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M&A Down 15% in 2006 But Still Within Stable Range

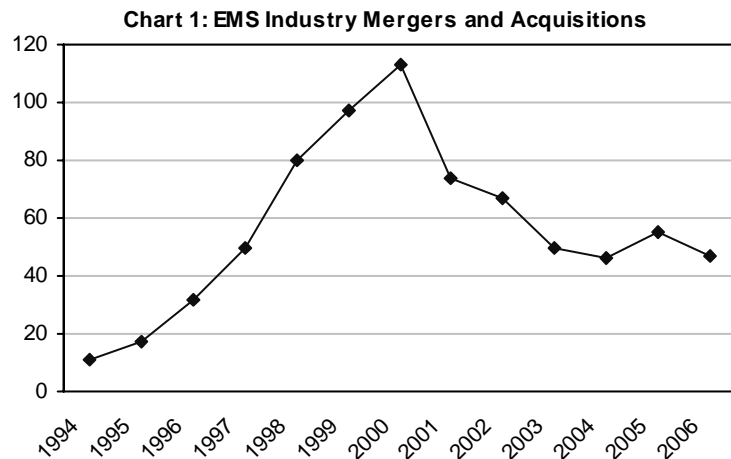
Acquisition-fueled consolidation may have peaked

Although the number of EMS industry mergers and acquisitions declined 15% in 2006 to 47 transactions, this total was still in line with what transpired over the previous three years. During that period, deals done per year ranged from 46 to 55, with the high end occurring in 2005 (Chart 1, this page). The 2006 total of 47 came in at one above the low end of the range set in 2004. *MMI's* annual Scorecard of M&A deals on p. 2-3 lists EMS industry transactions completed in 2006, as tracked by the newsletter.

M&A is one of two forces driving industry consolidation; the other is business failure in the form of liquidation. Unfortunately, it can be difficult to track every provider going out of business. But consolidation on the M&A side can be measured. From 2006 and previous years' data, it appears that M&A-induced consolidation may have peaked in 2005 (Chart 2, p. 4).

Deal-making will likely never again approach the peak achieved in 2000, but M&A activity over the last four years has created a pattern of stability. If this pattern persists in 2007, providers can expect that on average about four deals a month will close.

While the transaction count was



down in 2006, it could have been worse based on data for the first half of the year. A revised count of deals completed in the first half showed 21 transactions during the period, down 30% year over year. M&A closings in the second half cut this deficit in half for the full year.

To analyze transactions, *MMI* uses a system for classifying them that dates back to 1998. There are five categories to which a deal can be assigned. Not all of these categories are

mutually exclusive so it is possible that an acquisition could fall into two categories. Indeed, this was the case in eight transactions appearing on the 2006 Scorecard.

As in the previous two years, the most common type of deal made in 2006 was the so-called service or supply chain extension, marked "S" on the Scorecard. Providers made deals in this category either to build up non-manufacturing services in the front or

