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CORPORATE PARTICIPANTS

Beth A. Walters *Jabil Inc. - SVP of Communications & IR*

Forbes I. J. Alexander *Jabil Inc. - CFO*

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

CONFERENCE CALL PARTICIPANTS

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

Jim Suva *Citigroup Inc, Research Division - Director*

Jyhhaw Liu *RBC Capital Markets, LLC, Research Division - Senior Associate*

Mark Trevor Delaney *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Matthew Sheerin *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Paul Coster *JP Morgan Chase & Co, Research Division - Senior Analyst, Alternative Energy, and Applied and Emerging Technologies*

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

Sean Kilian Flanagan Hannan *Needham & Company, LLC, Research Division - Senior Analyst of Smart Grid, Electronic Mfg Svcs, IT Components & Electronic Components*

Sherri Ann Scribner *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Steven Bryant Fox *Cross Research LLC - MD*

Thejeswi Banavathi Venkatesh *UBS Investment Bank, Research Division - Associate Director and Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Jabil's Fourth Quarter Earnings Conference Call. (Operator Instructions) I would now like to turn today's call over to Beth Walters, Senior Vice President of Communications and Investor Relations. Please go ahead.

Beth A. Walters - *Jabil Inc. - SVP of Communications & IR*

Thank you, operator, and good afternoon, everyone. Welcome to our fourth quarter and fiscal year 2017 earnings call. Joining me on the call today are Chief Executive Officer, Mark Mondello; and Chief Financial Officer, Forbes Alexander. This call is being recorded and will be posted for audio playback on jabil.com in the Investors section. Our fourth quarter and fiscal year 2017 press release, slides and corresponding webcast are also available on our website. In these materials, you will find the financial information that we will cover during this conference call. We ask that you now follow our presentation with the slides on the website, beginning with Slide 2, our forward-looking statement.

During this conference call, we will be making forward-looking statements including, among other things, those regarding the anticipated outlook for our business, such as our currently expected first quarter of fiscal 2018 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, 2016, and our other filings with the SEC. 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.

On today's call, we will begin with an update from Mark, followed by fourth quarter results and first quarter 2018 guidance from Forbes. Following our prepared remarks, we will open it up to questions. And I'll now turn the call over to Mark.

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

Thanks, Beth. Good afternoon. I appreciate everyone taking the time to join our call today. As always, a special thanks to our employees here at Jabil. Each and every day, they serve our customers while keeping our people safe. And speaking of people, I'd like to express my deepest sympathies for those who face heavy loss caused by hurricanes Harvey, Irma and Maria, as well as the numerous earthquakes in Mexico and around the world. Our hearts and prayers go out to all including some of our very own Jabil family, who so negatively impacted their lives, especially our team in Puerto Rico. In the face of these tragedies, the type of tragedies that test human character, I'm proud to see our people rally together, jump in, and with absolutely no questions asked, help those in need across the communities where they work and live.

Now moving on to our fourth quarter results. We had an excellent quarter. Our EMS segment performed extremely well, exceeding our expectations in terms of both revenue and income. As for our DMS segment, our packaging and health care businesses met their lofty goals, while our Green Point team navigated technically challenged program ramps, driving factory costs higher for the quarter to the tune of $16 million to $17 million. So the good news in all of this, these efforts and events collectively resulted in $0.64 of core earnings per share, which is slightly better than our expectation for the corporation as a whole. Most importantly, this quarter illustrates the strength and diversification of our incoming cash flows across the Jabil enterprise. Overall, I'm pleased with the quarter, a strong close to a very solid year.

Forbes will speak to our forward guidance and highlight more detail around 4Q during his prepared remarks. But first, I'd like to acknowledge and recognize a set of vital accomplishments delivered by our team throughout fiscal year '17. The year was a near-perfect illustration of what we said a year ago during Jabil's Investor Day. First, within our EMS segment, we committed to progressive transformation of our approach in solution set, while at the same time growing income at a pace greater than the end markets served. We made tremendous progress on both accounts, resulting in our EMS core operating margin expanding 50 basis points year-on-year.

Second, in our health care and packaging businesses, we committed to strong double-digit growth while helping improve the way in which people live. As we sit today, I'd check the box on both. Health care and packaging are on track to grow 20% compounded annual growth rate per year through fiscal '19, becoming quite material to Jabil's financial performance. And third, we committed to remain a preeminent precision mechanics provider for the mobility market. We've successfully delivered on all 3 of these strategic objectives while continuing to invest in key technologies that can be leveraged across the markets we serve.

Furthermore, while Forbes was speaking at our Investor Day, he committed to $1 billion in cash flow from operations while establishing a goal of $2.50 per share in free cash flow for fiscal '17. We achieved both and by a wide margin.

As I wrap up my fiscal '17 comments, I'd certainly be remiss if I didn't express my gratitude to our entire Jabil team across all of our functional disciplines who worked so hard and were so integral in driving the company's success throughout the year. Thank you.

