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Nine-Month Revenue Falls for Top 12

A mid-single-digit decline for the first nine months of 2016 raises the possibility that the top 12 EMS providers as a whole will not end up with annual growth in 2016.

For the first nine months of 2016, revenue for the 12 largest EMS providers by total sales amounted to \$179.5 billion, down 6.2% year over year. This is in sharp contrast with 2015, when there was an increase of 6.6%.

Unlike in 2015, when **Hon Hai** gave a boost to top-12 sales, so far this year Hon Hai has exerted a drag on sales. For the first nine months, top-12 sales without Hon Hai were down 3% versus a decline of 6.2% including the company (Chart 1). So Hon Hai made the decline worse by 3.2 percentage points.

While top-12 revenue is not all EMS—ODM, component, and other types of revenue are mixed in—the majority of it is, enough so that this decline serves as a rough gauge of how well the EMS industry did in the first nine months, based on the belief that the top 12 account for about half of industry revenue.

Nine-month sales results can give one a partial view of how the top-12 order will shape up at the end of the year. The first three companies in the current standings—**Hon Hai**, **Pegatron**, and **Flex**, in that order—will easily retain those positions at year end, barring the entry of any potential new candidate. **Jabil**, **Sanmina**, and **Celestica** will remain

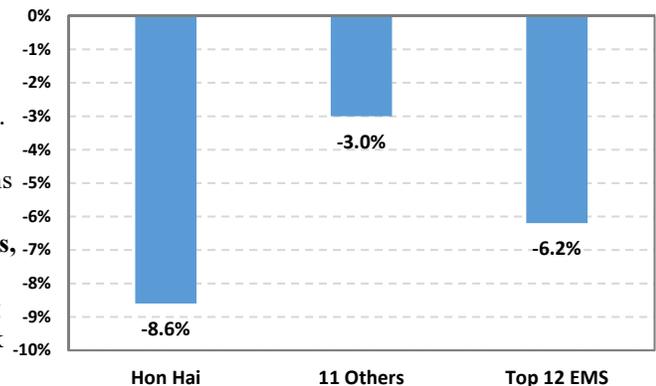
in fourth, fifth, and sixth place, respectively. However, **Cal-Comp** is a member of the **New Kinpo Group**, whose 2015 sales might challenge those of Sanmina in the annual ranking of the *MMI* Top 50.

The next four providers are in a fairly tight cluster after nine months so it's unclear how **Universal Scientific Industrial (USI)**, **Plexus**, **Benchmark Electronics**, and **Venture** will finish, and according to 2016 estimates, **Plexus** will rank ahead of Benchmark. The twelfth spot should go to **Shenzhen Kaifa**.

There were eight top-12 providers whose nine-month sales in US dollars fell from the year-earlier period. Only Celestica, Sanmina, Pegatron, and Venture were able to increase their sales year over year, and none of the providers posted double-digit gains (Table 1, page 2).

For the first nine months, the 12 providers together earned net income of approximately \$4.3 billion, down about 20% from a year earlier. (The net income total is approximate because not all

Chart 1: Nine-Month 2016 Sales Growth Year Over Year



companies follow the same accounting standard.) Since nine-month sales fell by 6.2%, net income declined faster than sales did. Net profit declines at eight companies outweighed increases at the four other companies. Overall net margin for the first three quarters was about 2.4%. Hon Hai contributed about 69.3% of net income for the period while generating 56.7% of sales.

Q3 sales for the top 12 totaled \$53 billion, down 0.5% sequentially and down 6.8% year over year. Five

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Table 1: Q3 and Nine-Month 2016 Results for the 12 Largest EMS Providers (M US\$ or %)

