

# Manufacturing Market

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# INSIDER

inside the contract manufacturing industry

Vol. 27, No. 9

September 2017

## First-Half Growth Favors ODM Providers

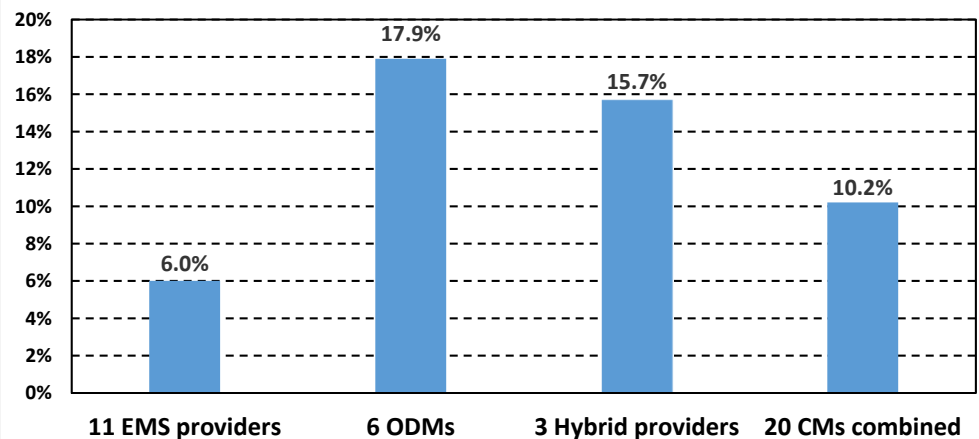
Based on first-half results of 20 of the largest contract manufacturers, all three types—EMS companies, ODMs, and hybrid providers—exhibited growth this year so far. Combined first-half sales of the 11 large EMS providers increased 6% and the aggregate sales of the six large ODMs increased 17.9%. Both groups were able to circumvent any macroeconomic headwinds swirling about the global economy. But that is not the end of the story of the first six months.

There is a third class of contract manufacturer—the hybrid provider—that does substantial amounts of both EMS and ODM business. In conformity with the increases of the EMS and ODM group, combined sales of the three large hybrid CMs increased in the first half. The hybrid group's revenue increased by 15.7% year over year (Chart 1). If this comparison can be generalized, it would seem that all three groups did a very adequate job of withstanding the vicissitudes of the first half.

Hybrid companies benefited from the rebound in demand for smart phones and tablets, plus a resurgence from traditional industries such as medical, industrial, and transportation, where ODMs have only a minor manufacturing presence.

The companies with the strongest improvement in terms of year-to-year gain were **Venture Corp.** (37.2%),

Chart 1: First-Half Growth Year on Year



**Wistron** (36.6%), **Universal Scientific Industrial** (24.5%), **Compal** (21.7%), and **Quanta** (21.3%). **Foxconn's (Hon Hai's)** gross revenue increased from \$58.3 billion to \$62.4 billion, an increase of 7%. The lowest result occurred among the EMS group, which as a whole has recorded a 6% growth rate so far in 2017.

The biggest player in the hybrid group was **Pegatron**. Spun off from

**ASUSTeK** in 2010, Pegatron has emerged as one of the world's largest contract manufacturers, having risen to second biggest in terms of total first-half revenue (see Table 1, p. 2). While Pegatron was known as an ODM, much of its recent growth has been fueled by its **Apple** assembly business, which has expanded the EMS piece of Pegatron's revenue pie. Reportedly, Pegatron has built iPad tablets and some versions of the iPhone for Apple.

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**Table 1: Q2 and Six-Month 2017 Results for 20 of the Largest Contract Manufacturers (M US\$ or %)**

