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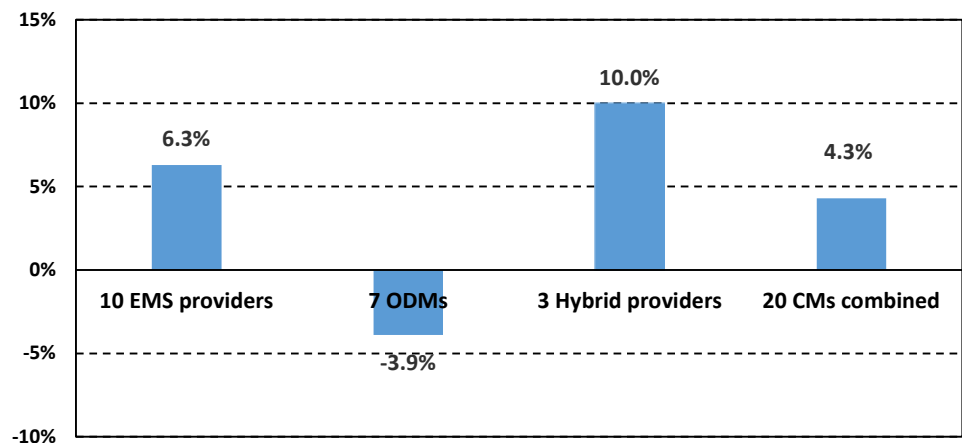
First-Half Growth Favors Hybrid Providers

Based on first-half results of 20 of the largest contract manufacturers, neither the EMS approach nor the ODM model has enjoyed an appreciable advantage this year so far. Combined first-half sales of 10 large EMS providers increased, whereas the aggregate sales of seven large ODMs declined. Revenue for the EMS group increased 6.3%, while the ODMs' sales sank 3.9%. Apparently, the ODM group was buffeted by the macroeconomic headwinds swirling about the global economy. But that is not the end of the story of the first six months.

There is a third class of contract manufacturer—the hybrid provider—that does substantial amounts of both EMS and ODM business. In contrast with the decline of the ODM group, combined sales of three large hybrid CMs actually grew in the first half. The hybrid group's revenue increased 10% year over year, more than 370 percentage points better than the performance of the other two groups (Chart 1). If this comparison can be generalized, it would seem that the hybrid model did a better job of withstanding the vicissitudes of the first half.

Hybrid companies benefited from the rebound in demand for smart phones and tablets, plus a resurgence from traditional industries such as medical, industrial, and transportation, where ODMs have only a minor manufacturing presence.

Chart 1: First-Half Growth Year on Year



The companies with the strongest improvement in terms of year-to-year gain were **Universal Scientific Industrial** (38.2%), **Jabil** (17.7%), **Cal-Comp Electronics** (14.7%), **Plexus** (12.1%), and **Shenzhen Kaifa** (10.8%). **Foxconn** managed to expand its gross revenue by 9.4%, from \$58 billion to \$63 billion. The most negative result occurred among the ODM group, which experienced a -3.9% decline rate in 2015.

The biggest player in the hybrid group was **Pegatron**. Spun off from **ASUSTeK** in 2010, Pegatron has emerged as one of the world's largest contract manufacturers, having risen to second biggest in terms of total first-half revenue (see Table 1, p. 2). While Pegatron is known as an ODM, much of its recent growth has been fueled by its **Apple** assembly business, which has expanded the EMS piece of Pegatron's revenue pie. Reportedly, Pegatron has built iPad Mini tablets and some versions of the iPhone for Apple.

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Table 1: Q2 and Six-Month 2015 Results for 20 of the Largest Contract Manufacturers (M US\$ or %)