Company (in order of 9-mo. sales)	Head- quarters	Reports in US\$	Q3 '16 sales	Q2 '16 sales	Qtr.- qtr. chg.	Q3 '15 sales	Yr.-yr. chg.	Q3 '16 net profit	Q2 '16 net profit	Q3 '15 net profit	Q1-3 '16 sales	Q1-3 '15 sales	Yr.-yr. chg.	Q1-3 '16 net profit	Q1-3 '15 net profit
Hon Hai (Foxconn)	Taiwan	No	28,585	29,767	-4.0	31,526	-9.3	548	857	833	101,878	111,404	-8.6	3,017	3,598
Pegatron	Taiwan	No	6,964	7,966	-12.6	7,063	-1.4	124	128	151	27,473	26,965	1.9	459	533
Flex	Singapore	Yes	6,009	4,332	38.7	6,317	-4.9	-3	78	123	16,114	17,835	-9.6	137	369
Jabil	Florida	Yes	4,431	4,311	2.8	4,681	-5.3	38	5	88	13,145	13,349	-1.5	122	211
Sanmina	California	Yes	1,666	1,669	-0.2	1,637	1.8	101	30	315	4,947	4,703	5.2	161	355
Celestica	Canada	Yes	1,554	1,486	4.6	1,409	10.3	54	36	11	4,393	4,124	6.5	115	55
Cal-Comp	Thailand	No	773	688	12.3	1,068	-27.6	7	8	9	2,427	3,360	-27.8	27	32
Benchmark Electronics	Texas	Yes	574	579	-0.9	630	-8.9	22	13	21	1,703	1,915	-11.1	46	56
Shenzhen Kaifa	China	No	495	552	-10.3	503	-1.6	10	23	14	1,685	1,876	-10.2	40	28
Universal Scientific Industrial	China	No	755	757	-0.2	858	-11.9	27	13	15	2,417	2,518	-4.0	74	72
Plexus	Wisconsin	Yes	653	668	-2.2	669	-2.3	19	26	24	1,939	1,990	-2.5	62	71
Venture	Singapore	No	508	468	8.4	491	3.4	32	27	27	1,465	1,444	1.5	90	80
Total/avg.			52,967	53,243	-0.5	56,850	-6.8	979	1,243	1,630	179,584	191,482	-6.2	4,349	5,461
Total/avg. without Hon Hai			24,381	23,477	3.9	25,324	-3.7	431	386	797	77,706	80,078	-3.0	1,332	1,862

These are the 12 largest EMS providers based on total sales. 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 2016 and 2015 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.

companies grew their sales from the prior quarter, led by Flex with a 38.7% increase in US dollars. Cal-Comp also reported a sequential gain in double digits (Table 1). On a full year-over-year basis, three providers succeeded in growing their Q3 sales, including a double-digit gain at Celestica. In the quarterly comparison, the presence of Hon Hai was a positive. Excluding Hon Hai, Q3 growth would have been 3.9%, meaning that the EMS giant added 4.4 percentage points to the top-11's quarter-over-quarter growth.

Net income for the top 12 in Q3 amounted to approximately \$980 million, for a net margin of about 1.8%. Without Hon Hai, combined net margin would have been 1.7%. Venture and Sanmina recorded net margins of 5% or better. Top-12 net income fell about 40% year over year, with a 6.8% sales decline. Though four out of 12 providers raised their Q3 net income from a year earlier, these improvements were more than offset by lower net income results at the remaining eight companies.

A similar trend continued in that, on a

sequential basis, the top 12's net income decline in Q3 far outstripped sales decline. Net income declined about 21% quarter on quarter, with sales declining by 0.5%. The net income declined at six out of 12 providers on a quarter-over-quarter basis (Table 1).

Results for Five Providers

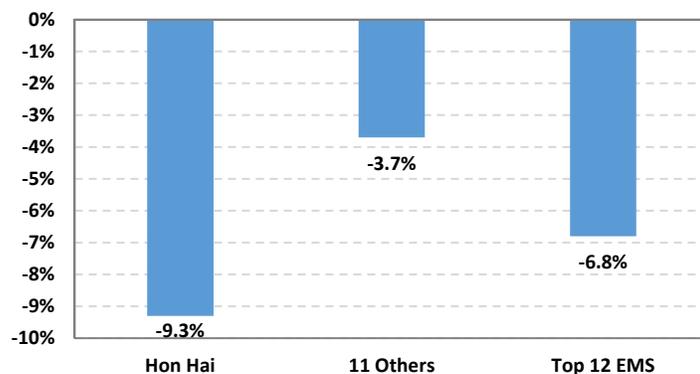
For the third quarter, **Hon Hai Precision Industry** recorded sales of NT\$34.6 billion, thanks to stronger margins and less of an earnings impact from **Sharp**. Its 3Q16 operating margin of 3.9% was due to economies of scale, the reversal of inventory write-off (NT\$3.0-3.5 billion), and the iPhone 7 launch. Hon Hai started recognizing Sharp's losses via the equity method (45%) from Aug 16; therefore, the earnings

impact was only 3% at the pretax level.

Gross margin rose to 7.4% from 6.0% in 2Q16. Net income was up 96% q-o-q.

