversion did inflate growth rates where contracts were not transacted in U.S. dollars. Growth inflation most likely was greatest with European providers. But in order to do this glo-

bal analysis, company results must be expressed in the same currency.

First-half results for 10 large ODMs based in Taiwan appear in Table 9. Although their first-half sales increased 13.1% year

over year in NT dollars, net profit rose by just 1.1%. Table 10, which lists

Chart 1: First-Half Growth Rates for Hon Hai's Consolidated Sales

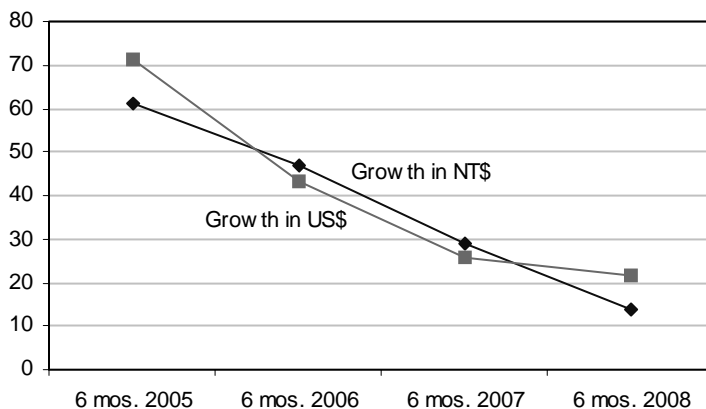


Table 10: First-Half Results for 11 ODMs in M US\$

Company	Q1-2 '08 sales	Q1-2 '07 sales	Yr.-yr. % chg.	Q1-2 '08 net profit	Q1-2 '07 net profit
Quanta	13,473	9,579	40.6	292	232
Asustek	11,160	11,204	-0.4	416	411
Compal	7,320	6,882	6.4	207	177
Wistron	5,775	3,327	73.6	100	74
TPV*	4,898	3,798	29.0	97	68
Inventec	4,830	3,500	38.0	63	76
Innolux	2,779	2,076	33.9	219	136
MiTAC	1,049	1,308	-19.8	39	73
Inventec Appliances	1,261	1,200	5.1	46	48
Compal Communications	569	802	-29.1	23	65
Ability Enterprise	496	514	-3.5	23	32
Total/avg.	53,611	44,191	21.3	1,524	1,393

Currency converted to US\$ using 6-month averages based on monthly 2008 and 2007 data from the US Federal Reserve.

*Hong Kong-listed company reports results in US\$.

Table 11: Components of Hon Hai's Consolidated Sales

Sales Component	Q1-2 '08 sales (M US\$)	Q1-2 '07 sales (M US\$)	Yr.-yr. chg. (%)
Hon Hai non-consolidated	19,865	15,450	28.6
Foxconn International Holdings	4,790	4,591	4.3
Other units	1,526	1,497	1.9
Hon Hai consolidated	26,181	21,538	21.6

ODM results in U.S. dollars, includes an eleventh ODM, **TPV Technology**, which reports results in U.S. dollars.

Law of large numbers may be catching up with Hon Hai

For the first half, Hon Hai, the world's largest EMS provider, reported consolidated sales of NT\$811.03

billion, up 14.0% year over year. Expressed in U.S. dollars, consolidated sales for the period amounted to \$26.18 billion, representing an increase of 21.6% from a year earlier. First-half growth rates for Hon Hai have now declined three years in a row (Chart 1, p. 3).

Hon Hai's non-consolidated sales for the first half grew by 20.6% in NT\$ or 28.6% in US\$, which were above the corresponding increases in consolidated sales. Performance of **Foxconn International Holdings**, Hon Hai's handset subsidiary, and other Hon Hai units exerted a drag on consolidated sales growth. In U.S.-dollar terms, FIH's six-month sales increased by 4.3% year over year, while other units eked out growth of 1.9% (Table 11).

bulbs per month.

LED lighting, which involves solid-state devices, is a technology that is perhaps closer to home for EMS providers. Celestica, for example, has an LED lighting customer, for whom Celestica provides highly automated manufacturing (July, p. 2). What's more, **Hon Hai Precision Industry**, the world's largest EMS provider, has set its sights on LED lighting. Last year, Hon Hai group subsidiaries and affiliates bought a 46.6% stake in an LED manufacturer, **Advanced Optoelectronic Technology**. Less than three months later, *CENS.com*, a Taiwan news source, reported that Hon Hai had entered into an agreement to establish an LED manufacturing plant at Wuhan in China's Hubei province.

