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2015 EMS Employment/Hiring Outlook: It's Competitive; Play to Win

MMI listens closely to our readers' inputs. Many of you wanted to know what the employment and hiring landscape is looking like in the EMS industry, coming out of some very lean times. To get you real-time information, we utilized a niche professional search firm in the EMS industry to give us a current take on hiring activity, where the demand is, and how compensation for EMS professionals has changed over the past three years.

Jeremy Vanselous, President of the **SearchWorks Group** (www.searchworksgroup.com), has provided his perspective based on data and trends his firm has collected since early 2008. Jeremy has been in the EMS industry for over 18 years and began his career with Solectron. He now locates top talent for companies in the EMS industry.

What are the top three job titles/responsibilities EMS companies are looking to fill in industry right now?

According to Jeremy's research, there is demand in Sales/Business Development, Industrial/Process Engineering (heavy SMT and post-SMT system integration), and Program Management.

This demand is being driven by two primary factors and one upcoming factor:

1. ***Previous cuts compounded by production increases and some on-shoring –*** The very same positions that were cut throughout 2008 to 2011 are now in serious demand. Meanwhile, products/programs that had been offshore are now being considered for domestic production. The US Northeast, Upper Midwest, and South seem to be seeing the benefit. Many of the functional leaders who were spared being laid off assumed more responsibility during the down production time and are now unable to keep up. With volumes increasing and new lines being added, the demand for people to run and develop those lines and processes has spiked. With new programs comes the need for more (or sometimes stronger) people to manage those programs and customer relationships. Sales is always at the top of the list. The "face" of the company and how those people deliver the message to the right prospects can make or break a company. Finding the right long-term "fit" in sales and keeping those people motivated and rewarded is an ongoing challenge.

2. Churn – It's a growing, competitive market! Your best people are likely being courted by other companies or recruiters. There is a lack of skilled talent and companies aren't taking the time to ramp people up in critical positions, so where better to go than a competitor? Career advancement is usually the primary motivator for people, especially the upcoming workforce. Many are ready for a change and company loyalty is almost a laughable term these days. Only a handful of companies *demonstrate* genuine caring and commitment to their employees. Many talk about it, but few do it. As far as EMS companies go, none are visibly demonstrating company loyalty. Jabil might be one that comes close. If you want to avoid churn, make sure you are investing quality time with your best and brightest! If you don't, someone else will!

3. A Huge Future Factor – About 4.2 million Baby Boomers will be exiting the workforce per year over the next 20 years. That's a rate of 11,000 people a day. How many people on your staff are approaching retirement? That "tribal" knowledge is priceless. Think about getting it transferred before it is gone.

Some articles in this issue

Where are the jobs? (North America, Europe, Asia…)
Short answer: seemingly everywhere. There is growth at multiple companies worldwide. Interestingly, the domestic small and mid-tier EMS providers are doing quite well in highly regulated areas such as medical devices, environmental, and public safety. Defense and aerospace are showing signs of life again, particularly in commercial aerospace. High-volume consumer and some industrial products remain offshore.

What are the types of salary ranges (compensation packages) you are seeing for each of these top 3 job types?
There is such a wide range of factors when evaluating professionals for the above-mentioned roles. Years of industry experience, educational credentials, continued education and certifications, and the invaluable hands-on experience of doing the job. Then throw in the equally important but less measurable factors, like one's personality, work ethic, and cultural fit with a specific company. They all play an important part in hiring. Of course, location is a big part of it as well, considering housing costs in certain areas of the country. In general, EMS salaries run about 10–15% below OEM salaries.

Program Management (PM) – We see PMs earning anywhere from $60,000–$120,000. A junior PM with < 5 years of experience will be at that $60K mark, while an experienced PM with 10+ years of experience, a bachelor's degree, and specialized training and certification in an industry focus (Industrial, Medical, Defense & Aero, etc.) will earn closer to $100,000 to $120,000. Group leaders/directors are seeing salaries of $130K–$150K+.

Industrial/Process Engineering – These salaries range from about $70K to $110K. A junior engineer with < 5 years of experience with a BS or MS will likely see the $70K mark, while an experienced engineer with over 10 years of experience, certifications, and hands-on experience from Design for eXcellence (DFx) to box assembly (line setup, screen, solder paste, pick and place, Automated Optical Inspection (AOI), reflow, conformal coat, etc.) will likely see that top end of $100K+. Managers and directors in manufacturing engineering are seeing salaries of $120K–$150K+.

