

SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities  
- ----- Exchange Act of 1934

For the quarterly period ended May 31, 1997.

- ----- Transition report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number: 0-21308  
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JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 38-1886260  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

10800 Roosevelt Blvd.  
St. Petersburg, FL 33716  
(Address of principal executive offices, including zip code)

Registrant's Telephone No., including area code: (813) 577-9749

-----  
Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
Registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days:

Yes X No  
-----

As of May 31, 1997, there were 18,251,632 shares of the Registrant's Common  
Stock outstanding.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

JABIL CIRCUIT, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	August 31, 1996	May 31, 1997
	-----	-----
ASSETS		
Current assets		
Cash	\$73,319	\$56,431
Accounts receivable - Net	84,839	95,196
Inventories	64,869	96,944
Refundable income taxes	0	0
Prepaid expenses and other current assets	340	486
Deferred income taxes	3,971	6,216
	-----	-----
Total current assets	227,338	255,273
Property, plant and equipment, net	70,704	116,856
Other assets	1,898	2,092
	-----	-----
	\$299,940	\$374,221
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Note payable to bank	0	3,227
Current installments of long term debt	1,979	1,979
Current installments of capital lease obligations	472	0

Accounts payable	78,600	105,526
Accrued expenses	24,550	38,305
Income taxes payable	5,979	4,941
	-----	-----
Total current liabilities	111,580	153,978
Long term debt, less current installments	57,257	53,344
Capital lease obligations, less current installments	1,114	0
Deferred income taxes	2,883	2,690
Deferred grant revenue	2,872	2,276
	-----	-----
Total liabilities	175,706	212,288
	-----	-----
Stockholders' equity		
Common stock	18	18
Additional paid in capital	56,924	60,137
Retained earnings	67,319	101,778
	-----	-----
	124,261	161,933
Less:		
Unearned compensation from grant of stock option	27	0
	-----	-----
Net stockholders' equity	124,234	161,933
	-----	-----
	\$299,940	\$374,221
	=====	=====

See Accompanying Notes to Consolidated Financial Statements

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JABIL CIRCUIT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except for per share data)  
(UNAUDITED)

	Three months ended		Nine months ended	
	May 31, 1996	May 31, 1997	May 31, 1996	May 31, 1997
Net revenue	\$219,701	\$247,637	\$689,184	\$672,894
Cost of revenue	201,142	215,603	635,039	591,292
Gross profit	18,559	32,034	54,145	81,602
Operating expenses:				
Selling, general and administrative	6,612	9,252	18,243	24,897
Research and development	576	723	1,503	2,232
Operating income	11,371	22,059	34,399	54,473
Interest expense	1,768	406	6,754	1,453
Income before income taxes	9,603	21,653	27,645	53,020
Income taxes	3,366	7,081	9,855	18,561
Net income	\$6,237	\$14,572	\$17,790	\$34,459
Net income per share	\$0.33	\$0.76	\$0.98	\$1.80
Weighted average number of shares of common stock and common stock equivalent	18,893	19,196	18,226	19,100

See Accompanying Notes to Consolidated Financial Statements

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JABIL CIRCUIT, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in thousands)  
 (Unaudited)

	For the six months ended May 31, 1996	May 31, 1997
	-----	-----
Cash flows from operating activities:		
Net income	\$17,790	\$34,459
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,862	16,926
Recognition of grant revenue	(1,533)	(1,518)
Deferred income taxes	(1,777)	(2,438)
(Gain) loss on sale of property	(1)	430
Changes in operating assets and liabilities:		
Accounts receivable	17,766	(10,357)
Inventories	32,268	(32,075)
Prepaid expenses and other current assets	236	(146)
Refundable income taxes	2,043	0
Other assets	(475)	(194)
Accounts payable and accrued expenses	(28,765)	39,644
	-----	-----
Net cash provided by (used in) operating activities	50,414	44,731
	-----	-----
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(23,426)	(63,555)
Proceeds from sale of property and equipment	207	377
	-----	-----
Net cash used in investing activities	(23,219)	(63,178)
	-----	-----
Cash flows from financing activities:		
Increase/(Decrease) in note payable to bank	(73,000)	3,226
Proceeds from long-term debt	59,889	0
Payments of long-term debt	(30,785)	(3,913)
Payments of capital lease obligations	(575)	(1,586)
Net proceeds from issuance of common stock	39,794	3,213
Proceeds from Scottish grant	0	922
	-----	-----
Net cash provided/(used) by financing activities	(4,677)	1,862
	-----	-----
Net increase (decrease) in cash	22,518	(16,585)
Cash at beginning of period	5,486	73,319
	-----	-----
Cash at end of period	\$28,004	\$56,431
	=====	=====
 Supplemental disclosure information:		
Cash Paid:		
Interest	5,882	17,546
	=====	=====
Income taxes	7,105	13,982
	=====	=====
Non-Cash Investing and Financing activities:		
Tax benefit of options exercised	111	1,103
	=====	=====

