

# Manufacturing Market™ INSIDER

inside the contract manufacturing industry

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## First-Half M&A Down by 33%

The number of M&A deals done in the EMS industry fell off in the first half of 2013 versus the year-earlier period. According to *MMI's* count, 10 M&A transactions closed in the EMS industry during the first six months of the year, down from 15 in the first half of 2012 (Chart 1). That's a decline of 33%. If deal making continues at this pace in the second half, then 2013 will go down as the quietest year for industry M&A since 1995. Yes, 2013 would be even worse for M&A than 2009, when the Great Recession held sway.

Why has M&A activity dropped off to such a degree? Much of the blame can be directed at economic conditions, *MMI* believes. With the euro zone mired in recession, the US economy hampered by budget cuts, and China faced with lower GDP growth, there is uncertainty among EMS providers and their customers. Uncertainty tends to make companies more cautious about making acquisitions. Also, when customers are uncertain, demand takes a hit. By several measures published by *MMI*, demand in Q1 was soft (May, p. 3-4; June, p. 3 and 5). When demand is soft, customers are less likely to press their providers to add capabilities or expand into new regions. Without such customer pressure, providers lack motivation to make deals. In addition, restructuring programs currently underway in the industry may make some management teams reluctant to spend much time on

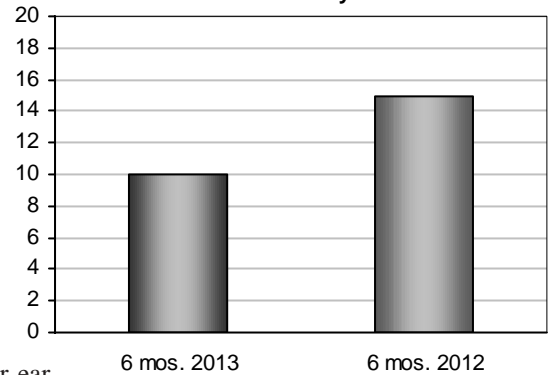
acquisitions.

First-half transactions were down from a year earlier in four out of five categories tracked in last year's analysis of the period (Chart 2, p. 2). Still, acquiring an EMS operation of another provider continued to be by far the most popular type of M&A transaction. During the first half, eight such deals went through, down 20% from 10 transactions closed in the year-earlier period.

As has been written here before, these deals can offer geographic expansion, complementary customers, diversification, more revenue, increased capacity and additional capabilities. Depending on the buyer's needs, one or more of these benefits will act as motivation for a deal.

In the first half, EMS companies made four acquisitions of competitor operations in North America. **Electronic Instrumentation and Tech-**

Chart 1: EMS Industry M&A Deals



**nology** (VA) bought **Suntron's** plant in Methuen, MA; then about five months later, **Benchmark Electronics** (TX) acquired Suntron's remaining operations in Arizona and Mexico. In addition, **Sparton** (IL) bought **Creonix** (FL), and **Probe Manufacturing** (CA) picked up **Trident Manufacturing** (UT). (For more on the Benchmark and Sparton deals, see News on p. 6-7.)

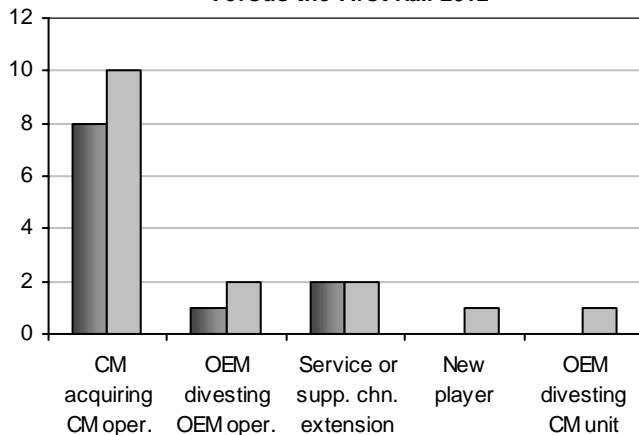
EMS industry buyers acquired three operations in Europe during the peri-

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# First-Half M&A

**Chart 2: Deal Breakdown for the First Half 2013 Versus the First Half 2012**



od. **Darekon** (Finland) added **Apelec** (Finland); **Season Group** (HK) purchased **Outsource Electronics Limited** (UK); and **TQ-Group** (Germany) took over **SRI Holding** (Germany), which filed for insolvency in 2012.

One EMS acquisition took place in Asia. A former India subsidiary of **Elcoteq**, which was declared bankrupt in 2011, was sold to **éolane** (France).