Sales – Probably the most challenging and critical role to fill. The value of salespeople is increasing. Jeremy sees typical salaries for the active "hunter" range anywhere from $100K to $160K, with total potential (based on sales) ranging from $120K to $200K+. Sales leadership roles typically range from $175K to $225K base with potential up to $250K to $300K.

All that being said, compensation also differs greatly depending on the size of the organization. A $20 million company will not pay as highly as a $20 billion company. Here is where culture becomes so important. There are many instances in which candidates would gladly accept $5,000 to $10,000 less in compensation if they share the same principles, values, and ethics of the company they work for.

How are the salaries for these top 3 functions today versus two years ago?
As noted by Jeremy, salaries are increasing again. From 2008 to 2013, salaries remained flat even though hiring began to pick up. Now the supply of skilled talent is not meeting demand, so companies are starting to increase compensation in order to compete in a new candidate-driven market. We've seen budgets increase up to 10–15% for select positions. Beyond salaries, we're also seeing insurance costs, 401K programs, and vacation time make or break a hire. We are seeing a good portion (about 50%) of our placements relocating.

What is driving this trend of increasing salaries?
There is an increasing gap in the talent needed and the talent available. A good leading indicator for the employment marketplace is **ExecuNet's Recruiter Confidence Index** (which polls executive search firms across the country). In its most recent measure, that index was over 50%, which indicates major expansion as well as increasing churn in 2014, with these trends increasing.

What else should companies be thinking about right now?

1. Retention, retention, retention! Protect the assets you have now. Why go through the painful process of backfilling a position when you have a superstar doing it today? Don't let your competitors reward your people before you do. Also remember that money doesn't address everyone's interests. Know what's important to your people.

2. Development of your "up and comers." Invest in your people or someone else will. This, along with a solid retention strategy, will earn you loyalty and will add value from these people for years to come.

2015 Employment/Hiring Outlook
Jeremy says we are in a very unique time and have to be conscious of the factors and reality of the market. Domestic manufacturing is continuing to grow and more and more emphasis is being put on technology, in industries from infrastructure to energy to medical to defense to the Internet of Things (IoT); there is also strong political influence. At the same time, we have one of the largest generations in recorded history (Baby Boomers) leaving the workforce, with one of the smallest generations in recorded history (Gen X) replacing it. Fortunately another large generation of workers is up and coming (Millennials). That said, there will be an approximately 10-year gap before this Millennial workforce is fully able to cover the Boomer gap. For EMS companies specifically, this will intensify the reality that, for over 20

years, we've been sending the majority of our manufacturing offshore. Our young people didn't go to school or seek jobs in manufacturing disciplines because there were limited jobs in the US. So here lies the gap and the challenge. EMS companies will be competing like never before for talent across most of their disciplines, especially engineering, production, quality, supply chain, program management, and business development, for the next 10 years or so. 2015 is going to be an exciting year and one with plentiful opportunities for employers and prospective employees! Being aware, prepared, and having a talent acquisition plan will be key to winning in business. If you're going to play, play to win!

Note from editor: We thank Jeremy Vanselous for sharing his valuable insights on the current employment market within the EMS industry.

Healthy Start for North American Group

For a group of eight mid-tier and smaller EMS providers based in North America, combined Q1 sales grew well from the year-earlier period. The group's revenue rose 9.3% year over year, as the group started on a positive note with strong growth on which to build in subsequent quarters. The US economy started on a weaker footing, as, according to the US Commerce Department's estimate for Q1, the economy contracted at an annual rate of 0.7% in the first quarter of 2015, down from a preliminary 0.2% growth, figures from the second official estimate showed. Thus, this North American group as a whole outgrew the US economy by 820 basis points versus a year earlier, which could be a good sign. If the group can continue to maintain a higher growth rate than that of the US economy for the rest of the year, then the group should see annual growth above what is projected for the economy. The **International Monetary Fund** is estimating 3.1% GDP growth of the US economy in 2015.

This North American group of eight mid-tier and smaller providers posted solid growth in a Q1 comparison with a cohort of large competitors. On a year-over-year basis, collective sales growth of the mid-tier and smaller providers in Q1 was 8.8 percentage points above that of the six largest US-traded EMS providers (Chart 1, p. 4). Overall, smaller was not better in this Q1 analysis. But that is not always the case. For example, through nine months of last year, the mid-tier and smaller providers combined for growth of 2.4%, compared with a 2.5% decline for their six largest competitors.

