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First-Half M&A Increased by 12 Percent

The number of M&A deals done in the EMS industry increased in the first half of 2015 versus the year-earlier period. According to *MMI's* count, 19 M&A transactions closed in the EMS industry during the first six months of the year, an increase of two from the first half of 2014 (Chart 1).

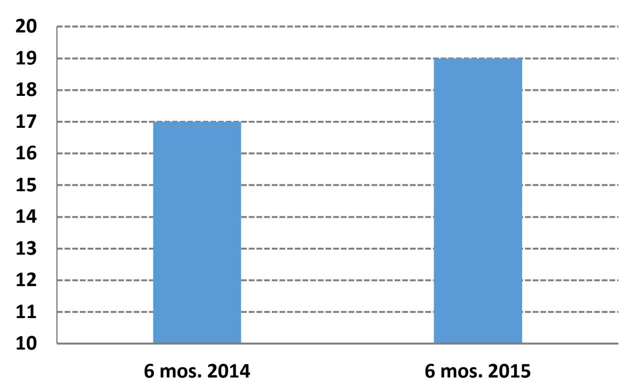
The increase in M&A can be attributed to the growing opportunities in Europe, specifically central and eastern Europe. Most of the transactions originated because corporate buyers have been motivated by a desire to add new services and capabilities to their portfolios. In a few other cases, mergers occurred because buyers were attracted to the target's customer base and geographic locations.

Backed by higher than average transaction valuations, 2015 appears to be a year of consolidation for the industry as failing EMS companies provide good value for the money. Based on this trend, *MMI* expects M&A activity in the industry to continue at a healthy pace for the remainder of the year.

First-half transactions increased from a year earlier in two out of four categories tracked previously (Chart 2). In the acquisition of EMS operations, adding new services and capabilities to the portfolio proved to be the key motivation for the deal. During the first half, nine service or supply chain extension deals were completed as compared to six transactions closed in the previous period.

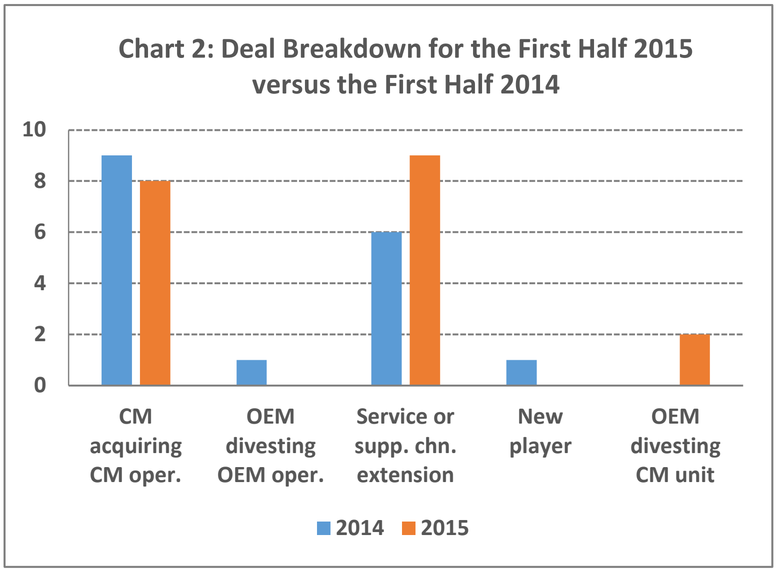
In the first half of 2015, EMS companies made six acquisitions of competitor operations in North America. **Sparton Corporation** (IL) announced that its wholly owned subsidiary, Sparton IED, LLC completed the acquisition of **KEP Marine** (NJ), a $3 million revenue business, from Kessler-Ellis Products, Inc. on January 21, 2015 in an all-cash transaction. The addition of KEP Marine meets the criteria of Sparton's growth strategy by expanding its ruggedized electronics platform with additional ruggedized display and industrial computers in the demanding marine market sector, diversifying its customer base, and increasing utilization of its existing assets. Sparton

