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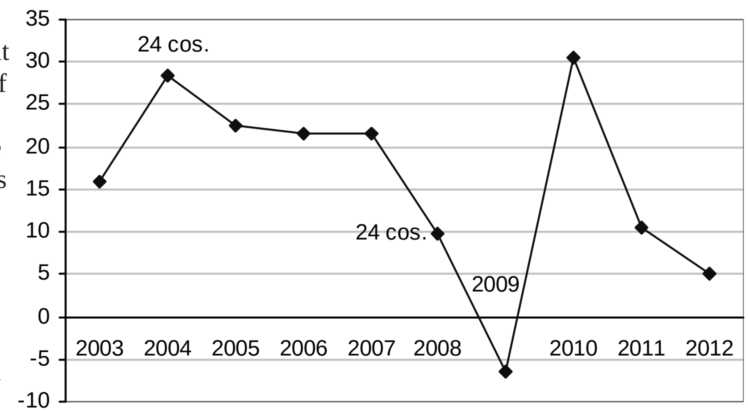
Top 25 CMs Reach $350 Billion

In a year marked by weak or spotty demand across various end markets, combined 2012 revenue of the Top 25 contract manufacturers (EMS providers and ODMs) rose to a new milestone of $350 billion. To be more precise, revenue totaled $349.5 billion, up 5.1% from 2011's sum of $332.6 billion.

A 5.1% growth rate isn't bad considering that the global economy expanded at a 3.2% clip in 2012, according to the **International Monetary Fund**. Top 25 growth looks even better measured against a 3.2% decline for the worldwide semiconductor market in 2012, as estimated by **World Semiconductor Trade Statistics**. However, a 5.1% increase is the second lowest Top 25 growth rate recorded over the past 10 years (Chart 1). What's more, the 2012 rate is well below the Top 25's average growth of 15.9% for the past decade. Given the 2012 result, one may properly ask whether the days of double-digit growth are now behind the Top 25.

This question also applies to the outsourcing space at large. Growth of 5.1% for the Top 25 means a single-digit increase near that level for the outsourcing space as a whole. Although Top 25 revenue includes some business that is outside the scope of contract manufacturing, it still contains by far the lion's share of the outsourcing market. *MMI* estimates that the Top 25 contract manufacturers represent *at least* 80% of the total outsourcing space and possibly as much as about 90%.

Chart 1: Top 25 Growth Rates (%)



Note that two market forecasters have answered the question in the affirmative. Both have issued 2011-2016 forecasts with compound annual growth rates for contract manufacturing in the mid single digits (Feb., p. 7).

EMS providers and ODMs in a dead heat

The Top 25 contract manufacturers for 2012 consist of 15 companies whose primary business is EMS – defined as EMS providers – and 10 companies that mainly rely on ODM work – classified as ODMs. When collective sales growth of the 15 EMS providers is compared with that of the 10 ODMs, the result is highly unusual, if not unheard of. For 2012, both groups achieved the same growth rate of 5.1% (Chart 2, p. 3). [Yes, *MMI* rechecked its figures.] For the previous two years, the EMS side of the Top 25 outgrew the ODM contingent. Over the seven years before that, growth rates

Some articles in this issue

favored the ODMs in the Top 25 including two years when year-over-year data were available for 24 companies.

Why did 2012 break ranks with prior years that favored one group or the other? End markets were largely anemic in 2012, offering neither group an advantage.

But without the contribution of EMS giant **Hon Hai Precision Industry**, the ODMs would have easily won the sales growth competition. Sans Hon Hai, the EMS group's revenue would have dropped by 6.0%, giving the ODMs an 11.1-percentage point margin of victory (Chart 3, p. 3). Just as important, Top 25 growth would have all but disappeared without Hon Hai, shrinking to a barely noticeable 0.9%.

The EMS group, which contained one more provider than in 2011, continued to represent a clear majority of Top 25 sales. For 2012, combined revenue on the EMS side amounted to $209.5 billion, or 59.9% or the total, while the ODM cohort brought in sales of $140.0 billion, or 40.1% of the total.

As presented in the table on this page, *MMI* ranked the Top 25 contract manufacturers in order of calendar 2012 sales in US dollars. It took a minimum of $906 million to make the Top 25 for 2012. The cutoff for the Top 25 was $43 million lower than the year before and has declined for the past two years (Chart 4, p. 3).