As we look ahead to fiscal year '18, our first quarter guidance suggests a strong start to the year. 90 days ago, I stated that we had a plan to deliver core operating income in the neighborhood of $2.60 a share for fiscal '18. Today, we stand by that plan as the plan remains grounded by program pipelines currently on our radar. Add to this a plan to deliver free cash flow in excess of $2 a share for the year while we invest in areas that we believe will yield reliable earnings and cash flows in fiscal '19 and beyond.

As we navigate the fiscal year, we intend to leverage the stability of our EMS business while managing double-digit growth within our DMS segment. Revenue for the corporation should be in the range of $20 billion to $21 billion. Growth for our EMS segment should be roughly 3%. And the shape of core income for EMS, when comparing the first half of the year to the second half of the year, should look very similar to fiscal '17. And finally, our DMS business, like always, will be dependent on product sell-through.

In summary, we've offered first quarter revenue guidance of $5.5 billion, reflecting strength in revenue and market share, again, a strong start to fiscal year '18.

In closing, I'd like to offer select thoughts about where I think we're going in fiscal year '19 and beyond. At Jabil, our shareholders are squarely at the forefront of our thoughts and actions, and to that end, we believe in what we're doing. We have a credible plan based on sound assumptions.

And while we typically don't speak prematurely of our successes, we're confident in our path forward. Please consider, our plan delivered core earnings of $1.86 per share in fiscal year '16 and $2.11 per share in fiscal year '17. Add to this an expected $2.60 a share of core earnings in fiscal year '18 and a goal to deliver $3 a share of core earnings for fiscal year '19. If achieved, this implies a compounded growth rate north of 15% for Jabil's core earnings per share over this time horizon.

But what's even more impactful is the ever-changing makeup of these earnings. When we dissect the individual components of future income streams, there's compelling evidence that our diversification will increase, establishing what I believe will be even more predictable earnings and cash flows as we move forward. On top of that, we'll continue to invest and invest heavily for our future. Examples of these investments include additive manufacturing in 3D print, automation and robotics, smart factory and digital platforms as well as material sciences, just to name a few. Make no mistake. These investments are planned and executed with a sense of purpose, and as a result, our belief of success is happening by design.

Jabil is an agile, decisive and most efficient operator of our business. We're working hard to construct a fantastic company that's sustainable for years to come, a company that we believe would be the most technologically advanced manufacturing solutions company in the world. And in doing so, there will be no room for compromise when it comes to keeping our people safe, demonstrating the highest level of respect for the environment and making real social difference around the world. Jabil's brand is the brand behind the world's greatest brands, and we're making the world better, safer, healthier and cleaner.

Thank you. And with that, I'll now turn the call over to Forbes.

Forbes I. J. Alexander - *Jabil Inc. - CFO*

Thank you, Mark. Good afternoon, everyone. I'll ask you to turn to Slides 3 and 4, where I will review our fourth quarter and full fiscal year 2017 results.

Net revenue for the fourth quarter was $5 billion, growth of 13% on a year-over-year basis. GAAP operating income was $118 million, with GAAP net income of $46 million. GAAP net diluted earnings per share were $0.25 for the quarter.

Core operating income, excluding the amortization of intangibles, stock-based compensation, restructuring and other charges, was $191 million and represented 3.8% revenue. Core diluted earnings per share were $0.64.

For the full fiscal year, net revenue was $19.1 billion, an increase of 4%. GAAP operating income was $410 million, while GAAP net income was $129 million. GAAP net diluted earnings per share were $0.69 for the year. Core operating income for the year excluding the amortization of intangibles, stock-based compensation, restructuring and other charges was $667 million and represented 3.9% of revenue. Core diluted earnings per share for the year, $2.11.

On Slide 5 and 6, I'll review our fourth quarter and fiscal year segments. In the fourth quarter, revenue for our Diversified Manufacturing Services segment was $2.15 billion, an increase of 32% on a year-over-year basis and represented 43% of total company revenue. Operating income for the quarter was 2.5%. Our Electronics Manufacturing Services segment revenue was $2.87 billion, an increase of 3% on a year-over-year basis and represented 57% of total company revenue. Operating income for the segment is 4.8%.

The operating income performance in the quarter is a result of program cost recoveries and strength across our EMS portfolio in areas such as automotive, capital equipment and printing.

Turning to the full fiscal year. Our Diversified Manufacturing Services segment revenue was approximately $8 billion, an increase of 9% on a year-over-year basis and represented 42% of total company revenue. The operating income for this segment was 2.9%.

Our Electronic Manufacturing Services segment revenue is approximately $11.1 billion, relatively consistent on a year-over-year basis, representing 58% of company revenue. The operating income for this segment was 3.9%, an improvement of 50 basis points over fiscal year 2016.

For the full fiscal year, we had one customer with revenues in excess of 10%, that being Apple, with 24%.

Net capital expenditures for the fourth fiscal quarter totaled $102 million, and for the full fiscal year, net capital expenditures were $541 million. As anticipated, our fourth quarter was characterized by very strong cash flows from operations totaling some $723 million, the cash flows from operations for the full fiscal year being $1.26 billion. Free cash flow, or cash flows from operations minus capital expenditures, was $715 million for the full year. Core return on invested capital for the fourth quarter was 17.6% and grew by 60 basis points on a year-over-year basis to 15.4% for the full fiscal year. Core EBITDA for the year was approximately $1.4 billion and represented 7.3% of revenue. Total debt to EBITDA levels at the fiscal year-end were approximately 2x and cash balances were $1.19 billion.