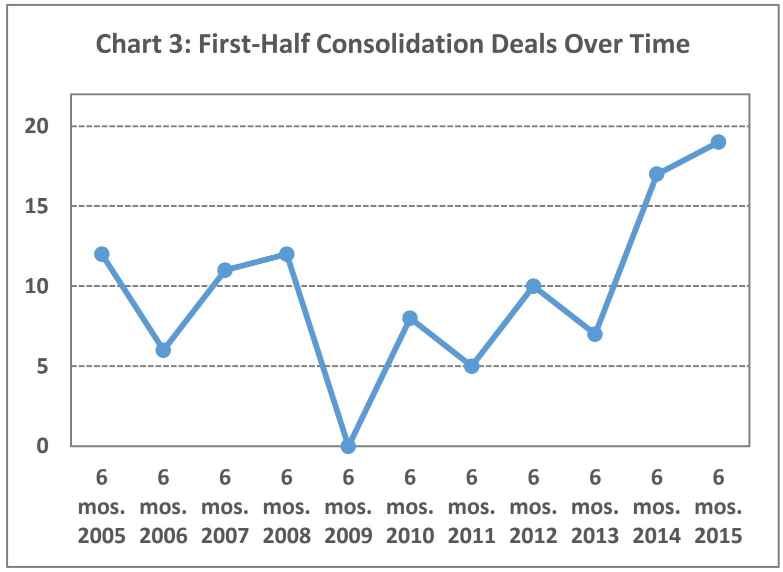
Chart 1: EMS Industry M&A Deals



Corporation announced that its wholly owned subsidiary, Sparton Hunter Corporation, completed a merger with **Hunter Technology Corp.** (CA) in a $55 million all-cash transaction. The addition of Hunter Technology meets Sparton's growth strategy objectives by providing further expansion regionally into northern California, diversifying its customer base through both existing programs and a strong business development pipeline, increasing its engineering service capabilities and new product introduction (NPI) offerings, and continuing to increase

Some articles in this issue



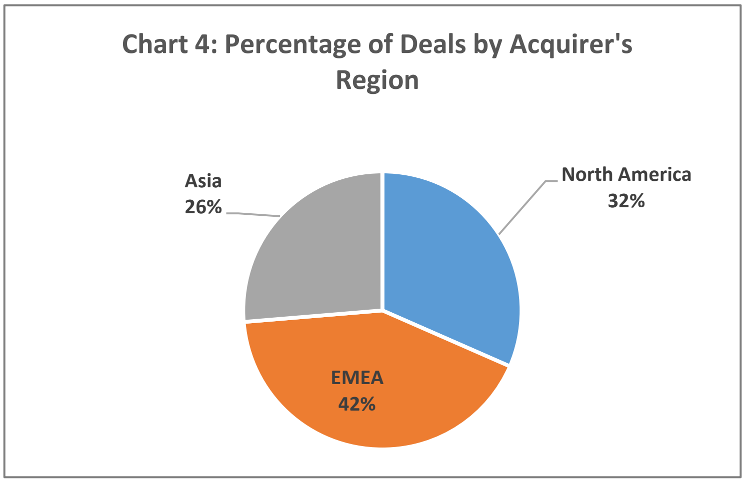


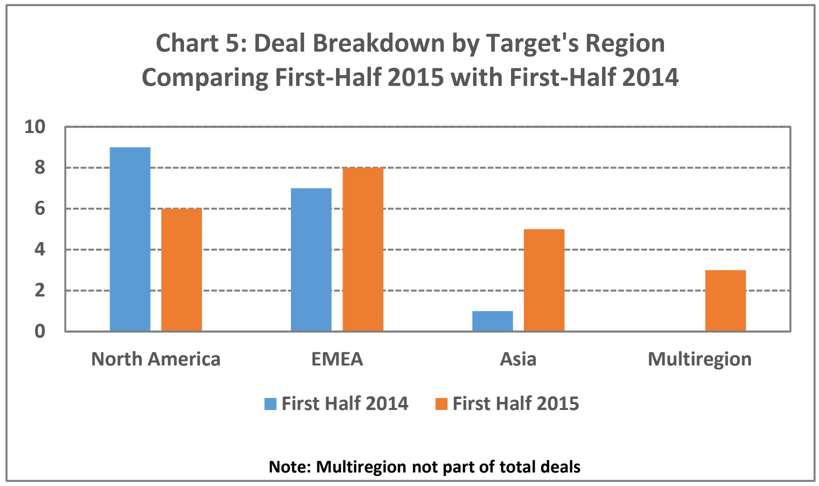
the number of complex subassembly and full device programs within the company. **Nortech Systems, Incorporated** (MN) acquired **Devicix, LLC** (MN). The addition of Devicix will enhance and broaden Nortech's capabilities for complete design, manufacturing, and service, particularly for regulated medical devices. **Season Group USA, LLC** (TX) has acquired the assets of **Xytronics, Ltd**., an electronics manufacturing services provider based in San Antonio, Texas. Season Group has been developing a full range of options for its customers. Increasing its capability in North America is vital in continuing to service the growing requirements of customers, not just in the US, but also those in Europe and Asia whose end customers are in North America. Xytronics would help it serve them. **Zentech Manufacturing, Inc.** (MD) acquired **Colonial Assembly & Design, LLC (CA&D)** (VA). The acquisition of CA&D significantly broadens Zentech's offering with CA&D's demonstrated expertise in circuit design and layout, systems-level design, machining and sheet metal, and complex cable assembly/wire harness manufacturing. **NATEL Engineering** (CA) acquired **OnCore Manufacturing** (CA) in a $275 million deal that will create an EMS company with revenues of about $770 million. The combined company will be one of North America's largest electronics manufacturing services companies, building high-reliability, low- to medium-volume, and high-mix electronic subassemblies and systems with strategic market focus on the medical, industrial, and aerospace and defense sectors. The new organization will have 13 manufacturing locations and approximately 3,750 employees.