Company	Primary Business	Head-quarters	Reports in US\$	2Q2017 Sales	1Q2017 Sales	Qtr.-Qtr. Chg.	2Q2016 Sales	Yr.-Yr. Chg.	2Q2017 Net Inc.	1Q2017 Net Inc.	2Q2016 Net Inc.	Q1-2 2017 Sales	Q1-2 2016 Sales	Yr.-Yr. Chg.	Q1-2 2017 Net Profit	Q1-2 2016 Net Profit
Hon Hai	EMS	Taiwan	No	30,322.6	32,134.6	-5.6	28,585.4	6.1	587.8	928.3	548.2	62,457.2	58,352.0	7.0	1,516.1	1,405.1
Pegatron	ODM/EMS	Taiwan	No	7,902.1	7,876.7	0.3	6,964.0	13.5	113.0	127.9	123.6	15,778.8	14,930.1	5.7	240.9	251.2
Quanta	ODM	Taiwan	No	7,737.2	7,511.4	3.0	6,437.7	20.2	130.8	92.1	108.5	15,248.6	12,570.1	21.3	222.8	220.9
Compal	ODM	Taiwan	No	7,027.6	6,177.1	13.8	5,360.8	31.1	8.4	35.4	53.8	13,204.7	10,849.6	21.7	43.7	103.6
Wistron	ODM/EMS	Taiwan	No	6,372.1	5,550.2	14.8	4,545.3	40.2	26.9	18.0	19.1	11,922.3	8,730.5	36.6	44.9	31.0
Flex	EMS	Singapore	Yes	6,008.3	5,862.6	2.5	5,876.8	2.2	124.7	86.9	105.7	11,870.9	11,649.5	1.9	211.6	167.1
Jabil	EMS	Florida	Yes	4,489.6	4,445.6	1.0	4,310.8	4.1	(25.3)	20.7	5.2	8,935.2	8,714.3	2.5	(4.6)	84.1
Inventec	ODM	Taiwan	No	3,652.9	3,287.6	11.1	3,358.2	8.8	63.3	22.4	43.8	6,940.5	6,321.2	9.8	85.6	82.1
Sanmina	EMS	California	Yes	1,711.4	1,682.3	1.7	1,669.5	2.5	36.4	31.7	29.5	3,393.6	3,280.6	3.4	68.1	59.9
Celestica	EMS	Canada	Yes	1,558.5	1,469.9	6.0	1,485.5	4.9	34.4	22.8	36.2	3,028.4	2,838.8	6.7	57.2	61.8
Qisda	ODM	Taiwan	No	1,081.4	1,044.3	3.6	977.1	10.7	44.9	40.5	24.7	2,125.7	1,964.1	8.2	85.4	40.7
Universal Scientific Industrial	EMS	China	No	945.8	937.6	0.9	755.4	25.2	39.7	41.6	27.1	1,883.4	1,512.2	24.5	81.3	40.2
Kinpo Electronics	ODM/EMS	Taiwan	No	925.8	950.2	-2.6	1,020.9	-9.3	7.1	7.2	13.1	1,876.0	1,899.9	-1.3	14.3	27.0
Cal-Comp Electronics	EMS	Thailand	No	721.7	755.2	-4.4	773.0	-6.6	8.7	9.1	6.8	1,476.9	1,461.3	1.1	17.8	14.3
Venture Corp.	EMS	Singapore	No	735.8	603.4	22.0	507.7	44.9	50.7	34.8	32.2	1,339.2	976.0	37.2	85.5	58.9
Plexus	EMS	Wisconsin	Yes	618.8	604.3	2.4	667.6	-7.3	25.6	29.3	26.1	1,223.2	1,286.3	-4.9	54.9	42.9
Benchmark Electronics	EMS	Texas	Yes	616.9	566.5	8.9	579.3	6.5	17.2	9.7	12.7	1,183.4	1,128.6	4.9	26.9	23.7
Shenzhen Kaifa	EMS	China	No	499.8	641.7	-22.1	552.0	-9.5	16.9	(12.8)	23.4	1,141.5	1,189.4	-4.0	4.1	29.6
AmTRAN Technology	ODM	Taiwan	No	139.2	120.1	15.8	208.4	-33.2	(11.1)	(16.8)	10.9	259.3	329.5	-21.3	(27.9)	42.8
Ability Enterprise	ODM	Taiwan	No	101.5	91.8	10.6	92.5	9.7	2.3	0.6	1.6	193.3	178.7	8.2	2.8	0.7
<b>Total/Avg.</b>				<b>83,168.7</b>	<b>82,313.3</b>	<b>1.0</b>	<b>74,727.8</b>	<b>11.3</b>	<b>1,302.3</b>	<b>1,529.2</b>	<b>1,252.4</b>	<b>165,482.0</b>	<b>150,162.7</b>	<b>10.2</b>	<b>2,831.5</b>	<b>2787.6</b>
<b>Total/Avg. without Hon Hai</b>				<b>52,846.1</b>	<b>50,178.7</b>	<b>5.3</b>	<b>46,142.4</b>	<b>14.5</b>	<b>714.5</b>	<b>600.9</b>	<b>704.2</b>	<b>103,024.8</b>	<b>91,810.7</b>	<b>12.2</b>	<b>1,315.4</b>	<b>1,382.5</b>

Results in non-US currencies were converted to US dollars by applying a three-month average exchange rate for the corresponding quarter. Average exchange rates were based on monthly 2017 and 2016 data from the US Federal Reserve. Company net profits shown here are attributable to shareholders. Net profit totals are approximate because not all companies follow the same accounting standard.

Wistron is another large player operating as both an ODM and an EMS provider. Although the company has the reputation of being a major notebook ODM, it has a history of doing business on both sides of the outsourcing street. Wistron has reportedly been selected to become part of the supply chain for Apple Inc.'s next-generation iPhone 8 and is expected to start shipping the product in September this year. Previously, Wistron helped assemble Apple's iPhone 5C and iPhone 6 Plus, according to people familiar with the matter.

