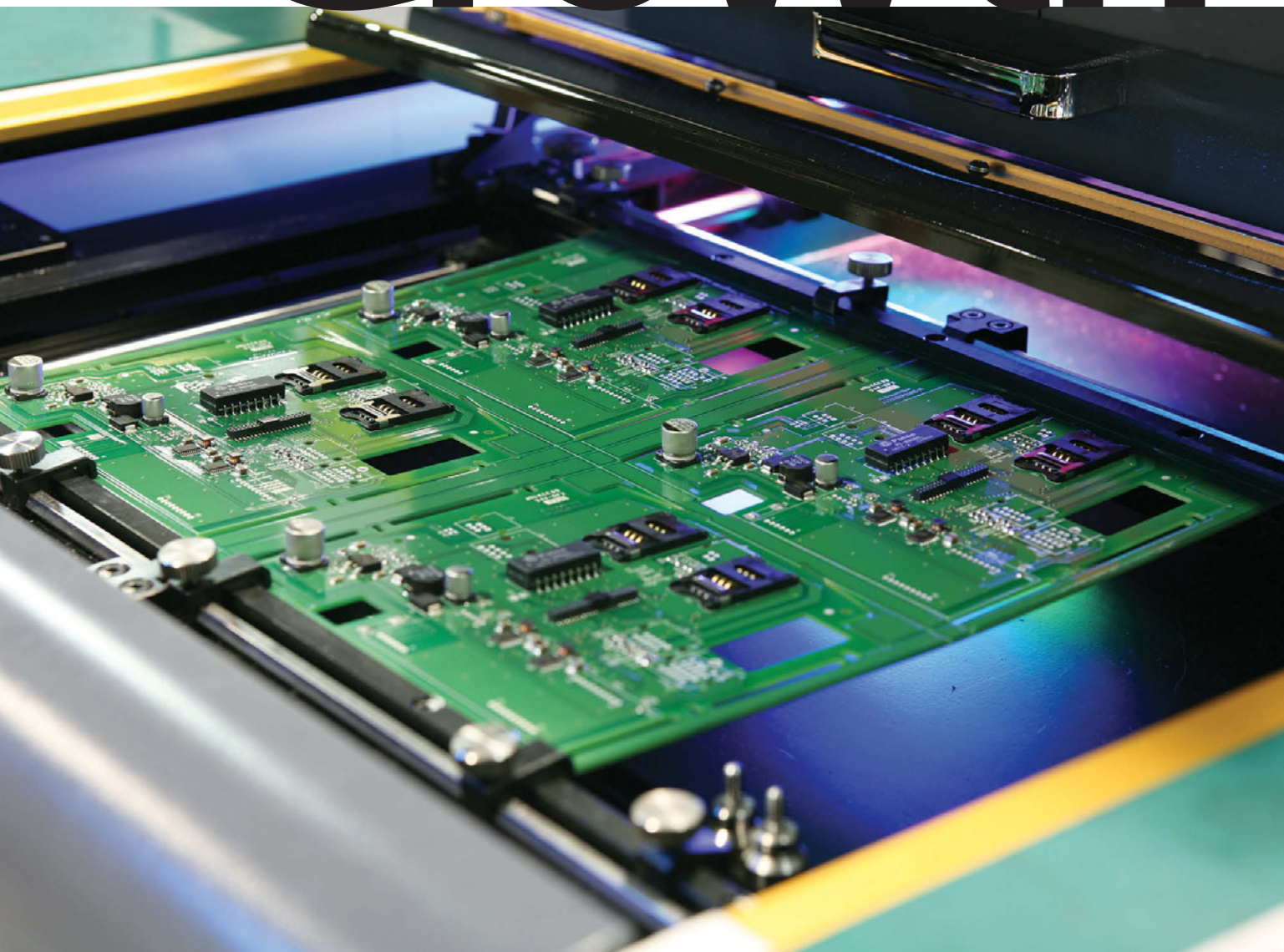


SMTC

A new leadership structure and a focus on internal improvements make this EMS provider optimistic about its future.

Accelerated Growth



When electronics manufacturing services (EMS) provider SMTC announced changes to its executive management team in June, some people might have thought they were seeing double. Indeed, SMTC's corporate governance now has a unique setup at the top as Claude Germain and Alex Walker recently took on the roles of co-presidents and co-CEOs.

As a strategic move forward, the company's board of directors felt this new structure would enhance SMTC's responsiveness, effectiveness and transparency. Germain's focus is on growing the top line and fostering organizational renewal. Walker's is on operations, finance, and mergers and acquisitions.

"We are both focused on distinct areas whilst also complementing each other's unique business styles," Walker says. "We've known each other for a couple of decades and have a great deal of respect for each other, which is why we work so well together to create a perfect balance."

