Manufacturing Market INSIDER™
inside the contract manufacturing industry

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First-Half M&A Increased by 70 Percent

The number of M&A deals done in the EMS industry increased in the first half of 2014 versus the year-earlier period. According to *MMI's* count, 17 M&A transactions closed in the EMS industry during the first six months of the year, an increase of seven from the first half of 2013 (Chart 1).

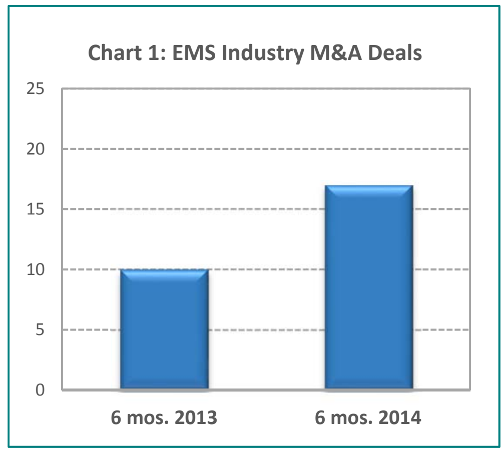
The increase in M&A can be attributed to the growing opportunities in Europe - specifically Central & Eastern Europe.

Most of the transactions originated by buyers occurred because they were attracted to the target's customer base and geographic locations. In a few other cases, corporate buyers have been motivated by a desire to add new services and capabilities to the portfolio.

Backed by higher than average transaction valuations, 2014 appears to be a year of consolidation for the industry as failing EMS companies provide good value for the money. Based on this trend, *MMI* expects M&A activity in the industry to continue at a healthy pace for the remainder of the year.

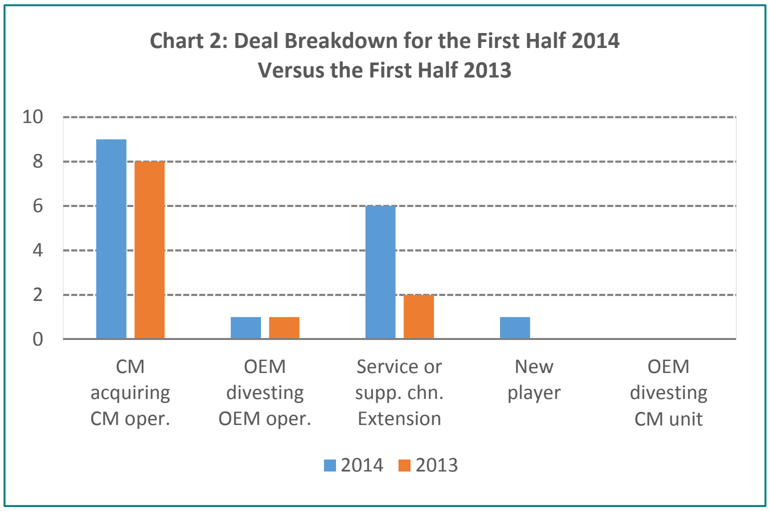
First-half transactions increased from a year earlier in three out of four categories tracked previously (Chart 2). In the acquisition of one EMS operation, the acquiring EMS company proved to be the most popular type of M&A deal. During the first half, nine such deals were completed as compared to eight transactions closed in the previous period.

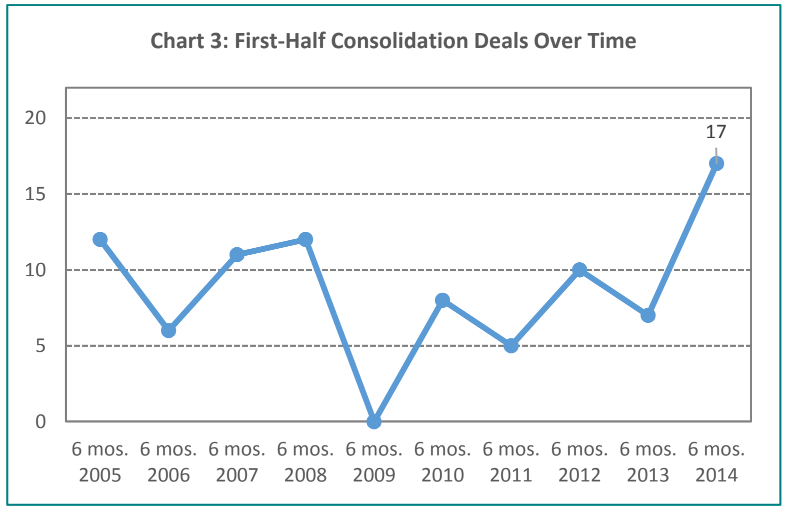
In the first half of 2014, EMS companies made five acquisitions of competitor operations in North America. **VirTex Enterprises** (TX) enlarged its geographic footprint by acquiring **MTI Electronics** located in Menomonee Falls, WI -- an EMS company that had long been on the block for sale. **Hunter Technology Corp.** (CA) acquired **Spectral Response**, whose operation is located in Lawrenceville, Georgia, and thereby doubled its footprint, tripled its SMT capacity, and now can offer RF/Microwave product design and production on both East and West coasts. **Silicon Turnkey Solutions** (CA) purchased the assets of **Bay Area EMS** (BAEMS) located in Milpitas, CA, which bolsters its current product line-up, and further solidifies its position in turnkey manufacturing. **Varitron Group** (Saint-Hubert, Québec) acquired **Altronics Manufacturing** of Hudson, NH, thereby providing the Canadian company with an essential presence for meeting U.S. content requirement for its customers, locally