The third company of the three in the hybrid group is **Kinpo Electronics**, of which the New Kinpo Group accounts for 70% of EMS revenue. The New Kinpo Group is a subsidiary of the holding company Kinpo Group, which owns and manages 23 subsidiaries (for example, the Compal Group and the **VIBO Services** companies), seven of which are publicly listed corporations. By first-half revenue, the hybrid providers comprise the smallest of the three groups into which the 20 CMs are divided.

Sales of the hybrid CMs totaled

\$29.5 billion, or nearly 18% of the combined sales of the group of 20. By far the largest share of total sales—59.1%—belonged to the EMS group, while the ODMs generated 23% (Chart 2, p. 3).

First-half sales of the 20 CMs amounted to \$165.4 billion, an increase of 10.2% year over year. *MMI* believes that this figure can be used as a proxy for the board- and system-level outsourcing space, since these 20 companies account for the vast majority of revenue from the space.

Hon Hai Precision Industry, the EMS giant, did influence this result in a big way. Without Hon Hai, the increase would have been 12.2%.

Of the 20 CMs, four experienced first-half sales declines in US dollars ranging from slight to rather severe. In contrast, of the 16 CMs that raised their first-half sales versus a year ago, five companies (Venture Corp., Wistron, Universal Scientific Industrial, Compal, and Quanta) achieved double-digit growth. Venture Corp. separated itself from the other CMs with a 37.2% gain.

Only **AmTRAN Technology** endured a double-digit decrease of over 20% (in US dollars) from a year earlier.

For the first six months, the 20 CMs together earned net income of approximately \$2.83 billion. (Net income was approximate because not all companies follow the same accounting rules.) Net profit increased to about 1.6% year on year, in line with the aforementioned sales increase of 10.2%. However, unlike the ODM and hybrid contingents, the EMS group improved its net income from a year earlier (Table 2, below). On the other hand, first-half net margin for the hybrid group came in at about 1%, compared with about 2.2% for the EMS group and 1.1% for the ODMs. Hon Hai contributed some 53.5% of total net income for the first half, while accounting for 38% of sales.

Second-quarter revenue for the entire group totaled \$83.1 billion, up 1% from the prior quarter and increased 11.3% from the year-ago period. Sequential increases on the part of 16 CMs outweighed decreases produced by the others. Six companies—Venture,

AmTRAN Technology, Wistron, Compal, **Inventec**, and **Ability Enterprise**—experienced double-digit increases. Excluding Hon Hai, the sequential increase in 2Q17 was around 5.3%.

In the year-over-year comparison, Q2 increases for 15 companies more than offset decreases at five CMs. Seven CMs posted two-digit growth in their revenue (expressed in US dollars), with Venture Corp. and Wistron reporting increases of more than 40% (Table 1).

Continuing the year-over-year comparison, the EMS group's revenue increased 5.4%, while the hybrid group's revenue increased 21.3%, and that of the ODM group increased 20.1%. When compared with the prior quarter, the EMS group's sales decreased 3%, whereas the ODM group had an 8.3% increase and the hybrid group had 5.7% growth (Table 2).

Q2 net income for the group of 20 was approximately \$1.3 billion, down from about \$1.5 billion in the previous quarter and up from about \$1.25 billion a year earlier. Net income increased about 4% year over year, a better outcome than the Q2 sales decline of 15%. Twelve CMs boosted their net income from a year ago, and this combined effort was enough to counter the declines at the other providers. Without Hon Hai, the increase in Q2 net income would have been about 1.5% year on year instead of about 4%.

## First-Half Growth for Asian Group

A group of 11 large and mid-sized EMS providers based in Asia produced a first-half sales increase. First-half 2017 sales of the Asia-based group increased 14.4% year on year. With respect to first-half sales, Asia-centric manufacturing proved to be an overall advantage for the Asian group. Asia-based production became an asset in light of a growing trend toward onshoring (keeping new programs in higher-cost geographies) and reshoring (relocating work from lower-cost to higher-cost regions). Indeed, it appears that a weak demand environment had virtually the same effect on each of the three industry groups in the publicly traded sector. Note that all of the EMS providers in this comparison are publicly listed or are part of a publicly traded company.

First-half revenue for the 11 Asia-based providers totaled \$9.22 billion, up from \$8.06 billion in the year-ago period. For the first six months, all EMS providers posted strong growth except for **Shenzhen Kaifa**,

Chart 2: First-Half Sales by Provider Type

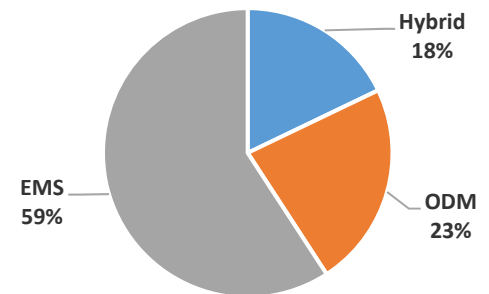


Table 2: Comparing Results Among Companies Grouped by Primary Business (M US\$ or %)