Except for the earlier purchase of the Suntron plant, all of the other acquisitions of EMS operations resulted in the loss of an independent EMS provider, defined as consolidation. So out of the eight acquisitions of EMS activities, seven were consolidation deals. In comparison, 10 consolidation deals occurred in the first half of 2012. The year-over-year decrease amounts to 30%, a significant drop in this kind of consolidation. (The other kind results from an EMS provider going out of business.) Still, first-half consolidation activity has fluctuated considerably over the last 10 years, and this year's total of seven was close to a ten-year average of 7.9 first-half consolidation deals per annum (Chart 3).

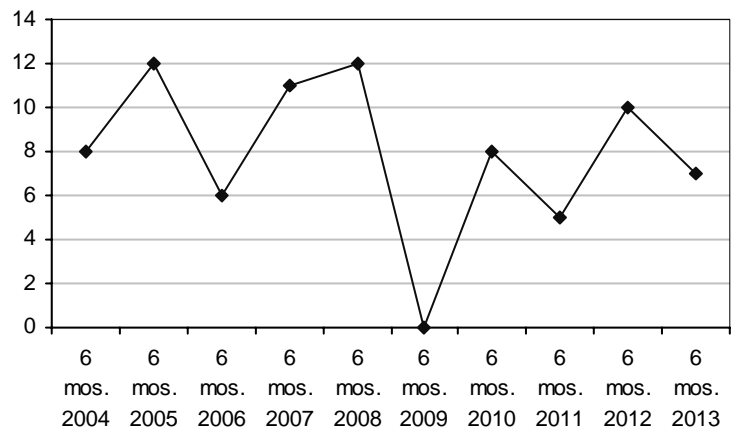
Another type of deal called a service or supply chain extension arises when an EMS provider makes an acquisition to expand its capabilities horizontally or vertically. Historically, transactions of this kind usually occurred in numbers that approached, if

not exceeded, the level of EMS operations acquired. But last year, deals of this type failed to keep up with acquisitions of EMS activities (Feb., p. 3), and this phenomenon has continued through the first half of 2013. Just two capabilities deals took place in the first half versus eight acquisitions of EMS operations (Chart 2).

Obviously, more providers were interested in buying a competitor operation than acquiring a capability. During a period of weak demand when growth is hard to come by, acquiring the revenue and customers of a competitor can do wonders for the top line. By contrast, capability deals may be less attractive when demand is soft if they don't add a significant amount of revenue. And, as mentioned earlier, customers often pull back in a weak demand environment rather than ask for new capabilities.

The two capabilities deals that closed in first half of 2013 matched the number of such deals counted in the year-earlier period. In this year's first half, **HANZA** (Sweden) acquired cable manufacturer **Alfaram** with factories in Europe and China. A second capabilities deal occurred when **Sparton** acquired EMS provider **Creonix** because with this deal **Sparton** obtained **Creonix**'s cable and wire harness division, a major attraction for **Sparton**. (This transaction was counted

**Chart 3: First-Half Consolidation Deals Over Time**



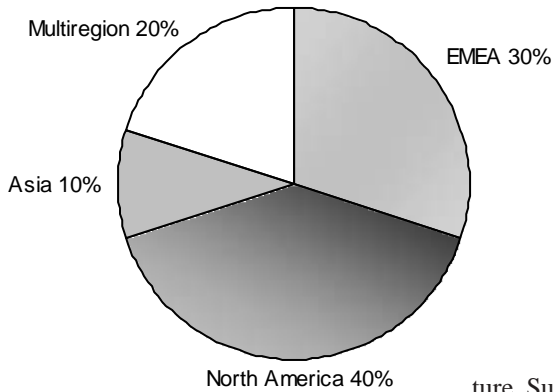
as both an acquisition of an EMS operation and a capabilities deal.)

OEM divestitures fall into a third deal category. Having peaked in popularity at the turn of the century, OEM divestitures have fallen out of favor for the most part in the EMS industry. But they haven't disappeared. One transaction of this kind closed in the first half when **Flextronics** took over **Motorola Mobility** operations in Tianjin, China, and Jaguariuna, Brazil. Interestingly, **Flextronics** didn't make this deal just to add business and strengthen its footprint. **Google** owns **Motorola Mobility**, and **Flextronics** wanted to be part of the **Google** ecosystem. By comparison, two OEM divestitures were completed in the first half of 2012.

Two other categories in **MMI**'s system for classifying deals were not represented in the first half of 2013. No new players emerged from the sale of a manufacturing business, and no OEMs sold off an EMS unit. In the year-earlier period, there was one transaction in each category (Chart 2).