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. Deals of this type increased through the first half of 2015. Nine capabilities deals took place in the first half of 2015 (see Chart 2) versus six deals of EMS operations in 2014.

It appears that more providers were interested in buying a competitor operation or customers than acquiring a manufacturing capability. During a period of weaker demand when growth is harder to come by, subsuming the revenue and customer base of a competitor can significantly increase the top and bottom lines. In contrast, capability deals may be less attractive when demand is soft if they don't add a significant amount of revenue, volume, or customer accretion.

EMS industry buyers acquired nine operations in Europe during the six-month period of 2015. **Elektrobit Technologies, Ltd.** (EB), a subsidiary of Elektrobit Corporation, has acquired 100 percent of the shares of **Birdstep Technology Oy**, which is a fully owned Finnish subsidiary of Birdstep Technology ASA, based in Norway. With this acquisition, EB will get Birdstep's SafeMove Solutions, which provide customers with information security solutions and seamless connectivity to the enterprise network by creating protected mobile data communications between the organizations' portable devices. **PKC Group** (Finland) bought the Wiring & Controls business of Polish **Groclin S.A.** The deal includes Kabel-Technik-Polska Sp. z o. o. (KTP), operating in Poland, which at the time of the closing will own the entire Wiring & Controls business of Groclin S.A. Group. This acquisition opens an opportunity for PKC Group to build a global rolling stock company serving rolling stock manufacturers wherever they are located. Stockholm-based **Larsson Finmekaniska AB** bought a mechanical business in Järfälla, Sweden from **Note AB** (Sweden). The sale of Note's mechanical production unit in Järfälla strengthens its focus in Sweden on electronics manufacturing, logistics, and final assembly of complete products (box build). Finnish contract manufacturer **Scanfil** acquired **PartnerTech** (Sweden) in a cash deal valuing all shares in its Swedish peer at 443 million Swedish crowns ($52.7 million), a 27 percent premium.





This transaction will provide both Scanfil and PartnerTech with the possibility of expanding operations and service offerings to the benefit of customers, investors, and employees. The combined company clearly will be the leading EMS company in the Nordic market, with a very comprehensive service portfolio and factory network and a strong global presence. Scanfil foresees several merits in combining the two companies and is looking forward to taking the new group to the next level. **NCAB Group** (Sweden), supplier of printed circuit boards, has acquired 100% of **Ulf Andersson Elektronik's** PCB Division (Sweden). German engineering company **Manz Automation Ag** acquired **KLEO Halbleitertechnik GmbH** (Germany), a ZEISS Group company. As part of a share deal, Manz acquires patents and copyrights for the technology developed by KLEO for laser direct imaging of printed circuit boards. Additionally, all 20 employees at the Tettnang location in southern Germany will be assumed. Luxembourg-based sensing specialist **IEE** has finalized its acquisition of **All Circuits**, a French EMS provider with plants in Europe and North Africa. All Circuits will benefit from IEE's design capabilities, as it will now be able to offer this expertise to its customers. It will also be closer to the German market and, with IEE's support, will have the opportunity to expand its footprint beyond the European border. Swedish EMS provider **Hanza Holding** has entered into an agreement regarding the acquisition of all outstanding shares in **Metalliset Oy**, a parent company in a manufacturing group with a turnover of roughly €40 million.

In the first half of 2015, Asian EMS companies made five acquisitions of competitor operations globally. **Flextronics** (Singapore) acquired **Mirror Controls International** (MCi) (Netherlands) from private equity firm Egeria. MCi is an excellent example of a highly strategic acquisition that will directly enhance Flextronics's automotive offering and benefit its overall capabilities platform while driving new offerings and differentiation across multiple industries. **Kulicke and Soffa Industries, Inc.** (Singapore) has acquired a 100% equity stake in **Assembléon B.V.** (Netherlands) in an all-cash transaction for $98 million. Assembléon's existing solutions and technological competencies present a very attractive strategic opportunity and will further extend Kulicke and Soffa Industries' ability to capitalize on the advanced packaging market. Engineering and operations solutions firm **Cyient, Ltd.** (India) acquired Mysore-based electronic manufacturing services (EMS) provider **Rangsons Electronics** (India) for an undisclosed sum. The all-cash transaction will strengthen the company's end-to-end capabilities in integrated engineering design and production and position Cyient strongly to expand into high-technology and high-value, design-led systems and solutions.

OEM divestitures fall into a third deal category. Having peaked in popularity over the last few years, they haven't disappeared yet. Two transactions of this kind closed in the first half 2015 when **Advanced Semiconductor Engineering, Inc.** (Taiwan) announced that its board of directors passed resolutions to spin off its subsidiary **Universal Scientific Industrial Co., Ltd.** (USI) as part of an effort to enhance operational flexibility via structural adjustments. **Alcatel-Lucent** (France) completed the transfer to **Flextronics** of assets including manufacturing, real estate, and support and service activities related to optical transport equipment at the Alcatel-Lucent plant in Trieste, Italy. Flextronics will take responsibility for new product introduction, manufacturing, integration, and repair services of Alcatel-Lucent optical equipment at the site. Alcatel-Lucent and Flextronics have also signed a five-year, renewable contract for the supply of optical products.