Universal Scientific Industrial (USI)'s 3Q16 revenue/net profit was Rmb6.56B/270M, up 11.9%/13.7% y-o-y. Q3 gross margin came in at 10.8%, down 0.4 percentage points q-o-q but still hitting a recent high; Q1-Q3 overall gross margin was 10.3%, up 0.6 percentage points y-o-y. These results can be attributed mainly to rapid revenue growth

Chart 2: 3Q2016 Sales Growth Year Over Year



of high-gross-margin products such as computer and storage-related products; a higher capacity utilization rate on new Apple product launches; and stronger contract management and an emphasis on order profitability.

Its weaker Apple Watch/force touch system-in-package (SiP) business was offset by a better product mix, but there is still no meaningful new SiP project in sight. USI's weak Q3 sales show that its SiP business, including Apple Watch and force touch, is in a transition.

USI shipped only about 2–3 million units of the Apple Watch in Q3, which is below the company's previous expectation. And as USI is retiring from the force touch SiP business as well, these two product reductions are the major reasons why USI is experiencing slower sales growth momentum. However, the traditional high-profitability module business, such as for auto- and storage-related applications, is doing well, which improved USI's product mix. But since as stated there is currently no significant new SiP project on the horizon, USI's future growth momentum will be muted.

Venture Corporation posted Q3 sales of SG\$705.7M (+2% y-o-y, +3% q-o-q). This was primarily due to the growth seen in the Test, Medical, and Life Science segment. Strengthening of the USD against the SGD may also have contributed to y-o-y growth, as most of Venture's revenues are USD denominated.

Venture had net profit of SG\$47.4M (+17% y-o-y, 9% q-o-q). The strong improvement in gross margins was the primary contributor to its higher bottom line. Gross margins improved nearly 1.5 percentage points q-o-q with the favorably evolving business mix. These gains were partially offset by the increase in staff costs, which grew 8% y-o-y (4% q-o-q) despite a weakening MYR against the SGD. Higher foreign worker levies, imposed in March 2016, may have contributed to the increase in staff costs.

Venture has enjoyed consistent revenue growth over the past 12 quarters. Math works in the company's favor, as growing segments comprise over 40%, while shrinking segments comprise only 11% of the total business.

Venture's growing segments such as its Test, Medical, and Life Sciences segment, and the fact that Venture has added 100 new customers over the last six years (33% of its customer base), are factors likely to keep its momentum up.

Venture completed the acquisition of a 60-year leasehold on land for a consideration of SG\$13.0M in 2Q16, of which SG\$5.7M was paid in 1H16. Development of the land is expected to start in 2017. The land is located in the Batu Kawan Industrial Park in close proximity to Penang Island, well known for its high-tech electronics manufacturing industry. Venture could benefit from specialized labor and improved supply chain networks with its presence in this area.

As Venture has exposure to the US, EU, and Asia, a broad global slowdown is likely to impact Venture due to its vulnerability to business cycles. Possible weakness in the Eurozone due to the exit of Britain from the European Union or the adoption of restrictive trading policies by the US could weaken global growth prospects. Deterioration in the world economy could affect corporate spending, which will in turn adversely impact Venture's results.

Sanmina Corporation (SANM) reported revenue/EPS for the fourth quarter of 2016 of \$1,666 million/\$0.72. The operating margin came in at 4.2%. While the top line appears to be growing, the gross margin line remains below 8% and the company anticipates seeing gross margins of 7.6–8.0% next quarter, as well. As optical products demand continues to ramp up, the margin line may increase.

End Markets and Financials: a) Communications Networks (37% of sales): Sales were \$616M due to growth in the optical and network areas (1.5% q-o-q). This segment saw some increase during the quarter from broadband products, and for the year was down 2.8%. b) Computing and Storage (17% of sales): Sales in this segment came in at \$283 million and were down sequentially (13.0%); the company noted weak demand in embedded computing and storage increases. Automotive in this

segment did well. c) Industrial/Defense/Aerospace (46% of sales): Sales were \$766 million, up 4.3% sequentially from \$735 million in 3Q2016.

SANM guided to revenue/EPS of \$1.675–1.725 million/\$0.65–0.70. On an end-market basis, the company expects the following: 1) Communications Networks will be up sequentially, driven by improvements in networking and optical products, and by new customers in IP routing; 2)

Defense/Industrial/Medical will be flat q-o-q; modest growth will continue in the future; the medical segment could see some increases and defense should be up; and 3) Computing & Storage is expected to be up on

a sequential basis due to stable demand and new opportunities in the quarter.

Sanmina generates approximately half of its revenue from its top 10 customers. With a diversified customer base and relatively well-balanced exposure to three different broader end markets, we believe the company has the potential to sustain balanced and less-volatile revenue growth due to its low customer concentration.