continued on p. 4

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M&A 2006

MMI Scorecard: EMS Industry Mergers and Acquisitions in 2006					
Deal Maker	Home Base	Type*	Target	Location	Some Details
Advantech AMT	Montreal, Canada	N	UTTCC assets	Cornwall, Ont., Canada	Bought assets of provider in receivership and renamed this operation Advantech AMS.
AWS Electronics	Newcastle-under-Lyme, UK	C, S	Jantec Electronic Services	Bedfordshire, UK	Acquisition reinforces AWS's position in product development and postmanufacturing services.
Axiom Electronics	Beaverton, OR	N	Ambitech International	Chatsworth, CA	A management buyout of Axiom from its parent company created an independent EMS provider.
Bartolini Progetti	Italy	N	Celestica operation	Vimercate, Italy	Logistics and after-market services provider bought the divested operation with about 850 people. Celestica has subcontracted for EMS and other services from this site.
Bulova Technologies	Lancaster, PA	OC	EMS Division of Dictaphone	Melbourne, FL	Dictaphone EMS employed about 340 people in a vertically integrated operation.
Celestica	Toronto, Canada	O	Powerwave operation	near Manila, Philippines	Expected to pay about \$19 M for the operation, which mainly produces power amplifiers for wireless networks. About 600 people were to join Celestica.
Cofidur	Nogent-sur-Marne, France	C	Flextronics operation	Laval, France	
Creation Technologies	Burnaby, BC, Canada	C	Asemtec	San Jose, CA	Creation's third US acquisition added 22,000 sq ft with 70 employees. Asemtec expected 2006 sales of about \$7 M.
EDC	Sweden	C	ELSI's EMS subsidiary	Kaunas, Lithuania	Acquired majority control of this EMS unit with a factory in Lithuania.
Elcoteq	Espoo, Finland	O	Andrew unit	Arad, Romania	Took over 1,500-sq m leased facility with about 250 employees. Could pay less than 15 M euros for unit that provides final assembly, tuning and testing of mainly filters.
Enics	Baden, Switzerland	O	ABB unit	Switzerland	Took over the assembly and test unit of ABB Switzerland's Protection and Station-Automation products. Expected to transfer 18 ABB employees to Enics' Swiss operations.
Fabrinet	Cayman Islands	O	JDSU operation	Ottawa, Canada	Final phase of JDSU's plan to move all optical communications assembly to Asia.
Flextronics	Singapore	S	World Wide Licenses	Hong Kong	Purchased digital camera developer for about \$17.98 M, which included \$16 M in goodwill. FY 2005 profit before tax was about £0.8 M.
		O	Verigy assets		Acquired certain assets and employees from this former Agilent subsidiary as part of a four-year outsourcing deal. Production to be shifted to Flextronics facilities in China.
		O	Nortel assets	Canada, France, Brazil, Northern Ireland	The two companies completed the final phase of their outsourcing deal worth over \$2 billion in annual revenue to Flextronics. Deal was announced in June 2004.
		O, S	LEGO factory	Kladno, Czech Republic	Took over factory as part of a three-site deal to outsource the greater part of the construction toy maker's production. Deal enhances Flextronics' capabilities in plastics.
		O	Kodak assets	Shanghai, China Chino and Yokohama, Japan	Expected to pay \$35 M for Kodak manufacturing assets and hire about 550 Kodak employees. Acquired Kodak camera design functions in Japan. Kodak camera production in Shanghai was to be moved to Flextronics in China.
		S	lwill	Taipei, Taiwan	lwill gives Flextronics a motherboard capability to add to its offering for the computing segment.
		O	Parata Systems assets	Alexandria, LA	In N. Carolina, Flextronics reportedly added equipment worth \$5 M for outsourced manufacturing of prescription system products acquired by Parata.
		S	International Display Works	Roseville, CA	Bought small-form-factor LCD company in a stock-for-stock transaction with an enterprise value of about \$243 M. IDW operated 466,000 sq ft of manufacturing facilities in China. Nine-month sales as of July 31 were \$83.1 M.
		S	Ceres Integrated Technologies	San Jose, CA	Acquired about a \$60-M-a-year machining company mostly focused in semiconductor equipment.
Hon Hai Precision Industry (Foxconn)	Tu-Cheng, Taiwan	S	Premier Image Technology	Taipei, Taiwan	Acquired digital camera manufacturer for Hon Hai stock. When announced, deal was worth about NT\$28.2 B (\$862 M). Premier said to employ about 10,000 in S. China "camera town."
		S	Altus Technology	Chu-Nan, Taiwan	Acquired 64.59% stake in Altus, a supplier of camera modules for mobile applications. Stock purchase amounted to NT\$1.197 B (\$36.4 M).

