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M&A Down for the Second Year in a Row

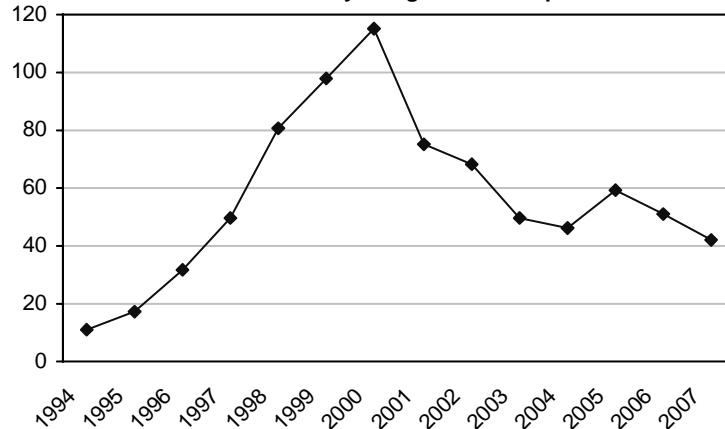
But consolidation deals were up

MMI's annual Scorecard, or summary, of EMS industry mergers and acquisitions shows that the number of M&A deals closed in 2007 declined by 18% from the year before. The annual tally counted 42 such transactions completed last year compared with a total of 51 in 2006 (Chart 1). What's more, 2007 marked the second straight year in which M&A transactions declined by double digits. In 2006, mergers and acquisitions decreased by 14% from the prior year.

Scorecard analysis reveals that the number of M&A transactions fell in three out of the five categories that *MMI* tracks. The largest declines occurred in two categories: divestitures of OEM operations and acquisitions of service or supply chain capabilities (Chart 2, p. 3). On the other hand, there were more acquisitions of EMS operations in 2007, resulting in an increase in the number of consolidation deals (Chart 3, p. 4).

An argument can be made that the latest M&A total reflects the maturity of the EMS industry. The heydays of deal making at the turn of the century when the industry was still in its formative stages are gone and never to return. After reaching a peak in 2000, the number of M&A deals declined steadily through 2004. The next two

Chart 1: EMS Industry Mergers and Acquisitions



years, 2005 and 2006, appeared to put a stop to this trend. But the 2007 number is a step downward. It's the lowest deal total since 1996 (Chart 1).

Generally, a mature industry means that the largest players, who in the past were significant acquirers, aren't making as many deals. In 2007, the top-six providers, (including Solectron now part of Flextronics) closed eight acquisitions. The year before they made 17 deals, more than twice as many. The

size and scope of these providers are such that they have fewer holes to fill in their capabilities.

The annual Scorecard on pages 2 and 3 lists the 42 M&A transactions completed within the EMS industry during 2007, as tracked by the newsletter. In most cases, an EMS provider is the acquirer. In a few other instances, an EMS operation is acquired by a company outside the industry.