Plexus (PLXS) reported 4Q16 sales of \$653M, hurt by the Meranti typhoon in China and weakness in the Communications segment. Non-GAAP EPS of \$0.82 was helped by improved operating efficiencies. Operating margins of 5.1% increased 80 basis points y-o-y and 20 basis points q-o-q on recent cost cutting. 1Q17 guidance was for sales of \$620–\$650M and EPS of \$0.74–\$0.82.

On the positive side, productivity and cost improvements led to the operating margin of 5.1%, which was above the company's 4.7–5.0% target range. PLXS also reported a manufacturing funnel of \$2.8B, a record level for the company, suggesting strong future sales. In addition, the Industrial segment continues to perform well, up 14% q-o-q. On the negative side, 4Q16 sales missed expectations and 1Q17 sales guidance was soft, with three of the company's four segments missing expectations. Performance in the Communications sector was down 29% y-o-y and continues to be soft, with weakness expected to persist into 1Q17.

Tepid Growth for US-Traded Group

Combined Q3 sales for the six largest US-traded EMS providers rose on a sequential basis but declined on a year-over-year basis, an outcome that would normally raise eyebrows.

Revenue for the six providers totaled \$14.88 billion, up 14.1% sequentially and down by 3% year over year. Year-on-year growth at Sanmina and Celestica could not offset declines at the other four companies, and Celestica was the only provider with a double-digit gain. Only Flex was able to increase its sales with respect to the prior quarter, supplying most of the push for the group's sequential growth in Q3 (Table 2 below). In this comparison, Flex led the way with a double-digit increase.

Actual Q3 sales were \$156 million (1%) above *MMI's* estimate for the quarter (Aug., p. 2). *MMI* based its estimates on the midpoint of each company's sales guidance for Q3. Five out of six companies reported sales above the midpoint of their guidance, with Jabil and Flex exceeding it.

Group revenue for the first nine months of 2016 came in at

\$42.24 billion, 310 basis points lower than this newsletter's estimate of \$43.59 billion, and revenue fell 3.8% year over year, compared with an estimated decline of 0.7%. Just two companies, Sanmina and Celestica, succeeded in growing their nine-month sales from the year-earlier period. The other four companies had single-digit declines (Table 2).

Five out of six providers follow GAAP accounting rules, while the sixth, Celestica, adheres to IFRS reporting standards. For the five GAAP companies, only Sanmina was able to raise its gross margin sequentially, while Benchmark Electronics, Sanmina, and Plexus were able to accomplish year-over-year growth.

Only two companies were able to achieve sequential growth in operating margins: Jabil and Sanmina. Compared with a year earlier, margin increase occurred only at Sanmina. As for the lone IFRS reporting company, Celestica raised its operating margin both sequentially and year on year (Table 2).

On a sequential basis, GAAP net income for the five companies in Q3 grew much faster than sales did. Their collective net income of \$177.5 million grew 17.1% more than the prior quarter. By contrast, sales went up 15.3%. Three out of five companies

were able to boost their net income sequentially. Flex posted a net loss of under \$3 million. On a year-over-year basis, net income decreased by 69%, whereas sales declined by 4.3%. Flex and Sanmina were largely responsible for this decrease. Q3 net margin for the GAAP reporting companies was 1.3%, up 150 basis points sequentially but down 6,740 basis points year over year.

For the first nine months of 2016, combined GAAP net income for the five companies decreased by 50.3% to \$527.4 million. This decrease was far worse than their 4.9% decline in sales.

Chart 3: US-Traded Group Q3 2016 Sales

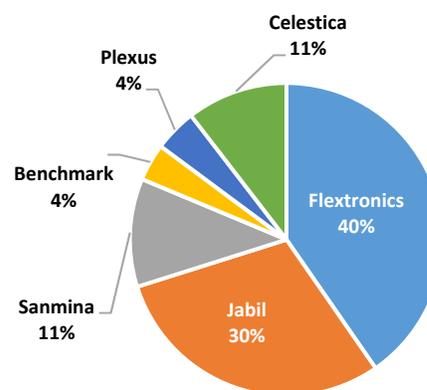


Table 2: Q3 and Nine-Month 2016 Results for the Six Largest US-Traded EMS Providers (M US\$ or %)

