

EMS Europe Telegram 3rd Edition 2023

Summary:

The situation on the procurement market is increasingly easing and companies are paying more attention to the high inventories. Due to the improved availability of many components and also price reductions, EMS companies are starting to reduce their excessive inventories. This reduction is urgently needed so that the tied-up capital is released, and the risks are minimized. At the same time, dismantling is not that easy and will take some time. We are seeing strong increases in sales in the first few months of 2023. It is more than questionable whether this can be carried over to the whole year, we do not currently assume so. The influencing factors and the current situation of the EMS industry were discussed in detail at this year's EMS Forum on June 22nd, 2023, in Munich. The average growth rates of the past will be exceeded in the next few years. in4ma has ventured a look up to 2030 and also explained the system. However, there will also be winners and losers in the current situation in the EMS industry. A market consolidation is in full swing, and we are seeing more and more M&A activity, including among small and medium-sized companies. Unfortunately, we also see companies who, from their point of view, had to give up and no longer saw any prospects in the EMS industry. We expect the results for the first half of 2023 in the coming weeks. We are also looking forward to the dynamics of the second half of the year in relation to M&A activities, customer orders, the material situation and, of course, external influences.

May 02, 2023, **VarioSystems** from Switzerland announced in April that **KUBEG, also based in Switzerland**, would be integrated into the VarioSystems Group. KUBEG supports the group in rapid prototyping and small series production. With this step, VarioSystems is also expanding the range of services offered by the organizational unit VARIOincubator, which stands for fast and agile developments in the electronics industry and the corresponding industrialization for series production.

May 03, 2023, **HANZA** from Sweden reports on the first quarter of 2023. **Sales** in this period amount to SEK 1,065 billion (approx. EUR 90.2 million), which is 29% higher than in the same period in 2022. Organic growth was at 23%. In terms of EBITDA, HANZA was able to increase even more and reported it at SEK 88 million (approx. EUR 7.5 million), compared to SEK 41 million (approx. EUR 3.5 million) in the previous year. However, subsidies in the energy sector also had a positive effect. After taxes, the result is 59 million SEK (approx. 5 million EUR).

May 03, 2023, **in4ma** announces that a cooperation has been agreed with the Hungarian electronics association **MELT (Magyarországi Elektronikai Társaság)**. In the meantime, in4ma has entered into numerous partnerships with associations in Europe and is also strongly supported by the IPC. In addition to the Hungarian association, the Estonian association (EEIA), the Swiss association (IG Exact), the Moldovan association (ACEM), the Dutch/Belgian association (FHI) and the Swedish association (Svensk Elektronik) also belong to it.

May 05, 2023, The **GPV** Group from Denmark announces the **results** of the first 3 months 2023. In the first 3 months, the company was able to increase sales to 2.7 billion DKK (approx. 363 million EUR). A large part of the increase comes from the takeover of the Swiss company

ENICS. From Q4 2022, the sales will be carried out together as the acquisition was completed at the beginning of October. The company sees another reason for the sales growth in the improved situation in terms of material availability, which has improved significantly. GPV now has 55 SMT lines in all 19 plants. The company is sticking to its sales target of 10 billion DKK (approx. 1.34 billion EUR) in 2026. The company reports EBITDA for the first quarter of 2023 at DKK 179 million (approx. EUR 24 million). GPV works to continuously improve profitability and liquidity. The high inventories of materials are to be gradually reduced. GPV raises expectations for the current financial year to sales of between DKK 8.4 and 8.8 billion (EUR 1.128 to 1.182 billion). Customer demand is currently good, but the forecast for the second half of 2023 and for 2024 is difficult.

May 06, 2023, The Austrian EMS provider **Alge** Electronic reports on a successful **fiscal year** 2022 and good business. In 2022, the company was able to increase sales by around 17.5% to EUR 9.4 million. Half of the sales increase comes from organic growth and the other half comes from price increases. For 2023, the company is planning sales of EUR 10.6 million. Alge is increasingly focusing on the manufacture and delivery of complete devices. The generation change in the company is scheduled for the long term and Marc Alge is now the majority owner of the company.

