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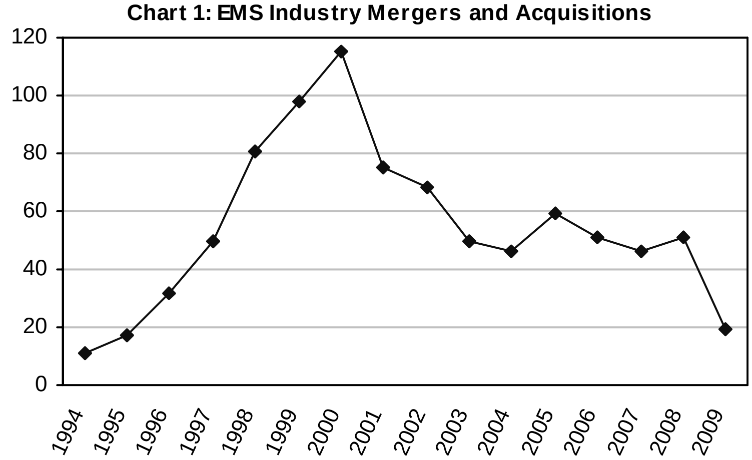
M&A Down Drastically in 2009

The number of EMS industry mergers and acquisitions in 2009 fell to a level not seen in the previous 13 years. *MMI's* annual Scorecard, or summary, of EMS industry M&A shows 19 transactions closed in 2009, down 63% from a revised total of 51 completed in 2008. M&A activity in 2009 departed greatly from what occurred in recent years. Last year's deal total was far below the levels of the prior six years, when the number of M&A transactions ranged from 46 to 59 (Chart 1).

Chart 1: EMS Industry Mergers and Acquisitions



A confluence of several factors depressed deal making in 2009. Last year, strengthening the balance sheet was a priority for many providers, for whom it was more important to conserve cash than to spend it on such things as acquisitions. Market uncertainty also played a role as providers were unable to predict when their own businesses would return to growth, let alone project how an acquisition would do. When market visibility is poor, companies tend to hold back on new ventures until the dust settles. In addition, credit markets did not fully recover in 2009, a fact that could have dissuaded some potential buyers.

MMI's annual Scorecard on page 2 lists each of the 19 M&A deals done in 2009 and classifies them in one of four categories. The number of transactions declined in all categories from the prior year, with the greatest drop occurring where one EMS provider acquired an operation from a competitor (marked C on the Scorecard). Only six deals of this type closed in 2009, compared with 24 in 2008 (Chart 2, p. 3). That's a drop of 75%.

The steep decline offers a sharp contrast with the previous two years when acquisitions of competitor operations were increasing (Chart 3, p. 3). Such deals are often made by mid-size and smaller providers seeking complementary customers, more revenue and geographic expansion.

Five of these acquisitions of competitor operations resulted in consolidation, defined as the loss of an independent EMS provider. By comparison, there were 21 consolidation deals in 2008. (These transactions, designated C* on the Scorecard, are treated as a subcategory here.) Before last year, consolidation from acquisitions took place at a fairly steady rate.

