



Using Grant Funding to Aid in the Development of a Strategic Export Approach

As with any actions taken, building from a firm foundation is important. Secure insights and lessons learned via Firstronic's journey. See the process they used to search for and secure grant funds to launch their export business. Listen and learn as they share examples of simple models they have developed and utilized to determine the strategic fit of new customers and to establish pricing models that improve margins on key accounts and support the long-term success of their export endeavors.

AGENDA

- Introduction
- Firstronic Overview
- How Firstronic has successfully been able to obtain grant funding for developing an export strategy
- Types of grants that Firstronic has secured and how
- Development and implementation of a strategy for focusing securing new business with target customers that are a good fit for long-term growth.

Introduction



President & CEO, Firstronic LLC

- **Started in Electronics Contract Manufacturing in 1999**
- **Background is Electrical Engineering and International Business**
- **Joined Firstronic in 2011**

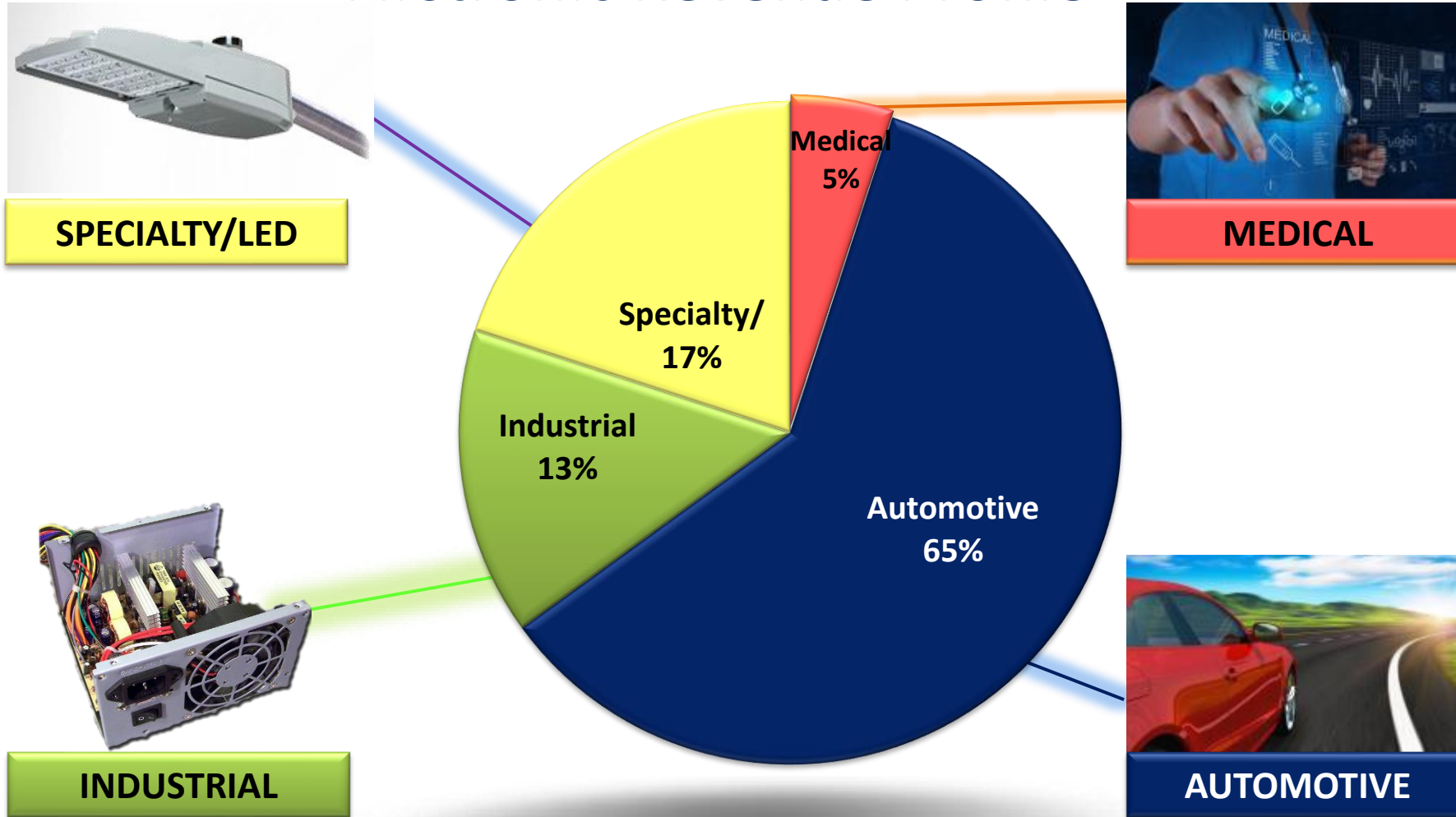
Firstronic Overview

- **Firstronic is a provider of electronics manufacturing services (EMS)**
 - **Complex printed circuit board assemblies (PCBAs) using through-hole and surface mount technology (SMT)**
 - **Turnkey electronic assemblies**
 - **Material Management Services**
- **Tailored solutions in focused market sectors**
 - Automotive
 - Industrial
 - Medical
 - Specialty/LED
- **Recognized for manufacturing with extreme flexibility and innovative solutions**
 - Industry leading Kan Ban Strategies
- **Global footprint**