and abroad. **Sparton** (Schaumburg, IL) acquired the assets of contract manufacturer **Electronic Manufacturing Technology, LLC** (Irvine, CA) which provided it with entrance into the U.S. southern California geographic market as well as further diversified the company's customer base in the medical and mil-aero markets. Sparton also expanded its depth and breadth of capabilities within the electromechanical design and manufacturing industries. Electronic Manufacturing Technology, LLC reported revenue of $25 million in 2013.

Some articles in this issue





EMS industry buyers acquired five operations in Europe during the six-month period of 2014. **HANZA** (Sweden) purchased **Arvika Industrikablage** and **Davab** (Sweden), which are two regional companies whose business will now be moved to HANZA's factory in Värmland. HANZA's goal is to consolidate Nordic contract manufacturers and further strengthens its position as a local competitive EMS provider. **Scanfil EMS** (Finland) purchased **Schaltex Systems** (Germany) for €6.6 million. This acquisition strengthen Scanfil's position in the German market and widens its customer base. **Neways Electronics International** (Netherlands) acquired **BuS Group** (Germany). Neways states the acquisition results in considerable synergy gains, thanks to the close strategic fit and a highly compatible customer base in similar market segments. **exceet Group SE** (Luxembourg) acquired **Valtronic Technologies** (Romania) strengthening the company's development and engineering competencies in the area of miniaturized electronics for medical technology applications. **Selektro Group A/S** (Denmark) acquired **HLH Electronics** (Norway) that neatly fits into its existing customer and product portfolio at its Møldrup factory.

One very significant EMS acquisition took place in Asia. EMS giant **Hon Hai Precision Industry** (New Taipei, Taiwan) acquired **Socle Technology** (Hsinchu City, Taiwan), a provider of SoC (system on a chip) design and implementation services, indicating that the company is now engaging in the semiconductor design business.

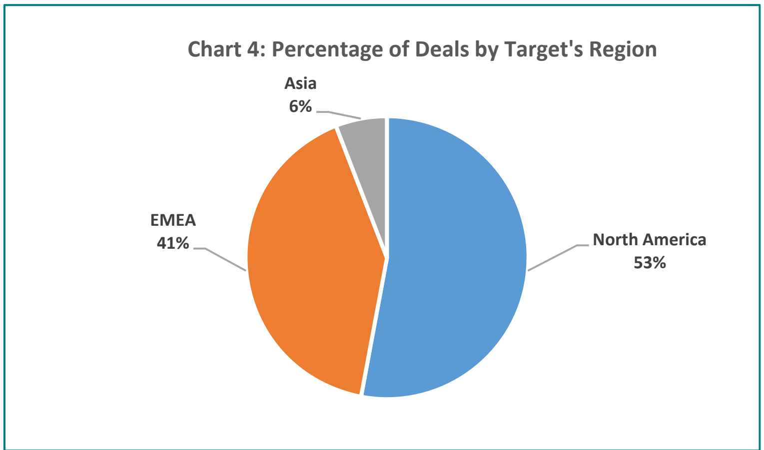
Out of the nine acquisitions of EMS activities, all were consolidation deals compared to seven consolidation deals in the first half of 2013. The year-over-year increase amounts to 28.5 percent from 2013.