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M&A 2007

MMI Scorecard: EMS Industry Mergers and Acquisitions in 2007					
Deal Maker	Home Base	Type	Target	Location	Some Details
Adeptron Technologies	Markham, Ontario, Canada	C*	Pacific Circuit Assembly	San Jose, CA	Price was \$2.25 M for PCA, which had 2006 sales of about \$3.2 M. Deal gives Adeptron its first US plant.
AWS Electronics Group	Newcastle-under-Lyme, UK	C*	Cemgraft Electronic Manufacturing	Greenham, UK	Added EMS business with annual sales of £14 M.
		C*	Instem Technologies	Stone, UK	Instem specialized in high-complexity box build.
Benchmark Electronics	Angleton, TX	C*	Pemstar	Rochester, MN	Acquired provider with about 3,500 people and fiscal 2006 sales of \$871 M. Stock-for-stock deal was valued at about \$300 M including the assumption of debt.
		O	Quantum unit	Penang, Malaysia	Paid about \$11.6 M for assets. Plant manufactures products related to tape storage.
Beyonics Technology	Singapore	O	Seagate's PCBA activity	Senai, Malaysia	Includes three-year supply agreement.
Cal-Comp Electronics	Bangkok, Thailand	S	A-Ten Technology	Taiwan	Took a 55% stake in A-Ten to add R&D capability for telecom products.
Creation Technologies	Burnaby, B.C., Canada	C*	Taytronics	St. Peter, MN	Taytronics employed 125 people and expected 2007 sales of about \$12 M.
		C*	SMC	Lexington, KY	Added EMS provider with 325 employees.
Delta Group Electronics	Albuquerque, NM	C*	Singletec	Sanford, FL	Singletec was to be merged into Delta's existing Florida location.
Design Solutions	Santa Barbara, CA	N	Paradigm Manufacturing Partners	Garden Grove, CA	Design house acquires manufacturing capability.
Enics	Baden, Switzerland	C*	ZTS Elektronika assets	Nová Dubnica, Slovak Republic	Gains second operation in Eastern Europe.
Flextronics	Singapore	S	WebRaiser Technologies	Sacramento, CA	Acquired company known for developing of kiosk software. Price was about \$1 M.
		S	Sidler	Germany	Sidler is an interior automotive products ODM. Flextronics bought the company out of bankruptcy for about \$3M.
		C*	Solectron	Milpitas, CA	Acquired competitor with high-end capabilities, 39 sites, 10.7 M sq ft, and about 55,000 employees. Deal was worth \$3.55 B. Combined annual revenue will exceed \$30 B.
Hanzas Elektronika	Ogre, Latvia	C*	Elektromekan i Arjang	Sweden	Cash payment of about SEK 35 M for EMS business with 9-mo. 2007 sales of SEK 198.1 M.
Heatterm	Loviisa, Finland	N	Elektropoint	Kuopio, Finland	Maker of heaters and industrial resistors buys contract manufacturer.
Hon Hai Precision Industry (Foxconn)	Tucheng, Taiwan	O	Sony Taiwan assets	Taichung City, Taiwan	Bought 142 SMT machines for NT\$550.4 M (\$16.5 M) and unidentified equipment for NT\$507.2 M (\$15.2 M).
Incap	Oulu, Finland	OC*	TVS Electronics' EMS unit	Tumkur, India	Acquired contract manufacturing unit with about 230 employees and about 6,000 sq m. Deal was valued at about 7.4 M euros.
IPTE	Genk, Belgium	OC*	Barco's PCBA activity	Poperinge, Belgium	Activity had more than 350 employees and 2006 sales of about 60 M euros, of which 15 M was external.
Jabil Circuit	St. Petersburg, FL	S	Taiwan Green Point Enterprises	Taichung, Taiwan	Paid about \$871 M for nearly all of Green Point's stock. Company supplies plastics for cell phones and other products. Sales for 2006 were projected at \$517 M.
		O	Nokia Siemens Networks plants	Cassina de Pecchi & Marciarise, Italy	Revenue from this deal estimated at 350 M euros (\$500 M) for the first 12 months. Book value of assets estimated at about 40 M euros (\$57 M). Plants employed 612 people. Output is radio access equipment and microwave devices.
Jaltek Systems	Luton, UK	S	Wavesight	Milton Keynes, UK	Wavesight has specialized in outdoor, ruggedized wireless infrastructure solutions.
Jurong Technologies	Singapore	S	Amould Plastic Industries	Singapore	Acquired plastic components manufacturer for price of S\$4.09 M (\$2.7 M) and loan repayment of S\$1.58 M.
		S	SEB	Singapore	Acquired remaining 64% of manufacturer of plastics, molds and stamped metal. Paid S\$12.15 M (\$8.1 M) in stock.
		S	i-Sirius	Singapore	Acquired 75% interest in firm that develops ultra-low-cost GSM modules and designs handsets based on these modules. Paid S\$3 M (\$2 M) in stock.
		S	Maho Engineering & Trading		Purchased assets relate to the manufacture of plastic components.

C = CM acquiring or merging with CM operation. O = OEM divesting OEM operation. OC = OEM divesting CM unit. S = service or supply chain extension. N = new player. *Consolidation deal.

