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M&A growth remains stagnant in 2014

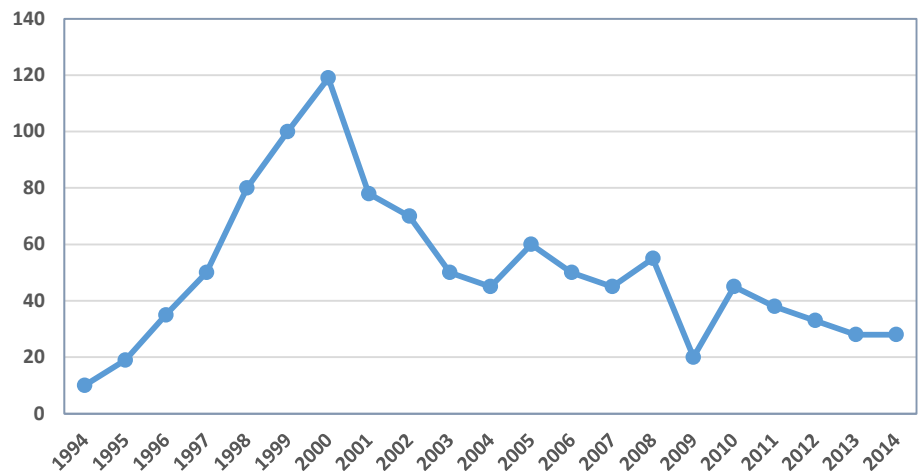
In 2014—for the second year in a row—the number of EMS industry mergers and acquisitions remained the same as the year before. M&A transactions closed during 2014 totaled 28, the same number as in 2013. Transaction totals have been in decline since a postrecession high of 45 in 2010 (Chart 1). The lackluster macro environment and associated uncertainties that followed the recession have not been conducive to deal making.

MMI's annual Scorecard of EMS industry M&A on pages 2 and 3 lists the transactions closed in 2014 and classifies them according to four categories developed by MMI.

EMS providers continue to acquire operations of competitors in substantial numbers. In 2014, this was the most popular type of deal, as it was the year before. Last year, there were 17 instances of EMS providers buying competitor operations (marked C on the Scorecard), increased from 13 the year before (Chart 2, p. 3). All of these 2014 deals resulted in consolidation, or the loss of an independent provider. Industry consolidation persists, though the number of consolidation deals has bounced around from year to year (Chart 3, p. 3).

The consolidation count of 17 deals in 2014 was 9.6% above a 12-year average of 15.5.

Chart 1: EMS Industry Mergers and Acquisitions



The second most common deal in 2014 was the service or supply chain extension (marked S on the Scorecard). With these transactions, EMS providers acquire a horizontal or vertical capability. Back in the prerecession days, capability deals were more commonplace. From 2002 to 2008, capability deals averaged 17.9 per year. Last year, there were 10 transactions, the same as the year before.

As the industry has matured and providers have built out their service offerings, fewer companies need to acquire capabilities.

In the early part of the 2000s, OEM divestitures contributed a significant number of deals. As the industry progressed, these deals, often in high-cost areas, became less and less attractive. *continued on p. 3*

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MMI Scorecard: EMS Industry Mergers and Acquisitions in 2014