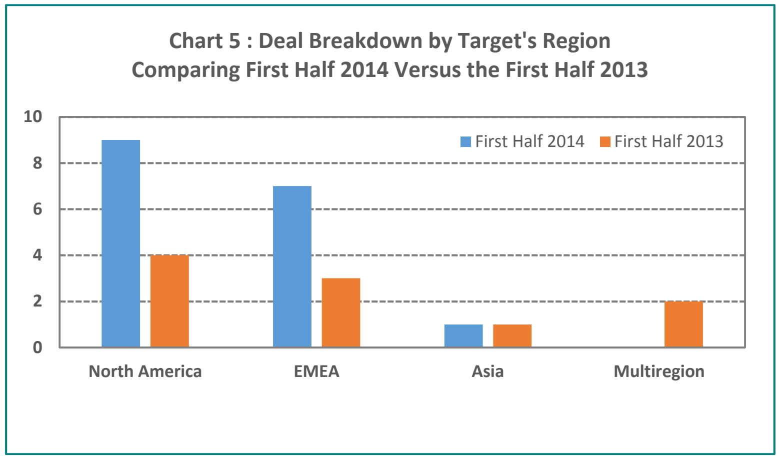
Another type of deal called a service or supply chain extension arises when an EMS provider makes an acquisition to expand its capabilities horizontally or vertically. Deals of this type failed to keep up with acquisitions of EMS acquisitions through the first half of 2014. Six capabilities deals took place in the first half of 2014 (see Chart 2) versus ten acquisitions of EMS operations (see Chart 1) in 2013.

It appears that more providers were interested in buying a competitor operation or customers than acquiring a manufacturing capability. During a period of weaker demand when growth is harder to come by, subsuming the revenue and customer base of a competitor can significantly increase the top and bottom line value. In contrast, capability deals may be less attractive when demand is soft if they don't add a significant amount of revenue, volume or customer accretion.

Anuva Services (NC) acquired **Innovative Electronic Solutions Lighting's** manufacturing facility. The acquisition will add an LED lighting manufacturing facility headquartered in Morrisville, NC, to Anuva's expanding operations. In a second purchase during this period, **Sparton** (IL) acquired **Aubrey Group** (CA), adding product development capabilities for the markets in the Southern California region. This acquisition should expand product development and lifecycle offerings to Sparton's portfolio.

Flextronics International Ltd. (CA) acquired **Tech Mold Inc.** of Tempe, AZ, a manufacturer of injection molds. The deal should broaden Flextronics' precision injection molding and high-speed automation capabilities. **Saab AB** (Sweden) acquired **ThyssenKrupp Marine Systems AB (TKMS)** (Sweden), which services the submarine business. TKMS AB will be integrated into Saab's Security and Defense Solutions business area. The purchase price was SEK 340 million. **Orbotech, Ltd.** (Israel) acquired **SPTS Technologies Group Limited** (UK) who is a manufacturer of etch, deposition, and thermal processing equipment for the microelectronics industry for a purchase price of $370 million. This acquisition should strengthen Orbotech's position in the high growth areas of advanced packaging and micro-electro-mechanical systems (MEMS).





OEM divestitures fall into a third deal category. Having peaked in popularity over the last few years, they haven't disappeared yet. One transaction of this kind closed in the first half 2014 when **Jabil Circuit, Inc.** announced that it has entered into an agreement with **iQor Holdings, Inc.** for the sale of its aftermarket services (AMS) business for $725 million. According to Jabil, its AMS business is concentrated in depot repair for consumer electronics, which varies with its strategy to focus on diversified manufacturing solutions.

New players emerged from the sale of a manufacturing operation, when **4K Invest** acquired Flextronics' manufacturing facility in Paderborn, Germany manufacturing facility. The company will continue its operations under the new name **Periscope GmbH** and will offer EMS manufacturing services to various OEMs. This contrasts the 2013 period where there were no transaction in this category.

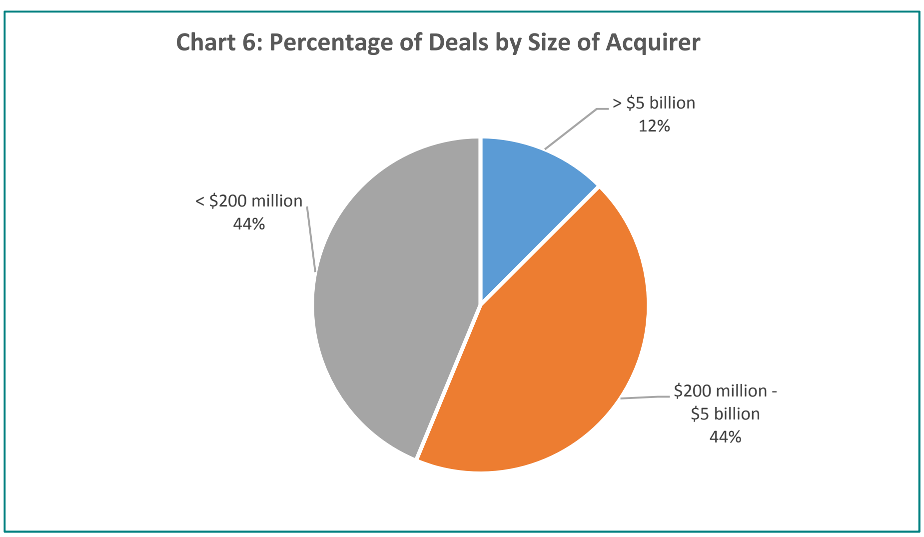
Of the 17 transactions closed in the first half, nine resulted in the purchase of a North American operation; seven targeted operations in the EMEA (Europe/Middle East/Africa) region, and one called for the acquisition of a unit in Asia (Chart 4). The number of deals completed in North America and EMEA increased in 2014 compared with the first half of 2013.