Not just for the big players

Green business is not the exclusive domain of the largest EMS providers. In the case of Finland's **Incap**, energy efficiency is one of the company's three business units in a new structure that went into effect this month. For customers in this unit, Incap is manufacturing devices and parts for generators and electric motors, energy meters, power supply units, electrical cabinets, and UPS inverters. The company believes that the energy efficiency unit will produce significant growth and profitability potential for Incap.

Green Business

New Green Niches

As the world looks for alternative sources of energy and ways to conserve it, green business opportunities are opening up for the EMS industry. July's cover story took the first stab at identifying these opportunities. Here's an update with some new information.

While the outsourcing of solar panels is in its infancy, some EMS providers want to be ready for this trend before it's out of diapers. For the July article, Flextronics' president of its industrial segment, E.C. Sykes, told *MMI* that photovoltaic module assembly fit well within the company's general manufacturing capabilities. Now Flextronics appears to be readying itself for production in the solar panel arena, if a newspaper account proves true. This month, a local newspaper in California, the *Morgan Hill Times*, reported that Flextronics has leased 155,520 ft² in Morgan Hill to produce "solar panel parts." (Morgan Hill is near San Jose.) Dedicating a facility of this size for solar panel work shows

that Flextronics expects outsourced production volumes to come its way.

Flextronics is not alone in its pursuit of solar module outsourcing. **Celestica** is ramping business in solar panels out of its facility in Spain and has slated additional facilities to have solar module capability (July, p. 2). With these two major players engaged in solar panel activity, others in the EMS industry have to be at least thinking about it. Take **Sanmina-SCI**. The company would not comment about solar modules because of proprietary concerns.

On the conservation side of green business, energy-efficient lighting has emerged as another niche that appeals to a growing number of EMS providers. The latest company to enter the lighting arena is **Jurong Technologies**, which has formed a joint venture with a European partner to design, develop and manufacture compact fluorescent light bulbs for the European and American markets. Jurong plans to invest up to \$50 million over the next 12 months in its new 500,000-ft² facility in Nusajaya, Johor, Malaysia, targeted to produce up to 50 million light

News

Dell Said To Be Shopping Factories

According to a widely circulated but unconfirmed report by *The Wall Street Journal*, **Dell** is looking for buyers to take over Dell factories in what potentially could be one of the largest chunks of outsourcing ever seen by the contract manufacturing business. If Dell does sell plants to contract manufacturers, the move would certainly

affirm Dell's pledge to have more and deeper relationships with EMS companies and ODMs under a new supply chain strategy (April, p. 1). The strategy is part of a plan to generate \$3 billion in annualized savings for Dell over three years.

Dell has offered to sell its factories around the world to contract manufacturers, *The Journal* reported, citing people familiar with the situation. An unnamed source privy to Dell's plan told the *Journal* that he believes Dell will divest most, if not all, of its plants within the next 18 months.

Wistron is evaluating the possibility of acquiring Dell's plants, Taiwan news source *CENS.com* reported, citing Wistron's chairman, Simon Lin.

As of Feb. 1, 2008, Dell occupied 3.6 million ft² of manufacturing and distribution in the U.S. and Brazil, 1.0 million ft² of such space in Europe, and 1.25 million ft² in Asia. Earlier this year, the company announced it will close its desktop manufacturing facility in Austin, TX. Besides Texas, Dell operates plants in Florida, North Carolina and Tennessee as well as Brazil, Ireland, Poland, China, Malaysia and India.

As the EMS world knows, plants in high-cost areas are generally unattractive to EMS companies. But there is one exception: when the capacity needs of a large contract cannot be met without acquiring high-cost facilities. If a provider did entertain taking over high-cost plants from Dell, it is likely that the provider would want Dell to foot the bill for any subsequent closures of acquired facilities.

Elcoteq Acquires TV Operation from Philips

Elcoteq (Luxembourg) has purchased **Philips'** flat panel TV (FTV) assembly operations in Juarez, Mexico. As part of the deal, Elcoteq will provide Philips with manufacturing services for its Latin American FTV

business and its PBS (Philips Business Services) business in the Americas under a long-term agreement. In addition, Elcoteq has a long-term contract from Japan's **Funai Electric** to supply EMS to Funai's FTV business in North America. Under a brand licensing agreement implemented in August, Funai is taking over sourcing, distribution, marketing and sales of Philips' consumer TV business in the U.S. and Canada.

Elcoteq will pay about \$32 million in cash for this acquisition, which includes certain fixed assets and inventories of the Philips operation in Juarez. Philips' personnel in Juarez will go to work for Elcoteq. The Juarez plant employs about 740 people. Elcoteq will lease 20,000 m² of required manufacturing space.