#	Date	Deal Maker	Target	Type	Some Details
1	Dec-14	The Eastern Company	Argo Transdata Corporation	S	Argo's business, like that of Eastern, is as a manufacturer of components that, in most cases, are found and used in products made by original equipment manufacturers. In addition, this business represents a new initiative and further diversification of Eastern' Co.'s markets and security segments.
2	Dec-14	Sparton Corp.	Argotec, Inc.	S	Terms of the acquisition were not disclosed.
3	Dec-14	Sparton Corp.	Industrial Electronic Devices, Inc. (IED)	S	The addition of IED meets the criteria of Sparton's growth strategy by expanding its ruggedized electronics platform with more ruggedized display and touch screen offerings in the harsh and demanding sectors of the industrial and marine markets.
4	Nov-14	HANZA AB (publ)	KA Elektronik AB	C*	The company will be included in HANZA's Electronics Division. The acquisition is expected to have a positive impact on HANZA's earnings per share.
5	Oct-14	STACI Corp.	EPM Global Services, Inc.	C*	Terms of the acquisition were not disclosed.
6	Sep-14	Neways Electronics International NV	Bus Holding GmbH	C*	Neways expects to generate considerable synergy benefits from this acquisition. The two companies have closely matched strategies and complementary client bases, market segments, and operations.
7	Sep-14	Key Tronic Corp.	Ayrshire Electronics	C*	Key Tronic Corporation has completed the acquisition of CDR Manufacturing, Inc. (dba Ayrshire Electronics) for \$46.9 million in cash.
8	Aug-14	Libra Industries, Inc.	Tetrad Electronics, Inc. and Focus	C*	Electronics contract manufacturer Libra Industries of Mentor has acquired Tetrad Electronics, Inc. and Focus Manufacturing, Inc., both of Willoughby, for an undisclosed amount.
9	Jul-14	éolane	SARL Bengale	C*	Terms of the acquisition were not disclosed.
10	Jul-14	éolane	Syscom Elektronik	C*	Terms of the acquisition were not disclosed.
11	Jul-14	Sparton Corp.	Electronic Manufacturing Technology, LLC (eMT)	C*	The addition of eMT meets Sparton's growth strategy by providing it with an entrance into the southern California geographic market.
12	Jun-14	Kanoria Chemicals & Industries, Ltd.	APAG Elektronik AG	S	Acquisition of APAG will be KCI's first global foray into manufacturing.
13	Jun-14	4K Invest	Flextronics International, Ltd. facility	N	The company will continue its operations under the new name Periscope GmbH, which will be the legal successor, according to sources.
14	Jun-14	Selektro A/S	HLH Electronics AS	C*	Terms of the acquisition were not disclosed.
15	Jun-14	A-Belco, Ltd.	OPSOL UK, Limited	S	In a classic example of vertical integration, the £22 M turnover A-Belco Group has strengthened its supply chain with the acquisition of the £3.2 M annual turnover OPSOL, a move that will open up new markets for both Northumberland firms.
16	Jun-14	Tomoike Industrial (H.K.), Limited	S.M.T. Assembly, Limited	S	Terms of the acquisition were not disclosed.
17	May-14	Varitron Technologies, Inc.	Altronics Manufacturing, Inc.	C*	This major transaction will provide Varitron with an essential presence for meeting US content requirement for its customers, locally and abroad. Varitron is thereby strengthening its leadership position as a provider of EMS not only in Canada but also for its southern neighbors.

#	Date	Deal Maker	Target	Type	Some Details
18	Apr-14	Premier Farnell plc	AVID Technologies, Inc.	C*	Terms of the acquisition were not disclosed.
19	Apr-14	Contemporary Research Corporation	J.S. Techtronics Assembly, Inc.	S	Contemporary Research has acquired J.S. Techtronics Assembly, Inc. and formed a new CR Assembly division for contract electronics assembly labor.
20	Mar-14	Scanfil	Schaltex Systems GmbH	C*	Terms of the acquisition were not disclosed.
21	Mar-14	Electri-Cord Manufacturing Company	O.R.M., Inc.	C*	Electri-Cord Manufacturing's acquisition of O.R.M., Inc. will expand its manufacturing capacity and capabilities in the US, Mexico, and China.
22	Mar-14	Electronic Manufacturing Solutions, Ltd.	Nu-Start Electronics, Ltd.	C*	Terms of the acquisition were not disclosed.
23	Mar-14	Sparton Corp.	Aubrey Group, Inc.	S	The acquisition of Aubrey Group by Sparton will add new products for OEMs in the medical and biotechnology markets to its portfolio.
24	Mar-14	Hunter Technology Corporation	Spectral Response, LLC,	C*	Terms of the acquisition were not disclosed.
25	Feb-14	Lippert Components, Inc.	Innovative Design Solutions, Inc.	S	Innovative Design Solutions, Inc. (IDS) is a designer, developer, and manufacturer of electronic systems encompassing a wide variety of RV applications.
26	Feb-14	HANZA AB	DAVAB Elektronik AB and Arvika	C*	HANZA AB acquired DAVAB and Arvika to consolidate Nordic contract manufacturers and further strengthen its position in manufacturing services.
27	Jan-14	Silicon Turnkey Solutions, Inc.	Bay Area EMS Solutions, LLC	S	Terms of the acquisition were not disclosed.
28	Jan-14	VirTex Assembly Services, Inc.	MTI Electronics, Inc.	C*	In MTI, there is a tremendous opportunity to cross-sell services and leverage the smart sourcing concept that VirTex has pioneered with its Austin and Juarez facilities.