No. of Companies	Primary Business	2Q2017 Sales	1Q2017 Sales	Qtr.-Qtr. Chg.	2Q2016 Sales	Yr.-Yr. Chg.	2Q2017 Net Inc.	1Q2017 Net Inc.	2Q2016 Net Inc.	Q1-2 2017 Sales	Q1-2 2016 Sales	Yr.-Yr. Chg.	Q1-2 '17 Net Profit	Q1-2 '16 Net Profit
11	EMS	48,229.1	49,703.7	-3.0	45,762.9	5.4	916.9	1,202.0	853.2	97,932.8	92,389.0	6.0	2,118.9	1,987.6
6	ODM	19,739.7	18,232.4	8.3	16,434.8	20.1	238.4	174.1	243.4	37,972.1	32,213.2	17.9	412.5	490.8
3	ODM/EMS	15,199.9	14,377.2	5.7	12,530.1	21.3	147.0	153.1	155.8	29,577.1	25,560.5	15.7	300.1	309.2
<b>20</b>		<b>83,168.7</b>	<b>82,313.3</b>	<b>1.0</b>	<b>74,727.8</b>	<b>11.3</b>	<b>1,302.3</b>	<b>1,529.2</b>	<b>1,252.4</b>	<b>165,482.0</b>	<b>150,162.7</b>	<b>10.2</b>	<b>2,831.5</b>	<b>2,787.6</b>

Net profit totals are approximate because not all companies follow the same accounting standard.

which posted a decline. Seven players—**Pan-International, Fabrinet, Venture, Universal Scientific Industrial, SVI, WKK, and Wong's International Holdings**—chalked up double-digit growth (in US dollars). On the other hand, one provider—Shenzhen Kaifa—reported a 4% decline (Table 3, below).

Two of the 11 Asian providers, WKK and Wong's International Holdings, report results only on a half-year basis. For the remaining nine players, sales for 2Q2017 amounted to \$4.33 billion, down 0.7% sequentially and up 11.3% year over year. All but four of the nine providers increased their sales from the prior quarter, and two of these, Pan-International and Venture, achieved double-digit gains. In the year-over-year comparison, three out of nine providers saw their sales drop, and six companies—Pan-International, Venture, Fabrinet, Universal Scientific Industrial, and PCI—reported double-digit growth (Table 3).

In Q2, the nine providers together earned net income of approximately \$164 million for a net margin of about 3.8%. (Net income was approximate because not all companies follow the same accounting rules.) The highest net margins in the quarter were turned in by Fabrinet at 7.4% and Venture at 6.9%. Collectively, net

income grew about 40% sequentially, in contrast with the 0.7% drop in sales from the prior quarter. Sequential net income increases at four companies more than offset declines at four others and one flat result.

On a year-over-year basis, combined Q2 net income for the nine companies grew in line with the sales increase. Net income rose about 2.6% compared with a sales increase of 11.3%. Significant profit growth at Venture, Universal Scientific Industrial, and Fabrinet drove the increase.

For the first six months, net income of the nine providers totaled approximately \$280.4 million for a net margin of about 3.2%. First-half net income increased about 15.3% year over year due to positive swings in net income at Venture, Universal Scientific Industrial, and Fabrinet.

## Some Quarterly Results

**Venture Corporation (Venture).** In the second quarter of 2017, Venture Corporation, Limited registered a 61% jump in net profit to S\$69.8 million. This improvement in profitability is made possible through high value

creation and capture underpinned by Venture's deep engineering bench strength and operational excellence. For the quarter ended 30 June 2017, the Group registered revenue of S\$1.01 billion, an increase of 48.3% year on year. Revenue improvement for the reported quarter and for the first half of 2017 is underpinned by the Group's diversified customer base and continuing strong execution of customers' programs launched in prior quarters.

In tandem with the revenue growth, the Group recorded profit before tax (PBT) of S\$84.5 million for the quarter ended 30 June 2017, an increase of 63.7% year on year. For the first half of 2017, the Group recorded PBT of S\$144.5 million, an increase of 53.6% year on year. In line with the higher PBT and based on tax incentives granted to its subsidiaries, the Group reported income tax expense of S\$14.7 million for the reported quarter and S\$26.1 million for the first half of 2017.