Company	Q3 '16 sales	Q2 '16 sales	Qtr.-qtr. chg.	Q3 '15 sales	Yr.-yr. chg.	Q3 '16 gross marg.	Q2 '16 gross marg.	Q3 '15 gross marg.	Q3 '16 oper. marg.	Q2 '16 oper. marg.	Q3 '15 oper. marg.	Q3 '16 net inc.	Q2 '16 net inc.	Q3 '15 net inc.	Q1-3 '16 sales	Q1-3 '15 sales	Yr.-yr. chg.	Q1-3 '16 net inc.	Q1-3 '15 net inc.
Flex	6,009	4,332	38.7	6,317	-4.9	4.9%	6.5%	6.0%	0.7%	2.4%	2.6%	-2.5	77.9	123.0	16,114	17,835	-9.6	137	369
Jabil	4,431	4,311	2.8	4,681	-5.3	7.1%	7.2%	7.9%	2.2%	1.5%	3.2%	38.1	5.2	87.7	13,145	13,349	-1.5	122	211
Sanmina	1,666	1,669	-0.2	1,637	1.8	7.6%	7.5%	7.4%	3.4%	3.3%	3.0%	100.8	29.5	315.4	4,947	4,703	5.2	161	355
Benchmark	574	579	-0.9	630	-8.9	9.1%	9.1%	8.6%	0.8%	3.7%	4.3%	22.0	12.7	20.6	1,703	1,915	-11.1	46	56
Plexus	653	668	-2.2	669	-2.3	9.4%	9.4%	8.9%	3.6%	4.9%	4.3%	19.1	26.1	23.9	1,939	1,990	-2.5	62	71
Subtotal/avg.	13,332	11,560	15.3	13,933	-4.3							177.5	151.5	570.5	37,847	39,792	-4.9	527	1,062
Celestica	1,554	1,486	4.6	1,409	10.3	7.1%	7.4%	7.0%	3.8%	3.3%	3.1%	53.6	36.2	10.9	4,393	4,124	6.5	115	55
Total/avg.	14,886	13,045	14.1	15,342	-3.0										42,240	43,916	-3.8		

All results are based on GAAP except those of Celestica, which has adopted IFRS reporting. With the exception of sales, GAAP and IFRS results are not necessarily comparable. Intangible amortization was subtracted from reported operating income. Net income from continuing operations.

Notable Drop Projected for US-Traded Group

If the six largest US-traded EMS providers hit the midpoint of their Q4 sales guidance, 2016 will be another down year for the group as a whole. According to *MMI's* Q4 estimates, which have been set equal to the midpoint of providers' guidance, the group's 2016 sales will decline by 2.9%. Group revenue for the year is estimated at \$57.82 billion, down from \$59.53 billion in 2015. Projected 2016 sales remain 12% below a post-recession high of \$64.62 billion in 2011. Overall, this sector of the EMS industry may have recovered from the Great Recession, but it has not prospered.

In order to turn 2016 into a growth year, the six providers must generate Q4 sales more than \$1.6 billion above *MMI's* estimate for the year. That means the providers would need to exceed the midpoint of their Q4 guidance by more than that amount on a combined basis—a pretty tall order.

MMI is projecting that **Celestica**, **Sanmina**, and **Jabil** will be the providers to achieve sales growth for 2016. Sales declines at the other three companies are projected to range from modest to considerable, with **Benchmark** estimated to post the biggest drop in revenue, of 9.4%.

While 2016 may end up with a decline, the estimate for combined Q4 sales also fails to offer a hopeful sign. Projected Q4 revenue of \$15.59 billion represents a year-over-year decline of 1.2%. If such a decrease were realized, then Q4 would be the second quarter in a row to show year-over-year decline.

Estimates are that **Flex** will be primarily responsible for the quarterly decrease, with an 8.3% drop. *MMI's* projections also indicate that two other companies will post year-over-year declines for their Q4 sales. **Benchmark Electronics'** drop is expected to reach 4% and **Plexus** should drop by 4.9%.

Compared with the previous quarter, the group's Q4 revenue will tick upward by 6%, according to *MMI's* forecast. Sequential increases at five companies are foreseen, with **Jabil** posting double-digit growth of nearly 14%. Only **Plexus** is estimated to decline, by 2.8% (Table 3).

Guidance suggests that adjusted EPS for Q4 will improve sequentially at **Jabil**, and the growth would be 276%. One can also infer from guidance that both **Flex** and **Plexus** expect a sequential decline in their adjusted Q4 EPS. At the midpoint of their guidance, the decrease would be

28.6% at **Flex** and 4.9% at **Plexus**. No conclusions can be drawn from the guidance issued by the other three providers.

On a year-over-year basis, Q4 guidance implies that adjusted EPS will rise at **Jabil**, **Sanmina**, **Celestica**, and **Plexus**, with increases of 20.8%, 19.3%, 293.6%, and 12.2%, respectively. Guidance also suggests that **Benchmark's** adjusted EPS will fall from a year earlier, and the decline would be 46.9%. No inferences can be made from the guidance of the other providers.

