

# Manufacturing Market <sup>TM</sup>

# INSIDER

inside the contract manufacturing industry

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## Worldwide Contract Manufacturing Review

The worldwide contract manufacturing (CM) industry stayed essentially flat in 2014, reporting slightly less total revenue than in 2013. Over the last five years, the CM market has grown at 10.1 percent CAGR, which is a healthy rate by any standard. Figure 1 summarizes CM market growth from 2009 to 2014 in terms of US revenue.

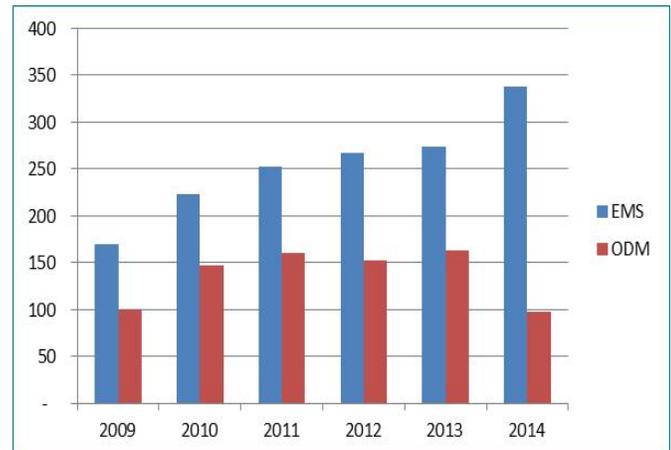
The CM market was sustained by the strong demand for smart phones, which resulted in an increase in assembly revenue of \$5.4 billion in 2014. Orders for tablets were strong and for notebooks weak (yet positive), while demand for desktop computers was negative. Regardless, the computer industry gained \$1.3 billion in assembly revenue in 2014. Nearly all of the high-mix/high-complexity products (medical, industrial, transportation) experienced positive growth, although defense/military suffered a decline resulting from budget constraints. The biggest loser was the consumer electronics industry, which experienced a \$7.4 billion decline, mainly resulting from a downturn in demand for digital television assembly.

For the fifth year in a row, the industry was profitable at \$8.9 billion, nearly matching last year's record of \$9.5 billion among public CM companies. Foxconn accounted for more than half of all the money made by the EMS industry in 2014, although the ODMs showed better earning

performance overall. Five EMS companies lost money in 2014 but only three ODM firms did so—and with mostly minor losses. Jabil Circuit, despite the significant downturn in revenue in 2014 (primarily from the loss of Blackberry as a customer), still managed to turn out a strong profit.

Plant closures and openings were quite extensive in 2014 as companies were either consolidating or expanding. The specific closures or openings are discussed on a country-by-country basis later in this article, but overall there were 31 closures compared with 49 new openings. The openings are clearly related to new business opportunities, while the closures are being driven by economic decisions.

Figure 1: The Worldwide CM Market (\$B), 2009–2014



Because of the change in business model whereby certain ODMs in 2014 were reclassified as EMS companies, we cannot analyze the previous year's forecast for 2014. We can examine the combined EMS and ODM forecasts (or CM) and compare it to the current results. We had projected growth in CM revenue of only 1.1 percent from 2013 to 2014, but the market performed so poorly that even this low number was too high. The actual market growth in CM revenue was -0.5 percent from 2013 to 2014.

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## Worldwide Electronics Market Forecast

Figure 2 summarizes the worldwide assembly market for all electronics products for 2014 by cost element. The greatest cost comes from labor and overhead, followed closely by semiconductor components, and then more distantly by bare boards, connectors, and discrete electronics that are manufactured by PCBA. The box assembly involves systems integration, functional test, and final box assembly. All these elements in electronics product assembly accounted for approximately \$1.4 trillion in total revenue.

Figure 3 presents the worldwide electronics assembly forecast for 2014 to 2019 by market segment. The overall market demand for electronics products should remain stable throughout the forecast period as a result of continuous innovation throughout a variety of market segments. MMI expects overall market growth to be steady over the next five years, barring a possible downturn in the election year of 2016.

Communications and computer products will continue to be the leading segments driving the largest growth in the electronics industry. In 2019, the total industry is expected to reach \$1.9 trillion in annual assembly value (COGS), as consumption and replacement of electronics products continue, and new products fuel demand. Outsourcing has become a critical element in keeping the electronics industry expanding and driving costs to the margin each year—a leading factor in stimulating consumer demand. The trend to move price-sensitive manufacturing to low-cost regions will impact the industry for all suppliers in the foreseeable future.