At $132.3 billion in consolidated sales for 2012, Hon Hai again stood in first place among the Top 25. With 3.8 times the sales of its nearest competitor, the company has secured an invincible position for itself. The company's share of Top 25 revenue continued to increase in 2012, expanding by 2.6 percentage points from 2011 to 37.8%. Hon Hai followed a recipe for greater market share by growing at 13% while the other 24 CMs barely registered any combined growth.

In second place for the fourth straight year was **Quanta Computer**.

Top 25 Contract Manufacturers for 2012

Organization	Headquarters	Sales calendar 2012 (M US$)	2012 rank by total sales	2011 rank	Sales calendar 2011 (M US$)	Sales growth '11-'12	Business model
Hon Hai Precision Industry (Foxconn)	New Taipei, Taiwan	$132,263	1	1	$117,249	13%	EMS/ODM/channel/components/other
Quanta Computer	Gueishan, Taoyuan, Taiwan	$34,439	2	2	$37,745	-9%	ODM/OBM
Pegatron[1]	Taipei, Taiwan	$26,019	3	6	$17,000	53%	ODM/EMS
Flextronics	Singapore	$24,644	4	3	$29,752	-17%	EMS/components
Compal Electronics[2]	Taipei, Taiwan	$23,116	5	4	$23,593	-2%	ODM
Wistron	Hsinchu, Taiwan	$22,264	6	5	$22,373	0%	ODM/EMS/OBM
Jabil	St. Petersburg, FL	$17,516	7	7	$16,797	4%	EMS/materials
Inventec	Taipei, Taiwan	$13,903	8	8	$12,916	8%	ODM
TPV Technology	Taipei, Taiwan	$11,975	9	9	$11,040	8%	ODM/OBM
New Kinpo Group[2]	New Taipei, Taiwan	$6,634	10	11	$6,510	2%	EMS/ODM
Celestica	Toronto, Canada	$6,507	11	10	$7,213	-10%	EMS
Sanmina	San Jose, CA	$6,086	12	12	$6,442	-6%	EMS/components/ODM
Qisda	Gueishan, Taoyuan, Taiwan	$3,944	13	13	$4,154	-5%	ODM/EMS
Shenzhen Kaifa Technology	Shenzhen, China	$2,580	14	14	$2,883	-11%	EMS/ODM
Benchmark Electronics	Angleton, TX	$2,468	15	15	$2,253	10%	EMS
Plexus	Neenah, WI	$2,308	16	16	$2,195	5%	EMS
Universal Scientific Industrial (USI)	Shanghai, China	$2,110	17	17	$1,965	7%	EMS/ODM
AmTRAN Technology	Chong He City, Taiwan	$1,990	18	19	$1,911	4%	ODM/OBM
Venture	Singapore	$1,908	19	18	$1,940	-2%	EMS/ODM
Ability Enterprise	Taipei, Taiwan	$1,469	20	20	$1,605	-8%	ODM
SIIX	Osaka, Japan	$1,374	21	22	$1,157	19%	EMS
Zollner Elektronik Group	Zandt, Germany	~$1,114	22	21	$1,215	-8%	EMS
UMC Electronics	Saitama, Japan	$1,082	23	24	$992	9%	EMS
Accton Technology	Hsinchu, Taiwan	$914	24	new	$885	3%	ODM
Sumitronics	Tokyo, Japan	$906	25	new	$862	5%	EMS
Total/avg.		**$349,533**			**$332,647**	**5.1%**	

Companies with multiple businesses were classified as EMS or ODM as indicated by the first acronym in the business model description. Model descriptions are not meant to capture every business a company might pursue. For Taiwan-based ODMs and Hon Hai, converting NT$ into US$ was done using average quarterly exchange rates based on US Federal Reserve data.
[1] Sales correspond to Pegatron's core DMS business. [2] A member of the Kinpo Group.

Coming in third was **Pegatron**, which moved up three positions from the 2011 list. That climb proved to be the greatest advance of any Top 25 company. **Flextronics**, **Compal Electronics** and **Wistron** each moved down one spot to fourth, fifth and sixth place respectively. **Jabil**, **Inventec** and **TPV Technology** retained seventh, eighth and ninth positions, while **New Kinpo**