Company	Primary business	Headquarters	Reports in US\$	Q2 2015 Sales	Q1 2015 Sales	Qtr.-qtr. chg.	Q2 2014 Sales	Yr.-yr. chg.	Q2 2015 Net Inc.	Q1 2015 Net Inc.	Q2 2014 Net Inc.	Q1-2 '15 sales	Q1-2 '14 sales	Yr.-yr. chg.	Q1-2 '15 net profit	Q1-2 '14 net profit
Hon Hai	EMS	Taiwan	No	31,525.7	32,410.4	(2.7)	29,442.5	7.1	832.6	971.1	676.1	63,936.1	58,454.2	9.4	1,803.7	1,317.8
Quanta	ODM	Taiwan	No	8,135.2	6,557.8	24.1	7,183.0	13.3	109.3	117.4	136.2	14,693.0	14,721.7	(0.2)	226.7	289.7
Pegatron	ODM/EMS	Taiwan	No	7,063.1	8,765.2	(19.4)	7,112.1	(0.7)	150.9	202.2	50.2	15,828.3	14,295.0	10.7	353.1	139.9
Compal	ODM	Taiwan	No	6,450.7	6,331.5	1.9	6,761.0	(4.6)	48.8	64.4	79.2	12,782.2	12,364.3	3.4	113.2	4.8
Flextronics	EMS	Singapore	Yes	5,566.2	5,951.6	(6.5)	6,642.7	(16.2)	110.9	135.1	173.9	11,517.8	13,366.7	(13.8)	246.0	216.9
Wistron	ODM/EMS	Taiwan	No	4,734.3	4,816.4	(1.7)	4,551.0	4.0	2.5	23.1	40.6	9,550.7	8,682.7	10.0	25.6	51.8
Jabil	EMS	Florida	Yes	4,358.6	4,309.3	1.1	3,785.9	15.1	70.5	52.9	185.6	8,668.0	7,363.2	17.7	123.4	153.1
Inventec	ODM	Taiwan	No	2,939.4	2,854.1	3.0	3,513.4	(16.3)	37.9	46.4	49.5	5,793.4	7,345.1	(21.1)	84.4	111.7
Sanmina	EMS	California	Yes	1,539.3	1,527.5	0.8	1,604.7	(4.1)	24.5	14.8	20.7	3,066.8	3,081.4	(0.5)	39.2	41.6
Celestica	EMS	Canada	Yes	1,417.3	1,298.5	9.1	1,471.5	(3.7)	24.2	19.7	40.9	2,715.8	2,783.9	(2.4)	43.9	78.2
Cal-Comp Electronics	EMS	Thailand	No	1,067.6	1,225.3	(12.9)	1,041.6	2.5	8.8	9.8	3.1	2,292.9	1,999.3	14.7	18.6	7.6
Qisda	ODM	Taiwan	No	1,036.4	1,121.3	(7.6)	979.0	5.9	19.8	25.8	9.3	2,157.6	2,065.0	4.5	45.6	30.8
Universal Scientific Industrial	EMS	China	No	857.7	686.2	25.0	559.2	53.4	15.5	22.8	30.1	1,544.0	1,117.5	38.2	38.3	55.5
Plexus	EMS	Wisconsin	Yes	669.6	651.3	2.8	620.5	7.9	23.8	23.6	24.6	1,320.9	1,178.1	12.1	47.4	43.0
Benchmark Electronics	EMS	Texas	Yes	664.0	620.9	6.9	716.9	(7.4)	21.2	14.2	22.2	1,285.0	1,356.2	(5.3)	35.4	41.3
Shenzhen Kaifa	EMS	China	No	656.5	715.7	(8.3)	594.5	10.4	8.4	6.2	5.2	1,372.2	1,238.9	10.8	14.6	8.8
Venture Corp	ODM/EMS	Singapore	No	490.9	443.7	10.6	482.2	1.8	26.8	23.7	26.9	934.6	952.1	(1.8)	50.5	51.4
Kinpo Electronics	ODM	Taiwan	No	371.1	393.4	(5.7)	490.2	(24.3)	18.8	13.7	28.2	764.4	850.3	(10.1)	32.6	44.6
Ability Enterprise	ODM	Taiwan	No	160.0	148.5	7.7	224.2	(28.6)	6.2	3.9	0.5	308.6	392.8	(21.4)	10.0	(6.1)
AmTRAN Technology	ODM	Taiwan	No	87.0	155.0	(43.9)	188.3	(53.8)	2.4	6.0	11.3	241.9	476.7	(49.3)	8.4	22.0
Total/avg.				79,790.6	80,983.5	(1.5)	77,964.5	2.3	1,563.8	1,796.8	1,614.2	160,774.1	154,085.1	4.3	3,360.6	2,704.4
Total/avg. without Hon Hai				48,264.9	48,573.1	(0.6)	48,522.0	(0.5)	731.2	825.7	938.1	96,838.0	95,630.9	1.3	1,556.9	1,386.6

Results in non-US currencies were converted to US dollars by applying a three-month average exchange rate for the corresponding quarter. Average exchange rates were based on monthly 2015 and 2014 data from the US Federal Reserve. Company net profits shown here are attributable to shareholders. Net profit totals are approximate because not all companies follow the same accounting standard.

Wistron is another large player operating as both an ODM and an EMS provider. Although the company has the reputation of being a major notebook ODM, **Wistron** has a history of doing business on both sides of the outsourcing street. Most recently, reports say that Apple used Wistron to make the iPhone 5c. Some components of the iPhone 6s and 6s Plus are already being manufactured by Wistron. It shipped 4.2 million smart phone units in 3Q2014, with an expected increase to

26 million units for 2015.