Buyers with sales of less than $200 million accounted for 44 percent of transactions successfully completed during first six months of 2014. Acquirers with sales of $200 million to $5 billion contributed 44 percent of first-half deals versus 40 percent a year earlier, while tier-one providers, whose sales exceed $5 billion, were responsible for approximately 12 percent of all deals (Chart 6).

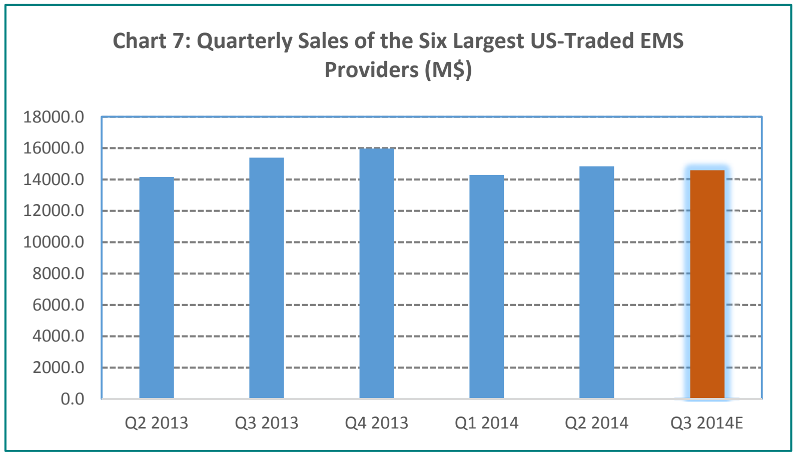
M/A activity appears to be dying off as the EMS industry matures and consolidates. Most opportunities exist in the low-tier sector that involve strategic business or geographic captures or obtaining service capabilities. This is not to say that significant outsourcing deals will not come forth over the next few years as large Asian OEMs (the ones most resistant to subcontracting), will be driven by the positive economics of EMS manufacturing. Over the last few years, these companies have increasingly engaged in outsourcing. Examples of OEMs engaging EMS firms include Samsung (3CEMS, Global Brands, Shenzhen Kaifa, SMTH, Topscom and V.S. Industry); Sony (Compal, Delta Electronics, Foxconn, Gigatek, New Kinpo, PCI, Pegatron, Qisda, Quanta Computer, Sanmina-SCI, SIIX, SMTH, USI, and Wistron); Toshiba (Celestica, Compal, Delta, Fittec, Inventec, Pegatron, and TPV); and LG (3CEMS, AmTRANS, Beyonics, SIIX, and SMTH).

Editor's note: First-half 2014 statistics published here should be treated as preliminary. It is possible that *MMI* will come across additional first-half transactions after this article is published.

Also, be advised that this analysis excludes private equity deals as well as divestitures by EMS providers unless the operations sold are retained within the EMS industry.



A look at the US-traded EMS players



The second quarter for the US traded EMS players turned out to be quite positive. This better-than-expected performance reflects the fact that all of the providers in the US-traded group achieved sales greater than previously provided estimates.

MMI based its estimates on the midpoint of each company's sales guidance, and every company in the group posted sales above the guidance midpoint. Moreover, three companies in the group – Benchmark Electronics, Flextronics, Jabil Circuit, and Sanmina-SCI, generated revenue that exceeded guidance.

With each provider surpassing its midpoint and four companies beating Previous guidance altogether, Q2 sales for the group of six were $237 million higher than estimated – a good indication of an economic rebound. Combined Q2 revenue amounted to $14.8 billion, just 1.6 percent above what MMI had projected.

All six companies grew their Q2 sales from the prior quarter, led by Flextronics's with an impressive 17.4 percent gain. Close behind were Benchmark Electronics and Celestica with increases of 13.3 percent and 2.2 percent respectively.

When Q2 results were compared year over year, a different, less sanguine picture emerged. Two out of six providers had sales that were down versus the year-ago period, with Jabil reporting the biggest drop of 9.8 percent.

Q2's 4.8 percent increase versus a year earlier followed an 6.9 percent increase in Q1. First-half sales for the group totaled $29.1 billion, an increase of $28 billion from the earlier year period. All six companies were able to grow their first-half sales year over year. Posting the greatest first-half increases from a year earlier were Flextronics and Benchmark Electronics, both of which achieved double-digit increase compared to the biggest first-half declines from Jabil and Celestica.