Chart 2: 2012 Growth Percentages in US$

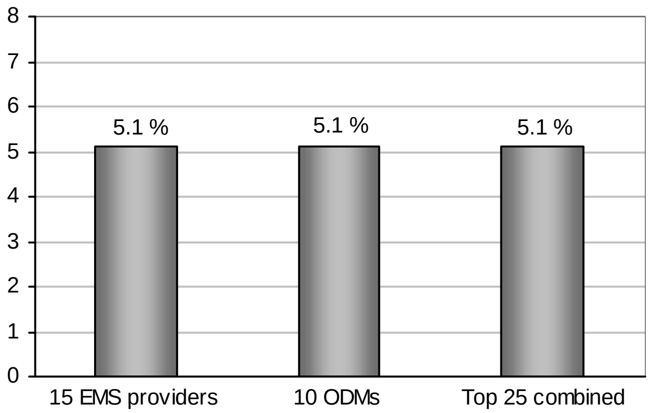
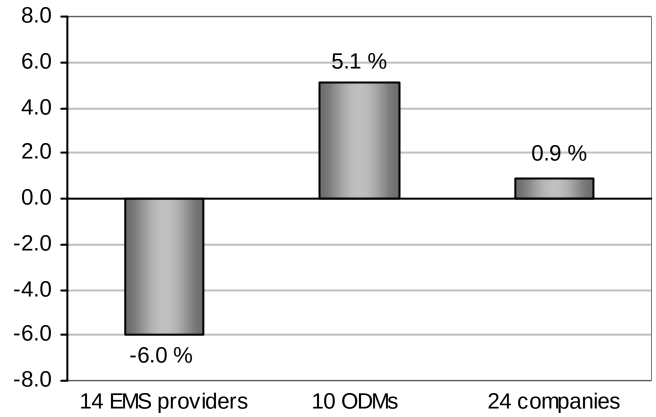


Chart 3: 2012 Growth Percentages in US$ Excluding Hon Hai



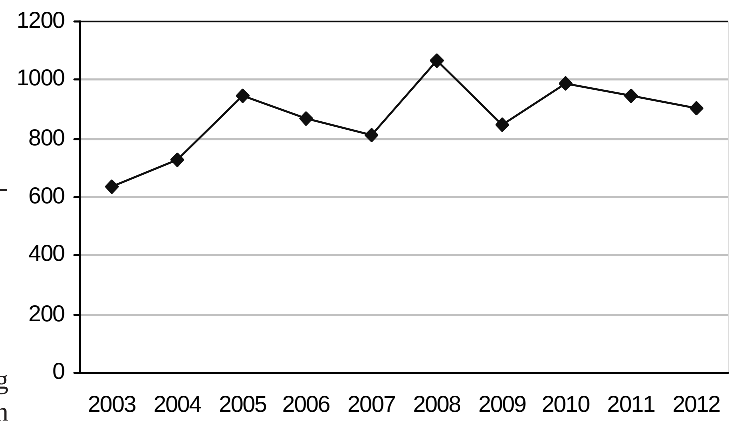
Group broke into the top 10 with a rank of tenth, up from 11th the year before.

Achieving a top-ten rank was easier in 2012 than the year before. To qualify for 2012, a CM needed sales of at least $6.63 billion, down from 2011's cutoff of $7.21 billion.

The 2012 Top 25 includes two new members, **Accton Technology**, a Taiwan-based ODM, and **Sumitronics**, a Japanese EMS provider. Two additions meant that two companies did not return from the 2011 list. ODMs **Gemtek Technology** and **Altek** were dropped from the 2012 list because of sales declines.

ODM Pegatron, which has gained **Apple** assembly business, was far and away the leader in sales growth with a 53% gain (in US dollars). Three other companies, all of them EMS providers, also posted double-digit increases, albeit under 20%. US-dollar sales rose from a year earlier at a majority of 14 CMs, remained unchanged at one company, and declined at the remaining 10 CMs.

Chart 4: Top 25 Cutoff (Millions USD)



Taiwan-based contract manufacturers controlled 79.8% of Top 25 revenue. China may provide the muscle for much of the outsourcing space, but Taiwan is the predominant nerve center.

Editor's note: The EMS-versus-ODM analysis presented here does not allow for the fact that some companies pursue both EMS and ODM business.

The Top 25's sales of $349.5 billion were not all derived from EMS and ODM work. As shown in the table on page 2, some companies mix in revenue from other businesses such as components and own-brand manufacturing. To some degree, Top 25 sales and growth figures have been influenced by revenue from businesses outside the realm of contract manufacturing. In one or two cases, the addition of other business to contract manufacturing revenue might have unfairly boosted a provider's rank.