2020 North America Revenue	\$145 Million
Employees	945
Manufacturing Sites	2
Manufacturing Space	120 Kft ²

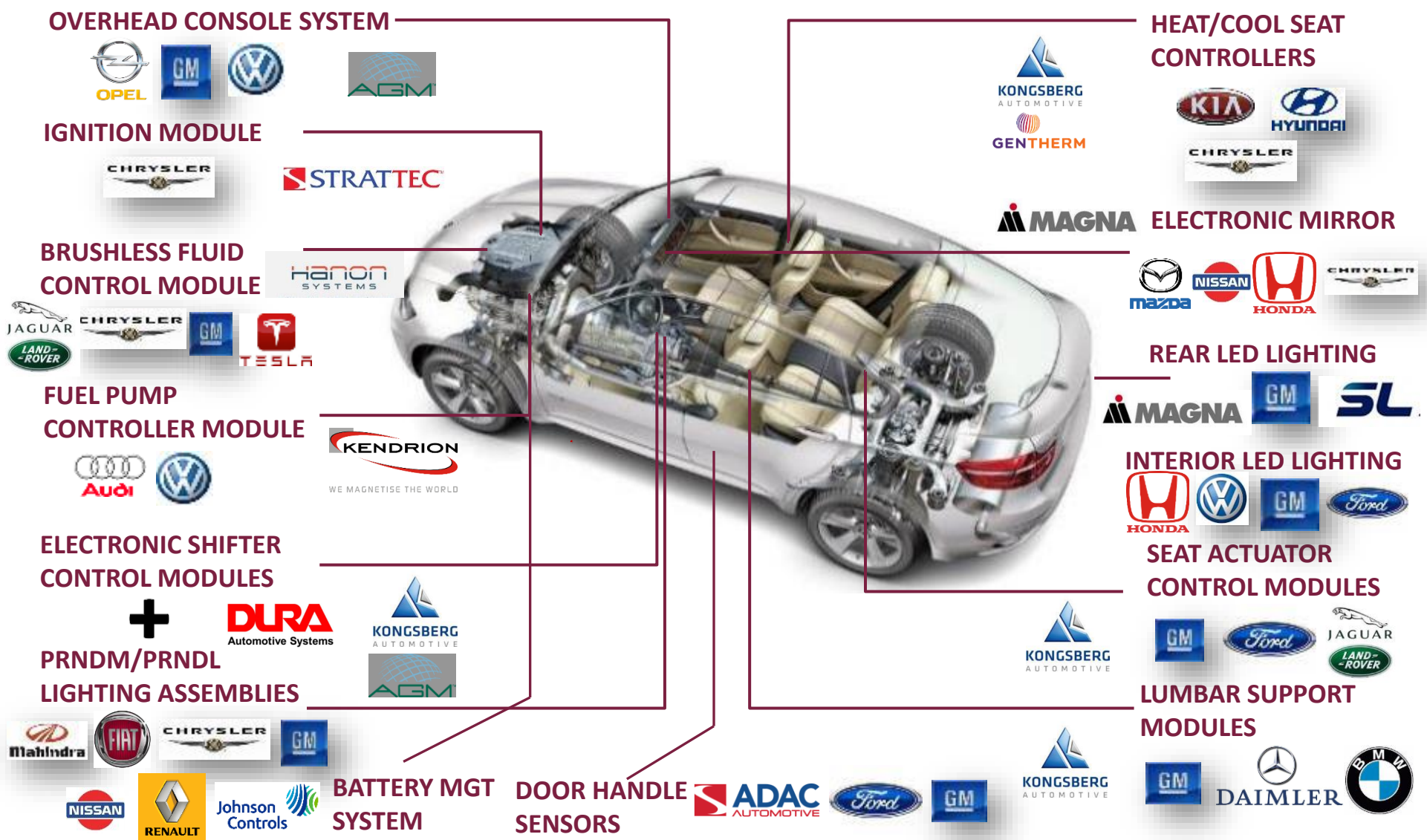


Firstronic Revenue Profile





AUTOMOTIVE PRODUCT OVERVIEW




















Advancing Global Business

Location	<ul style="list-style-type: none"> ▪ Juarez, Mexico
Footprint	<ul style="list-style-type: none"> ▪ 75,000 sq.ft. (35k in use)
Headcount	<ul style="list-style-type: none"> ▪ 450 Employees
SMT Lines	<ul style="list-style-type: none"> ▪ 11 SMT Line Capability (5 currently)
Capabilities	<ul style="list-style-type: none"> ▪ PCBA ▪ System Integration ▪ Rework/Repair
Markets & Product Examples	<ul style="list-style-type: none"> ▪ Automotive ▪ Medical ▪ Industrial ▪ Specialty
Certifications	<ul style="list-style-type: none"> ▪ ISO 13485 ▪ ISO 9001 ▪ IATF 16949 (PPAP Compliant) ▪ IPC-A-610 Class II and III ▪ C-TPAT Certified

Location	<ul style="list-style-type: none"> ▪ Grand Rapids, MI
Footprint	<ul style="list-style-type: none"> ▪ 30,000 sq.ft.
Headcount	<ul style="list-style-type: none"> ▪ 180 Employees
SMT Lines	<ul style="list-style-type: none"> ▪ 3 SMT Line Capability
Capabilities	<ul style="list-style-type: none"> ▪ PCBA ▪ System Integration ▪ Rework/Repair
Markets & Product Examples	<ul style="list-style-type: none"> ▪ Automotive ▪ Medical ▪ Industrial ▪ Specialty
Certifications	<ul style="list-style-type: none"> ▪ ISO 13485 ▪ ISO 9001 ▪ IATF 16949 (PPAP Compliant) ▪ IPC-A-610 Class II and III