Some articles in this issue

MMI Scorecard: EMS Industry Mergers and Acquisitions in 2009

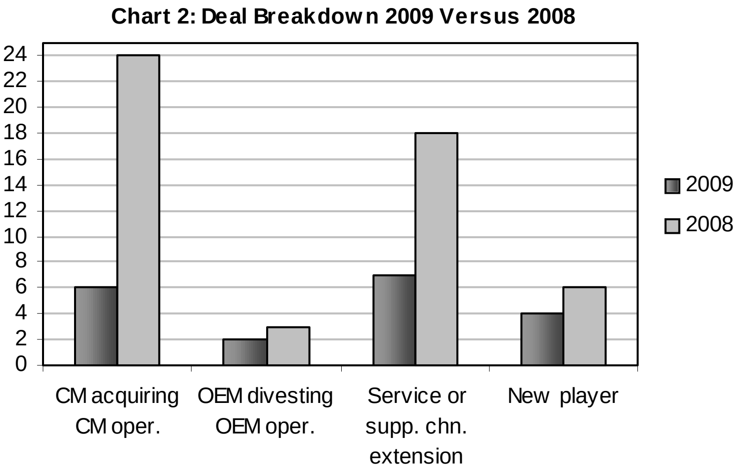
Deal Maker	Home Base	Type	Target	Location	Some Details
Benchmark Electronics	Angleton, TX	S	Precision machining operation	Tempe, AZ	Facility, which is listed at 48,000 sq ft, also provides metal joining and electromechanical contract manufacturing.
ElectronicNetwork site's general managers	Limburg, Germany	N	ElectronicNetwork site	Limburg, Germany	ElectronicNetwork group divested its Limburg, Germany, site, which was acquired by the site's two general managers.
Enics	Baden, Switzerland	S	SWECO Industry's Industrial Electronics Service Unit	Vantaa, Finland	Acquired a unit that focuses on development of hardware, software, mechanics and IC applications for industrial customers. Unit had a professional staff of 38.
éolane	Le Fresne sur Loire, France	S	Martec	France	The deal was made to bolster éolane's ODM position. With annual sales of 22 M euros, Martec focused on physical and electronic security and critical systems.
Flextronics	Singapore	S	Slomedical	Vráble, Slovakia	The acquisition will expand Flextronics' medical disposables offering and customer base.
		S	AFL Stribel Production	Frickenhausen, Germany Mór, Hungary	Alcoa sold Stribel, a manufacturer of automotive power controls, to Flextronics.
HANZA	Stocksund, Sweden	C*	Elektromekan	Årjäng, Sweden	Acquired an EMS company that had been undergoing court-supervised reorganization.
Hon Hai Precision Industry	Tucheng City, Taiwan	O	Sony plant assets	Tijuana, Mexico	Sony outsourced production of its Tijuana site to Hon Hai, which acquired manufacturing assets and employees of the site. The plant mainly produces LCD TVs for the Americas.
		C*	System Integration Electronics (Hangzhou)	Hangzhou, China	Paid $11.3 M for a manufacturer of components, network communication equipment, routers and switches.
IEC Electronics	Newark, NY	C*	General Technology Corporation	Albuquerque, NM	IEC paid $14.2 M for GTC, a hi-rel EMS provider with sales of about $25 M. GTC was a subsidiary of Crane Co.
Jaltek Group	Luton, UK	S	IRIS Technology	Lancaster, UK	Acquired a company specializing in remote asset telemetry and monitoring solutions.
LSI Industries	Cincinnati, OH	N	AdL Technology and related companies	Columbus, OH	LSI, an LED products manufacturer, acquired EMS provider AdL to achieve vertical integration at LSI.
NBS	Santa Clara, CA	S	CompServ	Fremont, CA	EMS provider acquired materials and project managment capabilities along with a test services house.
NOTE	Danderyd, Sweden	C	IONOTE	Tangxia, China	Acquired the remaining 50% of a China joint venture with Ionics EMS.
Orbit One	Ronneby, Sweden	C*	Wega Electronics	Prabuty, Poland	Orbit bought 85% of Wega, with a Polish factory employing about 50 people.
OSI Electronics, a subsidiary of OSI Systems	Camarillo, CA	C*	certain assets of RAD Electronics	Sun Valley, CA	
PartnerTech unit's management	Poole, UK	N	PartnerTech Poole Limited	Poole, UK	PartnerTech divested its Poole, UK, unit to the unit's management.
Prime Century Group	British Virgin Islands	N	Jurong Hi-Tech (Tianjin)	Tianjin, China	Jurong Technologies sold its PCBA operation in Tianjin to an entity owned by a Jurong director. Creditors have since voted to dispose of or liquidate Jurong's holdings.
Sanmina-SCI	San Jose, CA	O	JDSU operation	Shenzhen, China	Acquired manufacturing assets, inventories and employees at JDSU's Shenzhen site, which employed about 2,000.

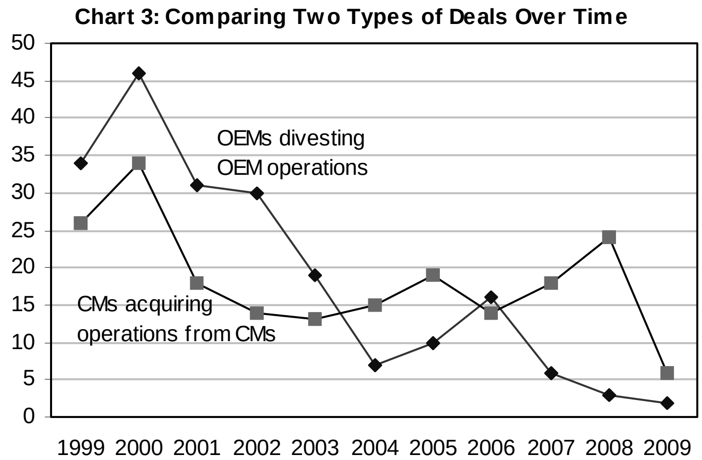
C = CM acquiring or merging with CM operation. O = OEM divesting OEM operation.
S = service or supply chain extension. N = new player. *Consolidation deal.