Market Data

Nontraditional Areas Form Largest Share

Data from 42 of the *MMI* Top 50™ EMS providers show that nontraditional areas were the largest source of combined revenue for these players in 2012. The nontraditional segments – industrial/commercial, medical, automotive, defense/security/aerospace and other – together represented 32.1%, or almost one third, of the providers' total sales of $69.3 billion (Chart 1A, p. 5). Of course, this result is not surprising as many providers have looked upon these areas in recent years as fertile ground for harvesting new business.

As longtime readers may recall, the preeminence of the nontraditional areas is not a new phenomenon. In similar analyses of Top 50 data for 2010 and 2009, the nontraditional areas also garnered the top share, only to be slightly upstaged in last year's analysis of 2011 data (April 2012, p. 4-5; April 2011, p. 3; and April 2010, p. 2).

Market segment percentages for all 42 Top 50 EMS providers appear in Table 1 on pages 4 and 5. The data came from *MMI's* annual Top 50 survey. Eight companies in the Top 50 either did not provide a breakdown of their sales by market segment or supplied data inconsistent with *MMI's* categories.

Communications infrastructure comprised the second largest segment of the 42 providers' aggregate sales. The comm infrastructure segment accounted for 30.4% of combined sales. Two companies, **Fabrinet** and **SVI**, obtained more than 60% of their revenue from the segment, while two others, **Flextronics** and **Sanmina** tapped the segment for more than 40% of their sales.

Coming in a rather distant third was computing and storage with 19.9% of combined sales. This showing is consistent with the fact that 19 out of the 42 companies avoided the segment altogether in 2012. Computing and storage is a mature outsourcing space in which the lion's share of business is either dominated by **Hon Hai** and the ODMs on the PC side or by a few EMS providers and ODMs on the server side. With so much of the computing and storage pie spoken for, the opportunities for other EMS providers are relatively limited, and even more so for those who eschew high volumes. Still, some other providers have found niches for themselves within the space. For example, three Asia-based providers – **Global Brands Manufacture**, **Shenzhen Kaifa Technology** and **SMT Technologies** – derived more than 70% of their EMS sales from computing and storage (Table 1).

In last place with a 17.6% share were consumer electronics, mobile phones and other high-velocity products. These high-velocity products form another segment that a significant number of Top 50 players steer clear of. Half of the 42 companies analyzed here did not have any business in this segment last year. Of course, high-velocity products don't mesh with providers seeking high-mix programs at lower volumes and better margins. Nevertheless, four providers – **Selcom Elettronica**, **Topscom Technology**, **Universal Scientific Industrial** and

Table 1: Market Percentages for 42 of the Largest EMS Providers in 2012

Organization	Computing & storage	Comm. infra-structure	Con-sumer & mobile	Indus-trial/com-mercial	Med-ical	Auto-motive	Defense/ security/ aerospace	Other
Flextronics	6.8	44.9	21.7	15.7	5.8	4.8	0.3	
New Kinpo Group	56.4	22.1	21.5					
Celestica	27	35	18	*	*		*	20
Sanmina (FY)	15.9	46.9	11.8[1]	*	*		*	25.4
Shenzhen Kaifa Technology	89		4	4	3			
Benchmark Electronics	31	26		33	10			
Plexus		38		28	22		12	
Universal Scientific Industrial (USI)	24		52	16		8		
SIIX	10.4	0.9	42.6	15.7		21.5		8.9[2]
Zollner Elektronik Group	~17	~1	~3	~41	~9	~24	~5	
Sumitronics		2	28	56		14		
Global Brands Manufacture (GBM)	75.6	17.2	2.7	4.0		0.5		
Kimball Electronics Group				24.1	30.8	36.3	8.9	
Asteelflash	10.5	23.3		41.5[3]	4.0		4.5	16.1
Integrated Micro-Electronics, Inc.	5	21	17	17	4	34	2	
Fabrinet		70		25		5		
3CEMS Group	24.0	11.7	20.4	25.6	6.3	12.0		
Creation Technologies	5	25		37	14	3	11	5
Enics				100[4]				
éolane		4		58[5]	4	8	21	5
VTech Communications		18.3	20.6	54.3	6.7	0.1		
VIDEOTON Holding		1	20	38		41		
Ducommun LaBarge Technologies				28	9		63	
WKK Technology	25	12	17	28	7	9	2	
Wong's International (Holdings) Limited	42.1	4.4	10.7	38.8	0.8	3.2		
V.S. Industry			98			2		
KeyTronicEMS	9	7	30	35	9	6	4	
Topscom Technology	12	10	60	4	10		4	
Neways Electronics International		1		64	25	8	1	1[6]
OnCore Manufacturing	2	7		33	30		28	
PartnerTech		24		45	17		14	
SMTC	38	15	9	32	6			
Kitron		11		20	31		19	19[7]
SMT Technologies	91.6	~0	8.0	~0	0.2		0.1	
Orient Semicon-ductor Electronics	52.8	14.0		14.3	7.6		11.3	
Selcom Elettronica		6.0	58.3	19.7	3.0	5.1		7.9
CTS Electronics Manufacturing Solutions	1	28		33	13	1	24	

