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PRESENTATION

Operator

Greetings, and welcome to the Jabil First Quarter Fiscal Year 2020 Earnings Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Adam Berry. Please go ahead, sir.

Adam Berry *- Jabil Inc. - VP of IR*

Good morning, and welcome to Jabil's First Quarter of Fiscal 2020 Earnings Call. Joining me on today's call are Chief Executive Officer, Mark Mondello; and Chief Financial Officer, Mike Dastoor.

Please note that today's call is being webcast live, and during our prepared remarks, we will be referencing slides. To follow along with the discussion and view the slides, you will need to be logged in to our webcast on jabil.com. At the end of today's call, both the presentation and a replay of the call will be available on Jabil's Investor Relations website.

During today's conference call, we will be making forward-looking statements including, among other things, those regarding our outlook for business and expected second quarter and fiscal '20 net revenue and earnings. These statements are based on current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially. An extensive list of these risks and uncertainties are identified in our annual report on Form 10-K for the fiscal year ended August 31, 2019, and other filings. Jabil disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

With that, it's now my pleasure to hand the call over to Mark Mondello.

Mark T. Mondello *- Jabil Inc. - CEO & Director*

Thanks, Adam. Good morning. I appreciate everyone taking time to join our call today. I'll begin by thanking our folks here at Jabil for their continued hard work and commitment. I'd also like to extend my sincere gratitude to each and every Jabil employee for making safety their personal priority. And before getting into our results and the business at hand, I want to wish all of you a safe and peaceful holiday season.

Now please turn to Slide 4 where we'll look at our first quarter results. Our team generated core operating income of $277 million on revenues of $7.5 billion, resulting in core earnings per share of $1.05 and a core operating margin of 3.7%. During the quarter, we delivered to our plan of record with one exception, this exception being our newly formed geocentric cloud services business, which came in well above our forecasted revenue. This revenue upside was helpful for the quarter, but for me, what's most valuable is how our cloud solution is being accepted and adopted in the marketplace. Overall, Q1 gave us a favorable start to the year. As is customary, Mike will provide more detail around our Q1 results and speak to our forward guidance during his prepared remarks.

With the first quarter behind us, the team is dialed in. We're obsessed with providing first rate solutions to our customers while also delivering for our shareholders. We understand that financial results matter and matter a lot, but how we go about producing these results is paramount to me. Said differently, I think often about our purpose and our conduct. And when I think about our purpose and conduct, I think about keeping our people safe and ensuring a fully inclusive work environment. I think about unmatched customer care and giving back to the communities around the globe. As CEO, I'm just so appreciative that our team is squarely hitting the mark in all of these areas, and if our conduct and behavior stands through the year, as I expect it will, we'll have a banner FY '20, a year that will make us all very proud.

Moving on to Slide 6, you'll see a terrific picture, a picture which shows the composition of our commercial portfolio. This picture underscores the effort and effectiveness of our team. Over the past few years, I've repeatedly addressed the deliberate increase to our diversification and the positive impact it has on our business. Diversification is key to our performance. Furthermore, the makeup of our commercial portfolio is special, in fact, intentional and unique when considering the full enterprise.

A bit of our foundational magic which makes the portfolio so powerful comes from our ability to efficiently and quickly share technologies across our various business sectors and do so with little friction. With each passing year, our revenue has become far less dependent on any single product or product family, improving the predictability of our earnings while enhancing our ability to execute. Our performance suggests that our diversification strategy continues to excel and gives us tremendous confidence as we move to the back half of FY '20.

And that brings us to our update for the year. Please turn to Slide 7. Our company is well positioned. As we highlighted in September, we're intensely focused on 3 financial metrics: Margins, earnings and cash flows. We anticipate revenues will be up roughly $1.4 billion year-on-year when compared to fiscal '19. More importantly, we see the income coming through side by side with the increase to revenue. Therefore, core operating income will now be in the neighborhood of $980 million for the year, confirming our core margin target of 3.7%. This improved income outlook for the year translates to $3.60 a share in core earnings, up $0.15 from the outlook we offered in September. Lastly, we remain committed to delivering free cash flow in excess of $500 million for the year.