The third and final company placed in the hybrid group is **Venture**, an EMS provider that has built up an ODM business. In 2015, Venture's ODM business accounted for about 35% of the company's sales. Other companies among the 20 CMs may deserve to be considered hybrid providers, but these are the three that *MMI* has identified so far as having established substantial businesses of both types.

By first-half revenue, the hybrid providers comprise the smallest of the three groups into which the 20 CMs are divided. Sales of the hybrid CMs totaled \$26.3 billion, or 16% of the combined sales of the group of 20. By far the largest share of total sales—61%—belonged to the EMS group, while the ODMs generated 23% (Chart 2, p. 3).

First-half sales of the 20 CMs amounted to \$160.7 billion, an increase of 4.3% year over year. *MMI* believes that this figure can be used as a proxy

for the board- and system-level outsourcing space, since these 20 companies account for the vast majority of revenue from the space. Hon Hai Precision Industry, the EMS giant, did influence this result in a big way. Without Hon Hai, the increase would have been 1.3%.

Of the 20 CMs, 10 experienced first-half sales declines in US dollars ranging from slight to rather severe. In contrast, of the ten CMs that raised their first-half sales versus a year ago, seven companies (**Universal Scientific Industrial, Jabil, Cal-Comp Electronics, Plexus, Shenzhen Kaifa, Pegatron, and Wistron**) achieved double-digit growth. Universal Scientific Industrial separated itself from the other CMs with a 38.2% gain.

Five ODM companies endured double-digit decreases, with **Ability Enterprise, Inventec, and AmTRAN Technology** suffering declines of over 20% (in US dollars) from a year earlier.

For the first six months, the 20 CMs together earned net income of approximately \$3.36 billion. (Net income was approximate because not all companies follow the same accounting rules.) Net profit increased to about 24.3% year on year, in line with the aforementioned sales increase of 4.3%. However, unlike the EMS and ODM contingents, the hybrid group improved its net income from a year earlier (Table 2 below). On the other hand, first-half net margin for the hybrid group came in at about 1.6%, compared with about 2.4% for the EMS group and 1.4% for the ODMs. Hon Hai contributed some 53.6% of total net income for the first half, while accounting for 39.7% of sales.

Second-quarter revenue for the entire group totaled \$79.7 billion, down 1.5% from the prior quarter but increased 2.3% from the year-ago period. Sequential decreases on the part of nine CMs outweighed increases produced by the others. Three companies, **AmTRAN Technology, Pegatron, and Cal-Comp Electronics**, experienced double-digit declines. Excluding Hon Hai, sequential decline in 2Q15 was around 0.6%.

In the year-over-year comparison, Q2 increases from 10 companies more than offset decreases by 10 CMs. Five CMs faced two-digit drops in their revenue (expressed in US dollars), with Ability and AmTRAN showing the worst declines (Table 1). Universal Scientific Industrial stood out with its 53.4% growth.

The EMS and hybrid groups had nearly identical sales increases from the year-earlier quarter. With regard to year-over-year comparison, the EMS group's revenue increased 4%, while the hybrid group's revenue increased 1.2%. By contrast, Q2 sales of the ODM group decreased 0.8%. When compared with the prior quarter, the EMS group's sales decreased 2.2%, whereas the ODM group had a 9.2% increase and the hybrid group a 12.4% decline (Table 2).

Q2 net income for the group of 20 was approximately \$1.56 billion, down from about \$1.79 billion in the previous quarter and down from about \$1.61 billion a year earlier. Net income fell about 3.1% year over year, a slightly better outcome than the Q2 sales decline of 12.9%. Seven CMs boosted their net income from a year ago, but this combined effort was not enough to counter the declines at the

other providers. Without Hon Hai, the drop in Q2 net income would have been much worse—about 22% year on year instead of about 3.1%.

First-Half Growth for Asian Group

A group of 11 large and mid-sized EMS providers based in Asia produced first-half sales growth that nearly mirrored the growth of two other industry groups tracked by *MMI*.

First-half 2015 sales of the Asia-based group increased 12% year on year. With respect to first-half sales, Asia-centric manufacturing proved to be an overall advantage for the Asian group. Asia-based production become an advantage in light of a growing trend toward off-shoring (keeping new programs in lower-cost geographies). Note that all of the EMS providers in this comparison are publicly listed or are part of a publicly traded company.