## Regional Market Share

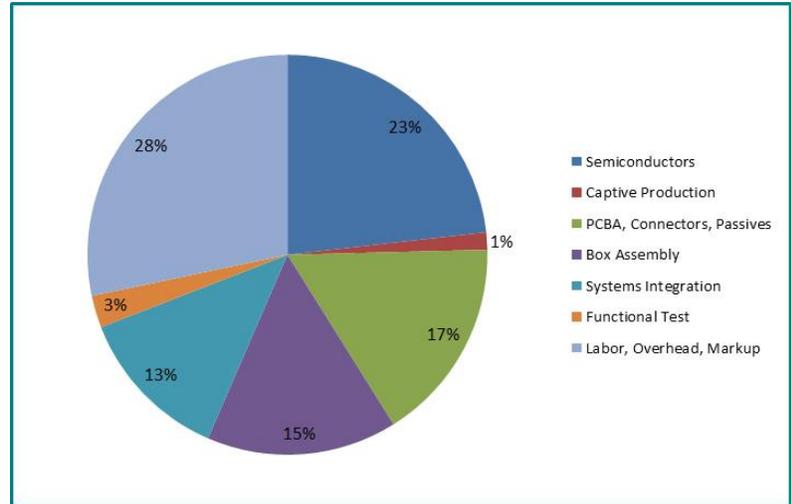
Figure 4 compares the worldwide CM market by region for 2014 and 2019. The shift in production to low-cost regions has been largely accomplished, although the migration will continue, albeit slowly. Today, we are seeing OEM customers insisting that their CM partners manufacture products near the regions where the products are to be sold. For certain high-volume products like mobile phones and PCs, OEMs need to leverage the lowest cost in manufacturing; however,

labor cost differentials are becoming less significant when weighed against the total cost of production (such as transportation and logistical challenges). Offshore product migration will still continue to take place, but it will be at a more subdued pace.

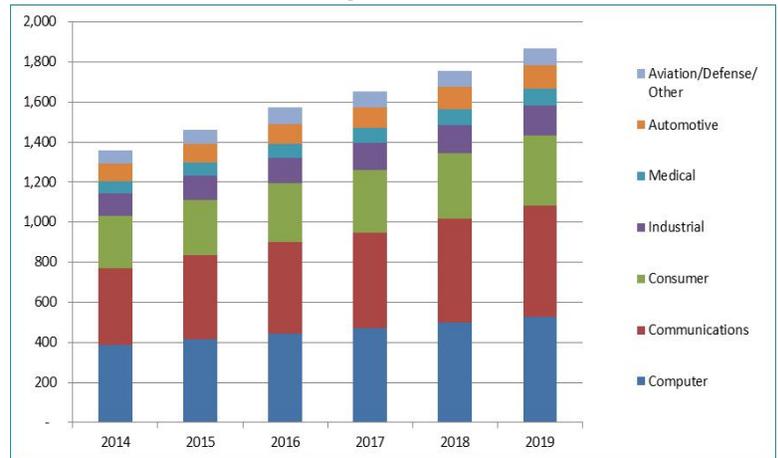
## Application Market Share

Figure 5 compares the worldwide CM market by industry segment for 2014 and 2019. Both EMS firms and ODMs will experience the strongest growth from production in the communications and computer market segments. Specifically, EMS companies will find very strong growth in tablets, e-readers, cellular handsets, monitors, video console games, and set-top boxes, while ODMs are projected to experience very strong growth in tablets, e-readers, cellular handsets, monitors, and carrier-class equipment. In general, EMS firms will tend to

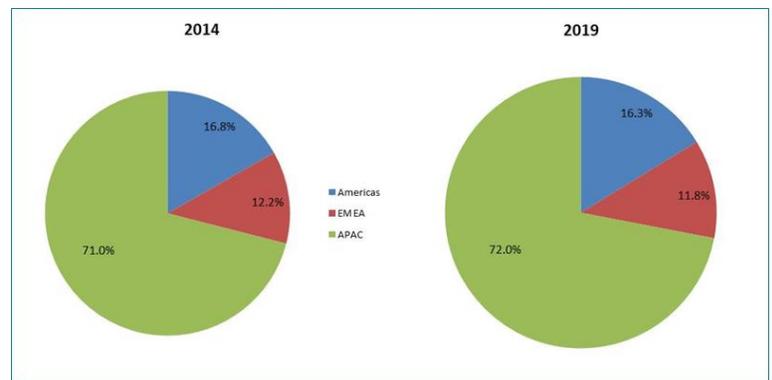
**Figure 2: The Worldwide Market for Electronics Assembly by Cost Element (\$1.4T), 2014**