In closing, I smile when considering our total body of work. Progress has been explicit and steady. Strategy has been consistent and disciplined and our path forward is clear. We're ushered ahead by our structure, our team and our culture where the whole is far greater than the simple sum of the parts. I truly believe Jabil is making the world just a little bit better, a little bit healthier and a little bit safer each and every day, and we value our role as a responsible and reliable partner to many of the best brands on the planet.

I want to once again offer a special thanks to our team and acknowledge their near-perfect execution during this past quarter. I feel strongly that our execution will continue as the team is carrying good organizational momentum into the back half of the year.

With that, I'd like to wish everyone on the call a safe and peaceful holiday. I'll now turn the call over to Mike.

Michael Dastoor - *Jabil Inc. - CFO*

Thank you, Mark, and good morning, everyone. Q1 was an excellent quarter in many ways. We saw good diversification and strong performances by both segments. Net revenue for the first quarter was $7.5 billion, an increase of 15% year-over-year. GAAP operating income was $153 million and our GAAP diluted earnings per share was $0.26. Core operating income during the quarter was $277 million, an increase of 9% year-over-year, representing a core operating margin of 3.7%. Net interest and other expense during the quarter was better than expected. Our lower net interest expense during the quarter was driven by less intra-quarter borrowing due to better-than-expected inventory levels during the quarter. Our core tax rate for the quarter was 27%, in line with expectations.

Core diluted earnings per share was $1.05, a 17% improvement over the prior year quarter and approximately $0.12 ahead of previous expectations based on 3 factors. First, we saw excellent operational execution across both segments as we successfully ramped seasonal products in DMS and focused on operational efficiencies associated with last year's new product awards in EMS.

Second, as Mark highlighted, our cloud offering continues to resonate with hyperscale players. It's worth reminding everyone, our cloud business is a bit unique and has been deliberately structured as a geocentric asset-light service offering. Our solution is highly flexible and appropriately agile. With this in mind, during the quarter, we experienced an increase in both demand and content configuration that we were able to swiftly capitalize on given the flexible nature of the model. This compounding effect of increased volumes, coupled with higher materials content, led to approximately $350 million in additional revenue.

And finally, as I just mentioned, our interest and other expense came in better than expected.

Now moving to our GAAP results. As expected, we incurred $45 million in restructuring charges in Q1, largely related to the 2020 restructuring plan we announced in September. This plan continues to remain on track and, as a reminder, is expected to result in an incremental cost savings benefit of $25 million mainly in the second half of FY '20. Also during the quarter, we incurred a noncore charge of approximately $15 million associated with certain distressed customers in the renewable energy space.

Now turning to our first quarter segment results. Revenue for our DMS segment was $3.1 billion, an increase of 3% on a year-over-year basis. Core margins for the segment came in at an impressive 5.6%. Our DMS segment performed very well, driven by broad-based strength in several key end markets, including health care and edge devices. This is yet another proof point that our diversification strategy is working.

Revenue for our EMS segment increased by 26% year-over-year to $4.4 billion. From an end market perspective, cloud, industrial and automotive came in higher than expected, offset slightly by slower 5G rollouts. Core margins for the segment came in at 2.4%, as expected.

Turning now to our cash flows and balance sheet. As I referenced earlier, during Q1, our total days of inventory were better than expected, coming in at 57 days, a decline of 1 day sequentially, reflecting strong execution by our teams and the asset-light nature of our cloud business. This was in spite of closing the third and largest wave of our strategic health care collaboration during the quarter. Improved inventory levels during the quarter were offset by higher days of sales outstandings at the end of the quarter, driven mainly by the timing of sales.

Cash flows provided by operations were $21 million in Q1 and net capital expenditures totaled $207 million. We exited the quarter with total debt to core EBITDA levels of approximately 1.5x and cash balances of $720 million. During Q1, we repurchased approximately 2.6 million shares for $96 million as part of our 2-year $600 million authorization we announced in September.

Before turning to Q2 guidance, I'd like to review a new accounting standard we adopted in September. During Q1, we adopted the new lease accounting standard, ASU 2016-02. Under the provisions of this standard, companies are now required to record most leases on their balance sheet. You will see the effects of this adoption as we've recorded a right-of-use asset and a corresponding lease obligation for the payments required under our lease arrangements. We adopted the standard on the modified retrospective approach. This adoption has no material effect on our statement of operations or statement of cash flows.