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

Chart 2: Deal Breakdown, 2014 Versus 2013

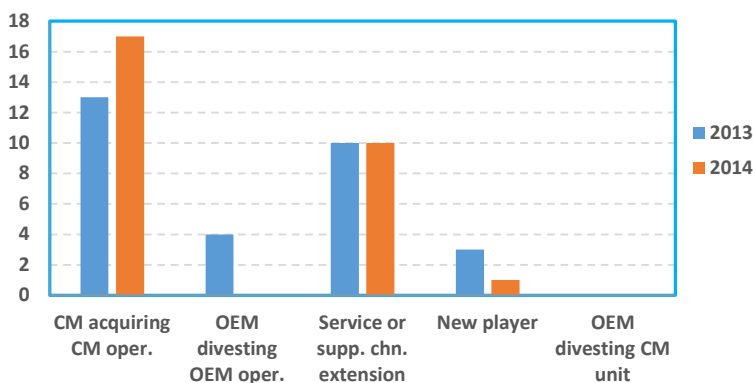
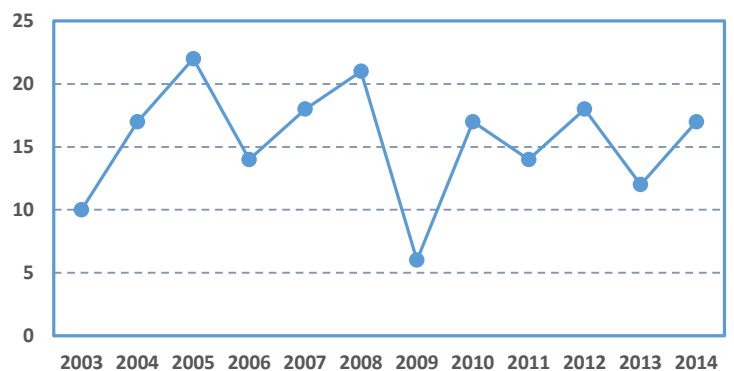


Chart 3: Consolidation Deals



For 2014, *MMI* had no OEM divestitures (indicated as O), surprisingly down from four the year before. One might think that a mature EMS industry, notorious for low margins, would not attract any new players. However, that has not been the case. One company entered the EMS

industry via acquisition last year (marked N), versus three the year before. *MMI* also keeps track of alliances and equity partnerships, which are an alternative to M&A deals. In 2014, there were 12 of these partnerships, down from 17 formed the year before (see table, p. 4).

Note that the M&A Scorecard does not include private equity deals or divested assets sold to industry outsiders.

EMS Industry Alliances and Equity Partnerships in 2014

Company	Home Base	Partner	Location	Some Details
AUSY	France	LACROIX Electronics	France	Forming a 50:50 joint venture that will offer an end-to-end solution from design in R&D centers through volume production.
Compal Electronics	Taiwan	Avalue Technology	Taiwan	This is a strategic investment to broaden and deepen Compal's business operations through extending Compal products to medical and the Internet of Things (IoT).
Delta Group Electronics	Albuquerque, NM	Mesa Secure Acquisitions	Carlsbad, CA	These companies have teamed up to offer product design, engineering support, and EMS to US government and industrial customers with communication systems products.
Etratech	Ontario, Canada	Summit/ems	Logansport, IN	The alliance offers broader manufacturing opportunities and an expanded international presence for both organizations.
Firstronic	Grand Rapids, MI	DASI Solutions	Pontiac, MI	Under the alliance, DASI will work with Firstronic exclusively for the next three years on developing a range of EMS applications.
Flextronics International	Singapore	Powermat Technologies	Neve Ilan, Israel	Under an agreement between the two companies, Flextronics has invested in Powermat, and the parties will collaborate closely on the design, manufacturing, and go-to-market of wireless charging solutions for mobile OEMs.
Flextronics International	Singapore	Norwegian Thin Film Electronics	Oslo, Norway	Expanding Flextronics's Open Innovation Platform offering
Google	Mountain View, CA	Hon Hai Precision Industry	New Taipei, Taiwan	Have been quietly collaborating on robotics
Hon Hai Precision Industry	New Taipei, Taiwan	Beijing Automotive Group	Beijing, China	Hon Hai Precision Industry is working with China's Beijing Automotive Group to develop batteries for electric vehicles.
Hon Hai Precision Industry	New Taipei, Taiwan	Taiwan Mobile	Taipei, Taiwan	Foxconn's investment in TWM is to enhance cooperation with the 4G mobile communication operator.
Surface Mount Technologies, Inc.	Anaheim, CA	Eruston	Irvine, CA	Joining forces to offer complete turnkey manufacturing
Unilife	York, PA	Flextronics International	Singapore	The companies have entered a global strategic alliance agreement to expand the production capacity and scale-up capability of Unilife's product portfolio.
Zinwave	Cambridge, UK	Plexus Corp.	Neenah, WI	Plexus will provide production services from its UK facilities and will support Zinwave with the manufacture of its in-building coverage solution based on photonic and wideband amplifier technology.

