
THE WORLDWIDE ELECTRONICS MANUFACTURING SERVICES MARKET – 2014 EDITION

**The Most Comprehensive Study Available on the
Worldwide EMS Market**

2014 EDITION

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Table of Contents

Chapter 1 – Introduction.....	1
1.1 Report Objectives and Scope	1
1.2 Organization.....	2
1.3 Assumptions.....	3
1.4 Definitions.....	3
1.5 Research Methodology	4
1.6 Field Questionnaire.....	5
Chapter 2 - Executive Summary.....	8
2.1 Overview	8
2.2 Worldwide Electronics Market Forecast.....	9
2.3 Regional Market Share.....	12
2.4 Application Market Share	13
2.5 CM Market Share	14
2.6 CM Performance	15
Chapter 3 - Economic Outlook and Worldwide Electronics Industry Forecast.....	17
3.1 World and Semiconductor Overview.....	17
3.2 Not All Economies Recovering Equally; Unrest Remains.....	17
3.3 World GDP	18
3.4 Global Electronics Market.....	23
3.5 Electronics Industry Summary Forecast.....	25
3.5.1 Communications	25
3.5.1.1 Cellular Handsets	29
3.5.1.2 Cellular Infrastructure	29
3.5.1.3 Other Phones	30
3.5.1.4 Enterprise LANs.....	30
3.5.1.5 Wireless LANs.....	31
3.5.1.6 DSL and Cable Modems	32

3.5.1.7	PBX/Other CPE	32
3.5.1.8	Carrier-Class Equipment	33
3.5.1.9	Other Communications Equipment	33
3.5.2	Computers.....	34
3.5.2.1	Personal Computers.....	36
3.5.2.2	Tablets.....	36
3.5.2.3	Servers.....	36
3.5.2.4	Workstations.....	37
3.5.2.5	Enterprise Storage Systems	37
3.5.2.6	Flash Drives	38
3.5.2.7	Monitors.....	38
3.5.2.8	Printers.....	39
3.5.2.9	E-Readers	39
3.5.3	Consumer	40
3.5.3.1	Televisions.....	43
3.5.3.2	Set-Top Boxes.....	43
3.5.3.3	DVD Players/Recorders	44
3.5.3.4	Digital Cameras	44
3.5.3.5	Console Video Games	45
3.5.3.6	MP3 Players.....	45
3.5.3.7	Personal Navigation Devices	45
3.5.4	Industrial	45
3.5.5	Medical.....	48
3.5.6	Automotive	50
3.5.7	Commercial Aviation, Defense, and Other Transportation	52
Chapter 4 – Industry Structure		55
4.1	Overview	55
4.2	The Worldwide OEM Market for Electronics Products.....	58
4.3	Manufacturing Sources for Electronics Products.....	61

4.4	EMS Market by Industry Segment, 2013	63
4.5	CM Market by Company Size	65
4.6	CM Statistics by Company Size	67
4.7	Regional Market Share.....	68
4.7.1	Americas.....	69
4.7.1.1	Brazil.....	70
4.7.1.2	Canada	71
4.7.1.3	Mexico.....	72
4.7.1.4	Puerto Rico.....	75
4.7.1.5	United States.....	76
4.7.2	EMEA.....	83
4.7.2.1	Austria	83
4.7.2.2	Belgium	84
4.7.2.3	Bulgaria	84
4.7.2.4	Czech Republic	85
4.7.2.5	England.....	87
4.7.2.6	Estonia.....	87
4.7.2.7	Finland.....	88
4.7.2.8	France.....	89
4.7.2.9	Germany.....	91
4.7.2.10	Hungary.....	93
4.7.2.11	Ireland	95
4.7.2.12	Israel.....	95
4.7.2.13	Italy.....	96
4.7.2.14	Lithuania.....	97
4.7.2.15	Morocco	97
4.7.2.16	Netherlands.....	98
4.7.2.17	Norway	99
4.7.2.18	Poland	99