From 2003 to 2008, the number of consolidation deals ranged from 10 to 21 (Chart 4, p. 3). Although there were likely more opportunities in 2009 to acquire weakened competitors, *MMI* believes that depressed business levels and tight credit kept potential buyers on the sidelines.

The most popular kind of deal made in 2009 was the service or supply chain-chain extension (marked S on the Scorecard). Transactions of this type occur when a provider makes an acquisition to augment its service offering or expand its capabilities for vertical integration. In 2009, seven deals in this category took place, representing 37% of the transaction total. This percentage was roughly in line with the prior year's revised figure of 35%.

As has been said here before, it is far faster to add a capability by acquisition than by internal development. Capability extensions are also attractive in cases where the operation to be acquired is much smaller than the company making the deal. Such "tuck-in" acquisitions do not require a significant outlay and therefore can be





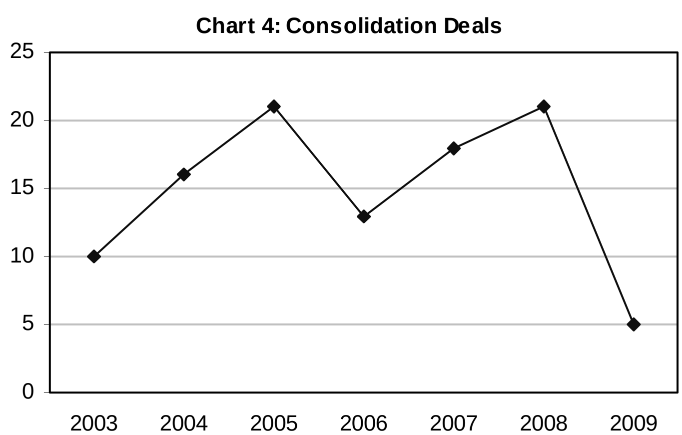
palatable even during a recessionary period. Still, capability extensions declined by 61% versus the 2008 count of 18.

Another type of M&A transaction occurs when a new EMS player emerges from the sale of a manufacturing business. The 2009 Scorecard contains four new-player deals (marked N), down from six in 2008. Despite the maturity of the EMS industry, there are reasons why new players would emerge, even during a bad year. When an EMS provider restructures, as was common during the recessionary period of 2009, operations are sometimes divested. Three new-player deals resulted from the divestiture of EMS sites, which then became independent EMS providers under new ownership, either plant management or another entity. In a separate case, an OEM, **LSI Industries**, decided to buck the outsourcing trend by acquiring an EMS provider to vertically integrate manufacturing. With this acquisition came an EMS customer base, which put LSI in the EMS business.

Any measure of consolidation must factor in these new-player deals, which offset to a lesser or greater extent the loss of independent providers by acquisition. Of the four new-player deals, three were EMS divestitures that resulted in the creation of three independent EMS providers, as previously stated. (The other deal did not produce a new provider.) Subtracting these three deals from the five consolidation deals reported earlier yields a net loss of just two providers through M&A. So one can reach the counterintuitive conclusion that although depressed business levels were widely expected to bring about increased consolidation through M&A in 2009, just the opposite occurred. Indeed, M&A-based consolidation last year was far below the comparable count of 19 providers lost in 2008.

The final category in this analysis applies to deals where an OEM divests assets to an EMS provider. While popular from the late 1990s to early years of the last decade, these transactions are now few and far between (Chart 3). Just two OEM divestitures (labeled O on the Scorecard) took place in 2009, compared with three the year before. OEM asset deals have fallen out of favor for two reasons. EMS providers are reluctant to take over OEM plants, especially in high-cost areas, and the number of divestiture opportunities has dwindled in such well-penetrated segments as communications infrastructure and computing and storage.