Positive Year for US-Traded Group

If *MMI's* projections were on target, combined 2014 revenue for the six largest US-traded EMS providers would have indicated a slightly better year (*MMI* was estimating 3.5%). Fortunately, fourth-quarter results on the whole came in better than expected, and 2014 will go down as a positive year for this US-traded group.

Revenue for the six providers totaled \$60.26 billion in 2014, compared with \$58.30 billion in 2013. Last year, sales increases at four providers offset revenue declines at two providers, with the sixth company (Plexus) holding

the highest growth position with 12.4% sales growth. Annual growth rates ranged from 12.4% for Plexus to -7.3% for Jabil (Table 1, p. 5).

In Q4, the six providers together generated sales of \$15.22 billion, up 8.1% from the same period a year ago. For the third quarter in a row, the group's revenue grew year over year. This growth was driven by Flextronics and, to a lesser extent, Sanmina, both of which attained double-digit growth (Table 1). These were the only three companies (Flextronics, Sanmina, and Plexus) with appreciable Q4 growth on a year-over-year basis.

On a sequential basis, the group's Q4 revenue declined 0.7%, again largely

due to Flextronics, with support from Celestica. There were three providers that increased their sales sequentially, and only Plexus posted double-digit gains, though these gains were not enough to outweigh declines at the other three providers (Table 1).

Sequential growth exceeded *MMI's* estimate of a 3.6% decline by 2.9 percentage points, while the year-on-year increase beat *MMI's* projection of 2% by 6.1 percentage points. *MMI* based its estimates on the midpoint of each company's sales guidance for Q4. Both Flextronics and Jabil surpassed their guidance, while Flextronics reported sales above the midpoint of its guidance. 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 Q4 was a combined 7.1%, down 130 basis points sequentially and up 30 basis points year over year. Benchmark Electronics was able to raise its gross margins from Q3, while all but Sanmina improved their margins from the year-earlier period.

Together, the five companies in Q4 produced a GAAP operating margin of 2%, down 60 basis points sequentially and 120 basis points year over year. Their GAAP operating margin decreased quarter to quarter throughout 2014. What's more, this was the first quarter that they collectively achieved a GAAP operating margin as low as

2% since 4Q2010. Plexus's operating margin of 5.2% was well above results turned in by the other GAAP companies. Plexus and Benchmark improved their GAAP operating margins from the prior quarter. And though Sanmina and Plexus's operating margin increased their operating margins from a year earlier, other three companies margins' declined. As for the lone IFRS reporting company, Celestica, saw its IFRS operating margin increase from the prior quarter and also from the year-ago period (Table 1).

On a sequential basis, GAAP net income for the five companies in Q4 declined faster than sales did. Their aggregate net income of \$200.7 million declined 48.9%, while sales went down 0.5%. Flextronics and Jabil were

responsible for the sequential decline in net income, as they were the only GAAP companies whose bottom lines declined from Q3. On a year-over-year basis, GAAP net income growth was much lower, at 3.6% compared to a 9.2% increase in revenue. Only two companies succeeded in boosting their net income from a year earlier. Q4 net margin for the GAAP reporting companies was down 1.5%, compared to 2.8% sequentially and 1.6% year over year.