**Figure 3: The Worldwide Market for Electronics Products by Market Segment (\$B), 2014**



**Figure 4: The Worldwide Market for Electronics Products by Region, 2014 and 2019**



This market overview of MMI's analysis 2014 was extracted from NVR's recently published annual report, *The Worldwide Electronics Manufacturing Services Market – 2015 Edition*. More complete information can be seen at <http://www.newventureresearch.com>.

excel in technology-intensive product areas and complex board assemblies. ODMs excel in manufacturing commodity/high-volume products such as motherboards, monitors, handhelds, and consumer electronics.

## CM Market Share

Table 1 ranks the top ten overall CM companies by revenue for 2014. Foxconn continued its extraordinary dominance as the leading EMS firm in the industry, outdistancing its closest contender by more than four times. Flextronics was displaced from the number-two position by Pegatron, dropping into third place. The remaining leaders are comprised of four ODMs and three EMS firms.

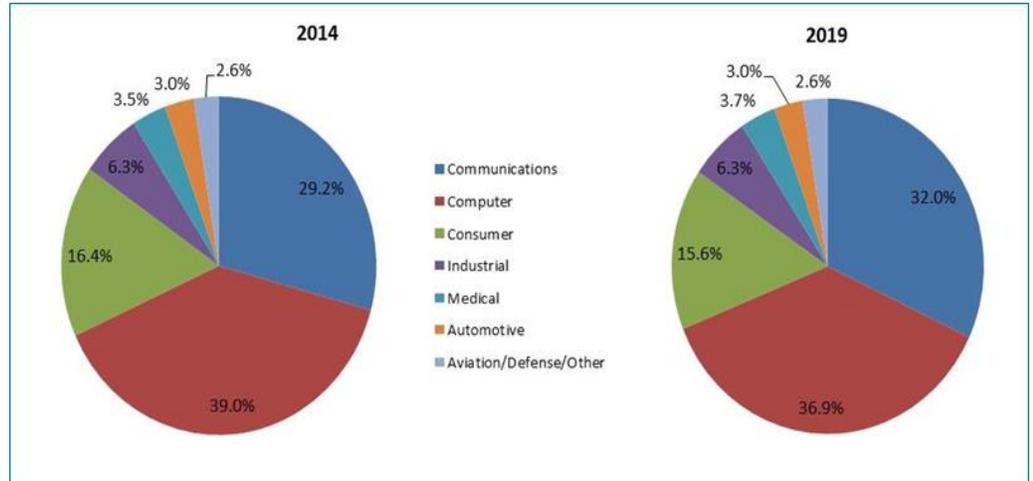
## Some Quarterly Results

**Celestica (CLS)** reported Q2 revenue of \$1.42 billion and EPS of \$0.23. We do not anticipate much change in Celestica's current revenue trend as weakness in carrier spending continues to negatively impact the communications space. The non-recurring asset relocation in the solar business is expected to negatively impact diversified segment revenue in the quarter. The company expects the impact on EPS to be somewhat offset by the completion of the significant issuer bid (SIB) in the quarter, but EPS is still expected to decline \$0.02 y-o-y to \$0.23. Celestica is expected to end the quarter with \$182 million in net cash, down \$387 million, largely due to the SIB.

Regarding business segments, the communications segment is expecting Q2 to show sequential improvements on new product launches and an improving spending environment. **Cisco's** latest generation switching platform continues to show solid momentum and the company continues to see growth in its routing platform, especially at the high end. Cisco continues to expect weakness in service provider spending, but the company believes it will offset this weakness by gaining market share.

In storage, y-o-y growth is expected to continue due to the stable demand environment and joint design manufacturing (JDM).