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements of Jabil Circuit, Inc. and subsidiaries ("the Company") are unaudited and have been prepared based upon prescribed guidance of the Securities and Exchange Commission ("SEC"). As such, they do not include all disclosures required by generally accepted accounting principles, and should be read in conjunction with the annual audited consolidated statements as of and for the year ended August 31, 1996 contained in the Company's 1996 annual report on Form 10-K. In the opinion of management, the accompanying consolidated financial statements include all adjustments, consisting of normal and recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented when read in conjunction with the annual audited consolidated financial statements and related notes thereto. The results of operations for the nine month period ended May 31, 1997 are not necessarily indicative of the results that should be expected for a full fiscal year.

NET INCOME PER SHARE

Net income per share is computed using the weighted average number of common shares and dilutive common equivalent shares outstanding during the applicable period. Common equivalent shares consist of stock options, using the treasury stock method.

COMMITMENTS AND CONTINGENCIES

At May 31, 1997 the Company had outstanding approximately \$12.2 million in equipment purchase commitments, and approximately \$26.5 million in commitments related to the construction of new manufacturing facilities.

On May 31, 1997 the Company reached an agreement with Epson of America, Inc. ("Epson") to settle all outstanding claims relating to previous manufacturing agreements between the parties. Such claims arose during fiscal years 1994 and 1995. The actual terms and conditions of the agreement are subject to a confidentiality agreement between the Company and Epson, however, the settlement had no material impact on the Company's results of operations for the three or nine month periods ended May 31, 1997.

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The Company is party to certain other law suits in the ordinary course of business. Management does not believe that these proceedings, individually or in aggregate, are material or that any adverse outcomes of these lawsuits will have a material adverse effect on the Company's financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In February 1997 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, Earnings Per Share (Statement 128). Statement 128 supersedes APB Opinion No. 15, Earnings Per Share (APB 15) and specifies the computation, presentation and disclosure requirements for earnings per share (ESP) for entities with publicly held common stock.

Statement 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted. After adoption, all prior period EPS data presented shall be restated to conform with statement 128.

In October 1995 the FASB issued Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation (Statement 123) effective for fiscal years beginning after December 15, 1995. Statement 123 provides alternatives for the method used by entities to

record compensation expense associated with its stock-based compensation plans.

Presently management intends to present the effects of Statement 123 only on a disclosure basis.

#### SUBSEQUENT EVENTS

On June 17, 1997 the Company announced that the board of directors had approved a two-for-one stock split of the Company's common stock, effected in the form of a stock dividend to holders of record on July 8, 1997. Financial information in this report has not been adjusted to reflect the impact of the common stock split.

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#### JABIL CIRCUIT, INC. AND SUBSIDIARIES

This management's Discussion and Analysis of Financial Condition and Results of Operations contains trend analysis and a number of forward looking statements. These statements are based on current expectations and actual results may differ materially. Among the factors which could cause actual results to vary are those described in "Business Factors" below.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's net revenue for the third quarter increased 12.7% to \$248 million compared to \$220 million in the third quarter of fiscal 1996. For the first nine months of fiscal 1997 revenue was \$673 million compared to \$689 million for the same period of fiscal 1996, a decrease of 2.4%. The third quarter increase from the previous fiscal year was primarily due to increased production of communications products. The decrease in the first nine months was primarily due to the end of production of certain hard drive and personal computer products largely offset by growth in communications products. Foreign source revenue represented 26% and 31% of net revenue for the third quarter and first nine months of fiscal 1997 respectively, compared to 28% and 33% for the same periods of fiscal 1996. The decrease in foreign source revenue was attributable to decreased exports from the Company's domestic locations.

Gross margin increased to 12.9% and 12.1% for the third quarter and first nine months of fiscal 1997 respectively from 8.4% and 7.8% for the third quarter and first nine months of fiscal 1996. This increase resulted from a shift in product mix to higher value added products and increased utilization of the Company's international operations.

Selling, general and administrative expenses in the third quarter and first nine months of fiscal 1997 increased to 3.7% of net revenue compared to 3.0% and 2.6% in the third quarter and first nine months of the prior fiscal year, or \$2.6 million and \$6.7 million in absolute dollars. The increase was due to additional staffing at an operational level and increased resources at a corporate level related to the expansion and development of the companies information technology resources.

Research and development expenses of 0.3% in the third quarter and first nine months of fiscal 1997 were consistent with the third quarter and first nine months of fiscal 1996. In absolute dollars, the expenses increased approximately \$147,000 and \$729,000 versus the same periods of fiscal 1996 due to expansion of circuit design activities.

