

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

JBL - Jabil Inc Annual Shareholders Meeting

EVENT DATE/TIME: JANUARY 23, 2020 / 3:00PM GMT



JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

CORPORATE PARTICIPANTS

Adam Berry *Jabil Inc. - VP of IR*

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

Michael Dastoor *Jabil Inc. - CFO*

Susan Wagner-Fleming *Jabil Inc. - VP, Deputy General Counsel & Corporate Secretary*

CONFERENCE CALL PARTICIPANTS

Douglas Ives

PRESENTATION

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

Good morning, and welcome to Jabil's Annual Shareholder Meeting. My name is Adam Berry, I'm the Vice President of Investor Relations, and I welcome you all to today's meeting.

I'd like to begin by introducing the Jabil Officers, who will be participating in today's meeting: Mark Mondello, Chief Executive Officer and member of the Board; Mike Dastoor, Chief Financial Officer; and Susan Wagner-Fleming, Vice President, Deputy General Counsel and Corporate Secretary. Additionally, all of our Board members are in attendance today. We will introduce each one of them during the election of Directors.

Also joining us today are Randall Duncan and Travis Elrod from Ernst & Young LLP, Jabil's independent registered public accounting firm. And both will be available to answer questions concerning EY and its services to the company.

During today's presentation and during the Q&A portion of today's meeting, we may be making non-GAAP -- we may reference non-GAAP financial metrics. We may also make forward-looking statements regarding future events or the future financial performance of Jabil. We remind you that such statements are merely predictions and actual outcomes and events or results may differ materially. Please refer to the documents we filed with the SEC, specifically our most recent 10-K filed for the year ending August 31, 2019, which identifies important factors that may cause our actual results to differ materially from those contained in the projections or forward-looking statements we make.

We are webcasting this meeting live on Jabil's website, jabil.com. Following the event, an archived replay of this webcast will be posted on Jabil's website in the Investor Relations section.

Moving on to today's agenda. Following these opening remarks, I'll hand it over to Susan, who will lead the formal business portion of today's meeting. We will then transition to a question-and-answer session with Mark and Mike.

Please note, similar to last year, we will make -- there will be no formal business update today. On September 24 and December 17, 2019, the Jabil management team presented an in-depth update and outlook for our company for fiscal year 2020. This included videos and highlighted some of our key end markets. I'd encourage you all to visit our Investor Relations website where you can view the materials from this event and others. And I'd like to invite anyone with further questions to contact me directly. You can find my contact information within this presentation and on our website.

So with that, it's now my pleasure to hand the meeting over to Susan.



JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

Susan Wagner-Fleming - Jabil Inc. - VP, Deputy General Counsel & Corporate Secretary

(technical difficulty) than Adam. Thank you. Good morning, everyone, and thank you for being here today. The meeting is now called to order. We have appointed Doug Ives of Computershare Trust Company, Jabil's stock transfer agent, to act as our inspector of elections today. Mr. Ives has taken his inspector's oath and will confirm that we have a quorum for the meeting. He will also count the votes on each item of business.

Computershare has certified that notice of this meeting was duly given and that on or about December 13, 2019, a proxy statement, proxy card and the 2019 annual report were furnished to all shareholders of record as of November 29, 2019. Copies of these proxy materials, the affidavit of mailing and the oath signed by Mr. Ives will be filed with the minutes of today's meeting.

Mr. Ives, would you please confirm that a quorum of the shares entitled to vote at this meeting is represented either in person or by proxy?

Douglas Ives

I so confirm.

Susan Wagner-Fleming - Jabil Inc. - VP, Deputy General Counsel & Corporate Secretary

Thank you. I therefore declare this meeting to be duly constituted. Following the meeting, Mr. Ives will deliver a report that includes the final count of shares eligible to vote at today's meeting, which will be filed in the company's records.

We'll begin with the approval of the minutes of last year's Annual Meeting of shareholders held on January 24 of 2019. These minutes were available to all shareholders as they registered this morning. Are there any objections to waiving the reading of the minutes from last year's meeting or any questions on the minutes? Hearing none, the minutes of last year's meeting are approved.

