



The EMS giant has capitalized on its star customer's success, but it's also feeling the pinch of Apple's gross margin pressures

rose 54 percent from the year-ago quarter, to \$17.2 billion; for the same period, Flextronics International Ltd., once the world's biggest EMS provider, recorded a piddling 6.4 percent sales increase, to \$5.9 billion.

"Part of Foxconn's revenue boom is due to the industrywide strength of the digital consumer business and a strong recovery in computing-related products," iSuppli states in its report. "The company dramatically outperformed the 27.5 percent year-over-year revenue increase for the Top 10 EMS providers in the first quarter, reflecting the strength of its customer base."

It's not all smooth sailing. Gross profit margin pressures at Apple, to which Foxconn's fortunes are closely tied, have extended to the EMS contractor, reducing its overall profitability. Foxconn also remains engulfed in controversy over working conditions at some of its facilities in China, where it recently raised salaries to deflect criticism in the wake of several worker suicides and attempted suicides.

Foxconn's gross profit margin fell in the first quarter to 8.7 percent from 9.5 percent in the comparable quarter of 2009, iSuppli notes in the report.

"Margins are a key area for Hon Hai, as the company is working to implement higher wage rates in its large facilities in China while shifting production over the next several quarters to lower-cost regions in that country," Dinges said. ■

EMS MARKET

Foxconn sizzles on Apple patronage

By Bolaji Ojo

FOXCONN TECHNOLOGY GROUP, contract manufacturer to some of the world's leading electronics OEMs, will account for 50 percent of total EMS sales by 2011 as demand for its services surges from companies such as volume customer Apple, according to research firm iSuppli Corp.

With high demand for the Apple products that Foxconn manufactures, sales growth at the subsidiary of Taiwan's Hon Hai could easily surpass the giddy increases that some OEMs themselves have posted in recent quarters.

That would widen the already broad gulf between the contract EMS giant and its closest rivals, according to iSuppli.

"Foxconn's customers are some of the hottest companies in the electronics business today, most notably Apple Inc.," said iSuppli Thomas Dinges. "As Apple and others have gained share, so has Foxconn."

Foxconn's competitors are not even within striking distance of its current annual sales or its growth rate. In the first quarter alone, the company's sales

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