**Figure 5: The Worldwide CM Market by Industry Segment, 2014 and 2019**



**Table 1: Top Ten CM Companies' Market Share, 2014**

Company	Rev. (\$M)	Market Share
Foxconn (Hon Hai)	139,032	31.9%
Pegatron	30,506	7.0%
Flextronics	24,980	5.7%
Wistron	19,550	4.5%
Jabil Circuit	15,969	3.7%
Quanta Computer	15,286	3.5%
Compal Electronics	13,956	3.2%
Inventec	7,188	1.6%
TPV Technology	6,238	1.4%
Sanmina-SCI	5,870	1.3%
Others	157,935	36.2%
<b>World Total</b>	<b>436,510</b>	<b>100%</b>

**EMC** has been delivering 3% constant currency revenue growth y-o-y from its storage business despite a tough environment. In the server segment, after very strong Q1 growth, expect the momentum to slow in Q2 as demand growth normalizes for **IBM's** latest mainframe line. Similarly, **Oracle's** high-end hardware business continues to perform well and helped drive 3% constant currency growth y-o-y.

The diversified segment was impacted by the energy business; semiconductor capital equipment (semi-cap) is expected to continue growing. On its last earnings call Celestica indicated that despite the expectation for continued strength in the semi-cap business, it expected the transition of its solar business from North America to Asia to weigh on the diversified business. This should be a one-off event and the diversified segment should eventually benefit from the purchase of certain **Honeywell** assets in the quarter.

Q3 revenue guidance of \$1.49 billion and EPS guidance of \$0.29 is anticipated. Overall, four of the five segments should show y-o-y growth in the quarter. Improved profitability, due to the ramping of the Honeywell asset purchase and the energy business relocation, in conjunction with a lower share count, should help to drive EPS growth of \$0.03 y-o-y and \$0.06 q-o-q.

**Plexus (PLXS)** announced financial results for its fiscal third quarter ended July 4, 2015, with revenue of \$670 million and non-GAAP EPS of \$0.69, results largely in line with its preannounced range. Of its four business segments, three missed expectations (Networking, Healthcare, and Defense/Security/Aerospace), while the Industrial segment modestly beat expectations. Operating margins declined 20 basis points q-o-q to 4.3%, due to lower fixed-cost absorption driven by lower-than-expected revenue during the quarter. For 4Q15, management guided sales to \$650–680 million and EPS to \$0.64–\$0.72, below consensus at \$690 million/\$0.76.

The Networking segment underperformed as two of the

company's top 10 customers were below forecasts and several customers experienced weakness late in the quarter. Networking visibility remains limited and weakness is expected to continue into Q4 with the segment expected to be down in the high teens q-o-q. In addition, a production process constraint in one of Plexus's Aerospace factories hurt sales and had a 20-basis-point negative impact on operating margins, although this issue is being resolved.

Plexus's fiscal third-quarter cash cycle was 62 days. The company delivered \$15 million in cash from operations and used \$10 million for capital investment during the quarter, resulting in positive free cash flow of \$5 million. Top 10 customers comprised 57% of revenue during the quarter, up two percentage points from the previous quarter.

Within the EMS industry, Plexus is one of the few companies maintaining the highest levels of operating margins. The company has also maintained above-industry growth rates, with a 14-year revenue CAGR of 9% from FY00 through FY14. Management has recently operated well through a significant customer disengagement and is expanding its manufacturing footprint to support new business. These changes have put pressure on margins, but management has done a good job of returning margins to within target ranges over the past few quarters.

**Flextronics (FLEX)** reported 1Q 2016 revenue of \$5.6 billion and EPS of \$0.23. 1Q2016 revenue came in below consensus, while EPS and forward guidance was largely in line. Weaker demand trends in Integrated Network Solutions (INS) and the Consumer Technology Group (CTG) drove the revenue miss. In-line EPS was supported by a mix shift to higher-margin businesses and strong cost management.

Sales declined 16% y-o-y, primarily due to weakness in the INS (–19% y-o-y) and CTG (–30% y-o-y) segments. Operating margins were 2.9%, down 10 basis points q-o-q, on negative revenue leverage, which offset the benefits of a mix-shift to higher margin segments, improved operational efficiencies, and a

lower tax rate.

