

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 November 30, 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

JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

38-1886260  
(I.R.S. Employer  
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 January 5, 1998, there were 37,034,732 shares of the Registrant's Common Stock outstanding.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

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

	August 31, 1997 -----	November 30, 1997 ----- (Unaudited)
ASSETS		
Current assets		
Cash	\$ 45,457	\$ 43,151
Accounts receivable - Net	116,987	134,357
Inventories	96,187	111,779
Prepaid expenses and other current assets	776	801
Deferred income taxes	6,591	6,046
	-----	-----
Total current assets	265,998	296,134
Property, plant and equipment, net	139,520	163,989
Other assets	385	962
	-----	-----
	\$405,903	\$461,085
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Note payable to bank	\$ -	\$ 10,000

Current installments of long term debt	2,475	0
Accounts payable	125,741	149,847
Accrued expenses	34,248	30,424
Income taxes payable	6,186	14,448
	-----	-----
Total current liabilities	168,650	204,719
Long term debt, less current installments	50,000	50,000
Deferred income taxes	3,663	3,824
Deferred grant revenue	2,105	1,902
	-----	-----
Total liabilities	224,418	260,445
	-----	-----
Stockholders' equity		
Common stock	37	37
Additional paid in capital	61,632	61,716
Retained earnings	119,816	138,887
	-----	-----
Total stockholders' equity	181,485	200,640
	\$405,903	\$461,085
	=====	=====

See Accompanying Notes to Consolidated Financial Statements

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JABIL CIRCUIT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(In thousands, except for per share data)  
(Unaudited)

	Three months ended November 30,	
	1996	1997
	-----	-----
Net revenue	\$203,070	\$319,512
Cost of revenue	179,978	278,167
	-----	-----
Gross profit	23,092	41,345
Operating expenses:		
Selling, general and administrative	7,727	11,077
Research and development	705	912
	-----	-----
Operating income	14,660	29,356
Interest expense	658	713
	-----	-----
Income before income taxes	14,002	28,643
Income taxes	5,174	9,572
	-----	-----
Net income	\$ 8,828	\$ 19,071
	=====	=====
Net income per share	\$ 0.23	\$ 0.49
	=====	=====
Weighted average number of		

shares of common stock and  
common stock equivalents

37,884  
=====

38,675  
=====

See Accompanying Notes to Consolidated Financial Statements

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

	Three months ended November 30,	
	1996	1997
	-----	-----
Cash flows from operating activities:		
Net income	\$ 8,828	\$ 19,071
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,433	7,128
Recognition of grant revenue	(575)	(203)
Deferred income taxes	(1,355)	706
(Gain) loss on sale of property	(17)	18
Changes in operating assets and liabilities:		
Accounts receivable	6,916	(17,370)
Inventories	(2,627)	(15,592)
Prepaid expenses and other current assets	32	(25)
Other assets	1,603	(784)
Accounts payable and accrued expenses	(5,690)	28,544
Net cash provided by operating activities	12,548	21,493
	-----	-----
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(13,318)	(31,418)
Proceeds from sale of property and equipment	20	10
Net cash used in investing activities	(13,298)	(31,408)
	-----	-----
Cash flows from financing activities:		
Increase in note payable to bank	0	10,000
Payments of long-term debt	(544)	(2,475)
Payments of capital lease obligations	(72)	0
Net proceeds from issuance of common stock	466	84
Net cash provided (used) by financing activities	(150)	7,609
	-----	-----
Net decrease in cash	(900)	(2,306)
Cash at beginning of period	73,319	45,457
	-----	-----
Cash at end of period	\$ 72,419	\$ 43,151
	=====	=====

See Accompanying Notes to Consolidated Financial Statements

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JABIL CIRCUIT, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1. 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, 1997 contained in the Company's 1997 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 three month period ended November 30, 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 November 30, 1997 the Company had outstanding approximately \$32.1 million in equipment purchase commitments, and approximately \$6.8 million in commitments related to the construction of new manufacturing facilities.