When Scorecard deals are sorted by



EMS Industry Alliances and Equity Partnerships in 2009

Company	Home Base	Partner	Location	Some Details
Alta Manufacturing	Fremont, CA	Alta Via Technologies	Santa Clara, CA	Alta Manufacturing, a provider specializing in NPI to pilot production, partnered with Alta Via, a PCB design service.
Composiflex	Erie, PA	Sunburst Electronics	Erie, PA	Partnership will offer integration of a composite enclosure (Composiflex) with an electronic assembly (Sunburst).
Distron	Attleboro Falls, MA	BNS Solutions	Walpole, MA	Distron can offer electronic design and PCB layout through BNS.
ElectronicNetwork	Limburg, Germany	Connect Systems International	Kampenhout, Belgium	ElectronicNetwork will be able to offer Eastern Europe production by utilizing Connect Systems' Romanian factory.
Express Manufacturing Inc.	Santa Ana, CA	Beyonics Technology	Singapore	The two companies are joining forces in providing high-volume Asian manufacturing services for products requiring design and development in North America.
Flextronics	Singapore	Asia Optical	Taichung, Taiwan	Companies formed a joint venture to develop and manufacture digital cameras in Asia.
		Freescale Semiconductor	Austin, TX	Alliance was formed to create a reference design for the enterprise WLAN access point market.
Hon Hai Precision Industry	Tucheng City, Taiwan	IBM and two others	NA	Under this partnership, Hon Hai will provide greenhouse gas certification in the Asia-Pacific region.
		Bionet	Taiwan	The two companies reportedly planned to form a joint venture in health care. Hon Hai took an 8.6% stake in Bionet, a cell-tissue banking and cell therapy company.
		Metro Group	Germany	Partners agreed to form a venture for setting up consumer electronics megastores in China. This retail channel would be part of Hon Hai's end-to-end services for customers.
Key Electronics	Jeffersonville, IN	Genesis Plastics and Engineering	Scottsburg, IN	EMS provider and plastics supplier have formed GenKey Group to offer single-source solutions.
Lorom Industrial	Taipei, Taiwan	Cable Connection	Fremont, CA	Joint venture will support Lorom's customer base in the U.S. by providing services including cable and PCB assembly.
Mobile Telecommunications Limited	Mumbai, India	Aimtron	Streamwood, IL	An Indian EMS provider, also engaged in other businesses, formed an EMS partnership with an American provider.
Sparton Medical Systems	Strongsville, OH Deleon Springs, FL	MPR Associates	Alexandria, VA	Sparton's medical subsidiary and MPR, an engineering firm, formed an alliance to fast-track medical projects.
Sunstone Circuits	Mulino, OR	Screaming Circuits	Canby, OR	Sunstone, a board shop, is offering prototype PCBs plus assembly, to be provided by Screaming Circuits.
Zollner Elektronik	Zandt, Germany	EIT	Sterling, VA	Partnership expands Zollner's resources in N. America while providing EIT access to Zollner's global network of manufacturing and engineering capabilities.
Zurvahn	Coconut Creek, FL	Celestica	Toronto, Canada	Alliance allows OEMs to do local NPI and low-volume, high-mix manufacturing at Zurvahn and then shift into high-volume production with Celestica's global network.

the region in which the acquisition took place, Europe wins the prize as hosting the largest number of transactions. Nine deals, or 47% of the total, involved the acquisition of a European operation. Acquisitions in North America and Asia Pacific accounted for 32% and 21% of the total respectively (Chart 5, p. 3). Interestingly, the smallest EMS market produced the greatest number of deals, another counterintuitive result.

Only two providers made more than one deal. **Hon Hai** and **Flextronics**, the two largest EMS providers, each completed two acquisitions.

But as *MMI* has pointed out in the past, acquisitions are not the only means for achieving a provider’s end. A company can gain access to another’s capabilities, technology or footprint through an alliance or equity partnership. By *MMI’s* definition, no money changes hands in an alliance, whereas an investment takes place to cement the relationship in an equity partnership. With this form of partnership, either one partner takes a minority stake in the other, or the two companies form a joint venture. Whatever the arrangement, it costs less than acquiring a partner and thus appealed to companies looking to minimize cash outlays in 2009. Still, there are drawbacks: these unions lack the permanence and control afforded by an acquisition.

The number of alliances and equity partnerships forged in 2009 approached the M&A total for the year. This was not the case in the previous three years when M&A deals far outnumbered the two kinds of partnerships (Chart 6, p. 5). In 2009, 17 of these partnerships arose, compared with 19 M&A transactions. Partnerships were down 23% from a high of 22 in 2008, but the decline was far less