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

MMI Scorecard: EMS Industry Mergers and Acquisitions in 2006					
Deal Maker	Home Base	Type*	Target	Location	Some Details
Jabil Circuit	St. Petersburg, FL	C, S	Celetronix	Mumbai, Chennai & Pondicherry, India	After loaning \$25 M, Jabil was to pay about \$155 M and assume about \$30 M of debt. Was to add 5,750 people and 270,000 sq ft. Estimated sales in the range of \$240 M for the acquired business, which included power supplies.
Kimball Electronics Group	Jasper, IN	O	Bayer HealthCare operation	Bridgend, Wales, UK	Took over medical manufacturing operation for Bayer HealthCare's Diagnostics Division. Hired the 164 Bayer employees working at the leased site.
		O	Magna Donnelly PCBA operation	Longford, Ireland	Under a long-term outsourcing agreement, Kimball will produce PCB assemblies to support Magna Donnelly's automotive mirror business.
Lövånger Elektronik	Lövånger, Sweden	C	Elektronikprodukter i Järlåsa	Sweden	
Lyrtech	Quebec City, Canada	N	Innovator Electronic Assembly	Montreal, Canada	Price was Can\$5.4 M including an earn-out. With 50,000 sq ft, Innovator generated FY2006 sales of Can\$14 M and EBITDA of Can\$1.5 M. Lyrtech supplies DSP solutions.
Moventis Capital	White Rock, BC, Canada	N	PTL Electronics	Delta, BC, Canada	Purchase price for PTL was Can\$7 M. For FY2006, PTL generated EBITDA of Can\$1.3 M on sales of Can\$10.2 M.
NOTE	Norrtälje, Sweden	S	Nordic-PrintDesign	Oslo, Norway	Acquired PCB design firm.
PartnerTech	Malmö, Sweden	C, S	Th Kristiansen	Moss, Norway	Acquired Norwegian CM specializing in sheet metal and systems. Was to pay up to NOK 55M (\$8.1 M). Annual sales of CM exceeded NOK 170 M (\$25.0 M). Surplus values/goodwill estimated at NOK 15 M (\$2.2 M). 140 employees.
		C	Hansatech Group	Cambridge, King's Lynn and Poole, UK	Price was about £5.8 M (\$11 M), or £4.7 M on a debt-free basis, including earn-out. Hansatech had about £20 M (\$38 M) in sales, about 320 people and 101,000 sq ft. Surplus values/goodwill estimated at about SEK 20 M (\$2.8 M).
Proxy Electronics	Kalmar, Sweden	N, O	Ericsson power modules plant	Kalmar, Sweden	
Sanmina-SCI	San Jose, CA	O	Adapteq facility	Singapore	Entered into a three-year contract to manufacture Adaptec products. Initial price of Singapore operation was about \$28 M at net book value.
		O, S	Adapteq assets		Adapteq sold its block-based systems business to Sanmina-SCI's ODM subsidiary, Newisys.
Sibex	Safety Harbor, FL	C	Futronix assets	Homosassa, FL	Gained a 30,000-sq ft facility, which employed 38 people. Futronix reportedly filed for bankruptcy protection in 2005.
Simclar Group	Dunfermline, Scotland	S	Litton Interconnect Technologies business	Glenrothes, Scotland; Springfield, MO; Suzhou, China	Agreed to pay \$28 M for this backplane business.
Solelectron	Milpitas, CA	S	ConFocus	Norcross, GA	Paid about \$5M for ConFocus, which has developed software for various types of set-top boxes. Future payments totaling \$1.2 M may be required.
Sparton	Jackson, MI	S	Astro Instrumentation	Strongsville, OH	Acquired medical products manufacturer with 2005 sales of about \$33 M. Price was \$26.15 M plus an earn-out.
Speed Production	Borås, Sweden	N	NOTE facility	Borås, Sweden	Based on an online report.
TES Electronic Solutions	Langon-sur-Vilaine, France	S	eDFX Services	Silicon Valley, CA	Acquisition creates first TES design center in the US.
		S	DAnalyse	Germany	Acquired firm said to add capabilities in process and device characterization.
TT electronics	Weybridge, UK	C	AV Industries plant	Penang, Malaysia	Acquisition gives TES its first factory in Asia.
		C	Apsco	Perry, OH	Price was £14.9 M (\$29.1 M) for gross assets of £13.5 M (\$26.4 M) and net assets of £9.6 M (\$18.7 M) as of Dec. 2005. Deal includes an earn-out. Apsco earned pretax profit of £1.9 M (\$3.7 M) on sales of £28.5 M (\$55.6 M) for 2005.
TXP	Richardson, TX	O, S	Siemens assets		Acquired the assets and IP for Siemens' Optical Network Terminal technology. Hired 35 Siemens employees.
Venture	Singapore	C, S	GES International	Singapore	Acquired an ODM business in point-of-sale and industrial products along with a smaller EMS business. Maximum value of the deal was about S\$980 M (US\$620 M). Nine-month (March) profit of S\$39.8M on sales of S\$497.6 M.
Veritek Manufacturing Services	Escondido, CA	C	DDi's assembly business		Paid about \$12 M for a divested assembly business with first-half sales of \$15.6 M.