Net profit rose 61% year on year to S\$69.8 million for the reported quarter. For the six months ended 30 June 2017, net profit rose 49.5% year on year to S\$118.4 million. The Group registered a net margin of 6.9% for the reported quarter (2Q2016: 6.4%) and 6.4% for the

**Table 3: Six-Month 2017 Results for 11 Asia-Based EMS Providers (M US\$ or %)**

	Headquarters	Reports in US\$	2Q2017 Sales	1Q2017 Sales	Qtr.-Qtr. Chg.	2Q2016 Sales	Yr.-Yr. Chg.	2Q 2017 Net Inc.	1Q 2017 Net Inc.	2Q 2016 Net Inc.	Q1-2 2017 Sales	Q1-2 2016 Sales	Yr.-Yr. Chg.	Q1-2 '17 Net Profit	Q1-2 '16 Net Profit
Integrated Micro-Electronics	Philippines	Yes	721.7	755.2	-4.4	773.0	-6.6	8.7	9.1	6.8	1,476.9	1,461.3	1.1	17.8	14.3
PCI	Singapore	Yes	45.1	45.8	-1.6	38.9	15.8	2.5	2.5	0.7	90.8	83.3	9.0	4.9	2.1
SVI	Thailand	No	91.3	83.9	8.8	83.3	9.6	3.7	5.1	16.3	175.2	143.1	22.4	8.8	17.1
Venture	Singapore	No	735.8	603.4	22.0	507.7	44.9	50.7	34.8	32.2	1,339.2	976.0	37.2	85.5	58.9
Cal-Comp Electronics	Thailand	No	721.7	762.2	-5.3	773.0	-6.6	8.7	12.1	6.8	1,483.9	1,461.3	1.5	20.8	14.3
Universal Scientific Industrial	China	No	945.8	937.6	0.9	755.4	25.2	39.7	41.6	27.1	1,883.4	1,512.2	24.5	81.3	40.2
Pan-International Industrial	Taiwan	No	203.3	170.2	19.4	136.3	49.1	5.5	2.6	26.7	373.6	239.8	55.8	8.1	26.1
Fabrinet	Thailand	Yes	370.5	366.8	1.0	276.4	34.0	27.4	21.7	19.7	737.3	527.3	39.8	49.1	40.5
Shenzhen Kaifa	China	No	499.8	641.7	-22.1	552.0	-9.5	16.9	-12.8	23.4	1,141.5	1,189.4	-4.0	4.1	29.6
<b>Subtotal/Avg.</b>			<b>4,334.8</b>	<b>4,366.8</b>	<b>-0.7</b>	<b>3,896.0</b>	<b>11.3</b>	<b>163.9</b>	<b>116.5</b>	<b>159.8</b>	<b>8,701.7</b>	<b>7,593.7</b>	<b>14.6</b>	<b>280.4</b>	<b>243.1</b>
WKK International (Holdings)	Hong Kong	No									289.1	260.4	11.0	2.9	1.6
Wong's International Holdings	Hong Kong	No									229.7	207.6	10.6	16.5	25.9
<b>Six-Month Total/Avg.</b>											<b>9,220.5</b>	<b>8,061.7</b>	<b>14.4</b>		

Results in non-US currencies were converted to US dollars by applying a three-month average exchange rate for the corresponding quarter, except for the two Hong Kong-based companies, whose results were converted by using six-month average exchange rates. Average exchange rates were based on monthly 2017 and 2016 data from the US Federal Reserve. Company net profits shown here are attributable to shareholders. Net profit totals are approximate because not all companies follow the same accounting standard.



first half of 2017 (1H2016: 6.0%).

Venture continues to make progress across its strategic and operational initiatives. Through its unique TCS management practice, Venture has deepened its alliances and partnerships for value creation with leaders in technology ecosystems of interest. It has also enabled the Group to forge new collaborative alliances, culminating in new programs, and to capture additional opportunities across its diversified customer base. Venture has also been able to seize new opportunities in several fast-growing adjacent ecosystems.

**Fabrinet (NYSE: FN).** Reported 4Q2017 revenue of \$370.5 million, an increase of 34% compared to revenue of \$276.4 million for the comparable period in fiscal year 2016. GAAP net income for the fourth quarter of fiscal year 2017 was \$27.4 million, compared to GAAP net income of \$19.7 million for the fourth quarter of fiscal year 2016. GAAP net income per diluted share for the fourth quarter of fiscal year 2017 was \$0.72, compared to GAAP net income per diluted share of \$0.53 for the fourth quarter of fiscal year 2016.

Fabrinet is issuing guidance for the first quarter of fiscal year 2018, ending September 29, 2017, as follows: 1) Fabrinet expects first-quarter revenue to be in the range of \$356 million to \$360 million. 2) GAAP net income per diluted share is expected to be in the range of \$0.60 to \$0.62, based on approximately 38.2 million fully diluted shares outstanding. 3) Non-GAAP net income per diluted share is expected to be in the range of \$0.78 to \$0.80, based on approximately 38.2 million fully diluted shares outstanding.

In addition to delivering a strong financial performance, fiscal year 2017 was also significant from a strategic perspective. Fabrinet substantially increased its manufacturing capacity and further developed its new product introduction capabilities, especially outside the optical communications market, positioning it to generate strong returns from a diversifying customer base. With its expanded capacity and a robust pipeline of opportunities, the

company is optimistic that its success in fiscal year 2017 will extend into fiscal year 2018.