Chart 6: M&A Deals Versus Partnerships in Recent Years

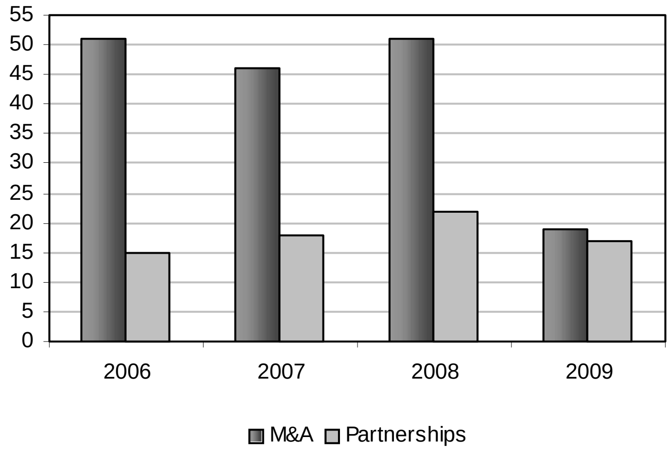
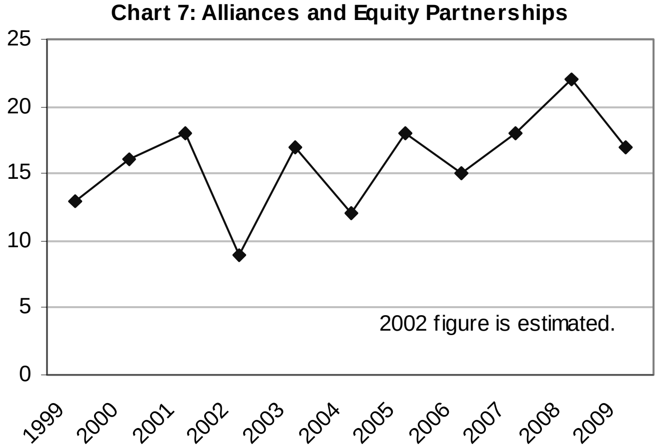


Chart 7: Alliances and Equity Partnerships



than last year's 63% drop in M&A. The economic conditions of 2009 did not affect partnership activity as much as they did M&A probably because providers did not need to spend big bucks in order to form a business tie.

Alliances and equity partnerships made in 2009 appear in the table on page 4. Hon Hai entered into three partnerships, the most tallied for a single provider in 2009. Flextronics was the only other company with more than one partnership to its credit.

Over the years, providers have formed these unions at fairly consistent levels. With the exceptions of 2002 and 2008, alliances and equity partnerships have numbered in the teens each year since 1999 (Chart 7).

Rules for scoring. MMI's annual Scorecard lists only M&A transactions within the EMS industry. Its does not include divestitures by EMS companies unless the divested assets were purchased by another EMS provider or a company entering the EMS business. In general, the Scorecard will exclude private equity investments, and none were on the 2009 list.

It is *MMI's* practice to update historical statistics when the newsletter discovers transactions that were not listed on Scorecards of previous years. After the 2008 Scorecard was published, *MMI* found one additional transaction closed that year which has been added to 2008 data. In addition, two 2007 deals were added to the historical database.

Market Data

Estimates Say Year Off To a Good Start

Throughout 2009, people were preoccupied with sequential improvements in the results of publicly traded providers. It was not worth dwelling on year-over-year comparisons, as the downturn had put companies' sales in a hole from which they would not readily emerge. But that was last year – 2010 is starting off with just the opposite focus.

If the six largest U.S.-traded providers hit the midpoint of their Q1 sales guidance, then the group's revenue will grow 9% year over year (Table 1). This projected increase would give the year a good start upon which subsequent quarters could build. That's one reason for shifting attention to year-over-year results. Here's another. For three out of the six providers, Q1 growth estimates exceed 20% year over year when Q1 sales are pegged to guidance midpoints.

Seasonal effects, of course, inevitably exert a sequential drag on Q1 sales, most notably in the computing and consumer sectors. Again based on guidance midpoints, the group's estimated Q1 revenue would total $13.11

Table 1: Q1 2010 Guidance and Estimates for the Six Largest U.S.-Traded Providers
(sales in B$ except as noted)

Company	Q1 '10 guidance	Q1 '10 midpoint	Q4 '09 sales	Qtr.-qtr. estim. chg.	Q1 '09 sales	Yr.-yr. estim. chg.	Q4 '09 EPS Non-GAAP* $	Q1 '10 EPS Guidance Non-GAAP* $
Flextronics	5.8 - 6.2	6.0	6.56	-8.5%	5.58	7.5%	0.17	0.13 - 0.16
Jabil	2.9 - 3.1	3.0	3.09	-2.9%	2.89	3.9%	0.32	0.20 - 0.32
Celestica	1.45 - 1.60	1.525	1.66	-8.4%	1.47	3.8%	0.21	0.15 - 0.21
Sanmina-SCI	1.45 - 1.55	1.5	1.48	1.5%	1.20	25.5%	0.23	0.22 - 0.27
Benchmark	580 - 620 M	600 M	0.60	0.0%	0.50	20.8%	0.29	0.28 - 0.32
Plexus	470 - 495 M	482.5 M	0.43	12.1%	0.39	24.1%	0.44	0.44 - 0.52
Total		**13.11**	**13.82**	**-5.1%**	**12.02**	**9.0%**		

Q1 sales estimates equal the midpoint of Q1 guidance.
*Non-GAAP EPS may not be comparable from company to company.