MMI Scorecard: EMS Industry Mergers and Acquisitions in 2007					
Deal Maker	Home Base	Type	Target	Location	Some Details
Kimball Electronics Group	Jasper, IN	C*	Reptron Electronics	Tampa, FL	Acquired provider with 4 U.S. facilities and 12-month sales of \$145 M as of Sept. 30, 2006. Deal was worth \$49.5 M including retirement of notes and assumption of debt.
Kitron	Lysaker, Norway	C	EDC Elsis UAB	Kaunas, Lithuania	Acquired subsidiary of Swedish EMS provider EDC. Kitron expected to spend about SEK 14 M (\$2.1 M) for operation with about 40 employees and about 2,000 sq m.
Neways Electronics	Son, The Netherlands	O	ThyssenKrupp Technologies activities	Germany	
Nortech Systems	Wayzata, MN	C	Suntron operation	Garner, IA	Divested operation employed about 100 people. Sale was last phase of Suntron's plan to right-size its U.S. footprint.
Nova ETS	Wembley, UK	N	2 factories	China	Acquired 12 or 24 SMT lines.
Nu Visions Manufacturing	Springfield, MA	C*	Veritek Manufacturing Services	San Marcos, CA	The resulting company has five plants in North America, and combined sales were over \$200 M in fiscal 2006.
PartnerTech	Malmö, Sweden	S	Labyrinth Development	Fredrikstad, Norway	Development firm had about ten employees and 2006 sales of almost NOK 10 M (\$1.6 M).
Rover Computers	Russia	N	Arsenal factory	Alexandrov, Russia	Russian computer OEM acquired a contract manufacturing plant reportedly for \$4 M. Plant will continue to manufacture for Rover and external customers.
Sanmina-SCI	San Jose, CA	O	Powerwave manufacturing assets	Szekesfehar, Hungary	Sanmina-SCI took over Hungarian operation for filter and RF products and will supply Powerwave for five years. Firm developed software-driven electromechanical devices.
Solectron (now Flextronics)	Milpitas, CA	S	Unnamed medical design firm		
Stadium Group	Hartlepool, UK	S	Ferrus Power	Peterborough, UK	Acquired power supply manufacturer.
Startronics	Sydney, Australia	C	Sanmina-SCI operation	Perth, Australia	Sanmina-SCI divested operation with fiscal 2006 sales of about \$35 M. Price was about \$30 M.
tbp electronics	Dirksland, The Netherlands	OC*	Alcatel-Lucent operation	Geel, Belgium	Employing 319 people, the Alcatel-Lucent plant had developed an EMS business with external customers.
Tellumat	Cape Town, South Africa	C*	Rhomco	Cape Town, South Africa	
Venture	Singapore	S	VS Electronics		Increased ownership in R&D and design firm from 50% to 100%.

C = CM acquiring or merging with CM operation. O = OEM divesting OEM operation. OC = OEM divesting CM unit. S = service or supply chain extension. N = new player. *Consolidation deal.

Of the five categories used by *MMI* to classify a deal, the most common type in the 2007 occurred when one EMS provider acquired assets of another. Designated “C” on the Scorecard, such deals typically add revenue and customers and often expand the acquirer’s reach. Last year, providers made 16 purchases of competitor assets, up from 14 in 2006. That’s a 14% increase in spite of an overall decline of 18% in deals done. This type of deal has taken place at a fairly consistent rate since 2001 (Chart 4, p. 5). Acquisitions of competitor operations represented 38% of M&A transactions in 2007 versus 27% in 2006.

Acquiring competitor operations appeals most to small and medium-sized providers seeking growth and geographic expansion through acquisitions. Because the number of these

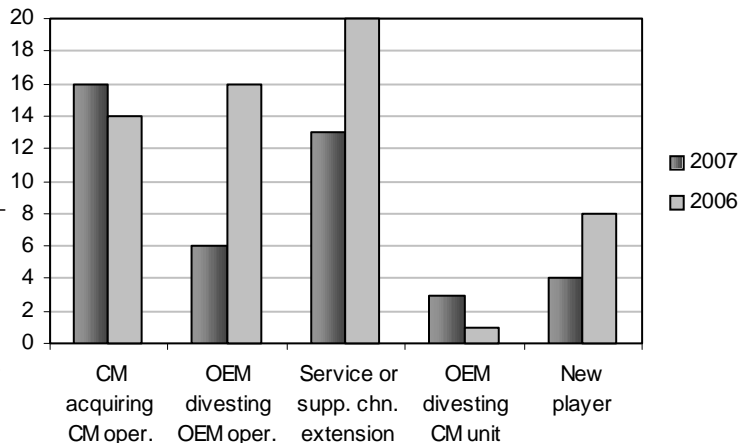
providers remains large, the opportunity for making such deals continues to be ample. But these deals are often not a good fit for large providers with a global footprint.

EMS companies also acquired EMS assets from OEMs in 2007. The Scorecard contains three deals of this kind, marked “OC.” These OEMs, who had bucked the outsourcing trend by manufacturing for themselves and others, saw the light in 2007. Although conventional wisdom would consider such

transactions a rarity, their number increased to three from one in 2006.

From the two foregoing types of transactions, a count of consolidation deals can be made. Out of the 16 acquisitions of EMS assets from competitors (marked C), three were EMS