Of the 19 transactions closed in the first half, six acquisitions were made by US-based companies; eight transactions were done by EMEA (Europe/Middle East/Africa) companies; and five acquisitions were made by Asian companies (Chart 5). The number of deals completed by Asian and EMEA companies increased in 2015 compared with the first half of 2014.

Buyers with sales of less than $200 million accounted for 47 percent of transactions successfully completed during the first six months of 2015. Acquirers with sales of $200 million to

$5 billion contributed 32 percent of first-half deals versus 44 percent a year earlier, while tier-one providers, whose sales exceed $5 billion, were responsible for approximately 21 percent of all deals (Chart 6).

M&A activity appears to be growing as the EMS industry matures and consolidates. Most opportunities exist in the low-tier sector and involve strategic business or geographic captures or obtaining service capabilities. This is not to say that significant outsourcing deals will not come forth over the next few years, as large Asian OEMs (the ones most resistant to subcontracting) will be driven by the positive economics of EMS manufacturing. Over the last few years, these companies have increasingly engaged in outsourcing. Examples of Asian OEMs engaging EMS firms include Samsung (3CEMS, Global Brands), Sony (Compal, Delta Electronics, Foxconn, Gigatek), Quanta Computer (Sanmina-SCI), Toshiba (Celestica, Compal), and LG (3CEMS, AmTRANS, Beyonics, SIIX, SMTH).

Publisher's note: First-half 2015 statistics published here should be treated as preliminary. It is possible that *MMI* will discover additional first-half transactions after this issue 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.

A Look at the US-Traded EMS Players

The second quarter for the US-traded EMS players turned out to be somewhat negative. This worse-than-expected performance reflects the fact that all of the providers in the US-traded group achieved sales that were lower than previously provided estimates.

Q2 sales for the group of six amounted to $14.2 billion, which decreased by 1 percent in comparison to the previous quarter. Five companies grew their Q2 sales from the prior quarter, led by Celestica with an impressive 9.2% gain. Close behind were Benchmark Electronics and Plexus with increases of 6.9% and 2.8%, respectively. Flextronics was the only company where sales growth declined, by 6.5%.

Five out of six providers follow GAAP accounting rules, while the sixth, Celestica, adheres to IFRS reporting standards.

For the five GAAP companies, Plexus reported the highest gross margin of 8.8%; close behind were Jabil Circuit with 8.5%, Benchmark Electronics with 8.4%, Sanmina with 7.8%, and Flextronics with 6.2%.

Plexus produced the highest operating EBIT margin at 4.5%. Benchmark Electronics reported second highest margin of 4.1%. As for the lone IFRS reporting company, Celestica, its IFRS operating margin was up 2.1% sequentially year over year (Table 1, p. 5).

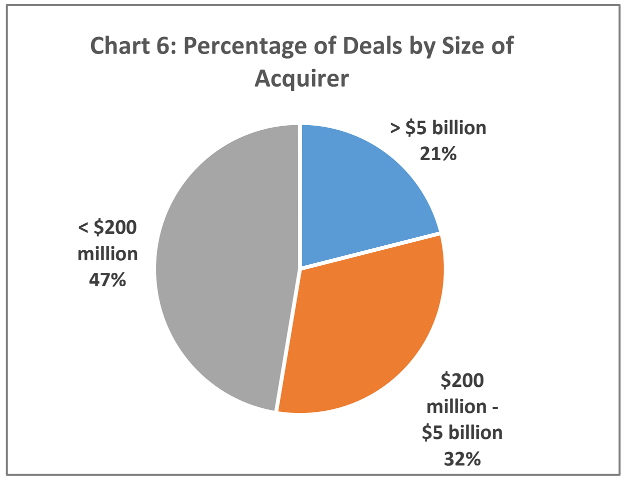
Flextronics reported the highest net income of $110.9 million in Q2 and Jabil Circuit came next at $70.5 million. Plexus reported the highest net margin of 3.6%; Benchmark Electronics was second highest at 3.2%.

Some Quarterly Results

Jabil Circuit (JBL). For the third quarter of 2015, JBL reported softer than expected results of $4.36 billion. Revenues were up 15% y-o-y and 1% q-o-q. Operating margins were in line with expectation at 3.7% in the May quarter (down 20 basis points q-o-q) and JBL saw $90 million of free cash flow. EMS segment revenues were $2.8 billion, while the Diversified Manufacturing Services (DMS) segment's (AAPL-centric) sales came in at $1.7 billion.