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M&A 2006

EMS Industry Alliances and Equity Partnerships in 2006				
EMS Provider	Home Base	Partner	Location	Some Details
Adeptron Technologies	Markham, Ont., Canada	CIVIC Software Engineering	Jinan, China	Alliance will offer EMS in China and Canada and software and hardware development by China-based engineers. CIVIC will also help to grow Adeptron's supply base in Asia.
Arrow OEM Computing Solutions	Englewood, CO	DecisionOne	Devon, PA	Partnership will offer an end-to-end solution for kiosk customers. Arrow OCS will handle design through order fulfillment, while DecisionOne will provide postmanufacturing services.
CEI Contract Manufacturing	Singapore	Kinergy	Singapore	Agreed to acquire a 10% stake in Kinergy, which will contribute its strength in precision mechanical engineering and assemblies, while CEI will bring PCBA depth to the alliance.
Celestica	Toronto, Canada	HCL Technologies	Noida, India	Joint venture formed to provide complete concept-to-manufacturing solutions. HCL is setting up a design center in Chennai, India, which may include after-sales services.
		Freescale Semiconductor & Wavesat		Celestica joined Freescale and Wavesat to offer a production-ready WiMAX reference design.
Enics	Baden, Switzerland	Prevas	Västerås, Sweden	Partners offer a joint solution for product development (Prevas) and manufacturing services (Enics) in the Nordic region.
Flextronics	Singapore	HP	Palo Alto, CA	HP's image processing technology will correct and enhance digital images in Flextronics' camera modules.
Integrated Micro-electronics Inc.	Laguna, Philippines	BuS Elektronik	Riesa, Germany	BuS Elektronik's facility will serve as IMI's fast prototyping and NPI center in Europe. The two companies will jointly seek EMS projects from European OEMs for eventual transfer to Asia.
		PSi Technologies	Taguig City, Philippines	Each company will sell its customers on the other's services. PSi offers power semiconductor assembly and test services.
		Pulax	Tokyo, Japan	Pulax will provide prototyping and other start-up services for new IMI programs with Japanese customers. Pulax can also utilize IMI's facilities for low-cost and large-scale production.
Jabil Circuit	St. Petersburg, FL	Carl Zeiss	Oberkochen, Germany	Zeiss will bring digital light processing to this joint venture, which will enable Jabil to develop optical modules. These modules can be vertically integrated into consumer products.
SIIX	Osaka, Japan	TOYO iTEC	Kadoma City, Japan	TOYO iTEC can provide production in Japan for SIIX customers. Alliance includes capital participation.
Solectron	Milpitas, CA	ATEK Medical Manufacturing	Grand Rapids, MI	Medical alliance will offer capabilities in both electronics and disposable devices.
Surface Mount Technology (Holdings) Limited	Hong Kong	FAW Qiming	China	Companies partnered to build an automotive electronics R&D and manufacturing base in the Jilin Province of China. SMT aims to use the alliance to explore China's automotive industry.
TES Electronic Solutions	Langon-sur-Vilaine, France	Wisair	Campbell, CA	TES will offer system and module design services and customer support for ultra wideband solutions based on Wisair's UWB chipset.
Venture	Singapore	DMX Technologies Group	Singapore	Venture paid \$50.9 million for a 20.66% stake in DMX, a system architect providing digital multimedia, network infrastructure and advanced mobile solutions.

back end or to expand supply chain offerings vertically. In 2006, 19 transactions of this kind took place, up slightly from 18 the year before (Chart 3, p. 5). Providers continue to make this type of deal because they can acquire capabilities much faster than trying to develop them in house. Competition can push providers to take the expedient route.

Another type of deal arises when an OEM sells assets of an operation to an EMS provider. In such cases, labeled "O" on the Scorecard, the provider buys the assets as part of an outsourcing agreement with the OEM customer. Assets may consist of inventory

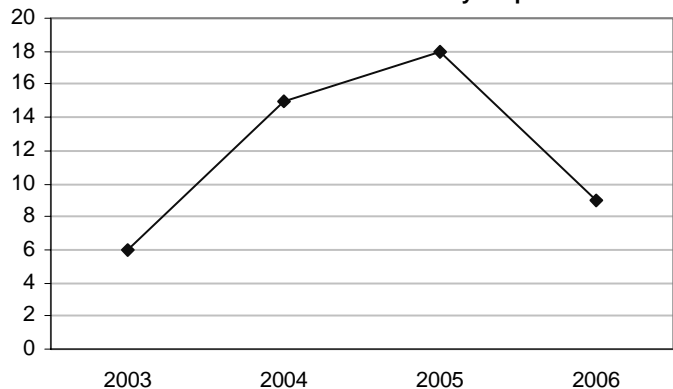
and equipment or an entire plant operation. Among the transactions tracked by *MMI*, providers bought OEM assets in 15 instances, a jump of 50% from 10 such deals reported in 2005.

This increase serves as testimony to the staying power of outsourcing, which will continue to require that in certain cases providers buy OEM assets when existing operations are outsourced. Indeed,

the number of OEM asset purchases has been rising since 2004 (Chart 4, p. 5).

OEM facilities in high-cost regions

Chart 2: Net Loss of EMS Providers by Acquisitions



generally do not appeal to providers. As the EMS industry knows, restructuring in recent years led providers to close operations acquired in high-cost areas from OEMs. Still, five 2006 deals involved taking over OEM manufacturing operations that stayed in a high-cost location. So some providers are willing to make exceptions to the “high cost is bad” rule. In addition, three OEM operations in low-cost regions were acquired.

In a third kind of deal, an EMS provider acquires assets of another provider. Designated “C” on the Scorecard, such deals typically add revenue and customers and often expand the acquirer’s geographic reach. In 2006, providers made 13 purchases of competitor assets compared with 16 such deals the year before (Chart 3). That’s a decrease of 19%. Although 2006 saw a downtick in these deals, the 2006 figure was consistent with the totals of the previous four years, which ranged from 13 to 16 (Chart 4).