May 10, 2023, The French **Lacroix** Group increased its electronics business by 24.9% to EUR 152.5 million in the first three months of 2023. The strongest driver is the European business with growth of 32.7%. Business in North America, on the other hand, increased by only 7.8%. The company also benefited from an improved ability of deliver components.

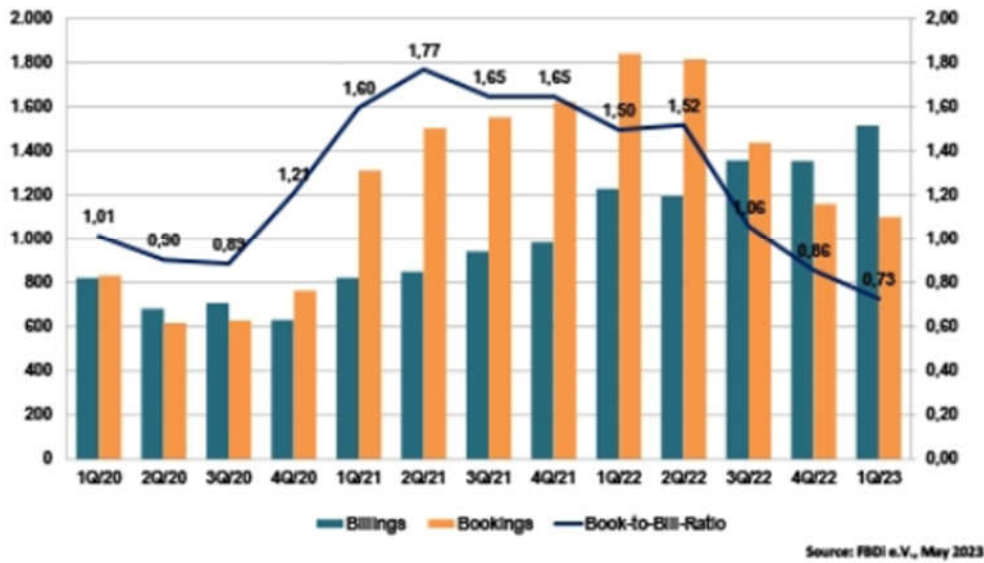
May 11, 2023, The German **SCHWEIZER** Group, manufacturer of printed circuit boards, reports a **growth** of 6.8% in the first quarter of 2023. The order backlog was also increased by a further 8.7% compared to the end of the year. Compared to the same period of the previous year, order intake increased by 32.8%. Sales in the first quarter amounted to EUR 37.1 million. The EBITDA was also improved and is now at EUR 0.4 million (1%). In the first quarter, Schweizer Electronic Co., Ltd., China which one was sold is still considered.

May 11, 2023, The **RAFI** Group from Germany has started building a **new plant** in Bad Waldsee. The new building will house the plastics production, automatic production, metal processing, tool making and tool development on approx. 17,000 square meters. The new building is scheduled to open in early 2025. RAFI currently operates 8 locations in Germany, Europe, China, and the USA.

May 11, 2023, The German **HTV** Group invests in the **storage** of semiconductor chips. The group is investing around EUR 1 million in long-term preservation and storage and in expanding the capacity of the test and programming laboratories for semiconductor chips. According to the company, this is a consequence of changed customer demand, who no longer stock up just-in-time in order to be able to bridge disruptions in the supply chain. HTV has developed a process that enables the components to be stored for up to 50 years and to retain their full functionality.

May 15, 2023, German **Component distribution** was able to significantly increase **sales** in the first quarter of 2023. In the first 3 months, the companies reported sales of EUR 1.51 billion, 23.2% higher than in the same quarter last year. In contrast, incoming orders fell even more sharply than in the previous quarter and now has a book-to-bill ratio of 0.73. The largest part of the growth was accounted for by semiconductors with an increase of 32.4 percent to EUR 1.03 billion. The further increase was not expected at this level. It is further assumed that future sales will be strongly influenced by the consolidation of the very high inventories.