Chart 2: Deal Breakdown 2007 Versus 2006



EMS Industry Alliances and Equity Partnerships in 2007				
Company	Home Base	Partner	Location	Some Details
BIT Analytical Instruments	Schwalbach, Germany	Source Scientific	Irvine, CA	BIT acquired 50% of firm that specializes in product development and contract manufacturing of medical devices.
CEI Contract Manufacturing Limited*	Singapore	Kinergy	Singapore	Acquired a 10% stake Kinergy, a provider of high-mix, low-volume EMS and manufacturer of semiconductor equipment.
Celestica	Toronto, Canada	Sequans Communications	Paris, France	Partners introduced an integrated baseband/RF solution for large mobile WiMAX base stations.
EN ElectronicNetwork	Limburg, Germany	NewTec	Germany	Alliance allows EN to offer NewTec's capabilities in hardware and software development.
Hon Hai Precision Industry (Foxconn)	Tucheng, Taiwan	Simplo Technology	Hukou, Taiwan	Acquired 8.9% stake in battery pack manufacturer.
		Ampower Holding	reportedly China	Took 45% interest Ampower, a new joint venture in LCD components.
		Advanced Optoelectronic Technology	Taiwan	Hon Hai group subsidiaries and affiliates bought 46.6% of LED manufacturer.
		G-Tech Optoelectronics	Tong-Lo, Taiwan	Hon Hai subsidiaries bought 42.4% of G-Tech, an optical glass processor. Reportedly, partnership will develop touch panels.
		Yosun Industrial & Elan Microelectronics	Taiwan	Alliance with two semiconductor suppliers reportedly will offer a touch panel solution for mobile-phone customers.
Jaltek Systems	Luton, UK	Connect Systems (IPTE group)	Kampenhout, Belgium	Jaltek customers will gain access to Connect's European facilities. Jaltek will take over Connect's UK sales activities.
NEPCON Manufacturing NOTE	Yavne, Israel	Electortel	Romania	Joint venture for setting up a 1,500-sq m plant in Alexandria, Romania.
	Danderyd, Sweden	Ionics EMS	Philippines	Acquired 50% of Ionics' underutilized facility in Tangxia, Southern China. Was to pay a \$1.2-M premium over book value.
		Fideltronik	Krakow, Poland	50-50 joint venture will give NOTE access to additional production capacity in Poland. Venture will employ about 220.
Palomar Technologies	Carlsbad, CA	Vision Manufacturing, Inc.	Vista, CA	Alliance enables Palomar's microelectronic packaging service to offer PCB and SMT services through its EMS partner, VMI.
Solectron (now Flextronics)	Milpitas, CA	ATEK Medical, Circle Medical, Proven Process Medical, SRI	MN, CA, MA, TX	Formed medical alliance.
SOLON	Berlin, Germany	ml&s	Greifswald, Germany	SOLON, a manufacturer of photovoltaic (solar) modules, took a 41% interest in ml&s, an EMS provider that serves SOLON.
Synchronized Manufacturing	Salem, NH	Prime Circuit Board Design	Derry, NH	Synchronized, an EMS provider, can offer its partner's PCB design services.
Tellumat	Capetown, South Africa	Investor group	South Africa	Tellumat acquired 50% of Carl Zeiss Optronics' PCBA facility in Gauteng Province, South Africa, for Tellumat's EMS division.

* Originally listed as a 2006 alliance.

divestitures, which do not count toward consolidation. That leaves 13 consolidation deals, which are then added to the three purchases of EMS operations from OEMs (marked OC). The result is a total of 16 consolidation deals, up from 13 in 2006, representing a 23% increase (Chart 3). On the Scorecard, consolidation deals are marked with an asterisk. Although the number of consolidation deals increased in 2007, it remained below the high water mark of 21 set in 2005.

Another kind of deal is the service or supply-chain extension, marked "S" on the Scorecard, where a provider makes an acquisition to augment its

services offering horizontally or expand supply chain capabilities vertically. In 2007, 13 transactions of this type occurred, compared with 20 the year before (Chart 2, p. 3). That's a drop of 35% and means that S-type deals gave up their title as the most popular kind of M&A transaction, a distinction earned in 2006. Capability extensions made up 31% of 2007 deals, down from a 39% share in 2006.

Clearly, in 2007

there was less appetite overall for adding capabilities as compared with the prior year. Having built up end-to-end service offerings, large providers are

