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EDITED TRANSCRIPT

JBL - Jabil Circuit Inc at Goldman Sachs Technology and Internet Conference

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CORPORATE PARTICIPANTS

Mark Mondello *Jabil Circuit, Inc. - CEO*

CONFERENCE CALL PARTICIPANTS

Mark Delaney *Goldman Sachs - Analyst*

PRESENTATION

Mark Delaney - *Goldman Sachs - Analyst*

Alright. Thank you, everybody. My name is Mark Delaney and I cover the IT supply chain sector at Goldman Sachs and I'm very pleased to have with us today Mark Mondello, the CEO of Jabil. Thanks very much for being here.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

You're welcome.

Mark Delaney - *Goldman Sachs - Analyst*

As many of you know, Jabil is a leading EMS and solutions company with approximately \$18 billion of annual revenue, about 40% in the diversified manufacturing segment and then 60% in the traditional EMS segment.

I wanted to start out with a few blotter topics. And maybe just to start, you're in a competitive industry but I wanted to get your perspective on what some of the things are that differentiates Jabil.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Sure. So we've always been in a competitive market, as you know, Mark. And when I think about things that differentiate us kind of on an absolute basis it starts with our people. So we're in a service business, whether it's service in engineering, design, manufacturing, supply chain, distribution. So I think the team we have is a catalyst for differentiation.

Number two is our IT systems. So when you think about the fact that we serve 250 brands across 13 to 14 different end markets and we're doing product design and product launches, product distribution, I think IT is a big differentiator. And then, lastly, the way we're organized structurally. So sometimes that gets lost in the whole mix, but the way we're structured drives a very high level of accountability. And it also allows us to move really quick in our decision making, which tends to happen at the connection point with the customer. So when I think about differentiation, probably those three things more than any other.

Mark Delaney - *Goldman Sachs - Analyst*

That's helpful. And I did want to talk about one of the goals the Company talked about at the recent Analyst Day toward the end of last year and it was about growing revenue through fiscal 2019 at a mid-single-digit CAGR and for EPS to grow at a high-teens CAGR to reach about \$3 per share in the fiscal 2019 timeframe. But at the same time the Company's talking about moderating its CapEx to drive better for cash flow. So how are you trying to balance maybe lower levels of CapEx but also driving that top-line growth?



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Mark Mondello - *Jabil Circuit, Inc. - CEO*

Yes, sure. So in our Analyst Day in September our CFO kind of laid out a plan to take us to \$3 a share by fiscal year 2019. So we're doing that across the Company in a pretty blended way. We've got our EMS business. So of our \$18 billion to \$19 billion in revenue, Mark, \$11 billion to \$12 billion of that are what we call EMS. And for us to get to \$3 a share, if that business grows low single digits we'll be in pretty good shape. Then we have the healthcare packaging business that's become pretty material and of reasonable size. And I talked about the growth rates of those businesses combined on our December call to be 18% and 20% kind of on a CAGR growth basis for the next three years. As we sit today, that feels pretty good. And then we have a mobility business which is -- I always refer to that as kind of optimization at scale. And as long as there's handsets sold in the world that business should be in relatively good shape. And again, if those things combined occur we're in a good path and good trajectory for the \$3 a share. And when I think about those catalysts, I don't think any of them are kind of fancy gymnastics. They're pretty basic and I think highly achievable.

The second part of your question is, is how do we intend to get there with more moderated CapEx. That's largely because a big chunk of the investments to get there have already been made over the last two, three years. And in fact, Mark, one of the things we did, I think it was in our June call, we talked about putting together a capital return framework. So because we've been pretty aggressive in our investments in the prior three or four years and we intend to leverage those investments to get to the \$3 a share, the cash flows off those investments will be strong and that's allowing us to return about \$800 million to \$1 billion to shareholders in fiscal years 2017 and 2018.