The Company is party to certain 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 (EPS) 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 June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income. Statement 130 establishes standards for reporting comprehensive income. The Statement defines comprehensive income as the change in equity of an enterprise except those

resulting from shareholder transactions. All components of comprehensive income are required to be reported in a new financial statement that is displayed with equal prominence as existing financial statements. The Company will be required to adopt this statement September 1, 1998. As the Statement addresses reporting and presentation issues only, there will be no impact on earnings from its adoption.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information. Statement 131 establishes standards for related disclosures about the products and services, geographic areas, and major customers of an enterprise. The Company will be required to adopt this Statement for financial statements for the fiscal year ending August 31, 1998. As this Statement addresses reporting and disclosure issues only, there will be no impact on earnings from its adoption.

NOTE 2. BALANCE SHEET DETAIL

The components of inventories consist of the following:

In thousands	August 31, 1997 -----	November 30, 1997 ----- (Unaudited)
Finished goods	5,594	2,601
Work in process	15,160	18,840
Raw materials	75,433	90,338
	-----	-----
	96,187	111,779
	=====	=====

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 first quarter increased 57% to \$320 million compared to \$203 million in the first quarter of fiscal 1997. The first quarter increase from the previous fiscal year was primarily due to increased production of communications and computer peripherals products. Foreign source revenue represented 34% of net revenue for the first quarter of fiscal 1998 compared to 31% for the same period of fiscal 1997. The increase in foreign source revenue was attributable to increased production at the Company's foreign locations.

Gross margin increased to 12.9% for the first quarter of fiscal 1998 from 11.4% for the first quarter of fiscal 1997. This increase resulted from a shift in product mix to higher value added products and increased utilization of the Company's domestic and international operations.

Selling, general and administrative expenses in the first quarter of fiscal 1998 decreased to 3.5% of net revenue compared to 3.8% of the prior fiscal

year, while increasing in absolute dollars from \$7.7 million in fiscal 1997 to \$11.1 million in fiscal 1998. The dollar increase was primarily due to increased staffing and related departmental expenses at all the Company's locations along with increased information systems staff to support the expansion of the Company's business.

Research and development expenses of 0.3% in the first quarter of fiscal 1998 were consistent with the first quarter of fiscal 1997. In absolute dollars, the expenses increased approximately \$207,000 versus the same period of fiscal 1997 due to expansion of circuit design activities.

Interest expense increased approximately \$55,000 in the first quarter of fiscal 1998 to \$713,000 due to an increase in short term borrowings and decreased interest income earned on cash balances.

The Company's effective tax rate decreased to 33.4% in the first quarter of fiscal 1998 from 37.0% in the first quarter of fiscal 1997. The fiscal 1998 tax rate is 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.

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#### 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 on the Company's results of operations.

#### LIQUIDITY AND CAPITAL RESOURCES

At November 30, 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 \$100 million of working capital borrowing capacity.

The Company generated \$21.5 million of cash in operating activities for the three months ended November 30, 1997. The generation of cash was primarily due to net income of \$19.1 million, depreciation and amortization of \$7.1 million and an increase of accounts payable and accrued expenses of \$28.5 million, offset by an increase in inventories of \$15.6 million and an increase in accounts receivable of \$17.4 million.

Net cash used in investing activities of \$31.4 million for the three months ended November 30, 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 \$7.6 million was provided by financing activities for the three months ended November 30, 1997. This was primarily attributable to \$10.0 million in proceeds of bank notes payable, offset by \$2.5 million in payments of long term debt.

The Company believes that cash on hand, funds provided by operations and available borrowings under the credit facility 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 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 November 30, 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: January 9, 1998

/s/ Thomas A. Sansone

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Thomas A. Sansone  
President

Date: January 9, 1998

/s/ Chris A. Lewis

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Chris A. Lewis  
Chief Financial Officer

## EXHIBIT 11.1

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

	Three months ended November 30,	
	1996	1997
	-----	-----
Net income	\$ 8,828	\$19,071
	=====	=====
Computation of weighted average common and common equivalent shares outstanding:		
Common stock	35,668	37,019
Options	2,216	1,656
	-----	-----
Total number of shares used in computing per share amounts	37,884	38,675
	=====	=====
Net income per share	\$ 0.23	\$ 0.49
	=====	=====

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF INCOME FILED AS PART OF THE QUARTERLY REPORT ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH QUARTERLY REPORT ON FORM 10-Q.

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