Company News

SIIX Opens New Hubei Province, China Subsidiary

EMS provider **SIIX** has decided to establish a manufacturing subsidiary in Xiaogan, Hubei Province, China that will carry out mounting electronic components and assembly and processing of equipment and components.

The company's China business has been growing rapidly over the past several years, and as a response to this the company is establishing a new manufacturing subsidiary in the country.

Table 3: Q4 2016 Guidance and Estimates for the Six Largest US-Traded Providers (sales in \$B except as noted)

Company	Q4 '16 guidance	Q4 '16 midpoint	Q3 '16 sales	Qtr.-qtr. estim. chg. (%)	Q4 '15 sales	Yr.-yr. estim. chg. (%)	2016 estimated sales	2015 sales	Estimated change	Q4 guidance adj. EPS* \$	Q4 EPS midpoint \$	Q3 '16 adj. EPS* \$	EPS Q-Q chg. at midpoint	Q4 '15 adj. EPS* \$	EPS Y-Y chg. at midpoint
Flex	6.0–6.4	6.20	6.01	3.2	6.76	–8.3	22.31	24.42	–8.6	0.18–0.22	0.20	0.28	–28.6	0.26	–24.2
Jabil	4.8–5.0	4.90	4.31	13.7	4.68	4.7	18.05	17.90	0.8	0.54–0.74	0.64	0.17	276.5	0.53	20.8
Sanmina	1.675–1.725	1.70	1.67	1.8	1.64	3.9	6.65	6.37	4.3	0.65–0.70	0.68	0.63	7.9	0.57	19.3
Celestica	1.5–1.6	1.55	1.49	4.0	1.40	10.7	5.94	5.64	5.4	0.29–0.35	0.32	0.29	10.3	0.08	293.6
Benchmark	590–610 M	0.60	0.57	4.5	0.63	–4.0	2.30	2.54	–9.4	0.39–0.43	0.41	0.36	13.9	0.77	–46.9
Plexus	620–650 M	0.64	0.65	–2.8	0.67	–4.9	2.58	2.65	–3.0	0.74–0.82	0.78	0.82	–4.9	0.70	12.2
Total/avg.		15.59	14.71	6.0	15.77	–1.2	57.82	59.53	–2.9						

Q4 estimates equal midpoint of Q4 guidance. 2016 estimates equal nine-month sales plus midpoint of Q4 guidance. *Adjusted EPS may not be comparable from company to company.

The Hubei Province in China has maintained robust economic growth mainly in the automobile and high-tech industries, and has developed as an important traffic hub since the days of old. With manufacturers of vehicles from all over the world establishing a base in the province one after another in recent years, the region has been growing in importance for the automobile industry.

The company's manufacturing operations in China will be carried out in three plants: the existing plants in southern China (Dongguan) and eastern China (Shanghai), and the new 5,929-square-meter plant in central China (Hubei), ready to start production in March 2017, as reported by *Evertiq*.

The UK's New EMS Provider

The UK EMS market will have a new player, **Hindley Circuits**, backed by Andrew Lapping of Hamilton Capital Partners, which has acquired the trade and assets of **Opsol UK**, and with that saved the jobs of 23 staff members.

Cramlington-based OPSOL UK fell into trouble after its parent A-BELCO encountered financial difficulties. However, the formation of the new Hindley Circuits—and the purchase of all Opsol UK assets—secures jobs for the 23 personnel.

At the helm of the new company is Richard Whitehead, previously the General Manager at OPSOL UK, who has a clear intention to grow the business and to at least double the current headcount within the next three years.

Basically, the new company will continue to provide electronics manufacturing solutions across the north of England, reports *Evertiq*.

Samsung to Acquire Harman

Samsung Electronics and **Harman International Industries** have entered into a definitive agreement under which Samsung will acquire Harman for \$112.00 per share in cash, or approximately \$8.0 billion.

The transaction will immediately give Samsung a significant presence in the large and rapidly growing market for connected technologies, particularly automotive electronics, which has grown to be a strategic priority for Samsung and is expected to grow to more than \$100 billion by 2021.

Harman has a strong position in connected car solutions, with more than 30 million vehicles currently equipped with its connected car and audio systems, including embedded infotainment, telematics, connected safety, and security. Approximately 65% of Harman's \$7.0 billion of reported sales during the 12 months ended September 30, 2016 are automotive related, and its order backlog for this market as of June 30, 2016 was approximately \$24 billion.