Of the ten transactions closed in the first half, four resulted in the purchase of a North American operation; three targeted operations in the EMEA (Europe/Middle East/Africa) region; one called for the acquisition of a unit in Asia; and two added operations in more than one region (Chart 4, p. 3). The number of deals done was down

**Chart 4: Percentage of Deals by Target's Region**

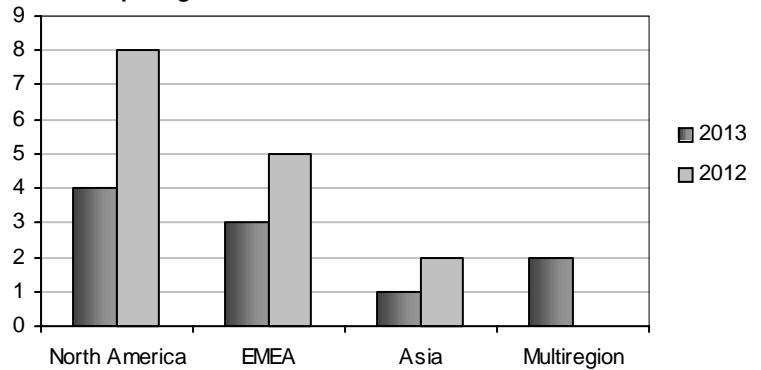


in North America, EMEA and Asia compared with the first half of 2012, with declines ranging from 40% to 50%. However, multiregion deals actually increased from the year-earlier period when there were none (Chart 5).

Buyers with sales of less than \$200 million accounted for half of the transactions completed during first six months, a departure from the year-earlier period when these companies were a minority of 33%. Acquirers with sales of \$200 million to \$5 billion contributed 40% of first-half deals versus 53% a year earlier, while tier-one providers, whose sales exceed \$5 billion, were responsible for 10% (Chart 6).

Of course, there are alternatives to making an acquisition when a provider needs to add a capability or expand its geographic reach. The provider can form an alliance, take a minority stake in a partner or enter into a joint ven-

**Chart 5 : Deal Breakdown by Target's Region Comparing First Half 2013 Versus the First Half 2012**



ture. Such partnerships can also give a company access to technology that it covets. During the first half, providers made seven such arrangements, far fewer than the 16 partnerships counted in the year-ago period (Chart 7).

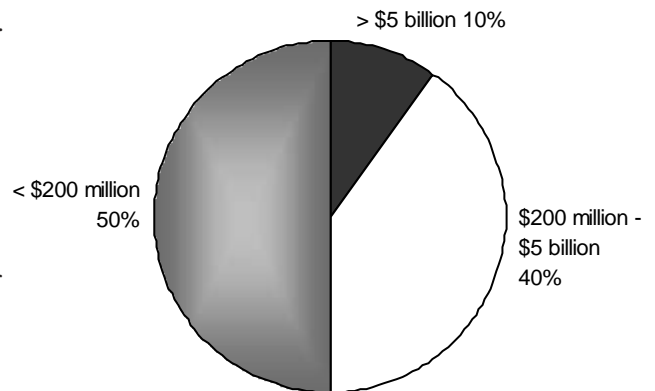
However, the year-earlier total can be considered an anomaly since it exceeded the number of deals, an outcome that is rare. Indeed, the current number of partnerships falls comfortably below the deal count (Chart 8). Partnerships may save money, but they're no substitute for a fully integrated operation.

Over the years, providers have entered into alliances with engineering firms to jointly offer design and manufacturing. The first half was no different with two

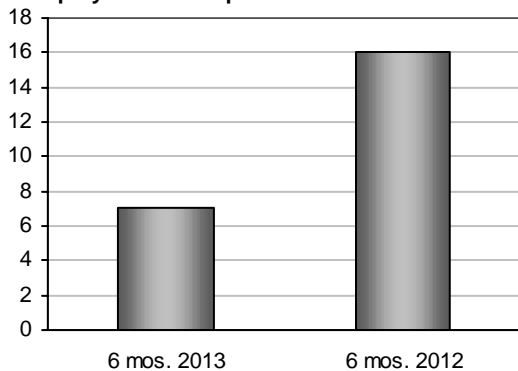
EMS players, **ESCATEC** and **Sigma-Tron International**, teaming up with design partners.

An EMS provider can also use an alliance to gain access to back-end capabilities. To that end, **Jabil's** after-market services group and **UPS's** logistics and distribution unit got together to jointly provide global reverse logistics services.