Chart 3: Consolidation Deals

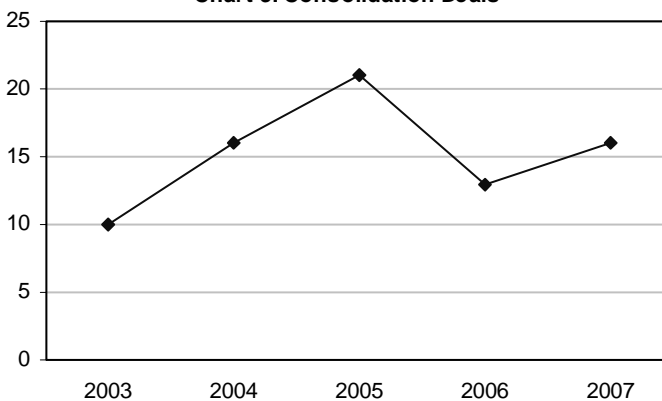
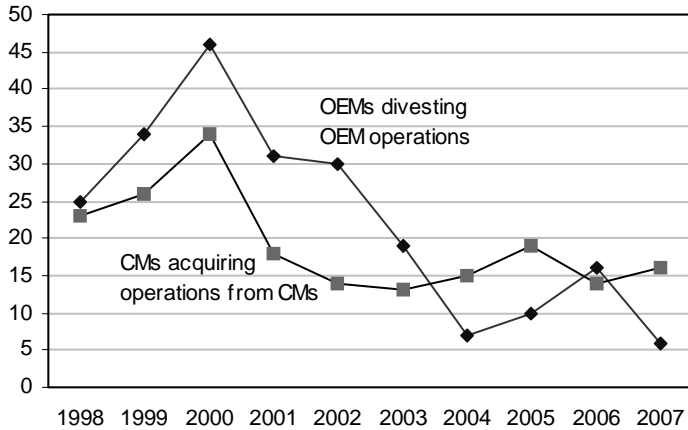


Chart 4: Comparing Two Types of Deals Over Time



typically well covered with horizontal capabilities. And vertical acquisitions only apply to providers that are both following a vertical model and working to extend it.

In the fourth type of deal, an OEM divests assets to an EMS company as part of an outsourcing agreement. Divested assets may consist of inventory and equipment or an entire plant operation. Designated “O,” these OEM divestitures were also down in 2007. In fact, the largest drop-off in deal making occurred in this category. OEM divestitures fell by 63% to six last year from 16 in 2006. In recent years, EMS providers have been wary of taking over OEM plants lest history repeat itself and these plants wind up in some restructuring action. Nevertheless, there are still some circumstances under which an EMS provider will acquire an OEM operation. A provider might find that the operation is in a desirable location or need the operation’s capacity to meet demand.

Note that an OEM divestiture could go unreported if the purchase of OEM assets is not deemed material or the EMS company is private and under no obligation to disclose the transaction.

Also consider that as levels of outsourcing penetration go up in various market segments, the number of OEM operations that can be divested goes down. Over time, this factor will take its toll on OEM divestitures.

The final category, marked “N,”

applies to cases where a new EMS player emerges from the sale of a manufacturing business. In 2007, there were four such deals, compared with a total of eight the year before.

New-player deals can arise for a number of reasons. A company in a related business such as design or plastics might decide to expand its offerings by buying an EMS provider. Or a company outside the industry might want to add an EMS player to its portfolio. Or an OEM might resist the outsourcing tide and acquire an EMS operation for capacity reasons. All of these scenarios are represented among the new-player deals on the Scorecard. Despite the maturity of the EMS industry, it continues to attract some new players each year.

In 2007, the most active deal maker was not a top-tier provider. The EMS company that completed the most M&A transactions last year was **Ju-rong Technologies** with four deals to its credit. Flextronics, which had owned or shared first place the three previous years, recorded the second highest total of three deals done. Of course, if the M&A yardstick is total value, then Flextronics obviously wins hands down with its monumental acquisition of **Solectron**.

But acquisitions are not the only means for achieving a provider’s end. A company can gain access to another’s capabilities, technology or footprint through an alliance or equity partnership. In an equity partnership, the relationship is cemented through investment. Either one partner takes a minority stake in the other or the two companies form a joint venture. An alternative approach is to base an alliance on an agreement without funds

changing hands. Whatever the arrangement, it will cost less than acquiring a partner. On the con side of the ledger, these combinations lack the permanence and control afforded by an acquisition.

More often than not, the cons outweigh the pros, and the number of M&A transactions continues to dwarf the number of alliances and equity partnerships. In 2007, EMS providers formed 18 of these partnerships compared with the industry’s 42 M&A deals (table, p. 4). While the number of partnerships increased by three over 2006, it still fell in the range of 12 to 18 partnerships established in the years 2003 through 2006.

The company that formed the greatest number of these 2007 partnerships was **Hon Hai Precision Industry**. Last year, the world’s largest EMS provider forged five such partnerships compared with making a single acquisition reported by *MMI*.

Scorecard ground rules. *MMI’s* Scorecard lists only M&A transactions. It does not include divestitures by EMS companies unless the divested assets were purchased by another EMS provider (or company entering the EMS business, as in previous years). In general, the Scorecard will not include private equity investments unless they result in a new-player deal. No such deals occurred in 2007. Joint ventures are not counted under M&A; they are considered a form of equity partnership.

It is *MMI’s* practice to update historical statistics when the newsletter discovers transactions that were not included in Scorecards of previous years. After the 2006 Scorecard was published, *MMI* found four additional transactions closed that year. Previously reported data (Feb. 2007, p. 1-5) was adjusted accordingly. In addition, four 2005 deals were added to the historical database as were six transactions occurring over the period 1998 to 2002.