The formal business of this meeting is stated in the notice of Annual Meeting in the proxy. We will now consider each of the proposals included in the proxy materials. Voting on the proposals will be by both proxy and ballot. If there are any shareholders who want to vote today, either because you haven't previously submitted a proxy or because you want to change or revise your vote, we ask that you please complete a ballot or proxy card at this time. If you need a ballot, please raise your hand and we'll give you one now.

Voting is now open and will be closed immediately after review of the matters to be voted on. If you're voting today, please prepare to mark your ballot or proxy now.

The first proposal is to elect 10 Directors to serve until the next Annual Meeting of Shareholders or until their respective successors are duly elected and qualified. The nominees for Director are all current members of our Board. And I'd like to introduce them now and ask them to stand and identify themselves. Tim Main, Chairman of the Board since his retirement from Jabil in 2013 and a Director since 1999; Tom Sansone, Vice Chairman of the Board since his retirement from Jabil in '99 and a Director since 1983. Mr. Sansone is also Chair of our Nominating and Corporate Governance committee. Mark Mondello, Jabil's CEO and a Director since 2013; Steve Raymund, our Director since '96 and Chair of our Audit Committee; David Stout, our Director since 2009 and Chair of our Compensation Committee; Martha Brooks, our Director since 2011; Anousheh Ansari, our Director since 2016 and Chair of our Cybersecurity Committee; John Plant, our Director since 2016; Chris Holland, our Director since 2018; and Kathleen Walters, our newest Director appointed in October 2019. No other Director nominees were received prior to the deadline specified in our bylaws and noted in last year's proxy statement. Nominations for Director therefore have already been closed.

Our second item of business today is to ratify the appointment of our Ernst & Young LLP as Jabil's independent registered public accounting firm for the fiscal year ended August 31, 2020.

And finally, our third item of business today is to approve Jabil's executive compensation on an advisory basis.



JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

No notices or proposals for new business to be considered at this Annual Meeting were received by the deadline established in our bylaws. Accordingly, the floor is now closed to any additional motions or proposals. For anyone voting today, please mark your ballots and raise your hand so we may collect any ballot or proxy. Seeing that all ballots or proxies have been collected and counted, voting is now closed.

Mr. Ives, as the inspection (sic) [inspector] of election, would you please provide the preliminary voting report?

Douglas Ives

Certainly, Ms. Wagner-Fleming. Based upon a preliminary tabulation of the proxies and ballots received, I can report that each of the nominees for Director has been elected by a majority of the votes actually cast with respect to the Director's election.

The proposal to ratify the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for the fiscal year ending August 31, 2020, has been ratified by a majority of the shares present or represented by proxy and actually cast on this proposal.

The proposal to approve, on an advisory basis, Jabil's executive compensation has been approved by a majority of the shares present or represented by proxy and actually cast on this item.

Susan Wagner-Fleming - Jabil Inc. - VP, Deputy General Counsel & Corporate Secretary

Thank you, Mr. Ives. A final tabulation of the votes will be included in the certificate of inspector of election to be filed with the minutes of this meeting and will also be reported in a current report on Form 8-K.

That concludes the formal portion of this meeting, and I move for adjournment.

Unidentified Company Representative

Second.

Susan Wagner-Fleming - Jabil Inc. - VP, Deputy General Counsel & Corporate Secretary

The formal portion of this meeting is now adjourned.

At this time, I'm going to hand the meeting over to Mark and Mike to answer your questions. We want everybody on the phone to be able to hear the questions as well as in the room. So if you'd like to ask a question, please step up to the mic, give your name and ask your question.

QUESTIONS AND ANSWERS

Michael Dastoor - Jabil Inc. - CFO

Clearly, someone has a question? Here we go. Long time shareholder, Joseph [Cordano]

Unidentified Shareholder

Morning, all. I guess you see me once a year, eh, it's enough. I have a couple of questions, if I may do more than one. My first one starts off with when I was reading through the annual report, I noticed in several sections of the annual report, where there seems to be a movement on to come up with a strategic approach to health care. Health care seems to be a bigger and bigger item for Jabil as our years continue to move forward. And

JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

I know that the Johnson & Johnson combination with Jabil is just about completed, if not completed. And in one of the areas in the annual report, it said that you're looking at putting an emphasis on Jabil health care. So my question is, in addition to the sections that we now have, the EMS and the DMS, is Jabil health care going to be another division? Or is it going to be a total name change? Where you're going to go from Jabil into Jabil health care and put that stress on it and promote that as we go forward? That's the first question.