First-half revenue for the 11 Asia-based providers totaled \$7.95 billion, up from \$7.11 billion in the year-ago period. For the first six months, growth at six EMS providers outweighed declines at five others. Five players, including Cal-Comp Electronics, Universal Scientific Industrial,

Chart 2: First-Half Sales by Provider Type

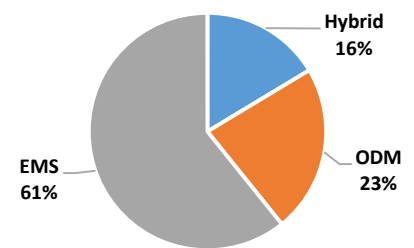


Table 2: Comparing Results Where Companies Are Grouped by Primary Business (M US\$ or %)

No. of companies	Primary business	Q2 2015 Sales	Q1 2015 Sales	Qtr.-qtr. chg.	Q2 2014 Sales	Yr.-yr. chg.	Q2 2015 Net Inc.	Q1 2015 Net Inc.	Q2 2014 Net Inc.	Q1-2 '15 sales	Q1-2 '14 sales	Yr.-yr. chg.	Q1-2 '15 net profit	Q1-2 '14 net profit
10	EMS	48,322.6	49,396.8	-2.2	46,480.0	4.0	1,140.3	1,270.2	1,182.4	97,719.4	91,939.4	6.3	2,410.5	1,963.8
7	ODM	19,179.7	17,561.5	9.2	19,339.1	-0.8	243.3	277.6	314.2	36,741.2	38,215.9	-3.9	520.9	497.5
3	ODM/EMS	12,288.3	14,025.3	-12.4	12,145.3	1.2	180.2	249.1	117.6	26,313.6	23,929.8	10.0	429.2	243.1
20		79,790.6	80,983.5	-1.5	77,964.5	2.3	1,563.8	1,796.8	1,614.2	160,774.1	154,085.1	4.3	3360.6	2,704.4

Net profit totals are approximate because not all companies follow the same accounting standard.

Fabrinet, Shenzhen Kaifa, and PCI, chalked up double-digit growth (in US dollars). On the other hand, for one provider, SVI, revenue declined by two-digit percentages (Table 1A below).

Two of the 11 Asian providers, **WKK and Wong's International Holdings**, report results on only a half-year basis. For the remaining nine players, sales for 2Q2015 amounted to \$3.70 billion, up 0.3% sequentially and up 13.1% year over year. All but four of the nine providers increased their sales from the prior quarter, and three of these, Venture, Universal Scientific Industrial, and SVI, achieved double-digit gains. In the year-over-year comparison, three out of nine providers saw their sales decline, but three companies, Universal Scientific Industrial, Shenzhen Kaifa Technology, and Fabrinet, enjoyed double-digit growth (Table 1A).

In Q2, the nine providers together earned net income of approximately \$111.5 million for a net margin of about 3%. (Net income was approximate because not all companies follow the same accounting rules.) The highest net margins in the quarter were turned in

by SVI at 49.1% and Fabrinet at 6.3%. Collectively, net income grew about 7.4% sequentially, with 0.3% growth in sales from the prior quarter. Sequential net income increases at four companies more than offset declines at five others. But on a year-over-year basis, combined Q2 net income for six companies grew, and sales also increased by 13.1%.

Net income rose about 26.5% year-over-year compared with a sales increase of 13.1%. Significant profit growth at **SVI, PCI, and Cal-Comp Electronics** drove the increase. For the first six months, net income of the nine providers totaled approximately \$215.3 million for a net margin of about 2.9%. First-half net income climbed about 0.2% year over year thanks to a positive swing in net income at **PCI**.

Some Quarterly Results

Flex (Flex). Flextronics reported Q1 results of \$5.6 billion. Sales declined 16% y-o-y primarily due to weakness in the Integrated Network Solutions

(INS) (-19% y-o-y) and Consumer Technology Group (CTG) (-30% y-o-y) segments. Operating Margins were 2.9%, down 10 basis points q-o-q, on negative revenue leverage, which offset the benefits of a mix-shift to higher margin segments, improved operational efficiencies, and a lower tax rate.

On an end-market basis, Integrated Network Solutions (35% of sales) was down -4.2% q-o-q. For the September quarter the company expects this segment to be up high single digits q-o-q. Finally, management noted that within INS, the server and storage area came in below expectations due to industry weakness, offset by q-o-q growth in networking. The company expects revenue growth driven by ramp-ups of new programs to offset ongoing headwinds, coupled with contributions from the latest asset acquisition.