Now take a moment to turn to Slide 7. I'd like to discuss our capital return framework.

Our capital return framework was a key focus as we moved through fiscal 2017 and remains so in fiscal 2018. The return framework allowing a return of 40% of cash flows from operations via dividends and share repurchases through fiscal 2018 to a maximum of $1 billion. During the fourth quarter, we fully utilized the June 2016 authorization to repurchase $400 million worth of shares. Over the life of this authorization, we repurchased some 17.1 million shares at an average price of $23.37.

We also received board approval during the fourth quarter to repurchase up to an additional 450 million share -- $450 million worth of shares through the end of fiscal 2018. To date, we have returned some $477 million in dividends and share repurchases under this capital return framework. And as we look into fiscal 2018 and our operating cash flow forecast, we shall return the full $1 billion to shareholders by the end of fiscal year 2018.

I now would like to update you on our restructuring alignment plan. Throughout fiscal 2017, we took actions to enhance organizational efficiency and effectiveness. Specifically, headcount reductions across our SG&A cost base are complete and capacity realignment activities in higher cost locations has now commenced and remains on track to occur in the first half of fiscal 2018. As such, fiscal 2017 saw charges associated with this plan of approximately $160 million, of which $14 million is cash related. We anticipate conclusion of this plan and charges of approximately $35 million during fiscal 2018, and full savings associated with this plan of $70 million to $90 million remains on track to be fully realized commencing fiscal 2019.

I'd like to now very briefly discuss a recent acquisition that we made. I'm pleased to note that on the 1st of September, we acquired the assets of True-Tech, a manufacturing provider specializing in process-critical, high-precision machining, mechanical assembly and clean room assembly for a variety of semiconductor, aerospace and medical customers. This acquisition enables and complements our service offering in the capital equipment marketplace, and we welcome a specialized team of some 600 people to Jabil.

Now turning to fiscal 2018. Before discussing the details around our first quarter fiscal '18 guidance, I'd like to note that our operations in Cayey, Puerto Rico, servicing our health care customers, have received significant damage as a result of hurricane Maria. While we are still fully assessing the extent of the impact to our employees and operations, we do anticipate asset write-downs and costs associated with business interruption during the first half of fiscal 2018. We also expect that the majority of such costs shall be offset by insurance coverage. However, the timing of these recoveries shall very likely not align by quarter but all are expected to be within fiscal 2018. Given this, we intend to reflect the impacts of these write-downs and recoveries out with our core earnings guidance.

Now to the detail of our fiscal 2018 outlook. And this can be found on Slide 8. The Diversified Manufacturing Services segment revenue was expected to increase approximately 13% on a year-over-year basis to $2.7 billion, while the Electronics Manufacturing Services segment revenue was expected to increase approximately 3% on a year-over-year basis to $2.8 billion. We expect total company revenue in the first quarter of fiscal 2018 to be in the range of $5.25 billion to $5.75 billion for an increase of almost 8% at the midpoint of the range. Core operating income is estimated to be in the range of $198 million to $258 million, with core operating margin in the range of 3.8% to 4.5%. As a result, core earnings per share are estimated to be in the range of $0.65 to $0.91 per diluted share. GAAP earnings per share are expected to be in the range of $0.17 to $0.49 per diluted share. The tax rate on core earnings in the first quarter and full fiscal year is currently estimated to be 26% based on current levels of forecasted income. Capital expenditures for fiscal year '18 are estimated to be in the region of $700 million as we make investments to support diversified growth in revenues and income, in health care, packaging, automotive, industrial and capital equipment end markets, all supported by cash flows from operations in excess of $1 billion.

In closing, we're pleased with our fiscal 2017 performance: core earnings per share growth of 13%; cash flows from operations in excess of $1 billion; and capital expenditures of $540 million with returns to shareholders via dividends and share repurchases in the fiscal year of some $370 million. Positive momentum as we move into fiscal 2018. Our growth and diversification strategy continues. Growth and diversification in revenue, income and returns on invested capital as we focus on delivering core earnings per share of $2.60 in fiscal 2018 on our path to delivering $3 in fiscal 2019.

I'd now like to hand the call back to Beth.

Beth A. Walters - *Jabil Inc. - SVP of Communications & IR*

Thank you, Forbes. Before we begin the question-and-answer session, I would like to remind our call participants that in customary fashion, we will not be addressing customer- or product-specific questions. Thank you so much for your cooperation. Operator, we're now ready for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Paul Coster, JPMorgan.

Paul Coster - *JP Morgan Chase & Co, Research Division - Senior Analyst, Alternative Energy, and Applied and Emerging Technologies*

I'm wondering, Mark, whether you'd be kind enough to just give us a little bit of color around this ramp that you're experiencing in Green Point? And for that matter, as you look out to the full year and the EPS guidance of $2.60, to what extent -- well, what kind of assumptions go into that Green Point business, please?