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

I'll take a swing at that. So I think what we started to do in September of 2018, during our Investor Day, is we started to provide more color, more breakout of the composition of the business. So what we've been working on for the last 4 or 5 years is diversifying our income and our revenue. And it was September of '18, during our formal Investor Day, where we started breaking out layers below the EMS, DMS segments, if you will. And health care is under our DMS segment, and we break that out September of '18, and then we track that through the year on the revenue line and then also September of 2019. As we sit today, we talk about would it make sense to have a more formal division as a third division. We haven't made any decisions around that yet. Our health care business has been very, very successful. The reason it's been a good focus for us is the needs in the marketplace. So when we looked at the health care business, when we looked at our capabilities across all the different businesses we aggregate all that up, and we've been quite successful in serving the health care business in terms of services, engineering, manufacturing, supply chain. Our health care business 6, 7, 8 years ago, it was about \$500 million, and we see that business probably 10x that going forward. So I would say our health care business in the \$4 billion to \$5 billion range. So overall, things are going quite well. We just need to continue to do a great job serving those customers.

Unidentified Shareholder

So it's not really a plan to actually make a name change where we'd get the annual report, it's say, Jabil health care on it.

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

Right. Everything, as we look forward today, will be under the Jabil Inc. umbrella, whether it be segments or divisions. At this time, no desire or need to break that out.

Unidentified Shareholder

Okay. Sounded that way from many sections that you have. Is the merger or the acquisition complete with Johnson & Johnson? Or is it still more to go before...

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

I would say, 98% complete. And been very, very successful. So thanks to our team for doing a great job taking care of J&J.

Unidentified Shareholder

Yes. As a long-term investor, it's really been good to see the company moving into health care devices, in implementation in that area. So keep it up.

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

Well, stay tuned. We've got a lot of cool things going on in that area, so.



JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

Unidentified Shareholder

It's good. My second question is -- got to do with a different area, China. I ask with the recent trade agreements going on with -- just the trade agreement 2 weeks ago signed with China and with the UM -- USMCA Trade Agreement just signed or just approved by the Congress. How that will effect -- I know you're worldwide. I understand that a lot of your facilities that you do manufacturing in also support the local operations that you do business with, customers you do business with. So I'm wondering for component purchase, will you have to buy from the U.S. and bring back? How does that all fit in with these new trade agreements that have been put in place? And it looks like more to come. And in addition to a comment you made in the annual report, where you're saying there's a lot of new Chinese regulations. You talk about new laws, rules and regulations that are coming into play. Since that's your biggest footprint in the world in China, how is that going to affect you as you move forward?

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

Okay. There was a lot there. I think maybe start at the beginning, work backwards a little bit. The -- I think the Phase 1 agreement you're talking about that was signed was mid-January. I think the positive part of that is, is anything that -- how would I say it, anything that continues to deescalate friction between China and the U.S., I think is a good thing for corporations, global businesses. So I see that as an interesting step forward. We'll see if that's a step to a Phase 2, time will tell, especially timing-wise with the elections -- U.S. elections coming up later this year. What we talked about, more specifically, though, in terms of Jabil, Joe, is it was either the June call or the September call I don't remember which, but questions were coming up around China and the impact and the friction and with the original Section 301 tariffs, how would that affect us. We broke that down into 3 categories. One is a significant amount of our business in China doesn't come to the U.S. So it's products for rest of the world. So those would largely be no impact whatsoever. Number two is, for some of our businesses, the indigenous supply chain that has been embedded in China for 10-plus years, I think it's hard to replicate that. And so there's certain businesses, even if the product's consumed in the U.S., that isn't going to lead China. And then thirdly, Joe, is a lot of our customers -- so we have about 420, 440 customers today, give or take. We had probably 100, 150 customers roughly that really wanted us to do deep analysis on, okay, if you support me in China, if my product comes back to the U.S., if I have a change of heart, if it gets impacted by the trade and tariffs, what other opportunities, what other options do we have? I would say about 80% of those customers, the payback on the analysis didn't make sense for them to move existing production, although some of them, when we intersect the product road map going forward, they're hedging China by building product in other geographies. So we'll build it in China as well as places like Mexico; like Ukraine; like Penang, Malaysia; like India; like Vietnam. There have been some customers that have taken a hard look and decided to move, say, the majority of their business, although that's the exception, not the rule. The nice thing about that, Joe, is I think Jabil is one of the only companies where all of our facilities, the touch and feel are very similar, almost identical. Our IT systems connect all of our factories together. So net-net of all of that, a large portion of our business in China is going to stay in China, at least for now. And any business that does move, I think, we're probably the best solution for those customers to transition it and move it, keep it safe, keep quality levels high, continuity, supply, et cetera. So if I shake all that up, the impact to us for at least fiscal '19 and fiscal '20 has been modest.