Sanmina-SCI to Part with PC Business

Sanmina-SCI (San Jose, CA) is making good on its promise to exit the personal computing business, though the process took longer than expected. Under a definitive agreement, the company intends to sell certain assets of its PC business and associated logistics services in Hungary, Mexico and the U.S. to **Foxteq Holdings**, a member of **Foxconn Technology Group** anchored by **Hon Hai Precision Industry** (Tucheng, Taiwan).

Separately, Sanmina-SCI has entered into a nonbinding memorandum of understanding with **Lenovo Group**, one of three major customers of Sanmina-SCI's PC business. The MOU calls for Lenovo to take over Sanmina-SCI's PC operation in Monterrey, Mexico, and to buy assets related to the operation.

For the assets to be acquired by Foxteq, Sanmina-SCI will receive net book value plus a premium, according to an SEC Form 8-K filed by the company. Foxteq has also agreed to pay an additional amount contingent on revenues generated by the divested business during the first 12 months after closing. Sanmina-SCI expects proceeds of between \$80 and \$90 million from the Foxteq transaction. Subject to customary closing conditions, completion of the deal is expected in Sanmina-SCI's fiscal Q3 ending June 28.

The proposed Lenovo transaction, which would give Lenovo more capacity for internal manufacturing, may be connected to an earlier notice given by one of the customers of Sanmina-SCI's PC business. The customer had indicated that it intended eventually to manufacture its products internally, thereby ending its relationship with Sanmina-SCI's PC business.

This business includes personal business computers and industry standard servers. Its three major customers are Lenovo, **HP** and **IBM**. For the fis-

cal year ended September 2007, Sanmina-SCI's PC segment, which does not include its associated logistics activities, had sales of \$3.18 billion.

In November 2006, Sanmina-SCI announced it would create a separable PC business unit. The company began preparing for the sale of the PC business at least a year ago.

Flextronics to Acquire Mobile Power Unit

Flextronics (Singapore) intends to acquire **CEAG's FRIWO Mobile Power (FMP)** business unit, which develops, produces and sells power supply and charging devices for mobile applications in the telecom sector. FMP will become part of Flextronics' component business unit **Vista Point Technologies**, which will gain more capabilities in low-power (less than 10 watts) AC/DC power supplies. According to Vista Point, the acquisition will also put it among the top two mobile charger suppliers worldwide.

For a price of about \$85 million, Flextronics will add about \$375 million in annual revenue at slightly higher than corporate average operating margins. Subject to regulatory approvals and the like, the transaction is expected to close during the June quarter.

The acquisition will also add relationships with mobile phone OEMs, transformer manufacturing for enhanced vertical integration, and three power supply manufacturing facilities in China.

Flextronics will support CEAG's remaining business unit through an EMS partnership.

Deals done... According to published reports, **ASTEEL** (Paris, France) has purchased **MRP Electronics**, an EMS provider in Bedford, UK. This marks the second ASTEEL deal reported recently; the first was its acquisition of **Flash Electronics**, ex-

pected to close this month (Jan., p. 6). ASTEEL said earlier that it was negotiating the acquisition of an EMS company in the UK to complete its presence in Europe (Jan., p. 6)...**Sunburst EMS** (West Bridgewater, MA) has acquired **New England Wire Assemblies** (Salem, MA), a provider of custom wire harnesses and cable assemblies...**Triton Electronik** (Pointe-Claire, Quebec, Canada) has acquired another Canadian EMS provider, **Positron Technologies** of Kirkland, Quebec, which had been operating under court supervision. Positron was a C\$60-million-a year EMS provider with 250 employees. Triton now has about 700 employees, over C\$140 million in annual sales, and more than 250,000 ft² of floor space...Last month, **CEI Contract Manufacturing Limited** (Singapore) completed its acquisition of **IC Equipment Pte Ltd**, an electromechanical operation, and its Shanghai subsidiary (Dec. 2007, p. 6).

Potential sale... **Nam Tai Electronics** (Macao, China) is negotiating to sell its 74.99% interest in a Hong Kong-listed subsidiary, **J.I.C. Technology**, whose holdings provide design, software development and other services mainly for the Japanese electronics industry.

Alliances... **SKY MobileMedia**, a provider of applications software for the mobile phone industry, has partnered with Flextronics to develop a production-ready reference handset based on **TI's LoCosto** single-chip GPRS hardware platform...Through a new partnership with UK-based **ACW Technology**, **Silicon Forest Electronics** (Vancouver, WA) will utilize ACW's Chinese manufacturing services to support the U.S. market. In addition, SFE will become a U.S.-based manufacturing and supply arm for ACW's customers needing U.S. fulfillment.

