

## Tech producer Sonic booms

### SONIC: For East Bay firm, a boom time for manufacturing

BY PATRICK HOGE

San Francisco Business Times

Even as huge amounts of consumer electronics manufacturing has shifted overseas, Sonic Manufacturing Technologies Inc. has thrived in Silicon Valley by building prototypes and other high-margin products like medical devices in relatively low volumes.

Launched in 1996 with only \$250,000 in backing from the founders' friends and family, Fremont-based Sonic Manufacturing has grown into a 330-person concern with revenue tracking this year to cross \$50 million, up more than 10 percent from 2010, which was up 40 percent from 2009.

Not only have some types of electronics manufacturing never left the United States, but rising labor and transportation costs have prompted some companies to "backshore" work that was sent elsewhere in the off-shoring craze of the 1990s, said Sonic Manufacturing President, CEO and co-founder Ken Raab.

"We have been more successful the last three to four years than ever before," Raab said.

Indeed, the future looks bright enough that Sonic Manufacturing in July paid \$6.1 million for a building next to its nearly 70,000-square-foot manufacturing facility and is in the midst of adding another 40,000 square feet of production space.

And Raab said he expects to hire more than 40 full- and part-time employees over the next six months to staff two shifts, which run from morning until night. Open positions include surface mount operators, quality control inspectors and assemblers.

For Sonic Manufacturing, making such hires is no small commitment. A hundred of its current employees have been with the company for more than a decade.

"I'm very proud of that. The loyalty back and forth is very good," Raab said.

"All the founders are still here. We all talk to each other," Raab said with a laugh. "It's unusual. There have been no big fallouts among us."

One key to Sonic Manufacturing's stability has been its insistence on maintaining a diverse customer base to avoid being vulnerable to the vagaries of any one particular industry. Its customers are in the automotive, computing, consumer electronics, industrial, medical, networking and telecommunications industries.

"We try not to be dominated by any industry or customer," Raab said.



PAOLO VESCIA

"You have to make up your mind: This is the U.S., I'm glad to be here," says Raab.

The company initially made its reputation on quick-turn, low-to-medium volume, highly complex jobs for small and emerging companies, but its client list has grown to include the likes of Intel, Philips, Texas Instruments and GE Security.

Over the years, Sonic Manufacturing has made components for things like electronic carmaker Fremont-based Tesla Motors Inc.'s battery packs and X-ray monitors sold by Palo Alto-based Varian Medical Systems Inc.

Raab started Sonic Manufacturing with Robert Pereyda, current vice president of engineering, and Henry Woo, who is

chief process engineer.

The three men together had developed contract manufacturing expertise while working at Stanford Telecommunications, a defense industry electronics maker that fell on hard times after military budget cuts.

While Stanford Telecommunications was being sold off in pieces, the three partners opened an 11,000-square-foot operation with six employees and no customers.

"It was a tremendous leap of faith," he said.

Sonic Manufacturing is among a class of regional contract manufacturers that

have made a decent living making products that do not lend themselves well to overseas production. For example, if customers need a fast turnaround, or sensitive intellectual property or national security is involved.

Ray Carpenter, director of electronics investment banking at Southwest Securities Inc., said such "Tier IV" companies, which typically have revenues of less than \$100 million, have proven attractive acquisition targets recently because they generate handsome profit margins and returns on invested capital.

There have been more than 20 acquisitions of similar companies around the nation in 2011 alone, Carpenter said.

In August, for example, Southwest Securities advised on the sale of Fremont-based Victron Inc. to San Jose-based OnCore Manufacturing Services LLC for an undisclosed price, both of which are competitors of Sonic Manufacturing.

"Sonic is well-positioned in the right areas and the right markets to be a successful manufacturer in Silicon Valley," Carpenter said.

While Raab doesn't say "never," he says he isn't looking now to sell Sonic Manufacturing, though offers have been consistent.

Sonic Manufacturing also has no intention of moving any of its operations abroad, despite challenges of operating domestically — chief among them the rising cost of health care.

"There's a lot of obstacles to what we're doing. You have to make up your mind: This is the U.S., I'm glad to be here," Raab said. "There's a lot of room for growth in the U.S."

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**Ken Raab**  
Sonic Manufacturing

**WHO'S HIRING:**  
**SONIC MANUFACTURING**

**Jobs:** 40.

**Location:** Fremont.

**Type:** Surface mount operators, quality control inspectors and assemblers.