Mark Delaney - *Goldman Sachs - Analyst*

Is there any assumptions around the broader global GDP environment that you need to see in order to hit the \$3 number?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

As long as there's no massive train wrecks we'll be okay. I think what we've modeled is, if overall GDP is in the 2% - 2.5% range we'll be just fine.

Mark Delaney - *Goldman Sachs - Analyst*

And that brings me actually to my next question, which is Jabil is a global company. You have thousands and thousands of customers. I know you travel a lot seeing customers in different operation sites within Jabil. What sort of things are you seeing in terms of global GDP trends and any sort of differences you'd call out between different regions?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

I don't see much change. So the US economy feels a little better than it was a few years back. We'll see what happens with the new administration. Europe seems to be improving, but improving slowly. And Brexit's still a wild card there and we're watching that closely because the UK's a big economy. In terms of Asia, Mainland China, that's a big market for us so we watch that closely as well. But in terms of anything that has shifted on us in the last two or three years, we haven't seen any dramatic shifts.

Mark Delaney - *Goldman Sachs - Analyst*

I did want to talk about the fiscal 2019 framework that the Company talked about, \$3 of earnings per share. How close would you expect free cash flow to be to earnings per share in that timeframe?



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Mark Mondello - *Jabil Circuit, Inc. - CEO*

Well, this year I think free cash flow per share will be in the \$2.40 - \$2.50 range, Mark. And as we take earnings up \$2 to our goal of \$3 a share, I don't know that free cash flow per share will grow 50% like core earnings will, but I would expect free cash flow to start nudging up against \$3 a share as well.

Mark Delaney - *Goldman Sachs - Analyst*

Okay. The Company did give fiscal 2017 guidance on certain metrics and one of those, you can kind of back in to look at implied revenue guidance for the August quarter. Obviously you're in a volatile business. What kind of visibility do you have and what gave you the confidence to give that type of guidance for an above-seasonal August quarter?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

So let me think about what you said. If you think about the whole fiscal year, and for those in the room, our fiscal year runs from September 1st through August. We've completed our first fiscal quarter. We're just about to complete our second fiscal quarter and we gave very specific guidance for Q2. We said that Q3 would be a heavy investment quarter for us with the businesses that we play in and that's pretty common for the last five years in the Company. And I made some commentary that I felt good about 4Q and I think in the Q&A we talked about 4Q maybe looking more like the fourth quarter of fiscal year 2015 than fiscal year 2016. And again, I think the thing driving that is a lot of what I've already talked about. We've got reasonably good confidence in our EMS business. And I think the other thing I said in our July call is we've taken that business from what's historically been 2.2%, 2.4% operating margins and in our December call I said we've got an opportunity to have that nudge up against 3.94% margins in the back half of the year. So margin expansion on \$12 billion - \$13 billion of our business, a fairly robust outlook in healthcare and packaging, and then we feel reasonably good about the mobility space as we get through the back half of the fiscal year.

Mark Delaney - *Goldman Sachs - Analyst*

That's helpful context. Maybe we can shift gears a little bit and talk about border taxes and some of the issues related to proposed and discussed changes in the United States. Are you actually having customers come talk to you and say, hey, what would it take to do more manufacturing in the US and just how far along are any of those conversations in general?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Lots of conversations. And one of the things that I've cautioned all of our folks on that interact with customers or investors is let's not try to predict policy. We are very well connected through a lot of our banking partners directly to some folks in D.C. and a lot of our -- the partners we've had to help us run our business every day and I don't think anybody knows what's going to happen for sure.

Our point of view is we see tax in kind of three buckets. We see potential for a change on repatriation. We see a potential tax that could be country or end market-specific duty and tariffs. And then we see maybe a more blended taxation around trying to rebalance import/export. What -- we've taken probably, I don't know, 50 or 60 calls since January 1st, all from our customers, and what we've basically said is there seems to be some level of question and anxiety around it. We have some tremendous tools in terms of supply chain analytics. Cloud-based data analytics in terms of being able to run endless scenarios around say 20 different variables or catalysts in terms of different products, different end markets and how the supply chain might react and what might happen to different supply chains.