Q1 revenue for the mid-tier and smaller group totaled $675.6 million, compared with $618 million in the same period a year ago. Year-on-year sales increases at five providers were essentially offset by declines at three others. Key Tronic recorded by far the

Table 1: Q1 and Nine-Month 2015 GAAP Results for Eight Mid-Tier and Smaller EMS Providers Based in North America (M$ or %)

Company	Q1 '15 sales	Q4 '14 sales	Qtr.-qtr. chg.	Q1 '14 sales	Yr.-yr. chg.	Q1 '15 gross marg.	Q4 '14 gross marg.	Q1 '14 gross marg.	Q1 '15 oper. marg.	Q4 '14 oper. marg.	Q1 '14 oper. marg.	Q1 '15 net inc.	Q4 '14 net inc.	Q1 '14 net inc.
Stand-Alone EMS Providers														
Key Tronic	112.9	114.3	-1.2	77.0	46.6	8.4%	8.3%	8.6%	2.3%	2.4%	2.9%	1.8	1.6	1.4
Sparton	93.1	85.6	8.7	84.0	10.8	18.5%	16.0%	21%	5.2%	3.2%	7.6%	4.1	1.5	4.2
SMTC	48.7	57.0	-14.6	58.0	-16.0	7.4%	7.1%	9.6%	-0.1%	-1.1%	0.8%	-0.4	-2.2	-0.8
SigmaTron	53.7	61.5	-12.7	54.2	-0.9	10.6%	9.4%	8.9%	1.5%	1.6%	0.2%	0.6	0.1	0.7
IEC Electronics	32.9	30.9	6.3	34.8	-5.5	7.8%	10.5%	16.9%	-14.8%	-0.8%	-1.6%	-5.5	-0.8	-14.7
Nortech Systems	26.5	30.4	-12.8	26.1	1.5	10.8%	11.3%	11.8%	-0.8%	0.9%	0.9%	-0.2	0.2	0.1
Subtotal/avg.	**367.8**	**379.9**	**-3.2**	**334.2**	**10.1**	**13.5%**	**12.6%**	**13.6%**	**0.8%**	**1.5%**	**2.6%**	**0.3**	**0.5**	**-9.0**
EMS Units of Larger Public Companies														
Kimball Electronics*	206.9	207.6	-0.3	185.7	11.4				5.2%	4.2%	4.3%	7.2	6.2	6.3
Ducommun**	100.9	109.3	-7.7	98.1	2.9				6.2%	7.8%	7.1%			
Total/avg.	**675.6**	**696.8**	**-3.0**	**618.0**	**9.3**									

*Operating and net income are not necessarily equivalent to GAAP results on a stand-alone basis.
**Financial Data for Ducommun LaBarge Technologies (DLT) segment of Ducommun Inc has been included.

Chart 1: Q1 Sales Growth Year Over Year

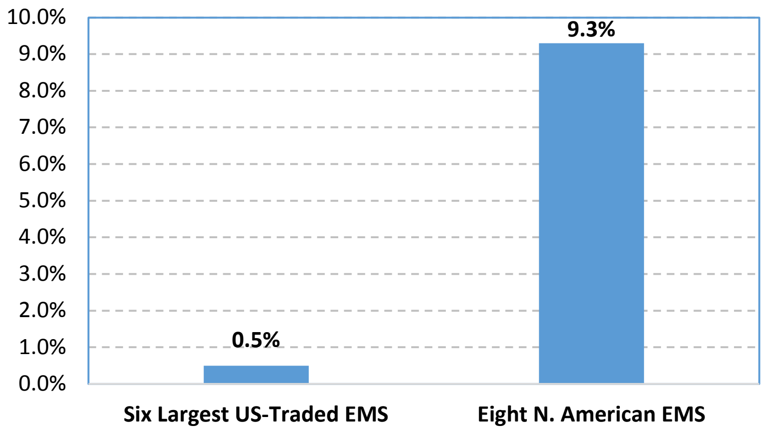
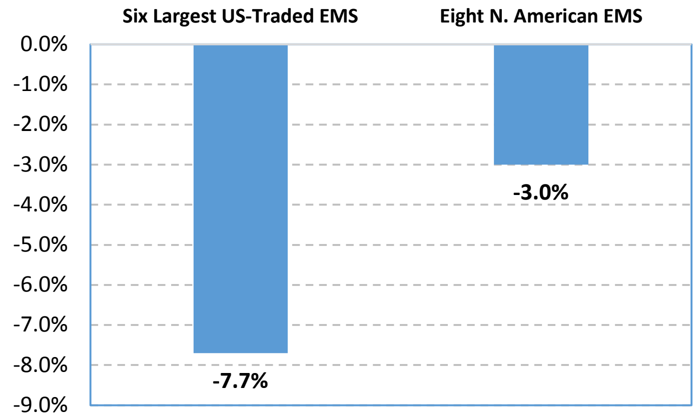