Table 2: Q4 and 2009 GAAP Results for the Six Largest U.S.-Traded EMS Providers (M$ or %)

Company (in order of 2009 sales)	Q4 '09 sales	Q3 '09 sales	Qtr.-qtr. chg.	Q4 '08 sales	Yr.-yr. chg.	Q4 '09 gross marg.	Q3 '09 gross marg.	Q4 '09 oper. marg.	Q3 '09 oper. marg.	Q4 '09 net inc.	Q3 '09 net inc.	Q4 '08 net inc.	2009 sales	2008 sales	Yr.-yr. chg.	2009 net inc.	2008 net inc.
Flextronics*	6,556.1	5,831.8	12.4	8,153.3	-19.6	5.7	5.1	2.2	1.7	92.9	19.7	(6,015.1)	23,753.1	33,141.4	-28.3	(290.6)	(5,939.1)
Jabil	3,088.3	2,799.5	10.3	3,382.5	-8.7	7.5	6.8	2.1	1.5	28.3	5.5	(275.9)	11,390.3	12,794.3	-11.0	(861.1)	(204.0)
Celestica**	1,664.4	1,556.2	7.0	1,935.4	-14.0	6.6	6.9	2.4	0.5	31.1	(0.6)	(822.2)	6,092.2	7,678.2	-20.7	55.0	(720.5)
Sanmina-SCI	1,478.3	1,354.0	9.2	1,419.3	4.2	7.4	7.0	2.7	0.6	59.4	(32.3)	(25.7)	5,236.6	6,843.6	-23.5	(51.5)	(527.5)
Benchmark	600.2	510.5	17.6	581.8	3.2	7.3	7.2	3.1	2.3	16.7	16.4	(203.7)	2,089.3	2,590.2	-19.3	53.9	(135.6)
Plexus	430.4	393.0	9.5	456.1	-5.6	10.3	9.6	4.7	3.8	17.8	15.1	17.0	1,590.9	1,839.5	-13.5	47.1	73.8
Total/avg.	**13,817.7**	**12,445.0**	**11.0**	**15,928.4**	**-13.3**	**6.6**	**6.2**	**2.4**	**1.5**	**246.2**	**23.8**	**(7,325.6)**	**50,152.4**	**64,887.2**	**-22.7**	**(1,047.2)**	**(7,452.9)**

*Intangible amortization was subtracted from Flextronics' reported operating income. **Celestica's operating income was calculated by MMI.

billion, down 5.1% from the prior quarter. Compare this decline to Q1 results for the two years before the downturn. In Q1 2008, the group's sales dropped by 11.4% sequentially, while revenue for Q1 2007 (which counted the former **Solectron** as a separate company) decreased by 9.6% from the prior quarter. So the seasonal variation in the group's Q1 2010 estimated sales is not nearly as great as what occurred in the first quarter of the two years preceding the downturn. That's another piece of good news.

Group results for Q4

For Q4 2009, the group of six U.S. traded providers combined for sales of $13.82 billion, up 11% sequentially. Sequential gains ranged from 7% to 17.6% (Table 2). The group's GAAP gross margin rose 40 basis points from the prior quarter to 6.6%, while the aggregate operating margin (GAAP) increased by 90 basis points to 2.4%. On a year-over-year basis, group revenue in Q1 declined by 13.3%.

All six companies made money in the quarter on a GAAP net income basis. Net income totaled $246.2 million compared with $23.8 million in the prior quarter.

For 2009, the six providers together generated $50.15 billion in sales, down 22.7% from 2008's total. Collectively, the six companies produced a net loss of $1.05 billion last year.

Some selected results by company

Benchmark Electronics. In line with the company's earlier announcement, its Q4 sales of $600.2 million and non-GAAP EPS of $0.29 exceeded guidance for the quarter (Jan., p. 6). For Q4, Benchmark achieved sequential sales growth of 17.6%, of which about 50% came from end market demand improvements and the remaining 50% resulted from new program ramps, the company estimates. Compared with the prior quarter, sales from all of Benchmark's segments were up except for medical. Revenue from the test and measurement segment increased 74% quarter on quarter. Non-GAAP operating margin was 3.5%, up 50 basis points sequentially.

Celestica. For Q4, ROIC reached 27.5%, an all-time company high. Inventory turns rose to 9.1 from 8.7 in Q3. On a sequential basis, revenue from all of Celestica's end markets increased except for the telecom market, which was flat. **RIM** represented 21% of sales in Q4. Non-GAAP gross margin of 7.1% remained unchanged from the previous quarter, despite higher levels of revenue from the consumer segment.