Five out of six providers follow GAAP accounting rules, while the sixth, Celestica, adheres to IFRS reporting standards.

For the five GAAP companies, GAAP gross margin in Q2 was a combined 7.3 percent, down 50 basis points sequentially but down 88 basis points year over year. Only Benchmark Electronics and Sanmina-SCI managed to accomplish this year-over year gross margin increase.

Together, the five companies produced a GAAP operating EBIT margin of 15.1 percent, up 164 basis points sequentially but down 41 basis points year over year. Plexus produced the highest operating EBIT margin at 4.7 percent. Two GAAP providers – Flextronics, Benchmark Electronics and Plexus – improved their operating EBIT margins from the prior quarter with the exception of Jabil. As for the lone IFRS reporting company, Celestica, its IFRS operating margin was up sequentially year over year.

GAAP net income for five companies in Q2 rose much faster than sales did in the previous period, mostly because of an earnings increase at Flextronics. Jabil also improved its GAAP net income from the prior quarter, which started with a net loss in the prior quarter. Combined net income of $429.6 million grew 585 percent quarter on quarter, while sales rose 4 percent. On a year-over-year basis, net income for the five companies increased to 169.3 percent. All six companies were able to attain year-over-year growth in net income.

Q2 net margin for the GAAP reporting companies was up 3.2 percent from 1.6 percent sequentially and up 0.95 percent from a year earlier.

For the first half of 2014, combined GAAP net income for the five companies increased 80.8 percent to $492 million from $272 million in the year-earlier period. The increase in net income was far better than the 5.9 percent increase in sales. To put this in context, restructuring charges taken by Jabil Circuit took a toll on net income in the first half.

Some Quarterly Results

Flextronics International Ltd. For its Q1 2015, the company reported sales of $6.6 billion, higher than the Company's previously provided revenue guidance of $6.0 billion to $6.5 billion. The Company's Non-GAAP earnings per diluted share of $0.25 in the first quarter was also higher than the Company's previously provided guidance of $0.20 to $0.24.

First quarter Non-GAAP operating income was $183 million, increasing 34 percent year-over-year and exceeding the high end of the guidance range of $150 million to $180 million. Non-GAAP net income excludes recognition of $55 million of other income due to the reversal of the contractual obligation

Table 1: Q2 and Q1 2014 Results for the Six Largest US-Traded EMS Providers (M US$ or %)

Company	Q2 '14 sales	Q1 '14 sales	Q2 '14 sales growth	Q3 sales midpoint Est.	Q3 EPS midpoint Est. $	Q2 '14 gross marg.	Q2 '14 Op. EBIT Margin	Q2 '14 net inc.	Q2 '14 Net Margin
Flextronics	6,642.7	6,723.9	17.4%	6400	0.24	5.73%	2.48%	173.9	2.62%
Jabil Circuit	3,785.9	3,577.3	(7.5%)	3800	0.00	5.55%	0.36%	188.3	4.97%
Sanmina	1,604.7	1,476.7	0.7%	1625	0.53	7.88%	3.47%	20.7	1.29%
Celestica	1,471.5	1,312.4	2.2%	1450	0.24	6.95%	2.92%	40.9	2.78%
Benchmark Electronics	716.9	639.3	13.3%	685	0.40	8.06%	4.05%	22.2	3.09%
Plexus	620.5	557.6	1.1%	660	0.77	9.44%	4.74%	24.6	3.96%
Total/avg.	**14,842.2**	**14,287.3**	**0.3**	**14,620.0**				**470.5**	

Q3 estimates equal midpoint of Q3 guidance. *Adjusted EPS may not be comparable from company to company.

charge recorded last quarter, as expected.

Gross profit during the three-month period ended June 27, 2014 increased $69.8 million to $380.8 million. Gross margins improved 30 basis points in the three-month period ended June 28, 2014 compared to that of the three-month period ended June 28, 2013 primarily as a result of restructuring charges of $35.1 million or 0.6 percent of net sales, included as a component of cost of sales, in the three-month period ended June 28, 2013.

During the three-month period ended June 27, 2014, Flextronics paid approximately $20.9 million for restructuring charges that were primarily incurred in fiscal year 2014 and prior. Total restructuring charges accrued as of June 27, 2014 were approximately $27.3 million, of which $3.5 million was classified as a long-term obligation.

At 38 percent of total sales, Flextronic's Integrated Network Solutions (INS) revenues declined. Compared with a year earlier, INS revenue was down 6 percent. Comprising 17 percent of company sales Industrial and Emerging Industries business grew 1 percent from the year earlier period. At 33 percent of sales, Consumer Technology Group revenue increased by 6 percent compared to a year earlier period.