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

Paul, so just as much as I'd love to, I just can't give you a lot of color around any of it, other than to say that not much has changed from our planning 90 days ago other than the fact that, as I said in my prepared remarks, the ramp of products was pretty challenged technically. We had some bloated costs in our factories through 4Q. Some of those cost overruns continued through the month of September. We're back on track as we sit today and the outlook going forward is well aligned with our plan.

Paul Coster - *JP Morgan Chase & Co, Research Division - Senior Analyst, Alternative Energy, and Applied and Emerging Technologies*

You also separately talked to 20% CAGR for your health care and packaging business. Is this visibility originating in contracts or is it your view of the end market for those businesses?

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

It's both.

Paul Coster - *JP Morgan Chase & Co, Research Division - Senior Analyst, Alternative Energy, and Applied and Emerging Technologies*

Okay. And then, finally, you talked to $2.60 in earnings this year. Can you just talk just a little bit about what levers you've got in the event that the Diversified Manufacturing business, there's some stuff outside of your control, what can you do to compensate if that falls short in the revenue line a little bit?

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

Yes. So, I think we've done a good job of kind of considering puts and takes. We talked about the $2.60 for fiscal year '18 90 days ago, during the June call, as we sit today. Not much has really changed. If you think about our guidance for 1Q of '18, 90 days ago we kind of felt that would be in the $0.80 range. I think our midpoint that we just provided is about $0.78 at the midpoint. We clipped a couple of pennies off for 2 reasons. Again, we had some cost challenges in the month of September. And then with our health care facility down in Puerto Rico, we've taken a bit of a conservative approach for 1Q and 2Q, in our thinking, but we believe we'll recover any of that in the back half.

Operator

Your next question comes from the line of Matt Sheerin of Stifel.

Matthew Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Just following up on that question, regarding the operating margin contribution for DMS. As you said, it looks like there's some hiccups here that are going to lead to operating margin in DMS down year-over-year. But as you look through the fiscal year, maybe comment on seasonality of the specialized services or the Green Point business, would you expect margins on a year-over-year basis to improve in that business as you get through the fiscal year?

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

So I don't think our margins in DMS are going to go down year-on-year. I think 1Q of '18, even with the business the way it looks today, I think there's a high probability -- and I think at our midpoint of guide, we'll still be in the 5% to 7% range, probably closer to the 5% range for DMS margins in 1Q. And then for the fiscal year, and we're not going to talk much about Q2, Q3, Q4 for DMS, but I wouldn't think margins would go down. In fact, I'd think they'd go up year-on-year for DMS in total.

Matthew Sheerin - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Okay, great. And in terms of some of the issues you saw on the technical side, does that impact your allocation with your customer or other suppliers also going through similar issues?

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

Again, won't comment on it, but we don't feel a whole lot different than we did 90 days ago in terms of the big picture throughout DMS.

Operator

Your next question comes from the line of Sean Hannan of Needham & Company.

Sean Kilian Flanagan Hannan - *Needham & Company, LLC, Research Division - Senior Analyst of Smart Grid, Electronic Mfg Svcs, IT Components & Electronic Components*

So first thing I want to see if I could bring up, if there's a way perhaps, Forbes, if you can walk through in a little bit more detail the contributors to the wide EPS range. I don't think we've seen it this wide in a long time. I'm sure we can make some guesses around that and some of this has been alluded to, I think, during some of the prepared comments. But can you help us to frame and put this in a little bit more context?

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

Sean, let me jump in on that. So we talked about that internally. I think our range is like $0.65 to $0.91. If you take a midpoint of $0.78, that's probably plus or minus 15%, something like that. That's not all of that unlike other quarters, especially Q1s. You add to it some of the dynamics going on throughout DMS as well as, again, some of the conservatism about when our Puerto Rico factory will come online. And if I could add a little color on that, we have great people down there. As I said in my prepared remarks, we had about 400, 450 people impacted by Maria. But I recognize, with all due respect to them, we have a business to run. It's not so much about maybe the income that we had in our plan being overly material to the company, but it's a little bit about the costs, when the costs layer in, and then also any anticipation of disruption from some of for health care customers. So all that, when I shake it all up, led to the guidance range that we provided. But again, if you look back to other 1Qs, it's not all that different.

Sean Kilian Flanagan Hannan - *Needham & Company, LLC, Research Division - Senior Analyst of Smart Grid, Electronic Mfg Svcs, IT Components & Electronic Components*

Okay. The reason I had asked, it looked like this is a $0.26 range, and last year was about $0.20. But I think the color you provided is understandable and makes sense.

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

I'd also say on a percentage basis, I think last year, we were probably a $0.10 below where we were now. So in absolute cents or pennies, if you will, the percentages aren't all that different.

Sean Kilian Flanagan Hannan - *Needham & Company, LLC, Research Division - Senior Analyst of Smart Grid, Electronic Mfg Svcs, IT Components & Electronic Components*

Understood. That's fair. As you folks look to the bigger picture of fiscal '18, without getting too much into the focus around mobility, can you talk about or elaborate a little bit more on the magnitude of where business is coming from in other areas that are providing the diversification that you're speaking to, Mark, for where the business becomes more predictable and being able to get to that type of an earnings number. Because it's clearly a nice movement forward especially given that we do have some more questions around -- on that mobility front. So just trying to understand, on the other pieces of the equation, really, what's driving that.