On a segment basis, DMS operating margins were 4.0% (down –260 basis points q-o-q) and EMS margins were 3.5% (up +140 basis points q-o-q). Finally, it is noted that EMS revenue missed the company's guidance by ~$70 million, possibly due to softness in enterprise and infrastructure.

DMS was up +41.0% y-o-y (versus previous guidance calling for +42% y-o-y performance); in our view, this was



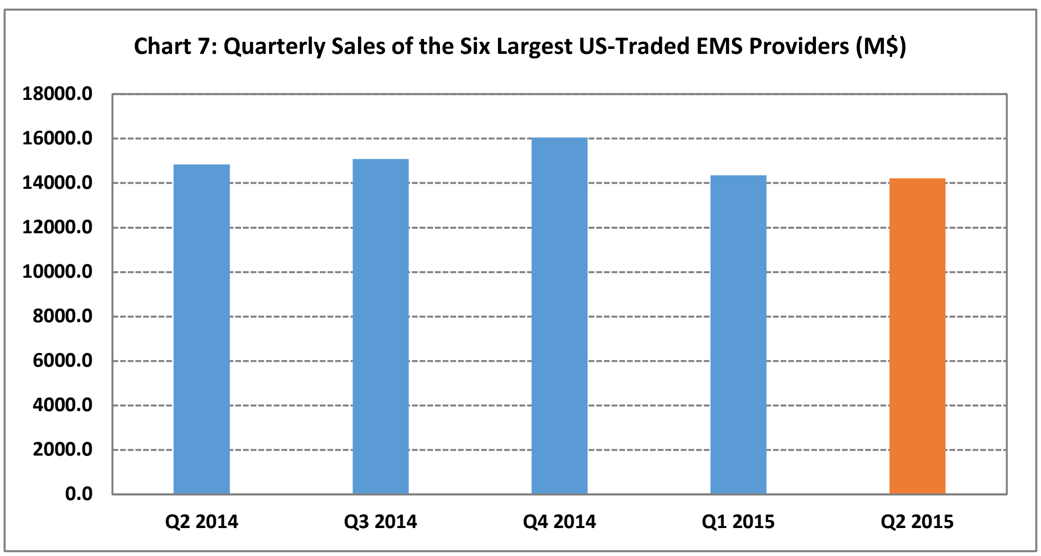


Table 1: Q2 and Q1 2015 Results for the Six Largest US-Traded EMS Providers (M US$ or %)									
Company	Q2 '15 Sales	Q1 '15 Sales	Q2 '15 Sales Growth	Q3 Sales midpoint Est.	Q3 EPS midpoint Est. $	Q2 '15 Gross Margin	Q2 '15 Op. EBIT Margin	Q2 '15 Net Income	Q2 '15 Net Margin
Flextronics	5,566	5,952	(6.5%)	5759	0.20	6.19%	2.49%	110.9	1.99%
Jabil Circuit	4,359	4,309	1.1%	4334	0.33	8.49%	3.13%	70.5	1.66%
Sanmina	1,539	1,528	0.8%	1533	0.22	7.81%	3.01%	24.5	1.59%
Celestica	1,417	1,299	9.2%	1358	0.13	6.70%	2.14%	24.2	1.71%
Benchmark Electronics	664	621	6.9%	642	0.33	8.39%	4.08%	21.2	3.19%
Plexus	670	651	2.8%	660	0.68	8.82%	4.48%	23.8	3.55%
Total/avg.	14,215	14,359	(1.0%)	14,287				275.1	

Q3 estimates equal midpoint of Q3 guidance. Adjusted EPS may not be comparable from company to company.

likely driven by continued strength at Apple (AAPL). Notably, DMS margins were 4.0%, down 260 basis points q-o-q. The sequential decline was a negative in the quarter; however, management indicated that it was due to upcoming ramps, perhaps for increased AAPL concentration (likely ~25%).

Electronic Manufacturing Services (EMS) segment revenues were up +4.0% y-o-y, which was below previous expectations of +7% y-o-y growth. The ~$70 million shortage was driven by softness in enterprise and infrastructure, particularly in Asia. Positively, operating margins came in at 3.5%, up 140 basis points q-o-q.

JBL provided an August quarter guidance of $4.45–4.65 billion/$0.40–0.50 revenue/EPS, below consensus of $4.75B/$0.47. From a segment standpoint, the company is calling for $1.725 billion (+35% y-o-y) in revenue from DMS and $2.800 billion (+1.5% y-o-y) from EMS. The company tightened its full-year FY15 guide from $17.5–18.5 billion and $1.85–2.15 (~$7 billion in DMS and ~$11 billion in EMS) to $17.7–17.9 billion and $1.95–2.05 (~$7 billion in DMS and ~$10.8 billion in EMS). Finally, the company expects CAPEX of $890–930 million, or $140–180 million above the high end of its prior $650–750 million range for FY15.