(FY) denotes where fiscal year sales were used. Where possible, home appliances have been placed in the consumer electronics category, and test and instrumentation have been put in the industrial category. * Included in other. [1] Includes gaming equipment, set-top boxes, cinematography, POS systems and automotive electronics. [2] Includes components and machinery. [3] Includes transportation at 5.2%. [4] Includes medical. [5] Includes professional mobile radio at 22%, railway at 19% and energy at 5%. [6] Includes consumer. [7] Offshore/marine.

Table 1 Contd.: Market Percentages for 42 of the Largest EMS Providers in 2012								
Organization	Computing & storage	Comm. infra-structure	Con-sumer & mobile	Indus-trial/com-mercial	Med-ical	Auto-motive	Defense/ security/ aerospace	Other
SVI		61		36	3			
MC Assembly		5		65	15		15	
Scanfil EMS		26		74				
LACROIX Electronics				65 [8]	2	20	13	
EPIC Technologies		17		55	18	10		

[8] Includes home automation at 40%.

Chart 1A: Market Mix for 42 Top 50 EMS Providers in 2012

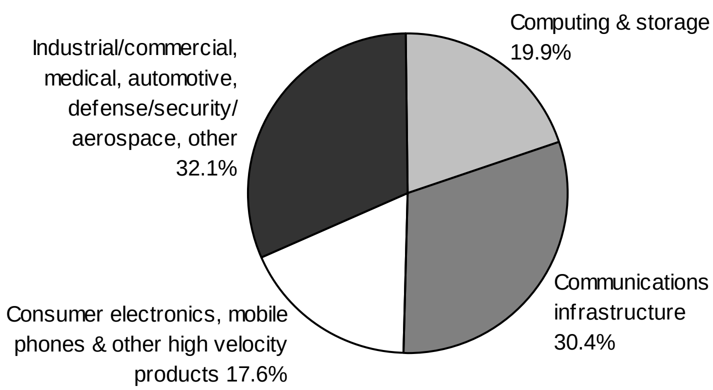


Chart 2A: Individual Markets for 36 EMS Providers Under $3 Billion

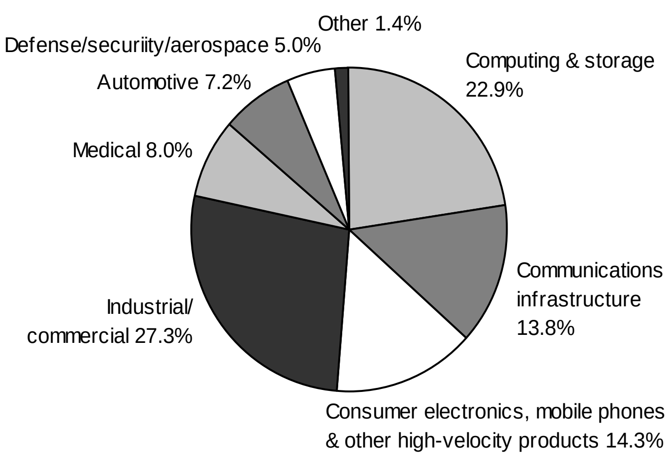


Table 2: A Comparison of Segment Revenue for the Same 40 Top 50 EMS Providers					
Segment	2012 share	2011 share	2012 sales (M)	2011 sales (M)	Change
Computing & storage	19.1%	23.2%	$13,051	$17,215	-24.2%
Communications infrastructure	30.6%	28.6%	$20,908	$21,208	-1.4%
Consumer, mobile & other high velocity	17.8%	20.2%	$12,183	$14,957	-18.5%
Nontraditional*	32.4%	28.0%	$22,113	$20,748	6.6%
Total			$68,255	$74,128	-7.9%

* Includes other.

V.S. Industry – gained more than half their sales from this high-velocity segment.