For 2014, combined GAAP net income for the five companies increased with sales growth. Net income for the year increased 15.6% to \$1.08 billion, and sales grew 4.1%. Benchmark and Jabil were the only two companies to realize annual decreases in GAAP net income.

Table 1: Q4 and 2014 Results for the Six Largest US-Traded EMS Providers (M US\$ or %)

Company	Q4 '14 sales	Q3 '14 sales	Qtr.-qtr. chg.	Q4 '13 sales	Yr.-yr. chg.	Q4 '14 gross marg.	Q3 '14 gross marg.	Q4 '13 gross marg.	Q4 '14 oper. marg.	Q3 '14 oper. marg.	Q4 '13 oper. marg.	Q4 '14 net inc.	Q3 '14 net inc.	Q4 '13 net inc.	2014 Sales	2013 Sales	Yr.-yr. chg.	2014 net inc.	2013 net inc.
Flextronics	6,723.9	7,183.4	-6.4	5,295.0	27.0	5.4%	5.6%	5.5%	1.1%	2.5%	2.3%	43.0	145.2	(49.3)	26,920.3	24,680.0	9.1	508.7	295.6
Jabil	4,056.2	3,785.9	7.1	4,513.7	-10.1	6.3%	6.3%	8.0%	1.8%	1.8%	3.7%	(25.2)	185.6	127.0	15,970.0	17,219.0	-7.3	201.8	344.0
Sanmina	1,686.2	1,604.7	5.1	1,505.0	12.0	7.8%	7.8%	7.7%	3.9%	3.9%	2.7%	132.5	20.7	38.8	6,439.0	5,870.0	9.7	196.7	101.8
Benchmark	710.0	731.0	-2.9	757.0	-6.2	7.9%	7.6%	7.9%	4.0%	3.3%	8.0%	24.0	17.2	67.5	2,797.1	2,507.0	11.6	82.4	111.2
Plexus	620.5	557.6	11.3	567.7	9.3	9.4%	9.4%	9.6%	5.2%	4.7%	4.1%	26.5	24.6	24.4	2,509.0	2,231.4	12.4	92.5	83.3
Subtotal/avg.	13,796.9	13,862.7	-0.5	12,638.4	9.2	7.1%	8.4%	6.8%	2.0%	2.6%	3.2%	200.7	393.2	208.4	54,635.4	52,507.4	4.1	1,082.1	935.9
Celestica	1,424.0	1,471.5	-3.2	1,436.0	-0.8	7.5%	7.2%	7.2%	3.6%	3.0%	1.5%	(4.4)	34.4	22.1	5,631.3	5,796.1	-2.8	153.0	124.0
Total/avg.	15,220.9	15,334.2	-0.7	14,074.4	8.1										60,266.7	58,303.5	3.4		

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.

Some Quarterly Results

Benchmark Electronics (BHE) reported Q4 revenue of \$710 million, which was at the low end of expectations due to softness in the computing and telecom sectors. The weakness is primarily coming from concentration issues in the hardware business (**IBM** and **Arris**). Non-GAAP EPS was \$0.43. The Computing segment was down 41% y-o-y due to weakness from a top customer, and management guided this segment down 20% q-o-q in F1Q15. Telecom also grew less than expected. Operating margins remained flat q-o-q at 4% due to an upside related to the sale of the China facility, offset by restructuring costs. Segment performance was as follows:

- Computing (20% of sales, -40% y-o-y): The segment saw lower than expected demand across multiple customers and

BHE noted that its top customer (**IBM**) should continue to be weak heading into the March quarter. While the revenue decline appears to be related to a customer in transition, sales leverage will be lost near term. Management noted that the segment should be down -20% q-o-q.

- Industrial Controls (32% of sales, +16% y-o-y): The segment was up +5% on a q-o-q basis and it is continuing to benefit from program ramps. Notably, management anticipates that this segment should be down mid-singles q-o-q in March.

- Telecom (29% of sales, +11 y-o-y): The segment saw weaker than expected results as the networking industry is working through transitions on the cable side. Notably, the company expects to see the segment down mid-teens in the March quarter.

- Medical Devices (11% of sales, +11% y-o-y): The segment continues to grow on

a y-o-y basis and should see sequential growth in the future and as program ramps continue. Management guided this segment up low single digits on a sequential basis for the March quarter.