Electronic Components Distribution Market Germany in Million Euro



May 17, 2023, The Taiwanese Hon Hai Group (Foxconn) invests 500 million. USD to a **new plant** in India. This step will also create 25,000 new jobs. India has an incentive system to encourage these activities. With this move, Foxconn is strengthening its activities in India after major OEMs such as Apple continue to diversify their supply chains due to tensions with China.

May 17, 2023, The French **Actia** Group based in Toulouse generated **sales** of EUR 138.8 million in the first quarter of 2023. Compared to the previous year, sales increased by 20.8%. However, the group of companies continues to report disruptions in the supply chain for a few families of components that are affecting the process flow. The group makes 63.6% of its turnover with customers outside of France, slightly less than in the previous year. The group makes 86.1% of its turnover in the automotive sector, which has grown by 17.5%. The electronics supplier sector was able to grow the strongest at 35.1%. In the automotive segment, the group acts primarily as an OEM. Actia wants to grow by 15% this year and does not expect further significant improvements in component supply.

May 18, 2023, despite a **downturn** in the second half of 2022 in global **semiconductor sales**, sales increased to USD 574.1 billion (+3.3%) in 2022. The long-term forecasts remain positive despite the current difficult situation. The current decline in demand for consumer electronics such as smartphones, tablets and laptops is driving down sales of high-end semiconductors. In the first quarter of 2023, global sales of semiconductors fell by 21.3% compared to the first quarter of 2022. New models are being introduced into the market with a delay to allow inventories to be reduced. Exceptions are companies like Google and Apple. The foundries have invested heavily in capacity for new technologies (3nm nodes). The large OEMs such as Apple etc. have already secured larger quantities and the availability of the new capacities through large advance orders. However, the news agencies say that TSMC in particular is charging 20 to 30% higher prices for productions outside of Taiwan. Older chips from Japan are about 10 to 15% more expensive than those from Taiwanese production. Taiwan offers TSMC tax breaks and cheap financing to keep the latest technologies manufactured on the island. Increased demand is expected again by the end of 2023. This is justified with an expected recovery in the area of consumer electronics and new technologies. At the end of the year, the capacities in the semiconductor plants could become scarce again and prices could rise again. However, this depends very much on the overall economic recovery in 2023. If there is a recovery, raw materials and capacities could be restricted again.

May 18, 2023, **KATEK** SE from Germany reports on a strong first quarter of 2023. **Sales** increased by 26.4% to EUR 200 million. The company states the operating result for this period at EUR 6.8 million. The takeover of the Canadian SigmaPoint contributed to approx. 1/3 of the group growth, the remaining 2/3 are attributable to organic growth. The profitability of the group could be increased, so the EBITDA is now at EUR 6.6 million (same period of the previous year EUR 5.1 million).

May 23, 2023, the market research institute **Supplyframe** reports on the results of its own Commodity IQ **survey**. The results of the survey show that the reduction in inventories and price corrections on the component market are continuing into the third quarter. Larger corrections were originally expected in the second quarter. The prices and delivery times of many components will therefore continue to develop in the direction that we knew before the material shortage. The survey sees a rebalancing between demand and supply. The consumer electronics market continues to develop with difficulty, while the automotive and industrial markets remain robust.

May 31, 2023, The Latvian EMS provider **HansaMatrix** will be **delisted**. After the takeover by SIA Emsco from Riga, the HansaMatrix share is no longer traded on the stock exchange.

May 31, 2023, The French **LACROIX** Group was the victim of a **cyber attack** and had to shut down production in some plants on May 15. Production at the plants in Tunisia, France and Germany has now been partially resumed, the company reports. LACROIX continues to assume that the situation in the production plants will return to normal at the beginning of June. The company expects an adverse impact on the results of the second quarter of 2023. For the full year 2023, LACROIX currently does not see any impact on the financial figures.

June 1st, 2023, The French service provider **Tronico** celebrates its 50th anniversary. Tronico was founded in 1973 and has been part of the Alcen Group since 2002. The company employs around 800 people with sales of EUR 71.5 million in 2022. In the current fiscal year, the company expects an increase to EUR 114 million. Tronico has a location in France and a location in Morocco. In addition, the company has 2 development offices with around 70 employees. The company reports extensive events to celebrate the 50th birthday.