Industrial & Emerging Industries (IEI) (20% of sales) was down -0.2% on a sequential basis. Management noted that the September quarter should see mid- to high single-digit growth q-o-q due to new program ramps in home appliance, energy, and industrial projects (44 new

Table 1A: Six-Month 2015 Results for 11 Asia-Based EMS Providers (M US\$ or %)

	Head- quarters	Re- ports in US\$	Q2 2015 Sales	Q1 2015 Sales	Qtr.- qtr. chg.	Q2 2014 Sales	Yr.-yr. chg.	Q2 2015 Net Inc.	Q1 2015 Net Inc.	Q2 2014 Net Inc.	Q1-2 '15 sales	Q1-2 '14 sales	Yr.-yr. chg.	Q1-2 '15 net profit	Q1-2 '14 net profit
Integrated Micro-Electronics	Philippines	Yes	201.2	194.4	3.5	205.7	-2.2	6.6	7.9	4.8	395.6	403.7	-2.0	14.5	11.1
PCI	Singapore	Yes	46.9	47.4	-1.0	46.6	0.8	2.3	14.1	0.6	94.4	85.1	10.9	16.5	2.1
SVI	Thailand	No	68.6	42.9	59.7	69.5	-1.3	33.7	8.5	7.8	111.5	134.2	-16.9	42.1	15.7
Venture	Singapore	No	490.9	443.7	10.6	482.2	1.8	26.8	23.7	26.9	934.6	952.1	-1.8	50.5	51.4
Cal-Comp Electronics	Thailand	No	1,067.6	1,225.3	-12.9	1,041.6	2.5	8.8	9.8	3.1	2,292.9	1,999.3	14.7	18.6	7.6
Universal Scientific Industrial	China	No	857.7	686.2	25.0	559.2	53.4	15.5	22.8	30.1	1,544.0	1,117.5	38.2	38.3	55.5
Pan-International Industrial	Taiwan	No	108.1	149.1	-27.5	116.0	-6.8	-3.6	-0.1	-1.0	257.2	274.0	-6.1	-3.7	4.5
Fabrinet	Thailand	Yes	206.5	189.5	9.0	160.1	29.0	13.0	10.8	10.3	395.9	327.7	20.8	23.9	58.0
Shenzhen Kaifa	China	No	656.5	715.7	-8.3	594.5	10.4	8.4	6.2	5.2	1,372.2	1,238.9	10.8	14.6	8.8
Subtotal/avg.			3,704.1	3,694.2	0.3	3,275.4	13.1	111.5	103.8	88.1	7,398.3	6,532.5	13.3	215.2	214.7
WKK International (Holdings)	Hong Kong	No									310	335	-8	1.3	3.2
Wong's International Holdings	Hong Kong	No									245	243	1	9.3	9.3
Six-month total/avg.											7,953	7,111	12		

Results in non-US currencies were converted to US dollars by applying a three-month average exchange rate for the corresponding quarter, except for the two Hong Kong-based companies, whose results were converted by using six-month average exchange rates. Average exchange rates were based on monthly 2015 and 2014 data from the US Federal Reserve. Company net profits shown here are attributable to shareholders. Net profit totals are approximate because not all companies follow the same accounting standard.

accounts that booked \$1.6 billion in new manufacturing wins last year).

High Reliability Solutions (HRS) (16% of sales) was down -0.2% q-o-q, which was ahead of expectations calling for down low single digits sequentially. Within HRS, Auto was up 1% while Medical was down 1%, with strength in disposables offset by weak medical equipment. Looking forward, HRS is expected to be up mid- to high single digits on a sequential basis in the September quarter, driven by new program ramps and **Mirror Controls, Inc.** (MCi) contributions.

Consumer Technology Group (CTG) (28% of sales) was down -15.9% q-o-q, which was below previous guidance calling for down mid-single digits sequentially. Weakness in CTG was largely attributed to smart phones, but the company indicated it saw strength in wearables, gaming, and digital health. This segment is expected to be up 15-25% q-o-q in the September quarter.

Earlier this month, Flex completed the transfer of **Alcatel-Lucent's** optical transport equipment business, which will contribute \$200 million in annual run rate revenue. As reported, the company also closed on the acquisition of MCi, a Europe-based company that manufactures actuators for the automotive market. MCi has last 12 months revenue of \$200 million, growing 20% y-o-y. The deal should be immediately accretive to growth, margin, EPS, and free cash flow (FCF).

For the September quarter, Flex guided to revenue/EPS of \$5.9-6.5 billion/\$0.22-0.28. On a segment basis, the company expects INS to be up high single digits sequentially, IEI to be up mid- to high single digits q-o-q, HRS to be up mid- to high single digits q-o-q, and CTG to be up 15-25% sequentially. Finally, the company believes that it will continue to execute on its five-year FCF road map of \$3-4 billion by FY17.

Celestica (CLS). The company announced strong 2Q15 revenue of \$1.42 billion. Overall revenues contracted (on a y-o-y basis) in 2Q15 for the 15th consecutive quarter; 3Q15 guidance points to a return to growth—

2% y-o-y growth at the midpoint.

Communications: The Communications segment maintained its 40% share of revenue and grew by 9% q-o-q due to strong demand and new program ramps. A program completion drove the segment to decline by 5% y-o-y.