At the midpoint of Q1 guidance, sales would be down 8.4%, compared with a 15% to 20% seasonal dip experienced by Celestica in previous years for the March quarter (Table 1, p. 5).

Flextronics. For the company's fiscal Q3 ended Dec. 31, 2009, sales and non-GAAP EPS surpassed its guidance. Non-GAAP EPS equaled $0.17, up 31% from the prior quarter, as non-GAAP operating margin improved sequentially by 30 basis points to 2.9%. Adjusted ROIC for fiscal Q3 amounted to 30.1%, a gain of 790 basis points quarter on quarter. Flextronics' cash conversion cycle reached 11 days, one of the lowest levels in the company's history, while inventory turnover increased to 9.1 turns. Free cash flow was $291 million. Flextronics reported sequential growth in all five of its segments, led by mobile and computing at 29% and 20% respectively.

Sanmina-SCI. Revenue of $1.48 billion and non-GAAP EPS of $0.23 for its fiscal Q1 ended Jan. 2 also exceeded guidance. Non-GAAP gross margin rose sequentially by 50 basis points to 7.6%, while non-GAAP operating margin reached 3.3%, a sequential gain of 70 basis points. Revenue in all four of the company's segments increased versus the prior quarter. The provider earned GAAP net income of $59.4 million, including one-time benefits totaling $47.2 million for legal and tax issues. ROIC came in at 14%.

According to Sanmina-SCI's outlook, the company will not see typical March quarter seasonality where demand is down about 10% (Table 1).

Another Forecast for Contract Mfg.

Four Firms' Outsourcing Revenue (EMS+ODM) Forecasts 2008-2013 (billions of US$)							
Firm	2008	2009	2010	2011	2012	2013	CAGR %
ETP	294.0	274.6	297.2	327.9	375.1	434.8	8.1
IDC	280.3	233.0	248.8	273.7	300.5	328.5	3.2
InForum	242.6	209.7	221.0	236.2	248.8	262.2	1.6
iSuppli	300.7	260.5	280.8	294.6	313.9	335.3	2.2
Average	279.4	244.5	261.9	283.1	309.6	340.2	4.0*
Yr.-yr. %		-12.5	7.2	8.1	9.4	9.9	

* Based on average revenue for 2008 and 2013. Forecasts supplied by Electronic Trend Publications, IDC, InForum and iSuppli.

Market research firm **iSuppli** (El Segundo, CA) has joined other forecasters in predicting that the contract manufacturing business will return to growth in 2010. The iSuppli forecast calls for a 7.8% increase in contract manufacturing revenue this year, after falling by 13.4% in 2009. Comprised of the EMS and ODM sectors, the contract manufacturing market should grow to $280.8 billion in 2010 from $260.5 billion last year, according to iSuppli.

But the market still faces major uncertainties this year, the firm pointed out, citing certain industrial and macroeconomic issues that could inhibit the outsourcing cycle. On the economic front, iSuppli analyst Adam Pick expressed concern about high unemployment, waning stimulus efforts and more than a trillion dollars in lingering mortgage resets.

Pick also believes some contract manufacturers could face ongoing constraints in the supply of certain components, including display panels, optical disc drives and chipsets.

The contract manufacturing business will not exhibit a V-shaped recovery similar to what occurred from 2003 to 2005, according to Pick. “Conditions are different in 2010, with the contract manufacturing market experiencing a dichotomy of growth,” he said. “ODMs are set for a growth rebound due to their penetration of booming markets like mobile PCs and LCD TVs. In contrast, with their [sic] focus on traditional segments like networking and telecom, some EMS companies are likely to experience slower growth.”

ODM revenue will rise by 10.8% in 2010, while the EMS market will expand by only 5.2%, iSuppli predicts. *MMI* found a much greater growth gap for the first nine months of 2009 (Dec. 2009, p. 1).

Blended forecast revised

MMI has added iSuppli’s five-year forecast for contract manufacturing revenue to a December 2009 tabulation of forecasts from three other firms (see table). The average estimate for outsourcing revenue in 2010 is now $261.9 billion, representing a blended growth rate of 7.2% over the 2009 mean estimate of $244.5 billion. Averaging forecasts for succeeding years shows that blended growth rates will increase gradually through 2013, but will fall just shy of double digits at the end of the forecast period (table).

At the period’s end in 2013, the four forecasts average $340.2 billion. Based on that end point and a starting mean forecast of $279.4 billion for 2008, the new blended forecast has a five-year CAGR of 4.0%, nothing to write home about. However, if 2008 is dropped from the forecast period, the blended four-year CAGR becomes 8.6%.