- Test and Instrumentation (8% of sales, -8% y-o-y): Though this segment was down -8% on a y-o-y basis, the company believes this segment should be up low single digits q-o-q in March.

Regarding 1Q2015, Benchmark guided the March quarter to \$615-645 million/\$0.30-0.34. On a segment basis, the company offered sequential guidance as follows: 1) Industrial Controls down mid-singles; 2) Medical Devices up low singles; 3) Test and Instrumentation up low singles; 4) Telecom down mid-teens; and 5) Computing down -20%. From a margin perspective, the company noted that Q1 should see operating margins of 3.5% at the midpoint.

Flextronics (FLEX) reported that net sales for the third quarter ended December 31, 2014 were \$7.0 billion, exceeding the company's previously provided revenue guidance of \$6.4 billion to \$6.8 billion. The company's adjusted earnings per diluted share of \$0.30 also exceeded the company's previously provided guidance of \$0.24 to \$0.28. The company's third-quarter adjusted operating income increased 11% year-over-year to \$207 million, which exceeded its guidance range of \$175 million to \$205 million.

Regarding segment performance, the Consumer group (CTG) saw strong 20% q-o-q growth, outperforming expectations of low single-digit growth, with strength in mobile devices and wearables. High-Reliability Solutions (HRS) was up 4% q-o-q, beating expectations. Industrial & Emerging Industries (IEI) was up 1% q-o-q versus expectations of flat. Integrated Network Solutions (INS) continues to decline and management indicated this segment was expected to see additional softness in F4Q15, with management expecting INS sales to be flat in CY15, making overall growth difficult.

Management provided an outlook for 4Q2015 revenue/EPS of \$6.0–\$6.4 billion/\$0.23–\$0.27, largely in line with the street, forecasting stable revenue q-o-q in IEI and HRS, a high single-digit q-o-q decline in INS, given recent weakness in telecom demand as well as seasonality, and a 20%-plus decline in CTG based on seasonality.

Fabrinet (FN) reported total revenue of \$188.4 million for the second quarter of fiscal 2015, an increase of 5.5% compared to total revenue of \$178.6 million for the comparable period in fiscal 2014. GAAP net income was \$8.7 million, or \$0.24 per diluted share, compared to GAAP net income of \$14.5 million, or \$0.41 per diluted share, in the second quarter of fiscal 2014. Non-GAAP net income was \$14.4 million, or \$0.40 per diluted share, a decrease of 10.0% compared to non-GAAP net income of \$16.0 million, or \$0.45 per diluted share, in the same period a year ago.

Regarding segment performance, Consignment revenue was ~\$8.4 million.

Revenues were up 5.5%, driven by Optical up 3% and Non-Optical up 11.5% (adjusted for consignment, revenues were up ~1% y-o-y). The Non-Optical business upside was driven by strength in automotive, sensors, and fiber lasers. For the March quarter, both Optical and Non-Optical are expected to increase modestly q-o-q, driven by new business ramps contributing to the growth in what is typically a seasonally down quarter. Gross margins came in at 11.4%, down 29 basis points but up sequentially. The split between Telco and Datacom was 71% and 29%, respectively. New accounts accounted for 10% + of revenues.

Fabrinet expects third-quarter revenue to be in the range of \$181 million to \$185 million. GAAP net income per share is expected to be in the range of \$0.27 to \$0.29, with expected non-GAAP net income per share of \$0.33 to \$0.35, based on approximately 36 million fully diluted shares outstanding.

In the context of the specialty EMS segment, FN exhibits industry-leading normalized gross and operating margins, and the company's balance sheet yields strategic flexibility that is a competitive advantage. Demand for optical communication systems components should grow over the next two to three years as the communications industry builds out 100G infrastructure; note that service provider capex should strengthen in 2015. In this context, FN should recapture peak-level revenue and margins in CY15 and generate solid long-term revenue and EPS growth.

Company News

Benchmark Electronics to Close Plant in North Dakota

Benchmark Electronics, Inc. (Angleton, TX) plans to close down its plant in Dunseith. The shutdown will put 140 people out of work in the northern North Dakota town of fewer than 800 residents. The company said in a statement earlier this month that its

fourth-quarter revenue was "at the low end of our expectations due to softness in the computing and telecom sectors."