Chart 2: Q1 Sales Growth Quarter to Quarter



highest sales growth at 46.6%. **Sparton** and **Kimball Electronics** also posted double-digit growth year over year. Indeed, the second highest increase was 11.4%, posted by Kimball Electronics (Table 1, p. 3). Of the three providers with revenue declines, **SMTC** was alone in reporting a double-digit decrease.

Versus the prior quarter, Q1 sales for the group of eight fell 3%. In this comparison, however, the mid-tier and smaller providers together outperformed their large US-traded counterparts, whose combined sales sank 7.7% sequentially (Chart 2). It appears that the large providers, which have significant amounts of consumer and computing sales, are collectively more subject to seasonality than their smaller competitors.

Six out of the eight North American providers saw their Q1 sales drop from the prior quarter, with SMTC, **SigmaTron,** and **Nortech Systems** registering two-digit tumbles. The sequential declines at those six providers outweighed the gains at the other two players, Sparton and **IEC Electronics** (Table 1).

The group of eight mid-tier and smaller providers consists of six companies in the EMS space, all publicly traded, and two EMS units within larger publicly held corporations. Together, the six stand-alone providers produced a Q1 gross margin of 13.5%, up 90 basis points sequentially and down 10 basis points year over year. Three out of six providers attained double-digit gross margins, with a high of 18.5% turned in by Sparton.

In the aggregate, Q1 operating margin for the six stand-alone providers stood at 0.8%, down 70 basis points sequentially and 180 basis points year over year. This margin was 480 basis points lower than the combined GAAP operating margin for the five largest US-traded providers that use GAAP accounting. Sparton, the gross margin leader, also achieved the highest Q1 operating margin at 5.2%, which was well above the results of the other stand-alone providers. Two of them, Nortech Systems and IEC Electronics, reported operating losses (Table 1 above). Sparton and SMTC improved their operating margins from the prior quarter, while SigmaTron raised its margins from a year ago.

As for the EMS units, Q1 operating margin at Kimball Electronics showed both sequential growth and from a year earlier, while the margin at **Ducommun LaBarge Technologies** was down both sequentially and year over year.

For the six stand-alone providers, net income in Q1 amounted to $0.3 million, down from a combined net income of $0.5 million in the prior quarter but up from net loss of $9 million a year earlier. The year-over-year drop in net income occurred in spite of a 10.1% increase in sales versus a year ago. Q1 net margin came in at 0.8%, down 170 basis points year over year. SMTC, IEC Electronics, and Nortech Systems declared net losses for the quarter.

A brief look at each provider

Ducommun LaBarge Technologies (DLT). Ducommun's DLT segment generated Q1 sales of $100.9 million, compared to $98.1 million for first quarter 2014. The higher net revenue reflected a 66.9% increase in commercial aerospace electronics revenue and a 7.8% increase in non-A&D revenue, partially offset by a 10.0% decrease in military and space revenue.

DLT's operating income for the current first quarter was $6.3 million, or 6.2% of revenue, compared to $7.0 million, or 7.2% of revenue, for the first quarter of 2014, primarily due to an unfavorable product mix that was partially offset by higher revenues. EBITDA was $10.6 million for the current quarter, or 10.6% of revenue, compared to $12.1 million, or 12.3% of revenue, in the comparable quarter of the prior year.

IEC Electronics. For its fiscal Q2 ended March 27, IEC generated revenue of $32.9 million, a decline of 5.5% compared with revenues of $34.8 million a year ago. Gross margin for the second quarter was 7.8%, down from 13.3% in the same quarter last year. The decline is attributed to lower leverage of overhead at the company's Albuquerque and Southern California Braiding operating locations. Net loss for the quarter was $5.5 million, or a loss of $0.55 per share.