Turning now to our second quarter guidance. DMS segment revenue is expected to increase 4% on a year-over-year basis to $2.35 billion, while the EMS segment revenue is expected to increase 5% on a year-over-year basis to $4 billion. We expect total company revenue in the second quarter of fiscal 2020 to be in the range of $6 billion to $6.7 billion for an increase of 5% at the midpoint of the range. Core operating income is estimated to be in the range of $155 million to $255 million with core operating margin in the range of 2.6% to 3.8%. Core diluted earnings per share is estimated to be in the range of $0.62 to $0.82. GAAP diluted earnings per share is expected to be in the range of $0.09 to $0.40.

Next, I'd like to outline our updated expectations for revenue in fiscal year '20 by end market. Within DMS, today's outlook suggests higher health care and packaging revenue driven by better-than-expected volumes associated with our strategic health care collaboration. The transition is going extremely well and sets us up for strong results in FY '21 and beyond. We continue to expect margins for DMS to be 4.1% on the year on revenue of approximately $10.2 billion.

Turning to EMS. Given our strong start to the year, we now expect revenue to be higher for cloud, auto and semi cap and Industrial & Energy. We continue to expect margins for EMS to be 3.5% on the year on revenue of approximately $16.5 billion.

In summary, I am pleased with the strong start to the year. For the most part, the year is unfolding as planned, and it's worth noting that our high-level assumptions remain unchanged from 90 days ago, as does our focus.

For the year, we now anticipate revenues will be up roughly $700 million from prior guidance and core operating income has increased to $980 million. This improved outlook translates to core earnings per share of $3.60 for the year. We also remain committed to delivering free cash flows in excess of $500 million for the year and expanding our core operating margin to 3.7%. Importantly, our balanced capital allocation framework approach is aligned and focused on driving long-term creation to shareholders. As we move into our second quarter, we continue to build on the positive momentum underway in our business and expect future growth in both earnings and free cash flow to come through meaningful margin expansion and improved working capital efficiency.

I'll now turn the call over to Adam to begin Q&A.

Adam Berry - *Jabil Inc. - VP of IR*

Thanks, Mike. As we begin the Q&A session, I'd like to remind our call participants that per our customer agreements, we will not address any customer or product-specific questions. We appreciate your cooperation.

Operator, we are now ready for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today is coming from Adam Tindle from Raymond James.

Adam Tyler Tindle - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Congrats on a strong start to the fiscal year. Mark, I just wanted to start coming into this fiscal year, I think the story for Jabil was more about margin expansion on kind of more muted revenue growth, but now it looks like you'll grow revenue at the upper end of mid-single digits for the year, which is quite healthy. I'll start by acknowledging that the updated expectations for the year implies just under a 5% operating margin on that incremental revenue. So it looks like good, accretive business that you're taking on, but it's different than what we're seeing from competitors who are culling their business, not taking on more. So maybe just update us on the willingness to take on more growth at this point.

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Yes. Thanks, Adam. Nothing has changed since 90 days ago. I think we've got customers to serve. First and foremost, we're going to do everything we can to continue to deliver for shareholders. But we've got really good solutions and services. I think Mike said in his prepared remarks, our DMS revenue came in squarely in line. EMS was up, I don't know, give or take $500 million. $350 million of that was from our cloud services business and about $150 million was kind of scattered across EMS. If I think about the scale of our EMS business, that $150 million is about a 3% uptick, which I think squarely in the air rate of trying to figure out revenue top line with the business so large. And then on the cloud business, as I said in my prepared remarks, it's not just about the uptick for the quarter but how the services are being received in the marketplace.

I think what I'm pleased about is, is unlike some quarters in '19, the income came through and came through nicely with the additional uptick in revenue. So if I just take that $350 million out, and not to make light of the $350 million, I think things are squarely where we thought they would be 90 days ago. And again, what we're driving for, and I think is a good portion of your context is, is consistency. I really like the consistency of the quarter relative to September, beginning year outlook.

Adam Tyler Tindle - *Raymond James & Associates, Inc., Research Division - Research Analyst*

Okay. And maybe just as a follow-up, Mike, I know it's still early and I think we've got a good view of the full year, but just wanted to dig into some of the nuances as we shape the back half of this fiscal year. With that $25 million in restructuring, does that have more weight to 3Q or 4Q? And does it enable DMS operating margin to stay north of 3% in each quarter in the back half of the year? I think that's kind of what the implied model would suggest. So really just any help on understanding expectations for 3Q versus 4Q.