June 02, 2023, Norway 's **Kitron** ASA announces the completion of a **share buyback program**. This program is related to the remuneration of the Management Board. The company repurchased a total of 19,515 shares. These shares are to be used as part of Management Board remuneration until April 2024.

June 05, 2023, **Prüfreflex** International Export GmbH from Germany announces the **acquisition** of mikrolab GmbH from Fürth, Germany. mikrolab is a development and production service provider in the electronics industry and currently employs around 90 people. mikrolab also has industry-specific know-how in ship navigation, industrial measurement technology and medical technology. The company will continue to operate independently. Synergies in storage and production capacities are to be used, and Prüfreflex is also expanding its portfolio of development services.

June 07, 2023, The Malaysian EMS provider **ESCATEC** with production plants in Europe (Switzerland, England, Czech Republic) announces the opening of a new production site in **Bulgaria**. ESCATEC is on an expansion course and with this new location is fulfilling customer requests for cost-effective nearshore production in Europe. ESCATEC is thus expanding its capacities by a 9th production plant with approx. 4,000 square meters. Production in this plant including plastic injection molding has already started and ESCATEC is also ready to expand this location further.

June 8, 2023, the market research institute **TrendForce** reports on a weak first quarter of 2023 in global **smartphone** production. Only 250 million units were produced in the period mentioned, which corresponds to a decrease of 19.5% compared to the same period of the previous year. These figures represent the lowest level since 2014. The decline in production is due to continued weak demand and the need to reduce inventories that have now increased.

June 13, 2023, **TrendForce** reports that the top 10 foundries in the first quarter of 2023 had to absorb a decline in sales of 18.6% or \$27.3 billion sequentially. On the one hand, this decline is due to seasonal reasons, on the other hand, we see the effects of the global weakness in demand. The ranking of the top 10 foundries has also changed as some companies are more affected. TrendForce also expects a further decline for the second quarter. Production utilization in 7/6nm and 5/4nm processes has dropped significantly, which is attributed to the drop in demand for laptops and smartphones.

Ranking	Company	Revenue			Market Share	
		1Q23	4Q22	QoQ	1Q23	4Q22
1	TSMC	16,735	19,962	-16.2%	60.1%	58.5%
2	Samsung	3,446	5,391	-36.1%	12.4%	15.8%
3	GlobalFoundries	1,841	2,101	-12.4%	6.6%	6.2%
4	UMC	1,784	2,165	-17.6%	6.4%	6.3%
5	SMIC	1,462	1,621	-9.8%	5.3%	4.7%
6	HuaHong Group	845	882	-4.2%	3.0%	2.6%
7	Tower	356	403	-11.7%	1.3%	1.2%
8	PSMC	332	408	-18.7%	1.2%	1.2%
9	VIS	269	305	-11.8%	1.0%	0.9%
10	DB Hitek	234	292	-20.0%	0.8%	0.9%
Total of Top 10		27,303	33,530	-18.6%	98%	98%

Notes:

1. 4Q22: USD 1 = WON 1,359; USD 1 = NTD 31.3
2. 1Q23: USD 1 = WON 1,276; USD 1 = NTD 30.4
3. Samsung includes System LSI and foundry revenue.
4. PSMC includes foundry revenue only.
5. HuaHong Group includes HuaHong Semiconductor and HLMC.
6. HuaHong Group's revenue figure for 1Q23 is an estimated value provided by TrendForce.

Source: TrendForce, Jun., 2023

June 14, 2023, **Smyczek** from Germany **relocates** five SMD lines to a former production hall of the Artega company (car manufacturer). In the future, 80 employees will manufacture electronic assemblies here on an area of around 6,500 square meters. A move from the Ostenland location to Delbrück became necessary because the hall roof in Ostenland had to be renovated. The new location will continue to grow in the coming years and will house up to 16 SMD lines. In Ostenland, another 5 lines are to be rebuilt after the renovation. The company plans to create 250 additional jobs in the medium term. Expansion reserves of 10,000 square meters are also available. Smyczek manufactures around 85% for Beckhoff Automation. In addition, third-party customers are served in areas such as agricultural technology or smoke detectors.