Foxconn Closes Chennai Plant

The back-and-forth battle between **Foxconn** (Taiwan) and its employees surrounding the suspension of operations of the company's activities in Chennai, India has come to an end.

The company suspended its operations at the Chennai plant in December 2014 following the exit of its main customer in the region, **Nokia**.

Management changes... **IEC Electronics Corp.** (Newark, NY) announced that the Board of Directors has elected Jeffrey T. Schlarbaum to the office of President and Chief Executive Officer.

Mr. Schlarbaum, age 48, served as IEC Electronics's President from October 2010 to February 2013. Prior to that, Mr. Schlarbaum served as the company's Executive Vice President and President of Contract Manufacturing from October 2008 to October 2010, Executive Vice President from November 2006 to October 2008, and Vice President, Sales & Marketing, from May 2004 to November 2006. Prior to that, Mr. Schlarbaum served in senior management roles with various contract manufacturing companies, including **Plexus Corp.** Mr. Schlarbaum holds an M.B.A. from Pepperdine University.

Divestments... Swedish EMS provider **Note** has sold its mechanical business in Järfälla, Sweden. The buyer is Stockholm-based **Larsson Finmekaniska AB**, already a cooperation partner to Note.

During the last few years, the company has experienced unsatisfactory profitability within its mechanical unit. Short term, the divestment includes restructuring costs, but the transaction is expected to contribute positively to Note's operating profit already in 2015,

as reported by *Evertiq*.

Partnerships... **STMicroelectronics** (Switzerland) has partnered with **Flextronics** (Singapore) to jointly develop a plug-in charging platform based on an ST multimode power-management controller mobile device.

The platform, built on the STCH01 controller, is aimed for use in compact, high-power-density smart phone/tablet adapters. ST's controller aims to reduce production costs by using an architecture that minimizes transformer size and the number of external components required, as reported by *Evertiq*.
Kimball Electronics (Jasper, IN) entered into an agreement with **Genetec Technology Berhad** (Malaysia) to support the production of multiple newly awarded programs for a Kimball automotive customer.

Genetec possesses engineering and technical expertise in automating manufacturing processes in high-end technology industries such as the automotive market. The equipment will be installed this spring. Preproduction validation units will be produced shortly thereafter. Series production is expected to begin mid-2016. The new programs are expected to be fully ramped in 2018 and run in series production through 2023, as reported by *Evertiq*.

Acquisitions... **PKC Group** (Finland) has signed a contract to buy the rolling stock electrical distribution system business (Wiring & Controls business) of **Groclin S.A. Group** (Poland), a company listed on the Warsaw stock exchange.

The net debt-free purchase price is €50 million. The acquisition takes place via a new company, in which PKC Group has an 80% holding and Wiring & Controls' business management has a 20% holding.

The deal includes Kabel-Technik-Polska Sp. z o. o. (KTP) operating in Poland, which at the time of the closing will own the entire Wiring & Controls business of Groclin S.A. Group. The Wiring & Controls business develops and manufactures electrical cabinets, power packs, and electrical distribution systems for rolling stock manufacturers, as reported by *Evertiq*.

Manufacturing Market Insider, February 2015

Videoton Ended 2014 with a New Record

The Hungarian EMS provider **Videoton** increased its cumulative revenues by 17% in 2014. The company's consolidated revenues exceeded HUF 130 billion (or €425.4 million). The company experienced growth in each of its segments: electronic manufacturing, assembly, mechanical part production, and services.

Looking at Videoton's main markets, the ratio of business from the automotive industry has increased even further. Last year it exceeded 40 percent, making it the most important industrial branch. The industrial electronics sector is in second place, with a share of about 30 percent. Next in line was production of small household appliances, with a share of 19 percent, in which beauty care products had a significant part.

Videoton's own capital is approaching HUF 84 billion (€274.9 million). The company reinvests a substantial part of its turnover as part of its technological development program, which the company initiated in 2008. Last year the company had HUF 5.5 billion (€18 million) in technology investments.

The company also increased its employee numbers to almost 1,300 people since last year. In 2015 the Videoton group is aiming to continue its advancements and developments, and targets another 3–5 percent increase in revenue.