Michael Dastoor - *Jabil Inc. - CFO*

Yes. So the $25 million, Adam, does come in, in the second half of the year. The savings do come in then. You'll be close to the 3% in Q3, Q4. I think Q3 would be higher than 3% and Q4 will be just around that 3% level.

Operator

Our next question is coming from Steven Fox from Cross Research.

Steven Bryant Fox - *Cross Research LLC - MD*

A couple of questions from me. First on the revenue upside, specifically with the cloud services and also ramping J&J quicker. What was the margin impact from that upside? Especially given there was -- you've mentioned high material content with the cloud services upside.

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Steve, let me take a swing. So I would characterize it a couple ways. Let me maybe take it up a level and talk about the enterprise. So I think our center point guide for the quarter was $260 million. We delivered $277 million, uptick of about $17 million. We got about $5 million to $6 million of leverage in DMS on revenue that was really spot on to where our guide was. That's a great tribute to our DMS team.

On the $350 million uptick from cloud as well as the other $150 million across the EMS enterprise, so call it the $500 million, we also got what I would characterize as acceptable leverage. The net-net effect of the EMS leverage though, Steve, we saw some deleverage in 5G. And again, we're still bullish on the 5G rollout. There were some areas during Q1 where we saw a little bit of deleverage, but you shake all that up, and again, I'm really pleased with the income that came through on a net basis with the additional upsides of the EMS revenue.

Steven Bryant Fox - *Cross Research LLC - MD*

Okay. That's helpful. And then just as a follow-up on the Johnson & Johnson business again. So since it's ramping a little bit better than you originally planned 90 days ago, I was wondering if you could sort of put a little more color around about how that happened. Obviously, it sounds just like general execution was good. And what is the implications in terms of the relationship with J&J and as you look out maybe longer term, 12 to 18 months, given what you've done so far?

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Yes. Thanks again. Yes, I. Don't want to get into too much details around it. But again, kind of overall, speaking firstly with our health care business, our health care business and that whole team continues to just do a really, really nice job with services and solutions into the marketplace.

With the collaboration with JJMD specifically, I think what we said multiple times last year was that revenue for this year would be in the range of $800 million to $1 billion. And I think what Mike might have alluded to is I would think that revenue for fiscal year '20 would be on the upper end of that and maybe slightly higher than $1 billion. So in terms of that business, it's going well and we're working really, really hard to serve JJMD.

Michael Dastoor - *Jabil Inc. - CFO*

And Steve, I think on the September call, we highlighted that the strategic collaboration has a bit of a dilutive effect for us. In FY '20, DMS margins will be about 20 to 30 basis points higher if it wasn't for the strategic collaboration ramp.

Steven Bryant Fox - *Cross Research LLC - MD*

And that's still going to be the case.

Mark T. Mondello - *Jabil Inc. - CEO & Director*

That's true. Yes. I think that's a good point, is in FY '19, I think DMS margins were around 4%. In September, we said there would be about a 10 basis point uptick on DMS margins for FY '20 for the year. So pleased with how things are going, health care overall, JJMD. But again, JJMD is still in what I'd consider kind of a semi transition ramp mode through FY '20 moving into '21. And if you kind of exclude that, DMS margins for the year would be closer to 4.3%., so as Mike said, up 30 basis points year-on-year.

Michael Dastoor - *Jabil Inc. - CFO*

And that's already baked into our guidance.

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Yes. Thanks, Steve.

Operator

Our next question today is coming from Jim Suva from Citigroup.

Jim Suva - *Citigroup Inc, Research Division - Director*

And I will ask both my questions at the same time so you can pick any order.

You had mentioned significant upside on cloud. This is kind of a newer initiative that many of us who's been following Jabil for many years aren't used to really hearing. Can you extrapolate a little bit about that solution, the offering? And importantly, the visibility of long term versus there are some cloud providers who can have a great quarter or 2 and then it completely ceased as far as production and product placing. And is this more like the public cloud companies were used to doing or more private clouds? Just help us understand the cloud initiative a little bit better.