June 19, 2023, The American EMS provider **Ark Electronics** with production facilities in China has opened a European **office in Bordeaux, France**. The branch is to look after European customers and offer corresponding customer service for production in China.

June 19, 2023, **GPV** from Denmark announces the expansion of the production area at the plant in **Mexico**. The area is expanded from 6900 square meters to 8800 square meters. The expansion of the factory is scheduled to be completed by the end of 2023.

June 21, 2023, The Swedish **HANZA** has acquired a **property** including land for expansion in Töcksfors, Sweden. The property is approximately 11,000 square meters and has an additional 28,000 square meters of land. With this expansion, HANZA strengthens the current growth strategy.

June 21, 2023, The Taiwanese electronics supplier Hon Hai (**Foxconn**) and the automobile manufacturer **Stellantis** announce the establishment of a joint venture under the name SiliconAuto. The new company specializes in the development and manufacture of semiconductors for the automotive industry. The semiconductors to be developed should serve the increasing requirements, especially for fully networked electric vehicles, and supply the needs of Stellantis, Foxconn and third-party customers. The new company will be headquartered in the Netherlands. The management consists of representatives of both partners. In addition, both companies have founded another joint venture, Mobile Drive, which specializes in the development of intelligent cockpits.

22 June 2023 At the **EMS Forum** in Munich, almost 120 participants from the European EMS industry, OEM representatives, European PCB manufacturers and representatives of banks and investment companies learned about the latest developments in the EMS industry. There were also contributions on the global printed circuit board industry, advanced packaging, the investment banker's view of the EMS industry, economic, interest and capital market outlook and much more. As a highlight, Eric Miscoll of EMSNOW has been appointed as a brand ambassador for in4ma and EMS SCOUT. He receives this award because of his outstanding achievements for the European EMS industry.

June 23, 2023, **Benchmark** Electronics from America has reopened the **Dutch factory in Almelo**. The plant was not closed during the renovation and conversion phase, but the EMS provider speaks of a reopening because of the extensive measures. The workforce at this plant was increased by 25% to 650 people. The site was enlarged by a total of 4,000 square meters.

June 25, 2023, The Danish **GPV Group** will build a new electronics factory in **Slovakia**. A rental agreement was signed for an area of 18,000 square meters. At the beginning of 2024, 11,000 square meters of this will be used for production. The remaining 7,000 square meters serve the company as a reserve for further growth. With this new factory, GPV now has a total of 3 plants in Slovakia. With this step, GPV is meeting customer requirements to provide additional capacities in cost-effective regions of Europe.

June 26, 2023, Spanish EMS manufacturer **IKOR announces** the opening of a new plant in **Mexico**. IKOR has been part of Connect Group NV since 2021. The new plant has approx. 10,000 square meters and supports the group for further growth.

June 26, 2023, The Chinese **USI** is building a second plant in **Poland**, further strengthening its European activities. With this new plant, another 1000 jobs are to be created in Poland. Completion is scheduled for the first quarter of 2024. USI mainly wants to build products in the areas of EV and green energy for the European market.

June 29, 2023, The Norwegian **Ouman** Group invests EUR 1.5 million in the plant in **Estonia**. A new robot assembly line for the building automation sector was set up. The group is currently seeing an increase of 30% in this area, as many customers are investing in energy optimization. Ouman puts the group's turnover in 2022 at EUR 45 million and an increase of 15% compared to 2021. The group employs around 300 people, of which around 200 work at the plant in Estonia.

June 29, 2023, the printed circuit board manufacturer **ILFA, based in Hanover, Germany**, has invested in a new **laminating press**. The new press is significantly more energy efficient,

offers further technological advantages and is very compact. This press is part of ILFA's investment program to produce high-tech printed circuit boards for future-oriented applications.

