

HEI Falls to Q3 Loss

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MINNEAPOLIS -- Micro-tier EMS **HEI** said a rise in third-quarter sales wasn't enough to keep the company in the black.

The contract printed circuit board assembler reported sales of \$9.88 million, up 7.2% year-over-year, for the period ended Sept 29.

The net loss was \$503,000, versus net income of \$162,000 for the same period in 2011. The loss included an increase to the firm's reserves for inventory obsolescence of \$380,000.

The EMS firm said higher sales at its Victoria, MN, operation were partially offset by decreased sales at its other two operating divisions. Gross margins were down on a consolidated basis, with the EMS unit's gross margins improving on improved efficiencies while the other operating divisions' gross margins declined as a result of product mix changes and lower sales.

"Increasing sales continues to be our focus and product demand and customer backlogs are strong in our Victoria plant, and our Tempe and Boulder divisions are working to increase sales penetration," said chief executive Mark B. Thomas.

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