So what we -- most of our exercise has been around our customers calling, asking our opinions on tax. We defer on that, but what we've said is nothing's more important than having good muscle memory when you have to react. And so we have set up somewhere between three and maybe a half dozen scenarios around different customers' products or brands and we've helped them run a bunch of different scenarios that we think are actually quite accurate, and then we arm them with that information and we'll kind of wait and see what happens. But our activity in that arena has been fairly substantial in the last 60 - 70 days and it's been a very good benefit to most of our customers.



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Mark Delaney - *Goldman Sachs - Analyst*

Can you talk about how you think about making an investment and do you have to have a certain amount of visibility about how sustained potential tax changes may be or do you make investments for 5, 10, 15 years and do you think about, well, maybe in 2 years when potentially a new legislative body comes in that these could change and all of a sudden whatever --.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Yes.

Mark Delaney - *Goldman Sachs - Analyst*

Costs you put in place often you can't (inaudible) --.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Right.

Mark Delaney - *Goldman Sachs - Analyst*

So how do you --?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Do we think about that? We do. But I think there's a real danger in trying to wait for everything to shake out because, again, we serve 12 - 13 different end markets. We serve 250 of the greatest brands. And one of the observations we have is, is if you're not being decisive and moving quickly it's a real problem. So I'd rather run our business, do it in a very diligent way, be very thoughtful about what policy changes could happen and be prepared to react to those. Do it in a way where we've already run a bunch of our own scenarios, which we have and we continue to do. But trying to sit back and wait for or anticipate things that we just aren't sure which way they're going to fall, I'd rather just focus on running our business with what we know and then if things start to change -- one of the good things about our company over the years is we've been around for 50 years. And I think it speaks to our resiliency and we've been able to adapt and hopefully we'll continue to do that.

Mark Delaney - *Goldman Sachs - Analyst*

And very preliminary in terms of your analysis around these topics, but is there any sort of common themes you're seeing as you start to look at the math behind what would it take to do things in the United States versus elsewhere? And maybe larger products like a server or a storage system that maybe can be more automated, maybe that makes sense with something with lots of file assemblage is uneconomical even with a 30% - 40% tariff (inaudible)? Any sort of just high-level thoughts on the types of things that could move?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Sure. So in our own scenario planning we look at that a lot, Mark. We take a look at the different products that we build. We're running a lot of our own scenarios and so what are the variables that play into that. The products themselves, the end consumers, the distribution model, the technology, the overall embedded supply chain, the ability to change that supply chain, automation for sure.



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And then kind another for me, an overarching field or area is, regardless to what ends up shaking down, I think that Jabil's in a pretty good position because, from a practical standpoint, we know how to navigate US manufacturing very well. We've been doing it a long time. From a political standpoint, we're a US-domiciled NYSC company and I think that's very favorable to a lot of our customers. So specific to your question, we've done a lot of our own scenario planning and we've got some thoughts about what's more likely, what's not so likely and I think we're well prepared there.

Mark Delaney - *Goldman Sachs - Analyst*

Last one on this topic before I move on, which is a really interesting one for me and investors ask a lot about it so I thought it merited some time, but (inaudible) work around tariffs. When -- if there is a tariff or a border tax that's put in place, is that something your customers would pay or is that potentially a risk for Jabil? And maybe you could just talk a little bit about some of those dimensions.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

I don't -- let's wait to see how it shakes out.

Mark Delaney - *Goldman Sachs - Analyst*

Okay. Alright, fair enough. Maybe we could switch a little bit into some of the end market questions. I wanted to go into the DMS business, about 40% of your revenue. And for investors that aren't quite as familiar, DMS is the more material sciences and mobility business around medical and healthcare; material sciences as well. You talked about feeling very good in particular on medical and healthcare. Maybe just talk a little bit more on what sorts of things specifically you're doing in those areas.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Yes. So I think that there's been a number of different catalysts in both the packaging markets and the healthcare markets and the catalysts here are a little bit different. On the packaging side what we're seeing is integration of different technologies and that's working very favorable for us in the packaging business, Mark.

