

Media Release

In Conversation with Charles-Alexandre Albin, CEO of ESCATEC

Monday, 27th May 2024 – Penang, Malaysia

ESCATEC stands out in the competitive EMS sector for its unique blend of experience, technical capabilities, and commitment to build strong long-term partnerships with its customers. This focus has earned ESCATEC consistent business over decades from major brands and will remain a lynchpin of the Group's ambitious plans to expand globally.

Founded in 1984 in Penang, Malaysia, by a young Swiss engineer, ESCATEC has remained wholly in family hands as it grew into a multi-national with multiple production sites in Malaysia and Europe and serving a very diverse customer base. The Group is today led by Charles-Alexandre Albin, the son of the founder, who recalls spending school holidays in the Penang factory and who has been instrumental in crafting ESCATEC's strategic plans.

Albin was appointed CEO in November 2023 and says he will continue to uphold ESCATEC's philosophy of focusing on innovation, staying nimble, and building partnerships with customers, to stay ahead of the curve. In a recent wide-ranging Q&A session with the media, compiled and summarised below for sharing, he shared his thoughts on what makes ESCATEC tick and on the challenges and opportunities facing smaller non-Tier One EMS providers and their customers.

Q: How does ESCATEC maintain a customer-centric approach and ensure responsive long-term relationships with clients?

A: We prioritise direct interactions across all levels of our organisation, including myself. This approach allows us to maintain personalised and responsive relationships with all stakeholders, and we also try to be selective in choosing customers to ensure we engage with those where we can truly add value, based on their needs and our technical expertise. Our privately owned background also plays a role. Some of our oldest customers have worked with us for decades and have built relationships, personal relationships, over those decades. It's not a relationship with an anonymous corporate entity and some people within that entity, instead it's a real human connection with the people at ESCATEC and they can trust the promises that ESCATEC makes.

Q: Can you elaborate on ESCATEC's plans for international expansion?

A: We are well-positioned in Asia and Europe, with operations in Malaysia, Switzerland, the UK, the Czech Republic, and Bulgaria. The next logical step is to have something in North America, so this would be either Mexico or the United States or both. Our preference is probably more towards Mexico to have a lower cost manufacturing footprint for our customers, or a site in the US for access to the customer base and for potentially highly efficient manufacturing like we have in Switzerland. We would like to get it done in the next three years, but we will be opportunistic in that sense and we won't rush. It's important to note that our expansion is customer-driven and will be tailored to the opportunities that arise, potentially even exploring new sites in Southeast Asia.

ESCATEC SDN. BHD.

Company No.
199601009063 (381411-D)
Industrial Zone 4
11900 Bayan Lepas
Penang, Malaysia
Tel +60 4 643 25 54
Fax +60 4 643 70 25
info@escatec.com
www.escatec.com

Q: What KPIs do you consider most crucial for measuring ESCATEC's success and growth over the next five years?

A: While traditional metrics like net profit, inventory returns, and return on capital employed, are important, I would say it is building customers with whom we can grow. Because if we've got a customer who is growing their portfolio with us, it indicates two things. One, that they are happy with our performance, and two, that they are successful in their markets. That would be a signal of good quality, that would be a signal of good communication and overall good results and will drive our future profitability.

Q: Could you discuss the role of innovation in ESCATEC's growth strategy?

A: Innovation is integral to our strategy, and continuous learning and improvement are something which we practice at all levels of the organisation with much encouragement from the management. We also have a group called the ESCATEC Technology Council that bring together the Engineering Managers of the different sites and they continually review our technology roadmap and technology practices, including what equipment we use, what customer demands are out there, what technologies we need to develop competencies for, either on the manufacturing side or on the design and development side. And this team works very closely with our customer facing teams, as well as our engineers, to really stay on top of these topics. Our Design & Development team especially is very active in experimentation and developing new skill sets, for instance by collaborating with universities on research projects.

Q: How is ESCATEC aligning its goals with the global movement towards more environmental and social responsibility?

A: Of course the future sustainability of our planet and of our society is very critical for me and we are pushing hard to make sure we have the right level of transparency for our customers and stakeholders in terms of our environmental footprint. For example, we are managing our energy sources actively, in Switzerland, UK, and the Czech Republic, we're almost 100% renewable and we are installing solar panels at all our sites in Malaysia, so we'll be quite on our way to being self-sufficient from an energy perspective. However, the big issue is on Scope Three emissions which are all the emissions generated by upstream suppliers, and this is a huge challenge for the whole industry and one that we are helping our customers to work through. On the social side we maintain very strict adherence to international standards of employment at all our sites and even go beyond them to a large extent.

Q: How does ESCATEC stay agile and adaptable in the face of industry disruptions?

A: For me the key to remaining agile and adaptable is to be diversified. So we try to make sure we have a healthy mix of customers across different sectors, geographical regions, and end-markets, and that diversification inherently allows us to balance risks and opportunities more effectively. Add to that our lean and responsive organisational structure empowers our teams to make swift decisions, which is essential for adapting to dynamic market conditions.

Q: In the context of digital transformation, how is ESCATEC leveraging technologies like AI, data analytics, and IoT?

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A: We are integrating advanced digital tools, such as our new MES system, that allows for real-time tracking and management of manufacturing processes and output. We have barcode scanners on all our machines and equipment, and barcodes etched on all our boards, so that they are fully traceable through the production line. Our DFM system is further able to provide feedback to customers on where they can make improvements to optimise production. We are also now exploring the use of AI to assist us with root cause analytics and deep diagnostics, and with preventive maintenance, which ultimately will help us to enhance productivity and quality for our customers.

Q: With the hype around Industry 4.0, how does ESCATEC view its impact on the sector?

A: The dream is a lights-out facility, right? It's a lot easier if you're doing low-mix high-volume because you don't have to adapt the production process each time for different customers or products. But we currently have more high-mix low-volume and Industry 4.0 is much more difficult to build into the system, although there are some aspects where it can be applicable. So we need to access the practical benefits versus the investment costs which are very high.

Q: What do you see as the biggest challenges and opportunities for the EMS industry over the next decade?

A: Geopolitical tensions and supply chain volatility are likely to be the most significant challenges. We've seen politically a lot of countries being more protectionist in their ways and less pro-market driven. However these also present opportunities for re-shoring and near-shoring production, which can benefit locations like North America, Europe, and Southeast Asia. Innovations in automation and digital technologies will also provide new avenues for growth and efficiency. On the supply chain side, every time we face a component crunch, the whiplash effect gets more pronounced. If there's a global logistics issue or something else, that pressure on the components market is unsustainable because the prices just go up insanely and then crash insanely at the end. It's not good for anyone to have this huge volatility although we have been able to manage thus far.

Albin's insights paint a clear picture of ESCATEC's future trajectory. With a strong foundation built on family values, a culture of continuous learning, and a practical approach to expansion, ESCATEC is well-positioned to navigate the challenges of the EMS industry and to further solidify its successful strategy of growing as a long-term partner to its customers.

Media enquiries can be directed to Mr. Rajeshpal Singh, Corporate Marketing & Communications Manager, at rajeshpal.singh@escatec.com, Tel: +604 6113 456.

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