Then my second question is you mentioned automotive upside, yet global SAAR has not been overly robust. So I take it that would assume that maybe you won some more auto production or auto content production. And if auto gets stronger, it seems like that this -- the auto side could even see more upside. If you could comment on those 2 end markets.

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Thanks, Jim. Okay. That was a lot. So let me try to break that into a couple of pieces. The thing I think we've done a reasonably good job of is we've been very, very consistent in talking about the cloud business. If I think back to fiscal '19, there was a couple of our earnings calls where we actually had a specific slide around the cloud solution as we understood that it can be a little bit confusing. Our -- I would characterize the solution that we're providing as a geocentric asset-light services business. I don't expect the cloud business to go away. I think it's being very well received in the marketplace. And I think we're solving a few different tangential problems with the services and solutions that we're providing, Jim.

The other part of it is the cloud solution that we have is very much a fulfillment model, and so some of it has to do with reducing overall working capital, agility, flexibility in unit configuration. So we've intentionally set that model up, unlike a business that might be a pure white box design, a business that might be more aligned with some of the standard EMS businesses that are more asset-intensive. We've been very thoughtful and the team has been very thoughtful in setting up our cloud business in a very, very asset-light manner.

And so again, the cost and the overall infrastructure can ebb and flow quite nicely with fluctuations in demand. So I don't have a lot of anxiety around some of the demand fluctuations. I think the nice thing is we do anticipate, if there is upside to the business a bit like there was in Q1, I do think that there will be some level of income that will come along with that fluctuation.

In terms of the automotive, one of the things, I think, that our team has done a nice job of is we've been very, very selective in which part of the automotive sector end markets we're choosing to play in. A significant portion of our automotive business is not reliant on what I would call overall automotive sales. So if I think about combustion engines and legacy type of automobiles, our automotive business is more predicated on electrification, the electronic nature of the vehicles and an overall increase in electronic content as well as sensing and sensors. So when I'm thinking about our business, I think a better proxy than overall automotive sales would be what's going on around electrification of vehicles and then overall electrical content. So I hope those answer your questions.

Michael Dastoor - *Jabil Inc. - CFO*

And Jim, if I could just add. We did post some videos in September at our investor briefing. I think if you want a little bit more color on cloud, the E&I video is a good one to watch.

Operator

Our next question is coming from Ruplu Bhattacharya from Bank of America.

Ruplu Bhattacharya - *BofA Merrill Lynch, Research Division - VP*

First question for Mike. How should we think about free cash flow for the year? I think your original target was over $500 million. Is that still the case? And then during the year, how should we think about the cadence of buybacks at this stage?

Michael Dastoor - *Jabil Inc. - CFO*

Yes. We continue to be committed to that $500 million plus, I think, is the phrase we used. We're still all confident about that number. So I'd just take that as a $500 million plus. As far as buybacks are concerned, we did $96 million in Q1. I think in September, we talked about a $600 million authorization. $250 million of that was going to be in FY '20, $350 million in '21. That still stands. So we'll probably do the balance of the $250 million over the next 3 quarters in FY '20.

Ruplu Bhattacharya - *BofA Merrill Lynch, Research Division - VP*

Okay, that's helpful. Maybe one for Mark. You've raised the guidance, the EPS guidance for this year by $0.15. That's great. I mean, looking into fiscal '21, any thoughts on the $4 in EPS? I mean, should we think that there's upside to that as well?

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Let's go slow, Ruplu. We got a lot of work ahead to deliver this year. I think for now, I would stay firm with the $4 and the 4% margin. And again, the $4 is important. For me, the 4% margin is what we're all focused on. So whether next year in terms of EPS is $3.90, $3.95, $4, $4.05, $4.10, we're really dialed in on the 4% margin. But for now let's keep it at the $4 and 4%. And if things change at all, we'll talk about that more in the March call and the June call.

Operator

Our next question is coming from Matt Sheerin from Stifel.

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

Yes. Just a first question just regarding your outlook for the year, Mark. You -- in addition to cloud, you called out actually several segments where you're seeing some upside, including energy and semi cap. Could you give us more color there?

And then on the flip side, where you're seeing weakness? You also talked about 5G. And then we know that the networking OEMs have also been relatively weak. So any color there would be appreciated.

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Matt, just to clarify. Are you asking around Q1 or for the year?

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

For the year, yes. Well, and near term too, yes, both.