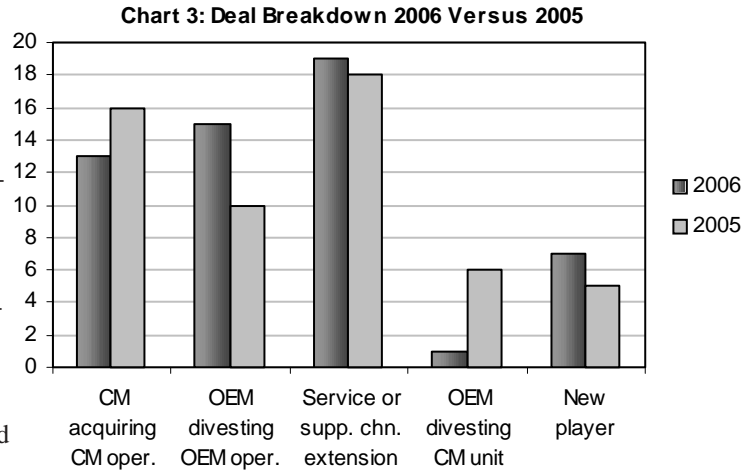
For the most part, the largest providers avoid this activity. Only one top-six provider (**Jabil**) acquired assets of another provider last year. The benefits of these EMS asset deals appeal most to small and medium-sized providers seeking growth and geographic expansion through acquisitions.

Purchases of EMS assets also occur when an OEM sells off an EMS operation to an EMS company. With the

exception of 2005, this has become an uncommon occurrence. While some OEMs dabbled in contract manufacturing during the early days of outsourcing, widespread adoption of outsourcing has largely put an end to OEM-owned

EMS units. *MMI* counted just one transaction of this type, marked “OC” on the Scorecard, for 2006. In contrast, there were six divestitures of OEM-owned EMS units in 2005, but *MMI* considers this an anomaly. Only one such deal was made in the four years before that.

The final category, marked “N,” applies to cases where a new player emerges from the sale of a manufacturing business. This type of transaction can arise in a number of ways. In a restructuring move, a large provider might sell



might acquire an EMS provider to expand its offerings. Or a financial buyer might add an EMS provider to its holdings. Or an OEM might swim against the outsourcing tide and decide it wants to own an EMS provider. All of these scenarios appear in the seven

Chart 4: Comparing Two Types of Deals Over Time

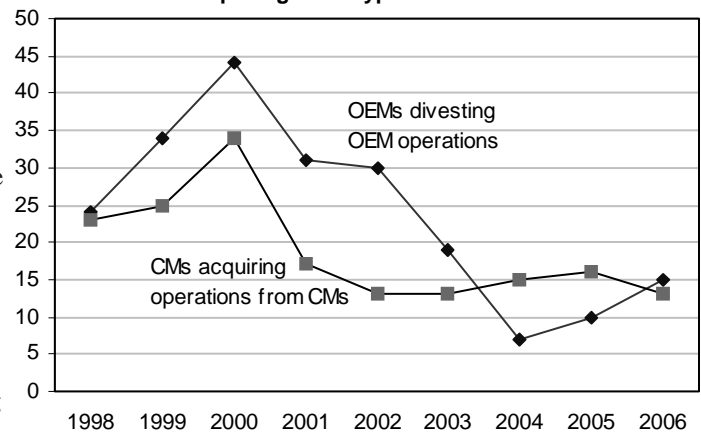
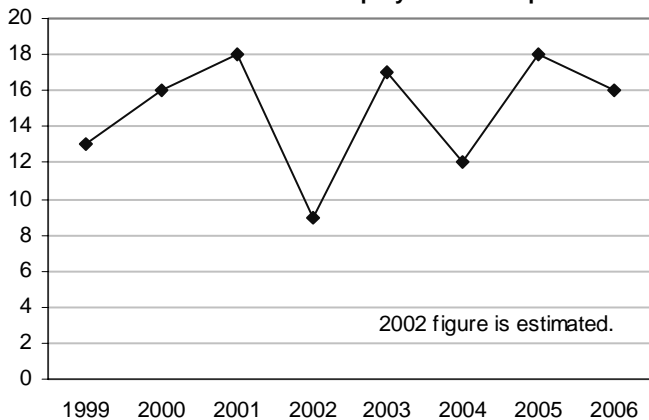


Chart 5: Alliances and Equity Partnerships



off a plant to a buyer that turns it into a stand-alone EMS provider. Or a management buy-out might create an independent EMS company. Or an OEM might divest itself of a manufacturing operation that goes into the EMS business. Or a company in a related business

new-player deals done in 2006. In comparison, five such deals closed the year before. This increase in new players is somewhat remarkable in that EMS is a maturing industry.