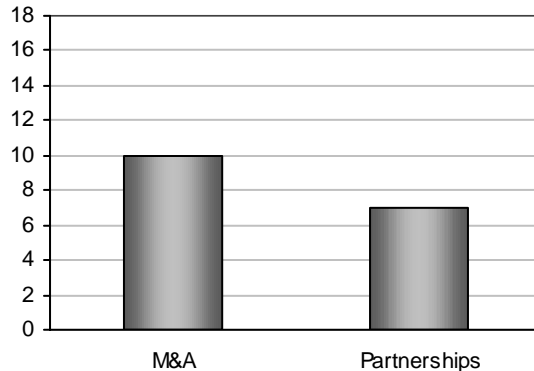
**Chart 6: Percentage of Deals by Size of Acquirer**



**Chart 7: EMS Industry Alliances, Equity Partnerships and Joint Ventures**



**Chart 8: First-Half M&A Versus Partnerships**



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Another familiar strategy is to find a partner that will provide you with manufacturing in a region that you want to enter. During the first six months, two EMS companies formed partnerships with this goal in mind. An alliance with an EMS provider in Israel gave **Plexus** access to manufacturing in that country, while **Firstronic**

gained a footprint in China through a joint venture.

Finally, EMS giant **Hon Hai** will produce TVs in joint venture with a Chinese video portal and will develop devices that run on **Mozilla's** Firefox mobile operating system through an alliance with Mozilla.

*Editor's note:* First-half 2013 sta-

tistics published here should be treated as preliminary. It is possible that *MMI* will come across additional first-half transactions after this article is published. Also, be advised that this analysis excludes private equity deals as well as divestitures by EMS providers unless the operations sold are retained within the EMS industry.

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## Some Quarterly Results

**Flextronics.** For its fiscal Q1 ended June 28, the company reported sales of \$5.79 billion, exceeding its guidance of \$5.3 billion to \$5.6 billion. Sales grew 9% sequentially, driven by better-than-expected performance in three out of four business groups. Compared with the year-earlier period, revenue fell 3% with the majority of the reduction resulting from broad softness in the company's telecom-related businesses. Non-GAAP EPS of \$0.18 also beat guidance, which called for \$0.12 to \$0.16. The EPS result rose 38% sequentially but was down 18% year over year in a continuing operations comparison.

Non-GAAP operating income amounted to \$136.8 million, up 29% sequentially, driven by improved fixed cost absorption and cost savings from restructuring. On a year-over-year basis, non-GAAP operating income dropped 23%. Including restructuring charges of \$40.8 million, GAAP operating income was \$87.4 million, compared with an operating loss of \$27.1 million in the prior quarter and operating income of \$167.0 million in the same period a year ago. (Flextronics does not include intangible amortization in GAAP operating income.)

GAAP net income totaled \$59.3 million from continuing operations, compared with a net loss of \$49.3 million in the prior quarter and net income of \$136.8 million a year earlier. Reflecting a \$0.06 impact from restructuring charges, GAAP EPS (from continuing operations) equaled \$0.09

versus a loss of \$0.08 a share in the previous quarter and earnings of \$0.20 a share a year ago.

Non-GAAP gross margin was 6.0%, up 10 basis points sequentially and flat versus a year earlier. Non-GAAP operating margin came in at 2.4%, up 40 basis points sequentially but down 60 basis points year over year.

In fiscal Q1, Flextronics recorded the last of the charges associated with the current restructuring program, which resulted in charges totaling \$268 million. The company expects to reach the program's full savings rate of \$40 million a quarter as it exits the December quarter.

At 44% of total sales, Integrated Network Solutions revenue rose 3% sequentially, which was slightly better than expectations of flat performance. Compared with a year earlier, INS revenue was down 9%. Comprising 16% of company sales, Industrial and Emerging Industries business grew 2% from the prior quarter, in line with expectations, but fell 7% from a year earlier. Representing 14% of sales, High Reliability Solutions revenue grew 4% sequentially, which was ahead of expectations, and 20% year over year. Contributing 26% of sales, High Velocity Solutions business increased 31% sequentially, well above expectations of a low double-digit gain. This unexpected outcome resulted from a greater-than-anticipated contribution from the company's new **Google-Motorola** relationship and growth in consumer electronics business. On a year-over-year basis, HVS sales were

flat.

For the September quarter, Flextronics has set forth revenue guidance of \$6.1 billion to \$6.4 billion. At the midpoint of the range, sequential growth would be 8%. The company also expects non-GAAP operating income of \$150 million to \$175 million and non-GAAP EPS of \$0.19 to \$0.22, with GAAP EPS about \$0.03 lower. On a sequential basis, Flextronics is forecasting low single-digit growth for INS and IEL, flat sales for HRS, and a 25% to 30% increase for HVS.