How did these segments fare in 2012 versus 2011? An apples-to-apples comparison can be done based on 40 Top 50 companies that were present in the both the 2011 and 2012 analyses. When sales of these 40 companies are aggregated by market segment for both years, one can get an indication of how well each segment performed in 2012 compared with the year before.

Considering the 40 companies as a whole, there was only one growth segment in 2012. Sales from the nontraditional areas rose by 6.6%, despite less than ideal end market conditions. This result offers further evidence of the growth potential in the nontraditional areas. With sales declining in the other segments, this growth produced a market share gain of 4.4 percentage points in 2012 (Table 2 below).

Comm infrastructure revenue declined by 1.4%, reflecting lackluster demand in that segment. Still, the segment's sales did not decline as much as business overall, which fell by 7.9%. As a result, comm infrastructure also gained share, picking up 2.0 percentage points in 2012.

Market share losses occurred in computing and storage and in consumer electronics, mobile phones and other high-velocity products. Computing and storage business dropped by 24.2%, as its share of the total pie shrank by 4.1 percentage points. Sales from consumer electronics, mobile phones and other high-velocity products sank by 18.5% from 2011, while 2.4 percentage points were shaved off the segment's market share (Table 2). Were it not for Flextronics, sales from this segment would have grown in 2012. In Q4 2011, Flextronics exited the PC ODM business, a high-volume business that the company included in this segment.

It would be nice to see how each of

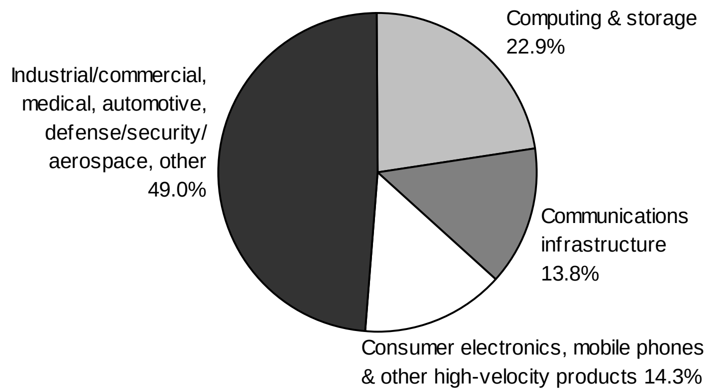
the nontraditional categories compares with one another. However, two of the largest providers listed in Table 1 did not supply a full breakdown of their sales across the nontraditional categories, and two others did not furnish data consistent with these categories. Hence, one cannot calculate market shares for each of these categories based on data from all 42 providers. However, this breakdown can be done for 36 providers with sales under $3 billion.

As has been the case in similar analyses of the previous two years, the industrial/commercial segment garnered the largest revenue of any segment, nontraditional or otherwise (see also April 2012, p. 5; April 2011, p. 5). For these 36 providers, industrial/commercial business amounted to 27.3% of their combined revenue. Next in size among the nontraditional areas was the medical segment with 8.0% of revenue. Although many providers have targeted this segment for growth, it seems to be range bound. Two years ago, analysis of Top 50 data from a group of 36 providers gave the medical segment an 8.1% share (April 2011, p. 5). Close behind the medical segment was the automotive sector with a 7.2% share, followed by the defense/security/aerospace segment at 5.0%. Other business that could not be categorized filled a 1.4% sliver of the total pie (Chart 2A, p. 5).

Together, the nontraditional segments including the other category accounted for almost half of the combined revenue of those 36 Top 50 providers (Chart 3A above). That's good indication of how important these nontraditional areas have become to providers below the top tier.

Note that this analysis covered providers who sometimes differ as to which products go in what categories. Also, in one case data were based on fiscal-year sales, rather than calendar-year sales. As a result, there is some uncertainty with respect to the results presented here.

Chart 3A: Market Mix for 36 EMS Providers Under $3 Billion



Some Quarterly Results

Jabil. For its fiscal Q2 ended Feb. 28, sales of $4.42 billion dropped 5% sequentially but rose 4% year over year. Non-GAAP EPS amounted to $0.53, down 13% sequentially and 9% year over year. Both sales and non-GAAP EPS fell within guidance. GAAP net income totaled $88.5 million, 9% below the year-earlier figure, while GAAP EPS was $0.43, representing a 7% decline from a year ago.