And then on the healthcare space, I think with the Affordable Care Act and whether there's changes to that or not, I think that our healthcare business is broken up into three silos. We do kind of drug delivery pharma; we do patient monitoring, so CT-MR, PET scan type of devices; and then we've got medical devices. Across all of those, I think that if I take the customers that we serve today and then I add to it hospitals, I think that that industry is moving to what I would characterize maybe as pay for performance, meaning you're going to get paid for a successful outcome. You might not be able to get paid for redos. And that's driving a lot of conversation around better cost efficiency, maintaining great quality, optimized supply chains, less overhead. And all of that really comes right into our sweet spot because we've been working with those type of catalysts for 25-30 years. So all of that is what's driving kind of the stronger double-digit growth rate for us in the next three or four years in those two areas.

In addition to that we're picking up some decent market share. And then we're also finding that there's a number of brands out there today that are looking at their own manufacturing and maybe wanting to preserve their capital for more R&D and overall solutioning (ph), firmware, software and hardware design and development. So I think there's an ability for us to consume or take on some of that manufacturing as well.

Mark Delaney - *Goldman Sachs - Analyst*

I think a point you made after the Nypro acquisition a few years ago was having a broader suite of products; not only around packaging, but also digital capabilities and high-volume manufacturing. And how important has that been in terms of convincing new customers in an area like medical in order to do more with Jabil?



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Mark Mondello - *Jabil Circuit, Inc. - CEO*

Yes. I think if you -- our company is so broad based in terms of manufacturing solutions and technologies. We have six businesses inside of the Company and there's a significant amount of crosstalk from division to division and that's part of the art in our structure. So an example might be we have one business that's expert in liquid silicon rubber or ceramic or stainless or some type of materials. Embedded in another business is some expertise in some fairly sophisticated RF communication and then we have miniaturization. And being able to take that and maybe combine it with some touch-panel technology and/or some other solutions and apply that to different end markets has proven to be really powerful.

Said differently, if we're a manufacturing company and we only serve say the automotive market, that might be a really good business because there's good diversification in automotive. But by serving the different end markets and having access and having created a broad-based basket of capabilities and then applying those to the different markets, it's been really good for us.

Mark Delaney - *Goldman Sachs - Analyst*

I think the product design end cycles are a lot longer in medical so how much visibility do you have into the growth trajectory in the medical business?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Well, I think on the medical side it's a little bit of a double-edged sword. So in some ways we have some of our products that have nine-month product lifecycles and that's got its own challenges, but it's kind of here and now. You know what you have and you jump on it. You have -- you realize it and then on to the next product lifecycle. But again, it uses different muscles and maybe different parts of the grey matter to be able to manage a business like that.

In healthcare the product lifecycles are a little bit longer. But to get going with the production tends to take longer as well and that in and of itself adds risk because sometimes there's push outs and whatnot. So it's -- each -- the reason we have the business structured the way it is is our behaviors are very different depending on the businesses that we're running and trying to peanut butter that in a (inaudible) fashion just doesn't work. And then you add to that there's a lot of domain expertise that's required with the different businesses. And if we keep the businesses behaving around their end markets and around their domain expertise, I think the solutions are much better for the customer.

Mark Delaney - *Goldman Sachs - Analyst*

Okay. Maybe we can transition to the Green Point part of the DMS segment. And I wanted to talk about what sort of long-term growth you think there may be in smartphones and if that business can grow even as the Company talks about reducing the CapEx level it plans to spend in the future.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

I think our mobility business is well positioned. And we wouldn't have went out with a path around getting from roughly \$2 a share in core earnings to \$3 if we felt like the mobility business wasn't going to be part of that. So on that part I'd kind of just leave it at that.