Diversified: The Diversified segment comprised 28% of revenue. Growth q-o-q was driven by strength in Aerospace & Defense (A&D), which more than offset declines in the energy business as the segment transitions part of its operations from North America to Asia.

Storage: The Storage segment comprised 19% of revenue and continued to exhibit strong growth due to strong demand, new programs, and ongoing success with the joint design and manufacturing (JDM) business.

Servers: The Server segment represented 10% of revenue. Server revenue declined by 6% y-o-y due to softer demand.

Celestica has entered into an agreement to sell its 60-acre property in Toronto on which its headquarters and Toronto manufacturing operations are located. The selling price is ~Cdn\$137 million, comprising a Cdn\$15 million cash deposit, a Cdn\$53.5 million cash payment at closing (expected within two years), and a Cdn\$68.5 million two-year interest-free mortgage to be registered at closing.

The company is guiding for Q3 revenue of \$1.4-\$1.5 billion, implying revenue stability at the midpoint. This is in line with expectations. EPS guidance is \$0.28-\$0.34, due to lower operating margin assumptions. The Diversified business is expected to show strong performance in four out of five submarkets, driven by new program ramps in A&D. The Communications segment is expected to show the first quarter of y-o-y growth in five quarters, driven by strong demand and new programs. Storage is expected to show continued y-o-y growth due to new programs. The Servers business is expected to decline due to reduced demand and the delay of a new program launch.

Integrated Micro-Electronics, Inc. (IMI). IMI announced first-quarter 2015 net income of \$6.8 million, up 36 percent year on year despite foreign exchange headwinds. Improvement in net income

was mainly driven by the company's focus on higher margin segments, productivity, and cost-saving efforts. Reported revenues of \$201.2 million slightly declined by 2 percent year on year, but increased by 3.5 percent quarter on quarter.

The automotive segment rose 8% y-o-y on robust Bulgaria and Mexico operations. Excluding the foreign exchange impact, revenues would have been higher by 22%. The telecom sector saw slower growth following China's strong ramp-up to the 4G roll-out to tier-one cities in 2014. Top 10 customer concentration was 53%, down from 58% a year ago.

The company's Europe and Mexico operations generated \$68.9 million in revenue in the first quarter, a 3 percent improvement year on year, even as a weaker euro tempered gains from the company's growing automotive business in Bulgaria. Excluding the impact of year-over-year changes in foreign exchange rates, total revenue in the region would have increased by 19%.

IMI China's \$68.8 million in revenue was a 5.9 percent reduction year over year, due to the slower telecom growth mentioned above.

The EMS operations in the Philippines posted \$52.7 million in revenues, a decrease of 3.7 percent from the same period last year, due to softer demand from the computing sector.

Company News

Quanta to Remain Largest All-in-One PC Maker in 2016 Thanks to HP Orders

Hewlett-Packard (Palo Alto, CA) has recently finished its request for quotation (RFQ) process for its all-in-one PC orders for 2016, with Quanta Computer landing over 70% of the overall volume. With orders for **Apple's** iMacs, **Quanta** (Taiwan) will remain the largest all-in-one (AIO) PC maker worldwide, according to sources from the upstream supply chain.

The sources added that **Compal Electronics** reportedly has landed a major portion of **Dell's** all-in-one PC

orders for 2016. HP is currently the third-largest all-in-one PC vendor worldwide, with a market share of 16%, following **Lenovo** and **Apple**. HP's RFQ process was originally scheduled to be finished by late August, but was extended as ODMs were keen to outbid competitors by offering attractive terms.

Although **Quanta** has beaten **Wistron** and **Pegatron** in the HP race, the profits from the orders are expected to be significantly low. **Inventec** and TPV's all-in-one PC joint venture, **TPV-Inventa**, was also a competitor for the orders, but later gave up due to the orders' weak profitability, as reported by *DigiTimes*.

Dell has given over 50% of its all-in-one PC orders for 2016 to **Compal**, while the remaining amount has gone to **Pegatron**.

Despite losing HP's orders, **Pegatron** will still receive all-in-one PC orders from **ASUSTeK Computer** and **Acer** for 2016, while **Wistron** will lose Dell's orders, but acquire about 30% of HP's for 2016.

Wistron Receives Apple's Advanced Keyboard SMT Orders

Wistron Co. (Taiwan) has become the third iPhone assembler, officially assembling iPhone 6s and iPhone 6s Plus models since August. Furthermore, it is widely circulated that the company teamed up with **Apple** in delivering the advanced keyboard SMT, successfully becoming part of **Apple's** keyboard supply chain.