Changes to Apple's Manufacturing List

According to a recent article from *Evertiq*, it has been found that **Apple** has made changes to its final assembly facilities.

Notable changes to the list are that Primax Electronics, Ltd., PCH International, and Cheng Uei Precision Industry Co., Ltd. are nowhere to be found. Instead, companies like **BYD Company**, **Compal Electronics, Inc.**, and **Wistron Corporation** have been added to this year's list.

Other changes in the kinds of products the companies are assembling are that accessories seem to be the segment that moves around the most.

Supplier/Facility	Country	Product
Apple, Inc.	Ireland	Mac
BYD Company	China	Accessories
Compal	China	iPad
Flextronics	USA	Mac
Hon Hai	China	iPhone, iPod
Hon Hai	China	Mac iPad Accessories
Hon Hai	China	iPad
Hon Hai	China	Accessories
Hon Hai	China	iPhone
Hon Hai	China	iPhone
Hon Hai	Brazil	iPhone, iPad
Inventec	China	iPod
Pegatron	China	iPhone
Pegatron	China	iPhone, iPad
Quanta	China	Mac
Quanta	China	iPod
Quanta	USA	Mac
Wistron	China	iPhone

Taiwan PC Shipments ODM Tracker – January

January monthly sales from the Taiwan supply chain showed PC-related revenues were ~570 basis points below seasonal (–18.3% m-o-m, vs. the 3-year average of –12.7% m-o-m), with double-digit m-o-m declines in both revenue and shipments from many of the large ODMs, including **Compal** and **Quanta**. The surprising magnitude of the m-o-m decline follows an above-seasonal December that, upon further review, now may suggest that stronger December 2014 PC-related sales figures were due at least in part to OEMs building inventories at year end over concerns about potential changes in Intel's subsidy policy during 2015.

Quanta has lowered shipment guidance from down 15% q-o-q in January to down 15–20% as of this month, citing tepid consumer demand for notebooks YTD. Compal, however, is still guiding to a 10–15% q-o-q decline in Q1 shipments, while Wistron's Q1 shipment guidance of down 15% q-o-q is in line with the average of the ODM group.

The chart below shows the last six months of select Taiwanese notebook PC ODMs' estimated unit shipments and the m-o-m change in shipments.

Table 2: Taiwan ODM Estimated PC Unit Shipments, August 2014–January 2015

ODM, K Unit Shipments	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015
Quanta	4700	4800	3900	4700	4200	3200
Compal	3900	4400	3550	4100	3950	3100
Inventec	1400	1800	1500	1600	1375	1100
Wistron	1800	2300	1900	1900	2000	1700
Pegatron	700	750	870	850	818	900
Total	12,500	14,050	11,720	13,150	12,343	10,000
ODM, M/M Change, %	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015
Quanta	12%	2%	-19%	21%	-11%	-24%
Compal	8%	13%	-19%	15%	-4%	-22%
Inventec	-7%	29%	-17%	7%	-14%	-20%
Wistron	6%	28%	-17%	0%	5%	-15%
Pegatron	8%	7%	16%	-2%	-4%	10%
Total	7%	12%	-17%	12%	-6%	-19%

VS Industry to Diversify into Solar Energy Business

VS Industry Bhd's (Malaysia) 54.1%-owned Hong Kong-listed subsidiary VS International Group, Ltd. has proposed to acquire a 20% stake in **Cadre Project Development Company, Ltd.** for RMB 44 million, paving the way for VS to venture into the solar energy segment. In a filing with the stock exchange, VS said Cadre is involved in the construction and development

of a ground-based solar power plant in Liangcheng County, Inner Mongolia, with an expected aggregate installed power-generating capacity of about 20 MW. It is expected to achieve on-grid connection in the second half of 2015.

VS explained that the acquisition will enable the group to diversify its income and asset base, given that it has been operating under an extremely challenging and competitive environment.

PartnerTech Signs Framework Agreement with Toyota

PartnerTech (Sweden) and **Toyota Material Handling** (Europe) have signed a framework agreement covering production of electronics and electromechanical modules for forklifts.

The agreement includes product development, prototyping, production, and aftermarket sales. The initial value is estimated at approximately SEK 30 million (or €3.14 million) in the first quarter of 2015, as reported by *Evertiq*.

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