New business... **Zebra Technologies** (Vernon Hills, IL) plans to transfer final assembly of thermal printers to **Jabil Circuit** (St. Petersburg, FL). Final printer assembly will move from Zebra's plants in California and Illinois to Jabil's facility in HuangPu, China, over the next 18 to 24 months. Zebra estimates that 650 production-related jobs will be eliminated during this period.... An alliance of hardware and software vendors have joined together to develop what is billed as the world's lowest cost smart entry phone that enables email and web-based messaging functions. Alliance member **Jurong Technologies** (Singapore) will produce the smart entry phone, which is targeted at emerging markets.... **Numerex** (Atlanta, GA) has selected **The Morey Corporation** (Woodbridge, IL) to manufacture a satellite-based tracking tag, recently introduced by Numerex.... **LaBarge** (St. Louis, MO) has landed contracts from **Raytheon Missile Systems** for two different programs. First, LaBarge has been awarded \$9.2 million in contracts to continue to provide cables and electronic assemblies for the Tactical Tomahawk cruise missile. In the second case, the provider has received a \$2.2-million award to continue supplying complex cable harnesses for the

Joint Standoff Weapon system.... The Optoelectronics and Manufacturing division of **OSI Systems** (Hawthorne, CA) has received a follow-on order worth about \$5.8 million from **EDO Corporation**. The OSI division will deliver electronic subassemblies for vehicle-mounted electronic jammer systems supplied by EDO to the U.S. Department of Defense. OSI is a vertically integrated OEM specializing in the security and healthcare industries.

Elcoteq to Sell Russian Plant to Flextronics

Elcoteq (Luxembourg) has agreed to divest its subsidiary in St. Petersburg, Russia, to Flextronics. This move follows a recent statement by Elcoteq that it had decided to scale down or divest the St. Petersburg subsidiary as part of the company's latest actions, designed to restore its profitability and competitiveness (Jan., p. 5-6).

In this transaction, Flextronics will acquire 100% of the shares in Elcoteq's St. Petersburg subsidiary including the premises and personnel but excluding existing customer arrangements. Elcoteq expects to book a one-time gain of about 3 million euros related to the sale in Q2 2008. The

deal is estimated to have a positive impact on operating profitability from Q3 onwards.

Closing will occur once conditions including competition authorities' approvals have been met. This process is estimated to take about 60 days.

At the end of January 2008, Elcoteq's 14,700-m² plant in St. Petersburg employed 550 people. It has mainly produced for export. The plant has been a loss maker due to underutilization, which has been partially caused by unfavorable custom duties on imported components.

For Q4 2007, Elcoteq recorded an operating loss of 24.9 million euros, including restructuring costs of 15.3 million euros, on sales of 1,062.4 million euros. Sales were essentially flat versus the prior quarter and down 3.8% year over year.

New Player in Europe

Four executives, including three cofounders of EMS provider **NOTE**, have launched a new EMS company, **Hanza**, with operations in Sweden, Estonia and Poland. The new provider is offering a one-stop solution covering electronics, mechanics and final assembly.

Based in Täby, Sweden, Hanza em-

Q4 and 2007 GAAP Results for Seven Large EMS Providers, U.S.-Traded (M\$ or %)

Company (in order of 2007 sales)	Q4 '07 sales	Q3 '07 sales	Qtr.- qtr. chg.	Q4 '06 sales	Yr.-yr. chg.	Q4 '07 gross marg.	Q4 '06 gross marg.	Q4 '07 oper. marg.	Q4 '06 oper. marg.	Q4 '07 net inc.	Q3 '07 net inc.	Q4 '06 net inc.	2007 sales	2006 sales	Yr.-yr. chg.	2007 net inc.	2006 net inc.
Flextronics	9,068.7	5,557.1	63.2	5,415.5	67.5	3.5	5.3	0.0*	2.7*	(774.4)	120.9	118.6	24,459.6	17,707.8	38.1	(425.9)	430.9
Jabil	3,367.9	3,129.8	7.6	3,224.0	4.5	7.1	6.0	2.9	1.9	62.0	11.7	41.4	12,434.5	11,085.1	12.2	93.8	129.0
Sanmina-SCI	2,532.9	2,505.4	1.1	2,778.8	-8.8	6.0	6.1	1.8	2.1	7.9	(1,109.1)	28.2	10,138.4	10,872.4	-6.8	(1,154.9)	(130.8)
Celestica	2,210.5	2,080.6	6.2	2,261.8	-2.3	6.0	3.9	0.5	-1.9	(11.7)	51.5	(60.8)	8,070.4	8,811.7	-8.4	(13.7)	(150.6)
Benchmark	734.5	672.6	9.2	737.3	-0.4	7.0	6.7	3.0	4.3	20.9	22.0	28.3	2,915.9	2,907.3	0.3	93.3	111.7
Plexus	458.3	425.7	7.7	380.8	20.4	12.1	10.4	7.0	4.9	27.3	24.9	15.1	1,623.8	1,513.0	7.3	77.9	101.3
Nam Tai	186.9	204.5	-8.6	229.6	-18.6	11.2	9.6	4.1	-1.1	9.6	12.7	(2.3)	780.8	870.2	-10.3	69.5	40.8
Total/avg.	18,559.7	14,575.7	27.3	15,027.8	23.5	5.2	5.6	1.2	1.8	(658.4)	(865.4)	168.5	60,423.4	53,767.5	12.4	(1,260.0)	532.3