Flextronics continues to do a good job on margins and cost management, but both INS and CTG performed significantly below expectations this quarter, which is concerning as these segments, combined, drive the majority of its revenue (> 60%). INS saw softness in wireless, networking, servers, and storage, while CTG again saw lower-than-expected smart phone demand (**Lenovo/Motorola Mobility**). In INS, management is confident about future growth in the segment, expecting high-single-digit growth q-o-q in 2Q16 driven by 4 to 5 multihundred-million-dollar wins (with one being the recent \$200 million **Alcatel-Lucent** deal). However, one should remain cautious of this outlook, given the volatility of new program ramps and overall market weakness in these core segments.

For the second quarter ending September 25, 2015, revenue is expected to be in the range of \$5.9 billion to \$6.5 billion and adjusted EPS is expected to be in the range of \$0.22 to \$0.28 per diluted share.

## *Company News*

### **Alcatel-Lucent Transfers Optical Manufacturing Site to Flextronics**

**Alcatel-Lucent** (Boulogne-Billancourt, France) has completed the transfer of its optical transport manufacturing activities in Trieste, Italy, to Singapore's **Flextronics**.

Flextronics will take responsibility for new product introduction, manufacturing, and integration, as well as 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.

Flextronics has a long-standing relationship with Alcatel-Lucent, which is on track to be acquired by Nokia in 2016.

The asset transfer to Flextronics includes manufacturing, real estate, and support and service activities related to optical transport equipment at the Alcatel-Lucent plant in Trieste, Italy. Employees and temporary workers

currently on staff at the site have been transferred as well.

## PartnerTech Files for Delisting, Scanfil Initiates Compulsory Acquisition Proceedings

On June 25, 2015, **Scanfil Oyj** announced that its public takeover offer to the shareholders in **PartnerTech AB** was declared unconditional and completed.

Scanfil holds over 90% of shares and votes in PartnerTech and had resolved to initiate a compulsory acquisition regarding the remaining shares in the company.

In light of the above, PartnerTech's board of directors does not consider it reasonable for the company to remain a listed company, and has therefore decided to apply for delisting of the PartnerTech share from NASDAQ Stockholm.

## Drop in Foundry Sales Sends a Warning Signal

For the first time in more than three years, the world's two biggest foundries have posted negative monthly revenue figures at the same time.

**Taiwan Semiconductor Manufacturing Co. (TSMC)**, the world's largest chip foundry, said its revenue in June this year dropped by 0.6% compared with the same month a year ago. That's the first time since January 2012 that the company has recorded negative sales growth.

TSMC's next-door neighbor, **United Microelectronics Corp. (UMC)**, said its June revenue fell by 2.8% from the same period a year ago. TSMC and UMC together account for more than 60% of the world's foundry production and thus are key bellwethers of global economic health. During the first five months of 2015, both companies recorded sliding sales growth, capped off by the negative numbers in June, the most recent month for which the companies have reported sales figures.

To be sure, the declines in sales so far are small. Yet they are worrying because

the traditional pattern for the tech industry is for the second half of the year to be better than the first half, as electronics companies gear up for the year-end holiday season.

On April 16, during TSMC's announcement of first-quarter 2015 results, the company said the semiconductor industry's annual growth had adjusted down from 5% earlier to 4% due to the global macroeconomic situation. TSMC added that the overall foundry growth rate would slow as well, to about 10%.

A worsening outlook for the foundries would likely have a negative impact on suppliers of equipment and materials. TSMC earlier this year slashed its planned capital expenditure for 2015 by about \$1 billion. **Intel** also pared about \$1.3 billion from its 2015 capital expenditure budget.

Bad news for some may be good news for others. The customers of TSMC and UMC may gain more power to bargain for lower prices as the two foundries seek to shore up slipping capacity utilization, which is important to maintaining profitability in their capital-intensive business, as reported by *EE Times*.

## Ducommun Wins Additional Work on Boeing 737 MAX

**Ducommun Incorporated** (Carson, CA) reported that it has been awarded a contract from **Spirit AeroSystems, Inc.** (Wichita, KS) to produce titanium APU (auxiliary power unit) exhaust fairing assemblies, housed in the tail cone, for the Boeing 737 MAX commercial jetliner. The contract runs through 2018, with production taking place at the company's Parsons, Kansas facility. Ducommun previously announced it will produce ground and flight spoilers for the 737 MAX as well as other structural titanium assemblies.

## Flextronics System to Adjust Manufacturing to Global Disruptions

**Flextronics International, Ltd.** has created a system that combines

information from social media, emergency warning systems, and its own data on product movement to help the electronics contract manufacturer quickly adjust its work flow to global disruptions.

