

## Nam Tai Joins \$1B Club, But Will It Stay There?

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Friday, 01 February 2013 11:05 -

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It's flown way under the radar but [Nam Tai just became the newest member](#) of the EMS \$1 billion club, joining [13 other companies](#) (not including the major Taiwanese ODMs like Quanta, Wistron and Compal).

The company crossed the threshold thanks to a spectacular fourth quarter in which sales jumped more than 250% year-over-year. Nam Tai, which ranked 22d on the CIRCUITS ASSEMBLY Top 50 in 2011, will certainly move into the Top 15 when all the 2012 list comes out in April. Nam Tai's fourth quarter sales alone would be enough to place the company in the top 30.

What drove the upswing? The company finally saw its investments in LCD modules for smartphones and tablets pay off. It was also boosted by sales of LCDs to the automotive industry, particularly US OEMs.

But can this last? Nam Tai has invested heavily in capacity in southern China, and has another 1.2 million sq. ft. "parcel" of land that it plans to develop -- twice the amount of its present Shenzhen campus. This is all the more amazing because Nam Tai's two existing factories are capable of about [\\$150 million in revenue per month each, meaning its current capacity utilization is around 30%](#). Yet its stated operating margins are a healthy 8.2% and the gross margin as a percent of net sales was 10.5% for the quarter.

Chairman Ming Kown Koo humbly suggests Nam Tai was "lucky" to see gross margins top 10% last quarter, but thinks they will stabilize around 6% to 7% in the coming quarters, even though the company plans to hire 43% more staff -- 3,000 workers -- this year.

This is a story worth watching. Either Nam Tai will push forward into the next EMS tiers, or it will come crashing down, another victim of over-expansion and unpredictable end-markets.