For the second quarter ending September 26, 2014, revenue is expected to be in the range of $6.2 to $6.6 billion and adjusted EPS is expected to be in the range of $0.22 to $0.26 per diluted share. GAAP earnings per share is expected to be lower than the guidance provided herein by approximately $0.03 per diluted share for intangible amortization and stock-based compensation expense.

During the first quarter of fiscal 2015, one of company's non-operating Brazilian subsidiaries received an assessment of approximately $100 million related to income and social contribution taxes, interest and penalties. The Company states that there is no legal basis for the assessment and expects that any losses are remote. The Company plans to vigorously defend itself through the administrative and judicial processes.

Celestica Inc. For its second quarter ended June 30, 2014, reported revenue of $1.5 billion, which at the high end of the range of its guidance of $1.375 to $1.475 billion, increased 12 percent sequentially and decreased 2 percent compared to the second quarter of 2013.

Reported Q2 Non-GAAP EPS of $0.25 per share, within the range of its guidance of $0.20 to $0.26 per share, compared to $0.21 per share for the second quarter of 2013.

Q2 Operating margin (non-IFRS) 3.5 percent, compared to 2.9 percent for the second quarter of 2013.

Accounting for 40 percent of total sales, Communications segment decreased by 2 percent compared to a year earlier period. Representing 5 percent of sales, Consumer segment decreased by 2 percent compared to a year earlier period. Revenue dollars from the diversified end market grew 11 percent from the second quarter of 2013 to represent 28 percent of total revenue, up from 25 percent of total revenue for the second quarter of 2013.

Accounting for 10 percent of total sales, Servers segment decreased by 4 percent compared to a year earlier period. Representing 17 percent of sales, Storage segment increased by 5 percent compared to a year earlier period.

At June 30, 2014, the remaining restructuring provision (due to disengagement from **BlackBerry Limited** in 2012) was $8.7 (December 31, 2013 — $18.0) comprised primarily of employee termination costs and contractual lease obligations.

Q3 2014 guidance for revenue is expected to be in the range of $1.4 - $1.5 billion and Non-GAAP net earnings per share – diluted to be in the range of $0.21 - $0.27.

Benchmark Electronics, Inc. Sales for the second quarter of 2014 were $716.9 million, an 18 percent increase from sales of $607.5 million for the same quarter in 2013. Sales for the first six months of 2014 were $1.4 billion, an 18 percent increase from sales of $1.1 billion for the same period in 2013. The increase in sales resulted primarily from increased demand from existing customers, including new programs, new customers and the impact of the Suntron and CTS Acquisitions. Gross margin increased to 8.1 percent for the three months ended June 30, 2014 from 7.3 percent in the same period of 2013, and increased to 8.0 percent for the six months ended June 30, 2014 from 7.1 percent in the same period of 2013. These increases are primarily due to higher sales volumes, changes in the mix of programs and the impact of the acquisitions.

Reported net income of $22.1 million, or diluted earnings per share of $0.41 for the first three months of 2014, compared with net income of $8.4 million, or diluted earnings per share of $0.14 for the same period of 2013.

Accounting for 21 percent of sales, Computers and related products for business enterprises second quarter sales decreased 16 percent to $147 million from $176 million for the same quarter of 2013. Representing 29 percent of sales, Industrial Control Equipment sales increased 21 percent to $211 million from $175 million for the same quarter of 2013. Accounting for 29 percent of sales,

Telecommunication equipment sales increased 49 percent to $205 million from $137 million for the same quarter of 2013. Representing 11 percent of sales, medical devices sales increased 13 percent to $81 million from $72 million for the same quarter of 2013. Accounting for 10 percent of sales, testing and instrumentation products sales increased 55percent to $72 million from $46 million for the same quarter of 2013.

Q3 2014 guidance for revenue is expected to be in the range of $665 – $700 million and Non-GAAP net earnings per share diluted to be in the range of $0.35 – $0.40.

Pegatron Corp. Consolidated revenue in 2Q 2014 totaled NT$212 billion, slightly declined by 3 percent from NT$219 billion in the previous quarter. The decline was attributable to lower than expected demand in computing, while consumer electronics and communication segment remained relatively stable. It reported better-than-expected Operating results in 2Q 14, with operating margins reaching 2.7 percent due to better gross margins in Apple business.

Benefiting from improving scale in communication segment, revenue from communication grew by over 60 percent y-o-y and revenue contribution increased to 39 percent from 24 percent in a-year-ago quarter. Resulting from continuous cannibalization by smart devices, revenue from computing segment declined by 27 percent on y-o-y basis, while that of consumer electronics declined by 17 percent as tablet gradually approaching its maturity.