Scorecard data can furnish a measure of how much consolidation resulted from 2006 transactions. One starts by combining deals in the C and OC categories to obtain a total of 14 acquisitions of EMS operations. But 14 providers were not lost to consolidation. That’s because in two cases an EMS provider sold off one plant but retained other facilities. Adjusting for

these cases, one finds that 12 independent operations were absorbed by acquisition. On the other hand, three new EMS providers emerged from 2006 transactions. (In four other N-type deals an existing operation changed hands.) Deducting three new players from 12 operations absorbed yields a net loss of nine providers, down sharply from a net loss of 18 in 2005 (Chart 2, p. 4). The high water mark for such consolidation may be 18, but time will tell.

By far the most active deal maker in 2006 was **Flextronics**, with nine reported transactions under its belt (Scorecard, p. 2). Flextronics has taken or shared top honors for the last three years.

But acquisitions are not the only way to go. A provider can gain access to another company's capabilities,

technology or footprint through an alliance or equity partnership. In the latter approach, a provider buys a minority stake in its partner in order to cement the relationship. These arrangements also offer a provider the potential to sell to customers that it could not reach on its own.

MMI counted 16 alliances and equity partnerships forged in 2006 (see table, p. 4). That's close to the 2005 total of 18, a high that has been achieved twice since 1999 (Chart 5, p. 5). These combinations remain in the mix because they offer a no- or low-cost means to achieve a provider's ends. Of course, they are not a perfect solution. The control that one company gains when acquiring another is absent here. Nor are these arrangements necessarily permanent as a partner's needs can change over time.

opment (Plano, TX) have joined Solectron in the Solectron Medical Alliance Program (S-MAP). According to Solectron, the alliance creates a comprehensive ecosystem for medical device outsourcing.

The alliance's three product design firms – Circle Medical, Proven Process and SRIpd – put S-MAP within one time zone of every US-based OEM while augmenting Solectron's global medical capabilities.

This effort represents an expansion of an earlier alliance. Last year, Solectron formed a medical alliance with ATEK Medical, which offers specialized disposable device capabilities for medical OEMs (Sept. 2006, p. 7).

Alcatel-Lucent To Sell Belgian Unit

Alcatel-Lucent has agreed to sell its manufacturing activities at Geel, Belgium, including an EMS business, to a Dutch EMS provider, **tbp electronics** (Dirksland, The Netherlands).

The Geel unit's strategy has been to transform itself from a volume production plant focused on Alcatel-Lucent internal needs to an EMS provider for external customers. According to a statement from Alcatel-Lucent, this strategy has proven successful in the last few years. Selling the unit will enable the Geel plant to further grow its external business focused on advanced EMS, said the company.

Under the terms of a binding memorandum of understanding, the Dutch provider will acquire all customer contracts, the 319 employees at the Geel plant, and manufacturing assets. In addition, Alcatel-Lucent will provide the plant with a load commitment for a minimum of three years. The company will also consider **tbp** for NPI activities and/or pilot production and industrialization. Closing of the deal is expected in the second quarter.

Manufacturing operations at Geel will be incorporated in a new company

News

Solectron's CEO Resigns

Earlier this month, Michael Cannon resigned from **Solectron** (Milpitas, CA), where he had served as president and CEO for the past four years. He left Solectron to join **Dell** in the newly created position of president, Global Operations. Solectron's CFO Paul Tufano stepped in as interim CEO while a global search is conducted.

"I've known Mike for 15 years. His decision to leave Solectron was not based on a lack of confidence in the company or its prospects. Mike was presented with a unique opportunity, and I'm sure that his personal relationship with Michael Dell influenced his decision," said Tufano during a conference call following this announcement.

Tufano also worked under and then replaced Cannon at **Maxtor**, now part of **Seagate**. In 2003, Tufano took over as president and CEO of Maxtor after Cannon resigned from the position to

join Solectron. Tufano followed him to Solectron in January 2006.

Solectron hired Cannon in January 2003 to turn the company around. Some would say that he did not complete his mission. While Solectron has enjoyed year-over-year growth above 20% in its last two quarters, non-GAAP operating margin stood at 1.5% for the November 2006 quarter. In addition, free cash flow has been negative for five quarters, reported **Bear Stearns** analyst Kevin Kessel.

Cannon's resignation is the second departure of a CEO from a top-six EMS provider in recent months. In November, Craig Muhlhauser replaced Stephen Delaney as **Celestica's** CEO. Celestica is another provider trying to accomplish a turnaround.