The provider expects that the deal will bring revenue in the range of \$200 million this year, including LCD panels, and \$250 million in the following years, excluding LCD panels. Elcoteq anticipates that the deal will have a positive impact on the company's home communications profitability in 2008.

"This acquisition significantly accelerates the development of our home communications business and service offering. This deal marks our entrance into complete final assembly of FTVs, a strategic product segment for us where we so far have provided printed circuit assemblies and various subassemblies to our customers," stated Vesa Keränen, president of Elcoteq Home Communications.

The transaction gives Elcoteq capabilities to offer final assembly services for FTVs as well as related engineering and new product introduction, supply chain management and sourcing services.

Philips said the transfer of its TV assembly facility in Juarez marks another step taken by Philips to improve the financial performance of its TV business through the optimization of

its supply base.

Philips' FTV business already makes extensive use of outsourcing. It is well known that **TPV** and **Jabil Circuit** assemble LCD TVs for Philips (Dec. 2007, p. 3). Earlier this year in January, two published reports citing the Chinese-language *Commercial Times* named **Qisda** (formerly part of **BenQ**), Funai and China's **TCL** as new contract suppliers of LCD TVs for Philips.

More LCD TV outsourcing predicted

A number of Japanese and South Korean LCD TV OEMs are considering raising the level of their outsourcing, market research firm *iSuppli* reported recently. Except for Philips, the other top-five LCD-TV OEMs – **Samsung**, **Sony**, **Sharp** and **LG** – all rely primarily on in-house production. But *iSuppli* believes that these Asian OEMs are looking to gain financial and operational leverage from EMS providers and ODMs. The major LCD-TV OEMs told *iSuppli* that the use of contract manufacturing could help them to improve risk mitigation and asset flexibility during a time of economic uncertainty.

In keeping with this view, *iSuppli* predicts that contract manufacturing will account for 41.1% of LCD TV revenue in 2012, up from 28.2% in 2007. This year, the outsourced share is projected to reach 35.2%.

Citing news in the *Nikkei* business daily, *Reuters* reported last month that **Sony** and **Toshiba** plan to "sharply increase" the percentage of their LCD TVs made by Taiwanese contract manufacturers. According to information published by *Nikkei* and reported by *Reuters*, Sony's outsourcing of LCD TV production will grow from 500,000 units in fiscal 2007 to over 3 million in the current fiscal year. The Japanese paper also said Toshiba has farmed out some LCD TV manufacturing to **Compal Electronics**, which is

expected to produce about 20% of Toshiba's LCD TVs in fiscal 2008.

It is rumored (underline rumored) that **Hon Hai Precision Industry** (Tucheng City, Taiwan), the world's largest EMS provider, is the beneficiary of Sony's increase in LCD TV outsourcing, according to *Nikkei*. While this rumor cannot be substantiated, Hon Hai recently bought 120 pieces of equipment from **Sony Manufacturing Systems** at a cost of NT\$557.1 million (\$17.3 million), according to several published reports. Hon Hai reported to the Taiwan Stock Exchange that **Fanuc**, a robotics company, was the trading counterpart for this transaction. Hence, the conclusion can be drawn that this purchase involved robotics equipment. Although the products to be manufactured with this equipment were not disclosed, it can still be noted that TV assembly is well-suited to robotics.

In another example of this outsourcing trend, news sources reported in January that **Sharp** was planning a major order for LCD TVs to be made by Taiwan's contract manufacturing industry.

Kimball Adds Florida Provider

Kimball Electronics Group (Jasper, IN), a subsidiary of publicly held **Kimball International**, has acquired **Genesis Electronics Manufacturing**, a privately owned EMS company located in Tampa, FL. The acquisition supports Kimball's growth and diversification strategy, bringing new customers in key target markets.

Offering manufacturing and repair services, Genesis recorded sales of about \$16 million last year. The company's website lists the number of its employees as 100.

Under the terms of the deal, Kimball Electronics Group (KEG) acquired the assets and certain liabilities of Genesis and will move its opera-

tions and workforce to the KEG-Tampa facility located less than one mile away from the existing Genesis facility. Consolidation of the two facilities is scheduled to be completed in about six months.

"This opportunity to combine these manufacturing resources will better support the growing demand for specialty medical, high-end industrial and public safety products," stated Don Charron, president of Kimball Electronics.

The acquisition also enhances Kimball's service offering through the addition of certain after-market refurbishing, repair and reverse logistics capabilities. Within Genesis' operations is a warranty and repair depot.

