

## Key Tronic Extends Profit Streak in December Quarter

Written by Mike Buetow

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**SPOKANE VALLEY, WA -- Key Tronic** today said net income for its fiscal second quarter was \$3.6 million, up 13% from 2012.

The electronic manufacturing services provider said revenue for the three months ended Dec. 29 rose 12% year-over-year to \$94.6 million. For the first six months of fiscal 2013, total revenue was \$192.1 million, up 25% from fiscal 2012.

First-half net income was up 66% to \$7.3 million. The company has now been profitable in 36 straight quarters.

For the quarter, gross margin was 10% and operating margin was 6%, up from 8% and 3%, respectively, in 2012. At quarter's end, the EMS company had 169 separate programs and 52 customers, up from 149 programs and 40 customers a year ago.

Sequentially, revenue was impacted by a significant slowdown in demand from one customer, as well as by the decisions of two other customers to bring more production in-house, said Craig Gates, president and chief executive.

Still, Gates said, "many new customer programs continued to ramp up and we continued to diversify our future revenue base by winning new customer programs involving RFID, exercise, and security equipment."

Key Tronic guided for fiscal third quarter revenue of \$83 million to \$90 million.

"Moving into the third quarter, our revenue is being reduced by the continued slowdown in demand from the same customer that began to reduce its production levels in the second quarter," Gates said. "In coming periods, however, we expect to see the continued ramp up of our new programs to more than offset this customer's decrease in demand. We also have a very robust pipeline of potential new business, including programs with larger revenue potential than most of our current customer programs. We believe this trend

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toward larger quote opportunities reflects increased recognition of the competitive advantages of North American-based manufacturing for products sold in the Americas. Over the long term, we believe our unique combination of global logistics with world-class engineering and production capabilities in North America and China will continue to fuel our growth.”

Key Tronic was the [CIRCUITS ASSEMBLY EMS Company of the Year in 2009](#) .