Anchors medical alliance

Meanwhile, Solectron has forged a medical alliance with four other companies. **ATEK Medical Manufacturing** (Minneapolis, MN), **Circle Medical** (Los Gatos, CA), **Proven Process Medical Devices** (East Walpole, MA), and **SRI Product Devel-**

called **tbp Electronics Belgium**. Management of the Geel plant will take an equity stake in the new company. Formation of the new company together with tbp electronics will create a major EMS provider in the Benelux region, according to the Alcatel-Lucent statement.

Founded in 1976 by Ton Plooy, tbp electronics serves the telecom, medical, semiconductor and industrial sectors. Major customers include **Honeywell, ASML and Philips Medical Systems**. The Dutch provider employs a staff of more than 100 people described as highly qualified.

Flextronics Buys Software Firm

Flextronics (Singapore) has acquired **WebRaiser Technologies** (Sacramento, CA), a privately held firm known for developing kiosk software. Neither company announced the deal, but in answer to an *MMI* inquiry, Flextronics did confirm that the acquisition took place.

According to *The Sacramento Bee*, which posted a report of this deal, WebRaiser has about 15 employees. The company has been in the kiosk and self-service sector since 1997.

Obviously, the addition of a kiosk

software firm would aid any efforts on the part of Flextronics to win end-to-end kiosk business. Kiosks make up one of the emerging niches in the industrial segment, and Flextronics is not the only provider eyeing this niche. Solectron, for one, has pursued and won kiosk business.

Nortech to Acquire Suntron Operation

Suntron (Phoenix, AZ) has agreed to sell its Midwest operation in Garner, IA, to another EMS provider, **Nortech Systems** (Wayzata, MN).

Nortech will purchase the assets, intellectual property and customers associated with this operation, which employs about 100 people. The Iowa management team will remain in place. Terms of the purchase were not disclosed. The transaction is subject to customary closing conditions.

“This is the final phase of Suntron’s plan to ‘right-size’ our US manufacturing footprint and position our company to grow in other strategic geographies in the world,” stated Paul Singh, Suntron’s president and CEO. “As a result, we have significantly reduced our fixed costs and redeployed our resources to better serve the customers in our target industry sectors.”

But this is not a case of selling an underperforming operation. According to Singh, the Garner operation consistently delivered “outstanding results for Suntron over the past several years.”

The acquisition will strengthen Nortech’s capabilities in PCB and box build assembly while opening up new market segments, including agriculture and oil and gas. Nortech anticipates that the new operation will be accretive to its fiscal 2007 results.

“Along with gaining new customers and new market opportunities, the addition of this operation will provide expanded offerings for both our new and existing customers. Furthermore, it will be a growth driver for us as it ideally complements our existing EMS strategy,” said Mike Degan, Nortech’s president and CEO.

In the Garner unit’s offerings, there is an emphasis on ruggedized capabilities for harsh environments and demanding applications.

Deals done... **Kimball Electronics Group** (Jasper, IN), a division of publicly held **Kimball International**, has completed its acquisition of **Reptron Electronics** (Tampa, FL). Kimball’s offer for Reptron stock increased to \$0.75 per share from the originally