A top-20 EMS provider in 2007, KEG specializes in durable electronics for the automotive, medical, industrial, and public safety markets.

The purchase price was not disclosed.

Creation Buys Circuit Service and Its China Unit

Creation Technologies (Burnaby, BC, Canada), a Top-50 EMS provider, has acquired **Circuit Service, Inc.** (CSI) of Wheeling, IL, and its subsidiary, **Changzhou CSI, Ltd.** of Changzhou, China. Financial terms were not released.

The acquisition extends Creation's footprint in the Central U.S. region and gives the Canadian company its first manufacturing facility in Asia. Creation said its new Asian business unit expands the company's Right-Shore manufacturing solutions, which provide customers with local, regional and global solutions.

This deal marks Creation's sixth acquisition in the past five years. Creation said the acquisition further solidifies the company's position among the top 15 EMS providers in North

America.

Circuit Service is described as a Top-100 contract manufacturer. The company's "similar service, technical capabilities, profit momentum and growth opportunities will only serve to enhance and reinforce our existing operations and customer offerings," said Arthur Tymos, president and CEO of Creation Technologies.

CSI's Wheeling operation, now called Creation Technologies – Chicago, employs 255 people in a 53,000-ft² facility and has about 20 customers. The operation has served customers in the Central and Eastern U.S. since 1972. Employees in the Wheeling facility will continue to report to James Herring, CSI's president and CEO. He will also play a key role in ensuring a smooth transition for both the Chicago and China facilities over the coming months.

The China facility, now called Creation Technologies – Changzhou, is located in Jiangsu province. "This opens up a new growth market opportunity in Asia for Creation," said Tymos. "In addition, Changzhou will provide services to our North American customers who have products whose Right-Shore manufacturing needs fit an Asian model." Charles Ma will continue as the operation's GM, overseeing 56 people who work in the 36,000-ft² facility. It has ten customers.

The Chicago and Changzhou operations become Creation's tenth and eleventh facilities, or business units. With the addition of these two units, Creation is projecting 2008 sales of \$385 million. Its combined workforce now stands at about 2,200 people.

Joint Venture in India

Jurong Technologies (Singapore), a top-20 EMS provider in 2007, and **SemIndia** (Bangalore, India) have agreed to form a joint venture to provide ODM, electronics assembly, test-

ing, marking and packaging services in India for a range of networking products. The joint venture agreement states that services will include box build for SemIndia's products such as set top boxes, WiMax consumer premise equipment and ADSL modems for broadband and consumer markets in India.

Jurong will own about 60% of this venture called **JSEMTECH Holdings**, and SemIndia will hold the remaining stake of about 40%. The venture will start with capital of \$21.0 million (\$14.8 million) including 10 SMT lines. Six of them will be supplied by Jurong, and four will be contributed by SemIndia, who will buy them from Jurong and pay with SemIndia stock.

The agreement describes SemIndia as an ODM that engineers, designs and distributes communication and consumer electronic products. That's one of SemIndia's activities. The company was originally started for the purpose of manufacturing semiconductor chips in India.

While SemIndia's proposed wafer fab project has yet to be realized, the company is building a semiconductor ATMP (assembly, test, mark and pack) facility in Hyderabad, India. *EE Times* reported that the proposed joint venture will manufacture in this facility.

Jurong believes that the venture will enable it to gain immediate access to the Indian market and establish a strong presence there. The company also sees the venture as further expanding its ODM product range and customer base.

According to the agreement, the venture will combine Jurong's strengths in EMS with SemIndia's ODM capabilities.

EE Times reported that the venture aims to produce cell-phone modules, which reduce design time. Jurong brings technology for such modules.

Jurong is not the first EMS provider to be involved with SemIndia. **Flex-**

tronics became a preferred manufacturing partner for SemIndia under a 2006 agreement by which Flextronics was to invest an unspecified sum.

Medical venture

In addition, Jurong has entered into a joint venture agreement with **Spirit Solutions** (Dayton, OH) to design, develop and manufacture a breast cancer screening system. The system uses infrared thermal imaging cameras for the detection of breast cancer. One Jurong subsidiary will manufacture the system, and another will market it. The system will undergo clinical trials in Singapore.

This agreement is in line with Jurong's strategy to focus on higher value-added products and penetrate into the healthcare sector.

Meanwhile, Jurong has established a new business unit, **Microfab Holding**, to provide mechanical contract manufacturing services for the semiconductor, industrial control and biotechnology industries. Expected to contribute up to 15% to 20% of Jurong's 2008 revenue, the new unit will bring together assets from subsidiaries in China and Malaysia.