Large and lithe

Having grown into a leading tier-two EMS provider over the last 25 years, SMTC has built a strong reputation based on the strength of performance for its original equipment manufacturer (OEM) clients. As a recognized EMS provider, SMTC is driven by delivering customized and flexible design, engineering and manufacturing services in its chosen markets. SMTC's primary North American headquarters are in Toronto and San Jose, Calif., with a global footprint of manufacturing and technology centers, together totaling close to 500,000 square feet of capacity with more than 40 manufacturing and assembly lines. It has operations on the ground in Canada, the United States, Mexico and China.

Founded in 1985, the company's services include printed circuit board assembly, systems integration and comprehensive testing services, enclosure fabrication, product design, engineering and supply chain management services. These services span product life cycles all the way from development and introduction through growth, maturity, post-production services and end-of-life phases.

One of the company's primary strengths is that it has the size and capabilities of larger EMS companies while maintaining the flexibility of a tier-two manufacturer in this space. It can offer customers higher quality of services – and often a comparable price point—they would get from a Tier I firm, but with the ability to introduce new products more quickly and

provide expert support with a deeper understanding of the customer's business mindset.

"What makes us different in the tier-two space is a strong focus on engineering and supply chain, as well as a global footprint to support the migration of companies as they ramp up their own production," Germain says. "The culmination of those three things makes us very attractive."

SMTC understands the changing dynamics of the industry and markets it serves. More so now than in the past, companies like SMTC require a higher level of engineering capabilities because engineering support is so crucial and important today. This is why SMTC is now deeply involved with things like electromechanical assemblies, full turnkey solutions and custom fashioning of electro-mechanical parts.





Supply chain management has always been one of SMTC's strengths and it remains so today. SMTC customize supply chain solutions based on client needs, and its internal operating model touches on all OEM-to-EMS integration points. The company takes into account everything from continuous internal innovation; time to market; and cost, quality and delivery concerns to comprehensive supply chain services; flexibility, speed and agility; liability management; and visibility solutions. This provides its clients with an integration structure that offers top-class service and a customer-centric focus.

"To remain successful, we must be superior in quality and technical capabilities to support our customers, advanced in

supply chain management, and have that global footprint to offer flexibility to our customers," Germain says. "Our focus on those capabilities sets us apart."

Permeating excellence

In fact, the company's success with supply chain management is influencing changes in other areas. This is why Paul Blom, hired as senior vice president of supply chain management in 2007, was recently promoted to executive vice president of operations. From this position, Blom now oversees all engineering and manufacturing operations in addition to supply chain management. His mandate is to duplicate the company's success with supply chain into general operations, and put in place the systems to execute on SMTC's strategic man-





dates all the way down to the upstream metrics and accountability that drive performance.

“Our customers consistently come back and compliment us on our supply chain capabilities, so now on the manufacturing side we are spending a lot of time on lean and driving efficiency and quality levels,” Blom notes. “On the supply chain side, our Kinaxis systems platform allows us to simulate different demand scenarios and provide interactive feedback to customers.

“On the front-end of that process, we’re bringing in new products on the supply chain side, while on the engineering side of the house, we’re enhancing the work we do for potential and existing customers on analyzing designs and layouts and giving them design-for-manufacturing feedback. As for the operations side, we’re improving the day-to-day discipline of preparing and planning for executing and fulfilling the manufacturing.”

SMTC is also looking to acquisitions as needed to enhance and complement its existing in-house capabilities. In September, the company announced the acquisition of the outstanding shares of ZF Array Technology, an EMS provider, with operations in California and China. ZF’s specialty is manufacturing complex electronics equipment and providing systems integration services to telecommunication, wireless and life science equipment manufacturers. The ZF acquisition will improve SMTC’s market offerings by providing customers with greater capabilities in complex radio frequency engineering and systems integration.

“To remain successful, we must be superior in quality and technical capabilities to support our customers.”

“The acquisition gives us more scale and will increase our presence in the San Jose area. There are fantastic wireless capabilities in ZF, and we will be integrating those into our offering,” Blom says.

Looking forward, SMTC’s goal is to sustain its top line and maintain a robust customer base. Walker says the top line has been volatile in the past, so ensuring that it is reliable, predictable and growing is priority No. 1. Priority No. 2 is matching SMTC’s cost structure to its revenue line. These goals represent a challenge but are completely obtainable, and Walker and the rest of the executive team are confident that SMTC is poised to succeed.

“We’re acquiring new customers all the time and looking to drive appropriate levels of profitability into the business,” Walker says. “We’re in a situation now where we can be on the offense a little more and strategically invest in areas such as sales and business development, and operational effectiveness.” ■