Flextronics, like other electronics manufacturers, has been seeking to diversify from building computers and phones into wearables and consumer businesses. Being able to respond quickly to supply chain disruptions may give the company and its customers an edge.

**Flex Pulse**, as the project is known, could let the Singapore-based manufacturer buy disk drives at the first signs that a flood might damage drive factories in Thailand, before prices rise, Flextronics Chief Executive Officer Mike McNamara said. Flextronics also could, for example, shift final assembly of products to Mexico from China to avoid the effects of a strike at the Port of Long Beach, California.

While the company is a distant number 2 behind Taiwan-based **Hon Hai Precision Industry Co.**, Flextronics's customer base is broader. Hon Hai generated 50% of its \$139 billion in sales for its latest fiscal year from **Apple, Inc.** and about 15% total from **Dell, Inc.** and **Hewlett-Packard Co.**, according to data compiled by *Bloomberg*. Flextronics's largest customer was **Lenovo**, which provided 11% of its \$26 billion in revenue. Apple and **Ford Motor Co.** are among its biggest customers.

## IMI Bulgaria Acquires Property in Bulgaria

**Integrated Micro-Electronics, Inc. (IMI)** (Laguna, Philippines) announced that its wholly owned and indirect subsidiary Integrated Micro-electronics Bulgaria EOOD (IMI BG) has executed a transfer of property from **Melexis Bulgaria EOOD (MB)**.

The transaction involved IMI BG's acquisition of a parcel of land and the building situated in Botevgrad, Bulgaria for €1.14 million. The property has a total land area of 16,275 square meters (sq. m.) and a total buildup area of 12,193 sq. m.

*Executive Changes...* **Celestica, Inc.** (ON, Canada) announced that its Board of Directors has appointed Robert “Rob” Mionis as President and Chief Executive Officer and member of the Board, effective August 1, 2015. Craig Muhlhauser, who announced his intention to retire from the company in October 2014, will remain with Celestica as an Advisor to the Board until December 31, 2015.

Rob joins Celestica with over 25 years of senior leadership experience across a variety of industries, including the aerospace, industrial, and semiconductor markets. Most recently, Rob was an Operating Partner at Pamplona Capital Management, a leading global private equity firm focused on companies across a wide variety of industries, including the industrial, aerospace, healthcare, and automotive segments.

## **Celestica Enters Into Agreement to Sell Its Toronto Real Estate**

**Celestica** announced that it has entered into an agreement for the sale of its property located in Toronto, Ontario, which includes the site of Celestica’s corporate headquarters and its Toronto manufacturing operations. The site is being sold to a special-purpose entity (the “Property Purchaser”) to be formed by a consortium of three real estate developers, namely **Diamond Corp., Lifetext Developments, and Context Development, Inc.** (“Context”).

The Property Purchaser will pay Celestica a cash deposit of CDN\$15 million, which is nonrefundable except in limited circumstances. Upon closing, which is subject to various conditions including municipal approvals and is anticipated to occur within approximately two years, the Property Purchaser will pay Celestica an additional CDN\$53.5 million in cash.

## **Flextronics Officially Changes Name to Flex**

**Flextronics** (Singapore, Singapore) announced that it has officially changed its name to Flex. Michael Mendenhall, Flex’s chief marketing and communications officer, noted that it has progressed in its product and service offerings over the years, adding many new solutions, and today it is much more than just an EMS, supply chain solutions, or “tronics” company.

The rebranding effort includes everything in the company: a legal name change, a new identity package, a new brand package, a new communications architecture and brand architecture, and a new tagline. The new tagline is “Live Smarter.” The company’s idea of “Live Smarter” really embodies the vision and mission of the company.

## **Flextronics to Consolidate Texas Plants, Lay Off 168 in Plano**

**Flextronics International, Ltd.** is laying off workers in Dallas-Fort Worth. According to a WARN (Worker Adjustment and Retraining Notification Act) letter filed with the Texas Workforce Commission, the Singapore-based electronics manufacturing and assembly company will lay off 168 employees at its Plano plant. The company is consolidating two Texas sites, and the layoffs will come in phases between October and the end of the year.

This decision is the direct result of a change in Flextronics’s strategy to consolidate its Plano, TX Global Operations Group into its Austin, TX Global Operations Group.