Alliances... EMS provider **BreconRidge** and **AFORE Solutions**, both of which are headquartered in Ottawa, Canada, have formed a partnership to offer complete design and manufacturing solutions. By establishing this relationship with AFORE, BreconRidge can expand the scope of its product lifecycle services to include embedded software and systems development. *...Hunter Technology* (Santa Clara, CA), an EMS company with board fabrication capabilities, and PCB fabricator **Hallmark Circuits** (Poway, CA) have launched a joint market campaign.

Some new business... **Plexus** (Neenah, WI) has landed the primary contract to manufacture pharmacy au-

tomation systems for **Kirby Lester** (Lake Forest, IL), a provider of automated tablet machines. Production will take place in Plexus' Buffalo Grove, IL, facility. *...Key Tronic* (Spokane Valley, WA) expects to begin work in December on a new manufacturing program for **Kaz** (Southborough, MA), a healthcare and home comfort device company. Over the long term, Key Tronic expects to add several other Kaz product programs. All told, the Kaz programs, when in full production, are anticipated to contribute over \$25 million to Key Tronic's annual revenue. Key Tronic intends to carry out manufacturing in its primary plant in Juarez, Mexico.

Jabil Base To Stay in St. Petersburg Will expand manufacturing there also

Rewarded with state and local government incentives, **Jabil Circuit** has decided to keep its headquarters in St. Petersburg, FL, and to significantly expand its local manufacturing and employment in future years.

"In light of the substantial support from the State of Florida, Pinellas County and the City of St. Petersburg, we intend to proceed with a plan to build a new manufacturing plant and consolidate corporate functions in a single location," stated Timothy Main, Jabil's president and CEO.

According to two Florida newspapers, Jabil will spend \$54 million to build a complex on the city's Gandy Boulevard. *The St. Petersburg Times* reported that the company will construct a new headquarters plus manufacturing, research and development facilities. Jabil plans to break ground later this year.

The incentive package from the state, county and city totals \$26.6 million, not counting \$11 million in road improvements previously committed to. Under performance-based incen-

News

tives, Jabil expects to add 850 employees to meet the growing needs of its defense and aerospace business. The company currently employs 1,880 people in St. Petersburg.

In February, Jabil began a process to determine whether to consolidate operations in Florida, consider alternative locations or remain in its current location (July, p. 7). According to Jabil, several states, including California and Michigan, prepared incentive bids to attract the company's headquarters and manufacturing operations.

Jabil made public its decision a day after the company announced a layoff of 120 employees in St. Petersburg, according to local media.

More new facilities... **Foxconn Technology Group** is the lead tenant at the Centre at Cypress Creek, the former corporate headquarters for **Compaq Computer** in northwest Houston, TX. The campus development consists of more than 630,000 ft² of office space. "Foxconn wanted to capitalize on working with **HP** and other clients as it looks to grow its business," said Brad Marnitz, principal of **NAI Houston**, who represented Foxconn. ...Plexus plans to open its second plant in China (its third in Asia) and has agreed to lease about 106,000 ft² in a technology park located in Hangzhou. The company said the

new facility will allow Plexus to better serve global customers with regional decision centers in the greater Shanghai area. Plexus will also gain greater access to the pool of technical talent in the Hangzhou area. Production is expected to begin late in Q1 of fiscal 2009. ...**ESCATEC** (Penang, Malaysia) recently launched its third plant in Malaysia with 1,500 m² of manufacturing space and 2,500 m² of storage and office space. Located in Bayan Lepas, the new facility now employs 120 people, and ESCATEC expects the number of workers to reach 200 by year end. Included in the facility's office space is a new design center. The provider gained two SMT lines with the new facility and, due to strong business growth, just purchased three lines for ESCATEC's main electronics assembly facility in Penang. ...**The Morey Corporation**, a provider of hardened electronics, broke ground this month on a major expansion of manufacturing capacity at its Woodridge, IL, headquarters. To 52,000 ft² of existing manufacturing space, Morey will add 45,000 ft² of manufacturing, 29,000 ft² of warehousing, and an additional support area. The expansion project also includes additional manufacturing automation that, once fully deployed, will give Morey a 280% increase in production capacity. ...**TDG Technology**, an EMS provid-

er that operates exclusively in China, has set up a new manufacturing base in Southern China under the name TDG Technology Shenzhen Co. Ltd. The new Shenzhen facility started production this month. TDG Technology was founded two or three years ago (depending on the source) as an EMS platform of its parent company, publicly held **TDG Holding**. The Chinese provider also has an operation in the Eastern China province of Zhejiang.

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