**Jabil.** For its fiscal Q3 ended May 31, sales of \$4.47 billion rose 1% sequentially and 5% year over year. Non-GAAP EPS amounted to \$0.56, up 6% from the prior quarter but down 13% from the same period a year ago. Both sales and non-GAAP EPS were within guidance but above the midpoint in each case.

GAAP operating income for the May quarter was \$103.7 million, 34% below the year-earlier figure. GAAP operating margin equaled 2.3%, down from 3.7% a year earlier. GAAP net income totaled \$50.1 million, down 51% year over year, while GAAP EPS fell to \$0.24 from \$0.48 a year earlier. GAAP operating results suffered from the impact of \$28.4 million in restructuring activity and a \$25.6-million charge associated with a note receivable.

Non-GAAP operating margin came in at 4%, up 10 basis points sequentially but down 50 basis points year over year. Non-GAAP operating income was \$176.9 million, up 4% sequentially but down 7% year over

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year.

Representing 40% of total sales, Diversified Manufacturing Services business declined 4% from a year earlier, driven by lower volumes in instrumentation and clean tech. Specialized Services growth of 10% partly offset these lower volumes. Non-GAAP operating margin for the DMS segment was 5.6%, up 20 basis points sequentially but down 90 basis points year over year.

At 31% of sales, Enterprise and Infrastructure revenue increased 4% year over year. The E&I segment's non-GAAP operating margin stood at 2.3%, down 40 basis points from the prior quarter but up 10 basis points from a year earlier. Jabil believes that non-GAAP operating margin for this segment will improve to 3% in the August quarter.

Accounting for 29% of sales, Jabil's High Velocity segment grew 23% year over year. The segment's non-GAAP operating margin was 3.4%, up 110 basis points sequentially but down 30 basis points year over year.

In the May quarter, Jabil generated \$504 million in cash flow from operations.

Starting with the aforementioned \$28 million in restructuring charges for the May quarter, the company has embarked on a realignment program that will result in total charges of about \$188 million and extend into fiscal 2015. Jabil estimates that it will record charges of \$60 million to \$70 million in the August quarter. This restructuring program will save the company an estimated \$30 million to \$40 million in fiscal 2014 and an estimated \$65 million in fiscal 2015.

For the August quarter, Jabil expects revenue of \$4.45 billion to \$4.65 billion, corresponding to a year-over-year gain of about 5%. Guidance for the quarter also calls for, among other metrics, non-GAAP operating margin of 3.7% to 4%, non-GAAP EPS of

\$0.50 to \$0.58 and GAAP EPS of \$0.04 to \$0.12. This guidance includes two months of ownership of **Nypro** (see News, p. 6) and an assumption that Nypro will make a modest to neutral contribution to earnings on an operating basis in the August quarter. On a year-over-year basis, the company estimates that DMS and E&I sales will remain consistent, and that High Velocity revenue will increase 15%. DMS guidance includes Nypro's revenue contribution for the quarter, estimated at \$150 million to \$175 million.

**Plexus.** For its fiscal Q3 ended June 29, sales totaled \$572 million, up 3% sequentially but down 6% year over year. Revenue came in above the midpoint of its guidance range of \$550 million to \$580 million as the company's Networking/Communications and Healthcare/Life Sciences sectors performed better than expected. EPS of \$0.68 exceeded guidance of \$0.55 to \$0.62, though EPS benefited from a discrete tax item that added \$0.07 a share. EPS increased 31% sequentially and 3% year over year. The company noted that EPS without the tax benefit was still strong as a result of operating performance initiatives and favorable revenue mix. Net income for fiscal Q3 amounted to \$23.2 million, compared with \$18.0 million in the prior quarter and \$23.5 million in the year-earlier period.

Plexus reported that it finished production of **Juniper** products during the quarter, and that the last of the Juniper revenue, from sales of products and components in buffer stock, will be recorded in the September quarter (see also Nov. 2012, p. 1-2).

Networking/Communications sales rose 2% sequentially, a result that was significantly stronger than expected. Excluding Juniper, revenue in this sector was up 10% sequentially. In the Healthcare/Life Sciences sector, sales increased 10% from the prior quarter, which was slightly above original expectations. Revenue from the Industri-

al/Commercial and Defense/Security/Aerospace sectors declined 1% and 3% respectively quarter to quarter.