Interest expense decreased \$1.4 million and \$5.3 million respectively in the third quarter and first nine months of fiscal 1997 to \$0.4 million and \$1.4 million from \$1.7 million and \$6.8 million in the third quarter and first nine

months of fiscal 1996 due to a decrease in total borrowings, lower effective interest rates and interest income earned on cash balances.

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The Company's effective tax rate decreased to 32.7% and 35.0% in the third quarter and first nine months of fiscal 1997 respectively from 35.1% and 35.6% in the third quarter and first nine months of fiscal 1996. Fiscal 1997 tax rates were lower primarily due to the granting of "pioneer" tax status to the Company's Malaysia subsidiary. This status allows tax free treatment of the subsidiary's income for the period November 1, 1995 to October 30, 2000. The current period impact of this change in tax rates for prior periods was a decrease in income tax expense of approximately \$712,000, or 3.3% and 1.3% for the third quarter and first nine months of fiscal 1997 respectively.

#### BUSINESS FACTORS

Due to the nature of turnkey manufacturing and the Company's relatively small number of customers, the Company's quarterly operating results are affected by the levels and timing of orders; the level of capacity utilization of its manufacturing facilities and associated fixed costs; fluctuations in materials costs; and by the mix of materials costs versus manufacturing costs. Similarly, operating results are affected by price competition; level of experience in manufacturing a particular product; degree of automation used in the assembly process; efficiencies achieved by the Company in managing inventories and fixed assets; timing of expenditures in anticipation of increased sales; customer product delivery requirements; and shortages of components or labor. In the past, some of the Company's customers have terminated their manufacturing arrangement with the Company, and other customers have significantly reduced or delayed the volume of manufacturing services ordered from the Company. Any such termination of a manufacturing relationship or change, reduction or delay in orders could have an adverse affect of the Company's results of operations.

#### LIQUIDITY AND CAPITAL RESOURCES

At May 31, 1997 the Company's principal sources of liquidity consisted of cash and available borrowings under the Company's credit facilities. The Company and its subsidiaries have committed line of credit facilities in place with a syndicate of banks that provide up to \$60 million of working capital borrowing capacity.

The Company generated \$44.7 million of cash in operating activities for the nine months ended May 31, 1997. The generation of cash was primarily due to net income of \$34.5 million, depreciation and amortization of \$16.9 million and an increase of accounts payable and accrued expenses of \$39.6 million, offset by an increase in inventories of \$32.1 million and an increase in accounts receivable of \$10.4 million.

Net cash used in investing activities of \$63.2 million for the nine months ended May 31, 1997 was a result of the Company's capital expenditures for equipment world-wide in order to support increased activities and the construction of new manufacturing facilities.

Net cash of \$1.9 million was provided by financing activities for the nine months ended

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May 31, 1997. This was primarily attributable to \$3.2 million of proceeds from the issuance of common stock, \$3.2 million in proceeds of bank notes payable, offset by \$3.9 million in payments of long term debt and \$1.5 million in payments of capital leases.

The Company believes that cash on hand, funds provided by operations and available under the credit agreements will be sufficient to satisfy its currently anticipated working capital and capital expenditure requirements for the next twelve months.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

11.1 Statement re Computation of Net Income per Share

27.1 Financial Data Schedule (for SEC use only)

(b) Form 8-K

No Reports on Form 8-K were filed by the Registrant during the quarter ended May 31, 1997.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Jabil Circuit, Inc.  
-----  
Registrant

Date: 7/15/97  
-----

/s/ Thomas A. Sansone  
-----  
Thomas A. Sansone  
President

Date: 7/15/97  
-----

/s/ Chris A. Lewis  
-----  
Chris A. Lewis  
Chief Financial Officer



JABIL CIRCUIT, INC.  
 STATEMENT OF COMPUTATION OF EARNINGS PER SHARE  
 (in thousands, except for per share amounts)  
 (Unaudited)

	Three months ended		Nine months ended	
	1996	1997	1996	1997
	May 31,		May 31,	
	1996	1997	1996	1997
Net income	\$ 6,237	\$14,572	\$17,790	\$34,459
Computation of weighted average common and common equivalent shares outstanding:				
Common stock	17,749	18,251	17,044	18,058
Options	1,144	945	1,182	1,042
Total number of shares used in computing per share amounts	18,893	19,196	18,226	19,100
Net income per share	\$ 0.33	\$ 0.76	\$ 0.98	\$ 1.80

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
FINANCIAL STATEMENTS OF JABIL CIRCUIT INC. FOR THE NINE MONTHS ENDED MAY 31,  
1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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