June 29, 2023, **Inission** from Sweden invests EUR 2 million in its location in Lagedi, **Estonia**. With this step, the capacities of the mechanics plant will be increased by more than 20%. Inission invests in a bending robot for sheet metal production. With this step, the company is also increasing the degree of automation in these processes. The new equipment is scheduled to go into operation in early 2024. Inission operates another plant in Tallinn, Estonia. Electronic and electromechanical products are manufactured in this plant. Overall, Inission was able to double the turnover of the plants in Estonia in the last 2 years and employs around 180 people here. The European, Asian and American markets are served from here.

June 30, 2023, **in4ma** and **EMSNOW** finish a three-week European tour today. In the past few weeks, a total of 20 EMS companies with 65 SMD lines have been visited. These companies represent a sales volume of EUR 2.2 billion. The journey led through 9 European countries with more than 3200 KM. Dieter Weiss and Eric Miscoll have summarized their experiences and visits in detailed podcasts, which you can find at www.emsnow.com.

June 30, 2023, The EMS provider **Binder** Elektronik in Germany will adjust operations on June 30, 2023. The traditional company has a 40-year history and 2 locations in Sinsheim and Waldstetten. Although there should not be an economic predicament, the decision-makers see no way of maintaining business operations as before. No further information was given as to the reasons. The company has not accepted new orders for some time. However, all customer orders should be served by June 30, 2023.

July 03, 2023 Finland-based **Incap** announces the acquisition of **Pennatronics** Inc., USA. Incap will acquire 100% of the shares at the company. Pennatronics has a factory in Pennsylvania with approximately 6,000 square meters and 102 employees. The agreed purchase price will be paid in cash and partly in Incap shares. In the last fiscal year, Pennatronics generated revenues of \$30 million and an EBITDA margin of approximately 10%. This acquisition supports Incap's growth strategy and now provides direct access to the American contingent. The company expects various synergy effects.

Development of public EMS companies in comparison*:

EMS	30.12.2021	30.12.2022	30.04.2023	change to 30.12.22
Cicor	52,80 CHF	42,90 CHF	43,00 CHF	0,2%
Hanza	64,40 SEK	51,10 SEK	95,00 SEK	85,9%
Incap	78,50 EUR	17,10 EUR*	10,08 EUR*	-41,1%
Inission	33,70 SEK	32,00 SEK	63,00 SEK	96,9%
Katek	25,95 EUR**	14,15 EUR	14,55 EUR	2,8%
Kitron	23,60 NOK	28,05 NOK	43,55 NOK	55,3%
Lacroix	31,00 EUR	26,80 EUR	37,00 EUR	38,1%
Norbit	31,30 NOK	28,05 NOK	52,40 NOK	86,8%
Note	231,00 SEK	179,00 SEK	227,00 SEK	26,8%
Scanfil	7,46 EUR	6,58 EUR	10,10 EUR	53,5%
Europe EMS			arithmetic average	40,5%
*Stock split 1:5				
** IPO 4.5.21				
Benchmark	27,08 USD	26,69 USD	26,10 USD	-2,2%
Celestica	11,03 USD	11,27 USD	14,50 USD	28,7%
Flex	18,39 USD	21,58 USD	27,88 USD	29,2%
Jabil	70,07 USD	68,05 USD	108,80 USD	59,9%
Kimball	21,81 USD	22,59 USD	27,97 USD	23,8%
Plexus	95,84 USD	102,93 USD	98,69 USD	-4,1%
Sanmina	41,60 USD	57,29 USD	60,85 USD	6,2%
USI	14,20 CNY	13,70 CNY	14,96 CNY	9,2%
Global EMS			arithmetic average	20,2%

***The above information does not constitute investment advice within the meaning of Section 1 Paragraph 1a Sentence 2 No. 1a KWG and should not be viewed as a personal recommendation.**

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Sources: All the articles listed come from publications in various specialist journals, from various market analysis institutes, the companies directly, from in4ma or from other reputable media. For better presentation, the 02/2023 edition did not print a source separately for each report. We assure you that we have researched the reports presented with due care. If you would like the sources of the respective reports, you can request them by email from kuensebeck@in4ma.de.