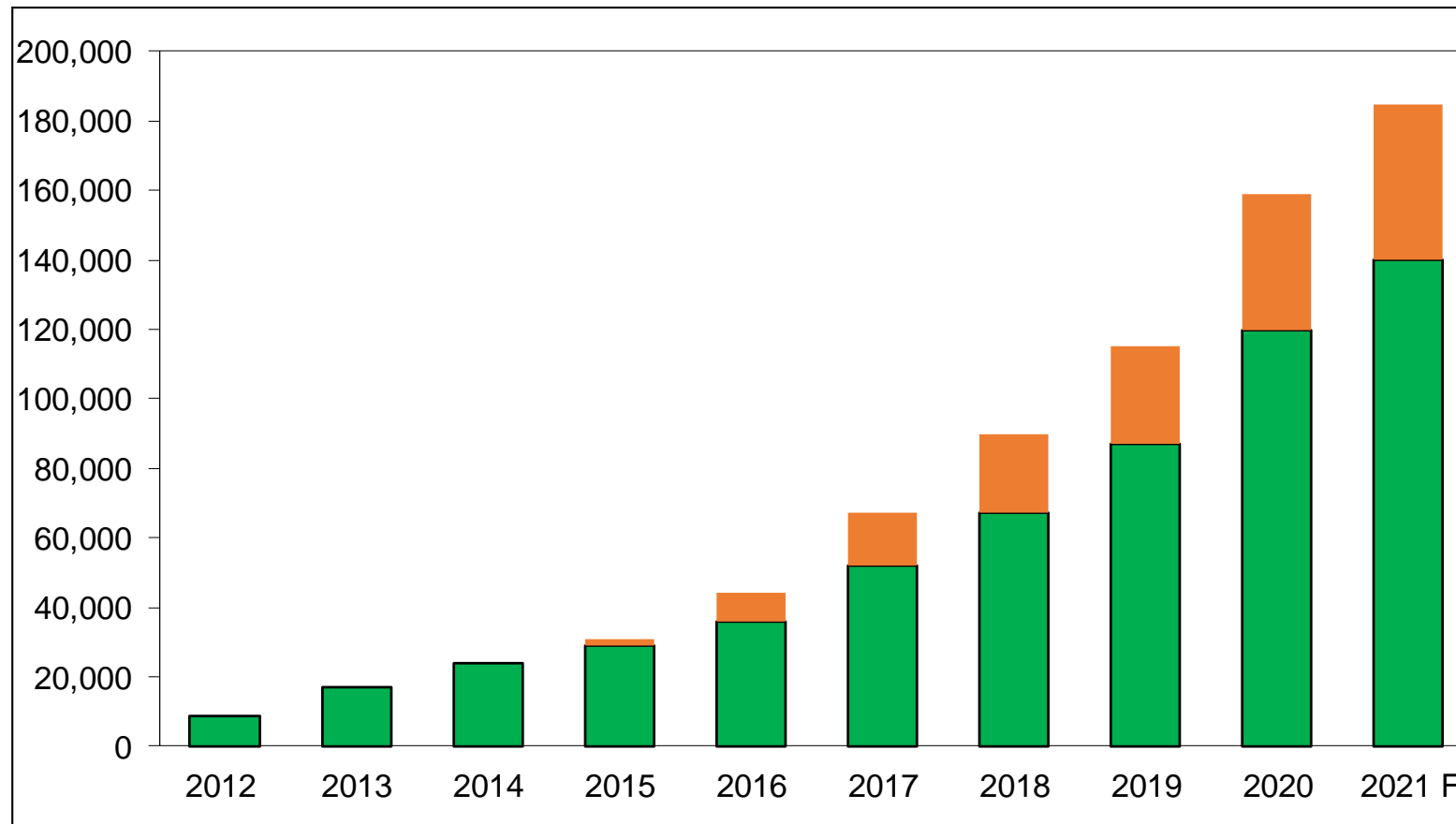
Segment	Printed Circuit Assembly Examples				
Automotive	 <p>Heat/Cool Seat Control Module</p>	 <p>Shifter Control Module</p>	 <p>Coolant Pump Control Module</p>	 <p>Normally Open Relay Module</p>	 <p>Fuel Pump Control Module</p>
LED	 <p>Overhead Console Control Module</p>	 <p>OHC Option LED Module</p>	 <p>PRNDM LED Module</p>	 <p>PRNDM LED Module</p>	 <p>PRNDM LED Module</p>
Industrial/ Medical	 <p>IND-Ignition Control Modules</p>	 <p>IND-HEX Meter Control Module</p>	 <p>IND- After market AirRide Module</p>	 <p>CPAP Monitor Box Build</p>	 <p>MED-Supply Mgmnt. Display Module</p>

Firstronic Challenges

- Firstronic is in a very competitive industry of contract electronic manufacturing.
- Most of the companies in our industry have moved their production off-shore (mainly to Mexico and China).
- We are leading a "re-shoring" initiative to bring this manufacturing industry back to Michigan, which has lost tens of thousands of jobs in this industry over the past decade.
- Firstronic has “turned the tables” in this industry by not only bringing back manufacturing to the Midwest, but also leading the development of export strategies – currently over 50% of our revenue is exported...



Firstornic Growth Plan Sales (000's)



- **North America Business / International JV Business (China & Europe)**
- Overall, in 2020 finished 20% ahead of 2019 (despite the COVID shutdown in Q2)
- 2021 is expected to get back on track with > 35% growth (up to 50%)

Types of Grants Secured by Firstronic to Date

- MEDC “STEP” Grant – marketing for exports
- STTF Training Grant – technical training
- Business Development – incentives related to additional headcount

MEDC Step Grant

Marketing for exports – This program was launched in 2011 by the SBA with a goal to double the U.S. exports and give us a stronger competitive advantage

- **Designed to help “spur” job creation**
 - **Increase export Sales**
 - **Increase number of new Michigan companies looking to export**
 - **Increase entry into new markets**
 - **Maximum annual amount of the grant is \$15K**

Firstronic has participated in this program for the past 5 years and we were able to use funds obtained under this grant for the following:

- **Trade missions to Mexico, Costa Rica, China and Poland**
- **Product development samples for new program launches**
- **Website development related to export program**



For more information regarding the Step Grant, you can go to www.sba.gov
Or contact www.michiganbusiness.org

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Advancing Global Business

Going Pro Talent Fund (STTF Training Grant)

- Helps employers to assist in training, developing and retaining employees
- Training must be short term
- Fill a talent that is needed by the employer
 - Identify a skill deficit
 - Identify what specific skills are needed
 - Develop training plans to address that deficit or need
- Lead to a skill that is transferable and recognized by the Industry