**Integrated Micro-Electronics, Inc. (IMI)** announced that its first-half revenues reached \$501.0 million, up 22% year on year, driven by recent acquisitions and expansion programs. Net income also increased 14 percent compared to last year. The strong revenue growth and net income performance was mainly a result of the company's continuous focus on its current core markets in the automotive and industrial segments.

Revenues from Europe and Mexico operations climbed 12 percent year on year to \$171.5 million in the first half of 2017, driven by ongoing capacity expansions and new programs. IMI Bulgaria was recently recognized as the second most profitable company in the machines sector in Bulgaria, while IMI Mexico recently received the Jalisco Export Achievement award.

The company's China operations posted \$127.5 million in revenues, down slightly (2%) year on year due to soft market demand for network and wireless products and the delay of 5G technology. IMI successfully gained access to China's electric vehicle (EV) market after one of its customers in the Chengdu operations won a public electric bus project.

Revenues for IMI's EMS operations in the Philippines increased 2 percent to \$111.9 million, due to the automotive camera and industrial businesses. IMI Philippines recently started operations on motorcycle manufacture and assembly, a joint venture with **KTM AG**, an Austrian motorcycle company. As expansion continues, the company expects to engage more local suppliers for the assembly plant.

Newly acquired companies **Via Optronics GmbH (Via)** and **Surface Technology International, Ltd. (STI Ltd.)**, delivered \$72.5 million in revenues, with one-month contribution from STI.

**Universal Scientific Industrial (USI).** In the first half of 2017, the company realized business revenue of 12.892 billion RMB, an increase of 30% (i.e., 2.966 billion RMB) compared to the same period last year (9.926 billion RMB). In terms of net profit, the realized net profit attributable to shareholders of the listed

company amounted to 556 million RMB, an increase of 110% (i.e., 291 million RMB) compared to the same period last year (265 million RMB). The gross profit rate of the main business in the first half of 2017 still maintained a level of 11.43%, while the net profit rate reached 4.31%.

The second quarter is usually a slack time for the electronics industry every year; however, USI was able to flourish despite this slack season. By virtue of stable delivery of products and adjustments to product portfolios and profit structure, the second quarter maintained the trend of the first one, and all of the company's main products witnessed continuous growth. The second quarter of 2017 alone realized a net profit of 269 million RMB, an increase of 49.44% compared to the second quarter of 2016 (180 million RMB).

Regarding product categories, the business revenues for communication, consumer electronics, storage, industrial, and car electronics products all experienced growth to varying degrees. Specifically, the gross profit rates of communication, consumer electronics, and storage products showed relatively significant improvement, by virtue of which the overall gross profit rate of the company increased from 10.02% to 11.48%.

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## Company News

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### Jabil Expands Indonesian Footprint

EMS provider **Jabil** entered the aerospace precision machining market with the opening of its state-of-the-art manufacturing facility in Bandung, Indonesia.

Bill Frake, vice president of global business units at Jabil, said, "The Bandung facility is a key milestone for Jabil and is central to our aerospace and defense growth strategy. Jabil Bandung will augment our existing electronics and mechanical aerospace solutions, and enable us to provide end-to-end solutions for our customers. It also demonstrates Jabil's continuous drive towards delivering unique competitive

value to our customers, as well as our commitment to invest and develop in Bandung.”

Jabil Bandung currently employs about 100 people and aims to create between 300 and 500 jobs in the local area over the next five to ten years.

## Stadium Group Acquires PowerPax UK, Limited

UK-based electronics company **Stadium Group** has acquired the business and assets of **PowerPax UK, Limited**, a UK-based specialist value-add manufacturer and distributor of a range of power supplies, battery chargers, and LED products.

PowerPax will join Stadium Group’s power technology division, Stadium Stontronics, Limited, based in Reading, UK.

Martin Brabham, Managing Director of Stadium Stontronics, commented: “The deal follows a sequence of focused acquisitions by the company as we pursue growth in niche complementary technologies. There is great synergy between the two businesses with respect to skills, industry knowledge and the complementary power product portfolio, which will bring economies of scale and presents our combined customers with an enhanced offering and service in the power products space.”

## Cemtrex Makes Bid for KeyTronic

**Cemtrex** announced an unsolicited stock-swap bid to acquire fellow EMS company **KeyTronic**. KeyTronic has not yet responded to the offer.

Under terms of the bid, Cemtrex is offering to exchange each outstanding share of common stock of KeyTronic for one share of Cemtrex common stock, with the intent to eventually acquire the entire company. Cemtrex said its plan might take multiple transactions to complete.

Cemtrex is considerably smaller than its target. For its fiscal year ended August 1, KeyTronic reported total revenue of \$467.8 million. Meanwhile, revenues at Cemtrex for the four quarters ended July 1 were \$124.5 million.