Operationally, the company is in the process of unifying a fairly decentralized organizational structure under one revitalized IEC brand. At its largest manufacturing facility in

Newark, New York, it is realigning the organization to eliminate redundant overhead used to support a previous sector-focused manufacturing structure. Furthermore, it is closely assessing both its Southern California Braiding and Albuquerque facilities, primarily to address underperformance, with the possibility of consolidating or divesting the operations if it believes that makes sense for the company and its shareholders.

Key Tronic. Revenue for its fiscal Q3 ended March 28 was $112.9 million, up nearly 47% from $77.0 million in the same period of fiscal year 2014. Approximately $37 million in revenue came from CDR Manufacturing, Inc. (dba Ayrshire Electronics), which was acquired on September 3, 2014. Gross margin was 8% and operating margin was 2%, compared to 9% and 3%, respectively, in the same period of fiscal year 2014.

Net income for the third quarter of fiscal year 2015 was $1.9 million or $0.16 per share, up from $1.4 million or $0.12 per share a year ago.

During the third quarter of fiscal year 2015, increasing revenue from the company's new programs was offset by anticipated declines from certain longstanding programs. At the same time, the company continued to see its recent acquisition of Ayrshire contribute significantly to its capabilities, revenue, and robust pipeline of potential new business. During the third quarter, Key Tronic won two new programs involving consumer products.

Management's guidance for the fourth quarter of fiscal year 2015 reported revenue in the range of $115 million to $125 million, and earnings in the range of $0.17 to $0.23 per diluted share.

Moving into the fourth quarter, the company expects to see a significant moderation in the decline of certain longstanding programs that had impacted it in recent periods, while many new programs continue to ramp up. As a result, Key Tronic expects overall sequential revenue growth, as well as increased operating efficiencies and profitability.

Kimball Electronics Group. For fiscal Q3 ended March 31, sales of $206.9 million increased 11% from the prior year third quarter. Sales (related to the exit of JCI) were down $17.2 million compared to the same quarter last year. Gross profit as a percent of net sales increased 0.3 percentage points from the prior year third quarter. Operating income was $10.8 million (5.2% of net sales), while adjusted operating income (non-GAAP), excluding spin-off costs, was $11.1 million (5.4% of net sales).
Net income was $7.2 million with adjusted net income (non-GAAP) of $7.5 million. Diluted earnings per share for the current year third quarter was $0.25.

Solid growth in all four end-market verticals helped the company achieve year-over-year double-digit growth for the third consecutive quarter, as well as excellent operating results. The company had healthy results in its automotive sector, where stronger than expected sales to the China market helped it more than fill the hole created by the earlier reported loss of the Johnson Controls (JCI) business. The final JCI products were substantially completed last quarter and the company continues to be encouraged by its progress in replacing this business.

Nortech Systems. Q1 sales of $26.5 million for the first quarter ended March 31, 2015, compared with $26.1 million in the first quarter of 2014. Nortech reported an operating loss of $202,000 for the first quarter of 2015, compared with operating income of $236,000 for the same period in 2014. The net loss for 1Q2015 was $193,000, or $0.07 per diluted common share; this compares with net income of $86,000, or $0.03 per diluted common share, a year ago.

Nortech's quarterly sales increased 1.5% year over year despite continued macroeconomic challenges impacting some of its larger global customers. Its largest market—industrial—showed strong revenue growth, increasing 17%. After finishing 2014 strong, its first-quarter profitability was impacted by a number of factors. These included its product mix, ramp-up costs for new programs, and global economic conditions. The company remains committed to business development spending that stimulates top-line growth and strategic initiatives that strengthen Nortech. These initiatives include adding printed circuit board assembly capabilities to its Mexico facility and expanding into Asia to capitalize on opportunities for business development and materials sourcing. Nortech expects to start realizing the benefits of these initiatives and activities in the second half of 2015.

Nortech was encouraged that its overall 90-day backlog increased 6% during the quarter.

SMTC. Q1 revenue totaled $48.7 million, a 16.0% decline compared to $58.0 million in the prior year. Decreased revenue was due to reduced volumes from two large prior customers. This was partially offset by increased revenues from existing customers and a new customer. SMTC reports $1.4 million or 2.9% in adjusted EBITDA, a 14.2% increase compared with the prior year's $1.2 million or 2.1%. Its gross margin of 7.4% compared to 9.6% in the prior year. A net loss of $0.4 million compared to a net loss of $0.8 million in the prior year, reflecting continued operating improvement.