Mark Delaney - *Goldman Sachs - Analyst*

Okay. Maybe you can talk about how adaptable the current toolset is. There's different changes around metals and the move to the 7000 series, aluminum and some of the prior product cycles last year to talk and the press about certain smartphones maybe moving to stainless steel. Does your toolset support different types of things or is it more specific?



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Mark Mondello - *Jabil Circuit, Inc. - CEO*

I think our toolset and the way we leverage the toolset is reflected in what we've publicly said about our CapEx this year and the path to \$3 a share and I'd kind of just leave it at that.

Mark Delaney - *Goldman Sachs - Analyst*

Understood. And then on just the broader question in smartphones. There's a lot of pressure on the smartphone building materials. You've got (inaudible) prices in both (inaudible) and going up. OLED screens is an expensive addition. How does that potentially impact the types of things that Jabil is doing and are you seeing any increased pricing pressure in your business?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

No different than we typically have.

Mark Delaney - *Goldman Sachs - Analyst*

Okay. Maybe we can shift gears a little bit. I wanted to talk about the camera module business, which is something the Company talked about, some of the technical capabilities that you have and had some demos at the Analyst Day September, I think it was. I thought that was pretty interesting. What sort of things are your camera modules going into?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Well for us, we have a very, very narrow niche with embedded cameras. So it's miniaturization, it's camera module alignment and optical alignment, and it's for kind of high-end differentiated optics. An example might be if we decided to move into areas like VR and AR. That might be a consumer of that. And then there's also some consumer lifestyle customers that are great customers of ours today that leverage some of that technology. So our embedded camera type of work, we're intentionally staying away from kind of low-end commodity-based cameras and focusing more on the high end.

Mark Delaney - *Goldman Sachs - Analyst*

And virtual reality was on the side, the Green Point section of the Analyst Day. Was that specifically on the camera modules or are there other things that you're doing in virtual reality?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

The embedded cameras would be a portion of it and then we're doing some other things in terms of miniaturization, power, material sciences, etc.

Mark Delaney - *Goldman Sachs - Analyst*

As you think about some of these potential new drivers like the cameras, you talk about lower CapEx profile needed to support DMS in terms of incremental investments. This was a CapEx you already spent. Do you think that potentially reduces some of the volatility you've seen recently in the margins of DMS?



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Mark Mondello - *Jabil Circuit, Inc. - CEO*

I think that quarter on quarter we'll still have some level of volatility because it's the nature of some of the consumer electronics business and some of the mobility business. I would think in the coming two, three years the volatility on an annual basis probably gets attenuated a bit.

Mark Delaney - *Goldman Sachs - Analyst*

Jabil invests a lot in developing capabilities I think first and foremost and DMS is one of the areas the Company's put a lot of resources into. Are there new markets beyond the ones we've already talked about that you think would be attractive for DMS?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

We continue to invest about, I don't know, \$300 million, \$400 million a year in terms of OpEx investments across the Company and, strategically, we do that for the sustainability of the corporation. We have a goal that we talk about very humbly in the business which is we want to continue to drive Jabil to be, if not the most, one of the most advanced manufacturing solutions companies in the world. And today we're very broad based and we have a ways to go to achieve that goal.

But a key driver in getting there is always investing in what we believe our customer portfolio will need and then customers that we anticipate that we'll have. So on a capabilities side, as we sit today, we continue to invest heavy in automation, miniaturization, RF and antennas, adhesives, camera alignment. So we -- every August we sit down and take a look at our product roadmaps, we take a look at our overall strategy, and from that we kind of dissect down to the next three or four years where we're going to make investments. And for us to continue to grow and adapt I'll continue to lean hard into those investments.