Unidentified Shareholder

Sounds good. And one final question that I have. It's got to do with the recent get together that you got with U.S. -- USF. I think you've just recently donated or gave \$1 million to University of South Florida to establish the USF Jabil Innovation Institute.

Correct?

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

That's correct.



JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

Unidentified Shareholder

Yes. And that's a great thing. My daughter graduated from that school. So I'm going to see you investing in that school. You gave to the college of engineering and the college of business. And the idea, I guess, is to do groundbreaking courses together with USF to form new courses that will help educate people in this industry so that they can come into this industry. So the question is what else besides the groundbreaking courses does Jabil get? Do you get first pick of graduating students? Like overseas Samsung or other companies like that will get a first pick of graduates. We guarantee we're going to take 20 or 50 or 100 students each year into our company. So how does that work with Jabil?

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

Another good question. We partner informally with a dozen, dozen and a half universities around the world. And those partnerships are really, really valuable to us for a lot of different reasons. We took a hard look and had lots of conversations with USF because they are a preeminent university locally here in the Tampa Bay area. We're a large corporation. So we put a team together. They put a team together. What we said to our team is, look, we're not in the business of wanting to donate to universities. Although we're behind education and everything else. We have -- there has to be an ROI, there has to be a payback for our shareholders. In the essence, what USF has committed is, is work that we would do, they're doing on our behalf. So it's on a variable cost basis. It's in the area of cybersecurity. Certainly, some areas around business and finance and in certain areas of automation and whatnot engineering. So we're not only getting -- to get kind of firsthand experience with some of the R&D and some of the programs. We do also get kind of, I don't know if I'd say it's our pick, but we get early experience with lots of their top students. We recruit out of USF. So we're into the early stages of that. We're a couple of months in. They've allocated space for us. We -- in typical Jabil fashion. We've outlined a pro forma, if you will, in terms of deliverables that they have to deliver for us. What our commitment is to them. And early days on the program shows to be very, very favorable. So -- and the commitments from their Board of Trustees, their new President, Steve. So we'll see how it goes.

Unidentified Shareholder

Good. It's a good thing to do. And then as a final comment, as a shareholder...

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

By the way, one thing. I've attended a few meetings. And another thing that comes out of that -- and I do 3 or 4 campus visits a year. I was talking to Kathy Walter, one of our Board members, at dinner last night. And it's not only a great thing for us to visit the campuses because you get the mix of naivety and energy and all of the smart, young folks. The other part of the USF partnership, if you will, is we're going to do quarterly breakout sessions with students because I want to be sure our company is always being highly progressive in terms of what that generation is looking for in terms of work, workspace, challenges, how they view the world today. I'm getting old. I used to be one of the young people. Now I'm one of the old people. But what's really helpful is, is some of our HR and divisional leads and whatnot they sit, and there's now natural interaction with the young generation. And they have a lot to say and they're not bashful about saying it. So I think -- if I think about the next 5, 7, 10 years of the company, being able to listen what's on their mind, we provide a forum where nothing's out of bounds. They're very, very forthright with kind of their opinions of how they see corporate America. Things that are important to them that might not have been important in our generation. Things like how we treat the environment? Do we get back to communities? Is -- does the company have a purpose other than financial results? And financial results are awfully important, especially for you as a shareholder. So those types of interactions are super powerful. I could almost make an argument that the investment, if we did nothing but get that out of the deal, would be hugely beneficial. But that's a nice tangent from the relationship.