Expect to see growth from both existing and new customers driving improved revenue and factory utilization for the remainder of 2015. The pipeline of potential new customers is up versus last year.

Sparton. For its fiscal Q3 ended March 31, revenue totaled $93.1 million, up almost 11% over the period a year ago. Operating income for the third quarter of fiscal 2015 was $4.9 million compared to $6.4 million in the third quarter of fiscal 2014. Net income for the third quarter of fiscal 2015 was $4.1 million ($3.2 million adjusted) or $0.42 per share ($0.33 adjusted).

The 2% increase in base business revenue in the period reflected additional domestic sonobuoy sales and the return of certain programs that had been delayed in previous quarters. These were offset by continued customer demands, program delays, and product end-of-life events within the Manufacturing & Design Services (MDS) business. Organic growth was slightly below its targeted 3–5% range but better than the first two fiscal quarters. In the Engineered Components & Products (ECP) and MDS segments, a total of 96 program and/or product wins were closed in the period. The first-time order value of the programs was $12.9 million. The addition of Hunter Technology subsequent to the close of the quarter is expected to add further benefits and leverage going forward. SG&A costs have risen due to added costs from recent acquisitions, future potential acquisition-related expense activity, and investment in future growth. The quarter-end sales backlog was approximately $257.2 million, representing a 47% increase over the prior-year quarter.

MDS organic sales were down 9.2% to $49.9 million. This reflects the previously disclosed loss of certain Fenwal program engagements that had a negative $3.0 million impact on sales in the third quarter. The remainder of the decrease reflects fluctuations in customer demand due to program cancellations, governmental funding, and customer design–related delays.

The organic increase in ECP sales of 23.1% to $35.5 million reflected increased sonobuoy sales to the US Navy and increased sales of ruggedized flat panel displays, partially offset by decreased sonobuoy sales to foreign governments.

The organic growth in the third quarter was primarily due to sonobuoy and rugged electronics business, which offset issues within the MDS segment. The softening within the MDS base business continued to a lesser extent in the third quarter. The organic sales pipeline continues to be robust. Management said it is well positioned to deliver positive organic growth in fiscal 2016. The acquisition pipeline is robust. Management anticipates finishing the year strong in the base business and with the addition of recent acquisitions.

Robust Q1 Growth for European Group

First-quarter sales in euros for a group of six European EMS providers rose 12.7% year over year, well above comparable growth of the European Union’s GDP. Revenue for the six mid-sized providers totaled €387.3 million, up from €343.6 million in the year-ago quarter. As a group, the six providers made a good start in 2015 with a healthy year-over-year increase in Q1.

Sales grew from a year earlier at four out of six providers, with **Neways Electronics, PartnerTech,** and **LACROIX Electronics** able to achieve double-digit gains (Table 1A). Neways Electronics stood out with a 40.7% increase. The acquisition of **BuS Group**, which Neways completed in the second half of 2014, has contributed to a more balanced and broader distribution across the various market sectors. The integration of BuS Group is progressing according to plan. Neways’ order book had risen by 6% to €165.4 million at the end of March 2015 (year-end 2014: €155.9 million).

As for **PartnerTech**, its Q1 increased 14% from the same period of 2014. Sales were 6% higher for comparable units and in local currencies than the year-ago period. Translation effects have therefore had a strong impact in the quarter. PartnerTech’s Electronics segment grew 16% year over year, primarily due to volume growth in the CleanTech and Defense and Maritime market areas. Its systems integration segment grew by 14%, primarily due to increased volumes in the CleanTech and MedTech market areas. The Metal Precision Technology division grew sales at the same level as last year. Volume growth in the Defense sector remains weak, although this is offset by growth in other market areas.

The French provider, a division of the **LACROIX Group**, stood out with an 11.9% increase. In its Electronics segment there was further growth, particularly in France and Poland, despite temporary difficulties encountered during October in Tunisia.