4.7.2.19	Romania	100
4.7.2.20	Russia	101
4.7.2.21	Scotland.....	102
4.7.2.22	Serbia	103
4.7.2.23	Slovakia	103
4.7.2.24	Spain.....	104
4.7.2.25	Sweden.....	105
4.7.2.26	Switzerland.....	105
4.7.2.27	Tunisia	106
4.7.2.28	Turkey.....	107
4.7.2.29	Ukraine.....	107
4.7.3	APAC.....	108
4.7.3.1	Australia	109
4.7.3.2	China	109
4.7.3.3	India	116
4.7.3.4	Indonesia.....	117
4.7.3.5	Japan	118
4.7.3.6	Malaysia	119
4.7.3.7	Philippines.....	121
4.7.3.8	Singapore	121
4.7.3.9	Taiwan.....	122
4.7.3.10	Thailand.....	124
4.7.3.11	Vietnam.....	125
4.7.4	Summary	126
4.8	Industry Segment Market Share	131
4.8.1	Communications	133
4.8.2	Computer	135
4.8.3	Consumer Electronics	137
4.8.4	Industrial	139

4.8.5	Medical.....	141
4.8.6	Automotive	143
4.8.7	Commercial Aviation, Defense, and Other Transportation	145
4.8.8	Industry Segment Market Summary	146
4.9	Worldwide CM Market Share by Revenue	149
Chapter 5 – CM Industry Forecasts, 2013 - 2018.....		154
5.1	The Worldwide CM Market, 2013–2018	155
5.2	The Worldwide OEM Market for Electronics Products, 2013–2018.....	157
5.3	Manufacturing Sources for Electronics Products, 2013–2018.....	160
5.4	OEM Market by Industry Segment, 2018	162
5.5	CM Market by Company Size	164
5.6	Regional Market Share.....	165
5.6.1	Americas.....	168
5.6.1.1	Automotive	172
5.6.1.2	Communications	172
5.6.1.3	Computer	173
5.6.1.4	Consumer	174
5.6.1.5	Industrial	175
5.6.1.6	Medical.....	176
5.6.1.7	Commercial Aviation.....	176
5.6.1.8	Defense and Other Transportation.....	177
5.6.2	EMEA.....	177
5.6.2.1	Automotive	182
5.6.2.2	Communications	183
5.6.2.3	Computer	184
5.6.2.4	Consumer	184
5.6.2.5	Industrial	185
5.6.2.6	Medical.....	186
5.6.2.7	Commercial Aviation.....	186

5.6.2.8	Defense and Other Transportation	187
5.6.3	APAC.....	187
5.6.3.1	Automotive	192
5.6.3.2	Communications	192
5.6.3.3	Computer	193
5.6.3.4	Consumer	194
5.6.3.5	Industrial	195
5.6.3.6	Medical.....	195
5.6.3.7	Commercial Aviation	196
5.6.3.8	Defense and Other Transportation.....	196
5.6.4	Market Summary by Country.....	197
5.7	Market Application Segment Forecast	203
5.7.1	Communications	205
5.7.2	Computer	208
5.7.3	Consumer	211
5.7.4	Industrial	214
5.7.5	Medical.....	216
5.7.6	Automotive	218
5.7.7	Commercial Aviation, Defense, and Other Transportation	220
5.7.8	Market Summary by Product Application.....	223
Chapter 6 – Financial and Production Benchmarks		230
6.1	Contract Manufacturing Profitability.....	230
6.2	Financial Performance Benchmarks.....	238
6.2.1	Sales Growth	238
6.2.2	Net Income.....	238
6.2.2.1	Improvement in Net Income.....	238
6.2.3	Gross Margin	241
6.2.4	Return on Assets	242
6.2.5	Return on Equity	243

