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EI banks on Pennsylvania acquisition

Firm dipping into medical and security markets

By: Traci Gregory

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An employee works at Endicott Interconnect Technologies, Inc. The company has acquired the assets of eV Products, Inc., a business of Saxonburg, Pa.-based II-VI Inc., and should help EI forge strong inroads into the medical and security markets as the company works to diversify its customer base.

ENDICOTT - Endicott Interconnect Technologies, Inc.'s (EI) acquisition of the assets of eV Products, Inc., a business of Saxonburg, Pa.-based II-VI Inc. (NASDAQ Global Select: IIVI), should help EI forge strong inroads into the medical and security markets as the company works to diversify its customer base.

"It broadens our ability to further penetrate the medical and security markets," EI President and CEO James McNamara says.

eV develops and manufactures X-ray and gamma-ray detectors for industrial, medical, homeland security, and laboratory applications. Additionally, eV Products manufactures cadmium zinc telluride (CZT) radiation-detection products, including components and subassemblies optimized for specific industry applications.

"They're very complementary to what we're doing here at EI," McNamara says.

eV's research and development, sales, and manufacturing operations, along with its intellectual property and 65 employees, are now part of EI's Microelectronics Division.

This new business, eV Microelectronics, is a division of Endicott Interconnect Technologies and reports directly to McNamara. EI will take over administrative functions, such as human resources, while eV Products' sales, manufacturing, and research departments function separately from EI in eV's 35,000-square-foot facility in Saxonburg, located 35 miles northeast of Pittsburgh. The facility is leased from II-VI.

Transition teams are in place at both locations to navigate the integration process, McNamara says. Company officials are crafting a business plan as well as project lists and engineering plans.

"We put a couple of incremental expectations on the management team there," McNamara notes. EI will make technology investments in eV to provide a path for growth, he added.

The two companies share some customers, but eV brings some new customers to the table McNamara hopes he can introduce to EI's product line.

With eV on board, EI can offer some advanced detection products to both the medical and security markets. Materials like CZT provide high-pixelation X-rays that would benefit both markets, McNamara notes.

The companies did not disclose financial terms of the deal. II-VI announced its intention to sell eV Products in March 2008. For the nine months ended March 31, 2008, eV Products recorded revenues of \$5.1 million.

While the acquisition does bring 65 new employees on board, it doesn't mean EI is calling back the 240 workers it laid off in May - at least not yet, McNamara says.

Soft sales in the second quarter made it necessary to cut payroll, but this acquisition is part of EI's strategic plan to diversify its customer base. Right now, 62 percent of EI's business is in the military and air defense markets, so when contracts don't come through, business suffers.

Having a broader customer base going forward should protect the company from some of the dangers of having all of its eggs in one basket, McNamara says.

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McNamara says EI will still be profitable in 2009, but won't hit its targeted sales and revenue goals because of the recession.

The company, which will implement furloughs for one week in the beginning of July, has between 1,500 and 1,600 employees.

Headquartered at 1093 Clark St., Endicott Interconnect (www.eitny.com) is a vertically integrated provider of high-performance electronics-packaging products in a variety of markets including defense, aerospace, communications, computing, semiconductor, and medical. Products include printed circuit-board fabrication, semiconductor packaging, and assembly services.

The company operates in 1.39 million square feet of manufacturing space in Endicott and has manufacturing operations for high-volume production capacity in Shenzhen, China.

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