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

Okay. That was a lot. I'll take a swing at it and see if Forbes has anything to add. So the one thing I would agree with you on is in this environment, taking our results of whatever '17 was, $2.10, $2.11, extrapolating that out to the $2.60, I think that's an uptick of 22%, 23%. We feel really, really good about that. And what I tried to allude to in my prepared remarks is it's not just the uptick in core EPS year-on-year, but it's the makeup of the earnings. I think if you just -- one of the things we've been talking about for the last 3 or 4 years, our structure, our market-facing approach, our solutions, the discipline around the business and our diversification, they're working. And kind of getting at the level down to your question, when I think about areas that are giving us confidence in the $2.60, I'd talk about energy kind of automotive and transportation. We've got some V2V, so some vertical to virtual, opportunities that are in front of us. We've got opportunities in semi cap that are strong. And then I've been banging the drum, and Forbes has been banging the drum with health care and packaging. And again, I reiterated today in my prepared remarks, we're still looking at that -- those businesses combined from '16 to '19, growing at a CAGR of 20% or greater. And then the 2 other areas where we're spending a lot of time on is kind of around digital services, which that would kind of layer in towards the back half of the year and more of '19 and '20. And then the area of our business in EMS that we think about is connected consumer, which is really just kind of anything that connects to the cloud is doing quite well for us.

Operator

Your next question comes from the line of Adam Tindle, Raymond James.

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

I just wanted to clarify. Mark, you said $2 per share of free cash in fiscal '18? Is that right?

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

That's right. And again, if I compare that to '17, the biggest part there, Adam, is cash flow from ops. As we sit today, I think we're setting up for another strong year for cash flow for ops. The team did a wonderful job of CapEx management in fiscal year '17. I think we started the year, and through the year, Forbes was just kind of suggesting a CapEx range of $500 million to $600 million. I think we came in about $540 million. It had nothing to do with us doing anything other than making investments as the business dictated, but we probably had $20 million, $30 million of CapEx from '17 flip over into '18. And then the other thing I tried to allude to in my prepared remarks is I really like spending CapEx dollars if it's in the right areas that -- and I forget what my words were, but something around kind of more predictable, sustainable, more robust, stable earnings and cash flow streams for '19 and '20. So I think for FY '18, our CapEx range will be in the neighborhood of about $700 million for the year, and the business certainly can tolerate that based on cash flows along with our capital return framework that Forbes talked about in his prepared remarks, where I think it's highly, highly likely that investors are going to get all $1 billion, which was the top end of our commitment on our 2-year framework in terms of capital returns. So overall, the cash flows of the business as we sit today remain very strong.

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

Okay. I mean, the way that I was going to ask it is just may be comparing this CapEx cycle that we're entering into to the last one in fiscal '15 and '16, where CapEx was kind of in this $700 million, $800 million, $900 million range and heavily weighted towards mobility, where margins are in decline now. And what underpins the confidence that this one may play out differently? Is there a different ROI framework that you're using this time?

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

I'm not sure I understand completely what you're asking, but let me try to answer it this way. The mobility business for us is still quite important. I think that Forbes and I and Beth and Adam kind of have been talking about the fact that if you go back 3 years, 4 years, we made some investments that were a bit premature. And since then, we've been talking about the fact that we had a strong belief we'd be able to leverage those assets for the coming years, and that's exactly what we're doing. So if I think about our CapEx absolute dollars and I think about our CapEx profile, if I think about it in fiscal years '14, '15 and part of '16 and I contrast that to fiscal year '17 and '18, it's distinctly different.

Operator

Your next question comes from the line of Thejeswi Venkatesh of UBS.

Thejeswi Banavathi Venkatesh - *UBS Investment Bank, Research Division - Associate Director and Analyst*

I'm on for Steve Milunovich. I think you said Apple was a 24% customer in fiscal year '17, implying your health care and packaging business grew mid-teens. It sounds like you're expecting an acceleration in fiscal year '18. So could you talk to the dynamics there?

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

Yes. I haven't quite worked the math on all that, but my guess is you're probably right. So I would guess the answer to that would be yes. So if your math's correct, by default, I think you're correct. So I would again go back to the statement of, if you think about where we're at with health care and packaging in FY '15 and '16 and where we think that will be in terms of core earnings for FY '19, we still sit here today quite confident that, that will be a CAGR of 20%-plus.

Thejeswi Banavathi Venkatesh - *UBS Investment Bank, Research Division - Associate Director and Analyst*

Okay. And maybe just one follow-up on DMS. You mentioned the technical difficulties with your mobility customer in your prepared remarks. Your DMS revenue, though, came in a bit better than thought. I wanted to clarify whether that reflects non-mobility surprising above your expectations or maybe a broadening of your engagement with your mobility customer.

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

I'd answer it this way. Strong revenue in Q4, strong revenue in Q1 is a really good sign.