KeyTronic said it wasn’t aware of any outside interest in acquiring the EMS company, and it will continue to execute its existing strategic plan.

Prior to the filings, KeyTronic said, it was unaware of Cemtrex’s interest and had not had any communications with the suitor. “Based on [Cemtrex’s] current SEC filings, KeyTronic understands that [Cemtrex] has not commenced a formal exchange offer and that any such offer would require additional SEC filings by [Cemtrex],” a statement from KeyTronic said.

## Foxconn to Expand in Czech Republic

**Foxconn** will reportedly expand its production capacity in the Czech Republic, according to local Prague media.

Czech Republic-based *CIA News* reports that the world’s largest ODM/EMS company will invest an undisclosed number of billions of Czech krone by the end of next year.

The expansion will go toward increasing the company’s medical and healthcare capacity, the report said.

Foxconn has operations in Pardubice and Kutna Hora and employs about 4,000 in the country, as reported by *Circuits Assembly*.

## Missouri EMS Firm to Expand to New Building

**Nemo Manufacturing**, based in Missouri, says higher demand is spurring the EMS company to move to a new factory.

The company is relocating to a 22,000-square-foot building this fall and adding two SMT lines to meet demand. It plans to hire up to 20 new workers as well.

According to president Bob Havermale, the company turned down a couple of buyout offers earlier this year.

## Jabil Acquires True-Tech

**Jabil** is expanding its fast-growing capital equipment solutions division by acquiring the assets of **True-Tech Corporation**. True-Tech is a

manufacturing provider specializing in high-precision machining, mechanical assembly, and clean room assembly for a variety of semiconductor and aerospace customers. With the acquisition, Jabil adds True-Tech’s three California facilities in Fremont and Livermore, along with 570 employees.

Jabil’s fully dedicated capital equipment manufacturing footprint in Silicon Valley increases to 270,000 square feet with the addition of True-Tech’s plants. The True-Tech brand will fully transition to Jabil over the coming weeks.

## Compal Reportedly to Sell Stake in China JV Soon

**Compal Electronics** has started to relocate its executives at **LCFC (Hefei) Electronics Technology**—the notebook manufacturing joint venture between the ODM and **Lenovo**—back to the headquarters in Taiwan, amid rumors that it is ready to sell its entire stake in the JV to the China-based vendor, according to industry sources.

LCFC was established in 2011, with Lenovo holding a 51% stake and Compal 49%. Currently, Lenovo places over 50% of its notebook orders with LCFC, with the remainder going to its Taiwan-based ODM partners.

Compal may be able to see profits from LCFC, but orders directly from Lenovo for the ODM itself have been relatively small.

Since Lenovo and Compal have agreed that the Taiwan-based ODM can sell its stake in LCFC after October 1, 2017, some market watchers have pointed out that Lenovo has already prepared cash for acquiring LCFC shares from Compal.

## Pegatron Makes New Investment in China

**Pegatron Technology** has announced that its three investment subsidiaries will invest a total of US\$78.95 million in a newly established subsidiary that is wholly owned by **Casetek Holding**.

Casetek’s new subsidiary will have capital of US\$130 million and focus on businesses including designing,

developing, manufacturing, and selling metal and nonmetal molds as well as IT electronics products and components.

Commenting on the increasing holdings by Pegatron's executives, including the chairman, vice chairman, and president, the company explained that it has been issuing stocks to reward its executives and staff for their hard work.

## Foxconn to Invest \$5.75B in China Smart Phone

### Campus

**Foxconn Technology Group** will invest more than 37.5 billion yuan (\$5.75 billion) in a new smart phone factory in Nanjing, according to *China Media*.

Foxconn signed the deal with the Nanjing municipal government recently. Among the planned investments are facilities for production and R&D.

According to the report, which cited government documents and a local official, Foxconn also signed agreements of intent to invest 4.58 billion yuan to build an R&D center in the Yuhuatai district of Nanjing, and possibly make additional investments in an LCD-TV plant.

## Cemtrex Outlines Why KeyTronic Should Sell

**Cemtrex** reiterated its belief that its management could unlock value for shareholders of EMS competitor **KeyTronic**.

"Cemtrex believes that a combination of the two companies will unlock significant shareholder value for both companies, by enabling cost savings, higher earnings per share and a more attractive price-to-earnings ratio than either company is currently maintaining," Cemtrex said in a press release.

The announcement comes a week after Cemtrex made an unsolicited bid for KeyTronic, offering a one-to-one exchange of shares. Under terms of the offer, which was presented in a press release but not a formal offer sheet, KeyTronic would become a subsidiary of Cemtrex.

## Cal-Comp Wins \$50M Contract for Midwest US Plant

**Cal-Comp Electronics** will add 70 workers after winning a \$50 million contract to build printed circuit board assemblies for video event recorders.

Cal-Comp will start production next month under its new contract with San Diego-based **Lytix**. Full production will start by March 2018.