Wistron's production lines will expand to six from three in 2016, doubling in capacity. **Wistron** invested \$65.3 million in expanding its production plant, it is believed so as to develop the latest advanced keyboard with **Apple**. The company is responsible for manufacturing part of the keyboard's surface-mount technology (SMT) process. In other words, the company will be **Apple's** keyboard supply chain.

Medical Technology Company Greatbatch to Buy Lake Region Medical

Medical technology company **Greatbatch, Inc.** (Frisco, TX) said it would buy privately owned **Lake Region Medical** (Wilmington, MA), formerly **Accellent, Inc.**, in a deal valued at about \$1.73 billion in a "transformational" move to diversify its offerings to the medical device industry.

The deal will create one of the largest device outsourcing companies for medical technology, but will still have a share of only about 10–12 percent of the highly fragmented industry, **Greatbatch** Chief Executive **Thomas Hook** told *Reuters*.

Combined, the companies will sell parts and manufacturing solutions to major medical device companies for cardiac-rhythm management, neuro-modulation, and vascular, orthopedic, and surgical therapies. In particular, **Greatbatch** cited new access to the advanced surgical and interventional cardiology markets in its announcement.

Greatbatch and **Lake Region Medical** are projecting \$25 million in operating profit from synergies between the two companies, but their joint news release didn't elaborate on whether that would come from cost cutting, expanded sales, or both.

Fabrinet Buys Land for Second Thailand Facility

Fabrinet (Thailand) has bought a 47-acre plot of land on which to locate its second facility in Thailand.

Serving customers all over the world, **Fabrinet** currently has manufacturing facilities in China, the United States, and Thailand (Pathum Thani).

The new facility will be located at Hemaraj Eastern Seaboard Industrial Estate 2 (Hemaraj ESIE 2) in Chonburi.

Electronics Major Flex Scales Up Operations at Chennai Plant

The Indian arm of **Flex** (formerly **Flextronics**) announced that it would increase head count at its

Sriperumbudur manufacturing facility from 4,000 to 7,000 in the next 18 months, setting the platform for further EMS market investments.

Contract Win for Texcel

UK-based electronics manufacturer **Texcel Technology** has signed a new major contract with a new customer. The agreement carries an estimated value of £2.1 million over the three-year contract duration.

The new customer comes from the food industry, where equipment reliability and flexibility in supply are important factors. **Texcel** will support the customer with PCB assembly as well as final assembly of the electronics system for a complex x-ray inspection machine.

ESCATEC Opens New Factory in Malaysia

ESCATEC (Switzerland) has opened its new factory in **Johor Bahru, Malaysia**. It has been designed to the **British Retail Consortium (BRC)** standard for manufacturing consumer food and drink preparation products.

The 46,000-square-foot **ESCATEC Industries** facility is located close to the company's existing facility and has the capability of producing up to 500,000 products a year. **Daniel Moersdorf** is the General Manager of both facilities. The new factory is expected to create some 300 new jobs in the region.

Flex Acquires NEXTracker

EMS provider **Flex**—formerly **Flextronics**—has entered into a definitive agreement to acquire **NEXTracker** (Fremont, CA), a player in smart solar tracking solutions.

Under the terms of the agreement, the cash consideration will be approximately \$245 million, with a potential additional \$85 million of consideration contingent upon achievement of future performance targets. The acquisition is expected to close early in the December 2015 quarter.

Kitron Signs Frame Agreement with Rheinmetall

German automotive and defense equipment manufacturer **Rheinmetall AG** has selected **Kitron ASA** (Norway) as its manufacturing partner for its global defense division.

The scope of the contract is delivery of electronics manufacturing services, including box build, test development, and high-level assembly. The contract has a value of NOK 100 million (roughly €10.86 million) over a three-year period starting in the fourth quarter of 2015.

Kitron's facilities in both Norway and Lithuania will contribute to the contract.

Incap Partners with Comsel on IoT Equipment

EMS provider **Incap Corporation** (Finland) and developer of Internet of Things (IoT) solutions **Comsel System, Ltd.** (Finland) have signed an agreement to manufacture IoT equipment.

Devices to be manufactured by Incap include communication modules used for remote data acquisition and control for the energy sector. In addition to the manufacture, Incap will also take care of the final assembly (box build) and deliver the products directly to Comsel System's customers.

TeliaSonera and the consultancy firm **Arthur D Little** estimate that the total Nordic IoT market, including all kinds of IoT solutions, will reach 100 million connected objects by 2018, according to their recent report.

PartnerTech Receives New Orders from Invisio

PartnerTech (Sweden) has received new orders from **Invisio** (Denmark) worth approximately SEK 60 million (roughly €6.37 million). The orders are relating to the contract Invisio has been awarded for supplying the Invisio S10 hearing protection and communication system to the UK MoD (Ministry of Defense).