Operator

Your next question comes from the line of Sherri Scribner, Deutsche Bank.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

I was hoping you could provide a little detail on the strength in the EMS segment in terms of the margins this quarter. And then, Mark, I think you said that we should expect margins to have a similar trajectory in fiscal '18. Should we see EMS margins at similar levels or better? And would we see the sort of step-up in 4Q next year that we saw this quarter this year?

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

Sure, Sherri. So good question. Let me just think for 3 seconds here how I would answer that. So if I could dissect Q4, which I think you were starting with, back in the June call, and I don't know if I have these numbers exactly correct, but the June call, I think either Forbes or I said that we expected EMS to deliver about 4.2% for 4Q of '17. We ended up delivering 4.8%. When we talked about the 4.2% number, internally, we thought we'd deliver 4.3%, 4.4%, so we bought ourselves a 10, 20 basis point buffer before we committed to 4.2%. So if you take what we thought we'd do, with the natural part of the business being 4.3%, 4.4%, we delivered 4.8%, and that was simply -- if you can imagine our EMS business that Mike and Alex run, they manage 200 customers-plus. So as we wind out our fiscal year, there's a ton of puts and takes that I would call maybe a bit unnatural, which is end-of-life programs where maybe margins aren't where we need them to be, cost recoveries and things like that. All of that's shaken up. It was probably to the tune of about an extra $10 million, $12 million for the quarter, and that's the -- there's not much more to the 4.8% versus maybe the thought process of the natural business being 4.3%, 4.4% for 4Q of '17. As I think about fiscal year '18 and what I tried to get across in my prepared remarks is, we think that both top line and bottom line for EMS off of FY '17 base will grow in the range of about 3%. And therefore, if that occurs, the margin structure for the year won't be that different. And I also tried to communicate, although we won't be able to dial it in quarter on quarter on quarter, if you think about first half of '17 EMS profit and EPS and you think about second half, the first half to second half for EMS business will be very similar to FY '17. So summarizing that, I think we're giving you a lot of color around the EMS business for FY '18.

Sherri Ann Scribner - *Deutsche Bank AG, Research Division - Director and Senior Research Analyst*

Okay, great. That's super helpful, all that detail. And then I just wanted to clarify, when you mentioned the $20 billion to $21 billion in revenue, was that a fiscal '18 number or a fiscal '19? Because I know you've set about $20.5 billion in the past for fiscal '19. Just want to make sure I have the right year.

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

I appreciate the clarification. No, it was for fiscal year '18.

Operator

Your next question comes the line of Jim Suva of Citi.

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

On the acquisition you just made, is it fair to say it's very small or immaterial in revenues and earnings? Or should we think about some type of material impact there?

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

Jim, could you repeat that?

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

The acquisitions that you just did...

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

Oh, the acquisitions.

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

How did it impact your company revenues, any materiality there?

Forbes I. J. Alexander - *Jabil Inc. - CFO*

Jim, it's Forbes. Yes, it's not overly material. I think the key pieces material for us there are the capabilities that, that brings to us. So it's modest in terms of size both in terms of revenue and cost to us, and that's really been our mantra over the last 2 or 3 years, is continuing to add to the capabilities, listening to our customers, giving us the opportunity to continue to grow there. So we're really excited about bringing on the True-Tech folks. It really adds to our capabilities and allows us another growth platform for revenue through '18 and into '19 in the semi cap, capital equipment space.

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

Great. And as a follow-up, I think your CapEx was about $540 million this year. What should we be modeling kind of longer term for the company, like say for next fiscal year? And then also on stock comp, it looks like it's up higher next quarter. Is that seasonal or due to change of incentives? Or due to your stock price being higher? Or is my math just wrong and the stock comp didn't go up?

Forbes I. J. Alexander - *Jabil Inc. - CFO*

Yes. So, Jim, the CapEx for next year, we're seeing in the neighborhood of about $700 million, so fiscal '18 as we continue to invest in terms of our diversification strategy across the company. With regards to stock comp, yes, you'll see that up a little bit as we move into fiscal Q1, just as we got some incentives coming into play there. So you're thinking about that the right way.

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

Great. And my last question. I think you referenced $16 million to $17 million of higher costs associated with Green Point. Are those now behind you? Or is it kind of a yield learning thing where they linger on for a couple more quarters? Or how should we think about the work-through of that $16 million to $17 million higher cost?

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

I'd say issues are largely worked through and they're all considered both in our 1Q of '18 guidance and the fiscal year guidance for '18.

Operator

Your next question comes from the line of Mark Delaney, Goldman Sachs.

Mark Trevor Delaney - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

The first question is a follow-up on the DMS segment. One of the things the company has talked about in the past is having a goal of improving its diversification across different mobility products so that it's not still impacted by the mix of which mobile products may or may not sell well in the end market, which is obviously very difficult to forecast. And I was just wondering to what extent you can give us an update on your prior comments about Jabil improving on that effort this year, and to what extent we should think about Jabil being generally agnostic to which products are selling well in the mobility market.

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

I think we've been talking about diversification across the whole enterprise for 4, 5 years and the benefit to shareholders being that, as an example, when we have a quarter like 4Q of '17, where there's puts and takes in part of the business, the more diversified we are, the better it is for shareholders because we tend to be able to lean on different parts of the business, and I think that's good news. So without commenting too discreetly about any one portion of the business, I'm a big fan for diversification, Mark, and we're working hard towards that, and I feel good about how things look going forward.