Gross margin for fiscal Q3 was 9.7%, up 40 basis points sequentially and 30 basis points year over year. This margin, which was above expectations, benefited from operating performance initiatives, customer mix and good results from Plexus' engineering group. Operating margin stood at 4.4%, up 20 basis points from the prior quarter but down 10 basis points from a year earlier.

During the quarter, Plexus won 28 new manufacturing programs expected to generate a total of about \$212 million in annualized revenue when fully ramped. Healthcare/Life Sciences contributed the largest share of the total, 41%; included in these sector wins were several programs from longtime customer **GE Healthcare**. In addition, Plexus gained about \$25 million in engineering business, a record amount.

Guidance for fiscal Q4 (the September quarter) specifies revenue of \$545 million to \$575 million and EPS of \$0.60 to \$0.66, excluding any restructuring charges. The midpoint of revenue guidance suggests that sales will be down modestly on a sequential basis. The provider expects operating margin to improve to 4.5% to 4.6%, from fiscal Q3's 4.4%. Compared with fiscal Q3, Plexus is forecasting a low-to-mid teens percentage decline for Networking/Communications, a high single-digit increase for Healthcare/Life Sciences, a mid single-digit gain for Industrial/Commercial, and flat sales for Defense/Security/Aerospace.

In addition, the company anticipates a "meaningful sequential decline" in revenue for Q1 of fiscal 2014 as Plexus does not expect to overcome the entire loss of Juniper revenue. Customer forecasts suggest a return to sequential growth in the following quarter.

**Sanmina.** For its fiscal Q3 ended June 29, the company reported sales of

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\$1.49 billion, up 4% sequentially but down 4% year over year. Revenue was above the midpoint of guidance, given as \$1.45 billion to \$1.50 billion. Non-GAAP EPS amounted to \$0.40, up from \$0.30 in the prior quarter and \$0.26 in the year-ago period. The EPS result for fiscal Q3 surpassed the company's guidance of \$0.32 to \$0.38. Sanmina earned GAAP net income of \$18.7 million, compared with \$21.2 million in the previous quarter and \$8.9 million a year earlier. GAAP EPS of \$0.22 was down 12% sequentially but up 100% year over year.

Non-GAAP gross margin came in at 7.8%, up 70 basis points quarter on quarter and 100 basis points year over year. The company's Integrated Manufacturing Solutions segment produced a non-GAAP gross margin of 6.6%, up 60 basis points sequentially and 20 basis points year over year, while the Components, Products and Services

segment turned in a margin of 11.0%, up 50 basis points sequentially and 320 basis points year over year. For the company as a whole, non-GAAP operating margin was 3.3%, up 50 basis points from both the prior quarter and the year-earlier period. GAAP operating margin equaled 2.4%, a 10-basis-point improvement from the same period a year ago.

Communications Networks, Sanmina's largest segment at 49% of fiscal Q3 sales, grew 6% sequentially, with demand driven by LTE programs during the quarter. Revenue from Computing and Storage was flat overall versus the prior quarter. Demand in the segment was weaker than expected, and growth was slower in new programs. Defense/Industrial/Medical sales rose 8% sequentially on improvements in the industrial and defense areas. Medical business was slightly down from weak demand in

new programs. Multimedia revenue dropped 6% sequentially, as expected, in a seasonally slower quarter.

The company generated \$66 million in cash flow from operations and \$56 million in free cash flow.

Fiscal Q3 was the company's strongest quarter for bookings in the current fiscal year. Sanmina has a positive outlook for the rest of the calendar year.

For the September quarter, Sanmina expects modest sequential growth with further improvements in its operating model. The company is forecasting sales of \$1.475 billion to \$1.525 billion and non-GAAP EPS of \$0.37 to \$0.43. Included in guidance is a non-GAAP operating margin of 3.1% to 3.5%. The September outlook for Communications Networks is slightly up, while Defense/Industrial/Medical is forecasted to be up. Computing and Storage is expected to be flat, and the Multimedia outlook is down.

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## News

### *NSN to Sell Factories, Says Paper*

**Nokia Siemens Networks**, a provider of telecom infrastructure, has asked a group of the largest EMS providers to submit proposals for acquiring six NSN plants, reported Finland's *Helsingin Sanomat*, citing confidential documents. The newspaper named **Foxconn** (Hon Hai Precision Industry), **Flextronics**, **Sanmina** and **Jabil** as the bidders, from which two will be selected. NSN is selling the plants in two bundles: Oulu, Finland, and Chennai, India, factories in one group and four China plants in the other, according to the paper. In China, NSN operates factories in Beijing, Shanghai, Suzhou and Tianjin.