6.2.6	Revenue per Employee	244
6.2.7	Revenue per Square Foot.....	245
6.2.8	Other Performance Metrics	246
6.2.8.1	Average Collection Period.....	247
6.2.8.2	Inventory Turns	248
6.2.8.3	Cash.....	250
6.2.8.4	Debt Percentage	251
6.2.9	Earnings per Share Growth	252
6.3	Summary Performance Rating for 2013	254
6.4	Wage Rates by Country.....	259
6.4.1	Americas.....	263
6.4.2	EMEA.....	263
6.4.3	APAC.....	263
6.4.4	Summary	264
Chapter 7: Mergers and Acquisitions.....		267
7.1	Recent Activity	267
7.1.1	Mergers and Acquisitions in 2008.....	267
7.1.2	Mergers and Acquisitions in 2009.....	273
7.1.3	Mergers and Acquisitions in 2010.....	276
7.1.4	Mergers and Acquisitions in 2011.....	280
7.1.5	Mergers and Acquisitions in 2012.....	283
7.1.6	Mergers and Acquisitions in 2013.....	286
7.1.7	Summary of Leading CM Acquisitions.....	289
7.2	Acquisition Classes and Valuations	291
7.2.1	Strategic Acquisition	291
7.2.2	OEM Rationalization or Divestiture	291
7.2.3	Diversification	292
7.2.4	Capital Investment	293
7.2.5	Industry Acquisition Valuations	293

7.2.6	Acquisition Valuation Methodologies.....	298
7.2.6.1	Book Value of Assets.....	298
7.2.6.2	Earning Potential.....	298
7.3	OEM Opportunities.....	298
7.3.1	Americas.....	299
7.3.2	EMEA.....	299
7.3.3	APAC.....	299
Chapter 8: Company Profiles		301
3CEMS Group.....		302
Ability Enterprise Co.		305
Accellent.....		308
Accton Technology.....		311
Alco Electronics.....		314
ALL CIRCUITS.....		317
AmTRAN Technology Co., Ltd.		319
AsteelFlash.....		321
Ayrshire Electronics		324
Balda Solutions Malaysia		327
Benchmark Electronics, Inc.		328
Beyonics Technology, Ltd.....		332
Cal-Comp Electronics		335
Celestica.....		336
Cicor Technologies Group.....		339
COB Technology.....		342
Compal Communications.....		343
Compal Electronics.....		344
Computime		347
Connect Group.....		350
Creation Technologies		353

CTS Corporation	357
Delta Electronics	358
Di-Nikko Engineering.....	362
D-Link	364
DRS Technologies	367
Ducommun LaBarge Technologies.....	370
Elite Industrial Group	374
EliteGroup Computer Systems.....	377
EN ElectronicNetwork.....	380
Enics	381
EOLANE	384
EPIC Technologies, LLC.....	387
ESCATEC	388
Fabrinet	391
Fittec International	394
Flextronics International	397
Foxconn-Hon Hai Precision Industry Co., Ltd.....	403
GigaByte Technology Corp.....	409
Gigatek, Inc. – Top Union Electronics	412
Global Brands Manufacturing	415
Hana Microelectronics	417
IEC Electronics.....	420
Integrated Micro-Electronics, Inc.....	423
Inventec	426
Jabil Circuit, Inc.	429
KeyTronicEMS	435
Kimball Electronics Group.....	438
Kitron.....	441
Kontron AG.....	444

LACROIX Electronics Solutions	445
Lite-On Technology	448
MC ASSEMBLY	451
Micro-Star International	454
MiTAC International.....	457
Nam Tai Electronics.....	460
NATEL EMS.....	463
New Kinpo Group.....	466
Neways Electronics International N.V.....	470
Nippon Manufacturing Service	473
NOTE AB	475
OnCore Manufacturing Services, LLC.....	478
Orient Semiconductor Electronics, Ltd.	481
PartnerTech.....	484
PCI, Ltd.	487
Pegatron.....	490
PKC Group	493
Plexus Corp.	496
Providence Enterprise.....	499
Qisda Corporation.....	502
Quanta Computer	505
Sanmina-SCI Corporation.....	508
Scanfil PLC	511
Selcom Elettronica	514
Shenzhen Kaifa Technology	517
SigmaTron International	520
SIIX.....	523
SMTC	526
SMT Technologies	529