Mark Trevor Delaney - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

That's helpful. And then for a follow-up question, was on the restructuring program, and, Forbes, I appreciate the updated thoughts that you provided. And I think you said some of those savings will start to manifest themselves at some point later in the first half of fiscal '18. Can you just help us understand where we'll see that and how we may see that in the P&L between COGS and SG&A? And is there any sort of dollar step-down in SG&A we should have in mind? Or is it more just about absorption and just good leverage as you move through the year?

Forbes I. J. Alexander - *Jabil Inc. - CFO*

Yes. Let me we try and give you some color on that, Mark. So we saw a benefit roughly of, overall in this program, about $195 million over a 2 fiscal year period. And my prepared remarks talked to $70 million to $90 million benefit in fiscal '19. So another 12 months before you see the full benefit of that. In fiscal '17, we saw about $25 million worth of benefit. You saw some of that coming through the SG&A line. I think we're down year-over-year overall on a core basis if you take out stock-based compensation. So a lot of the heavy lifting on the SG&A has been done in fiscal '17. You'll see an incremental in the region of $20 million, $25 million in this fiscal '18, again, depending on the timing of some of these higher-cost locations coming out of our network, and the majority of that benefit, you'd see really coming through the gross margin line in terms of asset utilization. And remind you that those revenue streams are actually transferring to other facilities in our network. So that's really the way to think about it. $25 million last year, another $25 million this year, and then I guess it needs about another $30 million incremental as we move into fiscal '19.

Operator

Your next question comes from the line of Steven Fox, Cross Research.

Steven Bryant Fox - *Cross Research LLC - MD*

I had a -- I need a clarification, then I had a question. I just want to be certain on one thing, which is the extra cost in Green Point and then also the tragic events in Puerto Rico, that's all a cost impact? Or is there some kind of revenue impact that was factored in either in the last quarter or [stacked] into going forward, especially when you think about all your customers that are in the Puerto Rico region? And then I had a question after that.

Forbes I. J. Alexander - *Jabil Inc. - CFO*

Yes. It's predominantly on the cost side, Steve. Now it's clearly early to understand the impacts on our health care customers. But I think in the guidance that we've given certainly for Q1 and overall the guidance and the range for the year, contemplates some conservatism there. But it's clearly very early in Puerto Rico. I don't think there'll be material impact in the top line. It's more about costs and how quickly we can recover and get up.

Steven Bryant Fox - *Cross Research LLC - MD*

Got it. And then just in terms of the EMS margins, I understand why the definition around where you may have slightly overearned in the quarter, but the mix is increasing, and then by definition, you're going to have some other sort of more mature products go end of life as part of that mix. So why shouldn't we be looking for margins that can sort of trend over time towards, say, the 5% range more consistently?

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

Come on, Steve. We're at 2.5% like 3, 3.5 years ago and the EMS team's doing a great job. So you know what, we're aligned on the goal but 1 year at a time. I mean, the business is performing superbly. And I hear you, but let's take it a year at a time.

Steven Bryant Fox - *Cross Research LLC - MD*

Put it another way, is mix a trend that we should keep counting on? Forgetting about what numbers -- is mix going to be net favorable for you over the next couple of years?

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

I don't know. I mean, again, what we're trying to do is I think our EMS business, in general, has a very robust platform. And the stronger we can make that foundation, the better it is for our shareholders. So that's what we're efforting towards. And again, if you think about our EMS segment, today, earnings are spread across 200, 220 customers, and again, that's a pretty good catalyst for a strong foundation.

Operator

Your next question comes from the line of Ruplu Bhattacharya, Bank of America Merrill Lynch.

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

The first one, just on -- maybe a clarification on the non-Apple Green Point business. I know -- I just want to make sure the 20% year-on-year you guided is just for the health care and packaging. But, Mark, is the non-Apple Green Point business, should we also think about that segment as a double-digit kind of growth segment? And are the margins well within the 5% to 7% DMS range for that part of the segment?

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

That's a great question. Unfortunately, we just don't break that out. So when it comes, again, our reporting segments and the way I look at the businesses, our EMS segment our DMS segment, and then where we've given cover the last couple of quarters including today is we kind of give you a good breakdown around the entire EMS segment. When it comes to the DMS segment, we kind of bifurcate, if you will, a little bit on health care packaging and JGP, but that's as far as we'll take it.

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

Okay, fair enough. Maybe one for Forbes then. Forbes, if I remember from the last Analyst Day, with respect to the tax rate, you had said that over the next 2, 3 years from fiscal '16, you should see the tax rate go down 3% to 4%. And fiscal '16 was like 27% tax. I think you just guided fiscal '18 to also 26%. So is there a change in your perspective on what the tax rate would be like in this range of fiscal '16 to '19?