However, overall net income was weighed down by a NT$ 1.67 billion loss due to European Central Bank (ECB) revaluation. 3Q guidance was slightly lower than expectations, with PCs remaining weak (notebook volumes down 5-10 percent q-o-q and motherboards / desktops down 0.5 percent q-o-q), while non-PC business is expected to grow 20-30 percent q-o-q, which should equate to consolidated revenue growth of ~10-15 percent q-o-q. Looking into 3Q, Pegatron did indicate that initial start-up costs, hike in labor costs, extra hiring for new products (iPhone 6) and potential yield issues are downside risks for margins, while upside risk comes from better revenue scale.

United Microelectronics Corp. For its second quarter ended June 30, 2014, reported revenue of NT$35.9 billion, with gross margin at 22.9 percent and operating margin at 8.1 percent. Net income attributable to the stockholders of the parent was NT$3.5 billion, with earnings per ordinary share of NT$0.28.

Net non-operating income in 2Q 14 was NT$937 million. Net interest expenses was NT$149 million, primarily from the redemption of bonds during 2Q 14. The investment disposal gains were NT$792 million, including a NT$416 million gain from the sale of Epistar shares.

Kimball International, Inc. reported net sales of $337 million and net income of $7.8 million, or $0.20 per Class B diluted share, for the fourth quarter of fiscal year 2014 which ended June 30, 2014. Gross margin increased 1.4 percentage points from the prior year fourth quarter on improved margins in both the EMS segment and the Furniture segment. EMS segment increased 3 percent compared to the fourth quarter of the prior year. Net sales to customers in the industrial, automotive and medical markets increased while sales to the public safety market declined compared to the prior year.

Gross margin in the EMS segment for the fourth quarter of fiscal year 2014 increased 0.2 of a percentage point compared to the fourth quarter of the prior year.

Furniture segment increased 10 percent compared to the prior year on increased net sales of both hospitality and office furniture. Fiscal year 2014 fourth quarter office furniture net sales to the federal and state governments and net sales to the education vertical market increased over the prior year.

Company News

Key Tronic Corp. seeks to acquire Ayrshire Electronics

Key Tronic Corp. (Spokane, WA) has offered to purchase **Ayrshire Electronics** (Fayetteville, AR) for $46.9 million in cash. Ayrshire has annual revenue of approximately $120 million and provides printed circuit board assembly and other EMS services to a diversified customer base, including a number of large multi-national companies.

TT Electronics plc acquires Roxspur Measure & Control

TT Electronics plc (Weybridge, UK) acquired **Roxspur Measure & Control** (South Yorkshire, UK) for initial cash consideration of £7.5 million, further amount of up to £2.5 million payable in cash in 2016. The acquisition, which will form part of the Sensing and Control division, will assist TT's strategy to develop its position in select industrial markets, including process control.

Plexus opens new manufacturing facility in Mexico

Plexus has opened its new manufacturing facility in Guadalajara, Mexico. Plexus invested nearly USD 40 million in the development of its new 265,000 square foot facility.

The facility becomes part of Plexus' global network of 24 integrated facilities, providing customers with electronics engineering, manufacturing, supply chain and aftermarket services. At full capacity the site could employ more than 740 people.

Foxconn sets up rental electric car joint venture in China

Foxconn Electronics has established a joint venture with Beijing Electric Vehicle (BEV), a wholly-owned subsidiary of Beijing Automotive Group (BAIC), to offer electric vehicles for rent on an hourly basis. The joint venture is capitalized at CNY100 million (US$16.2 million) and will begin pilot operations in Beijing and Hangzhou in September 2014.

BEV said 5,000-10,000 rental vehicles will be available around China in a year. Foxconn declined to comment.

BAIC has recently acquired a 25.02% stake in US-based Atieva, looking to improve the design, manufacturing and sales of its new-energy vehicles. LeTV which has tight partnership with Foxconn reportedly has also invested in Atieva.

Foxconn has been aggressively investing in the automobile industry and in addition to China players, Foxconn is also looking to strengthen its partnership with US-based Tesla, according to some market watchers.

With support from government policies, the market watchers expect electric vehicle-related business in China to pick up quicker than most other regions and benefit related players according to *Digitimes*

News from China…China's government excluded **Apple** iPads and MacBook laptops from the list of products that can be bought with public money because of security concerns, according to government officials cited by *Bloomberg*. Ten Apple products - including the iPad, iPad Mini, MacBook Air and MacBook Pro - were reportedly omitted from a final government procurement list distributed in July. A small positive sentiment catalyst for local Chinese brands, such as Lenovo.