Sparton Technologies.....	531
Sumitronics Corp.....	534
Surface Mount Technology Holdings.....	537
SVI Public Co., Ltd.....	540
Tatung Group	543
Topscom Electronics	546
TPV Technology, Ltd.....	549
TT Electronics PLC	552
UMC Electronics.....	555
Universal Scientific Industrial Co., Ltd.	557
Venture Manufacturing	560
VIDEOTON Holding.....	563
V.S. Industry Berhad.....	566
VTech CMS	569
Wistron	572
WKK Technology, Ltd.	575
Wong’s Electronics.....	578
Zollner Group	581

Chapter 1 – Introduction

1.1 Report Objectives and Scope

The objective of this report is to provide a macroeconomic understanding of the worldwide contract manufacturing (CM) services market for interested electronics manufacturing services (EMS) firms, original design manufacturers (ODMs), original equipment manufacturers (OEMs), component manufacturers, equipment suppliers, distributors, consultants, and investment analysts. Throughout this report, CM will refer to the combined industry, whereas EMS and ODM companies are the primary subcontractors.

In this report, 88 contract manufacturers and original design manufacturers are profiled. NVR (and its predecessor Electronic Trend Publications) has followed this market for twenty years, continuously expanding its coverage and market analysis. With each new report, NVR’s research methodology, quality of data, and collective knowledge has improved, to the benefit of the reader and the entire industry.

For the last twenty years, the generic term “contract manufacturing” has been identified almost solely with a very specific niche within the overall durable goods market—that of electronics equipment. This is ironic, as the notion of “contract manufacturing” could be applied to any industry segment (aerospace, appliances, automotive, construction, etc.) that manufactures finished goods, yet over the last few years it has been exclusively linked to the electronics—specifically the high-tech electronics—market segment. As the electronics manufacturing industry has evolved over the years, the term “electronics manufacturing services” (EMS) has come to be used to refer both to the overall industry and to a specific class of subcontractor.

The current report focuses on the entire CM market, but pays special attention to the production of advanced, state-of-the-art electronics products, which are having a considerable impact on the world today. Indeed, the availability of microprocessor-driven wireless communication devices, handheld computing

products, remote sensors, and semiconductor-based technologies is dramatically impacting the way people live. Yet it is probably fair to say that these products would not be so widespread were it not for the emergence of the EMS industry, which has lowered product costs and increased manufacturing efficiency.

The EMS market experienced continuous growth in the fifteen years prior to 2001, when it underwent a two-year slump and consolidation. In 2003, the market began to recover and grew strongly up to 2009 when it experienced another slump and was flat in 2010. Since then, the market has rebounded strongly in 2011 and continues to expand with each successive year. With the entry of low-cost ODMs over the last ten years or so, the market has become increasingly competitive.

The purpose of this report is to analyze the changes that have taken place over the last year and offer some opinions on how the CM market will unfold over the next five years. Although the industry has resumed its growth, this is not—and will not be—without changes in market share and composition. This report analyzes those changes and discusses the implications of the key dynamics impacting the market in the near future.

1.2 Organization

This report is organized into eight chapters. Chapter 1, “Introduction,” outlines the scope, organization, and methodology for the report. Chapter 2, “Executive Summary,” presents top-level data from throughout the report.

Chapter 3 is titled “Economic Outlook and Worldwide Electronics Industry Forecast.” Key products are forecast in seven major electronics market segments, including computers, communications, consumer, industrial, medical, automotive, and defense/other transportation.

Chapter 4, “Industry Structure,” analyzes the total EMS market by region and product segment.

Chapter 5, “EMS Industry Forecast,” forecasts growth in the EMS marketplace from 2013 to 2018. As in Chapter 4, data is presented by region and product segment.

Chapter 6, “Financial and Production Benchmarks,” looks at a variety of key metrics from 2013 that can be used to judge the production efficiency and financial health of the large public CMs and ODMs.

