

## **Foxconn International swings to 2011 net profit**

Foxconn International Holdings Ltd, the world's biggest contract manufacturer of cellphones, swung to a net profit in 2011 as key clients such as Nokia Oyj and Huawei Technologies Co Ltd shifted to higher-end smartphones.

Foxconn International, whose Taiwanese parent Foxconn Technology Group assembles Apple Inc's iPads and iPhones, is expected to benefit as its top customers shift away from low-end feature phones.

The company, which assembles handsets for Motorola Mobility Holdings Inc (MMI.N) and Sony Corp, on Thursday posted a net profit of \$72.84 million, ahead of the consensus of analysts' forecasts of \$27.59 million according to Thomson Reuters I/B/E/S.

"Our efforts in capacity optimization in various geographical locations and new customer penetration started to create positive impact to our operation results," it said in a filing to the Hong Kong stock exchange.

Foxconn International had a total of 98,868 employees at the end of 2011, down about 22 percent from 126,687 a year ago.

In 2010, Foxconn International posted a net loss of \$218.3 million as some of its clients in the competitive mobile handset sector lost market share.

"We expect the transition from 2G feature phones to 3G smartphones for Foxconn International's top clients (Nokia, Huawei, Motorola and Sony) to boost its average selling price," said Barclays Capital analyst Dale Gai in a report before the earnings release.

Nokia is betting on its Lumia Windows phones, while Huawei is shifting towards producing higher-end phones based on Google Inc's GOOG.N Android operating system to compete with major players such as Apple and Samsung Electronics Co Ltd (005930.KS).

Barclays estimated Nokia would account for 30-35 percent of Foxconn International's sales in 2012/13.

"We expect Huawei - FIH's 2nd largest customer and a rising star in the smartphone space - to be a key growth driver for FIH in coming years," said Macquarie analyst Kylie Huang.

Shares in Foxconn International, which were removed from Hong Kong's benchmark Hang Seng Index .HSI in June last year, have risen about 14 percent this year on hopes for a better product mix from its clients.

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Published on Electronic Component News (<http://www.ecnmag.com>)

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**Source URL (retrieved on 09/22/2014 - 2:52am):**

<http://www.ecnmag.com/news/2012/03/foxconn-international-swings-2011-net-profit>