The paper said the bidding process began in the fall of 2012.

As of Dec. 31, 2012, NSN had ten manufacturing facilities, according to Form 20-F filed by **Nokia**. Of the four

plants not covered in the newspaper report, two have been shuttered or are undergoing closure. Another is a small base station factory in Tomsk, Russia, operating as a joint venture with Russian partners. And the final plant produces optical transmission systems in Berlin, Germany.

On July 1, **Nokia** and **Siemens** announced that **Nokia** will acquire **Siemens'** 50% stake in NSN, their joint venture formed in 2007.

### *Jabil Closes Nypro Deal*

Jabil (St. Petersburg) has completed its acquisition of **Nypro** (Clinton, MA), a plastics manufacturer for the healthcare, packaging and consumer electronics industries (Feb., p. 7-8).

The combined healthcare business of the two companies will be headquartered in Clinton, MA, as will the packaging business that is part of the Nypro acquisition. The consumer electronics portion of Nypro's activities

will be integrated into Jabil's Materials Technology Services. About 10,000 Nypro employees will join Jabil. The Nypro trade name will be retained and used to jointly market services to customers in the healthcare and packaging markets.

With a purchase price of \$665 million, the transaction is expected to be accretive to EPS in Jabil's fiscal 2014, which begins Sept. 1, 2013.

Also included in the acquisition are **NyproMold**, which designs and manufactures plastic injection molds, and **Radius**, a product innovation and development firm.

### *Benchmark Adds Suntron*

**Benchmark Electronics** (Angleton, TX) has acquired **Suntron** (Phoenix, AZ), a privately held EMS company, for about \$19 million. Benchmark expects Suntron to contribute at an annual run rate of about \$70 million. From this deal, Bench-

mark has gained two sites: Tijuana, Mexico, and Phoenix, AZ.

The company said these facilities provide further depth and strength in its aerospace and defense sector, and the talent and capacity to support further growth opportunities Benchmark sees on the horizon for Mexico.

According to recent statements from Suntron, it also serves the medical, industrial, networking and telecom, and semiconductor capital equipment markets.

Suntron resulted from the 2002 merger of **EFTC** and **K\*TEC Electronics**. At one time, Suntron operated a dozen facilities in North America. Earlier this year, Suntron sold its factory and embedded computing business in Methuen, MA, to separate buyers (Jan., p. 8).

Meanwhile, Benchmark is closing two plants – a 45,000-ft<sup>2</sup> factory in Campinas, Brazil, and a 48,000-ft<sup>2</sup> factory in Singapore. The provider will no longer manufacture in either of those countries.

### **Sparton Acquires Creonix**

Through a subsidiary, **Sparton** (Schaumburg, IL) has acquired assets of contract manufacturer **Creonix** (Bradenton, FL), a \$12 million-a-year business that includes a cable and wire harness division.

Creonix primarily manufactures complex electromechanical devices and engineers and manufactures cables and wire harnesses for the industrial and military and aerospace markets. The company also offers EMS. Product areas served by the company include battery monitoring, high-speed optical imaging, neuromuscular incapacitation, imaging and wiring assemblies for military applications, and electrical grid transformer protection systems.

“The addition of Creonix meets the criteria of our growth strategy by pro-

viding the additional capability of cable and wire harness engineering and assembly, further expansion into the industrial and mil/aero markets, diversification of our customer base, and the increase utilization of our existing assets,” stated Cary Wood, president and CEO of Sparton. “Additionally, Creonix brings solid, long-term customer relationships that will benefit from Sparton’s expanded list of service offerings.”

Sparton plans to move Creonix’s operations and customers into Sparton’s Brookville, FL, location.

Because Creonix will not add significant fixed overhead in Brookville, Sparton expects Creonix’s revenue to enhance EBITDA of Sparton’s Complex Systems segment. The acquisition should be accretive to earnings within the next nine to 12 months.

*Some new business...* Flextronics (Singapore) is the exclusive manufacturer of **Google’s** new Chromecast product, which streams online media to a TV. Also, Flextronics will invest electronic engineering, manufacturing services and production capabilities for the market release of smart socks for runners. Incorporating wearable technology, the socks were created by **Heapsylon** (Redmond, WA)...**SGI** (Fremont, CA), a player in technical computing and big data, has selected Jabil as SGI’s primary global manufacturing services and supply chain management provider...Benchmark and **KeyMe** (New York, NY) have partnered to manufacture KeyMe’s new key cutting kiosks, which will be initially deployed in select 7-Eleven stores across the New York City area. KeyMe said Benchmark’s knowledge in automation, robotics and precision cutting enabled it to develop this product...Norway-based **Tomra Systems** has selected **Enics** (Zürich, Switzerland) as a global preferred partner. Tomra operates within two main business areas, Collection Solutions and

Sorting Solutions, for optimal resource productivity.