Flextronics laid off an estimated 223 workers in 2014 at the Motorola assembly facility in the Alliance development of north Fort Worth after opening the plant with much ballyhoo the previous year. The layoffs came after **Motorola** said it was closing its handset unit that manufactured the Moto X smart phones.

## **Foxconn to Set Up 10 to 12 Manufacturing Plants in India by 2020**

Taiwan’s **Foxconn Technology Group** is aiming to create at least a million jobs by setting up 10 to 12 manufacturing facilities across India by 2020, its chairman said.

Terry Gou, head of the maker of iPhones and iPads for **Apple** and Kindles for **Amazon**, told the media on a short trip to India that Foxconn will look to set up the manufacturing plants, initially, in five states, including Andhra Pradesh, Gujarat, and Maharashtra, and expand to other states across the country within five years.

The company also plans to set up data centers and incubators in cities including Delhi, Mumbai, Bengaluru, and Hyderabad. It is also looking to invest in Indian Internet startups, small and medium-sized enterprises, and handset makers.

Gou said that the current government is far more supportive of manufacturing in India than was the government 10 years ago, when his company set up a manufacturing plant in Chennai. Foxconn has had to shut that plant due to continuing labor unrest. The component-making plant was a key supplier to Nokia, which shut operations last year.

The firm, also known as Hon Hai Group, which has a client list that includes **Apple, Cisco, Dell, Microsoft, and Hewlett-Packard**, plans to make mobile handsets, tablets, TVs, electronic products, batteries, key electronic components, routers, set-top boxes, and printers, among other products, in India, the top executive said.

Foxconn will soon start assembling smart phones for Chinese brand **Xiaomi** in a plant located in Sri City in Chennai, and it plans to set up the new 10–12 manufacturing plants with an initial investment of some \$2 billion. **Gionee** recently confirmed its talks with Foxconn for contract manufacturing in India.

Foxconn will look at making India a manufacturing hub to make products not just for the consumption of the domestic market, but for export also.

## IEE Acquires French All Circuits

Luxembourg-based sensing specialist **IEE** has finalized its acquisition of **All Circuits**, a French EMS provider with plants in Europe and North Africa.

IEE has made this acquisition along with three co-investors. As the Managing Shareholder, IEE, together with All Circuits' management, will set the direction of the company.

With All Circuits on board, IEE will be well positioned to develop its expertise in automotive safety electronics production processes and will have direct access to electronics manufacturing excellence. This acquisition will also enable it to enlarge its product portfolio, particularly in the non-automotive market.

All Circuits is expanding; its latest investment is a 6,000-square-meter dedicated logistics platform. This will allow both companies to develop their international footprint.

## Jabil Circuit Will Expand Operations in Saigon HiTech Park in Vietnam

**Jabil Circuit** (St. Petersburg, FL) has signed a memorandum of understanding (MOU) with the management board of Saigon HiTech Park in Vietnam. The agreement will allow the company to expand its current operation in HiTech Park.

The memorandum will allow for additional investments to expand Jabil's existing operations in Vietnam. The new facility, slated for groundbreaking in 2017, will focus on high-volume production of computing, storage, networking, telecommunications, automotive, digital home, mobility, point of sale, printing, industrial, and energy products.

By expanding in Vietnam, Jabil gains important benefits, including access to a large pool of industrious workers, midlevel engineers, and managers. Vietnam also offers favorable labor costs in a robust economy that has grown at a rate of 6 percent for the last four quarters. A significant source of that growth is the high-tech manufacturing sector.

## OSI Opens in San Pedro

**One Source Industries, LLC** (Irvine, CA) has opened a new production facility in San Pedro, California.

The new 25,000-square-foot facility will provide contract packaging, fulfillment, distribution, and product packaging services for customers in the consumer electronics market and other industries. Opening with an initial 10 employees, the new facility is poised for additional growth in the coming years.

The San Pedro facility complements OSI's other production facilities in Chicago, IL and Memphis, TN. The new San Pedro facility will provide faster speed to market for its customers and meets the need for increased production capabilities as a result of two consecutive years of double-digit growth.

## SVI Expands in Cambodia

EMS provider **SVI** (Thailand) is expanding its global production footprint and capacity in Asia through a \$16 million investment in the capital city of Cambodia.

The construction of the company's new 12,000-square-meter factory will begin in the third quarter of 2015 and production is expected to start in the second quarter of 2016.