Non-GAAP operating margin came in at 3.9%, down 30 basis points sequentially and year over year. Non-GAAP operating income was $170.2 million, down 12% from the prior quarter and 3% from a year earlier. This operating income included costs associated with Jabil's prospective **Nypro** acquisition that were $5 million above Jabil's forecast for the quarter. The extra costs were originally expected to land in the May quarter. The Nypro deal, by the way, is expected to close in the August quarter instead of in the May quarter as originally planned (Feb., p. 7-8). GAAP operating margin for the February quarter equaled 3.4%, down 10 basis points year over year.

Representing 47% of total sales, Diversified Manufacturing Services business grew 11% from a year earlier, driven by continued strength in Specialized Services, which was partly offset by continued weakness in Jabil's industrial and clean tech and instrumentation sectors. Non-GAAP operating margin for the DMS segment was 5.4%, down 40 basis points sequentially and 50 basis points year over year. Nypro-related acquisition costs exerted a 20- to 30-basis point drag on this margin.

At 31% of sales, Enterprise and Infrastructure revenue increased 12% year over year. The E&I segment's non-GAAP operating margin stood at 2.7%, up 30 basis points from the prior quarter and 100 basis points from a year earlier.

Accounting for 22% of sales, High Velocity revenue fell 15% year over year, driven primarily by lower handset volumes. The segment's non-GAAP operating margin was 2.3%, down 90 basis points sequentially and 170 basis points year over year.

For the May quarter, Jabil expects revenue of $4.3 billion to $4.5 billion, non-GAAP EPS of $0.50 to $0.58, and GAAP EPS of $0.40 to $0.48. This is the same guidance that the company issued for the previous quarter. On a year-over-year basis, the company estimates that DMS and E&I sales will remain consistent, and that High Velocity revenue will increase 13%.

Plexus. For its fiscal Q2 ended March 30, revenue totaled $558 million, up 5% sequentially but down 3% year over year. Revenue came in below the midpoint of the guidance range $550 to $580 million as certain customers in the company's Networking/Communications sector continued to struggle with end market demand. Compared with guidance of $0.50 to $0.55, EPS amounted to $0.52, up 11% sequentially but down 7% year over year.

Networking/Communications sales rose 7% from the prior quarter, a significantly weaker result than expected. Healthcare/Life Sciences business declined 3% sequentially, while revenue from Plexus' Industrial/Commercial and Defense/Security/Aerospace sectors grew 7% and 12% respectively quarter to quarter.

Gross margin for fiscal Q2 was 9.3%, down 30 basis points sequentially and 20 basis points year over year. The sequential performance would have been consistent excluding the prior quarter's sale of inventory previously written down. Operating margin was a slightly higher-than-expected 4.2%, up 10 basis points sequentially but down 30 basis points year over year.

June quarter guidance calls for sales of $550 to $580 million and EPS of $0.55 to $0.62, excluding any unanticipated restructuring charges. Plexus expects an operating margin of 4.2% to 4.4%. The company's outlook for the June quarter has Networking/Communications down by mid single digits from the prior quarter, Industrial/Commercial and Defense/Security/Aerospace up by low single digits sequentially, and Healthcare/Life Sciences up by mid to high single digits.

Sanmina. For its fiscal Q2, the company reported sales of $1.43 billion, down 5% sequentially and 2% year over year. Non-GAAP EPS came to $0.30, up from $0.29 in the prior quarter and $0.27 in the year-ago period. These results were in line with the company's expectations. The company earned GAAP net income of $21.2 million compared with a net loss of $1.4 million for the year-earlier quarter.

Non-GAAP gross margin stood at 7.1%, up 30 basis points sequentially but down 30 basis points year over year. The company's Integrated Manufacturing Solutions segment produced a non-GAAP gross margin of 6.0%, up 20 basis points sequentially, while the Components, Products and Services segment turned in a margin of 10.5%, up 90 basis points sequentially. For the company as a whole, non-GAAP operating margin was 2.8%, unchanged from the prior quarter and down 30 basis points from a year earlier.

Communications Networks, Sanmina's largest segment at 48% of fiscal Q2 sales, grew 0.5% sequentially, beating expectations of a decline. Computing and Storage business dropped 16% sequentially, more than forecasted, as the company saw weaker demand across the segment. Defense/Industrial/Medical sales rose 3% from the prior quarter, while revenue from Multimedia fell 22% in a seasonally weak quarter for the segment.

For the June quarter, Sanmina is forecasting sales of $1.45 to $1.50 billion and non-GAAP EPS of $0.32 to $0.38. This guidance suggests sequential improvement in both metrics. Included in guidance is a non-GAAP operating margin of 2.8% to 3.2%. The June quarter outlook for both Communications Networks and Defense/Industrial/Medical is slightly up, and Computing and Storage is expected to be up. The Multimedia forecast is slightly down.