Q4 and 2006 GAAP Results for Eight Large EMS Providers, US Traded (M\$ or %)																	
Company (in order of 2006 sales)	Q4 '06 sales	Q3 '06 sales	Qtr.- qtr. chg.	Q4 '05 sales	Yr.-yr. chg.	Q4 '06 gross marg.	Q4 '05 gross marg.	Q4 '06 oper. marg.	Q4 '05 oper. marg.	Q4 '06 net inc.	Q3 '06 net inc.	Q4 '05 net inc.	2006 sales	2005 sales	Yr.-yr. chg.	2006 net inc.	2005 net inc.
Flextronics	5,415.5	4,702.3	15.2	4,126.0	31.3	5.3	4.2	2.7	1.3	118.6	184.9	42.0	17,707.8	15,297.1	15.8	430.9	172.5
Solectron	2,999.1	2,902.1	3.3	2,456.4	22.1	5.0	5.1	0.2	0.7	6.0	36.8	24.0	11,103.4	10,206.9	8.8	115.2	(30.8)
Jabil	3,224.0	2,955.2	9.1	2,404.4	34.1	not avail.	not applic.	not avail.	not avail.	not avail.	not avail.	not avail.	11,086.8	8,095.4	37.0	not avail.	not avail.
Sanmina-SCI	2,778.8	2,717.3	2.3	2,861.8	-2.9	6.1	5.9	2.1	1.1	28.2	(28.1)	17.4	10,872.4	11,343.8	-4.2	(130.8)	(1,014.6)
Celestica	2,261.8	2,392.4	-5.5	2,075.3	9.0	3.9	5.7	(1.9)	(0.9)	(60.8)	(42.1)	(28.2)	8,811.7	8,471.0	4.0	(150.6)	(46.8)
Benchmark	737.3	769.5	-4.2	625.4	17.9	6.7	7.2	4.3	4.7	28.3	29.3	24.7	2,907.3	2,257.2	28.8	111.7	80.6
Plexus	380.8	396.9	-4.1	328.3	16.0	10.4	9.5	4.9	4.3	15.1	42.6	13.8	1,513.0	1,269.7	19.2	101.3	(1.7)
Nam Tai	229.6	218.5	5.1	247.2	-7.1	9.6	10.2	(1.1)	5.9	(2.3)	12.1	12.7	870.2	797.2	9.2	40.8	51.3
Total/avg.	18,026.9	17,054.2	5.7	15,124.8	19.2	4.5	4.6	1.2	0.9	133.1	235.5	106.4	64,872.6	57,738.3	12.4	518.5	(789.5)
Q4 and 2006 GAAP Results for Three Smaller EMS Providers, US Traded																	
LaBarge	60.8	49.9	21.8	48.1	26.4	20.6	21.8	9.4	9.6	3.2	2.4	2.7	213.0	177.6	19.9	10.6	10.5
Key Tronic	49.8	55.5	-10.3	45.4	9.7	8.4	9.0	1.4	2.9	0.3	1.4	1.0	203.4	192.6	5.6	9.7	5.4
Sparton	53.1	48.3	9.9	37.7	40.8	6.6	10.1	(1.5)	0.0	(1.4)	(2.5)	0.2	197.2	162.5	21.4	(2.7)	4.1
Total/avg.	163.7	153.7	6.5	131.2	24.8	12.3	14.0	3.4	4.5	2.1	1.3	3.9	613.6	532.7	15.2	17.6	20.0

News

agreed-upon price of \$0.68 (Dec. 2006, p. 3-4) so the value of Repron stock rose to about \$3.8 million. This deal also included the completion of a cash tender offer for Repron notes, to be funded by Kimball. Kimball paid \$25.3 million for the tendered notes. Adding in the assumption of short-term debt, the transaction value was some \$49.5 million, up from an original estimate of about \$46 million. With the completion of this deal, sales to customers in the medical sector represent the largest percentage of Kimball Electronics' business....Last month, **IPTE** (Genk, Belgium), an EMS provider and a supplier of PCB and final assembly equipment, closed on its acquisition of **Barco's** PCB assembly activity, which supplies both internal and external customers (Aug. 2006, p. 5). In 2006, the PCBA activity was to generate sales of about 45 million euros to other Barco divisions and 15 million euros to outside (EMS) customers. As part of the deal, Barco (Kortrijk, Belgium), a developer of visualization products, has agreed to regard IPTE as its main PCB assembler over a period of at least five years. Barco has also guaranteed IPTE annual sales of at least 40 million euros during the first three years of the agreement and over 25 million euros during the last two years.

New business... According to various reports, **Sony Ericsson** has engaged **Flextronics** and **Foxconn** to manufacture Sony Ericsson mobile phones in India. Both companies have undertaken industrial park projects in the Chennai area (Jan., p. 3; Nov. 2006, p. 8)....**Sierra Wireless** (Richmond, BC, Canada), a provider of wireless modem solutions, has expanded its relationship with Flextronics, its manufacturing partner, to add a configuration and distribution center for Sierra Wireless products in Zalaegerszeg, Hungary....**Jabil** (St. Petersburg, FL) has been working on the design of a refrigerator docking station for **Whirlpool**, according to the *St. Petersburg Times*....**Electronic Concepts & Engineering** (Holland, OH) has secured a contract for the initial low-rate production of a distributed input/output communication node for a remote minehunting system supplied by **Lockheed Martin**....**BAE Systems** (Nashua, NH) has given **LaBarge** (St. Louis, MO) \$1.9 million in follow-on orders to continue manufacturing ruggedized circuit card assemblies used in military applications (May 2006, p. 7).

More restructuring in Europe... The *Belfast Telegraph* reported that **Sanmina-SCI** (San Jose, CA) will close a

plant in Lisburn, Northern Ireland, causing the loss of 300 jobs....**Elcoteq** (Espoo, Finland) has announced a restructuring effort that will result in one-time costs of roughly 20 million euros in 2007. The company estimates that the possibility of personnel cuts could apply to at most about 500 people in Finland in all employee categories. One alternative being discussed with employee representatives is the closure of the company's Lohja, Finland, plant.

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