Forbes I. J. Alexander - *Jabil Inc. - CFO*

Yes. No, I think there's still opportunity as we move through the back half of '18 into '19 see that tax rate go down. Now what we are seeing is a little bit of a shift in terms of the geographies in which the income's being produced. So I think certainly, from a year ago, I would say our Indian operations are performing particularly well versus perhaps a year ago, which drives a little bit more of the tax dollars. But as I think about the portfolio we have in front of us here and the mix as we move forward, there's certainly opportunities. What, we were at 27% or so last year, 26% this year, opportunities getting down towards that 25% range. But we'll see as we move through the year here and into '19. So there's still opportunity.

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

Okay. Great. And just a last one from me. Your CapEx went up to $700 million, and I realized, Mark, you said the $20 million, $30 million probably pushes out from fiscal 2017 into fiscal '18. Of that -- of the delta $70 million-or-so, you said it's in more predictable kind of businesses. So should we take it that it's not in the mobility space? And any color, like what's it going towards? Is it new factories or new equipment? Like what is the composition of that $70 million spend?

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

It's -- I think if we were to (inaudible) that line item by line item, you'd find that it's really, really a nice blend across the entire corporation, not overly heavily in EMS, not in DMS, not any one sector. I feel really, really good about the blend and the mix of the CapEx that's projected for '18.

Operator

And your next question comes from the line of Amit Daryanani, RBC Capital Markets.

Jyhhaw Liu - *RBC Capital Markets, LLC, Research Division - Senior Associate*

This is Irvin Liu calling in for Amit. My first question is just on EMS. It looks like the segment reverted to year-over-year growth this quarter, with strength across auto, capital equipment and printing end markets. Is it possible to sort of stack up your performance in this segment sort of the way we think about it split between broader end market strength and perhaps your share gains?

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

I'm not sure I understand the question. To be sure I can give you an answer that you're looking for, maybe you could try that again.

Jyhhaw Liu - *RBC Capital Markets, LLC, Research Division - Senior Associate*

Yes. Sure, sure. Well, why don't you try to -- maybe you can try answering it first.

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

I can't answer it, because I don't understand it, although I'd love to.

Jyhhaw Liu - *RBC Capital Markets, LLC, Research Division - Senior Associate*

Is it possible -- I mean, just based on your year-over-year growth this quarter, right, is it possible to sort of provide more color on the performance, either -- whether it's driven by some of your end market strengths or your individual company share gains?

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

Oh, I see. I see, okay. That, I understand. So one of the things we said a year ago at the Investor Day is we felt like a significant portion of our EMS business could grow greater than the growth rate of end markets they serve. So by nature, that would be share gain. So I think I would say, and I forget how I answered this earlier, but maybe I'll try to get it correct or the same, is in the EMS segment, we're seeing strength around auto transport and opportunities there, semi cap, energy, what we would kind of consider kind of connected consumer. So I would say that add to that, the -- kind of the virtual manufacturing opportunities we have that may end up coming to us that maybe historically had been embedded inside of the customers we serve, I'd say the vast majority of the opportunities, especially when you look at our bottom line growth, is maybe 65%, 70% market share and the balance kind of end market growth on a blended basis.

Jyhhaw Liu - *RBC Capital Markets, LLC, Research Division - Senior Associate*

Got it. Got it. No, that's helpful. And in terms of your $2.60 EPS target for fiscal '18 and $3 in fiscal '19, if I recall it correctly, last quarter, you indicated that 70% of that sort of earnings -- net income growth performance was going to be driven by margin expansion. Is this mostly unchanged even given this sort of Q1 DMS margin hiccup dynamic? Or are your sort of top line contribution assumptions sort of shifted given the DMS margin hiccup in Q1?

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

Are you asking about the $2.60?

Jyhhaw Liu - *RBC Capital Markets, LLC, Research Division - Senior Associate*

Yes.

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

Okay. I don't think that's attached. And again, I could have this wrong, so let me apologize ahead of time if I don't get this right. But I think in the last call, there was a question around how are we achieving maybe the growth rate in health care and packaging, was it around top line growth or margin expansion? And I gave an answer that was something similar to what you just said, which was I said, maybe 65%, 70% was margin expansion and the balance was kind of top line growth based on opportunities. I don't think I've ever given that type of breakdown in terms of the whole corporation or the $2.60.

Jyhhaw Liu - *RBC Capital Markets, LLC, Research Division - Senior Associate*

Okay. Got it. Got it. And that's unchanged even given the sort of margin hiccup in Q1, right, for DMS?

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

I don't think there's a margin hiccup in Q1. You mean in terms of -- what?

Jyhhaw Liu - *RBC Capital Markets, LLC, Research Division - Senior Associate*

I guess basically incurring higher costs, right, from...

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

Yes. I think what I said was, is we -- all along, we've kind of felt like Q1 would be an $0.80 quarter and we just gave guidance to $0.78, so call it $0.02 on the overall corporate platform.

Operator

We have reached our allotted time for questions. At this time, I would like to turn the call back over to Beth Walters for any closing remarks.

Beth A. Walters - *Jabil Inc. - SVP of Communications & IR*

Great. Thank you, everyone, for joining us today. We will be here this evening and the rest of this week for any follow-up calls with investors, analysts and the investment community. Thank you, again, for your interest in Jabil.

Operator

Thank you for participating in today's conference. You may now disconnect.