The company said that based on what it sees today, demand should continue to improve for the rest of the calendar year.

Cell Phone Production To Remain Largely In-House

The rise of smartphones limits growth opportunities for contract manufacturers as mobile communications OEMs increasingly opt to manufacture smartphones on their own, according to an *IHS iSuppli Global OEM Manufacturing & Design Market Tracker Report* from information and analytics provider **IHS**.

Cell phones manufactured in-house accounted for 73.4% of all mobile phones produced in 2012, IHS stated. OEMs that have their own manufacturing facilities include **Samsung Electronics**, **LG Electronics** and **Nokia**. Meanwhile the two types of contract manufacturers – EMS providers and OEMs – handled the remaining 26.6% of production.

During the next few years, these percentages are likely to remain largely unchanged, with the contract manufacturers' share of shipments rising just slightly more than one percentage point to 27.9% in 2016, according to IHS. This increase will be driven mainly by gains in non-smartphone market segments.

"Cell-phone OEMs have been scaling back their use of outsourced manufacturers as they realign their product portfolios toward smartphones," said Jeffrey Wu, senior analyst for outsourced manufacturing at IHS. "OEMs like Nokia, LG, **Sony** and **Motorola** [Mobility] all have trimmed their use of outsourced manufacturers to ensure that internal facilities are being fully utilized and not being idled, and also to safeguard the quality of the smartphones being produced."

Nokia and LG, both suffering in the smartphone segment, will experience little change in their overall outsourcing strategies, Wu noted. Motorola Mobility, on the other hand, has divested its manufacturing operations in China and Brazil to **Flextronics,** leaving Motorola Mobility fully outsourced (see News, p. 8).

Deals done...**Flextronics** (Singapore) has completed its acquisition of **Motorola Mobility's** manufacturing operations in Tianjin, China, and has taken over management and operation of Motorola Mobility's factory in Jaguariuna, Brazil (Dec. 2012, p. 6-7). Employees and assets at both locations have transferred to Flextronics. Motorola Mobility is owned by **Google**. …Recently, **éolane** (Le Fresne sur Loire, France) bought a former India subsidiary of **Elcoteq**, which was declared bankrupt in 2011. Located in Bangalore, the acquired operation was renamed éolane Bangalore.

Some new business…**Qolsys** (Cupertino, CA), is utilizing **Foxconn Technology Group's** manufacturing and supply chain to deliver a new touch-screen security and home-control platform. Anchored by **Hon Hai Precision Industry** (New Taipei, Taiwan), the Foxconn group also helped with hardware development. In addition, *Bloomberg* reported that the Foxconn group will make Google's digital eyeglasses in California, while *The Financial Times* said almost the same thing except that flagship Hon Hai would handle production….**Kimball Electronics Group** (Jasper, IN) recently expanded its relationship with **Motorola Solutions** to include manufacturing in KEG's China facility. KEG continues to manufacture chargers for various product lines of the customer.

Another robot site reported for Foxconn…According to published reports, Foxconn Technology Group plans to set up a robot complex in Harbin, the capital of Heilongjiang province in Northeast China. In an official response, Foxconn neither confirmed nor denied this reporting. In 2011, the group started building robots at a site in Shanxi province of North China and last year agreed to make them in central Henan province, reported *Global Times*, a daily affiliated with China's Communist Party. (See July 2012, p. 7.)

Adding capabilities…Flextronics has opened a 5,000-m^2 medical design center in Milan, Italy, with about 200 design engineers….**East West Manufacturing** (Atlanta, GA) is now offering SMT capabilities in Vietnam through the company's new EMS division.

People on the move...Jørgen Bredesen, CEO of **Kitron** (Billingstad, Norway), has given the company a six-month notice that he is resigning from his position there. Kitron has started looking for a replacement. Also, Kitron has appointed Cathrin Nylander CFO effective August 9th. Currently CFO of Norwegian ice cream maker **Diplom-Is**, Nylander has experience from industries including cable manufacturing, IT and banking. ...**PartnerTech** (Vellinge, Sweden) has named Peter Nilsson executive VP, operations for Electronics and Systems Integration & Enclosures, and has made Mats Lundin VP Supply Chain.

CEO passes away…Milo Bryant, chairman and CEO of **Ayrshire Electronics** (Louisville, KY), died on April 3rd after a brief illness.

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