News

*New business…*Automaker **Ford** has engaged **Flextronics** (Singapore) to manufacture Ford’s next-generation SYNC system, which runs the new MyFord driver interface, according to a report by market research firm **iSuppli** (El Segundo, CA). The firm also stated that Ford utilized a reference design from Flextronics. Also, Flextronics will be manufacturing **Lenovo’s** A300 all-in-one PC in Wujiang, China. Flextronics codesigned the product with Lenovo, an existing customer (Dec. 2009, p. 7)….Expanding a global manufacturing relationship, **BP Solar**, part of BP Alternative Energy, has contracted **Jabil Circuit** (St. Petersburg, FL) to assemble BP Solar modules for the North American market in Jabil’s plant in Chihuahua, Mexico. The agreement calls for an initial capacity of 45 megawatts with the opportunity for expansion as demand increases. BP Solar has also ordered a second 45-megawatt module assembly line at Jabil’s manufacturing facility in Poland to feed European market growth (Nov. 2009, p. 7)….Taiwan-based *CENS.com* reported that **Hon Hai Precision Industry** (Tucheng City, Taiwan) has received an order to assemble 5 million LCD TVs for **Samsung**. In addition, Hon Hai’s handset subsidiary, **Foxconn International Holdings**, will supply **LG Electronics** with Windows Mobile-based smart phones on an ODM basis, according to *Digitimes*, another online source in Taiwan….**UTStarcom** (Alameda, CA), a supplier of IP-based networking solutions, has selected **Sanmina-SCI** (San Jose, CA) as its new EMS partner. Sanmina-SCI will provide a full range of EMS for UTStarcom’s system products currently being built in UTStarcom’s Hangzhou, China, facility….**Elcoteq** (Luxembourg) will manufacture **Inmarsat’s** first global handheld satellite phone in Tallinn, Estonia. The contract covers an array of product life cycle services. Elcoteq has been Inmarsat's design partner in the product's finalization and industrialization. In addition, under a new agreement Elcoteq has qualified to provide **Nokia** customers with aftermarket services for their Nokia devices. These operations are expected to start gradually during Q2….**Water Optimizer** has chosen **Kimball Electronics Group** (Jasper, IN) as its manufacturing partner for production of Water Optimizer's smart irrigation systems supplied to North American markets. Kimball Electronics is the EMS subsidiary of Kimball International….As part of a long-term relationship, **Danaher Motion Stockholm AB** has awarded a new industrial project to a subsidiary of **Kitron** (Billingstad, Norway). The project has a total value of more than NOK 100 million ($16.8 million) over five years. Another Kitron subsidiary has received new orders from **Maquet Critical Care**, for whom the subsidiary manufactures part of Maquet's ventilator platform for use in hospitals worldwide. Representing a six-month upside, the orders amount to more than NOK 40 million ($6.8 million) in revenue. In addition, **Kongsberg Group** has given a Kitron unit new orders worth about NOK 20 million ($3.4 million) for Kongsberg's weapon control system called Protector.

*Market research business sold…***New Venture Research** (Nevada City, CA) has acquired the market research business of **Electronic Trend Publications**, one of the firms that issues EMS industry forecasts. NVR and ETP have worked together for more than 16 years, and NVR's Randall Sherman serves as principal analyst for ETP's report on the contract manufacturing industry (EMS + ODM).

*People on the move…*Rune Glavare has decided to resign from his position as president and CEO of **PartnerTech** (Malmö, Sweden), an *MMI* Top 50 EMS provider in 2008. The company's board has replaced him with Leif Thorwaldsson, currently manager of the Solid Wood business area of **Swedwood AB**, an **IKEA** subsidiary. Glavare will remain in place until Thorwaldsson can take over….The board of **NOTE** (Danderyd, Sweden) has appointed Göran Jansson as acting CEO and president in place of Knut Pogost. With an increased focus on cost and capital efficiency, the board believes a change in leadership is required and has started a search for a new CEO and president. NOTE also made the *MMI* Top 50 for 2008.

…EMS provider **Qual-Pro** (Gardena, CA) has appointed Richard Fitzgerald as COO. Bringing more than 20 years of technology and management experience, Fitzgerald most recently served as CEO of **Team Precision**, a Thailand-based EMS provider with 1,400 employees. Before that, he was global VP of operations for **CTS Corporation**, a supplier of components and sensors as well as an EMS provider. Qual-Pro is a family-owned business, managed by the four sons of its founder, Gerald Shane.

Editor and Publisher: John Tuck
Circulation Director: Ann Connors

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E-mail: jbt@mfgmkt.com
Web site: www.mfgmkt.com