Kitron saw its Q1 revenue increase 8.1% compared to the same period last year. Revenue in the Defense/Aerospace market sector increased by 49.1%, Energy/Telecoms was up 9.4%, Industry increased by 29.7%, Medical Equipment decreased by 7.6%, and Offshore/Marine was down 44.7% compared to the first quarter of 2014. Operating profit (EBIT) for the first quarter ended at NOK 20.8 million, compared to NOK 2.0 million in the same period last year. This is the fourth consecutive quarter of improved profits. Profitability expressed as EBIT as a percentage of revenue was 4.4% for the first quarter.

For 2015, Kitron expects growth and a clear improvement in profitability. Growth is driven by increased demand in the Defense sector from the US and Norwegian markets, as well as increases in Energy/Telecoms and Industry. Offshore/Marine will have a reduction due to the oil service market in Norway. The order backlog ended at NOK 854.6 million compared to NOK 707.4 million last year. This is an increase of NOK 147.2 million but a reduction of NOK 13.8 million during the quarter.

Table 1A: Q1 2015 Results for Six European EMS Providers (M euros or %)

Company	Head-quarters	Reports in euros	Q1 '15 sales	Q1 '14 sales	Yr.-yr. chg.
Neways Electronics International	Netherlands	Yes	95.8	68.1	40.7%
PartnerTech	Sweden	No	67.8	59.4	14.1%
Scanfil	Finland	Yes	45.9	47.6	–3.6%
LACROIX Electronics	France	Yes	95.9	85.7	11.9%
Kitron	Norway	No	53.5	49.5	8.1%
Connect Group	Belgium	Yes	28.4	33.3	–14.7%
Total/avg.			**387.3**	**343.6**	**12.7%**

Results in non-euro currencies were converted to euros by applying a three-month average exchange rate for the corresponding quarter. Average exchange rates were obtained from OANDA.

At **Scanfil**, Q1 revenue decreased 3.6% year over year. Operating profit for the group during the period was €2.7 million versus €2.5 million a year ago, representing 5.8% (5.3%) of turnover. The breakdown of operating profit by regional segment was as follows: Europe 62% (51%) and Asia 38% (49%).

Turnover increased, particularly in the Medtech, Life Science, and Environmental Measurement customer group, mainly because of the acquisition of **Schaltex Gmbh** on 1 April 2014. Within the Energy and Automation group, demand developed positively in general.

Scanfil expects its turnover to increase by 2–8% in 2015. More turnover is generated in the second half than in the first half of the year. The company is expecting its turnover to decrease slightly in the first half of the year, and particularly in the second quarter, compared to 2014. Its operating profit before nonrecurring items for 2015 is expected to be €13–17 million.

Finally, **Connect Group** reported that Q1 sales decreased 14.7% compared to the same period a year ago. This decline in revenue can be attributed to the fact that the restructuring announced at the end of 2014 could only be completed by the end of the first quarter following the conclusion of the negotiations with the trade unions (as a result of which labor costs remained high during the first quarter), and to continued low sales figures. Luc Switten terminated his term as CEO of the group by the end of March 2015, and was replaced by Flor Peersman..

Company News

iPhone Maker Foxconn to Build First Apple Plant in India

Foxconn Technology (Taiwan) is in talks to manufacture Apple's iPhone in India, government officials said, in a move that could lower prices in the world's number-three smart phone market, where the US firm trails **Samsung Electronics** and local players.

India could help Foxconn mitigate accelerating wage inflation in China, where it makes the majority of iPhones, and base production sites closer to markets where its key clients want to grow.

Lower production costs could also help Foxconn keep hold of **Apple** orders amid intensifying competition with nimble manufacturing rivals such as **Quanta Computer, Inc**. Foxconn has said it is aiming to develop 10–12 facilities in India, including factories and data centers, by 2020, but had given no detail.

A return of Foxconn—which was forced to shut up shop in India last year after client **Nokia** closed—would be a major victory for India, which badly needs to turn its tech boom into a manufacturing and employment boost, as reported by *Hindustan Times*.

Nortech Systems Acquires Devicix

Nortech Systems, Inc. (Wayzata, MN) announced that it has reached an agreement to acquire **Devicix, LLC** of Eden Prairie, MN. Devicix is an innovative medical product design and engineering firm with a proven record of helping clients move from concept to production. The addition of Devicix will enhance and broaden Nortech's capabilities for complete design, manufacturing, and service, particularly for regulated medical devices.