Lytix said in a press release that it preferred to build the recorders in Logansport, Indiana rather than in China due to costs and other factors.

"With this move, we're actually able to reduce our costs by limiting import tariffs and avoiding overseas transport costs, while still paying above-market wages to Logansport factory workers," said Jim McDaniel, Lytx's senior director, operations and supply chain.

Cal-Comp currently has about 200 workers at the plant, according to estimates by city officials.

## Wisconsin Senate OKs Foxconn Incentive Plan

The Wisconsin Senate has approved nearly \$3 billion in cash payments for **Foxconn Technology Group**.

The Senate passed the bill with 20 members voting to affirm and 13 voting to reject the massive incentive plan. The Wisconsin Assembly was to vote on the bill soon as well.

The controversial package is seen as necessary to attract Foxconn, which has said it plans to build a large flat panel display manufacturing campus in the state, as reported by *Circuits Assembly*.

## Sanmina Appoints Executive VP and CFO

EMS provider **Sanmina** has appointed David Anderson to Executive Vice President and Chief Financial Officer, effective October

2, 2017. Anderson will succeed Bob Eulau, who has been appointed Chief Executive Officer, as previously announced on July 6, 2017.

Anderson has more than 30 years of financial management and business experience within the technology and financial services sectors. Since 2013 he has held the position of Senior Vice President, Corporate Controller and Principal Accounting Officer at Sanmina. He joined Sanmina in 2002 as VP Finance and Controller, EMS Operations and in 2004 was promoted to SVP Finance and Controller, Global Operations and Corporate Planning.

## LG and Samsung Invest €25 Million in Cynora

Germany's **Cynora**, a provider of organic emitter materials for OLEDs, has received backing from two Korean tech giants as it moves forward in its development of a new type of organic emitting materials.

Cynora is developing the new type of organic emitting materials for OLED displays based on TADF (thermally activated delayed fluorescence) technology. With this technology, Cynora aims to commercialize the first high-efficiency blue emitting material on the market, which is highly sought after by OLED display makers. High-performance blue materials will enable a significant reduction of power consumption and allow higher display resolution, the company states in a press release.

**LG Display** and **Samsung Venture Investment Corporation** have decided to invest €25 million in a Series B round to support the German company in the development of a portfolio of organic emitting materials for AMOLED displays that covers the full range of colors. The new shareholders will join the existing investors MIG, Wecken & Cie, and KfW, which have supported Cynora in the last few years. Cynora has worked closely with LG Display and Samsung during the last months to prepare this investment.

LG Display and Samsung Display, both major companies in display technologies, will each engage with Cynora via this investment and separate joint developments to advance Cynora's R&D and its IP portfolio.

## Nypro Expands Illinois Facility to Support the Healthcare Market

Nypro, a Jabil company, has officially opened the doors to its newly expanded Gurnee, Illinois site. The expansion nearly doubles the size of Nypro's previous facility, and brings up to 60 new jobs to the local economy.

The expanded facility enhances Nypro's specialized capabilities for supporting the demands of the diagnostic, medical device, pharmaceutical, and consumer health markets in Illinois, the US, and beyond, as reported by *Evertiq*.

## China Expected to Account for Over 20% of Quanta Server Shipments in 2018

Quanta Computer is looking to expand the proportion of its server shipments to China from 15–20% currently to over 20% in 2018 via its subsidiary **Quanta Cloud**

**Technology's** (QCT's) partnership with **VMware**, according to sources from the upstream supply chain.

Quanta is currently a supplier of data center servers for **Baidu** and **Alibaba** and is expected to gain more orders from the two clients in 2018.

Taiwan-based server firms, including QCT and **Wistron's** subsidiary **Wiwynn**, used to focus on landing orders from cloud computing data center clients in North America, but have turned to the European market for growth recently, as **Inventec**, **Mitac**, and **Foxconn Electronics** (Hon Hai Precision Industry) and others have been competing aggressively for orders.

## The Past and Future of the European EMS Industry

The EMS industry in Europe is still in a growth stage of its life cycle, according to Dieter Weiss of Weiss Engineering. His article states that there is enough space for everybody, but most suppliers have seen facilities closing in high-cost regions. Still, "more than 80% of all EMS companies are located in Western Europe and only 20% in the East." For more details, see <http://smt.icconnect007.com/index.php/article/106217/the-past-and-the-future-of-the-european-ems-industry/106220/?skin=smt>.

## Correction: EM Solutions to be Auctioned This Month

In our August 2017 newsletter, an article on page 6 incorrectly mentioned that EM Solutions is based in North Carolina. In fact, it is based in Mooresville, Indiana. We regret the error.

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*Manufacturing Market Insider* is a monthly newsletter published by New Venture Research Corp., 337 Clay St., Suite 101, Nevada City, CA 95959. Phone (530) 265-2004, Fax (530) 265-1998. Copyright 2017 by NVR™. ISSN 1072-8651

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