Positives: Despite weakness in the enterprise and infrastructure sub-segments, EMS margins were strong, driven by continued growth in industrials and a favorable mix. Management also had a positive outlook for growth prospects in FY16, driven by new wins and an improvement in demand in EMS. Management also sees continued margin leverage, suggesting EPS growth of "at least" 20% in FY16.

Negatives: Results were a bit soft and guidance was lower than expected. Margins continue to be under pressure, in both segments, driven by new program ramps and investments in new capacity in China.

Benchmark Electronics, Inc. (BHE). BHE reported Q2 results with revenue at $664 million/$0.42 EPS. From an end-market perspective the June quarter saw the following y-o-y trends: Telecom –14%, Medical Devices +11%, Industrial Controls –5%, Computing –7%, and Test and Instrumentation –17%. Notably, the company booked 42 new business wins, including 13 engineering projects that should generate an estimated annual revenue run rate of $110–130 million. Finally, gross and operating margins came in at 8.4% (+10 basis points q-o-q) and 4.2% (+40 basis points q-o-q).

Computing (20% of sales, –7% y-o-y): The segment saw year-over-year declines and Benchmark believes softness was likely due to less business from a larger customer (IBM, historically a 10%+ customer). Management noted that the segment should be down mid-singles q-o-q next quarter (overall Computing to decline for the full year).

Industrial Controls (30% of sales, –5% y-o-y): The segment was down 5% on a y-o-y basis but management believes the segment is continuing to benefit from program ramps. Notably, management anticipates that this segment should be up mid-singles q-o-q in September.

Telecom (27% of sales, –14% y-o-y): The segment was down 14% y-o-y (A&D strength was offset by weakness in energy markets; Telecom reporting constrained spending from customers) and is expected to decline for the full year. Notably, the company expects to see the segment decline low double digits in the September quarter.

Medical Devices (14% of sales, +11% y-o-y): The segment continues to grow on a y-o-y basis (+11%) and should see sequential growth in the future and as program ramps continue. Management guided this segment up mid-single digits on a sequential basis for the September quarter.

Test and Instrumentation (9% of sales, –17% y-o-y): The segment was down 17% on a y-o-y basis. Looking forward, the company believes this segment should be up mid-single digits q-o-q in September (double-digit growth for the full year, excluding the impact of a bankruptcy in 2014, a $27 million impact).

Benchmark guided 3Q2015 revenue to $635–665 million and diluted earnings per share to $0.38–$0.42 (excluding restructuring charges). On a segment basis the company offered sequential guidance as follows: 1) Industrial Controls to be up mid-single digits (FY15 growth); 2) Medical Devices to be up mid-singles (FY15 growth); 3) Test and Instrumentation to be up mid-single digits (FY15 flat); 4) Telecom to be down low double digits (FY15 to be down); and 5) Computing to be down mid-singles (FY15 to decline). From a margin perspective, the company noted that Q2 should see operating margins of 4.0% at the midpoint (3.8–4.2%).

Sanmina Corp. (SANM). SANM reported an upside in 3Q2015 with results of $1.54 billion/$0.53 EPS. Notably, operating margins came in at 3.8%, due to strong performance from its integrated solutions segment. Finally, the 20 basis point increase in operating expenses as a percentage of revenue was due to higher accruals from incentive compensation plans.

End-market overview: 1) Communications Networks: This segment was down 2.9% q-o-q (–14.8% y-o-y); 2) Industrial/Medical/Defense: Up 3.2% q-o-q (+7.6% y-o-y); and 3) Computing and Storage: Up 2.9% q-o-q (–2.6% y-o-y). Finally, from a customer perspective, SANM noted that its top 10 customers represented 47.7% of total revenue.

Sanmina reported a solid June quarter; however, the quarter guidance includes ~$25–50 million in incremental revenue due to a 14th week in the quarter.

Sanmina guided the September quarter to $1.55–1.65 billion/$0.52–0.58 EPS, which was ahead of Street expectations of $1.57 billion/$0.53. On an end-market basis, the company expects the following: 1) Communications Networks to be up sequentially, driven by the networking and optical segments; 2) Industrial/Medical/Defense to grow q-o-q, with weakness from O&G; and 3) Computing and Storage to be flat on a sequential basis with strength in auto and weakness in set-top boxes (~10% of computing revenue).

Fabrinet (FN). FN reported 3Q15 sales of $189.5 million and EPS of $0.36. Gross margins including options increased 20 basis points q-o-q to 11.4% on higher sales. Operating margins ex-options of 7.4% were also above expectations but declined 70 basis points q-o-q on higher SG&A due to the new West Coast facility.

Upside in the quarter came from stronger results in Optical, while Non-Optical sales were modestly below management's expectations.

FN expects 4Q15 EPS of $0.37–0.39 on revenues of $195–199 million. The company will recognize the remaining ~$4.6 million consignment revenue from FY14 in 4Q15. The company expects to ship products from the Santa Clara facility this quarter. The company remains confident that on revenues of $195–200 million it can generate gross margins of approximately 12–12.5%.