Mark Delaney - *Goldman Sachs - Analyst*

Okay. Maybe we can transition to the EMS segment, which is about 60% of the Company's revenue. And some of the markets within EMS that Jabil serves include storage, networking and automotive, semi equipment, a printer, and I think there's a long list of other things as well. Maybe any areas that you'd point out as being either stronger or weaker this year?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

I think that the continued disruption in cloud is a big plus. I think that our EMS business, just contextually, right, it's a \$11 billion to \$12 billion business for us today that probably spans across 160, 180 customers, Mark, and that business probably touches, I don't know, seven, eight, nine different end markets.

So another one I think about is automotive. So our automotive business today is fairly sizeable. And when you think about autonomous vehicles, when you think about what a company like Tesla is doing, that's working in our favor because of content, because of transmissions or lack thereof, when you think about how the car is powered and charged. And if we get to a point that autonomous driving is here, and I think the concept is here to stay, as that moves more to a reality, again, that has to do -- is another one for embedded cameras and sensors. So all of that's good.

And then our industrial business is holding its own, both light industrial, heavy industrial. And then there's -- for the last three or four years there's been a lot going on in terms of connectivity. I think four, five, six years ago one of the most grossly overused terms was internet of things, because I'm not even sure they even know what that means. But things being connected, interacting together, whether it be things in your home, appliances, that whole secular trend will continue and that's good for us as well.



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Mark Delaney - *Goldman Sachs - Analyst*

Maybe you can (inaudible) I wanted to ask a follow up. You talked about cloud being good for Jabil. Any detail you can give us there?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Well, just that, again, we continue to participate with a lot of the EMS brands. And then the whole cloud-based area has opened up probably another 8 to 10 really key brands for us for the next 3 to 4 years so, in that sense, it's been good for Jabil.

Mark Delaney - *Goldman Sachs - Analyst*

Maybe you could just talk about your strategy in that business. Some of these traditional EMS segments have historically been very, very volatile and potentially very low margin at times, too. How do you think about what type of business you even want to go after in the EMS segment?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Well, we have a process. So in the EMS space, again, we touch eight or nine different end markets and every August we go through kind of a three-year rolling strategy session. And for us, we take a look at the macro. We take a look -- so we start with what end markets are we playing in; do those end markets still hold in terms of our ability to serve in those end markets. And then during that timeframe we look at usually a handful of other end markets we may not play into.

One of the things we've taught ourselves for sure, Mark, is anytime in the history of the Company that we've gotten too far away from our core business we get ourselves in trouble, so we're pretty intimate on what we're good at. We're also pretty intimate on what we're not good at. But I would say every August we kind of reset on a rolling three-year plan. We lock that in and then we revisit that and hopefully 70%, 80%, 90% of that stays common year on year. But that's kind of the process we use and it's worked very well for us.

Mark Delaney - *Goldman Sachs - Analyst*

The margins have been a great part of the story in EMS over the last couple quarters in particular. How sustainable is the improvement in margins that the Company's seen from -- I think it was mid-2% range to now closer to 4%.

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Yes. Yes, we've taken the margins there from -- maybe 2 1/2, 3 years ago they were about 220 basis points. And again, they're going to be bumping up against 4%. How sustainable is that? I think it's sustainable. Will they sustain much above 4%? Time will tell. We've not had any conversation around that. Do I expect that to kind of boomerang back to 2% or 2.5% margins? I don't. And I think that's driven largely around how we've approached the market. We've been very disciplined in what business we've accepted, what business we haven't. We run -- oddly enough, we're talking about margin expansion, but we run the business largely around an ROIC model. And with the discipline around the ROIC model it's served us very well in that particular case in terms of operating margins.

And then the other part of that, Mark, is every year we're buying five or six companies that add new capabilities to our service offering. And our team has done a really nice job of taking those different capabilities and weaving them into different solutions. And the solutions we've taken out in the marketplace have been very well received. So I think the increased margins are -- we have a very good chance of sustaining those.