Scanfil: Hungarian Production Moves to Other Facilities

On November 10, 2016 **Scanfil EMS Oy's** Hungarian subsidiary Scanfil Kft decided to close down the factory in Biatorbagy, Hungary.

The negative impact on earnings resulting from the factory closing is estimated at approximately €1.3 million and is mainly focused on the fourth quarter of 2016. The plan is to conclude the actions during the second quarter of 2017.

Scanfil Kft employs about 200 workers and salaried employees at the Biatorbagy plant. Turnover of Scanfil Kft in 2015 was about €13.6 million and operating loss approximately €1.2 million. Closing the factory will finalize the restructuring related to the PartnerTech factory network integration. Existing customers of Scanfil Kft will be served from other Scanfil factories in the future.

Inventec to Increase Production Capacity

The Taiwanese ODM is planning to expand its server production in Mexico as well as the Czech Republic. The

company will also increase production of PCs and smart terminal devices in India next year.

Besides the capacity increase planned for Mexico, the Czech Republic, and India, the company is currently evaluating the possibility of establishing a manufacturing facility in Indonesia, according to a *DigiTimes* report crediting Inventec chairman Richard Lee.

The expansions in Mexico and the Czech Republic are being made to meet growing demand globally, while the potential factory in Indonesia would supply the local market, the report continues.

The report also states that the company has acquired a building from **HTC** located in northern Taiwan that will become the company's R&D headquarters.

Cemtrex to Acquire Unnamed Silicon Valley–Based Electronics Manufacturer

Cemtrex, an industrial and manufacturing solutions company, has entered into a Letter of Intent to acquire an unnamed electronics manufacturing solutions company based in the Silicon Valley area.

The target company is focused on electronics manufacturing services primarily for semiconductor customers, as well as OEMs in the medical, industrial, and telecommunications industries. The to-be-acquired company has averaged \$7 million in annual revenues over the last two years. It is based in the Silicon Valley area and has an office in India to support engineering and prototype development and operational activities.

This acquisition would be Cemtrex's first step into the US electronics manufacturing market and fulfills multiple strategic objectives for the company, according to a press release.

This new US-based acquisition aims to set the stage for Cemtrex's

expansion into Asian markets down the road for manufacturing solutions with the new Indian location. Establishing a presence in Silicon Valley is advantageous, as the region has been booming with new hardware and software development attributed to new trends in wearable technology, “Internet of Things” devices, drones, and robotics. Cemtrex will seek to capitalize on this growth and focus on working with innovative start-ups and entrepreneurs in developing “disruptive” products.

The terms of the deal and the name of the target were not disclosed, for confidentiality reasons, but the transaction is expected to close before year’s end, as reported by *Evertiq*.

VIDEOTON Supplies Battery Packs to German Automotive Industry

Hungarian EMS provider **VIDEOTON** is—via its subsidiary in Kaposvar—supplying a German tier-1 automotive company with battery packs.

The Li-ion battery pack supplied by **VIDEOTON** is part of an e-call system used in passenger cars. The Hungarian company not only carried out the sampling process, but also contributed its DfX services. The industrialization of the product was realized completely by the local engineering team.

Apple Placing Aggressive 4Q16 Orders for New MacBook Pros

Apple has been placing orders for new MacBook Pros recently and the strong shipments are expected to last until the end of 2016, since Apple is optimistic about sales in the fourth quarter, according to sources from the upstream supply chain, who added that MacBook shipments in 2017 are expected to stay at the same level as in 2016.

The sources are seeing an increased shipment proportion of Apple’s new MacBook Pro and they expect

the related revenues and profits to enjoy growth in 2017.

The sources pointed out that Apple was not initially very aggressive about placing new MacBook Pro orders and was also said to have delayed the product’s shipment schedule by a quarter due to low yield rates for some components, including hinges, batteries, and keyboards. However, Apple has started to aggressively promote the product, after the launch in October.

Thanks to the recent rising MacBook Pro shipments, some market watchers expect Apple’s MacBook shipments to reach 15 million units in 2016, with shipments staying at that level in 2017, as reported by *DigiTimes*.

Apple Outsourcing MacBook Pro Keyboard Orders to Wistron

Wistron reportedly has landed orders for the OLED Touch Bar keyboard used in Apple’s new MacBook Pro, according to a Chinese-language *Economic Daily News* (EDN) report citing market watchers. Wistron declined to comment on its orders or clients.

The market watchers pointed out that the keyboard is rather difficult to build and its original Singapore-based supplier was having difficulties meeting Apple’s demand, prompting Apple to shift orders to Wistron, the paper noted.