Company News

HP Closes Plant in St. Petersburg

Hewlett-Packard (Palo Alto, CA) has liquidated its plant near St. Petersburg, Russia, reports *Prime*. The plant assembling PCs was based in the village of Shushary. It was founded as a joint venture with Taiwan's **Foxconn** in April 2010. Production was stopped at the plant in mid-2014 and transferred to the Czech Republic. HP and Foxconn invested $50 million in the plant, which was closed due to high production costs.

Tekmart to Auction Used Foxconn Equipment

Tekmart International, Inc. (San Diego, CA) has purchased the excess injection molding assets of a Foxconn facility located in Komaron, Hungary, and plans to auction the equipment.

Foxconn is in the process of rationalizing the assets, according to Nigel Thomas, director of business development at Toronto-based Tekmart. Tekmart may keep some of the equipment for its contract manufacturing arm, and auction off other equipment.

Tekmart buys and sells high-technology capital assets from many global original equipment manufacturers. It also has a contract manufacturing arm run by its subsidiary, Tekmart Integrated Manufacturing Services. The company has facilities in Mexico and Brazil.

The Foxconn assets include 15 Milacron Roboshot machines ranging from 100 to 150 tons of clamping force, a KraussMaffei 110 hydraulic machine, a 6.32-ton Alba Babyplast press, and a Battenfeld 100-ton machine. They also include Fanuc and Wittmann robots, material dryers, ultrasonic welding machines, and other equipment. Most of the machinery dates from 2003 to 2005.

Wistron May be Moving Notebook Production Out of Kunshan Plants

According to *DigiTimes*, **Wistron** (Taiwan) is planning to stop its notebook production in Kunshan, China and will move all its production capacity to plants in Chongqing and Chengdu in inland China. The company has responded by saying it has not yet shut down notebook production at its Kunshan plants and will make a decision based on clients' demands and will continue to make adjustments to achieve better efficiency.

Because of the weakening global notebook market, vendors are gradually shifting their orders to the top two ODMs, while smaller ODMs are facing strong pressure over costs, prompting them to integrate capacity to improve production efficiency.

Wistron's plants in Chongqing, China are mainly for fulfilling orders from **Hewlett-Packard** (HP) and **Acer**, while its plants in Chengdu are responsible for orders from **Dell** and **Lenovo**.

Wistron is rumored to have been talking with its clients, looking to shift all its notebook production to plants in inland China because those plants are currently seeing low utilization rates and the ODM will also be able to save some management costs. In addition, one of Wistron's major clients, Lenovo, has been shifting orders away from Wistron to the vendor's joint venture with **Compal Electronics**, prompting Wistron to take actions to improve its production efficiency.

Currently, Wistron's Chongqing plants contribute 60–65% of the company's notebook shipments, the Chengdu plants 30–35% and the Kunshan plants less than 10%. The Kunshan plants are mainly handling production of mobile devices.

Taiwan Handset ODMs Land Orders from Regional Brands in China, India, and Southeast Asia

Taiwan-based handset ODMs, including **Foxconn Electronics/FIH Mobile**, **Compal Electronics,** and **Arima Communications**, reportedly have landed orders from regional brands in China, India, and southeast Asia, according to industry sources.

The orders from regional brands will help Taiwan-based ODMs reduce their reliance on orders from top-tier international brands, while adding more pressure on rivals in China for competing orders in emerging markets, said the sources.

However, most ODMs declined to comment on orders from regional brands, citing client confidentiality.

Taiwan-based ODMs have adopted a business model that is similar to that of white-box handset makers in China, which requires competitiveness and flexibility in the purchase of parts and components, product developments, production, and inventory controls, the sources noted.

Keysight Technologies Completes Acquisition of Anite

Keysight Technologies (Santa Rosa, CA) announced that it has completed the acquisition of **Anite** (UK).

Keysight paid approximately $600 million in cash for Anite—a supplier of software solutions for wireless research and development—in a deal that supports Keysight's strategy to grow in the wireless market and expand its software offerings.

The acquisition of Anite strengthens Keysight's wireless portfolio and helps to expand its software offerings as it transitions to being a software-oriented solutions company.

Foxconn to Invest $5 Billion in Giant Factory

The world's largest EMS provider, **Foxconn**, signed a deal with Indian region Maharashtra for a giant investment in a new factory.

Foxconn will invest some $5 billion over five years on a new electronics manufacturing facility, several newspapers report.

The Huffington Post writes that Foxconn founder Terry Gou did not specify what would be manufactured in the facility but that the company will be looking for local partners in the country.

The facility in India has been seen by many analysts as a way for Foxconn to move away from the rapidly increasing wages in China, where Foxconn is manufacturing a wide range of electronics products for different prominent companies.

According to *The Huffington Post*, Chief Minister Fadnavis said that the new Foxconn plant would generate employment for about 50,000 people.