The privately owned Devicix was founded in 2004 by Peter DeLange, who is currently the CEO. As a medical product realization firm, Devicix offers a unique ability to shepherd a design from concept through FDA and regulatory approvals. Services offered include concept design, prototyping, full product design and development, regulatory consulting, verification and validation, testing, and commercialization.

Nortech will maintain Devicix's current location in Eden Prairie, along with over 30 full-time employees, including experienced professionals in mechanical, electrical, software, biomedical, and industrial engineering.

Kitron Expands in Lithuania

Scandinavian EMS company **Kitron** has officially opened its new production facilities and engineering services center in Kaunas (Lithuania).

An investment of €7 million in the newly built 5,000-square-meter facility allows the company to expand its existing manufacturing area to 13,000 square meters and to create an additional 60 jobs. From now on the company will not only manufacture in Lithuania, but will also develop new products, with a special focus on engineering services. Engineers will provide prototyping, product design supervision, component engineering, and project management services.

Facilities Expansion… Latvian EMS provider **HansaMatrix** has opened a new manufacturing facility in Ventspils. HansaMatrix opened a new extension to its Ventspils manufacturing facility, which provides an additional 3,500 square meters. Construction of the new building extension started in June 2014 and was completed in May 2015.

Executive changes… **LACROIX Group** (France) has enhanced its team of executives as Stéphane Klajzyngier succeeds François Beauxis in his role as Managing Director of LACROIX Electronics. Stéphane Klajzyngier was president of Radio Frequency Systems (RFS) since 2005… **Sparton Corporation**'s (Schaumburg, IL) senior vice president and CFO, Don Pearson, will be leaving the company, effective June 9, 2015, in order to accept a position as CFO of a private equity–backed company. During the replacement search phase, Cary Wood, President and CEO, will serve as interim principal financial officer for Sparton.

Mergers & Acquisitions… UK-based **IO Electronics** and **CSM Electronics** have officially announced their merger in a bid to become a dominant presence in the UK's electronics subcontract manufacturing industry. Both companies will trade under the name of IO Electronics, Ltd. and will be based at the Holes Bay site in Poole, Dorset… **Manz AG** (Germany) has acquired **KLEO Halbleitertechnik GmbH** (Germany), a ZEISS Group company, as of June 1,

2015. As part of a share deal, Manz AG acquires patents and copyrights for the technology developed by KLEO for laser direct imaging (LDI) of printed circuit boards. In addition, all 20 employees at the Tettnang location in southern Germany will also be assumed.

As a fully consolidated company of the Group, the subsidiary will make a positive contribution to Manz AG's year-end result in the current 2015 fiscal year. The parties have agreed not to disclose the purchase price.

Partnerships & Agreements… Kitron's subsidiary **Kitron AB** (Jönköping, Sweden) has signed a strategically important long-term frame agreement with **Saab AB** (Sweden) (Business Unit Avionics Systems) for military avionics and aeronautic electronic equipment. The frame agreement has a potential order value of more than NOK 400 million over 20 years.

The equipment to be supplied by Kitron is to be incorporated by Saab in current and future avionics contracts globally. Kitron will supply assembled electronic circuit boards for military and civilian products, and production will be done in Jönköping.

New orders… **PartnerTech Karlskoga** (Sweden) has secured new orders worth a total of approximately SEK 50 million (€5.42 million) from customers in the defense industry.

The production covers machined high-precision mechanics from PartnerTech's unit in Karlskoga and initial deliveries will start in the third quarter of 2015.

Zollner Opens IPO in Hong Kong

Kowloon Bay, Hong Kong is the 18th location of EMS provider **Zollner** (Germany).

Operating as an international purchasing office (IPO), the location will function as an important pillar within the procurement strategy of the contract manufacturer. The company hopes to pool the advantages of a global as well as those of a local procurement office in Hong Kong.

According to the company, an international purchasing office in Asia creates geographical proximity. It allows for both global transparency of the procurement market and the establishment of new local supply sources.

Jabil to Increase Headcount in Scotland

US EMS provider **Jabil** is reportedly looking to increase its headcount in Scotland, adding more than 200 new jobs at the company's Livingston facility. During a meeting in New York with representatives from Jabil, First Minister Nicola Sturgeon secured confirmation that the company's investment of £12.5 million (€17.15 million) in the Scottish plant would result in an additional 212 jobs and safeguard 147 manufacturing roles. The investment is supported by a £450,000 grant from Scottish Enterprise, a Scottish economic development agency.

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