Mark T. Mondello - *Jabil Inc. - CEO & Director*

Yes. So for the year, if you kind of reference back to the green, blue chart that Mike showed, I think we're showing overall mobility roughly flat. We're seeing a nice uptick in health care and packaging, of which a portion of that will be the JJMD collaboration, edge device and lifestyle products. If we look at where we were in September, no change, but year-on-year, that's coming down a bit as we kind of reshape that portfolio. You could think about -- and that kind of covers DMS, Matt. And I think, I think about that as, as we reshape edge device and lifestyle, year-on-year, that coming down $400 million or $500 million, whatever the number is, it's being replaced by some health care and packaging business, which we're pretty excited about.

If I think about kind of puts and takes for EMS for the year, we've taken automotive and semi cap up year-on-year. So last year, I think our automotive, semi cap was in the $2 billion range, maybe just short of that. And we've taken that up to about $2.5 billion for the year. Again, in Suva's question, I talked about kind of the catalyst for automotive, and then we're still staying pat on a semi cap recovery this summer, which has been very consistent with what we said in the September time frame.

And then the other areas are a little bit of an uptick in Industrial & Energy. 5G cloud, again, starting off the year, we saw some lumpiness and some softness in the 5G area. We imagine that will come back. We're still very bullish long term on 5G, but again, I think it'll be with a little bit of choppiness. And then Mike talked in his prepared remarks about the uptick for the quarter in the cloud business. And again, we're early days in that, but it's being well received in the marketplace. And then lastly, we're seeing some weakness on the legacy enterprise customers.

Matthew John Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*

Okay. Great. That's very helpful. And then sort of a bigger-picture question. As Adam pointed out in his question earlier, we are seeing some of your competitors walk away from deals, particularly in the datacom server, storage and networking space. Are those opportunities for you as we're seeing share shifts? Or are you continuing to be disciplined just like your competitors? In the long term, are we seeing some of the leverage shift perhaps from the customers to the EMS suppliers?

Mark T. Mondello - *Jabil Inc. - CEO & Director*

I don't want to debate where leverage lies. I think we're heavily, heavy -- heavily reliant on our customers, and I hope we provide great service for them. In terms of -- I don't know why some of our competitors are walking away from business. If it's bad business, I think it's good for our industry if people walk away from things like that. For us, I think we're kind of keeping our head down, sticking to our knitting, if you will, rolling out solutions and services that seem to be well received.

I think I would close my answer to your question with we are not chasing revenue and we are, again, really focused on margin and cash flow. We talked about that through '19. We talked about that in September. So I just want to be clear, if we have customers (sic) that are walking away from business that's not good business, you can be 100% sure we're not going to put that sand in our bucket. And again, we're kind of keeping our head down and being sure that we're doing the best job we can to grow, but grow in an area that continues to support our goal of driving 4% margins in '21.

Operator

Our next question today is coming from Andrew Vadheim from Wolfe Research.

Andrew Teutli-Vadheim - *Wolfe Research, LLC - Research Analyst*

Just wanted to ask about the returns you're seeing from the $250 million in growth CapEx earmarked for F '20. And then in terms of the breakdown by end market, should we still be thinking about a similar breakdown as laid out in the Q4 call with around 50% coming from health care?

Michael Dastoor - *Jabil Inc. - CFO*

No major changes to the CapEx outlook that we outlined in September. Yes, and half will continue to come from the health care side.

Andrew Teutli-Vadheim - *Wolfe Research, LLC - Research Analyst*

Okay. And then maybe just a follow-up on the share repurchase question. If we kind of extrapolate the $100 million out, that might imply that you might be keeping a lid on M&A and/or debt repayment. How should we be thinking about sort of those latter 2 categories going forward?

Michael Dastoor - *Jabil Inc. - CFO*

It's exactly as we stated in September, and we talked about a $600 million authorization. We said we'll do $250 million in FY '20 and $350 million in FY '21. No change at all to that. I think we'll just continue with that $250 million in FY '20

Operator

Thank you. We have reached the end of our question-and-answer session. Let's turn the floor back over to Adam for any further or closing comments.

Adam Berry - *Jabil Inc. - VP of IR*

Thank you for joining us. This now concludes our call. Happy holidays.

Operator

Thank you. This does conclude today's teleconference and webcast. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.