New orders…**Kitron ASA** (Norway) through its subsidiary Kitron Inc. in Johnstown, Pennsylvania, received orders from Kongsberg Protech Systems related to electronic modules that are part of Kongsberg Protech's Remote Weapon Station. The orders are connected to the Common Remotely Operated Weapon Station (CROWS) program in the United States…**Mycronic publ AB** (Sweden) has received order for an advanced mask writer for display applications from an existing customer in Asia. The machine is scheduled for delivery during the second half of the year 2015.

Contract Wins…**DRS Technologies** (Arlington, VA) announced that it will provide logistics support to the U.S. Air Force's Halvorsen 25K Aircraft Cargo Loaders around the globe. The Air Force awarded DRS Sustainment Systems, Inc. a ten-year contract valued at more than $175 million for depot-level overhaul, program engineering support and parts management in support of the aircraft cargo loader…**Natel Engineering** (Chatsworth, CA) will use its most advanced equipment to manufacture wideband detectors and converters as part of a recently awarded contract from a Military Prime Contractor. The Wideband detector is one of four modules that NATEL EMS will manufacture for use in satellites to provide additional surveillance and protection for the United States.

Management Changes…**TT Electronics plc** (Weybridge, UK) announced Richard Tyson as Group Chief Executive and a member of the Board of Directors. Richard joins TT Electronics from Cobham plc, where he was a member of the Cobham Executive Committee and President of the Aerospace & Security Division…**STACI Corporation** (LaGrange, OH) a EMS and supply chain solutions provider, announced that David M. Buckley has been named the company's Chief Executive Officer. Mr. Buckley comes to STACI Corporation from Cross Match Technologies, a provider of biometric identity management solutions, where he served as president and CEO.

China Factory explosion…Due to dust explosion of metal polishing factory on 2 August in Kun Shan, the National Work Safety Authority in China has asked all polishing companies (more than forty factories) in the area, including Hon Hai, to stop production and do self-inspection on manufacturing safety. EMS giant **Hon Hai (Foxconn Group)** has a polishing factory in Kun Shan but the capacity is small and mainly for metal component parts of notebook and consumer electronics products, not for smartphone or tablets. Therefore the event will have limited impact on supply chain for iPhone and iPad manufacturing.

Manufacturing output…Taiwan's manufacturing output gained 4.9 percent from a year ago to NT$3.7 trillion (US$122 billion) in the second quarter, reflecting an improving economy at home and abroad, according to the Ministry of Economic Affairs on Aug. 19, 2014. The percentage gain is the best performance since the third quarter of 2011.

Electronic components and parts remain Taiwan's leading manufacturing industry, gaining 5.6 percent to NT$937 billion. The strong showing is due to the introduction of new mobile devices that pushed up demand for contract foundry services, integrated circuits and memory products.

Foxconn to venture into medical equipment market

According to *Digitimes*, **Foxconn Electronics** (Taiwan) will step into the development and production of equipment for medical applications based on its economies-of-scale electronics manufacturing capability, according to company chairman Terry Guo. Recently YongLin Healthcare Foundation under the Foxconn Group has signed an MOU with a cancer medical center under the National Taiwan University (NTU) and US-based cancer-treatment equipment supplier **Varian Medical Systems** for joint development of therapeutic equipment.

New manufacturing facilities…**Plexus Corp.** (Neenah, WI) has commemorated the completion of its $50 million manufacturing facility in Neenah, Wisconsin, which contains the new Plexus Aerospace and Defense Manufacturing Center of Excellence. The 410,000 square foot facility will – at full capacity – employ more than 2000 workers. Plexus is currently hiring over 100 new positions for the facility to add to its current workforce of roughly 1000 people as reported by *Evertiq*.

Latest Joint-venture…**Sparton Corporation's** (Schaumburg, IL) joint-venture with **Ultra Electronics Holdings** (Greenford, UK) has been awarded a contract valued at $166 million for the manufacture of sonobuoys for the United States Navy. Production will take place at Spartons' DeLeon Springs, FL, facility as well as Ultra's Columbia City, IN, facility and is expected to be completed by June 2020.

New offices… **Integrated Micro-Electronics Inc.** (Laguna, Philippines), a leading EMS player, has established a sales presence in metropolitan Detroit to better serve automotive original equipment manufacturers (OEMs) in North America. The company recognizes Detroit as an important part of its continued growth strategy, which has included establishing a global manufacturing and engineering footprint that spans North America, Europe, and Asia.

Supplier Partnerships…**Apple** (Cupertino, CA) is in the process of diversifying its supplier partnerships by expanding its relationships with original design manufacture (ODM) partners. It is reportedly dividing its production volume from Foxconn to other ODM vendors. Apple's potential EMS partners include suppliers such as **Pegatron**, **Compal Communications** and **Wistron Corp. –** all Taiwanese ODMs companies working with significant manufacturing capabilities in the computer, communications and consumer electronics industries.

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