The delay in the new MacBook Pro’s launch was partly due to low yields of the keyboards; however, shipments of the MacBook Pro are starting to pick up as yield rates improve, the paper said.

Mycronic Acquires Automation Engineering, Inc. for \$35 Million

Mycronic has acquired **Automation Engineering, Inc. (AEI)**, a US-based provider of modular automation equipment, for \$35 million plus contingencies.

Mycronic could also pay up to \$27 million more (approximately SEK248 million) over two years based on

parameters such as growth and earnings.

The acquisition is effective immediately and Mycronic is financing the deal with cash. AEI will be consolidated into the Mycronic Group.

The impact on Mycronic’s 2016 results will be marginal, the firm said. Mycronic reiterated its forecast for net sales in 2016 of SEK1,900 million, excluding effects from acquisitions.

Flex, Lenovo Open Server Plant in Hungary

Flex and **Lenovo** have opened a server manufacturing plant for customers in the EMEA region.

The site will build x86 servers under the Lenovo brand, and will perform final system assembly and custom integration. The new plant is expected to employ 250 workers.

Lenovo has outsourced to Flex for seven years and will produce its six millionth PC this December, according to the companies.

VTech Completes Acquisition of Germany-Based Snom Technology

VTech Holdings, Limited announced that the company has completed its acquisition of **Snom Technology AG** (Snom), provider of enterprise VoIP (Voice over Internet Protocol) telephones.

On October 21, 2016 the two companies announced that they had entered into a binding, definitive agreement, under which VTech would acquire 100% of the share capital of Snom.

The transaction was completed on November 21, 2016, as it had satisfied all regulatory requirements and closing conditions. Upon completion, Snom is now an indirect wholly owned subsidiary of VTech.

Electronics Assembly Comes to Botswana

A locally owned company will open an electronics design and assembly site later this year, where it will employ 250 workers.

Almaz, a citizen-owned company, also plans to distribute its own laptops and cell phones, with the intent to compete with name brands.

Alibaba Cloud, Foxconn to Cooperate on Server Products Development

Alibaba Cloud, the cloud computing arm of the Alibaba Group, will cooperate with **Foxconn Electronics** to develop server products to be used by its cloud computing platform, according to media reports in China, citing company president Simon Hu.

The two companies will develop server hardware and software products together, Hu said, adding that Alibaba Cloud is strengthening its cloud computing capabilities as it is extending its cloud services.

Canadian Company Opens in Penang, Offers 200 jobs

Celestica opened its new Global Business Services (GBS) office in Penang as part of its expansion in Malaysia.

The company has a presence in Kedah and Johor, and expanded in Penang with an aim to grow further in the next 18 months. Its senior vice president, Rodney Bergman, said Celestica currently has a workforce of

100 in Penang and plans to increase it to 200.

NxEdge Acquires Flex's Morgan Hill Facility

NxEdge, a provider of vertically integrated solutions to the semiconductor market and a portfolio company of Dallas-based private equity firm **Trive Capital**, has acquired the assets of **Flex's** Morgan Hill facility in California.

The facility has been providing machining and assembly capabilities to the semiconductor tool market. The Morgan Hill facility will complement NxEdge's existing product offering, which includes custom machining, anodizing and plating, coating, cleaning, and assembly services to equipment manufacturers (OEMs), and OEM-quality refurbishment services to IDMs and foundries, Trive writes in a press release.

Wistron to Open Wholly Owned Bengaluru Plant

Wistron Corp., assembler of **Apple, Inc.** iPhones, recently approved a capital injection of US\$33.5 million at its after-sales subsidiary in India so that it can build a smart devices plant for the Indian market. Wistron has a co-invested smartphone plant with India's **OptimusInfracom, Ltd.** in the state of Uttar Pradesh with a production capacity

of 600,000 smartphones per month.

The Uttar Pradesh plant's clients include Taiwan's **HTC Corp.** and China's **Oppo Mobile Telecommunications Corp.**, according to Indian media reports. Wistron's decision to expand its manufacturing capacity by setting up a wholly owned plant shows that it is optimistic about India's growing domestic market.

Publisher: Randall Sherman

Editor: Anna Reynolds

Research Analyst: Vivek Sharma

Board of Advisors: Michael Thompson, CEO, I. Technical Services; Ron Keith, CEO, Riverwood Solutions; Andy Leung, CEO, VTech Holdings, Ltd.

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E-mail: rsherman@mfgmkt.com

Website: www.newventureresearch.com

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