Production will be located in PartnerTech's factory in Malmö, Sweden. Deliveries are expected to commence in early 2016 and continue throughout the year.

Sparton Corporation Appoints New CFO

Joseph G. McCormack has been appointed as **Sparton Corporation's** (Schaumburg, IL) new Chief Financial Officer, effective immediately.

Joseph McCormack most recently joined Sparton as a Senior Financial Consultant in June of 2015. Previously, he served as the Chief Financial Officer of Ingenient Technologies, a provider of embedded multimedia systems and solutions. There he was responsible for the worldwide financial organization as well as for driving strategic initiatives.

Ericsson Invests in Second Facility in India

Swedish firm **Ericsson** is planning to invest some \$15–20 million in a new manufacturing facility in India.

Ericsson is constructing its second manufacturing facility in Pune, India, to manufacture radio equipment that would be exported to some 180 countries, CEO Hans Vestberg told *Times of India*.

The new facility is expected to be up and running by mid-2016.

New Medical Contract for Kitron

Kitron ASA's subsidiary, **Kitron AS** (Norway), has signed a new contract with a medical equipment supplier. The agreement specifies that Kitron will be the supplier of specific products for a period of approximately two years from 2016. In this period the expected turnover linked to the contract is between NOK100 million and NOK120 million (€10.8–12.9 million). Production will take place at Kitron's plant in Arendal.

Hanza and Metalliset Join Forces: The Deal Is Complete

The merger between Swedish **Hanza** and Finnish **Metalliset Group** has been finalized. The new group will consist of approximately 1,500 people with a turnover exceeding €160 million.

The deal is done partly in shares; therefore the resulting company will be a Finnish-Swedish-owned company.

The deal is valued at over €7 million and consists of a cash part and a share part, resulting in the previous owners of Metalliset becoming the largest owner bloc within the new Hanza group.

Libra Industries Acquires ACD

Libra Industries (Mentor, OH), a privately held electronics manufacturing services (EMS) provider, has acquired **ACD**. The facility in Richardson, TX will now operate as the Libra Industries ACD Facility.

Like Libra Industries, ACD is an electronics contract manufacturer that produces printed circuit board assemblies (PCBAs). Libra Industries has hired Scott Fillebrown, CTO, and Steve Schwaebler, VP of Operations, to operate the Libra Industries ACD Facility and ACD employees will join the Libra Industries team.

TSMC to Cease Solar Manufacturing

TSMC Solar planned to cease manufacturing operations at the end of August 2015, as it believes that its solar business is no longer economically sustainable.

TSMC will extend employment offers to all employees currently working at TSMC Solar in Taiwan upon the closure of its facility, located at Central Taiwan Science Park in Taichung.

TSMC Solar's late entry into the market and lack of economies of scale led to a substantial cost disadvantage,

a press release states. After careful consideration, the company has come to the conclusion that TSMC Solar will not be viable even with the most aggressive cost-reduction plan.

Update on SVI

SVI (Thailand) has fully recovered from last year's fire, with more capacity than before the fire, in brand-new facilities and with new SMT and other equipment. (Note that *MMI* incorrectly reported this news item to be associated with ESCATEC.)

Nearly all of its customers stuck with it through the crisis and the company is now back to pre-fire revenue levels and growth rates. Further, as recently announced by *Evertiq*, the company is now expanding outside Thailand to neighboring Cambodia, where it is building a greenfield facility on land it purchased in May in the Phnom Penh Special Economic Zone. SVI plans to open and make the facility operational by 2Q2016.

Foxconn, Siemens in Talks on Smart Manufacturing

Taiwan's **Foxconn Technology Group** is in talks with German industrial group **Siemens AG** to

develop digitalized manufacturing in its production facilities.

According to Ken Cheng, vice president of Siemens, he met with Foxconn Chairman Terry Gou to discuss what kind of assistance Siemens could provide in Foxconn's push into what is being described as the "fourth industrial revolution," also referred to as "Industry 4.0."

According to Siemens Taiwan, the Industry 4.0 initiative is aimed at manufacturing more efficiently by creating a networked, flexible, and dynamically self-organizing manufacturing process for highly customizable products.

On Aug. 25, Taiwanese contract notebook maker **Inventec Corp.** signed a pact with a subsidiary of Siemens to upgrade manufacturing operations at Inventec's factories, as reported by *Central News Agency (CNA)*.

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Valtronic Group Welcomes Its New CEO

Valtronic (Solon, OH), a contract manufacturer of miniaturized electronic products for medical device partners, welcomes Rainer Platz as its new Chief Executive Officer beginning November 1, 2015. Rainer Platz has spent most of his professional career in the micro-technology and medical device industry, where he has held various leadership positions comprised of R&D, technology, and IP management in both Switzerland and the United States.

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