Firstronic has used these funds in the past to help offset IPC training for 25 new employees

- Acceptability requirements (IPC 610)
- Hand Solder certification (IPC J-STD)
- Rework / Repair training and certification (IPC 7711/7721)



Going Pro Talent Fund (STTF Training Grant)

For more information regarding the Going Pro Talent Fund, you can go to

www.Michigan.gov/wda

Or contact your local West Michigan Representative at www.michiganworks.org

Shane Scherer, MPA, CBSP

Business Solutions Representative

215 Straight Avenue NW | Grand Rapids, MI 49504

o: (616)-336-4013 | m: (616)-498-9522

westmiworks.org



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Advancing Global Business

Business Development Grant (MBDP)

- Incentive program established to provide assistance to business in the form of grants, loans and other forms of economic assistance
- This program is available to Michigan Businesses to use to create jobs
- Preference is given to businesses who are seeking to locate to Michigan or expand in Michigan versus another State:
 - Performance Based
 - Requires businesses to be transparent if awarded funds
 - Employee retention and payroll records are required to be submitted



Business Development Grant (MBDP) – cont.

- **Firstronic \$150K obtained a BDP Grant in 2013 related to the hire of 110 additional employees**
 - **Company Vision Changed**
 - **Streamlined our Customer Based using rationalization matrix**
 - **Focused on Core Customer and building relationships with those key customers to expand the overall business**
 - **Went from one and shift operation to four shift operation (24 hours / 7 days per week) while adding and training over 100 new employees**
- **Obtained another \$200K BDP Grant was obtained in 2018 related to the hire of 50 additional employees**
 - **Additional training to support new growth**



Business Development Grant

For more information regarding the Business Development Grant, you can go to the
MEDC Website @ www.michiganbusiness.org
Or contact MEDC @ 300 N. Washington Sq., Lansing, MI 48913
[888.522.0103](tel:888.522.0103)



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Keys to our Success in Securing Grant Funding

In applying for the various grants that Firstronic has secured, we demonstrated the following key dynamics impacting our company / industry:

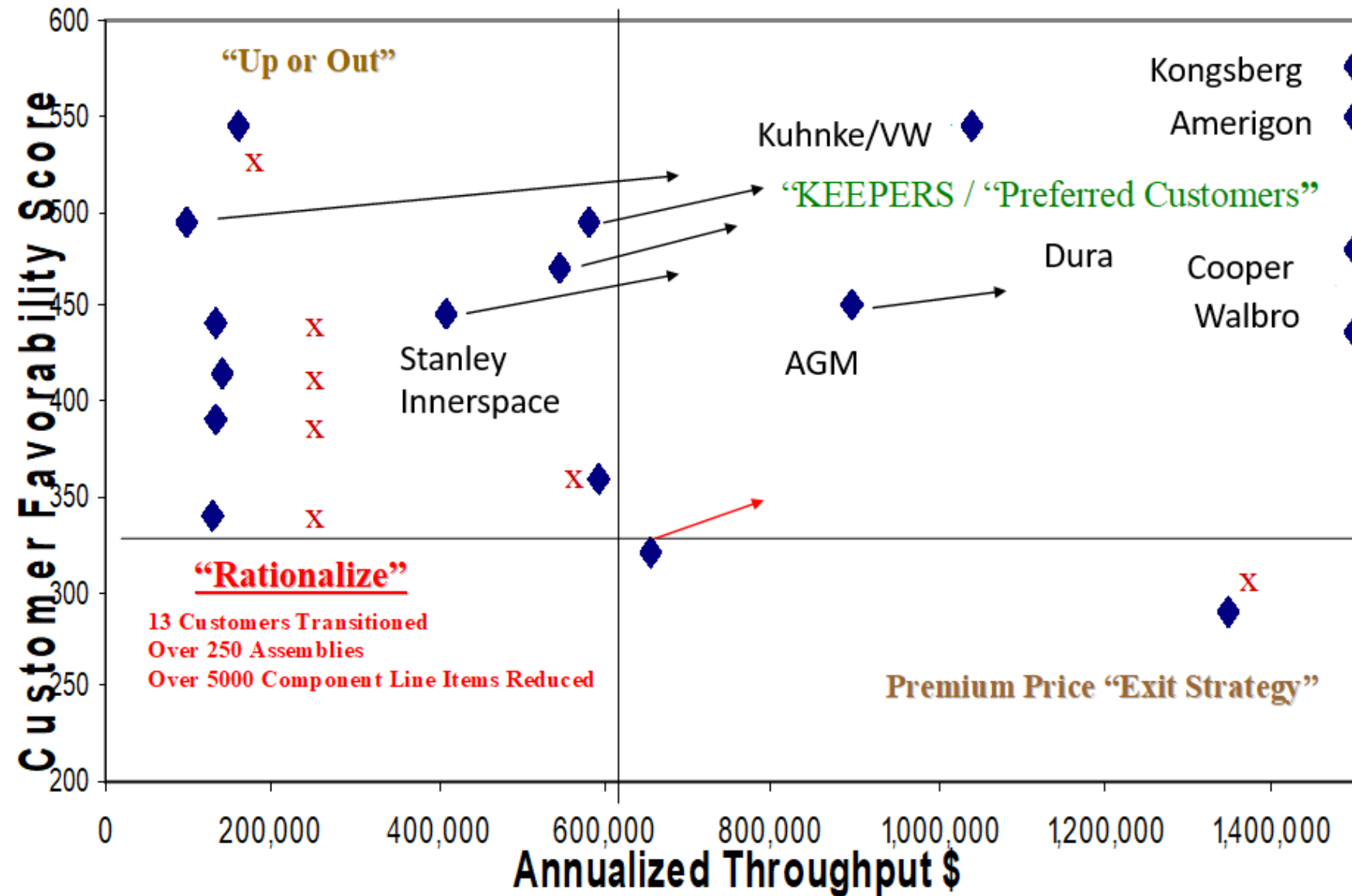
- Over the past two decades, the EMS industry has been moving production off-shore, mainly to Mexico and China**
- The EMS industry in North America is a small fraction of what it was in the late 90's**
- This has left a “vacuum” of trained, qualified employees to draw from, particularly in this region, and with each plant closure, more trained electronic assemblers have moved out of state, particularly the higher skilled employees**
- Having employees who are capable of conducting all different types of electronic manufacturing functions in a "high velocity throughput environment" using synchronous flow manufacturing techniques**