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Mark Delaney - *Goldman Sachs - Analyst*

You mentioned M&A which like leads me to my next question. How do you think about consolidation in the industry in general? I mean if you think about say semiconductors, we're doing a lot of large scale M&A and the integration of companies. We haven't (inaudible) and EMS in the last 10 to 15 years and it's been much more tuck-in type deals, as you mentioned, maybe something the size of Nypro. What's your M&A pipeline look like and how do you think about the potential for larger scale integration among EMS companies?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Sitting here today I don't have a lot of interest in doing any type of roll up. I have a ton of respect for the other EMS companies out there, but we have a finite bank roll. Our pipeline at any given point in time, and this is accurate today, is probably 40 or 50 deals. But we also have a very, very disciplined filter process. So we have a rotating pipeline of 40 or 50 deals and, of that rotating pipeline, we might actually get 4 or 5 deals a year done. One could argue that maybe we should widen the filter process a little bit and let a few more of those deals flow through, but I also observe that M&A is very hard. So sometimes I observe companies, that they get overly aggressive and they -- we talk internally about let's not fall in love with the property. But for us it's a lot about adding new capabilities to the Company that are tied to the three- and four-year rolling roadmaps we have, Mark, across the Company and that's probably where we'll spend most of our M&A activities.

QUESTIONS AND ANSWERS

Mark Delaney - *Goldman Sachs - Analyst*

I have other questions I can ask, but we have two to three minutes left. I did want to see if anybody in the audience has one for Mark.

Unidentified Audience Member

(Inaudible - microphone inaccessible). If you go back 10 years when (inaudible) --. Okay. So 10 years ago you had [Hon Hai] building scale in China. You had a massive shift in terms of manufacturing from the US into China. There was a lot of margin pressure because Hon Hai was essentially not making any money on what it was producing. And Jabil was essentially also forced to expand production into China, going to buy Green Point. What does -- supposedly, if (inaudible) policy towards border tax adjustment comes in, other than just the move back into US, I mean how do you see Jabil positioned now (inaudible) and briefly bringing back up that capacity, number one. And secondly, what happens when the margin (inaudible) because ultimately Hon Hai's margins will probably be squeezed. What happens to Jabil's margins? Do you have scope to actually expand margins?

Mark Mondello - *Jabil Circuit, Inc. - CEO*

Okay. There was a lot there. Again, one of the things that we're doing internally is we're certainly running a number of scenarios of what may or may not happen. I think in the most simplistic term to try to address your question is we are a big global company in scale. And for us, whether appropriate manufacturing for our customers and the customers that we serve -- and again, our customers are about 250 - 260 brands. Today I love our footprint. And the way that we address geographic needs is really about constantly working in our customers' product roadmaps. And as I said, or alluded to it earlier, it has to do with the product itself, the technology, the distribution of the product, the overall supply chain.

So I like where we sit today. Where we sit today is very different than we were five years ago which was very different than we sat five years prior. And again, I think that has to do with along with our company has been, A, resilient and, B, just able to adapt based on macro changes. I would believe that some additional macro changes may be out there and will be forthcoming. And if that occurs, I have a high degree of confidence in our ability to be able to navigate that.



FEBRUARY 15, 2017 / 11:20PM, JBL - Jabil Circuit Inc at Goldman Sachs Technology and Internet Conference

Unidentified Audience Member

To that extent, how do you see Hon Hai's move towards trying to build capacity in US? I mean is it a threat? Is it something that you would -- how would you look at it? Is there a (inaudible)?

Mark Mondello - Jabil Circuit, Inc. - CEO

They have a business to run. I don't think -- if you're referring to some recent articles around them bringing capacity back to the US and quoting some large revenue numbers, that's not in an area that we have interest in playing in so I wish them good luck. But I think we're in really good position in terms of US manufacturing so we'll see what happens.

Mark Delaney - Goldman Sachs - Analyst

We're out of time, Mark. I'd like to thank you for being here.

Mark Mondello - Jabil Circuit, Inc. - CEO

Thank you.

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