Chapter 7, “Mergers and Acquisitions,” presents information on the many deals that are driving the EMS market. Deals from 2008–2013 are detailed.

Profiles of major EMS companies and ODMs are given in Chapter 8. These profiles provide a look at these companies’ strategies, service offerings, and financial data.

1.3 Assumptions

The following assumptions have been made with regard to information provided in this report:

- Respondents are providing truthful information to the best of their ability.
- Values are mainly provided in current US dollars.
- Revenues are converted from national currencies into US dollars by using the current Federal Reserve average annual rates.
- Wage rates have not been adjusted to reflect the appreciation of the Euro or the undervaluation of the Chinese yuan or the New Taiwanese dollar.
- All tables presented in this report are subject to small rounding errors. Therefore, column and row numbers, as presented, may not add up exactly to the total presented.

1.4 Definitions

Table 1-1 lists the industry segments that are detailed in Chapters 3, 4, and 5 (with slightly varying levels of aggregation). This list is fundamentally the same as that used in related NVR reports.

Several critical terms will be used frequently in this report. They are:

- *PCB Assembly*: for this report, PCB assembly refers to the attachment of various electronic components onto a bare printed circuit board, plus any test activities performed at this level of assembly.
- *PCB Assembly Value*: the value (cost of goods sold, or COGS) of all material, labor, and overhead associated with an assembled printed circuit board.
- *Box Assembly*: for this report, box assembly refers to the assembly of one or more printed circuit boards, plus other items such as cable harnesses and enclosures, into a final product (or a largely self-contained electronics assembly that will be embedded into a larger piece of equipment). This also includes any test activities performed at this level of assembly.
- *Box Assembly Value*: the value (COGS) of all material, labor, and overhead of the box assembly, not including the value of the assembled PCBs within the box assembly.
- *OEM Assembly*: electronics assembly performed by the OEM. If assembly is performed by a subcontractor that is held captive by the OEM or in a *keiretsu* arrangement such as exists in Japan, the assembly is considered OEM produced.

1.5 Research Methodology

Information for this report was collected from a number of external sources. Primary sources included marketing professionals, manufacturing and engineering directors in contract manufacturing firms, and OEMs. Also, Mr. John Tuck's *Manufacturing Market Insider* newsletter has been a valuable source for tracking industry events and specific company activities. Secondary sources included trade publications such as *Circuits Assembly*, *SMT Magazine*, *EMSNow Daily*, *Business Week*, *The Economist*, and a variety of government economic reports.

For this report, the author had the cooperation of many EMS company employees who answered the questionnaire provided below, which helped to size and segment the industry to a degree not previously achieved. The author's

5. Can you estimate you company's revenue for 2014 and its growth by industry?

<u>Industry</u>	<u>Percent Growth</u>
Automotive	_____
Communications	_____
Computer/Peripherals	_____
Consumer products	_____
Industrial Products	_____
Medical Products	_____
Defense/Aerospace	_____

Est. Revenue 2014 \$_____

6. If not provided in question 4 above, please identify your leading customers.

Table 1-1 Industry Segments

Computers/Peripherals	Communications
Notebook PCs Desktop PCs Tablets Servers Workstations Enterprise Storage Systems Flash Drives Monitors Printers E-Readers Other Computer	Cellular Handsets Cellular Infrastructure Other Phones Enterprise LANs WLANs DSL/Cable Modems PBX/Other CPE Carrier-Class Equipment Other Telecom
Consumer Analog TVs Digital TVs MP3 Players Other Audio Video Console Games Set-Top Boxes Camcorders DVD Players Digital Cameras Personal Navigation Memory Cards Other Consumer	Industrial Control/Processing Test and Measurement Clean Energy Other Industrial
	Medical Medical Diagnostics Therapeutic Monitoring & Surgical
	Commercial Aviation In-flight Entertainment Flight Navigation Other Aviation
	Aerospace/Defense/Other Transportation In-flight Entertainment Flight Navigation Weapons C3 Other Transportation
Automotive Engine Control Instruments Safety Entertainment	