Target Customer Rationalization / Pricing Strategy

- Despite the financial risk of the industry down-cycle, Firstronic implemented a customer rationalization strategy to realign its operations and emerge on stronger footing.
- Firstronic successfully completed this restructuring, which established the foundation for the business to expand, after achieving the following:
 - Previously 30+ customers and 5000+ unique part numbers
 - Subsequently 15 customers and 1000 part numbers
- Eliminated low “favorability”, lower margin products
- Significantly reduced complexity of the business
- As a result, Firstronic was able to focus its resources on fewer customers with higher potential and grow the business with the targeted “Preferred Customers” to achieve greater profitability, while targeting additional high favorability customers.

Target Customer Rationalization Matrix





Customer Favorability Index

Relevant Factors Kongsberg	Factor	-----Range-----			Target Opportunity	Rating	Score
		2	5	10			
(1) Volume (> 150K unit per year)	10	0 to 10K	10 to 150K	>150K	medium to "modest" volume	10	100
(2) Mix (# of Assemblies): < 10	10	>25	10 to 25	1 to 10	low to medium mix	10	100
(3) Complexity (BOM line items): <100 line items	10	>250	100 to 250	1 to 100	moderate complexity	10	100
(4) Auto Placements 90%+	15	0 to 50%	50 to 90%	90 to 100%	highly automated	10	150
(5) Procurement Challenge (end of life, sole source, allocation issues, etc.): some sole source / direct supply issues	5	high	med	low	moderate procurement challenge	5	25
(6) Product Life Cycle (yrs) > 3 years	5	0 to 1	1 to 3	3+	longer product life cycle	5	25
(7) Customers Inside PCBA Capability: Yes but committed to outsourcing	10	broad	limited	none	customer committed to outsourcing strategy	5	50
(8) TAM (Rev. Potential) > \$15M	15	\$2.5 to \$5M	\$5 to \$15M	\$15 M+	>\$5M TAM	10	150
(9) Manageability (documentation, systems, logistics, internal support, etc.): excellent documentation since this would be a transition of products currently in production	5	high maint	moderate	low maint	low maintenance /strong relationship	10	50
(10) Margin Potential (throughput %): Mexico to Mexico	15	<30%	30-37%	38+%	high throughput % on sales	5	75
Total Score	1000						825

2021 National Small Business Exporter Summit



- What got me into International Business?
- Difficulty during my career with exporting...
 - Key Lesson regarding establishing business in China



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Firstronic LLC**