Unidentified Shareholder

Yes. Well, I can't comment strong enough about education. I mean having worked for an overseas company, I worked many years for Samsung, and working for them and seeing how they get the top people out of the schools, that's how they stay ahead of everything that's going on. I mean you guys have sophisticated tracking systems, you have sophisticated technical areas where you're handling product, automated systems and so on. So if you can't get properly trained and exposed people to that kind of technology, you can't keep advancing. So that's really a big thing, is the



JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

education part of it. So it's really good to see you getting more and more involved with colleges and universities across the country. As a final point, I'm sorry, I've been up so long. As a final point, I just wanted to say that being a long-term shareholder with Jabil from 25 years. I -- the last 3 years, particularly, has been tremendous growth for Jabil. I mean, you've had \$2 billion plus thereabouts year-over-year for the last 3 years. So starting off with a company that was fairly small, you're now \$25 billion. So I'd say, me, as a shareholder, has been very, very pleased. And anybody who is out there listening should go buy Jabil's stock because it's going up right now. Thank you.

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

Thanks, Joe. Anyone else? Please go ahead.

Unidentified Shareholder

My name is Lenora Hany. And I have a little bit of a different advance. He beats me by 1 year. We've been a long-time shareholders for 24 years. He used to drive by on my way to work and look at that building and we wanted -- I was telling, is it, Brian?

Unidentified Participant

Darren.

Unidentified Shareholder

Darren. I'm Sorry, over here that when we started first looking into it, that we used to go to the library to look up stocks because you didn't have all the other good ways. And we look on value. He said he hadn't heard of that in a while. And we couldn't find much about Jabil at that time. So anyhow, we've been interested and watching Jabil for a very long time. My question is something different. I like some information on your mandatory overtime, specifically in the United States. I realize that this is legal, but for -- is it sustainable over a long term? And when you reach a certain point, statistics show that after 50 hours, production is going to go down, the health and well-being of your employees is going down, probably their happiness with their job is going to go down. And so I would like to hear a little bit about that?

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

Okay. I don't know that we would characterize our overtime as mandatory. We -- I would say, virtually all of our overtime is sought after by our employees. I think that every single geography, country has different rules around overtime.

Unidentified Shareholder

And it is legal. I realize that.

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

Yes. Well, it's certainly legal. And so let's start -- we're well within the bounds of any legal behaviors. I think what we find is we create an environment that people really enjoy. And we can look at all kinds of operational metrics. We build stuff for a living. Our factories are very efficient. But of all the different metrics we look at, human productivity is at the top of the list. If people come to work and they're happy, our productivity -- I can -- I could -- we can look at any factory data and independent of what's going on in the factory in terms of product or customer shift or whatever, you can get a really good sense if something's happened there from a leadership perspective, where people just don't feel good that week, that month, that day. And I can tell you, based on our efficiencies, our productivity, the data that we track, and this won't be the case. We have 230,000 employees now. So we're going to we're going to kind of revert to the mean in terms of all the issues that impact large companies. But one of the things we



JANUARY 23, 2020 / 3:00PM, JBL - Jabil Inc Annual Shareholders Meeting

keep an eye on is, is the productivity of our people. And I think we do so in a very humanistic way, a very HR way. And I would suggest that the way we manage overtime in the company, whether it be in the U.S., Europe or Asia, is very, very well received by our employees. So of all the things I worry about, which is a lot, in terms of our conduct around overtime and how that might negatively impact our people, we keep an ear to the ground on that. But I don't see that as an issue today.

Unidentified Shareholder

With the situation now of pretty much high employment, is getting new employees and retaining them at all a problem for Jabil?

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

The good thing is it hasn't been. It's been more challenging on a relative basis. But I can tell you, we obsess about servicing our customers and serving our customers. In all of the geographies, we do go through small pockets of maybe some friction points in having to hire quickly. But in terms of the overall macro condition of the company, again, if I -- if I were to priorities our challenges and our issues, attracting talent isn't one of them.

Unidentified Shareholder

Okay. Thank you so much.

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

Thank you so much. I appreciate you being a long-term shareholder. Anyone else?

Adam Berry - Jabil Inc. - VP of IR

Well, okay. Well, that concludes our meeting. Thank you very much for being here today. We appreciate your support in Jabil. Thank you.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Thomson Reuters. All Rights Reserved.