## Plexus Appoints Oliver Mihm as EMEA Leader

EMS provider **Plexus** (Neenah, WI) has appointed Oliver Mihm as the new Regional President for the EMEA region.

With this appointment, Mr. Mihm assumes leadership responsibilities for the strategy and execution of all aspects of Plexus's business within EMEA. He will be based out of Plexus's Darmstadt Design Center in Germany.

EMEA, and specifically Germany, remains a significant growth opportunity area for Plexus, necessitating strong leadership. Throughout his 15-year tenure with Plexus, Oliver has established a solid record of success. His experience and proactive leadership style will provide immense benefit to the EMEA team as it further develops

strategies to expand Plexus's market share in this important region.

## Stadium's China Move Is Expected to Be Completed This Month

For the UK technologies group **Stadium Group**, the positive start of the year has continued. Trading remains in line with expectations and ahead of the equivalent period last year.

There are some big changes going on with Stadium over in China, however. The company's relocation to a new facility within China—which aims to enhance the Group's technical capability—is expected to be completed this month.

In order to support the continuing growth of the business, the Board decided to upgrade the Group's manufacturing capability in South China by relocating to a new facility at the expiry of the lease on the current site in mid-2015.

## PKC Completes Groclin Deal

**PKC's** (Helsinki, Finland) acquisition of **Groclin's Wiring and Control** business was completed July 1, 2015.

The deal includes Kabel-Technik-Polska Sp. z o. o. (KTP), operating in Poland, which at the time of the closing will own the entire Wiring & Controls business of Groclin S.A. Group. The requirements of closing have been fulfilled; the closing was to become effective and ownership and control transferred on 1 July 2015, the company announced.

## Hanza Acquires Metalliset Group

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.

The total purchase price amounts to some €7.47 million, of which a substantial part consists of new shares in Hanza. Therefore, the board of directors intends to carry out an issue of new

shares to the current shareholders of Metalliset, corresponding to roughly 15% of the total shares in Hanza, in connection with the acquisition.

## PartnerTech Awarded Contract Extension from Existing Customer

**PartnerTech** (Sweden) has been awarded a contract extension from one of its largest customers covering manufacturing, distribution, and aftermarket services in North America.

PartnerTech's operations in North America are focused on manufacturing and distribution services, for example AIA (Assembled in America), which provides customers with a local and flexible supply chain in the North American market.

## Foxconn Plans to Invest in Czech Republic

Taiwanese electronics supplier **Foxconn** plans to invest "billions" of crowns in the Czech Republic, the country's industry ministry noted.

Foxconn's investment should include a research and design center, its only such facility in Europe, the ministry said. It did not specify the exact investment amount.

The Czech government and Foxconn were to sign a memorandum of cooperation on July 21 at a meeting of Czech Prime Minister Bohuslav Sobotka and Foxconn founder Terry Gou.

## Vietnamese Government Cancels Foxconn's Mobile Phone Plans

The Vietnamese government is canceling plans for Taiwan-based **Foxconn** to manufacture mobile phones in the country.

An official from the government of Vietnam revealed that the related department has canceled the investment license issued to Foxconn Group for the construction of a \$200 million mobile phone plant in Vietnam.

Nguyen Tien Hanh, head of the investment promotion department of Vinh Phuc, Vietnam, said that it canceled the investment license previously issued to Foxconn Group because the group's mobile phone plant project in Vinh Phuc province did not make any substantial progress.

Hanh said that disregarding many warnings from the government, Foxconn Group did not take any action on the plant's construction. Therefore, the department decided to revoke the license, as reported by *China Tech News*.

## Erratum

In the June 2015 issue of *MMI*, we reported the quarterly numbers from Kimball International instead of from Kimball Electronics, the newly independent EMS company. The correct results for Kimball Electronics should have read Q1 '15 sales, \$206.9 million, Q4 '14 sales, \$207.6 million, and Q1 '14 sales, of \$185.7 million.

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Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_ Phone \_\_\_\_\_

Street Address \_\_\_\_\_ Fax \_\_\_\_\_

City/State/ZIP \_\_\_\_\_ Email \_\_\_\_\_

MasterCard \_\_\_\_\_ Visa \_\_\_\_\_ AMEX \_\_\_\_\_ Number \_\_\_\_\_ Expires \_\_\_\_\_