Q4 and 2007 GAAP Results for Three Smaller Providers, U.S.-Traded

LaBarge	67.1	59.2	13.3	60.8	10.4	20.0	20.6	8.8	9.4	3.4	2.5	3.2	250.8	213.0	17.7	11.6	10.6
Sparton	55.0	58.9	-6.6	53.1	3.6	6.7	6.6	-2.7	-1.6	(1.9)	(1.4)	(1.4)	212.6	197.2	7.8	(7.2)	(2.7)
Key Tronic	50.8	44.6	13.9	49.8	2.0	6.9	8.4	3.7	1.5	1.6	0.2	0.3	191.8	203.4	-5.7	5.2	9.7
Total/avg.	172.9	162.7	6.3	163.7	5.6	11.9	12.3	3.6	3.4	3.1	1.3	2.1	655.2	613.6	6.8	9.6	17.6

* Intangible amortization subtracted from reported operating income.

News

ploys some 835 people and lists as customers **ABB, Atlas Copco, Bosch, Carrier, Cewe, Ericsson, Intermec, Primus, Siemens, Tour Andersson, Whirlpool** and **Zarlink**.

Obviously, Hanza is not starting from scratch. Two acquisitions made by the company have come to light. Hanza acquired **Arotronic**, an EMS provider in Zukowo, Poland. Another new member of the Hanza group is **Tarkon**, a mechanical subcontractor in Tartu, Estonia. Tarkon was formerly part of **HSF Group**.

Hanza was started by Sten Dybeck, Erik Stenfors and Bengt Emesten, all cofounders of NOTE, along with Gunnar Bergström, founder of HSF Group.

People on the move... Last month, Willy Shih, Ph.D., senior lecturer at the Harvard Business School, joined Flextronics' board, as former Flextronics CEO Michael Marks retired from it. Ray Bingham, a current director, became chairman of the board....Sanmina-SCI has appointed John Goldsberry to its board. A seasoned financial executive, Goldsberry serves as CFO and SVP-IT of **Gateway**.

...**Plexus** (Neenah, WI) has promoted Joseph Mauthe to VP of global human resources. Also, the company has named Pete Whitley VP, customer management for the industrial/commercial sector. Whitley joined Plexus

from Jabil, where he spent 12 years, most recently as a business unit director.... Masaaki Yasukawa, who spent over 20 years at Japan's **Seiko Epson**, is the new CEO of Nam Tai Electronics. He takes control from acting CEO M. K. Koo, who has served in that capacity since May 2007....**Syncro** (Arab, AL) has promoted Larry Fleming to VP of sales and marketing. ...**Sunburst Electronics** (Erie, PA) has hired Kevin McDonough as VP of sales and marketing to succeed Dennis Cantoni who retired. McDonough's EMS resume includes stints at **Solec-tron, ACT Electronics** and Flextronics....**PartnerTech** (Malmö, Sweden) has appointed Eldon Lindsay as its UK business development manager. He formerly worked at Solec-tron Dunfermline (Scotland)... Lynne Mooney has joined **Electronic Systems, Inc.** (Sioux Falls, SD) as director of program management. She has over 20 years of EMS experience.

LEGO Takes Back Czech Production

In an unusual move for the outsourcing business, construction toy maker **LEGO Group** and its outsourcing partner Flextronics have decided that LEGO will take over Flextronics operations at the Kladno packing and processing plant in the Czech Repub-

lic. Flextronics acquired the Kladno operations from LEGO in 2006 as part of an outsourcing agreement with LEGO. The changeover will take effect from March 1.

LEGO will take on the 700 employees at plant. The company already owns the buildings and equipment at the Kladno site.

Still, LEGO will continue to use Flextronics as a manufacturing partner. LEGO will manufacture in Denmark and the Czech Republic and together with Flextronics in Mexico and Hungary.

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