*ODM reportedly makes a pitch for Xbox business...* Representatives from **ODM Compal Electronics** recently visited **Microsoft** in the US with the aim of vying for Xbox One business, reported *Digitimes*, which cited supply chain sources from Taiwan. Flextronics and Foxconn (Hon Hai) assemble the Xbox One. Since the PC industry has been going through a period of year-over-year declines, the June edition’s Last Word column explored the question of whether ODMs seeking to diversify would pose a threat to the EMS industry. The column argued that ODMs are generally unsuited to pursue lots of EMS opportunities. However, if this report is true, one cannot rule out ODMs selectively targeting EMS programs where required volumes and footprint fit ODM capabilities.

*New facilities...* Hon Hai Precision Industry (New Taipei, Taiwan) has reportedly set up an R&D center in Japan for display and touch screen technologies with initial operations in the cities of Sakai and Yokohama. Earlier reports said the company planned to make a large R&D investment in Japan (Feb., p. 8). In addition, Foxconn Technology Group, which is anchored by Hon Hai, plans to erect a manufacturing complex in Guiyang, the capital of Guizhou province in southwest China, *China Daily* reported...Flextronics has opened a facility in Chengdu, China, to build tools for plastic molding...**Plexus** (Neenah, WI) has opened its new greenfield factory in Oradea, Romania. The 300,000-ft<sup>2</sup> facility replaces two leased facilities totaling 72,000 ft<sup>2</sup>. Also, Plexus has launched a relocated and expanded design center with 15,000 ft<sup>2</sup> and a new 47,000-ft<sup>2</sup> manufacturing facility, both under the same roof in Bathgate, Scotland...In response to growing customer needs, the

# News

design services unit of **Creation Technologies** (Burnaby, BC, Canada), has opened the unit's new Milwaukee Design Center, a 10,000-ft<sup>2</sup> facility located about three miles from Creation's manufacturing facility in Oak Creek, WI. Including a Denver Design Center, this unit, known as Creation Design Services, employs about 60 design engineers....**EMS Solutions**, a division of **PCB Solutions**, has moved from Layton, UT, to a much larger facility in Ogden, UT. The new facility has 41,200 ft<sup>2</sup> of manufacturing and office space....**Microart Services** (Markham, Ontario, Canada), a provider of electronics manufacturing and design services, plans to move to a larger facility of over 40,000 ft<sup>2</sup>. Replacing two existing facilities, the new building will more than double the company's manufacturing floor space.

*Company news...* Flextronics has created an accelerator business that will provide a broad range of support to early-stage, game-changing, disruptive technology companies incorporating hardware and software innovation. Called Lab IX, the accelerator unit is co-located with Flextronics' Product Innovation Center in Milpitas, CA. Lab IX offers office and shop space, NPI services, design and engineering support, and access to Flextronics' global supply chain and manufacturing

expertise....According to published reports, Hon Hai chairman Terry Gou told shareholders last month that his company plans to spin off and list some of its businesses over time and identified its connector, carbon nanotube and adhesive units as initial candidates....**ESCATEC** (Penang, Malaysia) has become a member of the United Nations Global Compact, whose principles cover human rights, labor standards, the environment and anti-corruption....**Oven Industries** (Mechanicsburg, PA), which makes temperature controllers and sensors, has entered the EMS business. Operating a 17,500-ft<sup>2</sup> facility, the company is offering turnkey services from the concept stage to full production.

*People on the move...* Plexus has promoted Todd Kelsey to executive VP and COO and Steve Frisch to executive VP, Global Customer Services, the position that Kelsey is vacating. Frisch is giving up two jobs held concurrently: regional president – Plexus EMEA and senior VP of Global Engineering Solutions. Ronnie Darroch has been promoted to the regional president position from VP operations – Plexus EMEA, while Oliver Mihm has advanced to the senior VP position from VP – Global Engineering Solutions....**ESCATEC** has appointed Johan Halling GM of the provider's

high-volume production facility in Penang, Malaysia. He has worked in managing director roles since 2002 for several companies including **PartnerTech**, **Elektromekan** and **Cliff Design and Development**....Myron Blackburn has returned to Louisville, KY-based **Ayrshire Electronics** as senior VP of operations. Since leaving Ayrshire in March 2011, Blackburn served as GM of Flextronics' tech repair operations in Louisville.

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