Sony Mobile Looking to Outsource Wearables

Sony Mobile Communications (Japan) is reportedly negotiating with Taiwan-based ODMs regarding the manufacturing of its smart wearable devices.

The devices include both smart watches and smart bands, according to a report in *DigiTimes* citing sources at local ODMs.

The sources indicated that the company is likely to outsource its entry-level Smart Band series.

Pascal Keller Leaves Cicor Group; AMS Division Under New Lead

Cicor's (Switzerland) Pascal Keller, Division Head of Advanced Microelectronics & Substrates (AMS), is leaving the company to pursue a new professional opportunity. Management of the AMS Division will be taken over by Jürgen Steinbichler, the new Executive Vice President of the AMS Division. He began this role on August 7, 2015. In this role he will also be a member of Group Management.

Jürgen Steinbichler brings with him technical expertise in the area of semiconductors and the electronics industry, as well as many years of business and management experience from positions he held in international companies such as **Siemens**, **ESEC**, **Dyconex,** and **Tecan**.

Elatec Opens Factory in Bosnia

The Elatec Group (Germany) has opened a new factory in Gračanica, Bosnia and Herzegovina.

The Group's Card Solutions and Radio-Frequency Identification (RFID) Systems departments are serving in the capacity of manufacturers and **ELCO** is acting as distributor. Elatec's new facility of more than 1,600 m² produces SIM cards and packaging as well as RFID chips. The factory has an annual capacity of two million SIM cards.

Sharp Quits US Market

Struggling Japanese electronics company **Sharp** (Japan) is to exit the US market. It is selling its Mexican production facility to Chinese rival **Hisense**, which has bought the factory and gets the rights to sell output into the US (and South America) under the Sharp brand name. Hisense is paying Sharp $23.7 million for the assets.

Sharp had already licensed its European business to **Universal Media Corp** (UMC) of Slovakia as of September 2014, which covers all of Sharp's audio and video businesses in Europe, including 100 percent of Sharp Manufacturing Poland.

ESCATEC Appoints New General Manager in Malaysia

ESCATEC (Malaysia) has appointed Daniel Moersdorf as General Manager for two of its EMS manufacturing facilities in Malaysia, where he will be responsible for over 600 staff.

Mr. Moersdorf has a Masters in Business Administration from the University of Michigan and worked with ThyssenKrupp Elevators for the past six years in senior-level roles in management, sales, and manufacturing.

In a previous edition of the August newsletter, we reported that ESCATEC had fully recovered from a fire last year's In its facility. The actual company quoted with the firs was SVI, not ESCATEC. We apologize for this oversight.

DRS Technologies Awarded Naval Communication, Missile Launch Tech Contracts

DRS Technologies (Parsippany-Troy

Hills, NJ) has announced three contracts the company was awarded to provide digital combat, network communication, and missile-launching systems to the US Navy.

One contract has a $96 million ceiling value over five years and covers work to produce, integrate, and deploy the Common Display System Technology Insertion-12 for surface vessels.

DRS also received a $48 million subcontract to deliver power supply and launch control units for the MK41 Vertical Launching System that **Lockheed Martin** is building for the Navy.

Ultra Electronics and Sparton Corporation Joint Venture Awarded $16.1 Million in Foreign Sales Contracts

Ultra Electronics USSI, a subsidiary of Ultra Electronics Holdings plc (England) and **Sparton Corporation** (Schaumburg IL), announced the award of subcontracts valued at $16.1 million from their ERAPSCO/SonobuoyTech Systems joint venture.

ERAPSCO/SonobuoyTech Systems will provide manufacturing subcontracts in the amount of $6.9 million to Ultra Electronics USSI and $9.2 million to Sparton De Leon Springs LLC. Production will take place at Ultra Electronics USSI's Columbia City, IN facility and Sparton's De Leon Springs, FL facility.

Taiwan Electronic Manufacturing Cluster at Bengaluru

The government of Karnataka is creating a Taiwanese electronic manufacturing cluster near the airport, with an investment expectation of $500 million (Rs 3,200 crore).

It has signed an agreement with the Taiwan Electrical and Electronic Manufacturers Association, a group that represents more than 3,000 companies. Among these are **Getac Technology Corp.**, maker of handheld devices and laptops for industrial and military use, **MobileTron,** which makes automotive electronics, and **Waffer Technology**, a maker of components and systems for laptops and smart phones. India has been courting Taiwanese investments, with top bureaucrats leading delegations over the past year. While Karnataka has lost out to Andhra and Maharashtra on investments from **Foxconn**, the world's largest electronics manufacturing services provider, both Karnatakan and Taiwanese officials say the investment opportunity from other firms is huge.

Looking to Sell BB Electronics

The Danish EMS Group **BB Electronics** is about to be sold. Sources claim that the private equity fund **Axcel** wants to find a new owner for the business.

In the last three years the deficit for BB Electronics has been some DKK 50 million (€6.7 million), the Danish newspaper *Jyllands-Posten* writes.

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